

The Atrium, Overstone

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What is a Management Company and why is it required?

A Management Company called The Atrium (Overstone) RMC has been set up for your development to manage areas of the development where ownership of these areas is not transferred to the residents directly. You will be responsible for the maintenance of your home and any land conveyed to you, whilst the Management Company will maintain any areas which are not conveyed to any purchaser. These are communal areas for the benefit of some or all residents and therefore have to be held in a separate entity.

During the initial set up and construction the developers Directors provide the directors of the Management Company. This is common practice as it provides time for the communal areas to be completed and Bovis are responsible for making sure that happens. Once the communal areas are ready, Bovis will hand control of them over to the Management Company and when the development is complete, residents will take over as directors of the Management Company.

The Managing Agent (see below) will continue to support the residents in the running of the Management Company so that communal areas are maintained after Bovis have left the development.

Which parts of the development are covered by the Management Company?

The development known as The Atrium situated in Overstone, Northamptonshire comprises of 700 new homes.

The areas which are planned to fall to the Management Company to manage and maintain are highlighted on the managed area plan in the sales centre, which includes the insurance, management, and maintenance of the Public Open Spaces (POS) including private footpath, Play Area, amenity areas, ornamental gardens with seating, wet wildflower areas, surface water drainage and balancing feature.

What is the role of the Managing Agent?

The Managing Agent is an external company, appointed by the developer's, to maintain the communal areas of the development once they have been handed over to the Management Company.

Their role is to assist the residents of the development in building their community, by maintaining the communal areas to a good standard and ensuring that the administration of the Management Company is professionally handled. This ensures that the residents don't have to worry about getting areas insured, getting accounts and audits done for the Management Company, appointing landscapers to care for public open space and play areas or appointing cleaners to maintain stairwells and other internal communal areas.

Whilst initially appointed by the developer, before any homes are handed over, the Managing Agent is employed by the Management Company and therefore by the residents. The residents can challenge the Managing Agent on their performance and on the service charge and, if necessary, replace them with a different Managing Agent.

What is a service charge and how is it calculated?

When you legally complete, you will become a member of the Management Company and you will agree to pay an annual service charge for the maintenance of the communal areas on the development.

The service charge is paid to the Managing Agent so that they can then pay for all the costs which they incur in managing the estate on your development. The amount you pay is your share of the total cost, based on the Managing Agents estimate of what they will spend, given their experience of other similar developments.

Below is a schedule of the items which the Managing Agent will maintain on behalf of the Management Company, together with their estimate of the likely cost for the coming year.

SERVICE CHARGE ESTIMATE DETAIL	Cost Estimate
Landscape maintenance	£46,800
Play areas maintenance	£1,500
General repairs	£2,000
Watering provision	£1,000
Woodland litter pick (annually)	£160
SUDS inspection/routine maintenance	£1,200
Public liability insurance	£1,750
Accountancy and legal fees	£3,220
Company secretarial fees	£1,102
External accounts certification fee	£823

Postal Costs	£6,300
Tree/hedge reserve	£2,800
SUDS reserve fund	£1,750
General reserve fund	£1,400
Play area reserve fund	£1,750
Open Space Health & Safety Inspections	£680
Managing agents management fee	£48,720
TOTAL ESTIMATED COST	£122,955
Number of units on the development	700
Estimated service charge per household per year	£175.65

Your service charge is likely to increase, year on year, because prices of labour and materials are likely to rise in line with inflation. The Managing Agent will keep you informed of any increases each year and provide an explanation of why the increase is necessary.

Typically, what do the elements of the service charge cover?

- a) **Landscape and play area maintenance** – this includes regular visits to the site to mow grass, keep down weeds, maintain trees and plants and make sure that the play equipment is safe, carrying out any maintenance as required. The visits are more frequent in the spring and summer and generally monthly in the Autumn and Winter.
- b) **Waste and dog bin emptying and maintenance** – the bins around the communal areas are emptied and disposed of regularly.
- c) **Benches, art and ornamental garden** - there are a number of benches, seats, fences, etc which require maintaining to ensure that they do not get into disrepair.
- d) **Sinking fund** – whilst the equipment around the communal areas is carefully maintained, sometimes there is a requirement to replace items. This would be particularly relevant to play equipment which becomes unsafe. A fund is built up to pay for these items when such occasions require.
- e) **Public liability insurance** – whilst residents will take out insurance on their homes which they own, there is a need to have insurance for the communal areas and for the Management Company itself.
- f) **Accountancy, legal and company secretarial fees** – because the Management Company is a Limited Company, which provides a level of legal protection for the residents, the Company has to have proper accounts prepared and audited and has to register with Companies House. This will all be arranged by the Managing Agent.
- g) **Health & safety requirements** – this is an important element of running the communal areas with the need for periodic risk assessments, advice and action taken to ensure that everything is kept in a safe condition for everyone who wants to use those areas. This will include fire risk assessments for apartments.
- h) **Managing agent management fee** – this is the fee charged by the Managing Agent to act on behalf of the residents in managing the communal areas. All of the items above will need to be arranged and managed, with contractors appointed for maintenance and repair, insurance arranged, and accountants and solicitors appointed.

How and when is the service charge levied?

When you legally complete on your home and sign up to your rights and obligations relating to the Management Company, an amount of Service Charge will be payable for the first 6 months, between your completion and the end of the service charge period.

The Managing Agent will then send you an annual service charge invoice every year. If you recently legally completed and therefore have just paid an amount on completion, this will be credited against the invoiced amount. You will only pay your share of the Service Charge for the period which you have been in ownership of your home.

Who maintains the communal areas from the start?

Bovis is responsible for creating and building any communal areas.

When the communal areas are complete, they will be handed over to the Managing Agent for maintenance. This will vary from site to site; on some developments everything will be handed over at the end, on others there will be a phased handover over the course of the development.

When Vistry are maintaining the communal areas, the residents will not be charged for the maintenance of the communal areas. However, a service charge may still be levied as there are administration costs incurred by the Managing Agent in order to ensure that insurance is in place and accounts and audits are carried out. This may be covered by the service charge collected on completion (see 6. Above) but if it continues for a long period you may be asked to pay a further service charge.

What happens when the development is finished?

When the developer has completed all the homes and the environment around the homes, the communal areas will be fully handed over to the Management Company. Those areas must be properly completed and be in good condition. Handover will only take place when the Managing Agent is happy to take those communal areas on.

Up to this point, the Directors of the developer will have been acting as Directors of the Management Company, acting on behalf of the residents. When everything is complete, the managing agent will look for residents who are willing to take on the role as Directors of the Management Company.

Until the resident officers are in place, the developer may ask the Managing Agent to stand in as officer of the Management Company. However, control of the Management Company remains in the hands of the residents as members. The Managing Agent will support the residents in the running of the Management Company, but the residents always have the right to do things differently if they choose to.

Who should I contact with any queries?

The details of the contacts at the Managing Agent are as follows:

Residential Management Group Ltd (RMG), RMG House, Essex Road, Hoddesdon, Hertfordshire EN11 0DR

Customerservice@rmguk.com

Phone: 0345 002 4444