

SERVICE CHARGE GUIDE

Longhedge, Old Sarum
Bovis Homes and Linden Homes



02

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What is a Management Company and why is it required?

A Management Company called Longhedge Village (Salisbury) Management Company Limited has been set up for your development to manage areas of the development and some parts of its buildings, where ownership of those 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 residents and therefore have to be held in a separate entity.

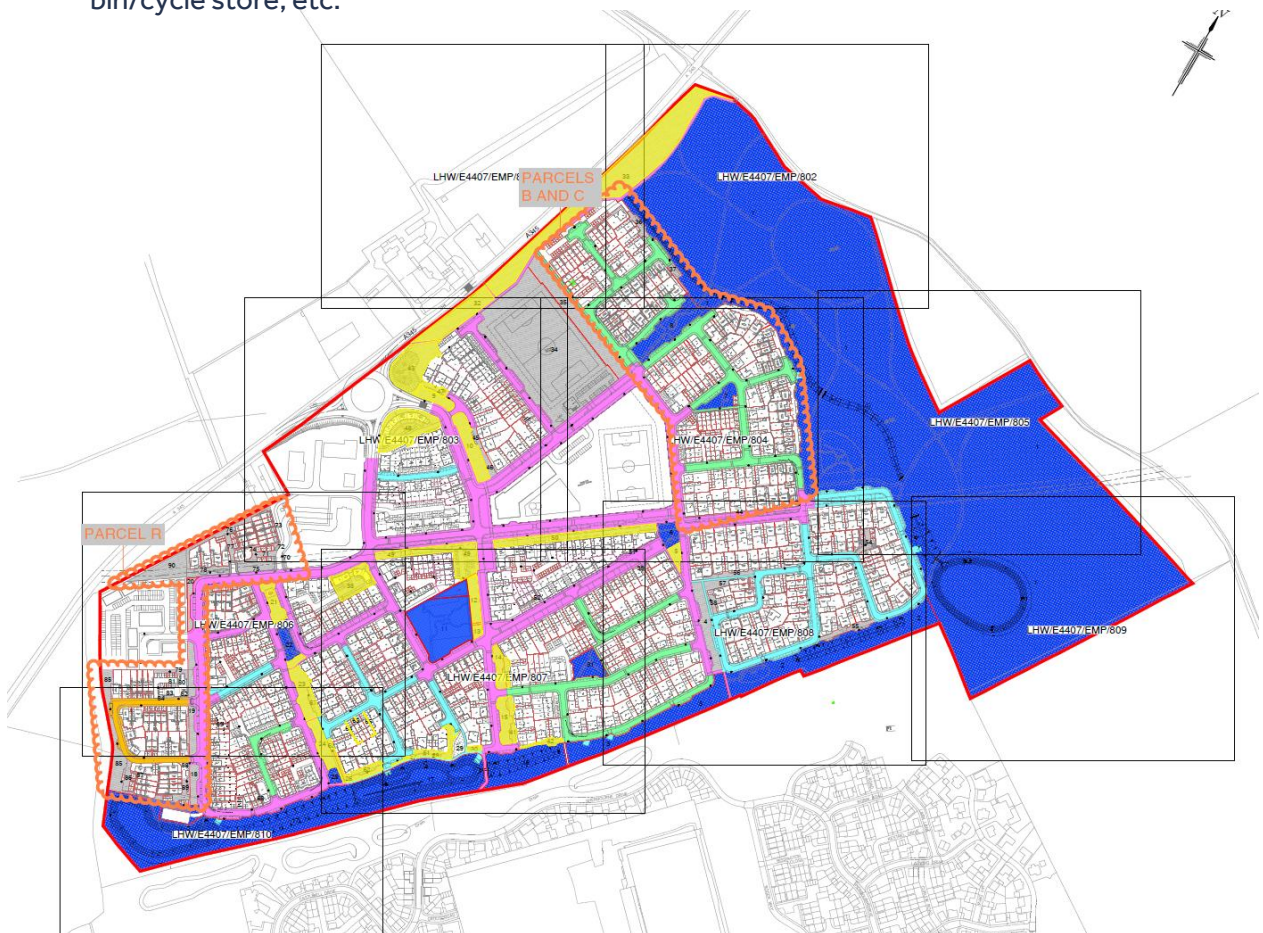
During the initial set up and construction of the development, the developers will provide the directors of the Management Company. This is common practice as it provides time for the communal areas to be completed and the developer are responsible for making sure that happens. Once the communal areas are ready, the developer 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 will continue to support the residents in the running of the Management Company so that communal areas are maintained after the developers have left the development.

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

The areas which are planned to fall to the Management Company to manage and maintain are highlighted on the plan below, which includes the insurance, management, and maintenance of the Public Open Spaces (POS), the attenuation pond, play equipment and footpaths. The plan also details the development as a whole, including its boundaries which are detailed with red lines.

If you are purchasing an apartment, the structure of your building will fall to the Management Company to manage, maintain and insure, including the communal parts of the building, for example, the foundations, roof, stairwells, lifts, service risers, bin/cycle store, etc.



What is the role of the Managing Agent?

The Managing Agent is an external company, appointed by the developer, to maintain the communal areas of the development/buildings 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.

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 and buildings 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.

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?

This will be different for each development. This is just an example of the types of information which might be used in providing the best possible information.

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, usually every two weeks and generally monthly in the Autumn and Winter.

WASTE AND DOG BIN EMPTYING AND MAINTENANCE

The bins around the communal areas are emptied and disposed of every two weeks.

BENCHES AND OTHER STREET FURNITURE

There are a number of benches, seats, fences etc which require maintaining to ensure that they do not get into disrepair

ELECTRICITY AND LIGHTING TO COMMUNAL SPACES

Some of the pathways have lighting which require power and maintenance, which will be covered in the charge.

CLEANING OF APARTMENTS COMMUNAL AREAS

The internal areas of the apartment block will be cleaned every week and the external bin and cycle store every month.

MAINTENANCE OF APARTMENT COMMUNAL AREAS

All the communal areas will be maintained to ensure they are safe, warm, lit, and presentable, as required. There will be an inspection every month to ensure that everything is in good working order.

Typically, what do the elements of the Service Charge cover? (cont.)

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.

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.

ACCOUNTANCY, LEGAL AND COMPANY SECRETARIAL FEES

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.

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.

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. Items in the service charge 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 taken to cover the interim between your completion and the end of the service charge period.

The Managing Agent will then send you an annual service charge invoice. 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?

The developer is responsible for creating and building any communal areas. With apartments, the communal areas form part of the building which is being constructed by the developer.

For a period of time, the developer will maintain everything and only when the communal areas are complete, can they 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 the developers 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, 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 all of 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, otherwise the Managing Agent, acting on behalf of the residents will refuse handover. 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 developer 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.

Contacting us

If you have any queries regarding this document or would like to know more about Gateway, please do not hesitate to contact us.

Our Business Development Team will be delighted to assist you.

BUSINESS DEVELOPMENT TEAM

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