

# **You and Your Management Company**

## **Frequently Asked Questions**

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## INTRODUCTION

This document has been prepared to provide purchasers of properties at Hunts Grove with general information about the management company.

Hopefully, this document will answer any questions you may have about the company itself and the services it provides.

Some of the information provided in this FAQ document and deals with the legal and contractual matters relating to the purchase of your property and your ongoing obligations as a purchaser.

If you need to know more about any of these matters, please refer to your legal representative who is acting for you on the purchase of your property.

**SECTION A: OVERVIEW OF A MANAGEMENT COMPANY****Why is a management company needed?**

Crest Nicholson wishes to create a place of the highest quality that will provide an aspirational living environment and give opportunities for the enjoyment of open spaces and outdoor amenities for both the community and its stakeholders. Its aim is to enhance this new community by delivering exemplar green spaces.

To this end Hunts Grove will have privately owned communal infrastructure, which may include amenity green spaces, sports pitches, sports pavilion, trees, play areas, wooded areas, fencing, sustainable urban drainage systems (SUDS), ponds, roads, footways, streetlights and drainage.

The upkeep of these private communal facilities will not be the responsibility of the local authority or utility companies.

A management company is therefore required in order to maintain and manage the private infrastructure, raising funds from residents who all benefit from them by way of a service charge.

**What is the Hunts Grove Management Company Limited (HGMC) responsible for?**

The management company is responsible for maintaining the private infrastructure to the agreed standards.

Maintenance tasks are normally performed by contractors appointed by the management company. In addition, the management company is responsible for statutory inspections including health and safety, placing insurances and other administrative matters.

The management company sets an annual service charge budget, issues service charge invoices and collects monies. It must then fulfil its obligations to provide services utilising the monies.

**Where can I find details of the services provided by the management company?**

Details of the services provided by the management company are set out in the Property Transfer and Deed of Covenant (signed at the time of purchase) and in the annual budget explanatory note. These documents are available on the resident's Login area of your managing agent Preim's website [www.preim.co.uk](http://www.preim.co.uk).

Details of your login and password to the resident's area of the website are included in the 'Welcome to your Management Company' pack which is issued by Preim following your property completion, and includes your service charge invoice. Alternatively, please contact Preim who will provide you with a login.

**What type of company is the Management Company?**

HGMC is a company limited by guarantee. It must comply with the Companies Act and other legal and regulatory guidelines, and maintain accounts service charge accounts, and company statutory accounts which are independently audited each year and filed at Companies House.

For this type of company a Company Secretary will ensure that the formalities of the company structure are correctly performed; this will include filing documents at Companies House, maintaining membership registers, calling annual meetings, etc.

**Who owns and controls the management company?**

At Hunts Grove, Crest Nicholson will initially control the management company via a voting 'A' membership. As properties are sold, the plot purchasers, commercial property owners, retail property owners, schools, etc receive an initial non-voting 'B' membership. This model ensures that Crest Nicholson maintains control of the quality of the development until it is complete, and all properties are sold.

**Will the ownership of the management company be handed from Crest Nicholson to the property owners?**

Yes. Once Crest Nicholson has completed the development they will seek to resign its Director positions of the management company. Prospective Nominee Directors (ideally homeowners and residents living on the development) are identified and voted for by members of the management company to take responsibility for running the management company. The existing non-voting memberships become voting memberships and once the new directors are in place, Crest Nicholson will terminate its membership.

**Crest Nicholson's planning obligation to the management company**

As part of the planning permission granted for this development, Crest Nicholson has a planning obligation to pay a £1.9M contribution into the HGMC reserve fund. This sum will be drawn down in tranches as the communal amenities are completed and paid into the management company.

**What are the obligations between each home owner and the management company.**

These are set out in the management company articles of association, property transfer and deed of covenant which each purchaser of a property on the development must enter into at the time they complete on their property purchase.

**What is the status of the amenity land**

Whilst the communal amenities will be funded ONLY by homeowners, the communal amenities are public realm and may be used by the wider community.

**The Management Company Board of Directors**

Crest Nicholson are keen to engage with the new community at Hunts Grove and to ensure that it has a 'voice'. Therefore, the management company board of directors will be established comprising both Crest Nicholson and Homeowners / Stakeholder Directors. One Homeowner Director will be appointed for each completed Development phase. The homeowners/ stakeholder Directors will be elected by the homeowners on each completed development phase.

**Does Crest Nicholson receive a fee for acting as director?**

No.

**SECTION B: THE ROLE AND RESPONSIBILITIES OF THE MANAGING AGENT****Who is the managing agent?**

The management company has appointed a managing agent, Preim Ltd to undertake the management and administration of the management company on its behalf. This means that Preim Limited will have the day-to-day responsibilities of running the management company in the interests of all property owners and residents.

Preim is based in Peterborough and specialises in the management of residential estates and garden villages across England and Wales. Preim is an Accredited member of the Association of Residential Managing Agents (ARMA), the Financial Conduct Authority (FCA) and the Property Ombudsman.

**What does Preim do?**

Preim manages and administers the management company. Its role includes ensuring that all legal and administrative responsibilities required of the management company are fulfilled. These responsibilities include:

- Maintaining accounting records and arranging for the audit of management company books
- Administration of the management company and fulfilling the role of Company Secretary
- Contracting work for maintenance and repairs of communal areas and utility services as required
- Providing an emergency response in the event of failure of infrastructure that is the responsibility of the management company

**Can the residents change the managing agent or form their own association?**

No. The managing agent Preim, is under contract with the management company controlled by the Directors which is currently Crest Nicholson.

**What is the relationship between Preim Ltd and Crest Nicholson?**

Preim Ltd is a private limited company registered at Companies House and owned by its directors. It is a completely separate organisation from the management company and or Crest Nicholson.

**SECTION C: HANDING OVER CONTROL OF THE MANAGEMENT COMPANY TO PROPERTY OWNERS****Ownership of the amenity Land**

At Hunts Grove the areas of amenity land that are not transferred to individual property owners, and which are intended to be used and enjoyed collectively, are to be retained by the original landowner. The management company has a 125 year lease over this amenity land.

**When will the developer hand over the control of the management company to the homeowners?**

Crest Nicholson will resign its 'A' membership when it has completed building and selling properties on the development and has no outstanding obligations to the management company (for example, completing any outstanding planning obligations).

During the interim period, Crest Nicholson and Preim will encourage property owners to form a steering committee to act as the focal point for communications with Preim and to ensure that the development is maintained to the agreed standard.

**Handover of Completed communal amenities**

The development will be completed in phases, with responsibility for each phase being formally handed over to the management company. From that point, the management company bears the full risk of the cost of maintenance and repairs to the communal amenities.

**How will residents take control of the management company?**

Property owners will nominate and vote for directors to take over from Crest Nicholson. Through these directors, the 'B' members and residents' can exercise control of standards and costs as they see fit.

**What are the responsibilities of a director of the management company?**

Directors are responsible for the day-to-day running and operation of the management company, and for ensuring that the company performs its obligations and continues on a sound financial footing.

The directors will determine policies such as the frequency of maintenance and the level of service charges to be levied. They may choose to appoint committees or sub-committees to specialise in specific areas of administration.

There are no specific qualifications needed to fulfil this role, but the key requirement will be an interest in running an orderly company.

A director can resign at any time or be removed by members in a process that is regulated through the Companies Act.

**Where can general information on the roles and responsibilities of a Director be obtained?**

A useful starting place is the Companies House website where you will find a guide on the responsibilities of a director and other information about limited companies, which can be downloaded without charge. [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk). Preim's Director FAQ document is also available on [www.preim.co.uk](http://www.preim.co.uk) website.

**What is the minimum number of directors the company must have?**

The minimum number of directors is one. There is no maximum number.

**What would Crest Nicholson do if no resident directors were forthcoming?**

Crest Nicholson could decide to continue to act as director or seek to appoint a director from outside the resident group, such as a local solicitor, who would charge a fee for acting as director. This fee would be a cost against the management company and would increase the amount paid by residents.

**Can non-residents be appointed as directors?**

Yes. Whilst it is recommended that a number of directors are residents, there is no reason why 'B' members cannot appoint non-residents as directors.

**Can directors be paid for performing their role?**

Yes, but this would have to be paid from management company funds. Normally, the position is honorary and unpaid, and owners will be encouraged to recognise this.

**When the management company is handed over, can Preim remain as Agent?**

The directors may decide to continue delegating the administrative aspects of the company by appointing a managing agent. If so, they may continue with Preim, or are free to choose a new managing agent.

**As Managing Agent, how often does Preim hold resident meetings?**

There will be one annual members meeting and other meetings as required, where there are particular issues to be resolved and the residents and Preim agree that more meetings are necessary.



**SECTION D: SERVICE CHARGES - HOW THE MANAGEMENT COMPANY RAISES FUNDS****What is the service charge?**

The management company sets an annual service charge budget to meet the costs of running the management company and maintaining the communal amenities. The annual cost depends upon the amount of communal amenities for which the management company is responsible, and the number of properties over which the costs can be divided.

The budget is funded by an annual service charge paid by all homeowners, owners of commercial units, the school and any other stakeholders owning property at the development.

The service charge includes:

- An estate service charge paid by all property owners
- A buildings service charge paid only by the owners of leasehold properties

Both the estates service charge and the buildings service charge include contributions to a reserve fund for the costs of future repair and maintenance requirements.

The individual elements of the service charge are detailed in the "budget explanatory note" which is available on [www.preim.co.uk](http://www.preim.co.uk). Please ask your legal representative who acted, or is acting, for you during your property purchase for further advice on costs and a full outline of what responsibilities fall to the management company.

**Are owners obliged to pay the service charge?**

Yes. Every property owner is legally obliged to pay the service charge, as set out in the transfer document and deed of covenant signed at the time of purchase.

The service charge is the variable element of a legal payment obligation, called a Rentcharge (which may also include a fixed element of a nominal £1 (or more on leaseholder properties) per annum per property). The Rentcharge deed forms part of each property's purchase documentation.

**What happens if an owner defaults on the service charge?**

The Rentcharge deed provides for interest to be paid on late payments, and for the cost of any legal action for recovery to be paid by a late payer.

Preim has a standard process for collecting debts, starting with reminders. If a debt remains unpaid, it may be referred to third party debt collection agencies and proceedings for debt recovery may be made through the County Courts.

The ultimate remedy for the management company, as owner of the Rentcharge, would be to "re-enter" (repossess) the property concerned.

**Do all properties pay the same service charge?**

All properties pay the same service charge for estate services.

Leasehold maisonettes and flat owners additionally pay a buildings cost, which may vary depending upon the property.

**Can residents reduce payments if services appear to fall below standard?**

Residents cannot make deductions from their service charge payments to compensate for what they may see as poor performance by Preim or any other contractors. If any such deductions are required, they will be made by the management company itself through the director following any investigation and any money deducted will stay in the management company bank account.

**Is the service charge likely to increase each year?**

Any changes in prices charged by HMRC e.g. VAT or contractors / suppliers to the management company may affect the service charges that property owners pay.

There are always two significant costs within the service charge budget that relate to grounds maintenance and the managing agent's fee. Our approach to managing these elements of the service charge are as follows:

- **Grounds Maintenance**  
The grounds maintenance cost to the HGMC is capped to a clearly defined area so that the extent of any communal amenities is known. The grounds maintenance work is regularly tendered and benchmarked against others. Within the service charge budget a site based team of 2/3FTEs (full time equivalents) including all plant and materials, has been included. This is part of a Preim written management strategy with costs for all phases across the whole development.
- **Managing Agents fee**  
Preim has a contract with the HGMC to provide managing agent's services. This is controlled through Crest Nicholson as director. Preim's performance is benchmarked against industry peers and is monitored, against agreed KPI's. Preim has a fixed 5 year contract with HGMC, at the end of which Preim's performance and costs will be benchmarked against others with the steering committee / community consulted, before a new managing agent's contract is granted.

Outside of the above approach, Homeowners could choose to vary the standards of work on the development (e.g. new flowerbeds, more frequent mowing, additional signage etc.) any resulting increase in costs will be passed on to the residents via the service charge.

**Do residents have to pay management company service charges as well as Council Tax?**

Yes. Council tax funds provide for many other local community facilities, such as the emergency services, schools, refuse collection and public infrastructure (such as roads) outside the development. There is no rebate against Council Tax as a result of paying the management company service charge.

**What does the management company do with the money paid by property owners?**

All service charge monies received from property owners is placed in the management company bank account. Any bills for work carried out on the development are paid for from this money. Service charge funds are held in a Trust, of which the directors of HGMC are the trustees. The funds are protected by the Financial Services Compensation Scheme (FSCS); with effect from January 2011, the protection limit for each saver is £75,000. Guidance issued by the Communities and Local Government Department in 2009 suggests that the FSCS would generally expect to treat the management company members as being individually entitled to the protection available for that proportion of money in the account to which they were entitled by statutory Trust. This means that each member would be eligible for a maximum of £75,000 compensation to cover the loss of their

particular proportion of the deposited funds. Service charge funds are held in a separate, interest-bearing client bank account at: Barclays Bank, Peterborough Branch, 1, Church Street, Peterborough PE1 1XE. The name of the account will be 'Preim Ltd re Hunts Grove Residents Management Company Client Account'. No notice is required to withdraw funds from the client bank account without penalty.

**Can owners get details of their individual accounts from Preim, the Agent?**

Yes. Preim provides this information to all members via its website [www.preim.co.uk](http://www.preim.co.uk).

**SECTION E: THE MANAGEMENT COMPANY BUDGET: HOW SERVICE CHARGES ARE SPENT****What are estate revenue costs and what do they cover?**

Estate revenue costs form a major part of the estate service charges paid by all property owners. These service charges are used to pay for the annual cost of maintaining the communal amenities and administering the management company. Estimates of costs that the management company will incur will be shown on each property owner's service charge statement and may include all or some of the following:

- Managing and maintaining the communal amenities: grass cutting, leaf and litter clearance, trimming of hedges, pruning of trees, sweeping of roads and footpaths, cleaning and emptying road gullies.
- Cost of electricity for private streetlights, estate inspection by surveyors to identify any running repairs that may be required. This includes a Health and Safety inspection.
- Play area inspection, maintenance and insurance to meet safety and legal requirements
- Public liability insurance to meet any claims for damages from third parties, such as injury claims.
- An allowance for miscellaneous minor expenditure
- Annual audit of the management company's statutory accounts
- 24 hour emergency help line
- Bank charges and Interest relating to the management company account
- Fee for the managing agent's services
- The annual costs of running any communal buildings

**What happens if actual estate revenue costs vary from the estimates shown in a service charge statement?**

If annual expenditure is less than the estimated provision, the surplus stays in the management company bank account as a credit and may be used to offset future expenditure.

**What is the anticipated expenditure fund for, and who pays it?**

All property owners pay towards anticipated future expenditure, to build up a pot of money against the cost of major works to the communal amenities that may become necessary in the medium or long term.

Typically, this might include replacing streetlight columns and lamps, repairing roads and footpaths, surface water sewers or play areas, or work to maintain trees as they mature.

If the management company did not collect funds in respect of anticipated expenditure it would be necessary to collect one-off payments from property owners when these repairs are required. This would place a potentially heavy burden on owners at that time.

**What happens to our service charge money during the construction phases, whilst there are no or very few areas of amenity space which have been completed and handed over to the Management Company to maintain?**

Each property will pay an apportioned service charge upon completion. This sum will comprise the full annual charge, pro-rated based upon the number of days during the financial year that you have owned the property. However, in the early construction phases there will inevitably be limited private communal assets and infrastructure to maintain.

As a result, there will likely be a service charge surplus at the end of the financial year. Depending on how the transfer document for your property prescribes how the surplus should be treated, it will either be credited back to the property owners on their service charge account, or transferred into the reserve fund for the development, to be used at a later date for larger works such as asset refurbishment or replacement.

Please note that most of the administration costs forecast within the budget are fully applicable and will be incurred from the inception of the development, such as Managing Agents Fees, Insurances, Audit Fees etc.

**SECTION F: WORKS & SERVICES: SOME IMPORTANT ASPECTS****Who decides which maintenance contractor to use?**

The aim for Hunts Grove is to create great community amenities and it is intended that the maintenance of these amenities will be delivered by an on-site caretaker team.

Where any estate services are outsourced they are competitively tendered and awarded to the best value tenderer.

Preim currently issues tenders for contracts (with the exception of that for its own appointment). Tenders are returned to Preim, who reviews them with the directors and appoints the chosen contractors.

Preim and the directors are happy to consider any suggestions for suitable contractors from property owners, but reserve the right to control who is placed on the tender list. Ideally, as many contractors as possible will be local to Hunts Grove.

**What is the Estate Inspection and why is it necessary?**

For insurance and safety purposes, it is essential that the development is inspected at regular intervals.

Preim arranges for professional consultants or surveyors to carry out an annual health and safety inspection of the communal amenities that is readily accessible in open areas of the development.

The purpose of the inspection is to identify

- Health and Safety issues, which are dealt with urgently.
- Other repair and maintenance requirements, which are placed in a programme of works to be implemented later in the spring months.

Estimated costs for repair are then included in the budget and are used to set the service charges.

Other "ad hoc" inspections may be carried out during the year, as required.

A copy of the latest inspection report is available on [www.preim.co.uk](http://www.preim.co.uk) under the residents' log in.

**Is the management company responsible for the collection of resident's rubbish?**

No, the management company does not collect household rubbish. This will be carried out by the Local Authority, as part of the services provided through your Council Tax.

If property owners have large items to dispose of (fridges, washing machines etc.), they should contact the local council to get them removed. A small charge may be made by the Council.

**What does the 24 hour helpline and how does it work?**

In the event of an emergency, we want to make sure that the right help gets to the homeowner without delay.

If there is an emergency situation which presents an immediate threat to life or to your property, such as a fire or surface water flooding threatening to flood a house then call the Emergency Services.

Preim provides a 24-hour helpline available to property owners, 365 days a year. This can be used to contact Preim to report issues that may require an out of hours' response.

Anyone who notices an emergency situation (i.e. water seeping out of a sewer or drain, flooding, etc.) should call the normal telephone number for Preim Ltd. If no one is at the office, the call will be forwarded to a manned helpdesk, where an operator will take more details of the incident and pass to our On Call Customer Account Manager who will decide what further action will be taken. It is stressed, that this service is only for emergencies. All other problems should be reported to Preim during office hours.

**Does the call out cover serve individual properties?**

No. It only covers areas for which the management company is responsible.

It does not cover household emergencies, for which property owners should make their own arrangements.

**SECTION G: COVENANTS – RESTRICTIONS AND ENFORCEMENT****What are Covenants?**

When owners purchase a property, they sign a legal transfer, within which they agree to certain restrictions as to what they can and cannot do on the development. These restrictions are known as covenants. Your legal representative acting for you on your purchase should explain these to you.

**Do residents need permission from the management company before they carry out any external works?**

Typically, the estate covenants do include restrictions (sometimes for a defined period of time) about alterations residents may or may not make to the outside of their property.

Therefore permission for external alterations during the period of the covenant is required from the management company via Preim. There is usually a general restriction to prevent building over any private infrastructure that is the management company's responsibility. This particular covenant will not be relaxed.

**Do residents need permission from the management company before they carry out any internal works?**

Owners of freehold property do not normally require permission for internal works. The only exception is works connected with running a business from the property, which is not permitted.

**How and when are covenants enforced?**

Covenants can be enforced by the management company, if there is a clear breach of a restriction.

**Who pays if covenants have to be enforced?**

The management company budget does not include any estimated cost for enforcing covenants. If owners decide they want the management company to enforce a particular covenant, they would need to pay for the costs of the management company enforcing covenants. The civil court can be very expensive and success cannot be guaranteed.

**What happens if residents or others are breaking the law?**

The fact that the development is private does not affect owners and residents' rights in law. Vandalism, excess noise, vehicle speeding, graffiti and anti-social behaviour are against the law. If such problems occur on the development, it is strongly recommended that, in the first instance, the police or the Local Authority should be contacted.



**Section H: HANDING OVER AREAS FROM THE DEVELOPER TO THE MANAGEMENT COMPANY****When will areas be handed over to HGMC to manage and maintain?**

As per Section E of these FAQ's, service charge monies can only be expended on communal amenities that have been satisfactorily constructed to the approved standard. Only then can they be formally handed over to the residents company through Preim to maintain. The timescales for the completion and handover of areas to HGMC can vary based on a number of factors. As HGMC or Preim are not responsible for constructing any areas, it is not possible to provide timescales outside of those which may be provided by the developers.

**What is the process for the handover of areas from the developer to HGMC?**

The handover process that each housebuilder must comply with to satisfy the local planning authority is as follows:

- Upon satisfactory Completion of the Works, a Completion Certificate is to be issued with confirmation from the Landscape Architect that all works have been completed to the Approved Specification.
- As built Surveys of the Works to be issued by the Contractor, including ROSPA certificates.
- The Contractor undertakes 12 months maintenance from the date of the Completion Certificate.
- Just prior to the expiry of the 12 months maintenance period an inspection is arranged by the Housebuilder with Preim the managing agent who has its own handover procedure and a defects list is prepared and agreed with the Contractor.
- The Contractor completes the Snagging Works and upon satisfactory completion the area is formally handed over to the Residents Company with all H&S Files, Operating Manuals etc.

**What happens to our service charge money during the construction phases, whilst there are no or very few areas of amenity space which have been completed and handed over to the Management Company to maintain?**

Each property will pay an apportioned service charge upon completion. This sum will comprise the full annual charge, pro-rated based upon the number of days during the financial year that you have owned the property. However, in the early construction phases there will inevitably be limited private communal assets and infrastructure to maintain.

As a result, there will likely be a service charge surplus at the end of the financial year. As per the transfer document for your property, the surplus will be apportioned and credited back to the property owners on their service charge account, which will then be offset against future demands. Please note the method of handling the surplus is not defined by Preim, but as prescribed in your transfer document. Any credits will be issued in conjunction with the service charge accounts, which will be distributed approximately 6 months after the end of the financial year.

Please note that most of the administration costs forecast within the budget are fully applicable and will be incurred from the inception of the development, such as Managing Agents Fees, Insurances, Audit Fees etc.