

Brock End RTM Company Ltd

15 Windsor Road, Swindon SN3 1JP

T: 0843 88 600 88 DDI: 01793 230498

Minutes of Brock End leaseholders held at 167 Victoria Road, Swindon
on 18 March 2014 at 6.00pm.

In attendance:

| | |
|--------------|-------------------|
| Ashley Cain | Director |
| John Morris | Company Secretary |
| Peter Sirett | Leaseholder |
| David Ryman | Leaseholder |

Apologies:

| | |
|-----------------|-------------|
| Rose Yeldon | Director |
| David Salisbury | Director |
| Pauline Webber | Leaseholder |

Introductions:

Ashley Cain and John Morris introduced themselves:

Ashley Cain is a director of the lettings company ATC Property Management Ltd. The company act for some of the leaseholders at Brock End and he has increasingly been involved in resolving maintenance issues at the site. As a result of this involvement he has formed the opinion that there is scope to improve management of the site.

John Morris is a Chartered Management Accountant and a director of Accounting Services Ltd. In 2004 he started managing residential sites in Swindon where he and his wife Diana have property. In November 2011 he became unable to continue working full-time as an accountant and he and Diana decided that they should devote their attention to property management as this could be fitted around John's physical limitations. He became a member of the Institute of Residential Property Managers and has effected "Right To Manage" (RTM) for several sites in Swindon.

John and Ashley's experience has been that most leasehold residential sites are either:

- Managed by large national agents who are too remote to provide an efficient service. They often send their own contractors many miles to undertake simple maintenance at great cost - if only due to the travelling time and expense. They also often make additional income by receiving commission on buildings insurance premiums or
- Self-managed by one of the leaseholders who may not have the expertise to provide the standard of service expected by other leaseholders and required by law.

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Ashley Cain advised that he recommended John Morris's services be employed as he had seen at first hand the improvements on a number of local sites that John manages.

Mrs Yeldon and Mr Salsbury had sent their sent apologies due to prior commitments.

Formation of Brock End RTM Company Ltd

The meeting was informed that Brock End RTM Company Ltd had been formed with the intention of the leaseholders of at least one of the blocks exercising their Right To Manage. As part of that legal process and in accordance with the Commonhold and Leasehold Reform Act 2002 and 2010 revision, the company must serve s. 78 Notices in a prescribed format inviting Participation of non-members (i.e. invite leaseholders who are not already members of the company to join). This is the letter that was recently sent to other leaseholders at Brock End.

The RTM process is then as follows:

14 days after 50% or more membership is achieved per block, the RTM Company may serve s.79 "Notice of Claim" on the Freeholder claiming the Right To Manage. The proposed date given in the claim is the "Acquisition Date" and this must be at least three months after the date for the "counter-notice".

The Freeholder may serve s.84 Counter Notice within 1 month. The only legal ground of objection is if procedure has not been followed or the building does not qualify. Minor inaccuracies are discounted. If no Counter Notice is issued RTM is determined after 1 month. (Determination Date).

The RTM Company takes over the responsibilities for management of the site. It can either do this itself or appoint a residential block management company of its choice.

The Freeholder may take up membership of the RTM company. The RTM company must allocate votes to the Freeholder according to his holding in the building. The Freeholder or his agent must transfer all uncommitted service charges on the acquisition date or 'as soon after that date as is reasonably practicable'.

In simple terms the responsibility of managing the building is transferred to the leaseholders who exercise this right through the RTM company.

A number of questions were raised:

1. The site is referred to as Brock End and also "The Old Quarter". I notice that the company is called Brock End RTM Company Ltd which name is correct?

It is normal when developers build a site for it to be marketed under a name chosen by the developer and once completed to be officially named something completely different. The site was called The Old Quarter by the developers and when completed was officially named Brock End.

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2. Given the problems that we have had with the current Managing Agents I am surprised that more people have not attended the meeting?

There are a number of reasons for low attendance:

- Notices were sent c/o the properties and we are aware that most are not owner occupied. It is likely that many of the notices were not passed onto the owners by their tenants. The RTM procedure rules have been followed in that the notices may be sent to the properties rather than to the leaseholder/owner whose contact details are not known to us.
- Some of the leaseholders/owners may not have been able to attend. One leaseholder who was unavailable today has requested a meeting on 26 March 2014. If any other leaseholder wishes to attend the second meeting they are welcome.
- It is acknowledged that people default to doing nothing when presented with an alternative to what they are currently doing if they do not fully understand the alternative. By way of example Ashley Cain advised that he acts for an owner with two properties on a site in West Swindon. John Morris established a RTM Company for the site in 2005 when many of the properties at the time were vandalised and boarded and Ashley Cain's client chose to remain with the freeholder's managing agent. This prevented one block of the four from being managed by the RTM Company. The one block that did not join the RTM process now looks distinctly worse than the other blocks and the owners in that block are in the process of belatedly including their block under the RTM management.

3. I understand that each block can join in the Right To Manage separately and at different times. How many of the owners/leaseholders have to agree in each block for this to happen?

At least 50% of owners/leaseholders of a particular block must be members of the RTM Company for their block to be included. For example, a block of ten flats would require at least five of the flats to have owners/leaseholders who are members of the RTM company.

4. What happens to those owners who may find that their block is to be managed by the RTM Company but are not members of the RTM Company themselves?

These non-members will continue to have no right to a say in the management. However, they have a right to become a member of the RTM company at any time and become involved in the management of the property.

5. What happens to the money I have already paid in Service Charges for the current year when the RTM Company takes over?

The balance of funds (called "uncommitted service charges") held will be transferred to the RTM Company. Any unpaid Service Charge due from leaseholders will be collected by the RTM Company.

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6. How will Service Charges be invoiced by the RTM company?

Service Charge invoices should be issued in line with the provisions of the lease and follow a specified legal format. In practice leaseholders are often permitted to pay by monthly instalments and a discount may be offered if the charges are all paid in full in advance. The Service Charge will cover items of expenditure usually set out in the lease; this normally includes insurance, maintenance of the building and grounds and the costs of running the residents' management company including professional fees and general expenses. Where there are larger items of expenditure that might occur every few years such as exterior decorating or roof repairs a set amount will be set aside annually (placed in a sinking fund) to "save up" and pay for these expenses.

7. Who agrees the Service Charge amount?

A Managing Agent will usually prepare a forecast of anticipated expenditure covering the next few years and agree this with the RTM Company's directors. This will then form the basis of the proposed Service Charge. An Annual General Meeting (AGM) will be held and leaseholders will either approve the proposed fee or agree a higher or lower fee as appropriate. John Morris advised that he recommends that Service Charges are set one or two years in advance so that leaseholders have a clear idea of their future obligations for costs and that as far as possible charges should remain fairly constant from year to year. The ideal situation is for a sensible level to be set and for the fee to rise by a small amount each year broadly in line with inflation.

8. How will information be provided to leaseholders?

The intention is to place as many documents as possible, including accounts and insurance details, online so that they are readily available to leaseholders. An example of such a site is www.heronbridgeclose.co.uk

9. Will Service Charges be lower?

The main objective of exercising Right to Manage is that it will lead to an improvement in the standard of service with the site maintained to a high standard. This approach will help maintain the property's market appeal and re-sale value whilst at the same time making the site a desirable place to live.

It is acknowledged and anticipated that cost savings will be made as part of the process. One example being insurance costs; with every other site that John Morris has taken on considerable savings have been made. A recent RICS survey found that in over 60% of cases they investigated, that block insurance had been inflated in order to fund commissions and kick-backs to agents. It is not known if that applies to Brock End but initial insurance estimates that have been obtained indicate a saving of over £100 per property in insurance premiums alone.

In the West Swindon site referred to previously after three of the four blocks exercised their Right To Manage the freeholder's agent continued to send a gardener

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from Bath to mow a small patch of communal grass near their one block whilst the RTM Company employed a local gardener to maintain all of the rest of the site around the other three blocks. The gardening fees and buildings insurance costs were lower for the RTM's three blocks combined than for the one block that was not included in the RTM.

10. How much will my liability be if the new company fails?

The Company is a special type of company called a "Right To Manage" Company. It does not have a share capital (i.e. does not issue shares). Instead each of the members must guarantee a maximum amount that they will pay if the company fails. This amount is set by statute at just £1.

11. What is the likelihood of my block being included in the Right To Manage?

At present there are sufficient owners/leaseholders for at least one block at Brock End to exercise the Right To Manage. 50% of the leaseholder/owners of a second block have so far expressed an interest. Should they become members both blocks will be included in the initial application for Right To Manage.

12. I understand that responsibility for management of the block and its costs will transfer to the RTM Company, but what happens with regard to responsibility for general estate management and costs?

You are correct; all block costs and management responsibility will transfer to the RTM Company. Responsibility for estate costs will depend on their nature.

For example with gardening costs; the RTM Company may assume responsibility for a defined area around the block(s) it manages. Alternatively it may agree with the freeholder's agent that one or other of them employ a gardener for the whole site and charge a proportion to the other. For items that can not be readily split such as maintenance of the gate entry system the default position is that this is likely to be the responsibility of the company that is responsible for the majority of the properties on the site. However, this does not preclude an agreement being reached between the companies on an alternative arrangement. In practice liaison and cooperation will be required between both companies.

13. Who decides who the directors of the RTM Company are?

The initial directors and company secretary were appointed by the leaseholders who formed the company. The company will hold an AGM each year and all the directors are obliged to retire at the first AGM and each by rotation every three years thereafter. The director may be re-appointed by the members at the meeting and any members may put themselves forward as a director (subject to certain procedural rules and requirements). A member may also be appointed during the year by agreement of the majority of the directors but is required to retire and may stand again at the next AGM.

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Next stage:

Mr Sirett and Mr Ryman agreed that the meeting had been very useful and thanked Mr Cain and Mr Morris for answering their questions. Both agreed that they would prefer for their blocks to be included in the Right To Manage process but acknowledged that this was dependant on other owner/leaseholders joining the RTM company.

A further meeting will be held on 26 March 2014 at the request of a leaseholder who could not attend this meeting. After that meeting the company will apply to exercise the Right to Manage for those blocks that have achieved the required membership.

The meeting closed at 6:43 pm