

Your guide to:

# Resident Management Company

01

# Resident Management Company

Gateway Property Management is proud to have been appointed the managing agent for your development. We will be managing the property in accordance with the lease terms, freehold transfers and in conjunction with the directions of the Residential Management Company Directors.

To assist a better understanding of the process and what this entails, summarised below is some key information on structure and responsibilities. It should be noted that the summaries are not comprehensive and are for guidance only.

## 1. What is the Residents Management Company (RMC)?

A Residents' Management Company is a formal legal entity registered at Companies House, and has all the rights and obligations of any other UK incorporated company. The purpose of the company is to look after the common areas of the development.

## 2. What does the Residents Management Company do?

Resident Management Companies typically manage common parts of a development. The individual property owners will fund these costs by making periodic contributions into a pooled fund by way of a service charge paid on account. These funds are collected and administered by Gateway, the appointed managing agent, and held in a client account on behalf of the Management Company.



### 3. Who controls the Management Company?

Managing the company is the responsibility of its officers. The officers are the company's Directors and the Company Secretary.

Throughout the construction and marketing period, the developers have retained control of the Management Company. It is common for the developer to appoint the first directors who generally, will be their employees, associates or solicitor to fulfil these roles.

Once the developer has finalised their sales, it is common for the first directors to then resign from the Management Company and new owner directors are appointed. From this period onwards the day to day management and responsibilities for the development lays in the hands of the property owners and the developer ceases any further involvement.

### 4. Who is the managing agent and what do they do?

Although sounding similar, it is important to understand that the Management Company and the managing agent are two completely separate entities.

The managing agent is a company which specialises in residential management. Where required the agent will administer the company's duties and help guide the directors of the Management Company through the framework of complex legislation, which the Management Company is required to adhere to when performing its duties and obligations. These duties and obligations are detailed within the development's leases, freehold transfers and the company's articles of association, which sets out the rules for running the company's internal affairs.

### 5. What are service charges?

Service charges are payments made by the home owner to the managing agent for all the services the Management Company provides. Usually the charges will also include the costs of management.

The managing agent will also undertake other essential functions on behalf of the Management Company. To name a few, these include maintaining information, putting necessary insurances in place, collecting service charges and providing maintenance services.

The service charge budget which is circulated annually lists all items included within your service charge.

### 6. What is the role of a Director?

As a director of a limited company, the law says a director must:

- try to make the company a success, using your skills, experience and judgment.
- follow the company's rules, shown in its articles of association.
- make decisions for the benefit of the company, not yourself.
- tell other shareholders if you might personally benefit from a transaction the company makes.
- keep company records and report changes to Companies House and HM Revenue and Customs (HMRC).
- make sure the company's accounts are a 'true and fair view' of the business' finances.

To comply with the above requirements, as a Director there are also specific annual duties that need to be undertaken, often in conjunction with the managing agent. These duties include but are not limited to:-



## Resident Management Company

- Signing off the company's accounts.
- Signing of statutory documents.
- Approving the annual service charge budget.
- Operating on a board of fellow owner directors and attending meetings of the Management Company.
- Liaising with the managing agent in relation to items of expenditure and major works.

- Providing clear instructions to the managing agent for issues which may arise, and which affect the smooth running of the development.

When you are appointed as an officer, you therefore take on some very important obligations. If you do not comply with them, there could be serious consequences.







## 7. Why would I wish to become a Director of the Management Company?

There are many positive reasons why owners become directors.

- It is an opportunity to meet and interact with other owners on the development.
- To promote a community spirit.
- To have an understanding on matters affecting the development and have a say in how the company should operate.
- An opportunity to monitor and have an input into how service charge money is spent.
- To interact with property professionals and learn new skills.
- An opportunity to be part of a well run company, which will assist to maintain the value you have invested in your property.

Being the Director of an RMC is however a responsible unpaid and sometimes thankless task. It will be necessary from time to time to give your personal free time to deal with company matters and on occasion attend board meetings.

In addition it is likely that decisions will need to be taken for the benefit of the company as a whole and which may directly affect other owners.

If after consideration you feel you might be interested in standing as a Director of the company, please contact your Property Manager who would be delighted to assist.

