



O'Dwyer Property Management Ltd.

Management Companies & Service Charges

An ODPM Explanatory
Guide

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Introduction

The purpose of this guide is to explain, in general terms, the principal features of Management Companies and the service charge system in private residential estates. Its aim is to address some of the more frequently asked questions from owners in this regard.

What is a Management Company?

Upon commencement of a development, the developer sets up a Management Company specific to that development to acquire, own, maintain and manage the common structures and the common areas of the Buildings & Estates. This is defined and set out in legal Title.

Who are the shareholders/members of this Management Company?

Each owner upon purchase becomes a member of the Management Company and with that they acquire a legal right to services and an obligation to pay service charges and to adhere to the rules of the Management Company.

Each owner has an interest in and a right to information and a say in how the Management Company operates. All owners are therefore known as members of the management company.

Who controls the Management Company?

Initially, the Management Company's Board of Directors is made up of the developers and/or their solicitors. The developers and their representatives maintain formal control and responsibility throughout the initial stage of a development as the units are selling. During this time, the owners have a limited role in the management company but when all the units are sold the development then passes to the control of the members.

What services does the Management Company provide?

The Management Company provides Buildings Management, Administration, Financial, Insurance and Health & Safety services to the development.

Who funds the costs of these services?

The owners in the development fund the cost through the payment of an annual service charge.

What are Service Charges?

Service charges are annual charges which owners in private estates are legally obliged to pay to their Management Company to administer the Management Company in its function to maintain the common areas of their development.

What services do I receive?

The service charges ensure services such as the following are provided to the development: Waste Disposal, Buildings Insurance, Cleaning, Electricity, Lighting, Gate Maintenance, Repairs, Lift Maintenance, Grounds Maintenance, Sinking Fund and all or other services appropriately set down in Title and specific to each development. The budget for the development should list the services and their costs.

What is a Sinking Fund?

A Sinking Fund is a fund which members pay a small amount of money into each year and this fund then acts as a reserve to cover the cost of future redecoration for e.g. carpet replacement or essential maintenance for e.g. lift modernisation. Having such a fund avoids the need to have a levy to carry out such big jobs within the year that they are required.

I am a house owner – Why do I have to pay service charges?

In privately managed estates, house owners do have to pay a contribution to the budget of the development for services which are applicable to them namely: Public liability insurance, Refuse collection, Grounds maintenance, Sinking Fund provision and Management Administration costs including the Agents Fees.

Do the apartments in my development pay a higher service charge?

As apartment blocks require a wider range of services i.e. lifts & pumps maintenance, common area cleaning, electrical maintenance, electricity, locks & doors maintenance, fire systems etc.. they do pay a higher service charge.

Do I have to pay my service charge?

On closing the sale of your property your solicitor would have overseen you sign a legal agreement which makes you a member of the Management Company of your development and in turn binds you to the lessee's covenants therein, one such covenant being the payment of service charges. This agreement allows you to enjoy the benefits of these services but also obliges you to fund the cost of them.

How much service charge do I pay?

The % or portion of the service charge payable by each member is set down in legal title and cannot be changed or altered.

What & Who agrees the Budget?

The service charge budget is compiled each financial year by the Board of Directors of your Management Company in conjunction with advice from the Managing Agent who will have carefully assessed the service needs, contractor rates and best value available.

Who do I pay my service charge to?

Your Service Charge is paid to your Management Company and *not* to the Managing Agents.

Where is the money kept?

The Managing Agent ensures that Management Company funds are held in individual, separate bank accounts in the name of each specific Management Company. All service charges are lodged directly to this account. Contractors and suppliers for the development can then be paid from these accounts. The Managing Agent administers each account on behalf of the relevant Management Company and provides regular reports.

How can I pay my service charge?

The two usual methods of payment are:

1. By Direct Debit: Please refer to your most recent statement or contact the ODPM Finance Dept.
2. By Cheque: (made payable to the Management Company).

What if one owner does not pay?

Non-paid service charges will incur an interest penalty until such time as they are paid. The service charge pertains to the property and the house/apartment cannot be sold without it being paid. Legal action is taken to recover debts.

What is a Managing Agent?

The Managing Agent should be an expert professional person/body in the Property Management Industry who should have the following:

- Membership of a regulatory body such as the I.A.V.I.
- Professionally trained & experienced staff, systems & procedures.
- Professional Indemnity Insurance.
- Qualified & Insured contractors who can provide services to your development.
- Appropriate Health & Safety procedures specific to your development.

Why do we need a Managing Agent?

Although owners in small private developments often look after the daily maintenance and administration of their developments themselves, this is often a large responsibility to carry or to entrust to one owner and most Management Companies appoint a Managing Agent to carry out the operation of these tasks on their behalf.

The Agents professional fees are normally approximately 20% of the overall service charge.

Who can be on the Board of Directors?

All members are eligible to become directors (more often the first directors are members who have served on the Members' Committee) and their appointment usually takes place at the Annual General Meeting of the Management Company upon handover from the Developer.

How do I get information on my Management Company?

Every financial year, your Management Company invites its members to an Annual General Meeting, an agenda for which is sent out in advance to you, the member. This meeting is an opportunity for members to meet the Board of Directors of the Management Company and find out more information about what is happening in their development. The financial accounts of the Management Company are presented at this meeting and elections of board members also take place. Usually, the managing agent will give a report on the activities during the year and intended for the following year.

What is a Management Committee?

Whilst the developer remains in control of the Management Company (pre-handover), the Managing Agent assists owners interested in being involved in the running of the development by inviting them to form a committee. The role of this Committee is to act in a voluntary capacity on behalf of all members and in the best interest of the development as an entity. The Managing Agent liaises through meetings with the committee members to ensure the concerns and requirements of all members are considered and addressed as much as possible in the estate.

Can I join the Committee?

All members of the Management Company are eligible to join the committee.

When does the Developer hand over?

After the sale of the last unit and in accordance with the Management Agreement as contractually set down in Title, the developers will arrange for the transfer of the ownership of the common areas to the Management Company.

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For more information regarding Management Agents see the *Management Agents* booklet available from ODPM offices.

Further Queries?

Should you have any further queries in relation to any aspect of the management of your development please do not hesitate to contact ODPM's **Property Services Team** who are available to address your calls and assist you in any way they can.

You can contact **ODPM** on 01-6603822, Monday to Friday, 9am to 5.00pm. Please have the following information ready to help us deal with you more efficiently:

- Your development name
- Your name
- Your unit number

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Disclaimer

This document is prepared by ODPM and is intended to answer some of the common queries raised by members of Management Companies in an understandable manner without using a great deal of legal terminology.

The intention is to give general guidance to cover concerns which commonly arise but by no means does ODPM accept any liability whatsoever for errors or omissions.

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