

# The CLERK

SLCC  
For Local Council Professionals

## SPECIAL FEATURE

### - PUBLIC SERVICES FOR RURAL COMMUNITIES

- RURAL SERVICES NETWORK
- DIGITAL CONNECTIVITY IN RURAL WALES
- THE COUNTRYSIDE CHARITY

- SETTING UP A TINY FOREST PROJECT
- LOCAL COUNCIL CLERK WEEK
- HOUSING ESTATE MANAGEMENT COMPANIES

MAY 2023

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## Special Feature: Public services for rural communities

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# ESTATE MANAGEMENT COMPANIES – A CAUTIONARY TALE



Julie Shirley PSLCC, Clerk to Hunts Grove Parish Council, discusses her experience of dealing with housing estate management companies and offers advice on how to deal with them.

## Background

Hunts Grove is a brand-new village on the edge of Gloucester, spanning two neighbouring parishes. Hunts Grove Parish Council was formed through a community governance review in April 2020. The village will eventually have 2,500 homes, and despite being halfway through a 20-year building project, we still lack the facilities promised by the developer. However, this is not a story about how slow the developer is in delivering on community facilities – this is a tale to raise awareness of estate management companies and their potential impact on communities.



## Estate management companies

Often with new housing developments, we see the creation of management companies that are set up specifically to maintain the communal areas in a development. The residents living in the new development pay an annual service charge to the management company (ManCo).

The annual service charge usually includes an admin fee along with service charges. Each homeowner becomes a member of the ManCo, with the developer as directors of the company. Once the development is complete, the developer typically hands over its shares and leaves the shareholders (the residents) to operate it.

In theory, it sounds like a good scheme. The residents living in the new build properties pay to the ManCo, which in turn looks after the public open spaces, allotments etc. Some local

authorities favour this solution as there is no risk it will be expected to take on and manage more community facilities, especially where costs are increasing.

There are two main negatives:

- Freehold homeowners need the permission of the ManCo to sell their homes which can take a long time to arrange, plus they will usually charge to sign the paperwork
- Inequality between neighbours: ManCo arrangements may not apply to all new build properties, or it may be a new development adjacent to an existing village. Those with a ManCo pay a service charge **plus** a precept, whilst others pay the precept only. Both parties would rightly expect equal access to the community facilities, for example allocation of an allotment

## Finance

The ManCo in our village has been collecting the estate charge for four years and yet it has no assets to manage. The annual charge (2022/23) includes an £80 admin fee per property, and with no assets to manage, residents are understandably frustrated. Freehold homeowners have no right of challenge regarding the reasonableness of service charges. This is something government said it would address in 2019 and confirmed that commitment in 2022 – however, no visible progress has been made.

## Parish council

The objective of Hunts Grove Parish Council was to unite the village as 'One Hunts Grove', with all residents having equal rights and access to the community facilities and paying an equal and fair charge. Knowing the section 106 agreement allowed for the community facilities to be transferred to the council, it started the negotiation process. However, the developer has effectively nailed down all legal agreements with property owners, housebuilders, etc so only the ManCo could receive the community facilities. We haven't given up our legal battle and welcome any council in the same situation to get in contact: [clerk@huntsgrove-pc.gov.uk](mailto:clerk@huntsgrove-pc.gov.uk)

## Why does it matter if there's a management company?

Whilst your current council may not want to take on the community assets, please think of your future electorate. They may not thank you for allowing an unregulated estate charge to be foisted upon them. We urge any council with new developments to ensure all legal agreements allow for the possibility of the community assets to be transferred and managed by the local council.

### Useful tips:

- Make sure s106 agreements allow for the transfer of assets to the local council or alternate local body
- Make sure the legal documents between the developer and property owners allow for the possibility that the local council may receive the community assets rather than a management company
- Get your planning authority on side – ask they choose a localism option for the management of assets and not simply allow management companies to be formed



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