



Nether Edge Management Company Limited

QUARTERLY NEWSLETTER NUMBER 2 – JANUARY 2014

Happy New Year and welcome to the second of our Newsletters!

Transfer Fee Fund:

As promised in the Explanatory Notes on the 2014 Budget, this is to explain the policy which has been agreed in relation to the Transfer Fee Fund.

The Transfer Fee Fund is built up from contributions required from vendors under the terms of the leases on the sale of properties on the development. They represent a proportion of the sale price set out in the leases of 0.25% for houses and 1% for apartments.

In the Fourth Schedule of the Leases, clause 4.4 states: *All sums received by the Management Company pursuant to this clause shall be paid into and allocated as the Management Company shall reasonably determine to an appropriate reserve fund or funds set aside against future expenditure on services to be incurred by the Management Company in a manner provided for this Transfer.*

Under Mainstay, contributions to Reserves, Service Charge income, and Transfer Fees were held in a single account – contrary to best practice in accordance with RICS and ARMA Guidelines. Because they failed to identify long-term expenditure requirements, they did not budget for contributions to accumulate Reserve funds in respect of the Estate and the Leisure Suite. They utilised the Transfer Fee fund inappropriately for service charge expenditure, masking the extent of their consistent over-spending.

In negotiating the agreement with Omnia, the Board insisted that Service Charge income, contributions to Reserves and the Transfer Fees be held in separate accounts. This best practice method ensures they are kept completely separate. In addition, Omnia is not permitted to allocate any expenditure to Reserves or the Transfer Fee Fund without specific authority from the Board.

The Management Company is responsible for the way this Fund should be held and spent and the Board has given considerable time over the past year developing a policy to provide clear guidelines for NEMC. A number of considerations have been taken into account in the development of this policy and the objectives are:

- To maintain the Transfer Fee fund and all Reserve funds at appropriate levels, whilst keeping the amount current and future leaseholders have to contribute annually at an equitable level.
- To ensure expenditure from the Transfer Fee fund is beneficial to all leaseholders.



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To give you some idea of figures involved, in the first 8 months of 2013, income from transfer fees amounted to £17,862.75 of which 22% came from house sales and 78% from apartment sales. This is one of the highest levels recorded – and more sales have been completed since then. It is not possible to predict annual income levels, which are dependent on the number of leaseholders deciding to sell their properties and the prices obtained in any one year.

Under the terms of the policy, at each year end, the following action will be taken in respect of transfer fee income received:

- 55% of the income from apartment sales will be allocated equally between the Reserve funds for each of the 10 apartment blocks.
- 40% of the balance (comprising 45% of income from apartment sales and 100% of income from house sales) will be allocated equally between the Reserve funds for the Estate and the Leisure Suite.
- The balance remaining will be left in the Transfer Fee fund.

Having exerted strict control over expenditure from the Transfer Fee fund, it has now reached a much healthier level and by providing additional income to all Reserve funds, the level of increases to contributions required from leaseholders can be minimised, whilst the Transfer Fee fund will continue to grow year on year.

Under the terms of the policy, all proposed expenditure from the Transfer Fee fund will be considered carefully by the Board. In addition to its role as the ultimate rainy day fund, the fund will be used for capital expenditure to achieve long-term savings in maintenance and energy costs, as well as expenditure which will enhance the development as a whole.

In 2014, for example, the bollard lighting will be changed to LED which will reduce energy and maintenance costs. The type of chemicals used in the pool will be changed to be more appropriate to the soft water; this will increase safety as well as reducing the volume of chemicals required. The levels of corrosion and damage to pool structure will also be reduced.

You will have seen the increase in your service charge demands for 2014 and the Explanatory Notes provided. It is hoped that this will help you understand that the increase would have been higher had this policy not been implemented.

The policy which we have developed will ensure that current and future leaseholders will not be penalised excessively for Mainstay's failures to build up adequate Reserves.

If you have any questions, do please contact the Board at nemcboard@outlook.com.



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Inclement Weather:

Fortunately – perhaps because we are better prepared than we have ever been? – we have not experienced any so far! However, we would take this opportunity to remind you about the Omnia Policy documents sent to everyone with Estate Circular 37 on the subject, which tell you all you need to know and illustrate the location of grit bins around the development. These can be found on the website – www.netheredgelifiving.co.uk – in the Useful Information/Documents section, under Policies.

Garden & Grounds:

If the present spell of mild weather continues, so that time and effort is not required for snow-clearing and gritting, our grounds contractor will soon make a start on the first of this year's planned refurbishment projects. The area to be tackled is the large bed of shrubs between Edward and Peveril. The aim is to clear out some of the existing shrubs which have grown too big, and break up the large blocks of one species which make the bed dull and monotonous. The gaps thus created will then be replanted with a wider variety of plants to add more colour and interest. Any of the shrubs taken out which are suitable will then be re-used in other areas.

A second, smaller project has already started, to clear out the planting that runs down the side of the garages and the steps leading down to the car-park between Kingswood and Edward. The silver birch tree will be left in place, and once the ground around it is cleared, the whole area will be grassed over, which will make it look much tidier, and make future maintenance much easier.

Tree-pruning will also go ahead in the spring, when planning permission has been obtained and the specialist contractor is available to fit this work in.

Once the weather begins to improve, the residents' Gardening Group will start to meet again, usually on the first Saturday morning of each month. A small group of gardening enthusiasts work together to carry out tidying-up jobs so that the gardeners can focus on the more major tasks. It is a very social occasion, and new members would be very welcome – so if your New Year resolution is to spend more time in the fresh air, look out for the e-mails telling you when we will be getting together, and do come and join us.

If you would like any further information please contact nemcboard@outlook.com.