

## HELP SHEET: MANAGEMENT FEES (HOMEOWNERS)

### What is a management fee?

Management fees pay for all those things that need to be done to provide a service to home owners, other than the costs which are shown in the estate service charge. As a leaseholder or freeholder you pay a management fee which is shown in your service charge – this income is used by Hanover towards the following aspects of management.

- Local management – appointing contractors, answering queries, dealing with problems, holding meetings, appointing and supervising staff, consulting with owners, regular safety checks, liaising with the local authority or other agencies about local services
- Financial Management – opening and managing estate bank accounts, acting as trustee for the bank account, paying invoices and tax bills, estimating service charges and producing regular accounts, sending bills, collecting service charges and arrears, appointing and supervising auditors
- Insurance – arranging and administering insurance for the buildings, contents, lifts and other shared parts of the building. This includes where we need to arrange a valuation of the rebuild cost and also arranging our “professional indemnity” insurance
- Repairs & Maintenance – checking the condition of the property, arranging repairs and service contracts, consulting the owners in accordance with legislation and providing ad hoc technical advice.
- Informing & Involving – arranging area meetings, providing newsletters and other opportunities for you to be involved like the “Intouch” panel
- Record keeping – keeping records of ownership

## What isn't included?

- Local Management – advertising costs for a replacement estate manager, providing cover if your estate manager is absent for any reason, charges for hiring a meeting room if your estate doesn't have anywhere to meet
- Financial Management – audits or certification of service charge accounts; we pay an auditor a fee to do this
- Insurance – valuation fees
- Repairs & Maintenance – we charge a separate fee for managing major work contracts and also for specialist advice on major works and health & safety
- Management Agencies – liaising with landlords (when the landlord is not Hanover), where we provide a company secretarial service to a management company
- Individual charges – sometimes it is appropriate to recover the cost of something from the individual leaseholder (e.g. for consents, alterations)
- Sales – providing information and copies of documents when you sell your property. Some leases require that you pay a fee to the landlord.

## How do we set the management fee?

After listening to feedback from residents, Hanover has decided to set its management fee at the limit which is set by the government agency called the Tenant Services Authority (TSA).

## Commission; for buying insurance, or when we place a contract

Unlike many other managers, Hanover does not make any hidden profit when it procures services on your behalf. What we ask you to pay is the actual cost.

Related documents:

- Association of Retirement Housing Managers (ARHM) Code of Practice
- We also publish a detailed leaflet for those people who use our sales or technical service called “Management services for homeowners”.

# Management services for homeowners

September 2011



# Management services for homeowners

At Hanover, we want to ensure that you receive a high standard of service that meets both needs and expectations. There are many elements to our service offering and it is important to us that you understand exactly what you are paying for.

This leaflet will explain the part of Hanover's service which the management fee covers and anything which is charged as extra.



## What is the management fee?

This is the payment that Hanover requires in order to provide a thorough and consistent service to homeowners, and covers different items to those that are separately identified in the service charge. There are no hidden charges. We do not – as some other managing agents do – charge a commission on services we purchase on your behalf (such as insurance, or trade materials).

The fee is set at £360 from 1 April 2011 where Hanover is the freeholder. VAT is payable on this fee only where Hanover is the managing agent for another organisation. The fee is set in line with that recommended by the Tenant Services Authority – a government body, ensuring competitiveness and reasonableness.

**Please note:** Most Hanover homeowners are leaseholders. A small number are freeholders. When the term lease is used in this document it is intended to also encompass property transfer agreements (or similar documents) that apply to freeholders.

Where anything in this document is contradicted by the lease, the lease takes precedence.

## What does our management fee include?

### Local management

- Employing staff to manage, train, support and supervise the estate manager and to provide payroll arrangements
- Providing information to residents and consulting with residents on management matters
- Liaising with residents' associations and resident representatives
- Holding annual meetings with residents to agree the service charge budget for the following year, to receive the accounts for the preceding year and to agree the content of a local estate agreement
- Consulting residents in the legally required way (Section 20 of the 1985 Landlord and Tenant Act and subsequent amendments) before contracts for services are entered into of longer than 12 months and where the cost is estimated to be more than £100 per property per year. This entails a two stage process of supplying information and inviting comments.
- Preparing specifications and contracts for minor works and services (such as cleaning, gardening, window cleaning) in consultation with residents. Arranging tenders or quotations. Consulting with residents on which contractor to appoint (the decision is for residents collectively to make, at each estate).

## What does our management fee include? *(continued)*



- Making periodic health and safety checks
- Drawing up, reviewing with residents and agreeing health and safety risk assessment plans
- Liaising with statutory and local authorities about the operation of local services e.g. rubbish collection, highway maintenance etc

### Financial management

- Opening and administering estate bank accounts
- Acting as trustee for trust bank accounts
- Paying tax, where applicable
- Collecting and accounting for service charges and preparing/distributing service charge estimates and account statements
- Processing and paying invoices to suppliers
- Producing estate accounts and liaising with external auditors to have them audited
- Collecting routine service charge arrears and ground rents
- Recovering unpaid service charges or ground rents or addressing non compliance with leases
- Providing copies of invoices and receipts, where requested
- Providing copies of insurance schedules and other relevant documents

### Insurances

- Administering buildings and other insurances (excluding contents insurance, which is the responsibility of the individual householder)
- Providing professional indemnity insurance
- Preparing replacement cost assessments for insurance purposes on buildings and landlord's contents

### Repairs and maintenance

- Inspecting the property to check condition
- Arranging any necessary repairs, where this is not an individual's responsibility in the individual lease
- Providing advice on repair and maintenance matters for projects of a value up to £1,999
- Consulting residents in the legally required way (Section 20 of the 1985 Landlord and Tenant Act and subsequent amendments) before carrying out repairs to the estate costing more than £250 per household. This entails a process of providing initial information, asking residents to nominate contractors then providing information on estimated costs and inviting comments. We must have regard to the comments before placing a contract and then notify everyone of the choice of contractor, replying to any observations made.

### Involving and informing

- Providing opportunities for residents to be involved, for example: at meetings for the estate, by attending national or regional meetings of residents on particular topics, by becoming a member of Hanover's Intouch panel or by standing for election as an estate representative or as a member of Hanover's Residents' Council
- Providing a copy of Hanover News for every household, and estate newsletters if residents request them

### Record keeping

- Keeping records of residents and property ownership





## What is not included in the management fee?

Additional charges are made for the following, in line with the accompanying schedules, or as explained.

### Local management

- Advertising costs for estate manager posts. Advertising alternatives will be discussed with residents, and the resultant costs included in the service charge
- Cover when the estate manager is on sickness leave or maternity leave. Cover alternatives will be discussed with residents and the resultant costs included in the service charge
- Charges for venues for meetings with an estate's residents when there is no meeting room facility on site

### Financial management

- Auditing of scheme accounts by external auditors. Fees are agreed annually with the companies concerned, and charged to the service charge

### Insurances

- Fees for valuations carried out by independent valuers

### Repairs and maintenance

- Fees for works set out on the attached schedule of additional charges
- Fees for specialist advice from external organisations on the assessment of major repairs and decorations
- Fees for specialist health and safety checks and tests carried out by external organisations

### Management agencies

- Keeping landlords advised of management policies when working as an agent. A fee is agreed with the owner concerned
- Provision of secretarial services to resident management companies

### Charges to individuals

- Depending on the content of the individual lease, a variety of charges are made to individuals. These include charges for copies of documents and fees for assignment of leases. Please contact our sales service team for further information about charges relating to your lease.

## Fixed fee structure for property repair projects costing more than £2,000

Fees for CDM, consultants, planning or Building Regulations are an additional charge to the above.

Stage	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I	Band J	Band K	Band L
	£2,000 to £3,999 +limited TM involvement.	£4,000 to £9,999	£10,000 to £12,499	£12,500 to £14,999	£15,000 to £17,499	£17,500 to £19,999	£20,000 to £24,999	£25,000 to £29,999	£30,000 to £39,999	£40,000 to £50,000	£50,000 to £74,999	£75k and above
1. Survey, design and draft specification*	£50†	£250	£350	£400	£500	£600	£700	£950	£1200	£1400	£1500	£1700
2. Quotes and tenders, bid evaluation and confirmation	£150	£200	£250	£250	£250	£250	£300	£350	£400	£500	£600	£700
3. Appointing contractor, pre-meeting, works programme	£100	£150	£200	£250	£250	£250	£250	£300	£350	£400	£500	£600
4. Project management (including site inspections**)	£50†	£250	£300	£400	£500	£600	£600	£700	£850	£1000	£1100	£1300
5. Agreeing the final account, managing any defects period, making the final payment	£100	£100	£100	£100	£100	£100	£150	£200	£200	£200	£300	£500
<b>Total project cost</b>	<b>£450</b>	<b>£950</b>	<b>£1,200</b>	<b>£1400</b>	<b>£1600</b>	<b>£1800</b>	<b>£2,000</b>	<b>£2,500</b>	<b>£3,000</b>	<b>£3,500</b>	<b>£4000</b>	<b>£4800</b>

\* Where a specialist consultant is used for design and project management e.g. mechanical and electrical works, Technical Manager fees will be calculated separately (based on estimated involvement at £59/hour).

\*\* Where significant works are omitted from tenders, then fees for early stages may be charged on original values.

## Hanover's fees for managing repair projects costing more than £2,000

These notes have been provided following feedback from residents who are part of the InTouch panel.

- Hanover's management fee includes costs for Hanover technical advice for day to day repairs and the management of service contracts, but excludes the technical advice and supervision required for planned or major works.
- For simpler jobs; those which do not require specialist technical knowledge, we use Estate or Housing Managers to supervise much of the work which is ordered by Hanover. Housing Managers will be supervising the installation of soft furnishings and for less complex floor covering works, so unless the project requires technical input of more than a day to day nature, no additional technical fee is incurred.
- For complex work we use the service of Hanover's specialist Technical Managers. In that case a separate additional fee is charged according to the cost of the project to cover the extraordinary work.
- Where it is necessary, the supervision of CDM (*Construction [Design and Management] Regulations 2007*) is contracted out to others. This is the legal requirement to notify the Health and Safety Executive (HSE) if work is expected to either last longer than 30 days; or involve more than 500 person days of work.
- In some cases it is necessary to use an external specialist consultant (for works to a lift for example). Where an external specialist consultant is used then their fees will be charged at the actual rate, without any mark up by Hanover. Hanover Technical Managers' fees will be calculated extra to these but we would not expect them to spend any time on survey, design, specification or project management.
- In some cases we may have already committed our own technical management resources. In that event it may be appropriate that with residents' general agreement, technical advice and supervision might be contracted out to an external individual or organisation, for example an architect or other construction specialist. In that case, their actual fees will be charged without any mark-up by Hanover and if Hanover's Technical Manager was not involved, then no fee would be incurred.
- Homeowners who live on an estate where there is also Hanover owned rented property will be asked to pay an appropriate share of the technical costs; those renting will only be asked to pay for specialist consultants who are used in accordance with service charge items (but not structural).
- Technical fees are applied in bands, rather than per hour. This saves time which would be otherwise spent on administration, and ensures homeowners can be certain from the outset what level of fee they will pay.
- The fee band used will be appropriate to the accepted tender or quotation.
- Technical fees and bandings are reviewed periodically to ensure they remain competitive and reasonable.
- The fee charged from the table will apply to the whole estate rather than each property. The charge will subsequently be applied to individual properties according to the terms of the lease.





For more information on our management service or any of the details in this leaflet, please contact our sales team:

**Call: 0870 600 3074**

**Email: [sales.services@hanover.org.uk](mailto:sales.services@hanover.org.uk)**

**Visit: [www.hanover.org.uk](http://www.hanover.org.uk)**

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**Hanover. It's your retirement**

