

Residents Management Companies



Historically when a new housing development was in the planning process, the local authority would choose what is known as ‘adoption’ for any open space, play areas, estate roads, sustainable urban drainage systems etc. This meant that the local authority would take ownership of the land when the development completed (subject to planning conditions being met) and meet the costs of maintenance.

Due to the withdrawal of local authority funding, local authorities have now had to find an alternative model for the upkeep of these areas and so the Residents Management Company model is now the predominant method of the maintenance and upkeep of the land and infrastructure.

A Residents Management Company is set up by the developer as the vehicle for the maintenance of the communal areas and infrastructure in perpetuity therefore removing the obligation of the local authority to maintain those areas. The Company is non-profit making and is purely to deliver the services specified in the planning consent and to recover the expenditure from residents. During the construction of the development, the RMC directors will be appointed from within the developer.

The RMC will have a set of Memorandum and Articles of Association which will dictate the way in which the RMC should be run. This will include matters, among others, such as the maximum and minimum number of directors allowed, the scope and powers of the directors, the procedures for calling meetings and how the meetings should be run together with the objectives of the Company.

The requirement to make a financial contribution is usually defined in the deed of transfer when the property is first sold by the developer to a purchaser.

The developer usually enters into a contract with a managing agent, such as Remus Management, to organise the necessary work on the estate and to recover the cost of the work from home owners.

It will normally be the intention of the developer to pass the ownership of the communal land and infrastructure to the residents once all houses have been sold and all planning conditions have been met.

Once all of the properties have been sold and the land has been transferred to the RMC, it is at that point that directors will be appointed from within the residents and the developer directors will resign.

This information sheet cannot be considered a substitute for legal advice and prospective purchasers should make their own enquiries.