



HML GROUP

GLOSSARY OF TERMS

ARMA	Association of Residential Managing Agents - the regulatory board for the property management industry.
Block/Buildings Insurance	Insurance for the common parts of your development - this is usually compulsory as per the lease.
Communal Areas/Common Parts	Areas within your development which are shared by two or more properties - such as pathways, gardens, internal stairways, lift.
Companies House	Registrars for all UK limited companies. They incorporate/dissolve companies, examine and store company information and make all this available to the public.
Company Rules	Usually found in the Memorandum and Articles of Association and the lease, these form the basis of the way in which the development must be run and include 'estate' regulations and restrictive covenants
Company Secretary	The chief administrative office of the company responsible for maintaining company records
Director/Volunteer Director	An officer of the Company, registered with Companies House, responsible for ensuring that the communal areas of the development are managed properly and in accordance with the lease and current legislation
Directors and Officers Insurance	Insurance designed especially for directors and officers to protect themselves against claim in the event they are perceived to have failed in any of their duties.
Enfranchisement/ Collective Enfranchisement	Under the Leasehold Reform Housing and Urban Development Act 1993 gives leaseholders the right, upon qualification, to collectively purchase the freehold of their development. This process is called Enfranchisement.

<p>Fire Risk Assessment</p>	<p>Having a fire risk assessment in place is, in most cases, a legal requirement and involves managing the risk of fire in the communal areas. The purpose of the fire risk assessment is to identify possible fire hazards; reduce the risk from these hazards to an acceptable level and identify what action needs to be taken to ensure safety if a fire does break out.</p>
<p>Freeholder</p>	<p>Owner of the land that the development is built on and usually the legal entity ultimately responsible for management of the development. Freeholders can be investors, house builders or be the Residents Management Company of the development (leaseholder owned).</p>
<p>Ground Rent</p>	<p>Ground rent is a payment made by the leaseholder to the landlord under the terms of the lease. A lease is a tenancy and so it is subject to the payment of ground rent. It is an income for the landlord rather than payment for the provision of services</p>
<p>Health & Safety at Work Regulations</p>	<p>The basis of British Health & Safety law is the Health and Safety at Work Act 1974, although there are around 10 additional Acts of Parliament which relate to the communal areas of residential developments. The Health & Safety at Work Act sets out the general duties which employers have towards employees and members of the public and employees have to themselves and to each other. The communal areas are deemed to be 'places of work' and these various pieces of legislation are in place to ensure the safety of residents, visitors and contractors.</p>
<p>Landlord & Tenant Act</p>	<p>Provides security of tenure for occupying tenants under certain leases of residential property.</p>
<p>Landlord Covenants</p>	<p>The landlord's obligations to lessees as detailed in the lease. These can include obtaining and arranging insurance, upkeep of the structure of the building and the provision of services such as lighting in common areas and ground maintenance.</p>

Lease Extension	The right provided by the 1993 Leasehold Reform Act (as amended) for the grant of a new lease for a term of 90 years, plus the present unexpired term, all at a peppercorn rent, i.e. rent free. This process is not automatic and lessees must meet certain qualifying criteria.
Lessee/Leaseholder	Flat owner within a block of flats/development.
LVT	A Leasehold Valuation Tribunal (LVT) is a statutory tribunal in England which determines various types of landlord and tenant dispute.
Major Works	These are typically works which will result in more than £250 being payable by each flat and which occur on a cyclical basis, such as internal and external redecoration, replacement of the roof or lift. Section 20 of the Landlord & Tenant Act will usually apply (see below).
Management Agreement	This is a document stipulating the managing agents terms of business and conditions of appointments.
Managing Agent	Hired by freeholders or Resident Management Companies to manage the day to day running and cyclical maintenance of their buildings on their behalf.
Memorandum & Articles of Association	Legal documents required by law that set out details and rules for internal regulation and management.
Reserve/Sinking Fund	Funds collected over a period of time to be used for a specific purpose to avoid a very large bill in one service charge year, typically used for major works.
Resident Management Company	A limited company, whose members or shareholders are leaseholders, which is defined within the lease as being responsible for the management of the communal parts of the development.

RICS	The Royal Institute of Chartered Surveyors is the professional body for qualifications and standards in land, property and construction.
RICS Client Monies Protection Scheme	Clients who entrust money to firms regulated by RICS are protected in the unlikely event that the money is mishandled.
Right to Manage	The Commonhold and Leasehold Reform Act 2002 provides a right for leaseholders to force the transfer of the freeholder's management duties to a special company - set up by them. The RTM process allows leaseholders to take control of the management of their development.
Statement of Rights and Obligations	A summary of lessees' rights and obligations which must accompany a demand for service charge payments.
Section 20	Section 20 is a consultation process under the Landlord & Tenant Act required to carry out major works costing in excess of £250 for any one unit.
Service Charge	Charge levied by the freeholder or Resident Management Company in accordance with the lease to recover costs incurred running the communal parts of a development, insurance of the building and general maintenance and repairs.
Service Charge Budget/Estimate	An indication of the annual costs associated with running the development in accordance with the terms of the lease, e.g. cleaning, gardening, electricity for communal areas, etc.
Shareholder	A shareholder of the RMC that owns the freehold. They are entitled to have a say at company meetings and take part in decision making.