

Summary of the changes

We will be selling all our leasehold homes on the same basis. All leases will:

- (a) Have a residents management company ("RMC") as party to the lease;
- (b) Have a ground rent of a peppercorn and no rent review clause;
- (c) Have a lease term of 999 years;
- (d) Charge the tenant a consent fee for consents such as structural alterations that is reasonable. Once the RMC has been handed over to the control of the residents, the Managing Agent will be able to set the fee so that they are reasonable having regard to the market value of those services to be supplied in considering, administering and processing the relevant consent, and subject to any statutory requirements or UK Government guidance issued in respect of the amount or extent of such fees in force from time to time.
- (e) Charge the tenant an event fee on a change of ownership or lender or subletting that is reasonable. Once the RMC has been handed over to the control of the residents, the Managing Agent will be able to set the fee so that they are reasonable having regard to the market value of those services to be supplied in considering, administering and processing the relevant consent, and subject to any statutory requirements or UK Government guidance issued in respect of the amount or extent of such fees in force from time to time.
- (f) Not have a managing agent as a party to it. The managing agent will be appointed to act on behalf of BDW and the RMC by way of a standard form management agreement. Once the managed land, and freehold reversion of any flats, is transferred to the RMC, and the RMC has been handed over to the customers BDW's involvement will fall away under the terms of the management agreement.

The Plot transfer is subject to the following changes:

- (i) The RMC will be party to the plot transfer
- (ii) The RMC will manage the managed land that any service charge is paid to manage.
- (iii) The estate rentcharge has been removed and replaced with a transferee's covenant to pay service charge.
- (iv) On any subsequent sale of the freehold plot the new owner will enter into a deed of covenant to pay service charge to the RMC as per the direct deed of covenant set out in the transfer. The previous owner will be released from further payment obligations
- (v) Handover of the RMC will mirror the process for leasehold properties where the RMC takes a transfer of the managed land and is then handed over to the customers.
- (vi) A managing agent will be appointed in the same way as one is appointed on leasehold plots.

The role of the RMC:

- (g) The RMC will need to be incorporated prior to any reservations being taken.
- (h) The RMC will use standard articles. Divisional directors will be appointed as the members and directors of the RMC. The RMC will grant a power of attorney to allow all divisional directors to sign as they can for BDW.
- (i) BDW (or any third party land owner who retains an interest in the development) will enter into a freehold reversion sale contract with the RMC. The form of freehold reversion transfer will be annexed to this agreement.
- (j) The RMC will be responsible for the management of blocks of flats, private external common parts and any buildings on community land.
- (k) All purchasers will become members of the RMC.

- (l) If there is a district heat network there will be a second RMC that retains responsibility for the network.

The managing agent:

- (m) The managing agent will be appointed under a standard form management agreement.
- (n) The managing agent will be engaged prior to the first plot sale and will take an active role in engaging with residents during the development so that the residents know and trust the agent ready for handover of the RMC.
- (o) The managing agent will have to meet certain KPIs. If those KPIs are not met the RMC will be able to terminate the agent's appointment.
- (p) If there is a district heat network an energy supply company (ESCo) may be appointed to run and manage the network on the district heat network management company's behalf.

The handover of the RMC

- (q) We will work closely with residents during the life of the development to encourage them to form a shadow board. We will then educate residents to understand what is involved in being an RMC director and how the management scheme will operate.
- (r) We will retain control of the RMC until either the end of the development, or on some, more complex sites including those involving a district heat network, for some time after the end of the development while the residents have time to understand the management scheme.
- (s) All land that the RMC will own must be transferred to the RMC prior to the RMC being handed over to the residents.
- (t) Notice will need to be given to the residents to invite them to become directors of the RMC when the division is ready to complete handover.
- (u) Residents will be invited to become directors and have 4 weeks in which to respond. Those who respond will be appointed directors of the RMC when the BDW nominees resign. If no volunteers come forward we retain the right to be able to appoint a professional director to step in and take over the running on behalf of the residents.

If there is a heat and hot water network:

- (v) There will be an additional management company formed known as the Energy Management Company (EMC). We have deliberately separated out the heat and hot water network from the RMC to ensure that there is no issue with the continuity of supply of heat and hot water should the RMC become dissolved.
- (w) The EMC will be party to the lease to give obligations in relation to the supply of heat and hot water to the tenant. The tenant will pay for the supply of hot water. There will also be a standing charge payable for the maintenance of the plant and pipework that form the heat and hot water network.
- (x) The EMC may appoint an energy supply company (ESCo) to supply the heat and hot water and maintain the network. If this happens the provisions in the lease relating to the supply of and payment for hot water and heat will be suspended. The tenant will then enter into a customer supply agreement directly with the ESCo who will charge them the costs of heat supplied and for management and maintenance of the heat network. Any ESCo agreement appointing the ESCo will need to be in place before there are any exchanges for plot disposals.
- (y) The EMC will be handed over to residents in the same way.

2. **The documents**

A suite of documents has been written to enable the implementation of the above structure. The documents are:

- (a) Standard form articles and a management company incorporation questionnaire. These documents must be used in conjunction with the Form C process which has been integrated into the new incorporation questionnaire.
- (b) A standard form management agreement for the appointment of the managing agent. This agreement appoints the agent to act for both BDW and the RMC until the point of handover as which time BDW's involvement falls away.
- (c) A freehold reversion and managed land transfer agreement and associated transfer. This agreement is to be entered into prior to any plots (including any affordable or commercial units) being sold to avoid the need to serve notices under s.5 Landlord and Tenant Act 1987 prior to transferring the freehold of any flats. This agreement allows for phased handovers of blocks and managed land. The form of transfer to use with these transfers is to be annexed to the agreement. This agreement should be disclosed to residents and their solicitors.
- (d) Updated Managed Land and Management Company freehold plot transfers. These transfers supersede the existing BDW group standard Managed Land and Management Company plot transfers.
- (e) New group standard plot lease. This is a new document as we have not had a standard lease before. This lease has been written in a style that contains plain English as much as possible and has limited cross referencing to make it an accessible document for leasehold residents.
- (f) New customer information sheet – leasehold and customer information sheet – freehold. This will be given to our customers by our onsite sales team but you should also include a copy within the reservation pack that is sent to each customer's solicitor with the plot sale contract.