

# **KNOLE ROAD FLATOWNERS (LTD) LIMITED**

## **DIRECTORS HANDBOOK**

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### **Abbreviations**

CA 2006	Companies Act 2006
KRFO	Knole Road Flat Owners (Bexhill) Ltd
MOA	Memorandum of Association
AOA	Articles of Association
MAA	Memorandum and Articles of Association (when referring to both collectively)

## INTRODUCTION

The KRFO Directors Handbook is provided to all directors when they join the Board. Along with the Residents Handbook it provides the basic information that will enable Directors to carry out their duties effectively.

The Handbook has two other main purposes: the first is to provide a written record of the operating procedures used by the directors and officers of KRFO when conducting the business of the company; the second is to ensure that effective management of the company is affected as little as possible when changes of personnel take place, whether of directors or employees.

The Handbook is divided into eleven parts. The first part sets out the duties and responsibilities of directors. The first half of this section summarises the general duties and responsibilities of directors as set out in the Companies Act 2006. The second half sets out the specific duties and responsibilities of KRFO directors. The ten other parts cover all the main areas of the business of the company. At the back of the Handbook is a set of appendices that provide copies of useful documents that illustrate and support the various parts of the Handbook.

The Handbook is a working document and it is intended that it should be reviewed and updated every two to three years in the light of any changes that may occur in the legal framework, organisation and operating procedures of the Board of KRFO.

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Legal and Finance Director  
KRFO

December 2017

## Part 1

# DUTIES AND RESPONSIBILITIES OF THE DIRECTORS OF KRFO

## LEGAL BACKGROUND

1. The legal framework for all companies, large or small, private or public, is set out in the Companies Act 2006 (CA 2006) and in Table A of the act in particular. The Act provides the general guidance that all companies and the directors of companies are expected to follow (see **Part 10, Chapter 2**). The specific legal framework for individual companies and their directors is provided by their company Memorandum and Articles of Association (MAA). In the case of a freehold company such as KRFO further duties and responsibilities are contained in the leases. Copies of the KRFO MOA and AOA are to be found at **Appendices 1 and 2** with Table A at **Appendix 3** and a specimen lease at **Appendix 4**.

## DUTIES OF DIRECTORS UNDER THE COMPANIES ACT 2006

2. **Introduction.** The CA 2006 sets out the main duties of a director. These duties provide a framework consistent with the position that directors are in an important, trusted position and are expected to run their company in a professional and ethical way.

3. **Due Diligence.** The main principal underlying the duties of directors' set out in the CA 2006 is that of 'due diligence'. The Act makes it clear that even in small companies directors are expected to have an awareness of the affairs and objectives of their company sufficient to enable them to appreciate the implications and consequences of decisions they make.

### **Implications for KRFO Directors**

*Due diligence does not require directors of KRFO to be experts or turn themselves into experts. What it does require is that they acquire sufficient general knowledge about the various affairs of the Company so that they can ask the right questions before making decisions and ensure proper procedures are in place and followed. For example, the main task of KRFO is the maintenance of the building. This does not mean directors suddenly have to acquire the expertise of a Chartered Surveyor. It does mean that they must ensure appropriate professional advice is sought before maintenance decisions are made.*

4. **General Duties of Directors Under CA 2006.** The Act sets out seven general duties that apply to the directors of all companies regardless of size or objective. Set out below is a summary of these seven general duties (full details can be found in **Part 10, Chapter 2, Paragraphs 170-177**).

a. **Duty to act within powers.** A director must act in accordance with a company's constitution, and only exercise powers for the purposes for which they are conferred. This means that the directors of KRFO must follow the instructions in the Memorandum and Articles of Association that form, in effect, the internal rules of KRFO as a company. The majority of these are to be found in the MOA at **Paragraph 3A** (which sets out the objects of the Company) and **Paragraph 3B**. The AOA are also relevant but focus more on the procedures to be followed in the affairs of KRFO as a company.

b. **Duty to promote the success of the company.** This duty requires a director, in good faith, to act in a way most likely to promote the success of the company for **the benefit of its shareholders as a whole, so as not to advantage just one or a few shareholders**. In KRFO's case, this means that the building is well and safely maintained in a cost effective manner for the benefit of the lessees. It also

requires directors to consider the longterm consequences of any proposal as well as its likely impact on the local community and on the public reputation of the Company.

**c. Duty to exercise independent judgment.** This duty requires directors to use independent judgement at all times with the sole caveat that keeping to an agreement properly made by the Company is not regarded as failing to exercise independent judgement. This does not mean that they cannot question such an agreement. They certainly can. A director must also never allow coercion to affect his or her judgement.

**d. Duty to exercise reasonable care, skill and diligence.** This duty requires directors to act as a reasonably diligent person. Reasonableness is measured in two ways. The first is individual. The competence expected of a director is related to the experience and expertise of the individual director - the greater the experience and expertise the higher the expectation. The second is comparative. All directors are expected to display the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions in a company of similar size and type - the larger and more complex the higher the expectation.

**e. Duty to avoid conflicts of interest.** This duty requires directors to avoid situations where either there is or there may be a conflict between their interests and those of the company. Should such a situation arise a director must be declare such an interest to the rest of the Board.

**f. Duty not to accept benefits from third parties.** This duty prohibits the directors from exploiting their position for personal gain. It also prohibits the acceptance of any benefits (including bribes) that would create a conflict of interest.

**g. Duty to declare interest in a proposed transaction or arrangement.** This duty requires that a director should inform the rest of the Board, in advance, of any personal interest they have, and from which they might benefit, in a proposed arrangement or transaction with KRFO. A director may not benefit from such an interest without the formal authorisation of the Board.

#### **Implications for KRFO Directors**

*There is no reason for any KRFO director to be alarmed by these general duties. Fundamentally they are just statements of common sense even if the language is rather legalistic at times. The legal principle underlying them all is that of 'reasonableness'. It is expected that the directors of KRFO will make themselves aware of these general duties and adhere to them at all times.*

#### **POWERS OF DIRECTORS**

**5. Table A Paragraph 70** of the **CA 2006** states that subject to the provisions of the Act, the MOA and AOA and to any directions given by special resolution, the business of the company shall be managed by the directors who may exercise all the powers of the company.

**6.** The specific powers available to the directors in the running of the Company are set out in the **MOA** and the **AOA**. The powers are extensive but they can only be used to further the objects of the Company the principal of which is to 'manage and generally maintain the buildings on behalf of the owners and occupiers' (**MOA Paragraph 3A [1]**).

**7. General Powers.** The Board has general power to do 'all such things as may be considered to be incidental or conducive to the attainment of the objects of the Company' (**MOA Paragraph 3A [21]**).

**Note.** This comes with the restrictions that the Company must make neither profit nor loss (**MOA Paragraph 3A (22)**) and that the income and property of the Company shall be solely applied to the promotion of the objects of the Company (**MOA Paragraph 3B**).

**8. Finance and Business Powers.** The **MOA** and **AOA** provide the Board with the following powers re finance and business:

**a. Reserve Funds.** The Board may make provision for creating a reserve fund for any general or particular purpose (**AOA Paragraph 13[b]**).

**b. Borrowing.** The Board has the power to borrow and raise money in any manner and on such terms as it may think fit (**MOA Paragraph 3A (15) [a]** and **AOA Paragraph 16 [a]**).

**Note.** There is an important restriction that it may not borrow more than the amount of the loan stock and the nominal share capital without agreement of shareholders at an AGM (**AOA Paragraph 16 [b]**).

**c. Contracts.** The Board may negotiate and enter into contracts for maintenance and any other contract it deems beneficial to the residents (**MOA Paragraph 3A [7]**).

**d. Business.** The Board may carry out any business to the benefit of the Company including turning to account any property belonging to the company (**MOA Paragraph 3A [9]**).

**Note.** This comes with the important restriction that this power does not include the use of any property in the building for holiday lets as defined in the Rent Act (**MOA Paragraph 3A [10]**).

**9. Lease Extensions.** The Board may grant lease extensions for such consideration as it may think fit (**MOA Paragraph 3A [12]**).

**10. Directors Honoraria and Insurance.** There is the discretion to grant honoraria to Directors (**AOA Paragraph 11 [c]**) and to provide appropriate insurance (**AOA Paragraph 11 [d]**).

## **SPECIFIC RESPONSIBILITIES AND DUTIES OF KRFO DIRECTORS**

**11. The Principal Responsibilities of Directors on the Board of KRFO.** The fundamental purpose of KRFO is to ensure that Knole Road is well and safely maintained in a cost effective manner for the benefit of the lessees. The principal responsibilities of Directors of KRFO reflect this fundamental purpose and are set out below.

**a.** To ensure no decision is made that threatens the financial wellbeing and viability of KRFO or the safety and good condition of the building.

**b.** To contribute to development of strategic plans for the maintenance of the building and the financial wellbeing of KRFO.

**c.** To contribute to decisions establishing priorities for the work of KRFO.

**d.** To ensure that the upkeep of the building is driven by a carefully planned and managed programme of preventative maintenance and is not just reactive firefighting.

- e. To ensure the financial probity and wellbeing of KRFO by giving close and regular attention to its financial position and supporting financial statements.
- f. When necessary, to help carry out the research needed in order for the Board to come to a sound decision in some matter.
- g. To ensure any activities and work undertaken by KRFO are conducted in line with the appropriate Health and Safety legislation.
- h. To ensure any employees of the KRFO have appropriate contracts of employment and their terms of service are in line with current employment legislation.
- i. To promote the role of KRFO Director and encourage other shareholders to share their skills and serve on the Board in order to ensure the Board is dynamic and sustainable.

**12. The Principal Duties of Directors on the Board of KRFO.** Directors on the Board of KRFO are expected to fulfil the following duties. Underlying these duties is an expectation that directors will support the chairman and fellow directors in creating a supportive, open and inclusive atmosphere in which the contributions of all treated with mutual respect.

- a. To attend Board Meetings.
- b. To attend AGMs/EGMs when they occur.
- c. To contribute actively to the work of the Board.
- d. To provide advice and support to the Company Secretary and Maintenance Manager.
- e. To be prepared to take on appropriate specific tasks as may be necessary from time to time.
- f. To be readily contactable and to respond to communications from other Board members and the Company Secretary and Maintenance Manager in a timely manner.
- g. To ensure that the Company Secretary and Maintenance Manager are not given extraneous tasks outside their job descriptions that will interfere with their ability to carry out their duties effectively.

**13. Collective Responsibility.** No Board of Directors can work effectively without all members adhering to the principle of collective responsibility. What this means in practice is that once a decision has been made by the Board all members stand by it together even if they took a contrary position when the matter was discussed. The KRFO Board is no different. All members are expected to adhere to the principle at all times.

**Note.** If, for whatever reason, a Director is unable to adhere to the principle of collective responsibility they will be expected to take the only honourable course and resign.

**14. Confidentiality and Communication.** It is important that Directors fully respect the confidentiality of Board meetings and do not discuss their content outside the meetings unless it has been agreed at the meeting that a matter is for circulation. This is important for three main reasons. The

first is because some issues take more than one Board meeting to resolve and any circulation of aspects of an on-going discussion before a decision has been made will lead to rumour and possibly compromise the decision-making process. The second is because some decisions require a formal announcement accompanied by careful explanation, a process that would be undermined if incomplete and uncontextualised information has been leaked in advance. The third is because there are occasions when it is necessary to discuss the personal circumstances of individual residents.

**Note.** If, for whatever reason, a Director is repeatedly unable to adhere to the principle of Board confidentiality they will be expected to take the only honourable course and resign.

**15. General Knowledge.** In order to be able to carry out their duties effectively directors are expected to familiarise themselves with the contents of the Directors Handbook and in the context of their general duties and responsibilities to ensure that they have familiarised themselves with the contents of the MAA of the company and also with the key elements of the leases that set out the legal responsibilities of both the Company and the leaseholders (a copy is attached at **Appendix B** to this handbook).

**16. Specific Board Responsibilities.** The Board will always appoint one director to act as chair and one to act as deputy chair in the absence of the chair. Whenever possible the Board will also seek to allocate the following other areas of responsibility to named directors. This is to ensure that the Board has (or can develop) the expertise its needs, has some back up to the Company Secretary and Maintenance Manager and can also provide direct support and advice to the Company Secretary and Maintenance Manager. The general duties of those carrying out these specific directorial tasks are set out below in **Paragraph 17** below.

- Chair.
- Deputy Chair (no specific responsibilities when not standing in so can undertake other tasks)
- Finance.
- Maintenance
- Health and Safety including lifts and fire safety.
- Public Affairs (usually the responsibility of the chair).
- Legal Matters.
- Communication (usually the responsibility of the chair).
- Lessee Complaints and Disputes.
- Fundraising
- Other such matters as may arise from time to time.

**Note.** The actual allocation of these tasks will vary depending on the size of the Board and experience of its members at any particular time.

**17. Details of Specific Directorial Responsibilities.** The outline responsibilities of those undertaking specific roles are as set out below. They are set out in more detail in **Parts 6-10** of the handbook. The responsibilities have not been placed in any order of priority as these may change from time to time.

**a. Chairman.**

- Chair all meetings of the Board and the Company.
- Create a mutually supportive, open and inclusive team atmosphere.

- Put together the agenda's for all meetings.
- Be responsible for the overall development of KRFO strategies, plans and policies.
- Supervise & support the Company Secretary and Maintenance Manager.
- Be responsible for the Public Affairs of the Company (see below).
- Be responsible for Communication for the Company (see below).

**b. Finance.**

- Be aware of the financial structure and situation of the Company.
- Be prepared to discuss financial policy with the Company Secretary.
- Have access to the Company accounts and carry out regular checks.
- Be aware of and meet the Company Accountant.
- Be able to comment on the financial affairs of KRFO at Board Meetings and AGMs.

**c. Maintenance (including the gardens).**

- Be aware of the details of the Five Year Maintenance Plan.
- Be aware of on-going maintenance issues.
- Advise and support the Maintenance Manager over maintenance issues.
- Support the Company Secretary and Maintenance Manager in decision-making when needed.
- Attend meetings with the Surveyor and building contractors when necessary.
- Report to the Board on maintenance issues in the absence of the Maintenance Manager.
- Be aware of the work being done in the gardens and report to the Board when necessary.
- Act as a link between the gardening contractors and the Board

**d. Health and Safety.**

- Ensure KRFO meets the requirements of current and relevant Health and safety regulations.
- Be aware of the details of the latest fire safety report.
- Be aware of the health and safety risks associated with the wear and tear of the building.
- Be aware of the progress being made to address any safety issues.
- Consult with the Maintenance Manager as to safety issues related to the building.
- Liaise with the Maintenance Manager over the employment of external advisers.
- Be prepared to support the Maintenance Manager in decision-making when needed.
- Be able to report to the Board in the absence of the Maintenance Manager.

**e. Public Affairs.**

- Monitor local and national planning developments that may have an impact on KRFO.
- Advise the Board on the implications for KRFO and what action needs to be taken.
- Represent KRFO's position in public forums e.g. planning and other inquiries.
- Communicate with local authorities and political representatives on KRFO's behalf.
- Report to the Board on public affairs as necessary.

**f. Legal Affairs.**

- Monitor legal changes that may have an impact on KRFO.

- Acquire a detailed knowledge of the leases and their legal implications.
- Advise the Board on the legal implications and what action needs to be taken.
- Support the Company Secretary with any legal issues that arise.
- Attend Court in support of the Company Secretary when necessary
- Report to the Board on legal issues as necessary.

**g. Communication.**

- Develop and implement a communication strategy for the Company.
- Write and edit the quarterly newsletter.
- Send briefing letters to residents when needed.
- Review and suggest developments for KRFO's presence on the web.
- Report to the Board on communication matters as necessary.

**h. Lessee Complaints and Disputes.**

- Be aware via the Company Secretary and Chairman of difficulties involving leasees.
- Be prepared to meet with those involved and mediate when deemed necessary.
- Get pre-briefed before any meeting as to the background and circumstances.
- Report to the Board on any such meetings and difficulties as necessary.

**Note.** Please note that this allocation of responsibilities is not set in stone and may vary from time to time depending on the make up of the Board and changing circumstances.

**CONCLUSION**

**18.** The duties and responsibilities set out in this part of the handbook are those regarded as essential for the sound management of KRFO. As stated in the introduction to the Handbook this is a working document. This is to reflect the fact that KRFO, like any company, is an organic institution that will change as the challenges it faces change and as the context within which it is working changes. That said, the principal task of KRFO - to maintain the building on behalf of the shareholders and owners in as cost effective a way as possible - is unlikely to change and will always require well-organised and diligent management.

## Part 2

# STRUCTURE AND ORGANISATION OF KRFO

## BACKGROUND

**1. Formation of the Company.** KRFO was set up in 1991 by a group of residents who bought out the freehold from a company called Matlodge. The official incorporation date was 6th September 1991 and the company is registered at Companies House under number 2643885.

**2. Type of Company.** KRFO is a private company limited by shares (**AOA, Paragraph 3**).

**Comment.** This means that although the company has shares they are limited to a set number and may not be traded publicly (**AOA, Paragraphs 3 and 4**).

## LEGISLATION, REGULATIONS AND MEMORANDA

**3. General.** All companies, regardless of whether they are public or private companies, are subject to company law as set out in the Companies Act 2006 (CA 2006) and to the contents of their Memorandum and Articles of Association.

**4. The Companies Act 2006 (CA 2006).** The Act is a vast document most of which is not relevant to KRFO. The main areas that concern KRFO are those the sections dealing with constitutional matters, the duties of directors and the management of meetings and resolutions.

**Comment.** There is no need for directors to read the Act as those elements that are relevant to the running of KRFO are included in this handbook and are reflected in the MOA and AOA.

**5. CA 2006 Table A.** Table A is the name given to the prescribed format for articles of association of a company limited by shares. When a company limited by shares (such as KRFO) is incorporated, it does not need to file articles if it uses **Table A** as its articles. KRFO produced its own **AOA** but makes it clear in **Paragraph 1 (b)** that the regulations in Table A apply to the company as modified in the Articles and with the exclusion of some regulations. A copy of Table A reflecting the adjustments contained in the KRFO **AOA** is at **Appendix 3**.

**6. Memorandum of Association (MOA).** The MOA is a legal document prepared in the formation and registration process of the new company. It has to be filed with the Registrar of Companies during the process of incorporation. It contains the fundamental conditions upon which the company is allowed to operate. Its purpose is to enable shareholders, creditors, and those who deal with the company to know what is its permitted range of enterprise. It defines its relationship with the shareholders and is the document that regulates its external affairs.

**7. Articles of Association (AOA).** The AOA is a document that sets out the written rules for the running of the company. It is comprised of the rules and regulations that govern the company's internal affairs. It has to be filed at Companies House.

**8. The Lease.** In terms of the day-to-day business of KRFO the leases are the most important document. They set out the rights and duties of the KRFO (the lessor) and the rights and duties of the

flat owners (the lessees). Although there are some variations in the leases they are, in the main, fairly standard. A copy is to be found at **Appendix 4**.

**Comment.** The leases are old and not always very helpful but they do usually make clear the distinction between what is a lessor responsibility and a lessee responsibility when it comes to maintenance matters. This is important as some lessees will try to get maintenance work that is their responsibility undertaken at the cost of KRFO and therefore at the cost of the other lessees.

## **THE BOARD**

**9. Size.** The MOA and AOA only set out the size of the Board. It must consist of a minimum of 2 members and a maximum of 9. In practice a size of 5 or up to 7 is the most workable. An uneven number is also desirable in the event that any voting is required as the AOA state that the Chair may not have a casting vote (**AOA, Paragraph 22**).

**10. Membership.** The MOA and AOA do not set any restrictions on who can be a member of the Board except they must be a shareholder or nominated by one. In practice it is desirable if Board members have some professional experience but this does not have to be in property management and building maintenance as the company has access to a range of specialist advisors. More important than technical expertise are enthusiasm and common sense, the ability to make balanced judgements and willingness to be an active and supportive team member.

**11. The Conduct of Business.** The principal mechanism for the conduct of business is the regular Board meetings. These are usually held 6-8 times per year depending upon need. The procedures for the conduct of these meetings are set out in **Part 3** of this handbook. However, of necessity, much business is conducted outside the meetings by board members carrying out their individual responsibilities. This is likely to involve a mixture of liaison with the Company Secretary and Maintenance Manager, meetings with the appropriate professional advisor or contractor and individual research depending upon the particular responsibility and/or project.

**12. Communication.** It is important that board members and company employees keep each other in the loop at all times. This is especially important given how prone the Knole Road community is to rumour and innuendo. As a result board members are encouraged to copy in each other to important emails, to submit reports on their activities at board meetings and to produce attendance notes whenever they have had a meeting with a council official, professional advisor, contractor or representative of an important institution such as English Heritage. Full details of the communication processes and procedures used by the company are set out in **Part 10** of this handbook.

**13. Directors Insurance.** KRFO has a 'Directors and Officers Liability Insurance' (often abbreviated to "D & O"). This insurance for the directors and officers of a company indemnifies the directors and officers of the KRFO against damages and defence costs arising from lawsuits alleging wrongful acts.

## **THE EMPLOYEES**

**14.** After years of unsatisfactory experience with external managing agents the Company moved to bring the key management and maintenance functions in house and create a properly equipped and manned company office. This process was started in 2011 with the office becoming available in 2012 on the back of the conversion of the old boiler room into a flat. In 2017 it was decided that a part time administrative assistant and office manager was also needed in order to improve communication and

the running of the office as well as enable the Company Secretary to focus on his principal duties.

**15. Company Secretary.** The principal KRFO employee is the Company Secretary and if in doubt he should be the first port of call either for advice or when a problem arises. A full job description is held in the Office but a resumé can be found at **Appendix 5**.

**16. Maintenance Manager.** The tasks of the maintenance manager include looking after the day-to-day maintenance of the building, implementing the preventative maintenance programme, supervising work undertaken by contractors and conducting regular building surveys to identify developing maintenance issues. A full job description is in the Office but a resumé can be found at **Appendix 6**.

**17. Administrative Assistant and Office Manager.** The principal tasks of the Administrative Assistant and Office Manager are to keep the company office well organised and in good order, to provide secretarial support to the Board and the company officers and to provide a communication link with residents. A full job description is held in the Office but a resumé can be found at **Appendix 7**.

**18. Cleaners.** KRFO is required by the leases to employ two 'porters' to clean the common areas and to remove rubbish from outside the flats. In practice one of the cleaners carries out other tasks including the weekly testing of the fire alarm system. It is hoped to gradually extend the range of tasks undertaken by the team. A list of current tasks undertaken by the cleaners can be found at **Appendix 8**.

## **PRINCIPAL CONTRACTORS**

**19.** As a result of experience the Board has moved gradually to a system of principal contractors. The main reason for this was the realisation that the complexities of the building would benefit from being looked after by a team that really understood these complexities. It also meant not only that the quality of work improved but also the level of supervision and management time required reduced.

**20. Maintenance.** The most important area benefitting from a principal contractor was maintenance for the reasons set out in paragraph 16 above. This has paid dividends. In order to ensure cost-competitiveness labour rates are reviewed and agreed annually.

**21. Lifts.** KRFO uses East Sussex Lifts as its lift contractor. A close and cost-competitive relationship has been established with the company based on a servicing contract this is reviewed annually. They have developed a real understanding of the maintenance strengths and weaknesses of the lift.

**22. Gardens.** Hardy Davis, a local contractor, currently looks after the gardens. As with maintenance and lifts the contract is reviewed annually.

## **PROFESSIONAL ADVISERS**

**23.** KRFO makes use of a range of professional advisors on an as required basis for the following areas.

- Building and Maintenance Survey.
- Finance and Accountancy.
- Legal Advice.
- Insurance and Insurance Brokerage.
- Fire, Health and Safety.

## Part 3

# CONDUCT OF BOARD MEETINGS

## INTRODUCTION

1. **Timing and Frequency.** Meetings usually take place approximately every two months but can be called more frequently when the business of the company makes this necessary.

2. **Attendance.** All members of the Board are expected to attend. The Company Secretary attends throughout. The Maintenance Manager also attends every meeting but only for those items on the agenda that involve maintenance, health and safety.

**Note.** It is appreciated there are occasions when individual members of the Board are unable to attend.

3. **Voting.** Only Directors have a vote. The Company Secretary has a duty to advise the Board but as a paid employee of the company does not have a vote.

a. In the event that a vote is needed only a simple majority is required. In the event of a tie the Chair does not have a casting vote (**AOA, Paragraph 22**).

b. A director may not vote on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty, which is material and which conflicts or may conflict with the interests of the company (**CA 2006, Table A, paragraph 94**).

c. In the unlikely event of uncertainty as to the right of a director to vote on a particular issue it is the duty of the Chair (except in his or her own case) to make a ruling and that ruling is to be regarded as final and conclusive (**CA 2006, Table A, paragraph 98**).

## THE AGENDA

4. **Publishing the Agenda.** It is the responsibility of the Chair to publish the agenda in advance of the meeting using the standing items (see **Paragraph 5**) and any additional items that Directors, the Company Secretary and the Maintenance Manager have asked to be included.

5. **Standing Items.** The standing items on the agenda are usually as follows:

- Apologies
- Minute of the previous meeting
- Matters arising from the previous meeting
- Maintenance report
- Health and Safety including fire and lifts
- Financial report
- Legal report
- Any other business
- Date of next meeting

6. **Additional Items.** There are often a number of additional items that do not necessarily fall under the

standing items. These are added to the agenda as and when they occur and preferably at least a working week in advance of the relevant board meeting.

## **MINUTES**

**7. Taking of Minutes.** The Company Secretary takes the minutes. These are not intended to be verbatim but a record of matters discussed and any decisions and/or further action agreed.

**8. Publication.** The Company Secretary is required to circulate the minutes in draft as soon as possible after the meeting and usually no longer than a week later.

**9. Amendments, Additions and Corrections.** All those in receipt of the draft minutes are required to forward any amendments, additions or corrections to the Company Secretary so that they can be incorporated well in advance of the next meeting. When there are significant changes to the draft the updated version is to be re-circulated.

**10. Formal Confirmation.** The final version of the minutes is to be agreed at the following meeting of the Board and signed by the Chair in confirmation. Last minute changes can still be made at this stage as handwritten amendments.

## **REPORTS AND ATTENDANCE NOTES**

**11. Formal Reports.** The Company Secretary and Maintenance Manager submit finance and maintenance reports at each meeting. These are circulated in advance of the meeting to give directors a chance to absorb them and identify questions. Hard copies are made available at the meeting.

**12. Attendance Notes.** When a director or employee of KRFO has a meeting on KRFO business with a local government official, professional adviser employed by KRFO or contractor they are expected to write an attendance note summarising the meeting for the Board and the Company Secretary.

## **THE MEETING**

**13. Signing Minutes of Previous Meeting.** It is the responsibility of the Company Secretary to bring the minutes to the meeting for formal acceptance. Once they have been agreed this copy is signed by the Chair (or the person standing in when the Chair is absent) and stamped with the company seal.

**14. Order and Management of Business.** It is the responsibility of the Chair to direct and manage the order of business and adjust or amend the agenda as circumstances may require.

**15. Decision-making.** When a decision is taken it is the responsibility of the Chair to ensure it has been agreed by at least a majority of those entitled to vote. In the great majority of cases there is unanimity and a formal vote is not necessary. It is also the responsibility of the Chair to ensure the Company Secretary has noted the decision and the person responsible for implementing it for the minutes.

**16. Any Other Business.** Issues identified after the circulation of the agenda that need to be brought up for information or discussion should be brought up under this agenda heading.

**17. Date of Next Meeting.** This date is usually agreed at the meeting unless some one is not present in which case the suggested date is circulated for confirmation.

## Part 4

# GENERAL MEETINGS AND RESOLUTIONS

## LEGAL BACKGROUND

**1. Purpose of the AGM.** An annual general meeting is a mandatory yearly gathering of a company's interested shareholders. The main purpose of an AGM is to comply with legal requirements, such as the presentation and approval of the audited accounts, the election/re-election of directors and the appointment of auditors for the new accounting term. It also provides an opportunity for the directors to present an annual report on the performance of the company and its developing plans.

**2. Requirement for an Annual General Meeting (AGM).** There is no longer a statutory requirement for a private limited company like KRFO to hold an AGM unless there is a requirement to do so contained in the company Memorandum and Articles of Association.

**Comment.** The KRFO MAA do not contain such a requirement although they do set out some rules for the conduct of such a meeting should it be held. The Board of Directors has always held the view that it was important to hold an AGM as an important forum for communication and discussion especially given that KRFO is not a commercial enterprise but exists to look after the homes of its shareholders.

**3. Extraordinary General Meetings (EGM).** EGMs can be called both by the Board of Directors of the Company at any time and also by members of the Company as long as they meet the requirements set out in paragraph 19 below.

**4. Legal Quorum for Meetings.** The special written resolution passed by the members of the Company in December 2010 reduced the quorum needed for any general meeting to '**at least 24 persons present in person or by proxy**'.

**Comment.** The Articles as originally written required a quorum of 65% of the members of the company to be present in person or by proxy for a general meeting to take place. In practice this meant an unrealistic 45-50 shareholders needed to attend by person or by proxy.

## PREPARATION PRIOR TO AN AGM

**5. Notice of the Meeting.** The legal requirement for the calling of a general meeting by a private limited company like KRFO is a minimum of 14 days notice (**CA 2006, Part 13, Chapter 3, Paragraph 307**). KRFO usually provides at least 28 days notice.

**6. Information Provided in Advance of the Meeting.** The following information is provided to shareholders and to residents along with the notice of the calling of the meeting:

- Agenda
- Minutes of the previous meeting
- Company Accounts
- Details of any resolutions being put to the meeting
- Proxy vote form
- Request for submission of any shareholder business

**7. Agenda.** There is a standard format for the agenda with additional items added as necessary. The latter are usually resolutions for discussion and voting upon and/or the provision of information that does not fall under any of the standard items. The standard agenda items are set out below.

- Minutes of the Previous Meeting
- Matters Arising from the Minutes
- Chairman's Report
- Company Secretary's Report
- Maintenance Report
- Legal Report
- Adoption of Accounts
- Appointment of Auditors
- Election of Directors
- Any Other Notified Business

**8. Resolutions.** Resolutions that the Board wishes to have discussed and voted upon at a general meeting have to be circulated in advance with any explanatory notes deemed necessary. The rules for voting on resolutions are set out at **Paragraph 14** below.

**9. Shareholders Business.** The notice for the calling of the meeting must also contain a reminder to shareholders that if they wish to bring up an issue they need to inform the Company Office at least four working days in advance of the meeting. This is so that the agenda can be reprinted with the shareholder business included and also that, when necessary, the Board has time to prepare any response or briefing notes needed.

**10. Proxy Votes.** The notice for the calling of the meeting must also include the proxy vote form for members of the Company unable to attend. A copy of the form is at **Appendix 9**.

## **CONDUCT OF THE MEETING**

**11. Introduction of the Meeting.** Before starting the agenda the Chair reminds those attending to allow those presenting reports to do so without interruption and that questions will be taken at the end of each report. The Chair should also draw attention to any changes that may have been made to the agenda since it was circulated in advance of the meeting.

**12. Minutes of the Previous Meeting.** The Chair will inform the meeting of any corrections that may have been made to the draft minutes circulated after the previous meeting before proposing that the final version be adopted as the official record.

**13. Routine Formal Legal Business.** There are usually three items of formal legal business conducted at the meeting - the adoption of the annual accounts, the appointment of the auditors and the election/re-election of directors. The first two of these items happen at every AGM whereas the latter only occurs when required. In all cases there needs to be a formal record in the minutes containing the names of those proposing and seconding the motion or election.

**Comment.** The names of those standing for election or re-election and the names of the auditors should, if possible, be included in the notice of the meeting.

**14. Voting on Resolutions at the AGM.** Paragraph 15c of the AOA state that no resolution may be passed unless at least two thirds of the votes are cast in favour.

**Comment.** This does not supersede the requirement under the CA 2006 for a 75% vote in favour for the passage of a 'special resolution' (CA 2006, Part 13, Chapter 1, Paragraph 283). The rules regarding the requirement for special resolutions are set out in Paragraph 18 below.

## **MINUTES**

**15.** The Company Secretary circulates the minutes of any general meeting as soon as possible after the meeting has been held to all shareholders and residents regardless of whether they attended or not.

**16. Amendments, Corrections and Additions.** When the minutes are circulated they are accompanied by a request that any amendments, corrections or additions identified by any members of the company are to be passed to the Company Secretary within four weeks of the circulation of the minutes so that they may be corrected ready for circulation with the notices for the next AGM.

## **RESOLUTIONS**

**17. Ordinary Resolutions.** Ordinary resolutions are all resolutions that do not involve changes to the constitution and structure of the company. Under Paragraph 15c of the KRFO AOA these require a two-thirds majority to pass.

**18. Special Resolutions.** Special resolutions are resolutions that are required when there is any proposal to make changes either to the name, constitution or structure of the company as set out in the MOA and AOA (CA 2006, Part 5, Chapter 5, paragraphs 77-78 and Part 3, Chapter 2, paragraph 21). As noted in Paragraph 14 above such resolutions require a 75% vote in favour in order to pass.

**Comment.** The resolution passed in 2010 to reduce the quorum required for a general meeting of KRFO was, in consequence, a special resolution.

## **EXTRAORDINARY GENERAL MEETINGS (EGMs)**

**19. Calling an EGM.** An EGM is a general meeting called at short notice to consider an urgent matter. The Board of Directors can call an EGM at any time. It can also be called by members of the company as long as they represent 10% of the shareholders unless more than twelve months have elapsed since a full general meeting in which case they need only represent 5% of the shareholders (CA 2006, Part 13, Chapter 3, Paragraph 303).

**21. Notice and Timing of an EGM.** When the Board calls an EGM the notice and timings are as for an AGM. When the meeting is called under Paragraph 303 of CA 2006 the notice of the meeting must be sent out within 21 days of the Paragraph 303 requirement with the date of the meeting no later than 28 days after the date of the notice (CA 2006, Part 13, Chapter 3, Paragraph 304).

**22. Preparation for and Conduct of an EGM.** The preparation for and conduct of an EGM follows the same basic pattern as that for an AGM. As with an AGM any resolutions must be included in the notice of the meeting.

## Part 5

### STRATEGIC AND OPERATIONAL PLANNING

#### THE NEED FOR A PLAN

3. The importance of having a plan should be completely self-explanatory. However, the absence of any kind of formal plan at KRFO until the initial one drawn up in 2011 is a clear illustration that this is not always the case. No organisation of whatever kind can function effectively without a plan and a planning process. If the resources of the organisation, financial or otherwise, are to be applied effectively, let alone improved, there need to be a clear set of strategic objectives. These need to have been identified via a detailed analysis of challenges the organisation needs to overcome in order to fulfil its purposes effectively. There then needs to be a plan setting out how they are to be achieved.

**Comment.** A well put together and well presented plan is also a good communication tool for use with shareholders and residents as well as with external agencies the company has to deal with. In the case of KRFO there is no doubt that the Five Year Plan contributed to the company getting a much better insurance deal.

#### THE FIVE-YEAR PLAN

4. **Creation of the Plan.** The current Five Year Plan was put together at the end of 2015 and was based on a detailed review of the experiences and progress made during the previous five years. A significant amount of this detail was included in the plan so that shareholders and residents could not only see the basis for the recommendations but also the solid research that had been undertaken in order to develop the plan.

5. **Key Aspects of the Plan.** The two main objectives of the plan were to put in place a rolling preventative maintenance programme for the building and to move to a fixed annual budget with an accompanying fixed annual service charge. The plan also identified the major finance and maintenance challenges going forward. These are listed briefly below.

a. **Maintenance.** At the time of writing the four main challenges that lie ahead are the refurbishment of the roof, the repair and refurbishment of the balustrades and steps on the south front, the completion of the fire safety upgrades and the refurbishment and redecoration of the common parts of the gables.

b. **Finance.** The two main financial challenges are building the reserves needed to finance the undertaking of the maintenance challenges that lie ahead and ensuring that a reserve fund is kept topped up at an appropriate level thereafter.

6. **The Importance of Reviewing and Updating the Plan.** As circumstances change and objectives are achieved any plan needs to be reviewed and its objectives and priorities updated. The KRFO Five Year Plan is no different. This does not mean that a major rewrite is required every year but there certainly needs to be, at the very least, a formal review by the Board every year. This could be part of the annual finance and maintenance review recommended below.

#### STRATEGIC AND OPERATIONAL PLANNING

**7. The Starting Point: The Key Elements of the Business.** The starting point for developing the plan is having a clear understanding and agreement as to the key elements of the business responsibilities and objectives of KRFO. The starting point for agreeing these are the objects of the company as set out in Paragraph 3a of the MOA. In essence these can be summarised as maintaining the building properly and raising the money, principally but not exclusively, via service charges.

**8. Establishing the Strategic Objectives.** The objectives set out in the MOA then need to be applied to the actual circumstances of the building, the shareholders and owners and of the company at the particular time as these will not always be the same. This requires an analysis of the state of the building and an identification of the work that is needed followed by an analysis of the costs involved in relation to the finances of the company. These analyses provide the basis for deciding the strategic objectives and their order of priority.

**9. Establishing the Key Operational Principles.** Having agreed the strategic objectives the Board then needs to agree the principles that it will use in framing the operational plans needed to implement the strategy. These cover such areas as how it will approach maintenance, the setting of service charges and fund-raising. At the time of writing the principles used are:

**a. Maintenance.**

- (1) To be based on a rolling preventative programme in order to minimise the need for reactive work and reduce costs.
- (2) Major projects likely to need significant funding additional to the service charge to be identified well in advance and funded outwith the service charge budget.

**b. Finance and Funding.**

- (1) A budget for the year ahead to be agreed in advance with a percentage included for unplanned reactive maintenance work.
- (2) A fixed quarterly service charge to be published to owners for the year ahead.
- (3) Section 20 notices to be avoided if at all possible via raising money by other means such as lease extensions, KRFO buying, developing and then selling suitable flats in the building.

**10. Operational Planning.** Having established the strategic objectives and agreed the underlying operating principles the next stage is to develop the operational plans needed in order to secure the agreed objectives. This will involve establishing the most cost effective way of carrying out the work needed and also an assessment of how best to fund the work bearing in mind the need to keep service charges at an affordable level.

**MAINTAINING THE PLAN**

**10. The Key Element: An Annual Finance and Maintenance Review.** The key element in maintaining the effectiveness of a plan is a regular review. The purposes of the review are to assess the progress that has been made, to identify any changes to the operating environment and also to identify emerging new challenges. The review should be conducted annually. Sometimes this will result in adjustments to the plan and occasionally in a major rewrite.

**11. The Key Decisions.** The key decisions required as a result of the review are as follows:

- a. Confirmation of or amendment of the strategic objectives.
- b. Action(s) not already in underway needed in order to achieve the strategic objectives.
- c. Any non-routine financial action needed e.g. loan stock situation, fund-raising and so on.
- d. The maintenance plan for the year ahead.
- e. The level of service charges for the year ahead.

**12. The Information Needed for the Review.** In order for the review to be effective the following information must be available:

- a. A table showing the expenditure by category for the year just ended against the budget set.
- b. A report reviewing the overall maintenance situation. This should identify areas of concern for the year ahead, projects delayed or incomplete. Costings need to be included.
- c. A suggested budget by category for the year ahead as a basis for discussion.
- d. An up to date copy of the Five Year Plan.

### **THE FOLLOW UP ACTION - OPERATIONAL PLANNING**

**13. Implementation.** The decisions having been made there then needs to be a focus on the planning needed to implement them.

**14. Communication.** The Board needs to decide the communication plan for any significant decisions affecting the lives of residents.

**15. In Year Reviews and Updates.** Progress in implementing the decisions made at the strategy meeting should be reviewed regularly at meetings of the directors. This will not only enable directors to keep abreast of progress but also enable adjustments to be made in a timely manner as any changes in circumstances may dictate.

## Part 6

# FINANCIAL MANAGEMENT

## BACKGROUND AND OPERATING PRINCIPLES

1. **Background.** KRFO is a not for profit company whose funds are applied to the management and maintenance of the building. This does not mean that KRFO cannot seek to raise money or build a reserve fund (see **Paragraph 8, Part 1** of this handbook).
2. **Operating Principles.** The operating principles underlying the financial planning of the Board are:
  - a. Operating to a budget that is fixed annually.
  - b. Setting service charges that are fixed annually.
  - c. Setting service charges at a level sufficient to maintain a building of this age and location.
  - d. Growing a reserve fund to deal with major projects and avoid use of Section 20 Notices.
  - e. Seeking other sources of income e.g. grant funding or developing a Knole flat whenever possible.

## ACCOUNTS

3. The Company runs two accounts. The main account through which most business is transacted is the Service Charge Account. There is also a Company Account for those matters that do not relate to the management and maintenance of the building.

## INCOME

4. **Regular Income.** There are two sources of regular income that feed the two accounts.
  - a. **Service Charges.** The main source of income is the service charges.
  - b. **Ground Rent.** A much smaller income comes from the ground rent.
5. **Lease Extensions.** Lease extensions provide income but on an irregular basis.
6. **Other Sources of Income.** There is a small income from administrative work undertaken by the Company on behalf of residents for such matters as lease extensions and tenancy agreements. In the aftermath of the Sussex Heritage Award in 2017 the Board is looking actively at sources of grant funding for specific projects.

## SECTION 20 NOTICES

7. **Section 20 Notices.** Section 20 is a reference to the Landlord and Tenant Act 1985 as updated in the Commonhold and Leasehold Reform Act 2002. It is the requirement for landlords to give notice when wishing to raise funds of over £250 per resident for maintenance work that cannot be done within the service charge budget.

**8. KRFO and Section 20.** KRFO has used Section 20 notices in the past, most recently for elements of the fire safety programme and refurbishment of the north elevation. It is the intention of the Board to avoid the use of Section 20 notices in the future, if at all possible, by a combination of the introduction of a rolling programme of preventative maintenance and the creation of a targeted reserve fund.

## **RESERVE FUND**

**9. Introduction of the Fund.** The Five Year Plan identified that one of the weaknesses of the Company was the lack of any financial reserves with which to meet the unexpected. It was decided that this had to be addressed for the longterm health of the Company.

**10. Purposes of the Fund.** The Board has identified two major maintenance projects that need to be undertaken separate from the on-going programme of preventative maintenance. They are the need to refurbish the roof and to refurbish and restore the steps, pillars and balustrades on the south elevation.

**Comment.** The Board is in the process of conducting a survey of both areas in order to determine the likely timescale, order of cost and best way of carrying out the two projects. The Board is also investigating the possibility of matched grant funding for the south elevation as it combines both safety and aesthetics.

**11. Building the Fund.** Building the fund has started based on money raised by moving to a 'pay as you go' system for service charges and by feeding the income from lease extensions into the fund. In order to sustain and grow the fund year on year consideration is now being given to the introduction of an annual levy in order to avoid the use of Section 20 Notices.

**Comment.** This is to be discussed with residents and shareholders at the next AGM.

## **LOAN STOCK**

**12. Background to the Loan Stock.** The freehold of Knole was purchased in 1991 from Matlodge Ltd (no longer in existence) and a loan of £53,400 was raised and lent to the company, Knole Road Flat Owners (Bexhill) Limited, to complete the transaction. This was funded by a number of philanthropic lessees and became the loan stock of the company. All shareholders own a share of the loan stock that has been purchased and then incrementally repaid to the previous benefactors. Under the terms of the original Loan Stock Agreement, the entire loan was due to be repaid to the shareholders without interest in September 2011.

**13. Repayment of the Loan Stock.** At the AGM on 22nd May 2011 the shareholders agreed to postpone the payment for thirty years to 2031 with the intention that inflation would diminish the company liability. The decision was based on the deficit in the company's accounts that such a repayment would make and the fact that it would cause an interruption in the maintenance programme which could only be rectified by a demand through the service charge account. It was agreed that this was not in the long-term interests of the shareholders and the Company.

## **INSURANCE**

**14. Building Insurance.** The principal insurance policy held by KRFO is for the building. This policy includes public liability and accidental damage. It does not include any contents insurance. Residents

are encouraged to take out their own contents insurance (see the Residents Handbook).

**15. Directors and Officers Liability Insurance.** KRFO also has a policy to cover the actions of its directors and staff against lawsuits that might possibly be taken out against them as a when carrying out their duties.

**16. Lift Engineering Policy.** There is a specialist Lift Engineering Insurance policy as required by government legislation.

## **TAX**

**17.** KRFO is liable to corporation tax on any income seen as providing a profit e.g. lease extensions and ground rents. Whenever possible allowable costs such as legal fees are offset in order to reduce the overall tax liability.

## **FINANCIAL REPORTS**

**18.** The Company Secretary tables a financial report at every Board meeting. This provides the following information:

- Bank balances.
- Income from lease extensions and other non-standard sources.
- Quarterly service charge demands and receipts.
- Debtors.
- Projected costs for next quarter against the budget.
- Comparison of current quarter costs against the budget.

**Comment.** The information provided in the Finance Report provides the basis for the Board to discuss what if any action needs to be taken.

## **SETTING THE BUDGET**

**19.** The budget is set at a Board meeting dedicated to finance in October/November of the preceding year. The Company Secretary provides the information needed by the Board. It includes the following:

- a.** A table showing the detailed expenses, budget line by budget line, for the current year.
- b.** An analysis of the likely maintenance challenges for the year ahead.
- c.** A table setting out a possible budget for the year ahead, budget line by budget line.
- d.** A table showing the impact of any overall increases in the budget on service charges.

Having discussed the information presented by the Company Secretary the meeting proceeds to identify and agree maintenance priorities for the coming year. The budget figures presented by the Company Secretary are then adjusted to match. There is then a review of what the revised figures mean for service charges. These are broken down into the impact on those paying 0.5%, 1%, 1.5% and 2.0%. Depending on these figures the Board may conduct a further review before finally agreeing the budget.

## **MANAGING THE BUDGET**

**20. Day-to-Day Management.** The day-to-day management of the budget is the responsibility of the Company Secretary. He will liaise with the Chair and with the Finance Director when necessary. This will usually be when there are likely to be budget over-runs that need addressing or when unexpected and unplanned expenses may possibly arise.

**21. Liaison with Maintenance Manager.** Given that the majority of the budget is allocated to maintenance it is essential that there is close liaison between the Maintenance Manager and the Company Secretary. This is especially important when an unexpected, un-budgeted and potentially expensive maintenance issue rears its head. Depending on the costs involved and the level of seriousness of the issue it may be necessary on occasion to refer to the Board for a decision as to priorities.

## **DEBTORS AND DEBT COLLECTION**

**22.** In the event that residents fall behind with the payment of their service charges or fail to pay an agreed capital levy for major works the Company always attempt to resolve the situation amicably and sympathetically. However, as a result of a resolution passed by shareholders at the 2014 AGM, the Company does reserve the right to levy an interest charge on late payments. When an amicable resolution cannot be agreed, the Company pursues persistent debtors via the Small Claims Court or the Lease Valuation Tribunal, whichever is the most appropriate.

**Note.** The charge levied on late payments is a £50 fine and 2% of the outstanding balance.

## **DUE DILIGENCE**

**23.** The Company conducts financial due diligence through two mechanisms:

**a. Annual Audit.** The accounts are audited annually by Gibbons Mannington Phipps who have been the auditors and the company accountants since its formation.

**b. Directorial Supervision.** The Board has a nominated Finance Director with access to the accounts on line and conducts a monthly check that will be recorded on file in future.

**24. Security.** The level of security in the Company Office is currently not as good as it needs to be for the storage of important Company financial documents. It is intended that the following measures will be introduced:

**a.** A CCTV camera and a secure cabinet will be installed.

**b.** The accounts will be transferred to the 'cloud' with secure access for the accountants, the Finance Director, the Chair and the Company Secretary.

## Part 7

# MAINTENANCE MANAGEMENT

## ORGANISATION AND MANAGEMENT

**1. Background.** The effective maintenance of the building is the most important task of KRFO and consumes over 70% of the annual budget when insurance and compliance costs are included. It is important that Board members have a reasonable understanding of the nature of the building (see the **Residents Handbook Parts 4 and 5** for some useful details), the maintenance issues that arise, the way the maintenance programme is produced and the underlying maintenance philosophy.

**2. Role of the Board.** The Board has the following roles in relation to maintenance:

- To set out a clear strategy that includes the principles and priorities that will underpin maintenance planning and programming.
- To agree the budget available in any given year by balancing the costs of the desired maintenance requirements against ensuring that service charges are not excessive.
- To agree the maintenance priorities for the year ahead.
- To keep a supervisory eye over the implementation of the programme once underway.
- To make additional decisions when unexpected clashes of priority occur usually when an unexpected problem emerges.
- To review requests by owners for changes to the lay out of flats.

**3. Role of the Company Secretary.** The main roles of the Company Secretary in relation to maintenance are as follows:

- To provide the Board with the draft budgets needed for developing the annual maintenance programme.
- To monitor all expenditure on the maintenance programme to ensure that, as far as possible, it remains within budget.
- To keep the Board fully briefed on the developing financial situation as the maintenance programme is implemented.
- To investigate, submit recommendations to the Board and then arrange the insurance policies required for the building and the lifts.

**4. Role of the Maintenance Manager.** The Maintenance Manager's main tasks are summarised below:

- To provide the Board with recommendations and options for the construction of the annual maintenance programme including the budgetary implications.

- To implement the agreed maintenance programme.
- To supervise and monitor the work and behaviour of contractors on site.
- To provide the Board with regular briefings on the implementation of the maintenance programme and indicate any areas of concern.
- To consult the Board when significant decisions re priorities need to be taken.
- To work closely with the Company Secretary in managing the maintenance budget.
- To conduct regular inspections of the building to identify developing problems.

**5. Programme Planning and Management.** The Board will agree the outline maintenance programme for the year ahead at the latest by the start of December. However, the programme will be reviewed at the end of winter in case any changes need to be made in the light of the winter weather. Once the programme has been agreed the Company Secretary will set about converting the agreed programme into a detailed plan. This will include such matters as the timing and timescales for projects, the contractors to be used and the need or not for any external expert assessments.

#### **GENERAL APPROACH TO MAINTENANCE**

**6. Underlying Philosophy.** The fundamental principle underlying the maintenance of the building is that prevention is better than cure. This is applied in practice via a combination of regular inspection and a rolling programme of preventative maintenance gable by gable. Given the age and location of the building there is still reactive maintenance to undertake and this is dealt with as it is identified.

**7. Priorities.** While preventative work always forms the core of the maintenance programme all tasks are assessed against three priorities in terms of timing and allocation of funds regardless of whether the work required is reactive or preventative. The three priorities in order of importance are:

- Priority One: Anything affecting the safety of residents e.g. fire safety measures and the lifts.  
 Priority Two: Waterproofing of the building via a programme of preventative maintenance.  
 Priority Three: Aesthetic items that carry less importance but still require attention

Given the age of the building and the importance of ensuring that Priority One and Two work can get done in a timely manner Priority Three work can be postponed for lengthy periods.

**8. Employment of a Main Contractor.** As described in **Paragraph 19 of Part 2** of this handbook and in **Paragraphs 11 and 12 of Part 2** of the Residents Handbook KRFO employs a main contractor for most of the preventative maintenance and for reactive maintenance requiring knowledge of the intricacies building.

#### **THE MAINTENANCE PROGRAMME IN PRACTICE**

**9. Principal Maintenance Challenges.** The principle on-going maintenance challenge to the building is provided by the combined impact of the prevailing weather and the seaside location on the south

elevation of the building. It is no surprise therefore that looking after the south elevation forms the core of the preventative maintenance programme. Failure to look after the south elevation in systematic programme will result in the re-emergence of all too frequent damp problems of the past. There are four other significant maintenance challenges ahead.

**a. The Roof.** The roof will require re-tiling at some point. This will be a major as well as costly project. Current estimates are that work will need to start in 5-7 years time. The Board has already begun to research how best to undertake this task. Roof surveys are being undertaken and likely orders of cost obtained. This will give the Board a more accurate timeline for the life of the roof and of the financial challenge that will have to be faced.

**b. The South Front Steps and Balustrades.** The steps and balustrades on the south elevation are deteriorating badly and need to undergo a significant programme of repair and restoration in the near future. The Board is looking to see if matched funding can be obtained from a variety of heritage sources and possibly from the local council. The Sussex Heritage Award 2017 has started to open the door to possible external sources of funding.

**c. Completion of the Fire Safety Upgrade.** The completion of the fire safety upgrade is a major project involving the installation of emergency lighting and the upgrading of the fire resistance of the cupboards in the common areas. The Board has decided to stage this in parallel with the redecorating of the common parts.

**d. Redecoration of the Common Parts.** All the common parts need a major redecoration and uplift. This will be a costly process and the Board has decided to stage it in parallel with the installation of the emergency lighting.

**10. The Preventative Maintenance Programme.** The preventative maintenance programme is based on a combination of regular inspection and a rolling programme gable by gable.

**a. Inspection.** The Maintenance Manager inspects the building daily. In addition the south and north front elevations are inspected twice a year using a cherry picker. This inspection enables the gutters, down pipes and hoppers to be inspected and cleared in addition to allowing close look at the masonry especially in the higher reaches of the two elevations.

**b. The Gable Programme.** Every year three (and if possible four) south elevation gables are scaffolded and given a major overhaul. The gables selected for the upgrades are chosen based on wear and tear rather than on a rigid programme. In the case of the north elevation a maximum of one gable is overhauled each year depending upon wear and tear.

**Comment.** It is hoped the longer the programme goes on the less the work needed as better pointing and proofing take effect. This will never eradicate the need for the overall programme because of the hammering the south elevation receives from the sea, wind and weather.

**11. Reactive Maintenance.** Reactive maintenance is exactly as it sounds. A percentage of the annual budget is put aside against the unexpected. Most but not all of the reactive work is provided by flat owners. The flow of reactive work has slowed since the introduction of preventative maintenance.

## Part 8

# HEALTH AND SAFETY MANAGEMENT

## APPROACH TO HEALTH AND SAFETY

**1. Risk Assessment.** The starting point for any health and safety policy is the identification and assessment of potential risks followed by an analysis of how best to mitigate those risks taking into account the level of risk, the requirements of current legislation and any financial constraints that may exist. In many areas this means that a programme of risk mitigation over time is permissible. There are some areas, such as lift safety, where safety legislation does not permit a staged programme.

**Note.** Once an initial risk assessment has been conducted there is no requirement to redo the assessment from scratch when there is an update unless there has been a significant change in the circumstances under which the initial assessment was conducted. For example, since the composition and structure of the building at Knole has not changed since the initial risk assessment in 2009 an update is all that was required in 2014 and 2017.

**2. Implementation.** KRFO follows the risk assessment approach outlined in paragraph 1 using the support of specialists when necessary.

**a. Internal Management.** For the most part KRFO conducts its own in-house assessments as the basis for deciding what action needs to be taken in order to ensure that Knole is a safe place to live and work. As part of this process the Board has introduced an annual health and safety review.

**b. External Advice and Support.** In most cases KRFO possesses sufficient in-house expertise to conduct its own risk assessments. In the case of fire safety and the lifts external specialists are required. A member of the Rother Fire Safety team provides the necessary fire safety expertise. In the case of the lifts engineers are appointed via the Lift Engineering and Safety Insurance Policy.

## THE MAIN AREAS

**3. Fire Safety.** Fire represents the biggest potential risk to the building and to its residents. A detailed risk assessment was carried out in 2009 and provided the foundation upon which the improvements to fire safety introduced from 2011 onwards were based. The assessment was reviewed and updated in 2014 and again in 2017 and provides the foundation for the next phase of fire safety improvements being introduced.

**Note.** Once the current phase of improvements has been completed the Company will get the work approved by the local fire safety officer. There will then be no need to update the fire risk assessment for three to five years.

**4. Lifts.** There are five elderly lifts albeit now all with modern control panels and safety communication systems. They are inspected twice a year under the specialist Lift Engineering and Insurance policy required by government legislation.

**5. Balustrades and Railings.** Balustrades and railings are inspected regularly for wear and tear that might lead to collapse if used for support by residents. The railings present the bigger risk because of

the impact of salty seaside air on their metal construction and because many are found at first floor level and above. They are inspected more frequently as a result.

**6. Falling Masonry.** When conducting their regular maintenance inspections of the building the in-house team also check for any damage to masonry or hung tiles that may represent a safety risk to residents and others. In the event of identifying a serious risk appropriate measures are put in place to isolate the danger and initiate the necessary repairs.

**7. Asbestos Management.** An asbestos management plan was put together in 2009 and updated in 2014 as, given the age of the building some asbestos was used to line internal walls when redevelopments of individual flats took place. This is low risk asbestos as long as it is not damaged and is encapsulated. Under the plan when flats the internal walls of flats need repair they are checked for asbestos and this is then removed. Normal contractors can do this removal unless the asbestos is damaged in which case it may need to be removed under controlled conditions by a specialist firm.

## **RECORD KEEPING**

**8. Fire Safety.** All fire safety inspection reports and checks are kept and recorded in a file in the Company Office.

**9. Asbestos Management.** All asbestos management reports and inspections are kept and recorded in file in the Company Office.

**10. General Health and Safety.** A General Health and Safety file has been opened in the Company Office to record the inspections carried out on railings, balustrades, masonry and the building in general by the in-house team to identify any immediate or developing risks.

## **ANNUAL HEALTH AND SAFETY REVIEW**

**11. Purpose of the Review.** The purpose of the review is to ensure that any potential health and safety risks at Knole are being identified, that appropriate action to mitigate them is being implemented and that current legislation is being followed where necessary.

**12. Conduct of the Review.** The review will be conducted at a board meeting with the Company Secretary and Maintenance Manager submitting a health and safety report for discussion. A record of the review will be kept in the Company Office.

**Note.** When a health and safety issue is identified it **must not** be left to the annual review for action to be taken but should be addressed straightaway.

## Part 9

# LEGAL MANAGEMENT

## LEGAL POLICY

1. As far as possible KRFO only has recourse to law for routine matters where there is no alternative or when it has insurance cover. In order to get the most cost effective legal service possible it seeks to retain the services of a local firm with good local knowledge. The Company Secretary has the task of identifying a suitable local firm and of advising the Board when a change of firm becomes desirable.

**Comment.** A change of firm has not occurred very often and when it has happened it has been because KRFO has felt that charges have started to become exorbitant in relation to the level of work being undertaken.

## LEGAL DIRECTOR

2. The KRFO Board appoints one of its members, preferably someone with some knowledge of the law and legal processes, to act as the director responsible for legal matters. This director has two key roles: the first is to act as a sounding board for the Company Secretary when legal matters arise as well as provide him with advice and support including attending conferences with lawyers and court hearings when they occur; the second is to keep the Board informed of developing legal issues as well as providing advice as to the best course of action.

## LEGAL ISSUES

3. **Routine Issues.** There are three routine areas that regularly require legal advice or action.

a. **Lease Extensions.** These involve a legal process but at no cost to the Company as its costs are borne by the individuals seeking the extension.

b. **Debt Collecting.** This does not happen very often and the policy of the Company always is to seek to resolve the situation via discussion in the first instance. If a legal approach becomes necessary the Company Secretary will issue a summons for the Small Claims Court. This does not require work by a lawyer and in most cases no further action is required. If the matter has to progress to the Court this will also be undertaken by the Company Secretary with the support of the Legal Director.

**Note.** In extreme cases the Company may have to threaten lease forfeiture via the Leasehold Valuation Tribunal.

c. **Specific Lease Advice.** From time to time it is necessary to get a legal opinion on an interpretation of the lease. Unfortunately the Knole leases are old and not always clearly expressed.

4. **Other Issues.** Occasionally other issues emerge but there is no discernable pattern. When they do the Company policy is to seek a remedy without recourse to law but in the event this is not possible, to identify the most cost-effective approach in order to keep any costs that may be incurred low.

## Part 10

# COMMUNICATION AND PUBLIC AFFAIRS

## BACKGROUND

1. The community in the 81 flats at Knole Road is varied in age and also in how flat owners use their flats. The age range is wide and includes those still in full time work as well as a significant number of the retired. Flat usage by owners divides into three different groups - owners who are resident, owners who use their flats as weekend and/or holiday retreats and owners who have let out their flats on shorthold tenancies. The end result is that the interests and priorities of the residents as well as their expectations of KRFO can be very different.

2. The disparate nature of the residents and the different interests of the flat owners means that it is almost impossible for KRFO to please all of the various groups and individuals all of the time. What this does mean is that regular communication is essential if unsubstantiated rumours and unnecessary concerns are to be avoided.

## METHODS OF COMMUNICATION

3. **Guiding Principles.** The guiding principles the Board has tried to follow, whenever circumstances allow, with its communication with the residents and owners at Knole are transparency, openness, timeliness and regularity.

4. **Residents Handbook.** The Residents Handbook plays an important supporting role in the communication that takes place between KRFO and the owners and residents. It not only provides a detailed *vade mecum* of the policies that have been instituted to take care of the building and its residents but also of the different responsibilities of KRFO, owners and residents as well as a guide to how KRFO is organised and manages the business.

5. **Directors Handbook.** The Directors Handbook also plays a supporting role albeit less important than that played by the Residents Handbook. Whereas the latter is available to all owners and residents in hard copy as well as being on the website the former is only available on the website. Its main role is to ensure that the Company is as professional as possible by setting out what are, in effect, its operating procedures. It is published on the website not only in the interests of transparency but also to reassure residents and owners that KRFO is being run in a professional manner.

6. **Annual General Meeting (AGM).** The AGM provides an important forum for the Company to keep the owners and residents abreast not just of the year gone by but also of future developments. It is also the occasion when the Company can get the support that it needs to carry through future developments. The AGM is the most significant public event of the each year and needs to be well organised and made the most of in terms of keeping residents and owners well informed.

7. **The Company Office.** The creation of the Company Office has improved the level of communication possible because residents can drop in when they have queries or concerns and get a more rapid response than was possible before its creation.

8. **Quarterly Newsletter.** The quarterly newsletter is an important vehicle for keeping residents and owners up to date with developments as they occur. It is circulated in hard copy to all residents and

owners as well as being published on line.

**9. Notices of Work.** The Company issues warning notices whenever work is to be undertaken that is likely to cause an inconvenience to residents.

**10. Access to the Board and Company Officers.** The Chair, other members of the Board and the company staff are all contactable via the Company Office. Meetings with company staff are easily arranged. Meetings with Board members can also be arranged when circumstances warrant but require more notice.

**11. Other Methods.** Communication with residents has also been tried in other ways. The most successful has been the summer parties organised on occasion by the Board. These have brought residents together as well as providing a chance for informal contact between Board members and those residents they may not know well. The Board has also offered to run a system of surgery appointments but this was never been taken up by any residents

## **PUBLIC AFFAIRS**

**12.** The Company keeps an eye on local matters that might have an impact on the building and the lives of its residents. When necessary it represents the interests of the building and its residents to the appropriate public organisation or authority. In 2012, for example, two directors (including the Chair) and the Company Secretary attended the planning inquiry into Churchill Retirement Living proposals for Gullivers Bowls Club and made formal submissions on behalf of the residents of Knole Road.

## Part 11

### STAFF EMPLOYMENT GUIDELINES

#### **Key Documents:**

- A. ACAS - Employing People: A Guide for Small Firms.
- B. ACAS - A to Z of Work Handbook.

#### **BACKGROUND**

1. As a business with a number of directly employed staff KRFO is subject to all the relevant employment law. The Arbitration and Conciliation Service (ACAS) provide excellent guidance on how firms should only comply with the relevant legislation in terms of employment rights and conditions of service. ACAS also provides sound advice on how to handle employment difficulties that may arise.
2. The Company Office keeps hard copies of the ACAS guide and handbook (see **References A and B** above) available for both directors and employees. In effect, taken together these act as the KRFO Human Resources Handbook.

#### **DIRECTLY EMPLOYED STAFF**

3. KRFO currently employs the following part time staff. All are directly employed except for the Company Secretary.
  - Company Secretary - self-employed.
  - Maintenance Manager.
  - Administrative Officer/Office Manager.
  - Service Personnel x 2.
4. All directly employed staff are issued with a formal contract and job description. KRFO keeps copies of these in the company office in the appropriate individual personal files.

#### **TERMS AND CONDITIONS OF SERVICE**

5. **Salaries.** Salaries are in keeping with or slightly above the local rate. The Board has a duty to review them on an annual basis.
6. **Pensions.** KRFO is registered with the Work Place Pension authority and is obliged by the Pensions Act 2008 to automatically enrol any employees in a work place pension scheme if they earn over £10,000 per annum and are aged between 22 and pension age. All employees of KRFO have been offered the opportunity of a work place pension but all decided to opt out.
7. **Appraisal.** All employees are subject to a sixth monthly review the second of which acts as the annual appraisal. The Company Secretary conducts these and reports the to the Board. The Chair of the Board conducts the reviews and appraisal for the Company Secretary. The reviews for the cleaners are less formal than those for the Office Manager, the Maintenance Manager and the Company Secretary in that they are not required to complete a self-review form. A record of the appraisal meeting with them

will nonetheless be written up and kept on file. A copy of the self-review form to be used in the appraisals of the key staff is at **Appendix 10**. The results of their appraisals will also be written up and include any targets agreed between the appraiser and the appraisee for the coming year.

**8. Sick Pay.** KRFO provides statutory sick pay to all employees.

**9. Holidays.** Holidays are by arrangement with the Company Secretary. If at all possible the Company Secretary and Maintenance Manager will not take holidays at the same time.

**10. Public Liability.** All KRFO employees have public liability insurance cover.

**11. Complaints.** All employees have access to a copy of the complaints procedure should they need to make a complaint about their employment. It is expected that any difficulties will usually be resolved informally without the need to make use of the formal process available.

