

Get rid of your freeholder - Choosing a Managing Agent, or should we self-manage?

Hopefully if you are still reading this series of articles, you have either claimed your right to manage the whole estate, a self-contained building within the estate, or become elected as a Director and are seeking to tender your sites management.

Traditionally there were two options: self-manage or appoint a managing agent. What's new? 'Pay as you go' management is now available also. In this article we seek to evaluate all three options.

Choosing a reputable managing agent should be getting easier.

The Association of Residential Managing Agents boasts that its membership has grown to 177 corporate members who collectively manage 30,000 blocks or estates. Many manage fewer than 500 units, so in choosing an agent you should consider that a larger agent should deliver you the benefits of robust systems/processes to deliver credit control action, expertise to collect bad debts, resolve disputes and perhaps access to add-ons such as management of building projects. You need to be clear about any add-ons and understand that the main difference between a small firm and a larger firm is that a larger firm will be geared up to guide you to strategic milestones set under the lease and help you formulate policies such as reserves, planning, etc. A small firm may only react to decisions that you make.

Don't take the commitment of self-managing too lightly.

Without a financial or legal background, empathy for listening to lessees' issues and the backbone to deal with contractors and day-to-day maintenance, frustration may

well overcome you. Self-managing is usually chosen on cost grounds, i.e. to reduce service charges by not paying an agent. In practice, unless the burden is split equally, with each lessee taking on a specific role, the unsung hero syndrome emerges.

It can be difficult to keep focused on the lease and available solutions, as opposed to a lessee's altruistic desires. Things usually run well in the early days when the momentum is strong, but should a dispute between lessees, arrears or lack of desire to get works done arise it is easy to run off course.

A range of disciplines are required: Legal skills underpin running the company, issue of share certificates, calling company meetings, filing annual returns and making representations to potential buyers. In addition there is interpretation and implementation of the lease. Financial skills are needed to demand money, maintain penny perfect ledgers and allocate payments between the reserves fund and day-to-day maintenance pot. Only consistent credit control will be effective; a final notice which is an empty threat will not deliver payment! Turning non-payment into cash necessitates an understanding of when to use the County Courts and LVT respectively. Contractors: without the threat of throwing a contractor off your contractor list, delivering quality day-to-day maintenance can be a challenge, let alone providing twenty-four hour cover. And what if the unsung hero wants a holiday! With Health and Safety legislation becoming increasingly onerous, asbestos audits applying to residential blocks, and fire risk assessments now mandatory, it is not difficult to surmount the expertise of the well-meaning

volunteer.

There is something new: financial administration and legal compliance at a budget fee, with add-ons only when you want them. leaseholdersupport.co.uk suggests there are thirty-one reasons why you should consider this, and targets blocks of up to twelve flats. Over this size they feel that the mix of agendas and lack of unity necessitates full management.

They deliver support to those who want to self-manage but know that at times they will be challenged. The offering is to run the financial cycle of a block, run the demand cycle and, if necessary, no win no fee litigation to get the money in. Money collected from lessees is credited to a private bank account for their block. The minimum legal compliance to keep a block running is included, as are service charge accounts and filing statutory accounts at Companies House.

New purchasers' enquiries, issue of share certificates, registration of transfers and keeping the legal ownership registers up to date are also taken care of. What the lessees are left with are policy, strategy and access to the tools of the trade: fact sheets, letter templates to deal with issues, tools to set reserve fund and service charges and much more online, for example, do-it-yourself tools to write to a nuisance lessee or an option to instruct leaseholdersupport.co.uk to do it instead. Also there is access to legal services, building engineers and valuers, only chargeable when an issue such as extending the leases, or planning for cyclical works requires it.

Finally, when choosing how to manage your block, one should prepare questions to cover the following topics:

1. The financial probity of the agent.
2. Service charge collection procedures

and whether your money will be held in a discrete Client account, to whom interest accrues and what body protects/guarantees your funds.

3. Credit control procedures and experience on bad debts
4. Experience in attending LVT on issues of 'reasonableness of service charge'.
5. Methods of procuring big works, contractor selection, willingness to deal with Client nominated suppliers.
6. Competence at reserves estimating and whether a reserves plan is part of their standard service.
7. Procedures for dealing with lessee complaints and quality issues.
8. Which key lease covenants the agent monitors for enforcement, as without robust strategies the value of flats can fall, relative to developments nearby.
9. Inspection procedures: how often, how will you know, how can you communicate any issues arising.
10. What meetings will the agent attend (day time/night time hours) and how will you be advised of closure on the actions arising. ■

These ten areas are a guide, but you can download a FREE 'Tender pack for changing managing agents' from www.leaseholdersupport.co.uk

• Source Annual Report 2005/2006

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For more information see the
following websites:
www.leaseholdguidance.com
www.leaseholdersupport.co.uk