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£2.50 Summer 2010

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A tale of two properties

Once residents in any block of flats or apartment building have gained the right to manage, the next question they have to answer is, will we take on the role of property managers ourselves or will we outsource? Lesley Davies explains.



CASE STUDY: STEDHAM HALL, MIDHURST

In many cases, particularly where blocks are very large, or residents have experience of effective professional management, there is no question that an independent company will be able to do a better and more effective job than it is possible for residents to do themselves. There is no debate: outsourcing is the only way to go.

However, in some cases, self-managing may be more appropriate. Those living in a very small, tight-knit residential block where neighbours know each other well and are committed to running the building may be happy to self-manage. They may even enjoy getting involved in the many and varied aspects of property ownership and maintenance that this, often onerous task, entails.

In this article, we look at two very different groups of residents, one using a managing agent and one managing the property through their own management company. If you and your fellow residents are in a situation where you need to make a decision about property management, the different views of two leaseholders might give you an insight into the two different approaches.

Stedham Hall is a beautiful, historic building located in the village of Stedham near Midhurst in West Sussex. Thought to have been originally built in the 16th century, the property was extensively renovated by a 20-man workforce during a two-year period from 1910 to 1912 and was divided into eight apartments in 1972. All residents are leaseholders and joint owners of the freehold enjoying shares in a 1000-year lease of which 38 years have now expired.

The building is self-managed by Stedham Hall Management Company, which has three directors: chairman, treasurer and director of property and grounds. The board of directors meets at least five times a year and is entirely responsible for the good management of Stedham Hall, the company and the grounds.

According to Michael Ayling, director responsible for the property and grounds, the decision to self manage was based on a sincere passion for the property, utilisation of the directors skills and commercial contacts and the desire to control costs: "This way, we ensure that

shareholders quarterly charges are wisely spent, providing exceptional value as the directors' services are offered free to the shareholders. Half of the shareholders/residents are quite elderly and the directors act on their behalf and in everyone's best interests", says Michael.

He explains that the house is surveyed annually by a builder who, in conjunction with the property director, decides on the maintenance tasks required for the year. This includes the ancient roof, lead gutters, lead fall pipes, chimney and brick wall restoration. The large grounds are cared for by a family firm of contractors who cut the grass regularly and maintain the extensive copper beech hedges and shrub land for an agreed fee, which is reviewed annually. The drains, leaded windows and electrics are maintained and reviewed annually and dealt with as necessary. The company directors also arrange replacement building insurance cover after a thorough survey and risk assessment by the insurer and broker and produce annual accounts through a registered firm of accountants.

Stedham Hall poses a particular challenge in terms of management as it is almost 500 years old and so requires constant observation and timely maintenance. As the income available to the management company is limited, the directors plan carefully in order to satisfy the needs of the house, gardens and residents." Occasionally individual shareholders demand action in their own interests", says Michael, "however, nothing is done without the consent of the management team and the direction, control and briefing of contractors is strictly managed".

Michael admits that to self-manage is a huge commitment of time and energy. "What makes it worthwhile is the fact that all the residents have a passion for the property and grounds. From a personal perspective I act as if I were the sole owner. If I get it right, all the shareholders will be more than satisfied ... which I'm pleased to report they are".

The Stedham Hall residents are clearly happy with their decision to self-manage. They have compared the cost of outsourcing and found that leaseholder's contributions would be more than trebled if the building were managed by an independent company. Without doubt, however, in order to self-manage successfully, those involved must be strong, positive, determined, committed and prepared to devote time and energy in representing the interests of others. Michael confirms this is the case: "A wishy, washy committee dealing with a group of leaseholders would be like cubs and brownies fighting the Taliban!"

CASE STUDY: ROCK GARDENS, BOGNOR REGIS

Phil Dobby and his fellow residents at Rock Gardens on the seafrost at Bognor Regis in West Sussex have taken the opposite approach to Stedham Hall. They are happy to use a professional property manager and work closely with staff at the local office of Parsons, Son and Basley which is a firm of chartered surveyors specialising in property management in the south of England. However, this hasn't always been the case. As Phil explains, it was residents' dissatisfaction with their previous agent



that led them down the Right to Manage route in the first place.

There are 69 flats at Rock Gardens and a mix of owner-occupiers and tenants – although the latter are in the minority. The building does not present any particular management challenges but faced with a 20% overspend on maintenance and an agent who appeared powerless to enforce the lease conditions when some leaseholders wouldn't stick to the rules, Phil and his fellow residents took matters into their own hands. "As a result of RTM, we are now in control," he says.

Once the decision to go for RTM had been taken, one of the residents' first tasks was to appoint a new agent. With so many flats in the block there was no question of self-managing the property, says Phil, who firmly believes property management is a job for a professional. We looked at a number of candidates and based our decision on four key criteria. We wanted our new agents to be:

- Locally based;
- Able to demonstrate their ability to carry out budgeting and financial reporting in an orderly manner;
- Competitively priced;
- Fully experienced in property management.

"The agents we are now using not only met our expectations but exceeded them because they have skills in-house in addition to property management and so we have been able to use their advice and contacts to help set up our RTM company, establish the board and get to grips with what our new obligations are as leaseholders," he says.

The managing agent's view



By Anthony Tokaty, JJ Homes

I always ask prospective clients who have been self-managing or Directors who are considering it – "are you experienced in property law, accounting, engineering, personnel, insurance and maintenance?" The answer of course is invariably a resounding no. If this lack of expertise is not enough how about – "Are you happy knocking on your neighbour's door to remind them they are six months behind in service charge and potentially facing them in court?" Try this one:

"would you like to be sued for negligence for not complying and following through on the health & safety report you have recently

sanctioned?" What about: "have you got the bulk buying power and leverage to secure water-tight buildings insurance policies to ensure your residents pay less premiums year on year?"

The questions go on and on, and clearly anyone considering self-management needs to be truly dedicated to the role and I will guarantee they will not have anytime for anything else in their lives. You're relying on volunteers to do or volunteers to supervise. That's not easy. One of the problems with an unguided, self-managed board is they don't understand what their legal obligations are and they don't understand how to maintain a property, create budgets, etc.

Yes outsourcing costs a little extra but should be seen as a shrewd investment for any property owner - to pay a nominal fixed annual fee, their most valuable asset will be managed, maintained and future proofed by experienced professionals whose sole purpose is to increase the value of property through effective and pro-active management.

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Service Charge Protection dropped by Government

Grant Shapps, the Housing Minister, will not be introducing the long-awaited accounting regulations which would have afforded protection to flat owners service charge money. The announcement follows Shapps decision earlier this year not to introduce formal regulation of the property management sector.

Managing agents are dismayed. Brett Williams, Chairman of ARMA said, "...we are given to understand [Shapps] reason is to reduce the

regulatory burden. On whom? The very rogues who do not handle lessee money properly." The expected accounting changes were heralded by the

Commonhold and Leasehold Reform Act 2002 and would have required service charge funds to be kept in a separate designated bank account,

usually by their managing agent. Flat owners would also have had the right to a full set of annual service charge accounts and an accountant's report.

Lease and LVT under threat

The Leasehold Advisory Service (LEASE) and the Residential Property Tribunal Service are amongst 180 "quangos" which are under threat of government cuts,

according to a document leaked to the Daily Telegraph and BBC. The Leasehold Valuation Tribunal is part of the RPTS and may be merged into the wider Tribunals Service system.

By contrast, the future of LEASE is itself under review as government austerity measures are introduced. **What do you think? Have your say at www.flatsforum.co.uk**



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Issue 51
2010

www.newsontheblock.com

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BLOCK MANAGEMENT

How to communicate effectively with flat owners

DEAN COOPER explains what residents should expect from their managing agent

ONE OF THE MOST common complaints managing agents are accused of is 'lack of communication'. Communication across all levels is key to the success of any good managing agent and is a fundamental aspect in developing, securing and maintaining long client relationships. Good communication increases both trust and faith and is the most important contributing factor to the success of effective management.

Communication is fundamental in keeping clients and contractors informed of current events surrounding the building in question. However communication is a two-way process. Just as it is a requirement to be kept informed of situations from the managing agent, it is important to have

valuable feedback from residents to understand and effectively deal with situations, no matter how trivial these are.

There are various legal implications and reasons which can be affected through poor communication. One example is the requirements under the legislation of the Landlord and Tenant Act 1985 in reference to 'Section 20', where formal communications and notice of qualifying works or long term agreements over £250 for any one tenant is required. If consultation is not undertaken, the landlord may not be able to recover service charges over £250 per tenant, which could have a major impact on the residents, the development and the agent, especially if the works are urgent.

Another area which residents are not always familiar with is

Health, Safety and Fire legislation. Again, this will be down to the managing agent to communicate and inform the residents.

The first steps to take for improving communication when faced with an underperforming managing agent are to arrange a face to face meeting with all parties involved at a mutually convenient venue.

Brainstorm the issues which your clients have been facing to understand the situation and better meet needs and expectations. List the problems/ actions and agree a reasonable and achievable target timeframe for when these can be resolved or finalised. If you find that you can not keep to the original timescale then inform your clients with the reasons for delay. Honesty will go a long way: you

may find that your clients can be reasonable and even help keep things moving in the right direction, providing they believe that you are working in their best interests.

Another way of effective communication is to set up distribution lists on email for all parties and send regular updates via this. There is also another revolutionary solution called 'Your Block Online' where a website can be setup for each building in order for members to see regular updates or register concerns. Whether you are trying to obtain new clients or to stay in touch with those we all currently value so much, everything we say and do is a reflection of ourselves as managing agents.

Dean Cooper is a Senior Property Manager with JJ Homes (Properties) Ltd

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