

Flat Management Companies

This article, the second of two parts, examines the management role withing flat management companies and highlights some common problems associated with such companies.

Management

The main functions of the Manager of the Flat Company are:

- ◆ control and management of suppliers conducting routine maintenance activities (e.g. setting and agreeing the contracts, ensuring the contracts are honoured);
- ◆ scheduling the tasks to be performed consistent with other priorities and constraints; and
- ◆ the general management of routine and non-routine upkeep of the estates.

This has been an area subject to dubious practices by landlords for many years and is predictably surrounded by various safeguards from inappropriate actions for lessees.

Routine Expenses

Certain routine expenses will be referred to in the lease as being a required expenditure and each leaseholder will be liable for a proportion of that expense. These typically cover:

- ◆ utilities – water, electricity and gas etc.;
- ◆ door entry phones;
- ◆ gardening;
- ◆ waste removal; and
- ◆ running repairs and minor maintenance.

Non-routine expenses arise periodically and may be high cost items. Some are easier to predict, for example:

- ◆ external redecoration – typically every three years; and
- ◆ internal redecoration – typically every five years.

Other non-routine expenses are longer term and unpredictable, for example:

- ◆ repairing/replacing roofs on both flats and garages;
- ◆ repairing road ways; and
- ◆ lift maintenance, repair and renewal.

Structure

The key to running a flat management company successfully is that of clear and robust organisation structure. It is essential

that directors are knowledgeable of their legal duties and the demands of the estate, effective budgets are set out with regards to both the short and longer term, accounts are accurate, and there is ongoing communication between the directors and other flat dwellers. Decisions should be taken objectively and external advice should be sought on serious matters.

Examples of common problems are:

- ◆ a company that is too willing or unwilling to chase for service charges;
- ◆ personal animosity clouding judgement;
- ◆ dominant chairperson imposing views on other directors; and
- ◆ planning constraints.

Websites

Websites can help the running of a flat management company by automating many processes and routine administration matters. An example can be found at www.rogerwoolley.co.uk/flatpack. A website could also allow lessees to easily obtain:

- ◆ copies of memorandum and articles of association;
- ◆ copies of previous accounts;
- ◆ copies of the 'ownership' pack;
- ◆ useful contacts – directors addresses/ email addresses etc.;
- ◆ local addresses – for example council, police, GP etc.;
- ◆ details of forthcoming meetings; and
- ◆ information about developments – for example decorating work.

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Table: Examples of common problems faced by Flat Management Companies and possible solutions

Type of problem	Implications	Approach
Share registration	Missing certificates, Stock Transfer forms, signature	Develop standard letters
Transfer of ownership	Stamp Duty not paid	Develop standard letters
	Checking service charges paid	Accurate and up to date accounts
	Copy of the ownership pack for a cost of circa £100 containing a) Last three years' accounts b) Memorandum and articles of association c) Stock Transfer form d) Details of insurance cover	Develop standard letters
Accounts	Creating running cost budget	Ensure directors, accountant, manager and secretary are involved and engaged in the process
Service Charge administration	Creating sinking fund budget	Refer to the leases
	1. Send annually, biannually or quarterly as determined by the lease	Routine – ensure records are always up to date
	2. Collect the fees	Check if lessee has a charge; if unsuccessful with request to lessee contact the lender. Quote mortgage account number
	3. Take action to collect arrears	Do not let this happen
	4. Subsidising running costs budget from the sinking fund account	Only if necessary
	5. Take court action	Review purpose and agendas to ensure appropriate
Meetings	Inconclusive or too frequent meetings	Talk to participant and try to resolve the issue
	Overbearing participants	Set out powers and limitations in a document approved by the directors
	Lack of certainty regarding what directors can and can not do	