Managing Agents
Friend or Foe?

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MANAGING AGENTS  FRIEND OR FOE?

The common problems in relations between housing associations and managing agents

How to successfully manage these issues – cooperation or conflict

The ways in which the sector can establish itself as a viable managing agent in its own right.
Common Problems

Management issues

Service charge costs

Management fee and year end accounts

Asset

Resident underlease
Management issues

Poor management – lack of control

Lack of communication

Agent dealing direct with resident

Resident satisfaction
Service Charge Costs

Best value?

Insurance costs

Cessation of services due to poor income recovery
Management Fee and Year End Accounts

‘Double’ and reasonable charge?

How much does it cost you to ‘manage’ the agent?

Year end accounts on time?

Are they correct?
Asset

Repairs and maintenance

Reduced value of asset

S20 consultation major works
Resident Underlease

RSL responsibility as landlord

RSL responsibility as tenant

Provision of services

Headlease to underlease
Relationship Management

Start at the beginning – co-operation is better than conflict!

Part of the development of scheme process

Involvement in setting service charges

Meet with agent as soon as possible

Cement relationship before scheme handover
Relationship Management

Scheme in Management?

Meetings

Joint site inspection and resident visits

Attend all resident meetings
What can you do?

• Mutually agree a resolution or to part company
• Legal remedies i.e. LVT, Right to Manage
• Position yourself for the future
• Preventative actions – to learn and avoid in the future
Case Studies
Block A – Co-operation

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Block A – Co-operation

• 150 Apartments
• 50 for RtHB
• Management Company
• Developer acting as managing agent
• Good working / partnership relationship
• Directorship on the Manco
• Regular meetings
• Open dialogue
Block B – LVT Action
Block B - LVT Action

- 29 Properties
- 20 for Shared Ownership
- Management Company – developer controlled
- Private Sector Managing Agent
- Service Charge year 1 = £60pcm
- Service Charge year 2 = £110pcm
- Shortfall invoice year 1 = c£800 per property
Block B – LVT Action

- Services disputed
- Accounts late
- Invoices not provided to support accounts
- S20 not completed
- Offers made to remedy not acceptable
- Negotiations exhausted – over 2 years
- Last resort LVT
Block B – LVT Action

• You are the leaseholder and have the legal right to take action
• Application submitted July 2010
• Pre Trial review October 2010
• Final list of issues due 30th November 2010 – include everything initially
• Hearing – yet to be scheduled
Block B – LVT Action

• Long process – not a quick fix
• Labour intensive – liaising with residents, doing the application, producing the bundle, mediation, attendance at the hearing
• What happens next?
LVT Action – What Happens Next?

- Who puts the money back in?
- Not necessarily the end of the story
- What if the Manco folds?
- Right to Manage – do you want to take on the problems?
Expanding In-house Management – the cons

• Private sector competition
• Very low margins
• Inheriting problems
• Role of Managing Agent V Man Co
• Relationship between developer and residents
• Differing Practices
• Be more commercially focussed
• Void risk
Block C – Second Hand Management

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Block C – Second Hand Management

• 5 Blocks
• 231 Apartments
• 1 Caretaker/Concierge
• Self managed by the developer for 2 years
Block C - Management Issues

• Second Hand Management
  – Unrealistic Service Charge
  – Defects
  – Arrears
• Buy to Let Investors
• Build Quality
• ASB
• Staffing Issues
• Complicated Finance arrangements
• Inconsistent with other Schemes
• Impact on reputation / satisfaction if no money for works
Expanding In-house Management – The Pros

• Avoid 3\textsuperscript{rd} party management
• Sustainability from the outset
• Increased profile
• Experience and knowledge base
• Protecting reputation
• Protecting our asset / values
• Make some money?
Mixed Tenure, New Tenures

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Prevention is better than cure

• Position yourself from the outset
• Work with development team as part of the site negotiations
• Appointed Managing Agent – doesn’t safeguard long term
• Named Managing Agent in the Lease
• Purchase the title to be able to self manage
Block D – Self Management

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Block D – Self Management

- 152 Apartments
- 40 FTBi
- 112 General Needs
- Commercial
- 9 Storeys
- Podium Garden
- Purchased the leasehold reversion from developer upon sale of the last property
Conclusion

- LVT as the last resort
- Give careful consideration to management ‘opportunities’, especially second hand
- What role can residents take?
- Be commercially minded
- Understand your costs
- Understand your reasons
Conclusion

• Build up an understanding of governance structures
• Negotiate early on to prevent these situations
• Safeguard your position for the long term
• Make informed choices – go in with your eyes open
Questions?