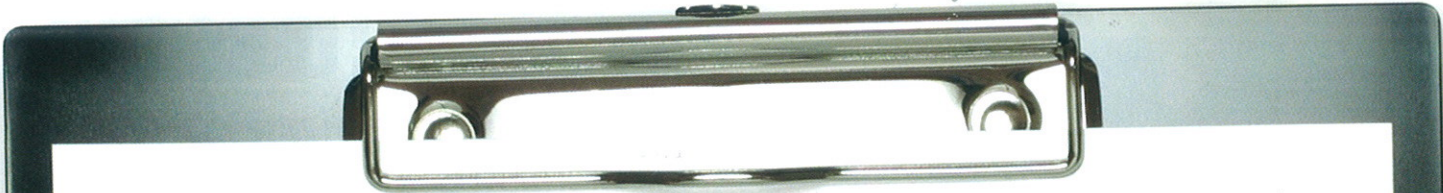


BUY FREEHOLD /EXTEND LEASE

The Marriage after the Wedding

Jonathan Channing provides a Post-Enfranchisement Checklist



NOW THE COLLECTIVE PURCHASE OF YOUR FREEHOLD IS COMPLETE; the hard work does not stop. Here is a list of post-enfranchisement action points:

- a. Service charges** – Have all service charges payable to the outgoing freeholder been cleared? Have arrangements for service charge funds to be transferred been made?
- b. Notifying all leaseholders** – All leaseholders should be informed of the successful completion, whether or not they participated in the freehold purchase. Managing Agents – Will we retain the freeholder’s agents, choose our own or manage the building ourselves?
- c. Bank accounts** – All bank accounts holding service charge monies must have ‘trust/client account’ status to comply with section 42 of the Landlord & Tenant Act 1987. If in doubt, speak to our agent and/or bank. Company Admin - Our freehold is vested in our newly established Company. We need to prepare and file statutory accounts and annual returns, appoint Directors, deal with share certificates when a lease is assigned and other ‘company secretarial’ duties. We need to deal with this in house, or ask our managing agents, accountants or solicitors (or a combination) if they can assist. Decision making – How should Directors interact with each other and the managing agent? Should one Director liaise with the managing agent? Should an expenditure limit be fixed beyond which the agent needs to contact us?
- d. Contracts** – Existing contracts may be frustrated because the outgoing freeholder’s management functions have come to an end on completion or there could be a breach of contract. Consult our agents about this.
- e. Lease Extensions** – We can grant ourselves new, long leases – we just need to pay legal fees. Should the terms of the leases be varied – e.g. to allow wooden floors, or permit subletting? Consult our solicitor about this.
- f. Major works** – Now we are in control of our building, we need start planning for future capital works such as cyclical external repairs and redecorations, internal common parts refurbishment, communal garden overhaul, etc. Our agents can help prepare a 10 year plan and annual reserve fund contributions. Improvements – We now have the opportunity to enhance the aesthetics of the building beyond what the leases allow us to do – so we need to formulate an action plan and decide on how these non-service charge items of expenditure are going to be paid for.
- g. Insurance** – We can now choose our own buildings insurer. Check the renewal date and use our managing agent’s buying power – they or one of their brokers could save money. We need to decide if we want terrorism and directors & officers liability cover. Consider a reinstatement cost assessment of the building.
- h. Income Generation** – Is there under used space (such as our under-pavement vaults and basement storage cupboards) ripe for development/ allocation, which could generate income or capital for the shareholders?

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