



Letters

Managing agents owe industry 'true professionalism'

Sir, As a management surveyor for more than 30 years, I read your article featuring the Loughborough Business School's study (professional + legal, 04.03.05, p79) with interest, but also with mixed reactions.

First, the terminology, such as the observation by a 'management scientist' regarding 'financial statements' being late, may be alien to most property professionals. What is probably being referred to is the service charge reconciliation due at the end of each year. If most managing agents could produce the annual accounts immediately after the end of the year and issue the balancing charges, then they would.

However, practicality dictates this

is not possible in almost all cases. While delay is undesirable, immediacy is not realistic.

Second, I would like to join the debate. This firm certainly offers professional advice on the handling of service charges, to ensure the necessary scrutiny by occupiers and careful preparation by landlords, and so the study covers issues we are familiar with.

I scrutinise hundreds of service charge accounts incurred by corporate occupiers and feel qualified to draw comparison.

The key issues with service charges should be their compliance with the lease terms, value for money, and timeliness in making financial provision for prompt

payment of justifiable charges. It is true that some standardisation of cost-headings or coding would be helpful, but it is not always possible depending on the physical circumstances of the building or the provisions of individual leases. The important thing is transparency.

There are other matters to consider, which were not reported. It is as important to landlords as it is to tenants that service charges are kept under control. It is also relevant that the property profession should consider whether management charges are reasonable.

In too many cases, a percentage is paid to managing agents on the total cost of the service charge, often 10%, even though the service charge

expenditure is well over £1m a year. Where is the incentive to lower costs?

In addition, most large shopping centres have on-site management. In smaller applications, this work would be carried out by the managing agent, but in most cases the managing agent still charges a percentage on top of the costs of running on-site offices, which do most of their work. I would ask whether it is reasonable to take easy profits from tenants who often find it difficult to make profits themselves.

One does not have to be a scientist to give landlords a rocket, but managing agents should exercise true professionalism in the interests of the property industry and its users.

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