The costs of switching to self-management

Where the money goes when a building changes how it is managed, and how to budget without surprises.

Changing how a building is managed has costs, some one-off and some ongoing. Boards that plan for them avoid awkward conversations later. This guide sets out the main headings, without giving figures, because they vary a great deal between buildings.

One-off costs

- **Legal and professional fees.** An RTM claim or an enfranchisement needs legal support. Take advice on who pays which costs: the position has changed in recent reforms.
- **Company formation.** Setting up the company and its registers.
- **Notices and administration.** Printing, postage and proof of delivery.
- **Handover.** Time and fees to collect records and funds from the outgoing manager, and perhaps for a condition survey or an insurance review.
- **Initial safety work.** If a fire risk assessment or other check is out of date, it needs doing quickly.

Ongoing costs

- **Insurance.** Often the largest single item. Compare cover as well as price.
- **Contractors.** Cleaning, gardening, lifts, fire systems and repairs.
- **Professional support.** Accounts, company secretarial work, and any management help you buy.
- **Software and records.** A system to hold your documents, calendar and communications.
- **Company costs.** Companies House filings and bank charges, plus any insurance for directors.
- **Reserve fund contributions.** Money set aside for future major works.

Costs that may fall

Some buildings find that costs fall once they control contractors and insurance, and can see exactly where the money goes. Others find they are the same but better understood. Do not assume a saving, and do not promise one to your neighbours.

Who pays

Service charge covers the costs of running the building if the lease allows it. Some costs of changing management may or may not be recoverable through it, so check the lease and take advice before you tell residents.

How to budget

1. List each cost heading and get quotes.
2. Separate one-off from ongoing costs.
3. Add a contingency for the unexpected.
4. Agree how the one-off costs will be funded, and tell residents before you ask for money.
5. Compare the total with what the building pays now.

> Be open about the numbers. Sharing the budget and the assumptions with residents builds trust and reduces objections.

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