



Directors' Duties

We are often asked about the responsibilities of a Director of a Management Company, their powers and the limits on their powers. This fact sheet is not meant to be an exhaustive response for all scenarios but will give guidance.

Duties under the Lease

Broadly the duties of a Director are to ensure that the Management Company's obligations within the leases or transfers are carried out. There is a section in most leases or transfers that states what should be done, and will usually require the Management Company to do the following:-

- 1) To make sure that the properties are insured
- 2) To ensure the communal areas are repaired and maintained
- 3) To keep records of all financial transactions
- 4) To set and then to collect the service charge
- 5) To enforce covenants (making sure residents observe their requirements under the lease)
- 6) To build reserve funds for future works
- 7) To comply with all laws relating to the properties.

Duties under the Companies Act

The Companies Act 2006 dictates many ways in which companies and Director must conduct themselves, but much of this will be beyond the remit of a voluntary management company Director. The Companies Act requires that record keeping be of an acceptable standard.

Duties under Health and Safety Acts

The Directors are responsible for ensuring that Health and Safety legislation is adhered to. This can include being sure inspections take place, and that those inspections comply with current Fire Regulation risk assessments. Directors are also responsible for ensuring that any repairs to the building are carried out safely, with professional contractors using safe methods to undertake works.

What Directors Should Not Do

The limit of Directors' powers is to generally maintain the properties. They usually have no right to improve, unless with the approval of all the effected lessees.

Don't Worry

As long as you appoint a Managing Agent, and follow their reasonable advice, almost all of the responsibility for the above areas can be handed to that Agent. By employing an agent you do not lose the right to make decisions, however you will have professional advice to rely upon and the day-to-day elements of the duties are passed on.