

# MEETING WITH BALLYMORE

9<sup>th</sup> February 2018 – Management Suite

Present: Nicky Finn Senior Portfolio Manager (Ballymore)  
Sokari Higgwe (Chair) Mel Henson (Secretary) Marie-Claire Ritchie (Technical) –  
London City Island Leaseholders & Residents Association

## AIM OF THE MEETING

The aim of the meeting was to get answers to residents' questions about the service charge.

## BACKGROUND to the MEETING

Questions were requested from all residents via an open document on Google Drive at <https://docs.google.com/spreadsheets/d/1mGiPbd5zPtINxx2bfAStah54kL1KukisBsfTE0PbtRM/edit#gid=0>

PLEASE NOTE: This information has been gathered in co-operation with Ballymore by the Residents Association as a service to the residents.

The Residents Association is run by residents who are unpaid volunteers. They are not part of the Ballymore organisation.

If residents have further questions, they are welcome to ask Ballymore directly or through the Residents Association.

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# 1 QUESTIONS ABOUT THE PROCESS

## **WHEN ARE 2016 ACCOUNTS GOING TO BE AVAILABLE?**

Due to be signed off next week (w/c 12<sup>th</sup> February) . Cover letter being made ready. £1000 when people moved in – but to run the development money was taken from construction which needs to be paid back. Bills will be coming out next week.

## **WHAT IS THE PROCESS (OVERALL APPROVAL OF SPENDING)?**

Nicky Finn puts the costs together. The budget is set by senior management. Everything under £3k is approved by Nicky the Portfolio Manager. Everything above £3k is approved by Paul Maton, Director of Estates.

## **WHY ARE SOME COSTS ARE ESTIMATES RATHER THAN ACTUALS?**

Nicky explained 2018 budget is done in November, but some actual bills are never eg: water is still being billed to construction. Thus it is still based on budgets, not actual water costs. This means that some costs are the best estimate. Over time they will be more accurate as actual costs come in.

## **REQUEST FOR A COMMENTARY ON FUTURE SERVICE CHARGE DEMANDS**

The committee members asked if in future the statement could have a commentary explaining

- why large amounts had gone up
- Which costs are not included because they are part of the phase 2 development
- Which costs are currently spread only over phase but will go down when phase 2 residents move in

rather than residents having to ask for this information.

Nicky to pass on this request.

## **REQUEST TO CHANGE THE WORD ON THE DOCUMENT FROM DEMAND TO INVOICE**

Apparently this wording cannot be changed because it appears in the lease as 'Demand' so it has to be consistent. It's a legal requirement.

## **2. SPECIFIC QUESTIONS ABOUT SIGNIFICANT INCREASES**

### **AUDIT AND ACCOUNTANCY**

In 2016 there were few costs to audit. £9,000 was put in as a ballpark sum, which was later revised to £5,000, but this was not the actual cost.

£13000 is for the actual audit (by Landmark) plus a contingency of £1800 for other accounting costs. 2017 is the first year a full audit will take place.

### **SECURITY**

Currently have 6 security guards. Salaries work out at £40k each.

We had 6 now 9. They work 4 days on 2 days off. So this does not mean there are 6 on every shift. If two go off to investigate something seen on CCTV this only leaves 1 left at reception, so this is considered the minimum number of staff possible.

#### **Security at the car parks:**

Daytime construction pay to man the gate

Evening and weekends is paid for by the service charge – but only by people who have purchased a right to park. The guard is from an agency which is expensive,

Last year, 3 new people were recruited, because from March they will be doing valet parking as well. (When the current car park will be dismantled. The new car park is in Phase 2 which residents cannot access because it is a building site). These extra staff will be paid for by the Phase 2 A&M apart from a small percentage of £13,000 each (instead of paying the agency). Valet parking will last for a year and then it will be self park.

### **SECURITY**

It was looked at outsourcing, but it was not cheaper. Madigan Gill costs (agency used for manning the main gate) are evidence of this.

Security is an estate cost, but the car parking is only paid for by people who have a Right to Park.

### **RESERVE FUND CHARGE**

This has gone up.

Last year to keep the sq foot charge down, the senior managers at Ballymore (Paul Maton) decided not to collect a significant sum for the reserve fund. Only £10k for the whole estate was collected .

Last year, this caused problems, because money ran out for a short time in December. Reserve fund is now being charged as it should be, and this will continue. This is why it appears to have gone up.

The Archive budget was £50 per unit per estate, and is increasing at 4% a year (ie: £52).

Nicky to supply breakdown by building.

Nicky to ask the accounts team where the money is held – is it a separate account and what interest does it earn? What protection is there if Ballymore goes bankrupt?

### **M&E (Mechanical & Electrical) KENT BUILDING**

Facilities team (Pete & Lauren) sent a breakdown.

Prior to handover wasn't aware what assets were coming

### **COMMON AREA ELECTRICITY**

Marie Claire queried the cost of £38k for Grantham common areas alone. It turns out that this cost was overbudgeted, based on anticipated costs rather than actuals.

Nicky has discovered a problem with the electricity last year only spent £32k. This means there will be money to come back in 2019.

### **CCTV & SECURITY**

Marie-Claire queried why assets were handed over which should have a 2 year warranty, Nicky to email the breakdown to Marie Claire to look over

Nicky confirmed that the security included in the service charge only includes the areas that have been handed over and are no longer in the construction remit. The areas under construction are not manned by the security team employed by BAML and are employed and paid for by the developer, not via the service charge.

### **INSURANCE**

2016 No charges for insurance (in construction)

Insurance invoice in 2017 was estimated to be £167,000 but in fact only spent £2555.

Nicky got an invoice for £190,000. It included an amount for hoarding and banners, so Nicky sent it back because it needs to be site specific – hoarding and banners is part of construction. So now waiting for a revised invoice which will be slightly less than £199,000

Colin Sanders commented £38k-£44k that is specific to Kent block, but the same principles as above apply.

### **Is there an insurance rebate?**

Nicky and facilities team meet with the insurers regularly. Nicky to supply full asset list.

They aim to get the best deal for the development, and use brokers to get the best price across all the developments. As such there is no rebate.

### **WINDOW CLEANING**

2016 it was cleaned by construction – no cost.

2017 – should have been cleaned twice, but was only cleaned once. Cost was £20k.

This is actual, and is well below the budgeted £48k so there will be money to come back on the next service charge.

3 tenders in 2017 – Shadbolt appointed. They will be doing it again this year. Budget is £48k.

2018 – awaiting the contract with revised quote. (Cost goes out to tender each year for a 12 month contract). Will be instructed to clean in February and there will be two cleans this year.

### **MANAGEMENT FEES**

This is BAML – this covers management of putting the fees together and managing the payments etc. It is overheads, salaries and internal commercial costs, (ie: so there is not a profit element on top of an external charge)

2016 was £72k

2017 £167k

2018 estimated to be £163k

### 3 QUESTIONS ABOUT APPORTIONMENT

#### COMMERCIAL TENANTS

English National Ballet is not yet contributing because they have not moved in yet.  
The formula was developed some years ago.

Approximately:

Commercial pay 15%

Car park pays 5%

Nicky to check actual percentages and let us know.

#### HEALTH & SAFETY OFFICER

If there's an incident it goes to BAML – it's a portfolio wide cost.

#### REPAIRS AND MAINTENANCE

This is just for common parts – 'everything outside the front door'. Painting, carpets etc.

Leaks are part of aftercare and not part of service charge.

#### CLEANING

Costs include salaries, uniforms, training, vehicles. Different cleaning costs for

- ✓ Estate (gardens, litter picking)
- ✓ Building cost
- ✓ Window cleaning

#### GARDENING

The original garden contract was for 6 months. It is a portfolio wide contract chosen by Ballymore to get the best deal by having a larger contract. Tulip were used, then Maple. No-one was working out, so a consultant was brought in.

The cost is for two men x 18 hours a week, including plants.

Marie-Claire worked out that this is less than £17/hour including VAT (and could be less as it's not know how much is salaries and how much is plants) which seems to be a fair rate.

#### SPA

Hot rock is **not** included in the service charge as it has never worked, and when it is changed it will be down to original installers. No costs on the service charge - covered under warranty, apart from a few visits by Alex who is on site anyway as part of the contract.

The wet facilities are looked after by Ballymore's portfolio wide M&E contractor NG Bailey. Ballymore is currently looking at a design issue with construction and the original installers in light of operational issues, there was talks before Christmas about extending the gym hence the hamman (hot rock) is still in situ.

## **LEISURE COSTS**

Nicky supplying the costs to Marie-Claire.

## **DEFECTS**

These are paid for by construction not service charge. (Delores and Eddie are construction).

## **CAR PARK - BREAKDOWN**

Car park costs are only paid by people who have purchased a right to park. These costs were included in 2017 - breakdown below:

- 5% contribution towards staff salaries
- Electricity provision
- Water provision
- Security i.e. CCTV, patrols etc....
- Cleaning / yard
- Repairs, maintenance & materials
- Lamps & fittings
- Insurance
- Mechanical & electrical
- H&S provision
- Management fee
- Reserve fund contribution

#### **4. QUESTIONS ASKING WHY A COST IS REQUIRED/WHAT THE COST IS FOR**

##### **NEWHAM**

Rent paid to Newham for the land the other side of the Bridge.

Nicky to find out what this is, and supply breakdown for this. It is dealt with by the commercial team in head office .

It has gone down slightly to £27,000

Sokari pointed out that LCI is on Tower Hamlets, but the other side of the Red Bridge is Newham,

The commercial units also pay into this.

##### **HEALTH & SAFETY**

This is Ashdown (comes under facilities)

Fire Risk Assessment

Water Assessment

Health & Safety Reports

They provide a report with action points that Dan Cross (General Manager) has to action.

##### **10 YEAR WARRANTY**

After two years the NHBC warranty comes into effect but it only covers the building – roof, windows, insulation etc. It is nothing to do with HIU units or insurance.

##### **FIRE COMMAND CENTRE**

All Health & Safety is fed back to the centre manned 24/7. Fire alarms do not go off in the buildings if there is an issue – it all goes back to the FCC.

It does not monitor anything in phase 2 yet – it will be extended when phase 2 comes on. It is not danger or risk of areas under development. It's part of estate management – all Ballymore estates have them.

##### **SWIMMING POOL COST**

There isn't a separate meter for the pool, because Harmony (pays £191k for 6 months theirs has gone up by 20% because Nicky now pays for general repairs ) but they pay proportion of electricity including the pool which they cannot use.

Nicky is speaking to facilities to get one put in.

New MD starts 3<sup>rd</sup> March – Simon Pratt. Currently MD at Portico.



### **HIU SERVICE CHARGE**

Figure of £120+vat was put in the budget as a cost in case it needs to be serviced in future. This was given by Evinonox. A tendering process has gone out – (facilities) 8 companies requested to quote, and most have come in under this.

In the lease there is no reference to HIU servicing apart from Harmony. Residents are therefore not obliged to have it done by Ballymore.

Commissioning date is on the unit – first two years are covered by the warranty. Once the warranty is ended residents can use their own contractor for pipes, servicing etc. eg: For most Java residents the warranty will expire in June, for most Grantham residents in November.

Dan will send out on Notifii instructions on how to turn the HIU unit off in emergency to save flooding problems etc.

### **ART GALLERY (IN JAVA)**

Inside the gallery is their own individual water meter and electricity meter. It is not paid for by residents.

This is the same for all commercial units on the developments.

## 5. AOB

### INFORMATION ABOUT PHASE 2

The committee requested that information sent to phase 2 residents was shared with phase1 residents too. Nicky to mention to Juliet,

### PHASE 2 TIMINGS

Block M is coming over in May and Block A is due in July, with another 420 units we envisage service charge costs reducing, especially estate costs.

END