

SERVICE CHARGE MEETING 17th MARCH 2021 (via Zoom)

Present for BAML: Dan Cross.

Present from the committee: Diane Young, Nick Thompson, Calvin Chew, plus other committee members supporting

Approximately 55 residents and leaseholders.

1. Ongoing costs

Issues highlighted

- Management charges, how are they calculated? – Generally as a set amount relating to the size of the building/development and covers central costs such as legal, accounting, HO salaries and infrastructure.
- What is the procurement process for works and are commissions paid to Ballymore Asset Management Limited (BAML) for purchasing services such as insurance?
Some contracts are taken over from construction upon building completion, others are put out to tender as they fall due. They have to be an approved BAML supplier (with appropriate licenses, insurance etc.) and BAML works with around 200 different companies. **DC to revert** regarding insurance commission, but confirmed no commission taken for any contractor work.
- Who pays for electric vehicle charging? At the moment general car park expense, but to be reviewed.
- Who pays for other items such as Christmas decorations and events?

2. Reparation of construction faults (communal vs individual apartments)

Issues highlighted

- Who pays for repairs? – Generally either the individual leaseholder or aftercare if a construction issue or service charge for communal issues.
- What is the process? – A report will be submitted by a resident on the issue they are having, as a management team they try to fix it. They make sure it isn't user error, next step they will engage with the engineer on site, and they will investigate (no charge). If this is a communal problem and not something related to aftercare, then the cost will come from the service charge budget.

3. Processes of adding to/removing items from service charges

Issues highlighted

- What is the decision making process for adding in additional compulsory costs to residents such as boiler/fire inspections? **DC to revert**

4. Income generated within service charges

Issues highlighted

- What are all the 'revenue streams' for this development, and what is their contribution to the service charge budgets? For example, parking permits, pet licenses, street markets, commercial unit contributions to communal charges, heat network **DC to revert**

5. Service charge handling queries

Issues highlighted

- 2017-18 charges, historic miscalculations, the length of time taken to reconcile annual accounts, YoY comparisons etc. - There are plans to setup briefing meeting for residents shortly after provision of accounts. Update: draft accounts now received. **Confirmed ones expected wc 12/4. Meeting scheduled for 7pm Weds 5 May**

Dan provided an initial briefing:

- The service charge budget is split into 3 main schedules – Estate, Residential services and Individual Building
- The budgets for GLH and LCI have now been merged with shared estate and residential services between the two sites
- The shared estate includes such items as security salaries, management salaries, CCTV, housekeeping & grounds etc.

- The shared residential services includes items such as port room/concierge salaries, leisure staff salaries, electricity, heating/cooling for residential facilities, gym equipment lease etc.
- There is also a GLH or LCI individual estate which includes fire detection, insurance, management fees, landscaping etc.
- Individual Blocks includes items such as insurance, management fee, M&E, electricity etc.

Every apartment contributes towards the service charge and calculations are on a sq.ft. basis.

There has been no reduction in budgets due Covid-19, e.g. staff being furloughed etc.

The service charge budget is created in advance of the service charge year and based on full provision of services. Savings have been made during 2020/2021 and these will be reconciled at the end of the service charge year, with any refunds due to leaseholders paid at this point.

Q&A Session

Gail- Given Clearstorm / Blazecourt's close links to BAML, where is the incentive for them to ensure value for money and fiscal efficiency for residents?

DC- Does not work directly with the freeholder. The responsibility of BAML is to ensure value for money and every penny that is spent has a process and has to be authorized. The freeholder does not benefit from service charges and therefore there should not be a conflict of interest.

Mel- Which section does river wall maintenance (a significant cost) belong to?

DC- Both resorts have river walk and Port of London costs and it is in the budget although no significant costs are expected at this stage.

Diane- What is the difference between landscaping and grounds?

DC- Grounds are more to do with yard and wider site, landscaping is more specifically related to gardens. We have a lead gardener who visits twice a week in summer and once in the winter.

Yua Haw Yoe- Is sq. ft. taken on internal measurements only

DC - Yes

Jamie Holdstock- What does the building insurance cover and why is it funded by resident service charge?

D- Building insurance covers the general fabric of the building (not contents), public liability, material damage e.g. fire, water leakage etc. Any homeowner is responsible for their own building insurance. In the case of apartments one policy is obtained for the whole block, with the costs divided up amongst individual apartments and paid through the service charge.

Anush Begoyan- What is the contribution of commercial units and housing association units

DC – Both contribute to the wider estate, but on a different proportion to residential leaseholders. As they don't have access to shared residential services they don't contribute towards this.

Tom Wynne- Can you explain why the Sky Lounge (GLH) was included in 2020/2021 budgets when it will not be open, even in 2021 please?

DC- This is an oversight due to construction who had originally confirmed it would be operational by this year, but is now delayed. Any costs will be refunded to leaseholders once accounts are reconciled for that financial year.

Emre Kati- Also, the Sky Lounge cannot be accessed by LCI residents from what I learned. Why are LCI residents paying for its upkeep?

DC – They aren't, this is a GLH cost only

Doris Chong- How is the percentage of service charge being determined?

NT- it is allocated to each unit on a sq.ft. basis

Magda Gonzalez- the budget was approved by the resident association in the past?

NT- RA does not approve the budget, we work together with BAML to understand the budget and provide challenge on behalf of the RA.

Vikram Bakshi - Why are the final audited service charge figures so delayed? It seems to take 2 to 3 years for the final amount to actually come out.

NT- This was covered by DC in the presentation and has been highlighted as a major issue. BAML are trying to improve and are aware that information needs to be produced sooner.

Magda Gonzalez- who is the auditor?

DC- It has recently changed **DC to revert**

Anush Begoyan- is there an external audit performed on yearly accounts?

DC-yes but this is to ensure correct accounting presentation, not to verify individual charges. A separate review is being performed by Graham Pack.

Diane Young- Will employers NI contribution (approx. 12.5% of salary) also be returned as a credit?

DC- Unsure, will investigate further and if furlough permits it will be returned to leaseholders

Emre Kati- Are there plans to have a separate company - unrelated to Ballymore - manage these two communities? I.e. can Ballymore hive off the management function?

DC- It is possible, but this is not planned as BAML is the preferred managing agent for Ballymore properties

Anush Begoyan- 9 positions costing £400K - did i understand correctly?

DC- yes that would be if they hired everyone as at JAN21 and isn't just salaries but includes training, NI, employee benefits etc.

CH- Would the audit review cover the reasonableness of the level of charges e.g. whether certain expenses are overcharged or not managed efficiently?

NT- no, Graham Pack is providing this

Gail- Does Ballymore have any mechanisms in place to minimise preventable costs? e.g. lights on in Kent Lounge while closed; educating residents re recycling; littering; dog fouling; damaged items in communal areas.

D- yes in general, lighting/heating the pool is a manual system and not automatic. Also trying to work in partnership with residents e.g. monthly newsletter making residents aware and not adding extra costs.

Nick Larvin- Please could you share the models used for calculating the most recent service charges and the assumptions used? Please could you also confirm whether any estate management entities received any money under government-backed loan schemes (or related intercompany loan arrangements) that is yet to be repaid?

DC- Model to be shared with RA. DC not aware of any government backed loans but **will revert**.

Nic W- Based on some allegations (albeit on other developments) made in the FT on the weekend, what changes are being made / what reassurances can be given that Ballymore are not double dipping in relation to costs accrued, then paid in the following year?

DC- Aware that BAML have made a statement regarding this, from my team we are making sure we are transparent with leaseholders. Not aware of anything at a local level.

Doris Chong- On the slide of 'before good luck hope inclusion' - what does it mean by 'right to park schedule'?

Diane Young - if you have a car parking space you pay service charges on it.

Diane Young- How do you calculate how much this development pays towards head office versus other developments? How many tenders do you get when procuring major services?

DC- HO costs- set % based on size. Tenders- it varies depending on size and complexity

Naveen L Narayanan- Can we have full disclosures of contractor/subcontractors partners who are ultimately owned by Ballymore/closely linked to Ballymore

DC- BM building solution is an arm of Ballymore and they provide certain services which are billed through the service charge.

Gail- On procurement, you mention that you "don't always get more than one quote" and at most mentioned "insurance...two quotes". How does this ensure fair and open competition and a reasonable standard of cost-benefit analysis?

DC- Will revert with further detail

CH- If BAML receive insurance commission, sounds like there could be a conflict of interest... e.g. get the best quotation in the market for us vs best commissions received

DC- Will revert with further detail

Naveen L Narayanan- Do temp parking permits charged at Concierge feedback as a credit to the right to park schedule?

DC- yes they do, although at present they aren't credited directly to the car park schedule and feed into the wider estate, this is under review.

Diane Young- Is BAML's insurance commission more or less than the saving achieved? What is the percentage and actual value of the commission?

DC- Will revert with further detail

Danny Bravo- What's the situation with the government's new regulation on cladding? I know this has caused issues for some residents when trying to remortgage. How will this affect our service charges going forward? Has the paperwork been sorted yet?

DC- EWS1 form has been completed and is available to all LCI and GLH residents. There may be further fire safety requirements which are currently being investigated. No cladding issues identified.

Anush Begoyan- on Insurance - what does public liability part cover? If a non-resident has an accident passing through LCI, will they get a compensation?

DC- it depends on the individual case

Mohammed Iqba- Car Park - is it correct that cost of charging electric cars is shared by everybody as opposed to paid for on a usage basis - I would appreciate clarification on this point.

DC- as it stands at moment individuals are not charged, looking into making individual charges, however we believe the cost is minimal

Elizabeth Baek- Could you please also answer why leaseholders are paying for this building insurance? surely the structural element is the freeholder's responsibility

NT- This is standard for shared apartment blocks, building insurance is the responsibility of the flat owner.

Karen Zanarotti- This is my first service charge bill, not sure if it is the standard here, but I got my bill last week with DUE DATE 18/January/2021.

NT- Please direct individual questions to the accounts team.

Anush Begoyan- Is there internal audit of services provided to insure financial and quality assurance? i.e. one job takes 5 visits to complete. Is this charged 5 times?

DC- this is an aftercare issue

Danny Bravo- Would it be possible to increase the payment terms for service charges from 15 days to 30 days?

NT- Please direct individual questions to the accounts team.

Naveen L Narayanan- You mentioned that accounts team has undergone a revamp over the last 16 months - this has not been reflected in the level of service that we would expect to receive - certain prominent examples include additional service charges from 2016 which have been contested by some impacted residents and remain unresolved for a significant period of time.

NT- Please direct individual questions to the accounts team.

DC- Additional resource has been recruited, but it is acknowledged that change is slow.

Naveen L Narayanan- residents agreed to the LCI + GLH merger on the basis that this would reduce the overall estate charges - what assurances can we have that this will be reflected in our service charges (rather than some examples of alarming service charge increases in other Ballymore developments)

DC- as part of the deal LCI cannot be negatively affected by GLH during the construction period. Most of the leisure spaces are in Agar building which are now operational, the developer will be making contributions for all unbuilt and void units. Costs are regularly reviewed, but can't guarantee that costs will increase. Government guidance is regularly reviewed and any savings will be reconciled as part of annual accounts process.

Diane Young- When Ballymore chop and change things e.g. postroom expanding due to being too small, who pays for that?

DC- Construction pay for this.