

# **CHATHAM MARITIME TRUST SOUTH MARITIME ESTATE**

## **Service Charge Year 2010-11**

### **Consultation**

#### **Introduction**

This document provides background for a preliminary consultation on service charges for the coming service charge year commencing 1<sup>st</sup> April 2010.

It is issued in accordance with the RICS Commercial Service Charge Code.

Responses are invited from service charge contributors in writing to be received by close of business on Friday 29<sup>th</sup> January. The contact addresses are at the end of this paper.

The figures represent a preliminary budget based on information available at the time of preparation, including RPI (November 2009 RPI shows +0.3% over the last 12 months) and other index information which can affect costs. Inflation indices are currently volatile and changes in the coming two months may have an effect on final budgets.

The preliminary budget will be reviewed in the light of feedback and updated in the light of any new information before being presented to the Chatham Maritime Trust Board at the end of February 2010.

The final 2010-11 Budget plus supporting information will be circulated at the beginning of March, with the first half payment being due on 1<sup>st</sup> April.

#### **Background**

Chatham Maritime Trust is the long-term guardian and estate manager of the Chatham Maritime Estate. As development and infrastructure is completed by the South East England Development Agency (SEEDA) it is transferred to the Trust. This process has been under way since the Trust's inception in 1997, and is likely to continue for the better part of the next decade.

Chatham Maritime is split into two: the primarily residential St Mary's Island, and the primarily non-residential South Maritime Estate. The Trust runs separate service charge accounts for St Mary's Island and South Maritime, but some activities – principally security and management – are run as an “umbrella” service over the two elements and costs apportioned. This is more cost-effective than running separate provisions.

The Board of Trustees oversees the policy, activities, and finances of the Trust, and this includes approval of service charge budgets.

Chatham Maritime Trust is a charity. It has four member organisations: SEEDA, Medway Council, St Mary's Island Residents Association, and South Maritime Residents.

The last of these, South Maritime Residents Ltd, is an association for South Maritime non-residential leaseholders. Any headlessee or any occupier with a term greater than three years is entitled to become a member, and applications may be made to South Maritime Residents' registered office which is Montague Place, Quayside, Chatham Maritime, ME4 4QU (the offices of Reeves & Neylan, accountants). The company secretary is Tim Levey of Reeves & Neylan.

Member organisations have rights to nominate trustees to the Board of Chatham Maritime Trust. South Maritime Residents has the right to make two such nominations, and these are currently Prof. Neil Garrod of the University of Greenwich, and Anthony Sutton of Dockside Outlet Centre, both of which organisations are lessees and service charge payers on the Estate.

This arrangement ensures that the interests of stakeholders are taken into consideration when estate management policy is being considered, and that stakeholder representatives are in a position to exercise appropriate supervision.

This is a central component of the unique management structure at Chatham Maritime, and the Trust would encourage all headlessees and occupiers to have an involvement with South Maritime Residents Ltd.

Chatham Maritime Trust has a wholly-owned subsidiary Chatham Maritime Estate Ltd which acts as a management company for the Estate and collects income and arranges maintenance and services.

## **Costs**

### Maintenance Costs

The attached schedule shows the 2008-09 Actual, and the current (2009-10) Budget, as against the indicative 2010-11 Budget. All figures are exclusive of VAT.

We are very aware of the current economic climate and the objective for the year has been to maintain the overall like for like expenditure at the same as the current year.

However, during the year the Trust has taken on some additional infrastructure from SEEDA and this has inevitably given rise to some increased costs. We estimate this increase as being in the order of £6,000.

There are no significant major periodic maintenance items falling due.

A number of the maintenance contracts - minor works, street lighting, and pest control – have been re-tendered during the year. The significant exception is landscape maintenance, for which tender documents are being prepared on the basis of a performance specification. This is a significant contract, and the tender outcome will have a bearing on actual costs for the year.

### Security Services

The security contract was re-tendered in 2009 and this produced a small but worthwhile saving on like for like costs. As previously advised, the intention is to increase the amount of security cover from the level of two staff on 24/7 (which has been the model since the Trust took over the service in 1997) by the addition of an extra daytime guard. This is viewed as essential to maintain a reasonable level of security service in the light of the significant increase of development since 1997 and the corresponding numbers of residents, workers, students and visitors using the Estate.

This increase was not implemented (though was budgeted for) in 2009 due to slippage in contract placement, but is planned for 2010, and is reflected in the budget.

### Management Costs

These reflect primarily staffing costs, which are recharged at cost.

During 2009 the Estate Office's part-time accountant left, and was replaced by another part-time appointment but with a significantly greater time commitment. This reflected an increasing workload; there has been little change in the accountant's time commitment for many years.

In January a new part-time accounts administrator will start, to assist with sales and purchase ledger work.

### Summary

From these figures we estimate that the 2009-10 service charge budget should be £409K, an increase of £7K on the current year (2009-10) budget of £402K. This represents an increase of 1.7%.

As identified above, additional infrastructure responsibilities contained within this increase are estimated to cost c.£6K.

### **Void Contributions**

SEEDA pays service charges in respect of undeveloped land on the Estate. In the current year (2009-10) this amounts to about 12% of the total.

Chatham Maritime Trust holds endowment funds from which it pays service charges on behalf of a number of buildings which have older leases without model service charge contribution provisions. In the current year (2009-10) this amounts to about 20% of the total.

It follows from this that both SEEDA and the Trust, as the largest individual contributors, have the same interest as other service charge payers in ensuring that the level of maintenance on the Estate is appropriate, prudent, and cost-effective.

### **Future Charge Levels**

We would remind that the level of service charges for South Maritime is likely to increase significantly above inflation during the next five or so years as the Estate is built out, and as additional infrastructure is passed to the Trust by SEEDA.

A further stretch of estate roadway and verge landscaping may pass into the Trust's ownership in 2010-11. This may add to some costs, but has not been budgeted in the attached figures due to the uncertainty of transfer completion.

### **Detailed Accounting Provisions**

A full statement of accounting provisions including details on apportionments and treatment of income will accompany the detailed service charge budgets which will accompany first half year payment requests. These should be sent out at the very beginning of March.

## Consultation

We would emphasise that the attached is indicative for discussion, and that the final budget upon which service charge contributions will be based will inevitably contain some variations from this.

Comments should be addressed to Chatham Maritime Estate Ltd, The Coach House, Pembroke, Chatham Maritime, Kent ME4 4EU or by e-mail to [info@cmtrust.co.uk](mailto:info@cmtrust.co.uk)

Comments should be received by close of business on Friday 29<sup>th</sup> January.

## Chatham Maritime Trust January 2010

### SOUTH MARITIME ESTATE SERVICE CHARGE Indicative 2010-11 Budget

(Figures in rounded £000's)

	2008-09 Actual	2009-10 Budget	2010-11 Budget	
Landscape maint.	79	51	54	Extensive tree felling in 2008-09
Street furniture	7	7	7	
Road cleansing	5	10	9	
Road & pathway maint.	14	19	18	
Street lighting	4	6	7	
Water safety	3	5	4	
Features & monuments	3	3	2	
General maintenance	10	20	15	
Professional fees	12	8	7	Previously all contained under
Communication & misc.			3	Miscellaneous
Insurances	9	10	9	
Security	153	177	179	Additional cover budgeted
Management Costs	59	59	66	Additional staff employed
Premises & vehicle	25	23	22	
Corporate expenses	5	6	8	
<b>Total</b>	<b>388</b>	<b>402</b>	<b>409</b>	

+1.7 %