

Queenswood Management Association Limited

62 Crown Street, Brentwood, Essex CM14 4BJ

www.queenswoodgardens.com

January 2022

INCREASE IN SERVICE CHARGES

We have had a small number of queries about the increase in service charges with effect from 1 January 2022. This brief paper sets out the reasons why the board has found it necessary to make this increase.

Increasing the Queenswood Gardens service charges is not a step that we take lightly. All the directors are, of course, lessees themselves, and increases are no more welcome to us than they are to other lessees.

The first point we would make is that Queenswood Management Association Ltd does not exist to make a profit for shareholders. Any excess income after expenses have been paid goes towards the company's reserves, which are held in trust on behalf of the shareholders (i.e. the lessees).

Service charges are set so that they cover operating costs and enable us to maintain healthy reserves to ameliorate calls on lessees for large sums when major projects are undertaken. Because of the levels of recent expenditure, we've seen little improvement in our reserves position over the past couple of years, and we need to start rebuilding them to provide a cushion for future projects.

In retrospect, we should probably have increased service charges little and often over the past 10-to-12 years, instead of trying to hold them down for too long after the 2008/2009 financial turmoil. Our policy at the time was intended to protect residents who had financial difficulties. With hindsight, perhaps we should have bitten the bullet earlier.

Over the past few years, we have seen significant increases in ongoing costs. One area where we have had significant increases is cleaning and gardening, where we've seen that we had a much better deal than we realised with Nigel and Louise Jones. Now that they have retired, getting equivalent services has been more expensive than we had anticipated.

Window cleaning expenditure has also significantly increased. The former contractor's performance deteriorated markedly, and was the subject of many complaints about quality. Our new contractor is much better, and service levels are much improved, but this has come at a cost.

Other cost increases include insurance. Poor standards of internal plumbing work when many lessees have carried out refurbishments in their bathrooms, has led to a consequent increase in the number of leaks into the common areas. This has led to higher (and in our view, unsustainable) insurance excess charges for repairs to water damage. Thus the service charges have to cover higher costs for repairs when we are unable to justify paying the insurance company's excess; wherever possible, we do recover those costs from the lessees that caused the problems, but this is not always 100% achievable. In addition, insurance charges have increased because of our claims history; the recent fire in block C will no doubt have a knock-on effect.

A significant expense is of course the fee charged by Hull & Co as our managing agent. Their fees are not arbitrary, but are set out in the standard RICS contract, which includes a mechanism for increases. We should point out that their fees have not increased for the past few years and need to be revised within the next 12 months.

Attached to this note is a comparison of our budgets for the 2021-22 and the 2022-23 financial years. As you can see, we have already anticipated increases in some of our expenditure. Quite what the latest ONS inflation figures, and the well-known increases for energy and water, will have on expenditure remains to be seen.

Finally, from time to time we do benchmark our service charges against nationally-published statistics. ARMA (the Association of Residential Managing Agents) currently estimates the average service charge bill for a flat in London is around £1,800 to £2,000 a year (£150 - £167 per month). The Competition and Markets Authority (CMA) undertook research into service charges in England and Wales and published a report in December 2014. In their 7-year-old report the CMA estimated that the average amount of an annual service charge bill was £1,123, or £93.60 per month. At the CPI movement over the period from 2014 to 2021, that would now be about £110 per month. In London, it would be higher.



Griff Griffith
Company Secretary

QUEENSWOOD GARDENS
BUDGET COMPARISONS 2021/2022 vs 2022/2023

Description	2021/2022	2022/2023
Cleaning/Gardening	£56,160	£56,160
Window Cleaning	£19,800	£19,800
Tree Surgery	£3,000	£5,000
Insurance	£27,000	£30,000
Water	£800	£1,000
Electricity	£4,500	\$5,500
Expenses	£3,000	£3,000
Management Fees	£23,320	£23,320
Legal And Professional	£3,000	£3,000
Accounts	£3,000	£3,000
Repair and Maintenance	£15,000	£17,000
Total budgeted expenditure	£158,580	£166,780
Budget per flat per annum	£1,003.67	£1,055.57
Budget per flat per month	£83.64	£87.96
Service charge per month	£90	£100
Contribution to Reserves	£12,058	£22,827