
Proposed increases in the management charge

In the first issue of The Gazette we explained that a thorough review of the Trust's finances was being undertaken. That review is not fully complete but it is clear that substantial increases to the Management Charge are needed to maintain the financial health of the Trust and make the Trust effective in defending the character of the Suburb.

Scale and timing of the increase

The Trust expects the Management Charge bills that will be issued in late August 2006 to be for about £150. This is likely to be made up of a surcharge of about £50 for the last financial year 2005-6, and an estimated Management Charge in the order of £100 for 2006-07.

We do not have the exact figures yet. The surcharge cannot be precisely determined until the audited accounts are available in June 2006. Similarly, the budget for 2006-07 containing the estimated Management Charge will be reviewed by our accounting and legal advisers in June prior to being finally approved by the Trust Council at its July meeting. The confirmed Management Charge bills will be issued, as usual, in late August.

This year the increase is substantial and the Council believes that Suburb freeholders should be given the maximum possible notice of the increase and the reasons for it.

The reasons for the increase

There are three principal reasons for raising the Management Charge.

1. A change in the way that management costs are allocated between the Trust's other income and the income from the Management Charge.
2. The need to bring the Trust's systems, staffing and accommodation up to date.
3. The unprecedented level of legal fees that the Trust has faced in the past year.

The allocation of management costs

Income from the Management Charge can only be applied to the purposes defined in the Scheme of Management. These are the preservation of the appearance of freehold Suburb buildings and of the land on which they stand or to which they have access. Other activities, including the regulation of the Trust's remaining properties (mostly let on leases of 999 years at what are now very low fixed ground rents), the Trust's share of the maintenance and improvement of open spaces in the Suburb, charitable donations and so on, have to be met from the Trust's other resources.

The Trust's paid employees' time is shared between the administration of the Scheme of Management and the Trust's other functions. The cost of salaries, accommodation and support has to be allocated proportionately.

In the past it was estimated that 60-65% of the staff time was devoted to the administration of the Scheme of Management. As part of the Trust's financial review, a study was made of the way in which these resources were actually expended. This study showed that, in reality, the Scheme of

Management generates not less than 80% of these costs. The Trust's legal advisers and auditors are being asked to ratify this calculation.

Past underestimation of the management costs and the consequently low level of the charge have, over time, created a deficit in the financing of the Management Charge. This has had to be met from the Trust's own resources.

It is hard to be precise but looking at past annual accounts, it appears that the Management Charge has, in effect, been subsidised by not less than £1,000,000 since 1981.

Invested and allowing for inflation, this sum would now be worth about £3,000,000 and the Trust's reserves would be that much higher than they are today. Even if the terms of the Scheme of Management allowed it to do so, the Trust is not in a financial position to continue to subsidise the Management Charge.

The under-funding of services

The Trust has been frugal in the funding of its services. However, to be effective in defending the Suburb against damaging development, the Trust must be appropriately staffed and equipped with modern systems.

Equally important, residents should be offered a better service.

Improvements to accommodation, for example, are needed to provide better facilities for the consideration and discussion of proposals for alterations in a way that is consistent with their importance.