

# HAMPSTEAD - GARDEN - SUBURB - TRUST

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All freeholders, Hampstead Garden Suburb

12 March 2007

Dear Freeholder,

## **Scheme of Management**

You will have recently received correspondence from the Trust concerning applications made by some residents to the Leasehold Valuation Tribunal (LVT). This correspondence was sent out at the request of the LVT.

There are two appeals now going through the LVT: one which challenges the amount of the charge levied under the Scheme of Management for 2005/2006; and one which challenges the flat rate basis of the charge and seeks to amend the Scheme of Management so that the charge is related to the value of each property by use of Council Tax bands.

## **How the Trust Council will deal with the appeals to the Leasehold Valuation Tribunal:-**

### 1. the challenge to the charge for 2005/2006

The Trust Council considers that the charge for 2005-2006 (£89.50) is reasonable and will oppose the appeal against it. This figure was certified by the auditors.

### 2. the challenge to the flat rate basis of the charge

The Trust Council has looked carefully at the case for changing from a flat rate management charge to one related to the value of each property, and issues of the Gazette discussed how this might have operated.

The Trust Council have considered the proposal to alter the Scheme of Management whereby the basis of charge would be progressive, based upon Council Tax banding, but have concluded that it is better to remain with a flat rate charge because:

- 1) a flat rate charge is simpler and therefore cheaper to administer, keeping bills overall as low as possible; this basis of charge has worked successfully for over 30 years;
- 2) the Council Tax banding system may be abolished or amended in the near future which would require the Trust to adopt a new system with significant additional costs to set it up and have it further approved through the Leasehold Valuation Tribunal;
- 3) by accepting a progressive charge now, the Trust may be forced eventually to adopt a charge based upon the capital value of individual properties (which is the likely basis for future Council Tax charges) which could result in the higher value properties paying excessive annual management charges;

- 4) the proposal before the Leasehold Valuation Tribunal includes the possible appointment of an Independent Surveyor to oversee the basis of charge which would incur the Trust in additional costs;
- 5) the Council Tax current banding system is based upon 1991 values and is therefore historic;
- 6) by adopting the proposed change, a greater number of households in the Suburb would pay more than they do at present, more than those who would pay less;
- 7) all households benefit from the work of the Trust, no matter the value or location of the property;
- 8) the amounts involved per household are small;
- 9) the Trust will deal with cases of exceptional hardship and will contribute in those cases through its own resources;
- 10) under the Scheme of Management; approved by the High Court, we are obliged to run the Scheme in an efficient, economical and consistent manner.

This Trust Council has now formed a Finance Committee to ensure that the Trust's budgeting and financial management processes are appropriate. Much work has already been done in modernising the Trust's accounting and management accounting systems. The Committee is currently reviewing and setting budgets for the next financial year.

The Trust Council now believes that the charge for the current year 2006/2007 will be lower than the £110 originally estimated by approximately 15%, and that therefore the charge for the current year will be under £100. Thereby each freeholder will be receiving a credit towards next year's estimated charge.

However, the cost of having to defend these applications to the LVT are likely to increase the charge to freeholders under the Scheme of Management.

I strongly believe that the function of the Trust is primarily to preserve and maintain the character and amenities of Hampstead Garden Suburb. The current Trust Council is committed to using its best endeavours to achieve those aims. The proposals suggested by the two small disaffected groups do not help us in this context and, in fact, are deflecting us from fulfilling our main function by forcing us to utilise precious funds and time in addressing and seeking professional advice in these issues. The Trust Council is anxious to return to the situation where funds can be used more effectively and time expended more efficiently, and I urge you to give us your support in helping us to return to carrying out our functions to the best advantage for all Hampstead Garden Suburb residents.

Yours sincerely



Mervyn Mandell  
Chairman, Hampstead Garden Suburb Trust