

Lawton Hall Management Limited

Budget July 1, 2020 – June 30, 2021

(Note: this document refers to the Budget presented as Appendix 1)

Issued: May 2020



Commentary on the Budget

Overview

As described in the Chairman's statement, we have an operating budget for regular maintenance of the Estate, and a reserve fund for large but infrequent expenditures for the *Estate communal areas*. We have two operating and reserve funds for two different *common parts* of The Hall, as well as separate funds for The Coach Houses, The Gardens, and The Stables.

Operating Budget for the Estate Communal Areas

By far the biggest part of your monthly fees goes to the Operating Account for the *Estate communal areas*. Appendix I shows the complete budget, but a few items account for about 80% of the total budget. These significant items are discussed below.

1 **Grounds Maintenance** (29% of operating budget)

Grounds Maintenance is by far our biggest single budget item.

This year, our three-year Grounds Maintenance contract is due to come to an end. The board began the process of inviting tenders for a new Grounds Maintenance contract early this year, prior to the Covid-19 lockdown.

Considering the exceptional circumstances in which we currently find ourselves, it was not possible to continue the normal tendering process, which involves site visits from prospective contractors.

Consequently, the board made the decision to approach our existing contractors (Countrywide Grounds Maintenance) to explore the possibility of extending the existing contract, with some amendments to the work schedule to reflect responses received from shareholders to the questionnaire which was circulated in January 2020.

We are pleased to report that we have been able to negotiate a three year extension to the current contract, with an enhanced level of service provision. The cost for this has been frozen at the current level for the first two years of the contract, with an increase of 4% in the third year. This equates to a sub-inflation year on year increase, and we feel represents excellent value for shareholders.

2 **Communal Electricity** (5% of operating budget)

This is another significant budget item, but one over which we have limited control. In September 2019, we negotiated a new 3-year fixed contract. This represented an increased cost of approximately 25% over our existing electricity spend.

At the 2019 AGM, it was discussed that the budget would be increased to accommodate the increased electricity costs. In light of the current Covid-19 crisis, we are mindful of the need to minimise the costs for residents where possible, and so there has been no increase in the budget for 2020-21. It is anticipated that this will result in a budget shortfall for electricity of approximately £400 as a consequence.

A business savings account was opened for the Estate in September 2019, with an initial balance of £50000. This has so far generated savings interest of £339, and it is anticipated that the annual interest will cover the shortfall in the electricity budget for this year.

3 **Day-to-Day Maintenance** (5% of operating budget)

This reflects the need to repair items that have deteriorated over several years – such as sinking drains, uneven cobblestones, and damaged curbs.

4 Tree Surgery & Woodland Maintenance (6% of operating budget)

Each year, we conduct two major inspections of the trees on the Estate, with our tree surgeons (currently Astra Tree Services Ltd). We undertake necessary work, on Astra's advice.

This is an unpredictable aspect of the budget, as the work required results from storm damage and disease of trees. Almost all of this work is subject to approval by the local authority due to the whole estate having a blanket Tree Preservation order, as do some individually identified trees. The timing of these approvals by the local authority can take several months.

5 Accountant (3% of operating budget)

This cost was significantly reduced by the appointment of a local accountancy firm in 2019.

Reserve Fund for the *Estate Communal Areas*

Since the estate was established around 2003, work has been undertaken in a number of areas to repair, reinstate and on occasions improve elements of the estate's infrastructure. There will always be an ongoing requirement for finance to be expended in this way to support this expenditure, and also to ensure elements of the lease agreements such as the repainting cycles of some of the communal areas, specifically the Hall Coach Houses and Stables, are fulfilled. Most of this work has been funded from reserve funds for the estate communal areas and some from the sinking funds accumulated for individual areas.

On occasions, essential repair and maintenance needs to be undertaken with regard to lighting, the entry gates, the roadway, the estate's plantings and trees. In general, this tends to be unplanned expenditure undertaken to resolve an issue such as fallen tree or a failed gate. This will always be the case, and the reserves are maintained at a level where normal wear and tear can be accommodated.

During the next few months when life resumes some level of normality, the retaining fence at the junction of Liverpool Rd West and Lawton Hall Drive will be replaced, and further investigations will be made regarding necessary work to the gardens wall. This latter possibility has been apparent for some years and the Board will make further investigations during this year in an attempt to establish a programme of works.

No other major areas of expenditure have been identified at the moment but where any elements of rehabilitation are found to be required projects will be prioritised based on factors such as:

- The level of deterioration.
- Safety issues, both to people and the potential adverse impact on buildings.
- Aesthetics, and the adverse impact on both nearby residents and the entire estate.
- Equity, meaning all areas of the state receive an appropriate level of attention.

We have two other identifiable areas of risk. Firstly vandalism which appears to be the cause of the last failure of the front gate and secondly the weather. Increased rain and high winds contributed to a significantly higher cost over the last 12 months regarding tree surgery and there is the very real possibility that these costs will increase.

Operating Budgets for the *Common Parts*

There is one minor adjustment to the operating budget for the common parts for The Stables to account for day to day maintenance costs. This has been offset by a small reduction in the sinking fund contribution for the Stables area in order to maintain the overall service charge at a constant level. All other budgets have been maintained at previous levels.

Reserve Fund for the *Common Parts*

Periodically, there is a need for repairs and renewals to be made which cannot be anticipated. Over the past year, there have been major repairs made to The Hall garage gates, which were paid for from the Hall Reserve fund. Contributions have been held at previous levels in order to ensure that there are sufficient reserve funds to cover the cost of future remedial works.

Impact on Monthly Charges

There will be no change to resident's monthly payments for 2020-21.

Concluding Comment

The Board strives to keep costs as low as reasonably practical, and we believe we all continue to receive good value for our monthly contributions.

You will receive your Notice to Pay prior to 1st of June providing 30 days' notice of payment. The first payment being due the 1st July.

APPENDIX I Budget 2020/ 21		Budget 2019/20	Budget 2020/21	F'CAST Budget Breakdown (Year 2020/21)							
		(Year)	(Year)	Estate	Stables	Hall 1	Hall 2	Coach House	Gardens	Totals	
		Notes									
GENERAL FUNDS (Maintenance)											
Maintenance Costs		£	£	£	£	£	£	£	£	£	
	1	16,500	16,500	29%	16,500	-	-	-	-	16,500	
		3,000	3,000	5%	1,127	598	668	308	-	3,000	
		500	500	1%	500	-	-	-	-	500	
		3,250	3,250	6%	3,250	-	-	-	-	3,250	
		1,050	1,050	2%	1,050	-	-	-	-	1,050	
	2	2,350	2,550	5%	1,800	250	500	-	-	2,550	
		200	200	0.4%	200	-	-	-	-	200	
		1,100	1,100	2%	-	400	400	300	-	1,100	
		1,040	1,040	2%	692	-	348	-	-	1,040	
		1,000	1,000	2%	1,000	-	-	-	-	1,000	
		500	500	1%	-	-	500	-	-	500	
		6,540	6,540	12%	340	1,265	3,122	-	1,814	6,540	
		1,000	1,000	2%	1,000	-	-	-	-	1,000	
		300	300	1%	-	-	-	-	-	-	
		1,010	1,010	2%	-	-	650	360	-	1,010	
		39,340	39,540		27,759	2,512	6,188	668	2,114	300	39,540
Management and administration											
		330	330	1%	330	-	-	-	-	330	
		1,440	1,440	3%	1,440	-	-	-	-	1,440	
		250	250	0.4%	250	-	-	-	-	250	
		14	14	0.0%	14	-	-	-	-	14	
		100	100	0.2%	100	-	-	-	-	100	
		2,134	2,134		2,134					2,134	
Sub Total		41,474	41,674		29,893	2,512	6,188	668	2,114	300	41,674
Contribution to reserves											
	2	15,008	14,808	26%	9,538	1,075	2,907	150	900	238	14,808
		15,008	14,808		9,538	1,075	2,907	150	900	238	14,808
Total Service Charge		56,482	56,482	100%	39,431	3,588	9,094	818	3,014	538	56,482

Budget Notes

- 1 Grounds Maintenance A 3 year contract extension has been negotiated with the existing provider. There is no price increase for 2020-21 or 2021-22, and the price will increase by 4% for 2022-23.
- 2 Day to Day Maintenance The budget for the Stables area has been increased from £50 to £250 per year. This has been funded by a corresponding reduction in the contribution to the sinking funds.