

# 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 accountants firm in 2019.

### **Reserve Fund for the *Estate Communal Areas***

Since the Estate was built in about 2003, there has been one major rehabilitation project (renewal of the estate cinder paths) and several minor rehabilitation projects that needed to be funded by the Reserve Fund for Estate Communal Areas. In that regard, it should be noted that the renovation and painting of The Hall was funded from The Hall Reserve Fund, and by special contributions from Hall owners, and not by the Estate Fund. The portico of The Hall was found to be an *Estate Communal Area* and only that small portion of the work was funded by the Estate Fund.

As the Estate ages, there is going to be an increasing need for rehabilitation work. The board is

#### **The Gardens Listed Wall**

It is clear from investigations that repairs to the listed wall surrounding The Gardens area needs a long-term, rolling-maintenance programme to address some of the deterioration that is occurring. The extent of the work and the cost implications are under further investigation.

#### **Contributions to Reserve**

No other major rehabilitation work has been identified. The Board will be inspecting the Estate on a regular basis, and will attempt to identify projects at least a year or two in advance.

Where rehabilitation is found to be necessary, projects will be prioritized, 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 Estate get an appropriate level of attention.

As the need for new projects is identified, we will gain a better understanding of the prudent level of annual contributions to the *Estate Communal Reserve Fund*. We can thus ensure the Fund remains financially sound, and able to pay for necessary remedial work.

### **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 1<sup>st</sup> of June providing 30 days' notice of payment. The first payment being due the 1<sup>st</sup> July.