

ADDITIONAL NOTES ON THE APPROVED SERVICE CHARGE BUDGET FOR 2021 FOLLOWING FEEDBACK FROM RESIDENTS - FEBRUARY 2021

Insurance:

Insurance premiums have increased significantly.

The insurance broker did go out to the marketplace after the current insurer (Travellers – for the two main policies) confirmed premiums would significantly increase for 2021. This involved inviting c. 10 alternative insurers to quote, some of which did decline to quote for various reasons including exposure to risk, the grade II listed status and the current claims frequency which at present is averaging out at circa £12,000 per year.

The top three quotations received were reviewed along with the renewal terms offered from the existing insurers. The insurance companies chosen were the ones that offered current like for like terms re: excess wise etc. The company chosen also offered the cheapest renewal premiums.

Communal Estate Costs increases previously explained - Additional Information requested

Re new member of staff costs: Julie was employed late September 2020. A new laptop, chair and new A3 printer have been purchased in 2020. Additional new costs in 2021 are to allow for the purchase of a cupboard for the storage of historical financial information, the eventual purchasing of a desk and pedestal (currently working off a table) once the current office has been extended to create more workspace as the current working conditions are not acceptable long term.

Garden & Grounds costs have increased by £7990 in 2021. This is broken up as follows: Gardening maintenance on a site this size and age has to increase, there is more work to undertaken and the gardener has absorbed this extra work over the years in his monthly fees a situation that could no longer be sustained by the gardening company. Regular garden maintenance is increasing from £958.65 per month ex vat to £1051.60 per month ex vat from January 2021. This rate will be fixed for 3 years and therefore not increased. It should be noted that we are not in a contract for 3 years with the gardener.

£2000 for project work is for the cost of the regular gardener replacing old shrubs etc and other work intended for 2021 (delayed last year due to covid working restrictions). This work will not be repeated each year.

The budget of £5,000 is to cover off work resulting from the tree consultancy report carried out at the end of 2020. The tree survey is first tree survey the site has undertaken. We have estimated, for budget purposes, what tree work may cost as a result of this survey.

Reduction in running costs of Estate due to Covid-19 restrictions imposed - The 2020 service charge accounts have not been finalised. Any cost savings achieved because of the forced closures of the Leisure Suite/Office during Covid-19 lockdown etc will have the effect of reducing the overall running cost of the estate and any surplus will be transferred to the Estate reserve account. These reserve funds are used to invest in the Estate in future years.

Additional information regarding sub meter installation - We have obtained one quotation, for the purpose of the 2021 budget. This is for the correct separation of block electrics/and estate electrics and to ensure more accurate charging for the estate and residents. More investigation is required before work goes ahead in this area.

Leisure Suite Cost - Additional Information requested

Covid-19 Costs – when the 2020 budget was set in late 2019 Covid-19 was not known about therefore we could not set a budgeted for this. There will be charges in the 2020 budget relating

to these additional costs. A budget has been allowed for in the 2021 to cover ongoing Covid -19 additional costs.

Website

The Decision Logs from Board meetings for the period November 2019 to 31 December 2020 have now been uploaded onto the residents website.

In addition to this a review of the structure/layout of the website will be reviewed during 2021.

Contribution to reserve/sinking fund

The 10 year Planned Preventative Maintenance external survey which is published on the NEMC website highlights the investment required for each residential block, the Estate and Leisure Suite. This is stored in the format of an excel spreadsheet with each block having its own tab containing full details.

The first tab in this document titled Reserves 21-30 links all the expenditure outlined by in the various block tabs into one sheet and show how much contribution to reserves will be required for that period. Please note some maintenance spends (relating to mortar correction) scheduled for 2021 has been deferred to future years to allow for more accurate and competitive quotations to be obtained during 2021.

Is the current model (self-management) working and should we go back to a managing agent model?

The site became self-managed on 1 January 2015 following a review by the Board at that time. It was concluded that paying a substantial management fee (c. £33,000 in 2014) to a managing agent in addition to paying all staffing costs did not represent the best use of resources nor provide the levels of expertise required for our complex development. The objective of the transfer to being self-managed was not to reduce costs; rather to make better use of our resources by adopting a tailored approach to meet our specific needs.

There is currently no plan to revisit this area or decision taken.

The Board are currently recruiting new directors to ensure it has sufficient numbers and skills in place to assist with the smooth running of the Estate going forward.

Is there a projection for say increases for the next 3-5 years?

The estimated level of reserve spending up to 2030 is detailed in the 10 year Planned Preventative Maintenance, the external survey published on the NEMC website. With the appointment of the Finance Manager role, it is anticipated that more focus is given to the day to day running costs in the coming months/years.

Extending Leisure Suite opening hours

As previously confirmed at the Annual General Meeting held in 2020, this will be looked at and explored further at some future date. Any appropriate updates will be communicated to residents at that time.

NEMC Board/26.02.2021

These notes should be read in conjunction with the published First Draft Service Charge Budget for 2021.

Why is this a draft budget and not a final budget?

The Board have published this first draft budget whilst awaiting final confirmation of the Insurance charges for the renewal due 01 January 2021. This final figure has been delayed as our Insurance Broker has gone out to market with these policies to try and achieve a more competitive quotation.

The current supplier has indicated a significant increase in insurance premiums. For the purposes of this first draft budget, the 2020 figures have been increased by 10%. Before the 2021 service charge demands are issued this budget will be updated to reflect the actual insurance premiums to be incurred in 2021.

All other figures will remain unchanged and have therefore been approved by the Board at the Board meeting held on 1 December 2020.

Reviews in 2021

Transfer Fee Fund Policy: For property resale fees received during 2020, these will be distributed in line with the existing policy in place (dated 2016) upon completion of the year end 2020 service charges accounts. As a result of this no transfer fee monies have been utilised for the purposes of calculating the 2021 contribution to reserve levels.

However, a wholesale review of this policy and its application will be undertaken in 2021. The results of which will be communicated with Residents when finalised.

Contribution to reserve/sinking fund: The 10 year Planned Preventative Maintenance external survey which is published on the NEMC website highlighted that a significant investment is required by residents over the coming years (to 2030). Given the aging nature of this site, the Board has carefully considered the anticipated spending levels for each block for 2021 and the consequential impact to the contribution to reserves required by residents. To address the significant investment levels required over the coming years The Board is going to approach this in a phased way, as follows:

1. The Reserves are now split into two elements:
 - a) Emergency unplanned expenditure* and
 - b) Planned preventative maintenance (based on the external survey).

*emergency spend figures has been based on an average of the expenditure incurred for the period 2017-2020. Where no expenditure occurred in this period a budget figure has been allocated.

2. Some maintenance spends (relating to mortar correction) scheduled for 2021 has been deferred to future years to allow for more accurate and competitive quotations to be obtained during 2021.
3. 2021 Reserve levels: The Board reviewed each block individually taking into account the level of planned maintenance to be incurred, the emergency unplanned budget figure and the estimated Reserve position as at 01.01.2021. A decision was then reached to the levels of Reserves required per block.
4. 2021 Reserves have increased overall, the Board have been conscious of these increases but believe it has struck a fair balance between increasing costs and the requirement for investment in an ageing site.
5. As a result of the continual need to raise levels of contribution to Reserves from Residents for the next 9 years, the Board will hold a series of meetings, by residential blocks, during the first half of 2021 to discuss specifically with residents the longer term investment plans for their particular block, how this is going to be managed and planned increases due to Service Charge years 2022 and beyond. More details of these meetings will follow in the new year.

Service Charge Calculations - 2021

In recent years, Service Charges have not increased in line with anticipated costs of running the estate. For example the Budget for 2018 was 8.64% greater than that for 2017, yet Service Charges were only increased by 1%. Because of this, although the 2019 budget was only slightly larger than the 2018 budget, the increase over what was actually charged in 2018 was 9.45%. This was felt to be an unacceptable increase, therefore the Board, at the time, decided to spread it over 2 or more years, depending on actual spending in 2019.

To accomplish this fairly, while ensuring that the Service Charges still related to the actual Budgets, the Room Charge for 2019 was reduced by 5.5% to £308.33, resulting in an overall average Service Charge increase of 5.44%. The 2020 Total Budget across the whole site is £9547 higher than that of 2019.

In 2021 the Service Charges increases are now alignment with the actual budget required to meet the challenges of an aging estate e.g. major repairs and general good maintenance etc.

Each year, a budget is drawn up for the Estate, Leisure Suite and Apartment Blocks. As with your domestic budget, these endeavor to capture the regular, recurring costs of running the development; they may also include planned, known costs such as a roof repair. The starting point is the previous year's budget with some recurring items, such as electricity.

The costs for each block vary according to its particular needs (e.g. Sheaf 2 has a lift) and they are shared between the residents of that block.

The costs for the Estate & Leisure Suite are shared by all dwelling holders.

Specific details of increases/decrease in the 2021 day to day expenditure is shown at the end of this document.

Reserves

The Reserves page shows the amount of contribution to reserves for 2021. However, these may be adjusted when the final year end accounts (2020) are produced.

In addition to the budgeted costs, a contribution is made to Reserves for the Estate, Leisure Suite and Apartment Blocks.

The Budget is used to determine the Service Charges required of each dwelling and comprises of 3 factors:

1 - Estate Charge

Each dwelling pays a 'Room Charge' multiplied by the number of Habitable Rooms for that Dwelling.

The room charge is the total budget for the Communal Management & Administration and the Leisure Suite divided between the total number of Habitable Rooms on the estate (635).

Habitable Rooms are those other than kitchens, bathrooms, toilets, utility rooms, etc. i.e. bedrooms, living and dining rooms. For the calculation of service charges, the **maximum** number of Habitable Rooms for any given property is 4.

The room charge for 2021 is £365.30 (2020 - £327.76).

2 - Insurance

The Insurance charge for each dwelling is based on the number of square feet per Dwelling. The charge per square foot is calculated by dividing the total insurance budget by the total number of square feet on the estate (238,490). **See previous note about regarding this estimated cost for 2021.**

3 - Block Charge

The Block Charge is the budget for each Block equally divided between the number of dwellings in that block. The exceptions are Alexandra and Sheaf 3 as some of the dwellings in these blocks have communal space and others don't, there is one budget only for the former, and a second budget for all dwellings, which covers things such as the roof.

Notes on day to day expenditure where significant increases/decreases have been applied:

Area:	Budget 2021:	Budget 2020 increase / decrease	Explanation for increase/decrease
Communal Management and Estates			
Staff salaries	£100,973	£91,074 / + £9,899	increase allows for a full 12 months (c.£20K) for the new role of Finance Manager. A reduction of c.£8.9k for bookkeeper costs has been applied.
Gardening	£22,670	£14,680 / +£7,990	See note below:
<p>Two new benches for gardens Monthly garden maintenance to increase from January 2021 and fixed for a 3 year period. 2021 project work c.£2k as follows: Pruning work (excluding trees) identified in recent inspection including waste removal/ chipper hire. New planting in the border adj Alexandra car park and replacement tree for Alexandra formal garden Removal of Hebe bushes from one border on Union Drive and replanting with assorted low growing shrubs, to be used as a test area before extending to other Hebe borders in the gardens. Installing simple pathways to meter housings rear of Victoria, Rear of Muxlow, front of Edward, using stepping stones, or timber edging and gravel Budget includes of £5k to cover recommendations from Tree consultant</p>			
Council bin rental	£1,560	£50 / +£1,510	New charges introduced by SCC, full budget allocated in 2021
Security	£1,300	£400 / +£900 (currently overspent in 2020)	Allows £300 for annual key holder service & £1,000 for potential cctv repairs
Electricity	£2,500	£5,000 / - £2,500	Budget to better reflect actual costs post recharging.
Ombudsman scheme	£500	£234 / +£171	Price increase announced for 2021.
HR/staffing etc	£500	£200 / +£300	To allow for additional HR advices from Serenti
Office equipment:	£750	£200 / +£550	Allows for new equipment required due to additional member of staff in office.
Leisure Suite			
Pool maint/repairs	£2,750	£3,774 / -£1,024	Budget reduced – new contract in place with Leisure Safe Sols.
Spa maint/repairs	£600	£2,000 / -£1,400	Budget reduced new contract in place/new filter
Gas	£10,800	£7,750 / +£3,050	Costs increased to reflect leisure center open all year (not partial year – Covid closures).

			2020 budget was not enough to cover actual expenditure incurred.
Day to day maint.	£500	£1,500 / -£1,000	Budget reduced as no expected additional work
Health & Safety	£1,500	£600 / +£900	Increased to cover legionella testing required for balance tank clean x 3
Covid Costs	£2,000	£655 / +£1,345	Budget includes for any additional costs due to Covid-19 in 2021
Alexandra Apartments			
Electricity	£650	£114 / +£536	Allows for the installation of a new sub electricity meter
Kingswood			
Electricity	£1,150	£880 / +£270	Allows for the installation of a new sub electricity meter
Peveril			
Electricity	£800	£449 / +£351	Budget increased to better reflect actual spend in 2020 after re-allocation
Sheaf 1			
Day to day maint.	£200	£500 / -£300	Budget reduced no expected additional work
Fire alarm maint.	£250	£500 / -£250	Budget reduced no expected additional work
Sheaf 2			
Day to day maint.	£500	£1,536 / -£1,036	Budget reduced no expected additional work
Victoria			
Day to day maint.	£200	£500 / - £300	Budget reduced no expected additional work

Individual Service Charge Demands will be issued before the Christmas break for payment as from 1 January 2021.

NEMC Board
8 December 2020