

## HOLLY LODGE ESTATE PLOT-OWNERS' HALF-YEARLY MEETING TREASURER'S STATEMENT

### 2021 HALF-YEARLY MEETING

Given it is both the upcoming half-yearly meeting and we are entering a new financial year for the Estate, it seems appropriate to provide a written update on which I will take questions.

#### Financial overview

To the end of September, we are currently running c. £6K behind the budget on revenues (£343K vs £349K budget) and nearly £50K on operational expenditure (£200K vs £250K). On the revenues, I would expect that we will come in broadly in line with the planned budget for the year, which is c. £355K. For operational expenditure, the main items where we are significantly underperforming the Budget are on Salaries (c. £21K below budget), Parking and Security (c. £10K less) and Gardens (c. £10k). While I would expect the Gardens expenses to come in broadly on budget, I would expect both Salaries and Parking costs to come in below budget so it is likely that operational expenditure will be less than the £336K budgeted.

Nevertheless, the cost environment for the Estate is looking more challenging as we move into the next financial year. The issue of inflation has been well publicised, with the Bank of England's Chief Economist projecting inflation will soon hit 5%. The Estate is already starting to see the impact of this increase in prices coming through. For example, the expense for refurbishing the gates and railings, which is vital, is likely to be significantly above the £45K which we had originally thought to be a reasonable estimate. We have also been told by a supplier of gardening services that costs have risen by 30% over the past few years due to increase in labour expense and materials. I would also note that the cost line for Salaries has been artificially deflated this year as we have had one fewer staff member than budgeted for several months and is likely to normalise as someone is recruited.

Therefore, the Committee has decided it is prudent to recommend a raise in the EMF by £40 for plot-holders this year to £670. While the Committee recognises this is not the most welcome news, we would offer the following points in mitigation:

- The EMF has not been increased for a decade, despite a significant increase in expenses;
- Operational expenditure ex-reserve items is budgeting to rise c. 19% for 2021-2. While this does include some one-off expenses related to gardening, the underlying cost (i.e. ex-these one off gardening costs) is expected to rise 12%. Part of this relates to returning to a more normalised Salaries cost line but, even excluding this effect, the underlying cost increase would be in the region of c. 8% (vs a c. 6% increase in the EMF cost). We expect to see significant year on year percentage increases in areas such as Trees and Utilities;
- The Committee believes it is prudent in the current environment to maintain a high level of reserves. While we have a high level of cash reserves now (see comments below), the Estate faces some significant cash outgoings in the next several years, particularly around refurbishing gates and railings. Moreover, the Committee also feels it prudent to maintain a high level of reserves (we have used a basis of cash reserves to cover 15 months' operational expenditure) to cover unexpected necessary work (e.g if there was a problem with our roads) and / or higher inflation in the cost of materials and services than we have budgeted;

As a result, we expect to generate just over £360K in revenues for FY21-22 with just under £350K in operational expenditures. A copy of the budget can be found on the website together with a

breakdown of the revenue and cost assumptions. To highlight what may seem like several unusual year on year movements in line items:

- Garden expenses have been budgeted in at £28K vs an expected c. £8K for 2020-1. This is because we have budgeted in an extra £10K one-off cost for planting, flowers and related costs to help both improve the eco-system of and beautify the Estate;
- Salaries will rise by £26K because of the normalisation of salary costs referenced before;

The main cash expense this coming financial year is likely to be the cost of refurbishing gates and railings. As mentioned before, while we are still considering bids for the work, it does look at this stage as if costs will be significantly above our initial thoughts. We have factored in £85K to cover this cost and to cover contingencies but we hope to be below this figure.

We expect to end the year with a cash balance of c. £498K, which will provide 17 months cash cover of planned 2021-22 operational expenditures. While this is above the 15 months guide mentioned before, the financial year 2021-22 is likely to require a significant cash outlay because of the need to replace gates and railings on the estate mentioned above and we also want to cover for any unexpected emergencies.

Finally, I would like to personally thank the rest of the Committee for their help and advice in preparing what is my first budget as Treasurer;

The Committee recommends the budget to plot-holders.

***Ian Whittaker***

***Treasurer, HLEC, October 27<sup>th</sup> 2021***