

# SCANDINAVIAN VILLAGE LIMITED

## FINANCE DIRECTOR'S REPORT FOR THE EXTRA-ORDINARY GENERAL MEETING OF SCANDINAVIAN VILLAGE ASSOCIATION TO BE HELD ON SATURDAY 10 NOVEMBER 2012

### 1. Note on the 2011 Audited Accounts of Scandinavian Village Limited.

My detailed note on the 2011 Audited Accounts was issued with the Accounts in April this year, and a copy is also filed in the Members' Section of the Association's website.

### 2. Notes on Budget Comparison 2012 and 2013

**A: Forecast Outturn for the year ending 31 December 2012.** This part of the Report focuses only on those items of income and expenditure where there is a sizeable difference between the Budget for 2012 and the Forecast Outturn for 2012. I have concentrated on variances over £2,000.

**Resale Commissions & Assignment Fees.** Whilst individually each of these income sources is below the £2000 reporting level mentioned above, collectively they show a reduction of £3,200, and they are inter-related as the Assignment Fee is charged when a Unit is sold to a new owner. The fall in income quite simply reflects the reduced number of sales and the reduced value at which many units are being sold. Short of increasing charges, we have no real influence over these income sources.

**Electricity Income:** People are becoming more aware of energy costs and are starting to take steps to reduce their energy bills by controlling their consumption. In addition to this, the Facilities Manager has re-lamped many units with low-energy LED lamps, and this has further reduced consumption and therefore the amount of electricity charged to occupiers. Clearly the Budget for Electricity Income for 2012 was over-zealous in these circumstances, and will not be achieved.

**Rental Income Flat 66:** Although this is a good source of income and it is the first unit offered to a prospective renter, it will never be as popular as renting out a villa, which is almost invariably the first choice unless cost is a major factor, and its location often makes it less popular than an apartment. In addition to this there has been a general reduction in the take-up of rented units as can be seen from the reduction in Rental Commissions.

**Loss on Sale of Investments:** Our investment portfolio is managed on a discretionary basis by our Fund Managers and we have no direct control over this. The position could change quite significantly before the year end if the Investment Managers make further changes to our portfolio. We never make budget provision for any profit or loss from the sale of investments.

**Maintenance Salaries:** Early in 2012 we were able to recruit a full time member of the maintenance staff with the objective of carrying out as much maintenance work as possible in house rather than by using contractors.

**Electricity Costs:** This is a difficult item to budget accurately even under normal conditions since a large part of the cost is due to owners usage rather than in-house consumption. It has been made even more difficult in recent years due to the spiralling cost of energy. We negotiate an annual supply contract in June each year. When the budget for 2012 was prepared we were anticipating greater increases than those that ultimately materialized, so the budget was somewhat over-zealous. The usage is also influenced by the energy conservation steps mentioned above, and we are monitoring usage to control consumption even further.

**Rates:** The increase is entirely due to increased water charges, partly due to our under-estimate of the volume being used (due to problems with the water meters) and increased drainage charges. Water and drainage charges now cost about £18,000 a year. We are looking at ways to improve our control of water consumption.

**Major Projects:** The saving in the cost of installing the snow boards will be used to refurbish the kitchen in Unit 66.

All of the foregoing decisions of the Management Company have been fully endorsed by your elected Committee Members, and the marginally increased shortfall (up from £417 to £444) will be met from Reserves.

**B: Budget for the year ending 31 December 2013.** This part of the Report focuses on those items of income and expenditure where there is a sizeable difference between the Forecast Outturn for 2012 and the Budget for 2013. I have again concentrated on variances over £2,000.

**Licence Fees & Levy:** The increase is made up of 2 elements. The Licence Fee has been increased by 2.9% RPI in accordance with the Constitution, and the Levy has been increased by the same percentage to enable the Company to continue to provide the level of service expected by members and at the same time to continue with the on-going refurbishment programme.

**Staff Salaries:** Provision has been made for an inflationary increase in salary rates payable to staff.

**Electricity:** Whilst much is being done to control usage, electricity costs still remain volatile, and we are expecting a further increase in prices when our current 12 month contract comes up for renewal next June.

**Grounds Maintenance:** Provision has been made to replace the loose bark chippings base in the children's play area with a more permanent neoprene-type base.

**Major Projects:** The major works planned for 2013 are identified in the budget papers enclosed with this note, and are further addressed in the Facilities Director's Report.

To enable it to achieve this work programme the company has decided to meet the marginal shortfall of £276 from Reserves. This proposal has been accepted by your elected Committee Members who have resolved to put it to the Members with a recommendation that you vote for the approval of the Levy as contained in Resolution 1.

Eddie Monks  
Finance Director