

Knole Road Flat Owners (Bexhill) Limited

Five Year Plan 2020-24



Stonehaven Court
Knole Court
Berkeley Mansions
Newdigate House
Carlton Court

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FOREWORD

2020 is something of a milestone for KRFO and the Board. It sees the publication of our second Five Year Plan and also marks the tenth anniversary for me as Chairman, Philip Cottam as Legal and Finance Director and Geoff Howard as Company Secretary. So far, it's been quite a journey.

When I joined the Board it soon became clear that the building was not in a very good state – so not a great start. There was a long list of problems to overcome that included significant service charge debts, a great deal of damp, a lot of brickwork needing repointing, an expensive legal case with no end in sight and a lack of fire safety measures in place. Just as well we liked a challenge.....

Perhaps the most important step we took in those early days was to take back the running of the building from an outside managing agent, for whom we were one of many clients. Instead, we created our own office with our own dedicated company staff. We also started immediately to deal with the various problems facing the building and later began a rolling programme for maintenance, having found trustworthy contractors who got to know the building and its' foibles.

I think this report sets out just how much better this approach is in terms both of looking after the building and in keeping down costs. To give but one example, the first renovation of the south elevation in the mid-2000s used money raised by a combination of painfully high Sections 20s and a loan. Altogether, including the loan repayments which are still on-going, this cost £770,000. Unfortunately the standard of work was poor and brutally exposed in the winter storms of 2013-14. In contrast, under the previous Five Year Plan, we have now completed the same work without Section 20s or loans at a cost of c.£450,000, reducing damp and water ingress problems by almost 90% compared to what was the norm before the plan was introduced. Furthermore, as you will read later, when one compares expenditure in 2000-09 with the approach taken to maintenance introduced during the period 2010-19, there is a saving of a ballpark figure of around £360,000 over the latter ten-year period when account is taken of price indexation.

As I said in my foreword to the previous Five Year Plan this wonderful old building has suffered too much from short-term solutions that have damaged the condition and value of everyone's flats and cost far more to put right in the end. This new plan is based, as was its predecessor, on the belief that a robust long-term approach is the best way to provide for the care of the building and build on the improvements of the last five years.

There is still plenty of work to be done, as is detailed in the report that follows. None of it would be possible without the support and commitment of Geoff Howard, Company Secretary, Tim Quinn, Maintenance Manager, our main contractors SDS and fellow board members Greg Hughes, Debbie Kenneally and Margaret Durrant. My sincere thanks to them and the many kind residents who give us their support. A particularly big thank you to Philip and Geoff who, with me, produced this plan. Lastly, I look forward to reporting back to you all as the plan is implemented over the next five years.

Anna Selby
Chairman KRFO

May 2020

INTRODUCTION

1. The challenge in making a plan for this building is not only its scale but also its listed status and history. The building spans 20 gables (of which 18 are KRFO) constructed between 1892 and 1897 and sits in an exposed position opposite the seafront facing the English Channel with predominantly south-westerly winds. It was built as a summer residence and a series of hotels for the wealthy. Designed with a 5% convex angle to maximize sun exposure it is constructed mainly of Douglas fir, a high-quality softwood, with soft, locally made bricks for aesthetic appeal. The Queen Anne-style Dutch gables reflected the grandeur of the new resort and provide an attractive symmetry.

2. The elegant exterior of the building hides its quirky and complex interior as well as the uneven standards of care lavished on it over the years. Its quiriness is largely the result of the 1970s conversion of the building into flats and the unevenness with which it has been looked after both before and after the building acquired its listed status in 1990. The most dramatic impact in terms of care or lack of it was the result of a German bomb that took out Knole Court during the Second World War.

3. It is this combination of age, location, listed status, construction materials and the quirky and complex interior that together create the often difficult maintenance challenges the Board has to confront. Without doubt the main challenge is ensuring the building is waterproof in the face of the weather that hits the south elevation if not day by day certainly week by week.

THE LAST FIVE YEARS 2015-19

4. **Principal Objectives.** The 2015-19 plan was built around four key objectives:

- a. Strengthening of the financial robustness of the Company by building a reserve fund.
- b. Setting fixed annual budgets with standardised quarterly service charges.
- c. Moving to a pay-as-you-go system for service charges.
- d. Establishing a rolling programme of preventative maintenance to avoid the need for expensive major refurbishment projects financed by Section 20 demands.

5. **Company Finances and the Reserve Fund.** There is now a reserve or sinking fund in place for the roof, scheduled for replacement in 2029. Leaseholders have been paying a set amount each quarter from January 2020 in addition to the service charge. The sinking fund is projected to reach £352,000 by 2029, sufficient to fund a complete roof replacement. This ring-fenced fund can also be topped up by lease extension premiums.

6. **Standardised Service Charges.** It was difficult at first to establish an annual budget and a standardised service charge with the same payment for each of four quarters. Sudden spikes in unplanned costs, such as lift breakdowns, water leaks and storm damage coupled with poor cash flow prevented confident forward planning. This was exacerbated by the poor maintenance of previous years that resulted in cost surprises which could not be easily foreseen. The rolling maintenance programme was begun in early 2014/15 and soon started to pay dividends. This enabled a standard service charge to be introduced in 2016/17. The establishment of an annual budget has been achieved by the gradual reduction in the incidence of cost-shocks, improving the ability to keep to budget plans.

7. **Pay-as-you-go Service Charges.** The introduction of a pay-as-you-go system in 2016 created an additional quarter's cash flow. This increased liquidity and allowed accounts to be settled promptly and engender better working relationships with contractors.

8. **Rolling Prescriptive Maintenance Programme.** The introduction of a rolling prescriptive maintenance programme was the single most important objective.

a. Storm damage and water ingress occurs mostly on the south elevation and all 18 gables were targeted for renovation. By the end of 2019 we had renovated all south side gables in a project that saw damaging cement pointing removed, windows and doors renovated and replaced where necessary and the render and woodwork painted to an appropriate specification to endure the next five years of the south coast weather.

b. Inspections of the vulnerable upper reaches of the building have also been carried out using a cherry picker and a drone enabling targeting of key areas. Contracts are in place for drain clearance, lift maintenance, the wireless fire protection system, gardening, gutter clearance, power washing of external common areas and, of course, there are also the cleaners one of whom has been with the Company for 35 years.

Comment. The next five-year programme will be easier to manage with the retention of our main contractors of the past ten years and the team of subsidiary contractors many of whom have been with the Company for almost the same period. This continuity has enabled a consistency in working practices and a better knowledge and understanding of the foibles of the building. The symmetry of the building often means that a problem observed and resolved in one gable will be quickly recognised and solved in another.

9. **Residents and Directors Handbooks.** Although not major objectives of the plan a complete re-write of the Residents Handbook and the writing of a comprehensive Directors Handbook were undertaken in 2017. Both documents are available on the KRFO website. These are due to be updated again very soon.

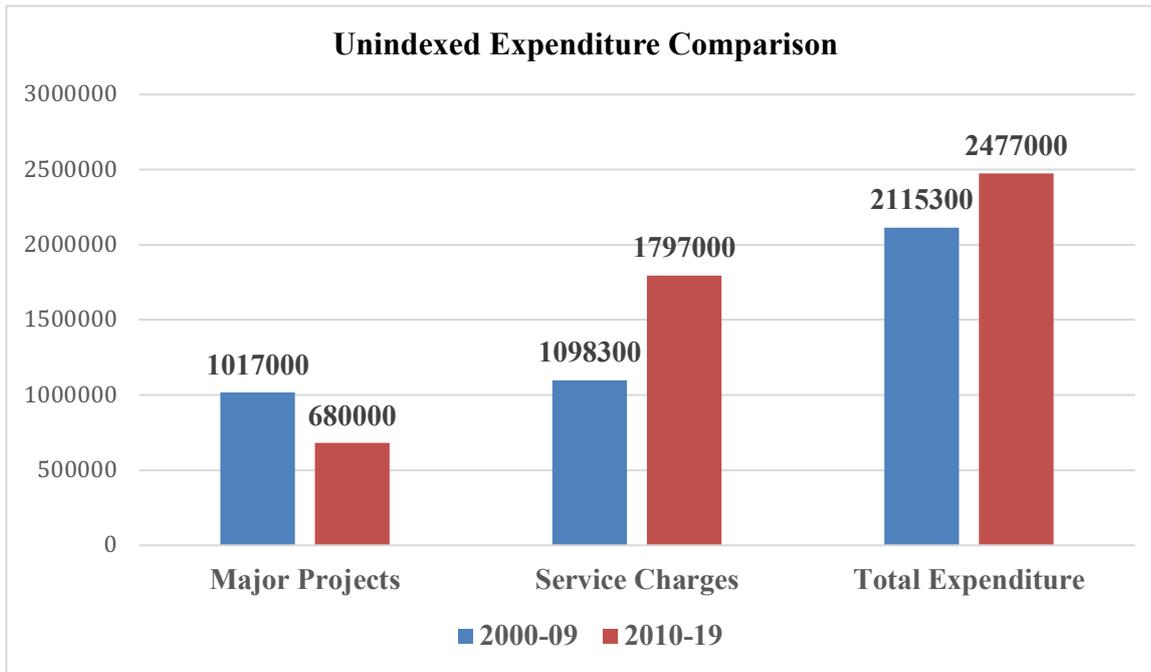
Comment. In addition to the help the handbooks provide residents and directors they are useful dealing with outside agencies e.g. estate agents, insurance companies and the council.

SUCCESS OF THE CURRENT APPROACH

10. **Assessing the Current Approach.** Given that the current Board has been in place for ten years it seemed appropriate to assess the cost-effectiveness of the approach developed during those years in comparison with the approach taken in the previous decade. The approach introduced by the current Board has been to have service charges at a level that enables an effective preventative maintenance programme without the need for large scale projects relying in the main on Section 20s. The approach taken previously was based on keeping service charges lower and relying on major projects largely funded by Section 20s to make up maintenance shortfalls.

a. **Direct Unindexed Comparison.** The table below, **Table 1A**, compares the service charge and major project expenditure involving the use of Section 20s of the period 2000-2009 with that of 2010-2019. What the table illustrates is that, without taking price inflation into account, the preventative maintenance approach developed by the current Board has only cost £361,700 more over the ten-year period. That is £36,170 more per annum or an average of £450 per flat. At the same time, as **Table 2** demonstrates below, this modest extra cost has resulted in a significant improvement in the condition of the building both internally and externally.

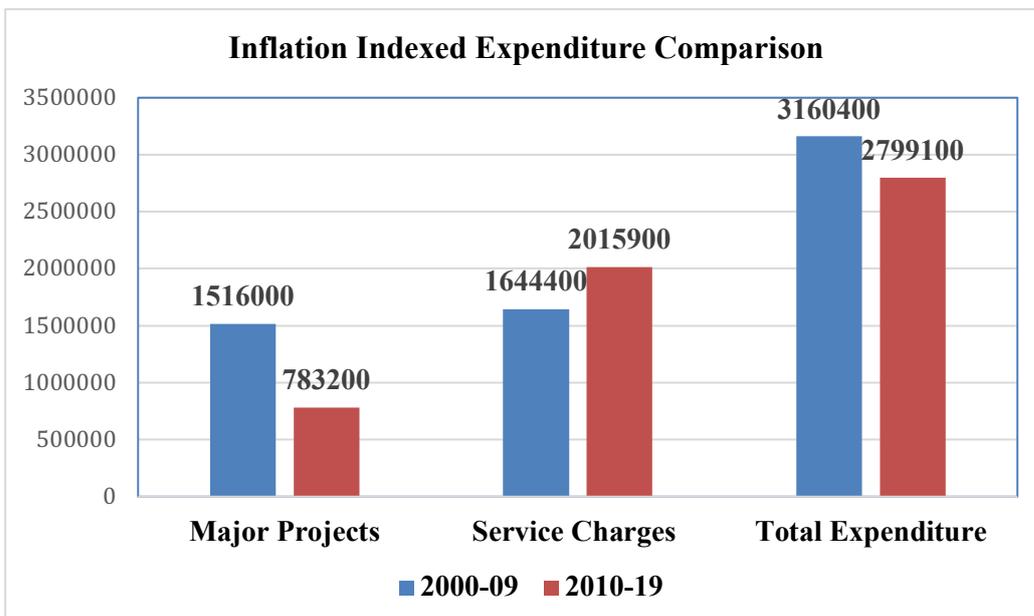
Table 1A



Comment. The first period (2000-09) saw two major projects funded principally via Section 20 demands. One in 2003 cost £247,000. The second in 2006-07 cost £770,000. The second period (2010-19) also two major projects. The first in 2012 was funded with a £40,000 Section 20. The second in 2012-14 cost £435,000. Only £120,000 was funded with a Section 20. The balance was mainly applied to the south elevation.

b. Indexed Expenditure Comparison. The next table, **Table 1B**, takes the figures in **Table 1A** and adjusts them for price inflation over the 20-year period involved using the Bank of England inflation calculator. Clearly something that cost £200,000 in 2000 is not going to cost the same in 2020. The table shows that over the ten year period the current approach has been some £360,000 more cost effective when price indexation is taken into account. This is a ballpark figure as the note below the table explains.

Table 1B

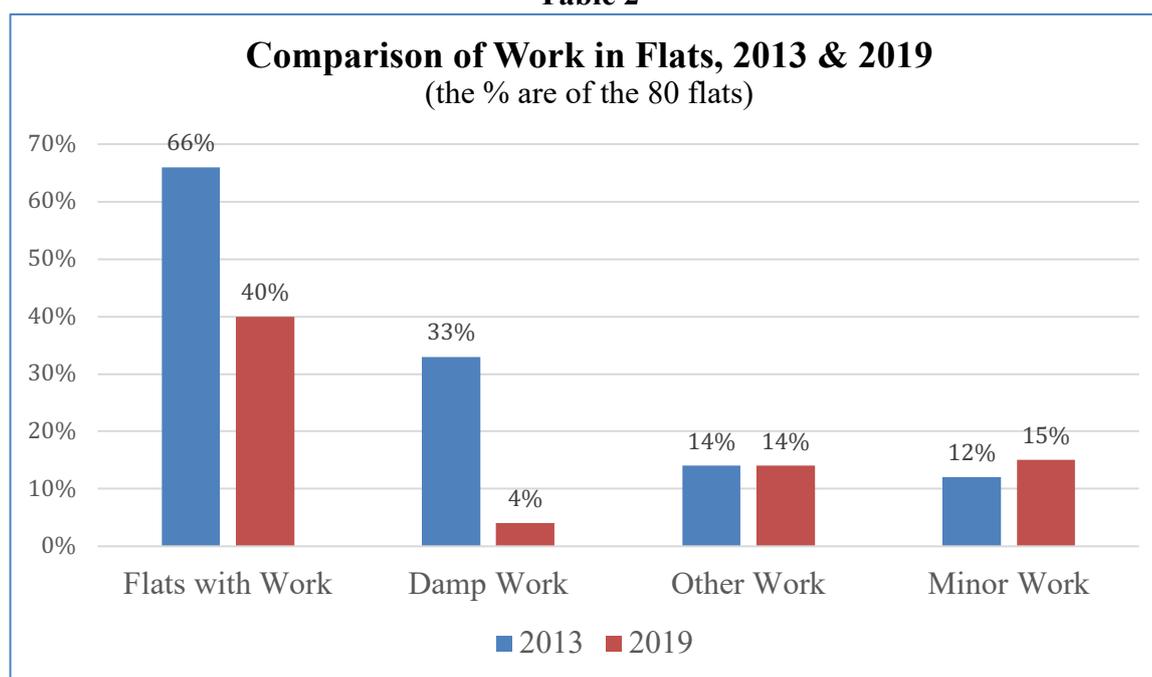


Note to Table 1B. Please note that the Bank of England calculator only provides a ballpark figure as it does not take account of the variations that affect different areas of the economy or different regions of the country. That said, price inflation in the south east in the building and construction industry has been the second highest in the UK after London and only some 50% of the KRFO budget goes on maintenance.

Comment. The conclusion to be drawn from **Table 1A** and **Table 1B** is that in cost terms the move by the Board to an approach based on preventative maintenance funded by slightly higher service charges has worked. It is clearly more cost-effective than an approach based on lower service charges supported by major Section 20 projects.

11. Success of the Preventative Maintenance Programme. The success of the rolling preventative maintenance programme is clearly illustrated in **Table 2** below. This table compares the work on flats carried out in 2013 with work carried out in 2019. The figures in the table are based on the percentage of the 80 flats in the building that were involved. The first two columns show that whereas in 2013 work had to be carried out in 66% (53/80) of the flats this had dropped by nearly half in 2019 when only 40% (32/80) of the flats needed attention. The main reason for this big improvement is to be found in the next two columns. They show the reduction in work resulting from damp and water ingress from 33% (26/80) of the flats in 2013 to only 4% (3/80) in 2019. The remaining two sets of columns are much the same as they show the more standard work to be expected in an old building like Knole.

Table 2



12. North Elevation Repair and Restoration. At the start maintenance was mostly reactive because of the poor state of the building. The north elevation was in a particularly bad state so it was decided to do a major repair project which would allow some of the maintenance ideas the Board wanted to introduce to be tested. Once completed this would then allow the introduction of a proper preventative maintenance programme. The project was carried out in 2012-13 for £435,000 - a rather different sum from the £540,000-£850,000 presented at the 2009 AGM. Costs were contained in 2012-13 by a mixture of careful tendering, using a principal contractor and close supervision by the Maintenance Manager. The Section 20 only covered 27% of the costs. The remainder were raised by the company. This included selling the company flat and creating a new flat from the old boiler room.

Comment. Although costs were tightly managed the Board was clear that north elevation project further underlined the need to introduce a regular preventative maintenance in order to ensure that costs going forward could be contained more effectively.

13. Reasons for Success. There are five main reasons for the success of the programme.

a. A Clear Focus on Keeping the Building Watertight. The major threat to the building is the ingress of water and the consequent damp and water damage, some of the latter initially unseen to the naked eye. Some of this occurs simply because elements of the structure just give way through old age and some because of the impact of high winds and wind-driven rain mostly from the south and south west. This explains why the principal focus of the maintenance programme is the south elevation.

b. Careful Supervision. Careful supervision is essential when conducting the major works programmes to ensure a high standard of repair work and also that problems uncovered during the actual work but not identified in the original specification are not ignored. This requires the Maintenance Manager to spend time on the scaffolding with the contractors and to call on an external surveyor when unusual items present themselves.

c. Employment of a Principal Contractor. The same main contractor has been retained for ten years as a matter of policy. Longstanding relationships have also been developed with the specialist ancillary contractors needed for the building. Given the building's age, its listing and the impact this has on materials and methodology when conducting repairs and renovations this policy has provided significant advantages.

(1) There is consistency of workmanship arising from the accumulated technical knowledge of the building.

(2) There are savings in labour costs and professional fees because repeat diagnoses can be made by a contractor with experience of the building and past incidents.

(3) The listed status of the building, its age and complex maintenance history benefits from specialist contractors who understand the building and its status and enjoy working in a professional environment maintaining a part of the history of Bexhill.

(4) Changing contractors at regular intervals in search of the cheapest price does not result in a cost effective outcome as the standard of work becomes variable, there is never the same understanding of what works best for the building, there is not the same diagnostic ability and to achieve anything like the standard required demands a great deal more supervision by the small KRFO staff.

To ensure cost-effectiveness, labour and materials rates are agreed each year with contractors. Liability insurance policies and risk assessments are checked and held on file.

Comment. The effectiveness of employing a principal contractor was underlined in 2017 when the Company won a Sussex Heritage award for the quality of workmanship in a major work project, the first such award received by any Bexhill project.

d. Flexibility. The Company produces an outline plan for the preventative work but does not stick to it rigidly as the impact of weather on the building is uneven. The plan for each year is adjusted once winter has passed and a close inspection has been carried out to identify how the gables have stood up to the winter storms. This helps ensure that preventative maintenance is targeted to where it is most needed.

e. Regular Formal and Informal Inspections. There are formal programmed inspections using the cherry-picker and drone as well as inspections of flat roofs, lofts, lift service and fire alarm testing. The maintenance team also checks the building informally every week and especially when there has been really bad weather. This means maintenance problems are picked up early and can be dealt with before any damage becomes even worse.

OBJECTIVES OF THE NEW PLAN FOR 2020-24

14. Main Objectives. The new plan is intended to build on the progress made by its predecessor and is based on the following main objectives:

- a. To continue with, and if possible improve, the preventative maintenance programme.
- b. To continue to build up the roof fund while investigating the best possible solutions for repairing the roof when the time comes.
- c. To extend the initial investigation already made into some of the south elevation hard landscaping – the boundary walls and piers - into a wider detailed investigation of all the external walls, steps, piers and pillars extending from the front of the building with a view to developing an overall plan for their gradual repair where necessary.
- d. To complete the redecoration of all the common areas in the building.
- e. To repair or replace if needed iron lintels supporting balconies on the south elevation.
- f. To make the entrance steps on the north elevation waterproof in order to reduce the incidence of damp in the garden flats.
- g. To repair the original soil pipes attached to the building as and when they fracture.

15. Supporting Objectives. In addition to the main objectives, which are focused on the principal responsibility of the Company – the maintenance of the building – the following objectives are designed to strengthen the effectiveness of the management of the Company.

- a. To update the Residents Handbook.
- b. To continue to develop the skills and experience of the Board and KRFO staff.
- c. To recruit one or two more people with professional skills to the Board.
- d. To consider installation of CCTV to protect the lifts from misuse and to recover costs.

ROUTINE MAINTENANCE OF THE BUILDING

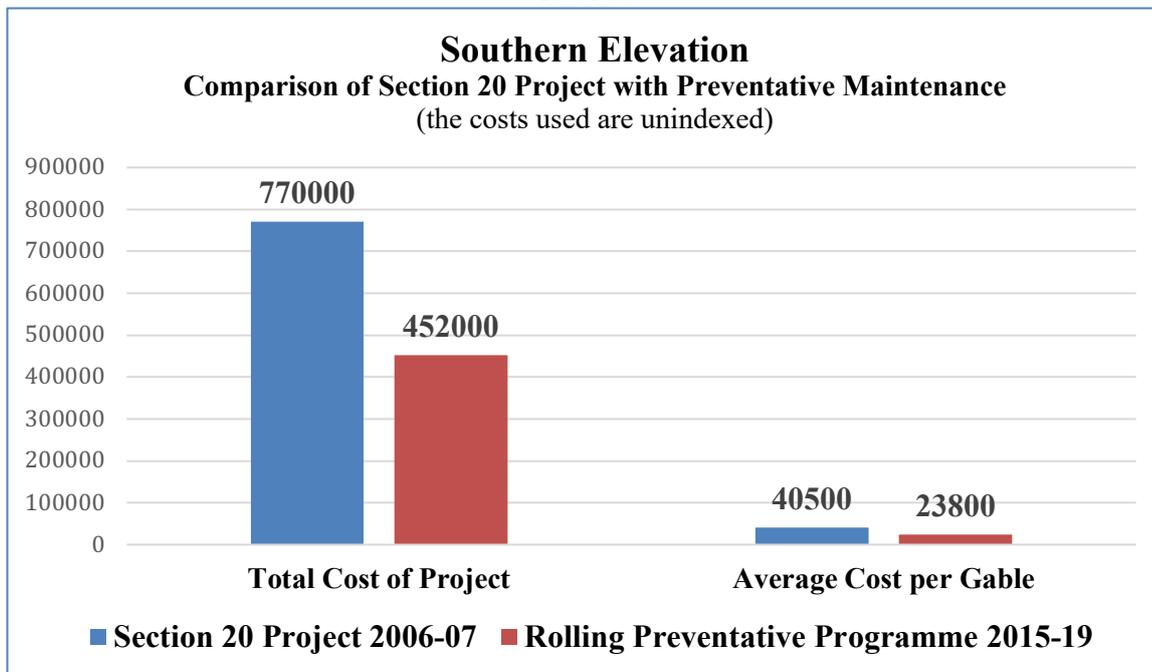
16. Importance of Preventative Maintenance. The importance of preventative maintenance cannot be overstated, especially in an older building like Knole with its exposed position on the sea front. This is clearly underlined by recent history. In 2002 the pressure exerted on the Company by residents to lower service charges set in motion a sequence of events that drove charges down to a level whereby basic maintenance was neglected and even insuring the building was only made possible by personal loans from philanthropic directors. The revolving door of Board members who often stayed only for a few months also weakened the management. By 2006 the building was in danger of becoming

uninhabitable. Forced sales of flats at rock bottom prices, coupled with years of neglect required urgent action. This resulted in an overall cost to the leaseholders of £770,000 (this figure includes a £120,000 loan and associated £50,000 interest to help finance the project that the company is still paying off).

Comment. It is worth noting that another casualty of not looking after the building properly was the failure to update fire safety measures. This failure almost resulted in the local council condemning the building as unsuitable for habitation.

17. Cost-Effectiveness of Preventative Maintenance. Well organised and conducted preventative maintenance not only minimises the wear and tear a building suffers it also reduces costs. **Table 3** below compares the cost difference between two very similar projects on the south elevation. One (the blue bar in the table) was a Section 20 reactive maintenance repair project carried out in 2006-07. The other (the red bar) was the planned preventative maintenance programme conducted between 2015-20. The average cost per gable for each project is shown to the right in the table. It can be seen that the 2006-07 Section 20 project cost £770,000 whereas the maintenance programme started in 2015 to do the same work has cost only £452,000 even with the inclusion of the cost of the reactive maintenance work done after the winter storms in 2014 on parts of the south elevation gables.

Table 3



The preventative maintenance programme started in 2015 resulted in the big reduction in damp and water ingress illustrated in **Table 2**. What **Table 3** illustrates is that planned and regular maintenance is the best and most economical way of maintaining an older building rather than far more expensive reactive maintenance.

Comment. The result of the work done on the south elevation is that the cost per gable has dropped and is now generally between £13,000-£15,000.

18. Main Types of Maintenance Projects. There are three types of maintenance needs that arise in the building as follows:

- a. There are the day-to-day defects that occur in a building of this size, age and location. The Company is asked, for example, to react to solve window, lock or intercom

adjustments, single gutter clearances, salting paths in winter, fire alarm battery replacements and other smaller jobs.

b. There are then the planned or prescriptive maintenance programmes involving a routine of regular periodic inspections. This serves to head off problems before they arise or become expensive. Inspections of drains, gutters, flat roofs, lofts, lift service and fire alarm testing are all examples of this type of work. The expansion of this category of maintenance has driven down the incidents of day-to-day defects occurring.

c. The third and principal type of project is the major works programme that absorbs much of the budget. This work is designed to last for at least five years – the period of the rolling programme. Work is specified based on the historic experience of similar past projects. Typically, a gable will be repointed, repainted and ironwork repaired. Doors and timber are also repaired and/or replaced using a specification laid out by a Chartered Surveyor who specifies materials, according to conservation principles. These projects protect service charge payers from the need to call for lump sums under Section 20 arrangements.

19. Seasonal Inspections. The timing of individual projects is often driven by seasonal considerations. The ascending lift platform (cherry picker) inspections are timed for late spring (to remove bird guano and nesting material) and early autumn (to clear the fallen moss from gutters and gullies and the weeds from seeds secreted in bird detritus that would block gutters in winter). Downpipe sections are replaced or repaired before winter weather sets in. Autumn power washing of garden flat areas on the north side removes fungal growth and weeds and allows free air flow to brickwork, reducing the incidence of damp.

20. Metal Corrosion Analysis. The new plan will see a continuation of the programme of regular external metal inspection. Facing southwest in a saline climate the building is exposed to corrosion of metal principally on south facing balconies and supporting lintels and brackets. **Table 4** below is a schedule showing how the elements are identified.

Table 4

Balcony and Ironwork Grading Schedule																		
Key		Second Floor Gables Prioritised 1-3										Gable 1 East Side Return						
		Gables		12	11	10	9											
Immediate attention	3	Handrails		3	1	3				Handrails		1						
Paint refurbish &	2.5	Railing panels			1	1				Railing panels		1	1					
Paint refurbish &	2	Balcony foot fixings			1	1				Balcony foot fixings		1						
Good condition	1	Balcony wall fixings			1	2				Balcony wall fixings		1						
Gables	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1
Handrails	3	3	1	3	3	2.5	2	2	2	1	3	3	3	3	1	1	1	1
Railing panels	1	2	1	1	1	1	1	1		1	1	1	1	1	1		1	1
Balcony foot fixings	1	1	1	1	1	1	1	1		3	1	1	1	1	1		1	1
Balcony wall fixings	2				2			1		2			1		1			1

This table shows a system of grading that is updated annually and the costs are then factored into the budget. Similar grading assessments are used for other elements, such as the condition of common areas. Over the course of the Plan similar inspection schedules will be used to cover north elevation brickwork and the condition of external pipes and gutters.

21. Soil Pipe Repair Programme. Our 125-year-old soil pipes are in the ground and often beneath the building. There is evidence that they are fracturing, requiring a stented sleeve repair. We will be working with our drainage contractors to identify these problems early and make the necessary repairs. The principle used in the repairs is illustrated below.

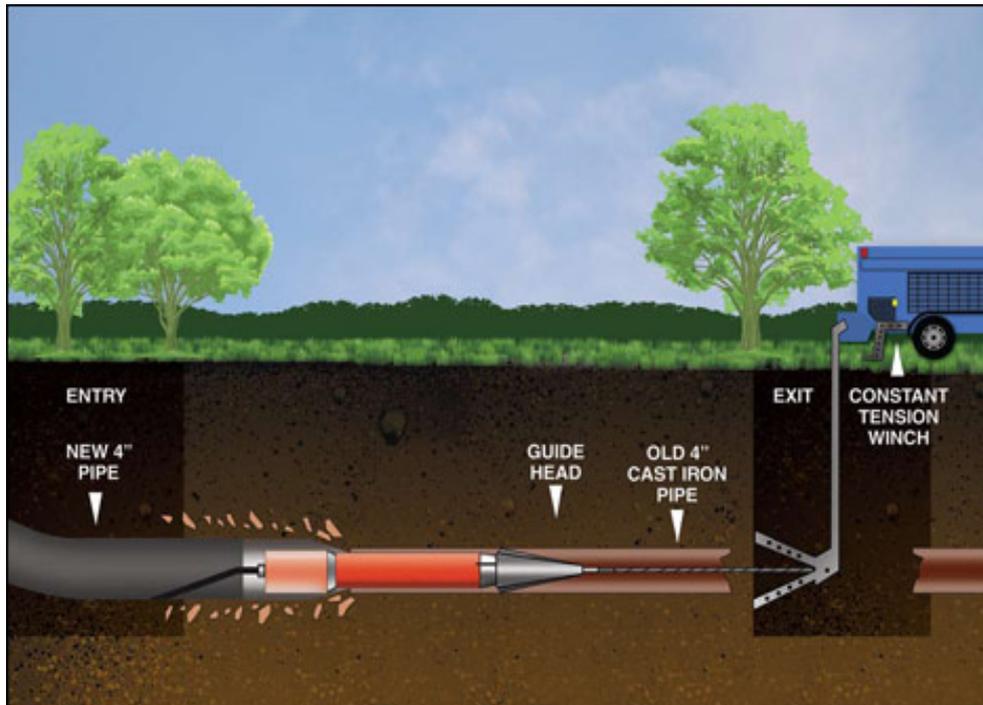


Diagram showing underground pipe repair technique

22. Major Works Programmes. Tables 5 and 6 below show the planned order of the major work programmes on the two elevations of the building. The building has 18 individual Dutch-style gables so over the five-year period the plan is to renovate each gable north and south and the east elevation (split in two halves) making 38 projects in all. Gable 17 on the south side was started at the beginning of 2019 and has already been completed. The order in the tables is subject to change depending on the outcome of the post winter inspections.

Table 5

Southern Elevation Proposed Works Programme 2020-24																					
Gables	East El	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	Gables	Year
2020										X		X	X					X		4	2020
2021						X					X						X		X	4	2021
2022			X				X		X						X					4	2022
2023	X							X						X		X				4	2023
2024		X		X	X															3	2024

Table 6

North Elevation Proposed Works Programme 2020-24																					
Gables	East El	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	Gables	Year
2020	X	X	X																	3	2020
2021																X	X	X	X	4	2021
2022										X	X	X	X							4	2022
2023								X	X					X	X					4	2023
2024				X	X	X	X													4	2024

23. Constituent Elements of the Maintenance Programme. The full maintenance programme for the building is complex and covers much more than the key areas that have been highlighted. A full list of the elements is as follows:

a. South and North Elevation Major Works Programmes. These constitute the works programmes to the north, south and east elevations. They involve investigation from scaffolding with the inspection, and when necessary repair, of the pointing, brickwork, painting, window condition, rendering, roof and chimneystacks or any other project deemed necessary whilst scaffolding is in place.

Between 1980 and 2009 a number of box sash and casement windows on both elevations were replaced with aluminium and UPVC units. Time has shown are completely inappropriate for the location. Unlike wood, the units are rigid and do not move with the building. The strong salinated south-westerly winds degrade both materials to the point they become irreparable usually within 20 years. Many were installed after the building was listed in 1992 and were the primary reason for the listing to prevent the degradation of the historic symmetry of the building.



Original sliding sash in douglas fir



Silver aluminium insert direct to frame

Comment. During major works decisions are made whether to replace these units with original box sash windows. The leaseholder is often asked for a contribution to the cost.

b. Gutters, Hoppers and Down Pipes. There is an annual inspection programme using an ascending platform to check and repair gutters, downpipes and hoppers as well as clean the roofs and gullies and carry out any lead roof and lead flashing repair work.

c. Storm Damage. This is an ad hoc and reactive element responding to damage resulting from extreme weather conditions not usually on the scale of winter 2013-14, especially since the introduction of the rolling preventative maintenance programme.

d. Roof Repairs. Replacing damaged tiles and also carrying out cleaning and repairs to flat roofs on the north elevation. Scaffolding is often needed because of poor access.

e. Balcony Repairs. Carrying out periodic inspections, repairs and painting of the 22 cast-iron balcony structures. This requires care given the health and safety implications.

f. Garden Gates. Repairing and/or replacing garden gates.

g. Garden Hard Landscaping. This includes stonework pillars, steps and walls many which need repair and restructuring of failing Victorian brick and stonework.

h. Gardening. Maintaining the gardens including cutting the grass, planting and composting on a fixed price contract.

i. General Exterior Work. Non-major projects involving water ingress, repointing, painting and sealing of brick and stonework.

j. General Interior Work. The repair, repainting re-carpeting of common areas.

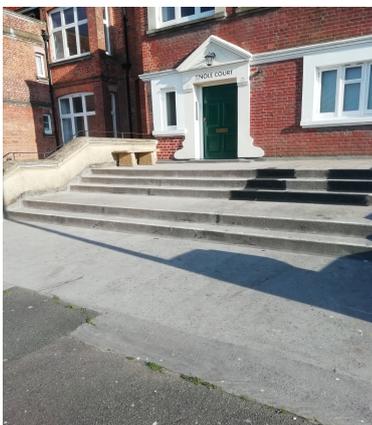
k. Media Connectivity. Servicing existing terrestrial connections and arranging provision of fibre optic connections in the near future in discussion with Virgin Media.

MAINTENANCE CHALLENGES AHEAD

24. Introductory Remarks. The main maintenance programme was of necessity focused mostly on the south elevation in order to make the building watertight. It was clear that without this it would not be possible to overcome the many water ingress that plagued the building. Other areas of the building now require attention and are discussed below.

25. Roof. The roof is the single biggest concern. However, with the roof fund now in place, sufficient funds should be available by the time it requires replacement. In the meantime, investigation will continue into how best to conduct the repairs when they become necessary. A close eye will also be kept on the developments taking place in roof tile solar panel technology already in use on some listed buildings. This technology could possibly offer the opportunity to go off-grid for the common parts and sell any surplus back to the grid.

26. North Elevation Asphalt Entrances. The ground floor entrances on the north side are asphalted and extend over parts of the garden flats below. Although these spaces are designated for storage only damp penetrates from them into the flats. These 9 areas have been patched up over the years but cracks persist in opening due to their age and usage. These areas are to be scheduled into the maintenance budget during the period 2020-24.



Entrance steps on the North Elevation showing fissure cracks in the asphalt

27. Redecoration of the Common Areas. The common areas have so far been given low priority because of the need to focus on ensuring that the building was watertight. Now that this is reducing in cost because of the preventative maintenance programme it is possible to give them the attention they deserve. A start was made last year with the redecoration of the common area at 10a-19 Knole Court. The common area at 3-9 Newdigate House will soon be completed and another common area will be fitted into the programme later in the year if possible. The intention is then to press on with the other areas as fast as funds will allow.

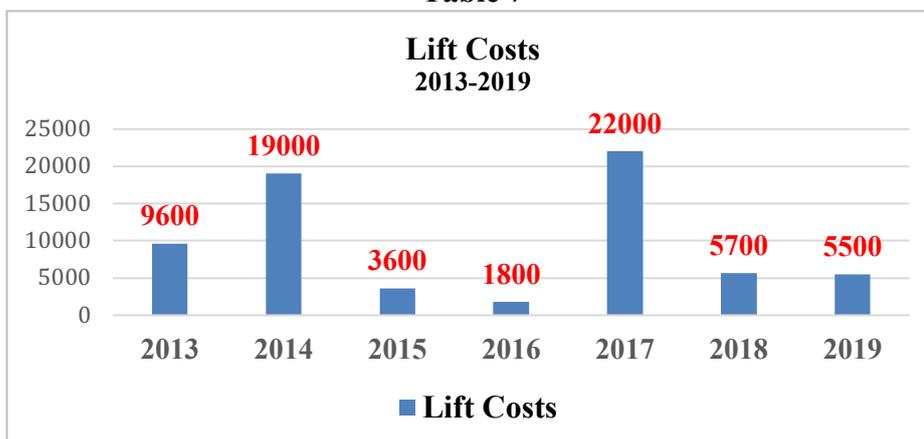
28. Balcony Lintel Repair and Replacement. On the south elevation, a weakness has been identified in the robustness of some of the lintels that run horizontally beneath the balconies. Costs have already been obtained and a programme of replacement will be implemented as part of the plan. This will start with grading and prioritising those that are the worst. The photo below is a good example of the deterioration taking place and needing to be addressed.



Lintel beneath a balcony on the South Elevation

29. Lifts. There are five lifts of which four currently work. They are a maintenance and financial challenge because of their age and the fact they are sometimes overloaded by contractors and residents resulting in damage to the motor and control systems. They are difficult to budget as such events are unpredictable. Repairs are often expensive and can cost over £15,000 – with resulting damage to the maintenance budget.

Table 7



Comment. Given the costs involved and the difficulty of identifying the culprits when they are misused consideration will be given to the installation of CCTV cameras in lift areas. This will then enable some of the cost to be reclaimed from the perpetrators.

30. South Elevation Hard Landscaping. It has been clear for a number of years that the hard landscaping on the south elevation such as the boundary walls, steps, pillars and piers in or adjacent to the garden areas are in need of repair. It has become increasingly clear that the best way to approach the maintenance challenges of these external structures on the south elevation is to treat them as a whole.



Over the years boundary and sectional walls have been undermined by the sporadic planting of species that have invaded the render and degraded the structures

Comment. The Board is clear that these structures need to be examined in detail and that a careful step by step approach will be needed, not least in order to ensure careful cost control but also to measure the urgency of the work against other competing maintenance priorities.

a. Assessing the Problem. A detailed survey of the boundary wall and the piers has already been carried out but it is now intended to have this extended with a survey of all of the hard landscaping adjacent to the south elevation. The two surveys will then provide a detailed overview of the condition of all the various structures involved so that an assessment can be made of the extent and cost of the repair work needed and how best to set prioritise and budget the work. Dealing with all the stonework associated with the garden area is likely to be a considerable project that will take some years to complete.

b. The Investigation and Trial at the East End. A project that combines a trial and an investigation has been started in the easternmost garden. The location was chosen in order to minimise the inconvenience to residents.

(1) Investigation. The investigation aspect of the project is to assess the state of the boundary wall and piers, how best to conduct repairs and to identify likely costs. At the time of writing, the project has been suspended due to Covid 19 but it is hoped to continue this with the repair of the furthestmost pier as soon as possible.

(2) Trial Hedge. The trial aspect is focused on growing a more varied hedge than the privet that currently predominates. This is in order to offer residents the choice of an alternative replacement in the event of repairs should a section of the boundary hedge have to be removed. The plants used have been carefully chosen. There are two rows. The row closest to the sea is made of hardy plants that will grow into a protective

hedge for the more tender plants on the garden side. All the plants have been chosen for their suitability for a coastal environment and to provide a home for birds, bees and butterflies. They are also designed to be attractive to human residents giving a more varied show of blossom, autumn colour, berries and other seasonal features.



An example of damaged stonework

Comment. Clearly the trial hedge is in its infancy and will take time to mature. This area of the garden, when completed, will also have seating and it is hoped that it will be of particular use to residents who do not have a balcony or direct access to the gardens so that they will be able to enjoy them, too.

c. The Way Ahead. Once the trial is complete and the survey of the rest of the hard landscaping has been conducted the Board will be in position to start developing a longterm plan. In the meantime the only work that will be conducted will be the creation of weep holes in the boundary wall to reduce pressure on them (this has already been done in the trial boundary wall) and the repair of the small number of piers that require attention in the near future if they are not to become a public hazard.

Comment. In the event that a pier along the boundary wall requires major repair work it may be necessary on occasion to cut back some of the hedge immediately abutting the pier to enable the repair to take place. This will be kept to the minimum necessary and on conclusion of the work the area of hedge removed will be replanted. The same principle will also be applied if and when a section of wall needs major work.

FINANCING THE BUSINESS

31. The Company. Knole Road Flat Owners (Bexhill) Limited, is the Company that owns the freehold of the building and through its Memorandum and Articles of Association is the vehicle by which service charges are raised that reflect the expenditure on the building. The Company is owned by its shareholders and they elect a Board to act in their interests.

32. Sources of Income. The Company has five sources of income: two are regular – service charges and ground rent; two are irregular – lease extensions and Section 20 demands; the fifth is only a potential source and that is entrepreneurial activity.

a. Service Charges. These are paid quarterly, based on the annual budget and with a penalty for late payment.

b. Ground Rents. The Company currently receives ground rents of £5,225 per annum.

c. Lease Extensions. Every year, lease terms incrementally reduce and this in turn enhances the capital value of the freehold. Periodically and usually during times of property inflation the Company receives capital sums in the form of premiums for lease extensions. The Board currently has a policy to apply the premiums received to a sinking fund for capital projects such as roof replacement.

d. Section 20 Demands. Other than during the early days of its tenure, the Board has avoided imposing demands for funding over and above the annual service charge as a matter of policy. There have been three exceptions. The first two were Section 20s, the last of which was in 2013, as noted earlier. The third exception is the introduction of the roof sinking fund in 2020 at £27,000 per annum indexed to inflation as a proactive measure so that the Company can repair/replace the roof when the time comes without the need to demand extra funding from leaseholders.

Comment. The Board has adopted this approach for two reasons: firstly, because it is more cost effective to look after the building with a rolling preventative maintenance programme properly funded through service charges than to mount occasional large scale projects funded via a Section 20 demand. Secondly, because it believes that predictable service charges are better for residents' financial planning than occasional and unexpected demands for significant capital sums.

e. Entrepreneurship. In the past, the Board has raised capital by converting the old boiler room in Carlton Court into a flat (as well as providing us with an office). This project raised £47,000 that was then applied to the north elevation repair project. There are other possibilities for raising capital for the company and, as the Board expands, it is hoped it will be able to pursue these to the advantage of all leaseholders.

33. Cash Flow – Debtors. KRFO is a not-for-profit company. The monies that are applied in maintaining the building are derived solely from service charges and therefore dependent on receiving as close as possible to 100% of the service charges levied. The track record on charges collected has in recent years been very good with only one persistent debtor who is now being pursued by the Company lawyers.

34. Company Loan. A 20 year loan for £120,000 was taken out in 2006 to assist in funding the 2006-07 southern elevation project. The outstanding amount is £46,306 as at April 2020. The repayments on this loan are made from the Company and are £8,426 per annum.

35. Accounting. The company prepares accounts each quarter comparing actual spends against the budget. Residents are provided with details of all payments that have been made. At the year end the Company Secretary prepares the accounts for submission to the accountant. The service charge account which contains the majority of transactions is audited independently. Accounts booklets showing both limited Company and service charge accounts are distributed to all leaseholders. The accounts have received a clean unqualified audit for the past ten years and by carrying out much of the work in house, accountants' fees are kept to a minimum for a business of this size.

36. Professional Fees. Professional costs are incurred as sparingly as possible. In most cases legal costs are only incurred when it is clear they can be reclaimed. However, there are

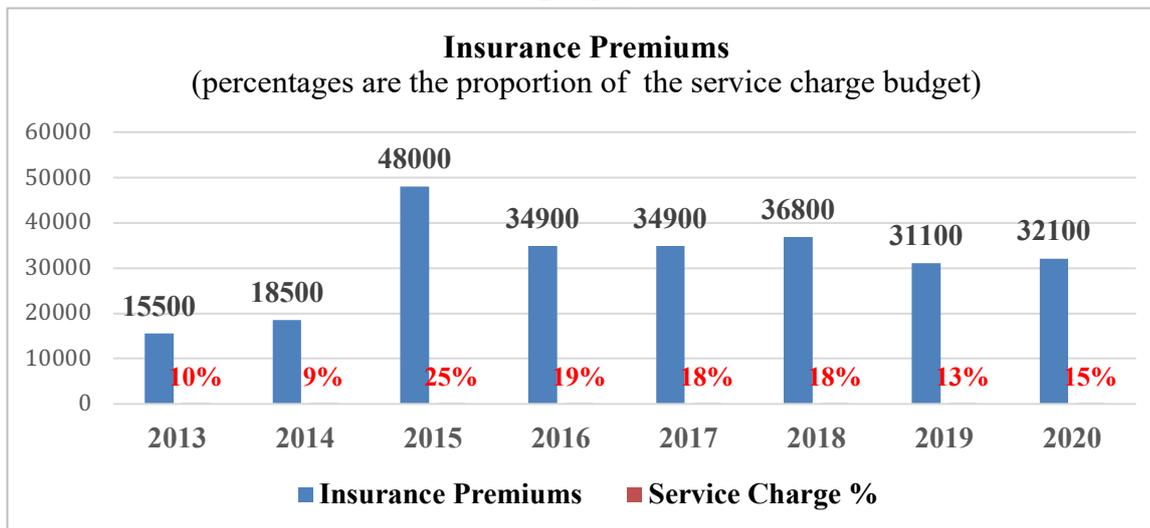
occasions when the Company has to seek specialist professional guidance on, say, leasehold law. The Board and the Company Secretary take pains to avoid these costs wherever possible.

The professional background of the Legal Director and Company Secretary have enabled them to undertake much of the legal work. They have been to court some 16 times and produced 12 witness statements and countless documents and exhibits. This has saved significant amounts. All cases they have undertaken have been found in their favour.

The detailed knowledge that the Company Secretary and main contractor have of the building results in significant savings by reducing the need to employ a Surveyor. The Five-Year Plan has been produced in house by the Chair, the Legal Director and Company Secretary at no cost to residents. Outsourced the cost would have been well into four figures.

37. Insurance. Premiums have reduced in recent years given an excellent claim record. However, the building’s geographical position, listed building status and the increase in violent winter storms has placed it in a marginal category. Consequently, the choice of interested insurers is diminishing. This year 7 reputable insurance companies were approached of whom 4 declined to quote at all, one wanted an annual premium over £38,000. And another wanted a guarantee flats would not be empty more than 30 days at a time.

Table 8

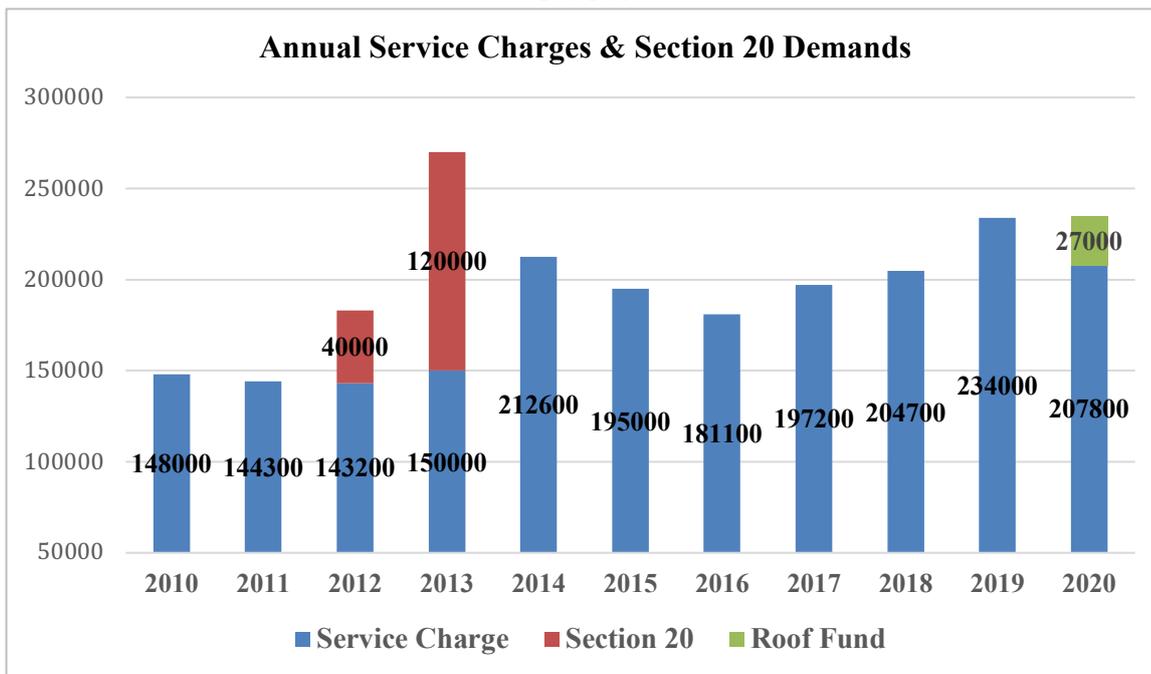


Comment. The Board has long had an objective to get the premium back to as near 10% of the annual budget as possible. Given the change in the insurance marketplace this is becoming increasingly difficult regardless of an excellent low claim record. This is well illustrated by comparing the 2014 premium of £18,500 when index linked with this year’s premium. The 2014 premium becomes £21,800 or £10,300 less than this year’s premium.

ANNUAL BUDGET

38. Setting the Level of Service Charges. The Company has an obligation to keep service charges at a level that may be deemed affordable to the lessees but the same time it cannot permanently postpone its obligation to repair. That said, it is no longer an onerous task to collect arrears as the state of the building has improved. Between 2010 and 2015 charges were dictated by the need to make up for the periods of neglect and the impact of the winter storms of 2013/2014. From 2016 a more stable period ensued as the Company was able to shift to the preventative maintenance programme illustrated in **Table 9**. However, even during this period the building was not without its surprises.

Table 9



Note to Table 9. The unplanned increase in 2019 was the result of a budget deficit in 2018 caused by a combination of a significant asbestos management issue, a number of unplanned maintenance problems and the anticipated costs arising from the breakdown of another lift.

39. Process for Producing the Budget. The process for producing the annual budget is based on how best to match the needs of the building to funding. This means making hard choices about priorities at the same time as ensuring that, above all, an effective preventative maintenance programme can be implemented.

- a. A detailed analysis of the maintenance elements of expenditure feeds through to a forecast of costs. The overarching principle is that the planned repairs made must reasonably be expected to last for the period of the rolling programme, five years.
- b. At the time of the budget, usually at the end of the calendar year, professional expert opinions are sought on selected elements such as structural items that require repair. Examples of this would include lintels or stonework. At the same time the requirements of the 1984 Listed Building Act must be considered and so advice is often sought from the conservation officers at the local authority.
- c. The various maintenance projects are broken down into individual cost categories, for example gutters/hoppers/drains. These are then broken down further: using the same example, this would include detailed projects such as ascending lift platforms, roof and gutter inspections, flat roof clearance and drain pressure power washing.
- d. Finally a draft of the budget is analysed and discussed by the Board. Depending on the outcome of the discussion changes may be made both in terms of priorities, actual budget allocations, the overall size of the budget and its impact on service charges.

40. The Actual Budget for 2019-20. Table 10 below shows the budget broken down into 25 categories and shows the % age allocated to each category.

Table 10

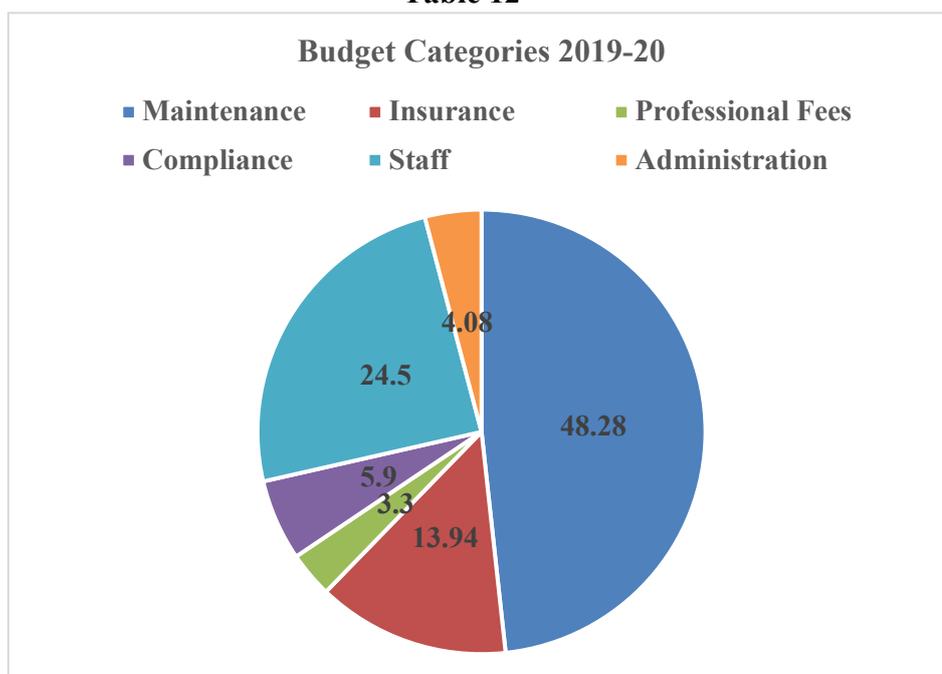
KRFO Budget 2019-20 by Categories				
No	Item	2018-19 Actual Spend	2019-20 Budget	Budget %
1	Gables North Elevation Work	2558	13980	6.73
2	Gables South Elevation Work	42240	32631	15.71
3	Gutters & Hoppers	4810	4329	2.08
4	Roof Repairs	432	500	0.24
5	Balcony Iron Work	12186	12551	6.04
6	Garden Gates	0	650	0.31
7	Gardening	11389	12850	6.19
8	Garden Stonework	840	4250	2.05
9	Common Area Decoration	826	9250	4.45
10	Internal Flat Maintenance Work	4848	3750	1.81
11	Electrical Work	1683	2733	1.32
12	Common Area Maintenance	2351	2422	1.17
13	Loft Management	120	150	0.07
14	Asbestos Management	3370	250	0.12
15	Insurance	31133	29000	13.96
16	Professional Fees	5901	3500	1.68
17	Accountants Fees	3252	3350	1.61
18	Lift Maintenance	5706	5500	2.65
19	Fire Prevention	11026	6750	3.25
20	Staff Salaries & Wages	47889	50893	24.50
21	Electrical Power Supply	3464	3568	1.72
22	Office Costs	4484	4750	2.29
23	Bank Charges	145	150	0.07
	Totals	200653	207757	100.00

41. Key Budget Areas. Table 11 below shows this year's budget condensed into six key areas and compares them with the two previous budget periods. Table 12 that follows presents the percentages for this year graphically. The target over the next five years is to keep maintenance and compliance expenditure in a range of 55-60% of the budget. This can be achieved by limiting external use of professional services wherever possible.

Table 11

Comparison of Budget Expenditure Categories 2018-2020				
No	Category	2017-18	2018-19	2019-20
1	Maintenance	48.91	43.78	48.28
2	Insurance	16.21	15.55	13.94
3	Professional Fees	0.71	4.57	3.30
4	Compliance	9.31	8.36	5.90
5	Staff Costs	21.62	23.69	24.50
6	Administration	3.24	4.04	4.08

Table 12



Notes to Table 12:

- (1) Maintenance, insurance and professional fees are self-explanatory
- (2) Compliance includes such matters as fire safety, lift and asbestos management.
- (3) Staffing costs are made up as follows: office staff 17.24%; cleaning staff 7.26%.
- (4) Administration covers office costs, cleaning materials and common areas electricity use.

BUDGET TO SUPPORT THE NEW PLAN

42. The 2020-24 Budget. Extending the budget for the next five years involves some assumptions about costs that may be defined by the UK economy as well as local variables. The south coast has seen an increase in speculative development and purchase of holiday homes recently and this has increased building labour costs. Industry also predicts shortages of skilled workers in a post-Brexit world. These inflationary pressures have been accounted for in the cost of the plan. Increases in the maintenance budget are factored in to fulfil projects in regular prescriptive planning as well as the additional projects identified above.

Table 13

Five Year Plan Budget 2020-2024								
No	Cost Area	2020	2021	2022	2023	2024	Total	%age
1	Maintenance	100296	108319	116985	126344	136451	588395	51.29
2	Insurances	29000	32000	32000	32960	32960	158920	13.85
3	Professional Fees	6850	6450	6250	6150	5950	31650	2.76
4	Compliance	12250	10750	10965	11184	11408	56557	4.93
5	Staff Costs	50893	52420	53730	55074	56450	268567	23.41
6	Administration	8468	8807	8700	8650	8500	43125	3.76
	Totals	207756	218746	228630	240361	251719	1147214	100.00

43. Impact on Annual Service Charges for Leaseholders. The Five Year Plan will increase service charges over the period of the plan to fulfil the covenant obligations of the Company. The sinking fund will be added to the service charge and invoiced each quarter. The figures in **Table 14** below are annual charges.

Table 14

Annual Service Charge and Roof Sinking Fund Contribution 2020-2024					
(shows sample costs of various flat footprint values)					
	2020	2021	2022	2023	2024
Annual Expenditure	207756	218746	228630	240361	251719
Annual Sinking Fund	27000	28562	30214	31961	33810
Sample Flat Size					
1.00%					
Service Charge	2032	2140	2236	2351	2462
Roof Sinking Fund	264	279	296	313	331
Total Annual Charge	2296	2419	2532	2664	2793
1.50%					
Service Charge	3048	3210	3355	3527	3693
Roof Sinking Fund	396	419	443	469	496
Total Annual Charge	3445	3629	3798	3996	4190
2.25%					
Service Charge	4573	4814	5032	5290	5540
Roof Sinking Fund	594	629	665	703	744
Total Annual Charge	5167	5443	5697	5994	6284

MANAGEMENT OF THE COMPANY

44. Current Board. The Board today comprises five Directors plus the Company Secretary. Two Directors, Anna Selby and Philip Cottam, have given over ten years' service as has the Company Secretary, Geoff Howard. All current members have either considerable commercial experience, a professional background or a combination of both. The Chair agrees specific portfolios with each Director so that the office staff (Tim Quinn, the Maintenance Manager and Geoff Howard, the Company Secretary) are able to seek confirmatory guidance from Board members in policy matters.

Comment. The Chair makes clear to new directors that issues related to their flats will not be discussed at meetings of the Board and that being on the Board does not bring with it any preferential treatment.

45. Advantages of an In-House Team. The Board moved away from employing an external managing agent with other properties and commercial interests as quickly as possible in order to build a team that was focused solely on KRFO. At the start the tasks of Company Secretary and Maintenance Manager were held by one person although it was always intended to separate the two functions so that the Company was not over-reliant on any one person. This has now been achieved. Having an in-house team brings the following important advantages:

- a. A much greater focus on the needs of the building and its residents.
- b. The development of a deep knowledge of the building and its quirks.
- c. The development of a supportive team spirit between the Board and the staff with all the advantages of commitment and loyalty that come with this.
- d. Better communication and accessibility for residents and leaseholders.

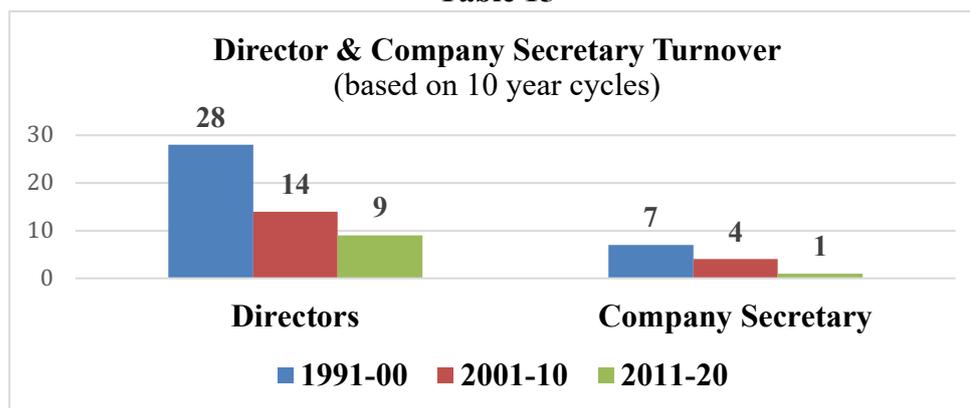
46. Importance of the Office. The installation of an office at 5a Carlton Court for the Company’s own staff was a major step forward in bringing management physically closer to the building as well as helping improve communication with residents and contractors. It gave the Company Secretary and Maintenance Manager an on-site base from which to work. It also meant company papers could be kept on site enabling Board members to have access when necessary. It also provided a meeting place, albeit small, for staff and contractors. It has played an important part in professionalising the operations of the Company.

47. Introduction of an Archive. In the past, Company records have been lost by a series of external managing agents or misplaced because there was no archive area in the building. The company is creating a dedicated archive in a fire-proof area of the building, holding lease copies, records of historic maintenance and Company formation data to support and underpin the succession of the business for years to come.

Comment. On more than one occasion lack of an archive has caused significant difficulties dealing with an issue. It is another step forward in professionalising the working of KRFO.

48. Importance of Stability. The early history of KRFO was marked by a rapid turnover of Board members and Company Secretaries (usually external managing agents with other commercial interests). This clearly contributed significantly to the weak management and poor maintenance that accompanied it. Whereas the successes of the last ten years have been accompanied by the management stability shown in **Table 15.**

Table 15



In the 20 years 1991 to 2010, 53 Directors and Company Secretaries passed through the Company, an average of nearly three people per year with an average length of service of about two years. In the ten years from 2010 to 2020 only 10 officers were appointed, the equivalent of one per year.

Comment. It is not a coincidence the stability of the past ten years in management and contractors has reaped significant rewards to the improved maintenance of the building.

49. Importance of Supportive Residents. The active support of residents is of great value to the effectiveness of the Company. Certain residents who lack the time or inclination to be a Director have given support in areas specific to their work experience. One such resident has managed the Company website and typeset the newsletter for many years. Another, a Chartered Surveyor, provides professional advice *gratis* to the Company.

50. Communication with Leaseholders and Residents. There is regular communication with leaseholders, through newsletters, email contact and visits to the office. It is hoped this facilitates a good understanding of the ways the company works and helps engender support

for the management team in implementing the plan. The AGM is an opportunity to ask questions, promote ideas for the business and elect new Directors.

COMPLIANCE AND RISK MANAGEMENT

51. A new plan would not be complete without an appraisal of the often over-lapping compliance and risk issues that could potentially affect the operations of the Company.

52. **Compliance Issues.** The principal compliance issues arise from the leases and government legislation. They are as follows:

a. **Compliance with Covenants.** The lease agreement and its covenants govern the ways the Company and residents act. Hidden away in these elderly leases are anomalies that, if taken literally, can present all kinds of problems. The Company has brokered agreements with leaseholders to provide modern workable solutions rather than a rigid enforcement of lease covenants. One example of this is the agreement at an AGM to employ cleaners on weekdays only, rather than including Saturday cleaning – something that was stipulated in the lease but used by almost no residents and would have added an extra £7000 to service charges over the years had it not been abolished.

b. **Data Management.** With the introduction of the General Data Protection Regulations in 2017 the Company introduced a compliance policy that encrypted leaseholder and accounting information and took steps to ensure that data being transmitted is encrypted and sensitive information stored in a coded safe.

c. **Fire Prevention.** The Company approach to fire risk management is to conduct a regular appraisal and updating of the perceived risk. This is carried out via an in-house fire risk management assessment (FRA) of the building each year and the retaining of a record of the works carried out and those planned. The FRA is based on an independent assessment carried out some years ago by a Chartered Surveyor and, as the use of the building does not change, it was deemed practical to conduct the FRA in house with reference to new legislation. The Company Secretary wrote the FRA with the approval of the Board and the maintenance manager and his staff carry out building inspections of the identified risks and record their findings. The Company has invested heavily since 2013 to bring the building to an acceptable level of perceived risk. A sum is allocated for new fire precaution measures in keeping with the annual FRA each year of the Five Year Plan. East Sussex Fire and Rescue Service inspected the building in 2018 and placed it in a low risk category as a result of the measures taken. The next inspection is due in 2023.

d. **Lift Management.** There are 4 functional lifts in the building and an engineering lift policy is in place in accordance with Health and Safety directives. The lifts are inspected every 6 months and a schedule of work needed is provided to our appointed contractors who then implement the works in conjunction with the maintenance manager. There is a 24-hour phone line linked to our contractor in each lift coupled with an alarm bell.

e. **Asbestos Management.** Asbestos is removed periodically from flats when it becomes a risk under the risk management plan drawn up in 2009 and updated regularly.

f. **Loft Management.** Periodic inspections of the lofts are carried including the water tanks, pipes, damaged tiles, roof leaks and pest control. The findings are then dealt with.

53. **Operational Risk.** Our contractors are on site working at different heights in variable weather and using machinery and thereby introducing risk to the building. KRFO has a legal

obligation to work with contractors to ensure safe work practices. The practical way this is addressed at Knole Road is by a risk assessment discussion with the contractors at the start of each project and then periodic reappraisal during the work. It is important that the maintenance manager is aware of all work activity on site at all times – including work that takes place inside residents’ flats – so a record can be kept of the perceived risks and the ways they are being addressed.

54. Financial Risk. There are two categories of financial risk:

a. Failure to Collect Service Charges When Due. The Company has a good record of collecting service charges since accounts are transparent and maintenance programmes are clearly outlined. This was not the case when the current Board took over in 2010 at which point the Company was owed £55,000 in service charges.

b. Disputes. The Company carries legal protection insurance to reduce the risks of cost in a dispute. However, one leaseholder has for the past six years persistently involved the Company in litigation, the overwhelming cost of which (approximately £35,000) has been recovered by the Company. Unfortunately, some areas of the leases are insufficiently clear or robust enough to enable complete recovery of the costs.

Comment. In a building of this size with 80 flats disputes are surprisingly infrequent. The Company is considering a policy to deal with unreasonably persistent and vexatious complainants. In addition, a Director has recently been appointed to communicate with lessees especially when they first buy a flat in Knole Road in order to increase resident contact and the reduce loss of management time as a result of avoidable issues.

55. Reputational Risk. It is important that the standing of the building and its management maintains the good reputation the Company has built up locally and, in particular, with external agencies such as local government, insurance companies, potential and existing contractors, estate agents, the local press and other institutions. This is important for two reasons: firstly, in terms of the impact on the value of flats and the ease with which they can be bought and sold; secondly, in terms of the impact on the relationships, financial and otherwise, that the Company has to have with organisations whose attitudes and actions can directly affect the wellbeing of the building.

Comment. The Company has suffered directly on two occasions from its reputation being undermined completely unjustly. The first and most serious case was when a resident wrote to the company with which the building was insured claiming that the Company was making false claims. This was simply untrue and despite the protestations made to the insurers resulted in a significant increase in the premium demanded. The second case was when the same resident wrote to the local conservation officer falsely claiming that the Company was ignoring the listed building regulations. This was again untrue but damaged the relationship that had been built up and took time to repair.

56. Strategic Risk. The discontinuation of the current management structure, in the form of a sudden Board and management change would have a severely detrimental impact on the business. The losses would include the accumulated technical expertise and knowledge of the building and the administrative systems that are in place that manage the business. The specific risk is in the loss of the three key executives who have been in place for the past ten years: the Chairman, the Finance and Legal Director and the Company Secretary. While none of them has any plans to step down it is nonetheless important that a plan is in place to ensure that a void does not impact on the business and that similar capable executives are growing into the roles to ensure continuity.

CONCLUSIONS

57. This plan aims to build on the secure foundations laid during the implementation of its predecessor. The three principles fundamental to the approach that enabled the success of the previous plan are also fundamental to this new one: the importance of a long-term plan with clearly identified objectives, a robust properly funded and well-managed preventative maintenance programme and the frequent routine inspection of the building. Any move away from these principles to an approach based on the false economies of short-term poor-quality maintenance in order to reduce service charges will only result in a deterioration of the building, a decline in capital values and eventually, as this plan has graphically demonstrated, will cost sums to put right the neglect far greater than any savings made. Of even greater importance it will have a negative impact on everyone's quality of life as water ingress and damp return to the building on the large scale as was the case before.

58. This document sets out both a financial and a maintenance plan. It is however only a plan and very few plans survive contact with reality. As the scourge of Covid 19 amply illustrates unexpected events can have equally unexpected consequences. That said, while the details of the plan may have to be adapted to changing circumstances the overall objective to look after the building as well as possible will remain unchanged as will the principles underlying the approach to achieving that goal.

59. Finally, all of us have made significant investments in Knole, financial, social and emotional. Let us ensure those investments are protected and enhanced, rather than sacrificed on the altar of low-cost and low-quality short-term solutions. That is certainly the objective of the Board.