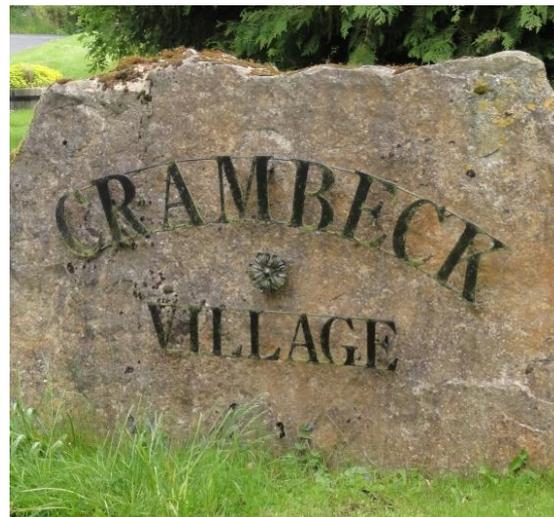


## CMCL Bulletin No 9

### Management Fees

We recently received a proposal by email to reduce the monthly management fees, because of the apparently large cash balance in the CMCL bank account, which has gradually accumulated over the years. This is clearly something all house owners would be interested in, so we want to summarise our thoughts on the matter, and suggest a solution.



The bank balance incorporates a sinking fund and the working capital for the company. The sinking fund is a contingency fund, which is kept in reserve to cover exceptional expenditure, such as work on the un-adopted roads. Working capital is the cash used for the day to day running of the company affairs.

The sinking fund was set at £10,000 at the 2008 AGM, but the amount has not been reviewed since. We think it would be prudent to increase the fund each year, at least in line with inflation, and our suggestion is that it should be set at £15,000 for 2015. We think the amount should be shown in the accounts each year, and it should be increased by inflation, as a matter of course.

The working capital for the company has never been defined, as far as we know, but it is typically taken as half the annual income. As we are not a conventional business, we propose to set the working capital at one third, which is £5,000 in round numbers.

This would give us a total requirement of £20,000 for 2015, and we suggest that this total would automatically increase each year, by an agreed percentage, to account for inflation. Any amount above the figure could be regarded as a surplus.

We have considered how best this total balance could be maintained. If management fees were reduced, the sum in the bank would gradually fall, and then the fees would have to be increased again, to stop the figure falling below the required minimum. Changing the fees would involve every house owner dealing with their own bank, to make the necessary arrangements, each time. We think a better, and simpler solution, would be to keep the management fee the same, at £20 per month, and to pay each house owner a cheque equal to a 63<sup>rd</sup> of any surplus amount in the final accounts each year (there are 63 house owners in the village). So if the surplus was £3,000, each house owner would simply receive a cheque for about £47.

Obviously, if the surplus is only small, it is not worth writing 63 cheques, so we propose there would have to be a “trigger” amount of say £2,000 surplus, before a payment is made. Provided there is more money than this in the final accounts in any year, we propose the redistribution would happen automatically.

So, based on our suggestions above, and the final 2015 accounts, which show “Shareholders’ Funds” as £25,077 we propose to redistribute the surplus of £5,077 by issuing a cheque for £80 to every house owner, within one month of agreement of the details.

This matter will be on the agenda at the forthcoming AGM, for discussion, and following that we propose to put the suggestion to a vote to all the house owners, using the email/ballot paper system, so that all shareholders have the chance to give their opinion on the suggestion.

Meanwhile we would welcome your comments on the proposal. You can email us at [info@crambeckvillage.com](mailto:info@crambeckvillage.com) , leave a note at any of our addresses, or ask one of us to visit your house to discuss it.

With best wishes

Richard Pollard - Chairman Crambeck House

Geoff Candler – Book keeper No 29

Andy Craig-Smith No 53

Steve Tomlinson No 26

Peter Roberts No 8

12.1.16