Adjustments to annual budgeting triggered by Cost of Living Crisis

Feedback on Lore London Hotels within Central London, UK

Minimum wage compliance Costs: London Living Wage increase due to the Cost of Living crises is 10.1%. Historically this has been a 4% annual increase which is in line with annual staff increases.

The sharp LLW increase impacts not only front line positions, but also 2-3 tiers of salaried staff above them, who are all required to earn higher salaries based on their scope of responsibilities and experience. The minimum wage increases are expected to impact the London region by an additional £1.8 million to the property payroll expenses.

Energy Costs: Electricity costs expected to increase from April 2023. Without the benefit of the energy price cap, this is expected to impact the London region by an additional £922k to the property undistributed expenses. This has further impacted the Estate charges for our Sea Containers property by 14%.

Repairs and Maintenance Costs: Supply chain delays and scarcity of materials has driven pricing up in this sector and is expected to impact the London region by an additional £500k to the property undistributed expenses.

Capital Expenditure projects: Supply chain delays and scarcity of materials has driven pricing up in this sector and is expected to impact the London region by an additional £1 million to the FFE reserves account.

Dry Goods/Disposable Costs: Supply Chain disruption has meant purchasing power has been disrupted and single commodities now each have 3-5 suppliers to rotate supply for consistency. The range of increases in the last 2 years has been between 12-45% and impacting the London region properties by 600k per annum. This has additionally impacted service quality, creating room for discounts on services and impacting longevity of the brand promise and revenue opportunities.

Food and Beverage Costs: : Supply Chain disruption has meant purchasing power has been disrupted and single commodities now each have 3-5 suppliers to rotate supply for consistency. The range of increases since 2019 (comparable volumes) is 8% higher and impacting the London region properties by £400k per annum.

Third Party Laundry Costs: Laundry is a Third party contract which means all external linen is being managed offsite. In 2022, companies that were contracted to rates, found themselves in breach of contract, with requests for increases on agreed pricing (only made in August 2021) of between 30-50%. This is due specifically to the increase in energy costs. Additionally after increases had been agreed, a further 6% increase was requested to accommodate escalating supply chain costs for these companies in 2022. This has impacted us an additional 200k in the London region in 2022 and a further £130k in 2023.

*It is important to note this is stable, but if the energy price cap lift in April 2023, we expect current suppliers to request further funds or not be able to operate.

The addition of all these costs, going into a year with an unstable economy and pipeline of business, along with the expectation of businesses to comply with new government regulations e.g. sustainability; LLW; Benefits, without any business rate incentives is making the business model unviable.