Service Charge Summary

Crease Drove, Woodroffe, Crowland.

Location & Overview

The scheme comprises a residential development of 108 freehold properties situated off Crease Drove Crowland. 27 Housing Association properties (Plots 16 – 30 inc, 81 – 92 inc) are excluded from the management company and any charges, until such time as they may become private dwelling (Service Charge Plots). The development will incorporate the management of the public open space as outlined on Management Company Conveyance plan's drawing 111–MCCP – 01.

Brief

Undertake the estate management of the open space and structured landscaping areas and in so doing, delivering a high standard of safety and landscape maintenance across the site ensuring a high quality landscape setting for local residents.

Service Charge

In our view it is important that the legacy of the development remains a positive advertisement for the developer in the surrounding area. We firmly believe the ongoing estate management of the development should not be left to chance. Through Encore, residents will benefit from a quality of service and facilities amongst the best in the area.

In line with your instruction 81 private properties will contribute towards the maintenance and upkeep of the public open space areas and site infrastructure. For the purposes of this proposal we have adopted a straight split approach to the allocation of the service charge as all properties derive equal amenity/benefit from the areas concerned. Therefore each property irrespective of size will pay an equal share towards the costs of maintenance under their relevant.

We have spent time considering the various elements of the development to better analyse the realistic costs of maintaining the scheme. We have sought to keep the management costs of running the estate to a minimum whilst not reducing the costs to unrealistic levels which would likely impact on the development's cash flow in years two and three, or compromise the maintenance standards and appearance of the site. Our service charge budget has been modelled on a 'normal' year of the fully-completed development and it is not intended to be a Year 1 budget which can be artificially low to entice the developer.

As instructed we have divided the service charge between the 81 freehold properties contributing properties which produces a headline annual service charge of

Estate Only – equals £194.75 per property per annum or £16.23 per month.

Owing to the number of contributing properties, overall the service charge is comparable with other developments within our portfolio. Typically the tone of estate charges on similar developments range between £150 - £300 per property per annum for the wider area depending on the degree of facilities and site infrastructure.

Budget Rationale

Please see accompanying service charge budget under separate cover.

Noting that we are in February 2020 and the accompanying service charge budget has been dated from 1st April 2020 – 31st March 2021 so it remains current into next year assuming no external influences i.e. increases/decreases in rate of VAT or a significant shift in inflation.

We would be happy to present our service charge budget to you in more detail however we have provided additional commentary on the key costs heads within our budget below.

Maintenance

204 - Garden/Grounds Maintenance
A key focal point of the development and main reason for the service charge will be the communal open space areas and it is essential that these tangible areas are maintained to a high standard as they account for a significant proportion of the annual maintenance costs. To this end we will engage a time served grounds maintenance contractor to undertake this work. In order to keep costs to a reasonable level but also maintain a good standard, we adopt cut and drop policy to easement areas whilst a cut and collect approach will be applied to features open space areas, achieving a stripped appearance where possible.

209 - General Maintenance
This includes the cost of minor repairs, material costs and other reactive maintenance items not listed separately. This has been based on basic assumptions and experience from similar developments to cover all eventualities. Any repairs for the bin collection point(s) will fall to this cost head. We will keep the budget provision under general maintenance under review and make adjustments (up or down) based on expenditure trends as the development ages.

266 - Drainage SUD's / Sewer Easement Maintenance
There is no notable SuD's infrastructure on this site. There is however a ditch running along the northern boundary extending to approximately 200m. We have allowed £1,000 per annum to accumulate within the reserve allocation to ensure a provision builds to maintain this element.

Insurance

307 - Public Liability Insurance
It is expected that Encore will place public liability insurance on the development at the point of handover through one of its nominated brokers. Whilst we are unable to place cover directly at this time we have included a figure based on £5,000,000 of Property Owners Liability Insurance with a top five insurer. This will ensure that in the event of claim the policy is more likely to respond.

A provision for Directors and Officers Liability Insurance has not been included to provide cover for the officers of the RMC at this time.

Professional

401 - Accountancy
In order to keep administration costs to a minimum we have not allowed a cost for the year end accounts to be verified externally instead they will be reviewed internally by one of our Chartered Accountants on an annual basis. It is important that the wording in the transfers reflects this and does not include the provision for an external audit but rather make reference to the accounts being verified.

410 - Health & Safety Assessment
Ensuring that the common parts of the estate are safe for residents, visitors and contractors is the ultimate responsibility of the Management Company. As such, and to ensure that the common parts of the estate are not placed at risk, Encore will arrange for a Risk Assessment to be undertaken by competent professionals on an annual basis. It is assumed Health & Safety manuals and as built plans will be supplied to Encore upon completion. Health and safety costs will reduce in year 2 to reflect a review of the established year 1 assessment.

415 - Management Fees
In accordance with RICS guidelines, Encore charges management fees as a fixed fee per unit within an estate per annum (plus VAT). The proposed management fee for year one is £50 plus VAT per property, per annum.

Reserve Fund Contributions

At this time we have allowed only a small provision within our budget for the collection of a reserve fund for the future replacement of site infrastructure/projects. As more detail of the site installations and infrastructure becomes known we would welcome looking at this area in more detail to ensure the reserve provision is adequate to meet foreseeable replacement costs in the future. In order to reduce substantial spikes in future service charges levels, it is prudent to start collecting reserves funds from the outset to meet the long term maintenance needs of the development.

Assumptions

- Affordable plots will not contribute towards the management and are excluded from any charges until such time as they may become private dwellings (Service Charge Plots). The service charge is apportioned on a straight split basis irrespective of the type of size of property. Please supply the TP1 which shows that should the status of the Affordable Houses change to privately owned houses they will become members of the management company (Service Charge Plots).

- To keep costs down, we have assumed that the shared driveways shaded in blue on Drawing 111-MCCP-01 will in fact be split and conveyed to the individual houses rather than be privately managed. We have therefore not included the maintenance of these area in my proposal at this stage. Should the shared driveways not be able to be conveyed to the respective properties I will happily create a separate schedule within the budget to accommodate these. This will affect 35 of the 81 properties.

- We have assumed that the open space areas are predominantly laid to amenity grass.

- We assumed there is no contract between the developer and landscaping subcontractor in respect of timeframes obliging the contractor to replace any dead or dying shrubs etc from the point of completion.

- We have made no provision for the inclusion of either street or bollard lighting to be installed on the managed areas as any lighting will be connected to the individual properties as per previous sites. If this is not the case we will happily include same and revise our service charge budget.

- The Management Company will only be responsible for the maintenance and upkeep of the soft landscaping associated with the drainage easement.

- We understand the roadway and footpaths within the development will be adopted by the Lincolnshire County Council Highways under a section 38 agreement.

- We understand the pumping station will be adopted by Anglian Water.

- To keep costs to a minimum in year one, the H&S cost has been inserted at the review price of £411 inc VAT. It is assumed that the developer will be prepared to contribute towards the set up cost of the mandatory H&S risk assessment to reduce costs in year one. This will require a contribution from the developer of £489 inc VAT in year one only.

- Prior to handover, Encore will inspect all communal areas in conjunction with the developer with a view to ensuring all aspects of the scheme are transferred to a satisfactory standard ('snagging' procedure).

- In order to keep costs to a minimum we have not included a provision for an out of hour's emergency response facility. If this facility is deemed necessary we would be happy to revise our proposal.

- We have made no allowance for Directors and Officers Liability insurance at this time. This can be included at an additional cost on request and once resident directors have been appointed.

- Encore are yet to have sight of the transfer document proposed for the houses however we have assumed the transfer will be drafted in line with those already being used at The Roosting's and Abbey View etc.

Prepared by: Tom Hopson, March 2020.