Service Charge Summary

Sunnydale Close, Surfleet

Location & Overview

The scheme comprises a residential development of 75 freehold properties situated at Surfleet, Sunnydale. 6 housing association properties in total are excluded from the management company and any charges until such time as they may become private dwellings – 'Service Charge Plots'. The development will incorporate the management of the public open space as outlined on Management Company Conveyance plan's drawing 118 – MCCP – 01, dated 17-08-2020.

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 69 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 estate charge as all properties derive equal amenity/benefit from the open space areas. Therefore each property irrespective of size will pay an equal share towards the cost of maintenance.

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 freehold properties contributing properties which produces a headline annual service charge of:

Estate charge – 69 units equals £205.52 per property per annum or £17.13 per month.

Typically the tone of estate charges on housing schemes range between £150 - £250 per property per annum for the wider area depending on the degree of facilities and site infrastructure. Therefore the estimated service charge falls within this range.

Budget Rationale

Please see accompanying service charge budget under separate cover.

Noting that we are in August 2020 and the accompanying service charge budget has been dated from 1st April 2021 – 31st March 2022 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 minimum but also maintain a 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. 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 Easement – Internal Drainage Board
There is an Internal Drainage Board Easement which runs along 2 perimeters and we understand these features are low maintenance and the Management Company's only responsibility will be the maintenance of the soft landscaping.

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 £60 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 and tree works. As more detail of the site installations and any specific 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, (plots 36 - 41) 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 between the remaining 69 private plots 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).

- We have assumed that the open space areas are predominantly laid to amenity grass and that there are no mature trees to maintain.

- We assume there is no contract between the developer and landscaping subcontractor in respect of timeframes obliging the contractor to replace any dead or dying shrubs, trees and hedging 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 with no costs falling to the service charge.

- To keep costs to a minimum in year one, the H&S cost has been inserted at the review price of £440inc 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 £498 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 (the 'snagging' procedure). All means of access to these areas will need to be provided, along with any technical data as to the management of services to these areas. Given the simplicity of the development we don't anticipate this to be an onerous process.

- 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 on the Ashwood Homes stock.

Prepared by: Tom Hopson, August 2020.