

Service Charge Summary

Sunnydale Close, Surfleet, Lincolnshire

Location & Overview

The scheme comprises a residential development of 48 freehold properties situated off Sunnydale Close in Surfleet, Spalding. 9 housing association properties in total (Plots 8, 13, 14, 15, 16, 17, 18, 19 & 20) are excluded from the management company and any charges until such time as they may become private dwellings – 'Service Charge Plots'. Plots 7, 31 and 22 are referred to as 'First Homes' and have been treated the same as all private plots as they will be fully owned. The development will incorporate the management of the public open space, soft and hard landscaping as shaded in yellow on the Man Co. Conveyance Plan 118-MCCP-01 dated 13.07.2022.



Brief

Undertake the estate management of the open space and structured landscaping 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 39 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

As instructed, we have divided the service charge between the 39 freehold contributing properties which produces a headline annual service charge of:

Budget Rationale

Noting that we are in July 2022 the accompanying service charge budget has been dated from 1st April 2022 – 31st March 2023 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, cost of living, minimum and living wages etc.

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

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 peripheral areas whilst a cut and collect approach will be applied to feature open space areas, achieving a striped appearance where possible. An illustration of a typical schedule is outlined below.

CUSTOMER NAME AND ADDRESS				SPECIAL REQUIREMENTS ON SITE																												
Mickton site		<div></div>	GRASS CUTTING																													
		<div></div>	HERBICIDE SPRAYING																													
Telephone Number		<div></div>	BORDER WORK																													
Supervisor		<div></div>	PRUNING WORK																													
VAN NO		<div></div>	SWEEP/BLOW/LITTER PICKING																													
NUMBER OF VISITS 36																																
FREQUENCY (SUMMER FORTNIGHTLY)		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC																			
FREQUENCY (WINTER WEEKLY)																																
NUMBER OF VISITS PER MONTH		1	1	3	4	5	4	4	5	4	2	2	1																			
NUMBER OF VISITS PER WEEK																																
MONTH																																
WEEK		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
ACTIVITIES CARRIED OUT ON VISIT																																
CUT LAWNS FRONT AND BACK																																
STRIM OBSTACLES																																
WILDFLOWER AREAS STRIM																																
APPLY HERBICIDE SPRAY TO HARDSTANDING AS REQUIRED																																
PRUNE SHRUBS BY SPECIES																																
PRUNE SHRUBS OTHER																																
SWEEP/BLOW PATHS & KERBS																																
LITTER PICKING landscape areas only																																
CLEAR LEAVES																																

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.

It's important to note that the wording in the transfers usually means that any surplus funds collected but which remain unspent at year end will be credited back to owners to offset future annual charges. As such, we always allow sensible provisions under the general maintenance cost head to enable us to respond to reactive maintenance needs during an average year. A failure to adequately budget under this cost head will often lead to a deficit position at year end, meaning owners will be subject to unpalatable balancing charges.

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. POL insurance is deemed a low value high risk cover for underwriters and we have seen a hardening of rates in the current climate for this type of cover which is reflected in the quotation obtained.

Insurer: Zurich or other top five insurer.
Premium: £815 including IPT
Property Owners Liability: £5,000,000
Declared value: 0 (No Physical Asset Cover)

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 or to reduce cost to the service charge.

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.

In order to be efficient, we request that we obtain email addresses of all property owners on completion to enable electronic communication.

Reserve Fund Contributions

At this time we have allowed only a nominal provision within our budget for the collection of a reserve fund noting the limited amount of site infrastructure. 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. The reserves collected will need to be adjusted periodically to keep pace with rising cost inflation.

Assumptions and Observations

- In line with your initial instructions the service charge is apportioned on a straight split basis irrespective of the type or size of property meaning each unit will pay 1/39th of the estate charge or 2.5641%.
- The development will be set up assuming a Residents Management Company structure where the Management Company covenants to provide services through the Transfer (TPI).
- We have assumed that the open space areas are predominantly laid to amenity and meadow grass. We assumed there will be a 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. This may also form a specific planning condition and is important to protect the service charge in the first year post-handover. The success establishment of the soft landscaping will be heavily dependent on the initial landscaping contractor.
- To keep costs to a minimum in year one, the H&S cost has been inserted at the review price of £523 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 £498 inc VAT in year one only.
- We have assumed the shared driveway areas will be conveyed to each individual property, should this not be the case we will happily revise our proposal.
- 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 relative simplicity of the development we don't anticipate this to be an onerous process.
- In addition to the above, we assume the SUD's infrastructure will be proved to be clear and free flowing at the point of handover and a current RoSPA SUD's risk assessment completed with all actions undertaken including relevant safety signage installed. As a protection for both the developer and agent. It would be sensible for a third party engineer to certify the SUD's infrastructure has been built and operates correctly in accordance with original design/planning. We can develop this as part of a handover process moving forwards. We have also assumed that a RoSPA risk assessment report covering the SUD's infrastructure will confirm there are no unusual risks associated with the systems.
- When available we would welcome sight of the site materials plan showing the extent of communal knee rail, ranch fencing, railing and pathways etc. if any to inform our proposal.
- 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.

Estate Charge Budget

Please see accompanying estate charge budget(s) under separate cover.

Prepared by: Tom Hopson, July 2022