Service Charge Summary

High Road, Weston, Lincolnshire.

Location & Overview

The scheme comprises a residential development of 150 Freehold Properties situated 10 miles from Weston Hills, Lincolnshire. The development will incorporate the private management of various areas of public open space (POS), soft landscaping, SuD's Infrastructure, bin collection points and 1 x LEAP, identified on Charter Plan 1-150 WE/CP/01 Rev C dated 14/10/2020



Brief

Undertake the estate management of the public open space, structured landscaping areas, SuD's infrastructure and play area shaded in green on Charter Plan 1-150 WE/CP/01 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.

Estate 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 150 private properties will contribute towards the maintenance and upkeep of the public open space areas. For the purposes of this proposal we have adopted a straight split approach to the allocation of each schedule as all properties derive equal amenity/benefit from the scheme. 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 estate charge estimate has been modelled on a 'normal' year of the fully-completed development and it is assumed that the 'establishment' activities outlined in the Landscape Management Plan will have been undertaken prior to handover. It is not therefore intended to be a Year 1 budget which can be artificially low to entice the developer.

Budget option 1 – (24 Grounds Maintenance Visits) – **£218.28 per property per annum or £18.19 per month**

Budget option 2 – (34 Grounds Maintenance Visits) – **£244.20 per property per annum or £20.35 per month**

Overall the budget estimate is comparable with other developments within our portfolio of this type and size and in the immediate geographic vicinity. Typically the tone of estate charges on the majority of developments range between £125 - £250 per property, per annum depending on the number of contributing properties and level of site infrastructure.

Budget Rationale

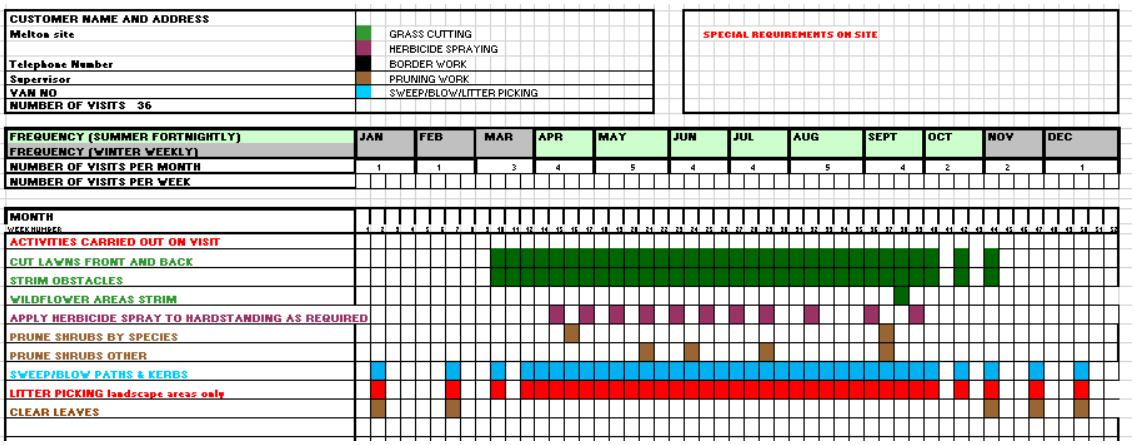
Please see accompanying estate charge budget under separate cover.

Noting that we are in June the accompanying estate charge budget(s) have been dated from 1st April 2021 – 31st March 2022 so they remain 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 estate 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 will be the maintenance and upkeep of the soft landscaping. We recognise these tangible areas need to be maintained to a high standard as they account for a significant proportion of the annual maintenance costs as well as being integral to the wider vision for the development. This is particularly the case as the development will take a number of years to build out. We will engage with a time served grounds maintenance contractor to undertake the maintenance based on a schedule of works. An illustration of a typical schedule is outlined below.



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 reasonable eventualities. The actual general maintenance provision will be more accurately assessed with the benefit of expenditure trends over a number of years. There is always a trade off when deciding on the general maintenance provision between the level of initial estate charge and the potential exposure to unpalatable balancing adjustments at year end. We will keep the general maintenance provision under review and make adjustments (up or down) based on expenditure trends as the development ages.

Bin Collection Points
Bin collection points will be positioned at the entrance to the shared driveways and owners will be responsible for depositing waste/wheelie bins at the collection points on the relevant collection day. These will take the form of hard standing and the Management Company will be responsible for maintaining same. We do not consider the maintenance requirements of the collection points to be significant and therefore have not allocated a separate cost head or budget provision to maintain them. The cost of any reactive maintenance, litter picking, landscape maintenance, weed control, public liability insurance and long term replacement will be absorbed within the general maintenance, grounds maintenance, POL insurance and reserve provisions within the wider budget. A specific requirement will be placed within the grounds maintenance specification requiring the contractor to litter pick these areas on each visit and weed control periodically.

266 - Drainage SUD's Maintenance
We understand that there will be a number of SuD's situated within the open space including a large infiltration basin on the northern boundary and swales positioned in the southern and western boundaries. We further understand these features are low maintenance and the managing agent's principle responsibility will be the maintenance of the soft landscaping, the cost of which is factored into our grounds maintenance cost head. No information on the control structures is available at this time however the adoptable drainage layout plan indicates any control structures and connecting drainage runs leading to the basins will be adopted. We have allowed a provision for 2 inspections per annum of the basins by a competent drainage contractor to ensure they remain clear and free flowing.

We have assumed that a ROSPA risk assessment report covering the SuD's basins will be supplied by the developer on handover confirming there are no unusual risks associated with the basins. Also see assumptions and observations sections relating to the SuD's infrastructure.

207- Tree Maintenance
We have allowed a small contingency within our budget for inspecting the mature trees situated around the curtilage of the development on an annual basis. We have also allowed a provision within our reserve calculations to meet any specific tree works in future. It is assumed the developer will undertake any identified tree works prior to handover and supply us with an updated tree condition report. We therefore do not anticipate carrying out any tree works within the first two years of management subject to adverse weather conditions.

265 - Play Equipment
The site layout drawing identifies a number of pieces of play equipment to be installed on the scheme creating 1 x LEAP. Whilst limited information about the type, manufacturer, and life expectancy of the play equipment is available at this time we have factored into our budget a reserve provision for the long term replacement and ongoing maintenance costs of the play equipment based on the initial cost being circa £40,000. We would welcome confirmation of the play equipment to be installed once more detail is known.

For the purposes of this scheme we have allowed a provision for an annual ROSPA check as well as quarterly operational inspections by a competent RPII qualified contractor. We assume an up to date ROSPA report will be supplied on handover of the scheme.

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. Key insurance terms are outlined below.

Insurer: Zurich
Premium: £1.102 including IPT
Property Owners Liability: £5,000,000
Declared value: £100,000 (Physical Asset Cover)

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 makes 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.

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 £45 plus VAT per property, per annum.

This assumes and we would request the developer obtains email addresses for each owner and supplies same via the completion statements for efficiency purposes.

501 - 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. 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. An illustration of our breakdown is outlined below.

Assumptions and Observations

- In line with your initial instructions, all 150 properties on the development will contribute to the estate charge. The Estate charge for both budgets is apportioned on a straight split basis irrespective of the type or size of property meaning each unit will pay 1/150 of the estate charge or 0.66%

- The development will be set up assuming a Resident Management Company (RMC) covenants to provide services through the Transfer (TP1)

- We have assumed that all houses on the scheme will contribute to the Estate Charge, if any Housing Association units are exempt from paying please confirm and we will amend the budget.

- We would recommend that a years' service charge is collected from owners at the point of completion to ensure the development has the upfront funds and cashflow to start on site at the point of handover. All funds collected by solicitors will be deposited in a client trust account set up solely for the development.

- We welcome the opportunity to discuss phasing of the development in order that we can mitigate against developer voids.

- We assumed there is 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 is important to protect the service charge in the first year post-handover.

- We await confirmation on whether any control structures within the SuD's basin will be adopted by the local water authority with maintenance responsibilities limited to soft maintenance.

- We have assumed that the developments roads, pavements, street lighting and associated drainage will be adopted by the local highways department.

- 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.

- 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 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.

- No provision for Directors and Officers Insurance at this time but can be supplied on request.

- 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.

- Encore are yet to have sight of the draft transfer document proposed for the houses. We would welcome the opportunity to review same so it doesn't contain any onerous management obligations.

Estate Charge Budget

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

Prepared by: Tom Hopson, June 2021.