[redacted]

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Service Charge Budget for the year ending

24th March 2022

[redacted]

Important Notes on Service Charge Estimate

A service charge is a means by which a landlord can recover from leaseholders and/or freeholders the costs of maintaining and repairing a building or estate and providing certain services. It is the method to spread costs between the beneficiaries and users of those services in a fair and reasonable manner.
N.B. Service charges are 'not for profit, not for loss' although suppliers of services are expected to make a reasonable profit on the services they provide.
Residential service charges are highly regulated by both government and statute.

When calculating a service charge budget, Mainstay use due diligence and professional expertise to make an assessment of the expenditure required to maintain the development and services for the forthcoming period (typically a year) and beyond. However, the budget can only be based on information available at the time of preparation and as such is an informed estimate. Service charge costs can, therefore, be appreciably more or less than the levels stated in this budget and the liability for the payment of any deficit at the year end rests with the owners under the terms of the Lease. We naturally do all that we can to minimise the difference between the budget figures and the actual spend, however a number of external factors over which we have little control, influence the final costs.

The costs within a service charge are divided among the leaseholders and/or freeholders using the apportionment method specified in the lease and/or TP1 document. Specific services (perhaps only provided to some leaseholders and/or freeholders) are set out in additional schedules apportioned only to those who benefit from the services.
Most modern leases give the landlord the right to vary the apportionment nearly always on the proviso that the substituted methodology is fair and reasonable. Best practice requires regular reviews to be undertaken to ensure that the apportionment matrix remains fair given any changes to the occupation or use of the property.
Leases vary in the way they define an individual leaseholder's and/or freeholder's proportion of the total service charge costs for the property. The most common bases of contribution are:

Floor area apportionment
This is the most common and simplest method. The standard floor area apportionment is the ratio of the individual premises to the total lettable parts of the building.
A fixed percentage
The percentage of the overall service charge costs the leaseholder/freeholder pays is fixed at the time the lease is granted. The fixed percentage offers certainty and simplicity but is inflexible and will only be used where the leaseholder's/freeholder's premises are unlikely to be altered. Provision is often included to review the fixed percentage if the property is altered or extended.
Fair and reasonable proportion
The lease will usually incorporate a provision for the proportion to be determined by the Landlord's surveyor. The RICS code of practice states that 'the term "fair and reasonable" requires the owner to ensure no occupier is disadvantaged'.

Basis of Apportionment

[redacted]

	Area Covered	Apportionment Method	Total Units/Total Area	Justification
Service Charge	Building structure, internal areas and grounds	Percentage specified in lease	31 units	As per Lease
Commercial Insurance Service Charge	Commercial units under Freeholder insurance policy	Equal split	2 units	As per Lease

[redacted]

Grounds Maintenance

This figure has been calculated to allow quarterly visits to tidy the vegetation within the development, this includes removing/spraying of weeds/litter picking the areas outside the car park and trimming back the shrubs within the site.

Communal Cleaning

Allowance has been made for fortnightly cleaning of the communal areas by the employed caretaker. Duties include vacuuming, dusting, wiping surfaces, minor bulb replacement, refuse removal and sweeping of the refuse store.

Window Cleaning

Allowance has been made for cleaning of the all the external and communal internal windows based on an external contractor undertaking this work. The window cleaners are expected to work to standards set by Mainstay and will include cleaning windows and wiping down frames. The contractor is expected to provide sufficient supervision, health and safety training, and undertake the window cleaning within health and safety guidelines.

Day to Day Maintenance

Provides for minor repairs and items of maintenance as required from time to time. The cost of such items tends to vary significantly from property to property, and is inherently difficult to predict. The budget has been based on Mainstay's experience of these costs on average.

Annual Fire and General Risk Assessment

Sum set aside for compliance with health and safety and fire regulations.

Smoke Alarm and Smoke Extraction System Maintenance

This item is intended to cover the costs associated with the maintenance of the auto opening smoke vent system.

Out of Hours Fees

A provision has been made for the Out of Hours service provided by Adiuvo (service formerly provided by Orbis) for emergencies. Adiuvo have a one off set fee annually, whereas Orbis charged a set fee with an additional charge per call/incident received on top.

Communal Electricity

An estimated cost of the supply of electricity to the common areas for lighting, heating and plant is included here and based on current average costs for the development.

Communal Water

An estimated cost of the supply of water to the apartments is included here and based on average costs for the development.

Management Fee

Fee for the provision of services provided by Mainstay in accordance with the Management Agreement.

External Accounts Fee

Covers the cost of an external independent audit in accordance with prevailing statute and RICS codes of practice.

Accountancy Fee

Covers the cost of Mainstay's accountancy services for the preparation of accounts.

Bank Charges net of interest

Estimated cost for the bank charges applicable to the service charge account net of interest received. All funds are held with NatWest, West Bromwich Branch in interest bearing accounts.

Valuation Survey (Buildings Insurance)

It is important that we ensure that developments are adequately insured. As part of maintaining the right insurance cover is in place, insurers will consider the re-instatement valuation of a building, and that this is suitable and sufficient. Under RICS guidance it is very important that an up to date assessment is in place to ensure that the properties are fully insured - properties should have the reinstatement valuation reviewed, typically every 3-5 years. Without an up to date valuation could make for difficult conversations in the future if insurance claims are repudiated/not paid in full. The last survey was completed in 2011.

Insurance

This item is intended to cover the costs of buildings and terrorism insurance for the development.

Sinking Fund Contribution

Allows for a sum to be set aside for the future replacement of mechanical equipment, redecoration, replacement of flooring and other items of major expenditure. These figures are estimated, and are not currently based on precise life-time costings. It may be deemed appropriate to commission such costings at a later date.

Summary Page

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	Service Charge £	Commercial Insurance Service Charge £	Total £
Maintenance Costs			
Cleaning	1,230	0	1,230
Window Cleaning	715	0	715
Day to Day Maintenance	8,200	0	8,200
Out Of Hours	430	0	430
General Risk Assessment	830	0	830
Fire System Maintenance	985	0	985
Dry Riser Maintenance	300	0	300
Loan from E&M	10,920	0	10,920
Roof Works	30,000	0	30,000
	53,610	**0**	**53,610**
Utility Costs			
Water LL Supply	2,450	0	2,450
Communal Electricity	2,400	0	2,400
	4,850	**0**	**4,850**
Insurance	7,420	1,510	8,930
	7,420	**1,510**	**8,930**
Professional Fees			
Management Fees	8,203	0	8,203
Accountancy Fees	200	0	200
Audit Fees	602	0	602
Bank Charges	90	0	90
Collection Fees	25	0	25
	9,120	**0**	**9,120**
Total Estimate	**75,000**	**1,510**	**76,510**

Service Charge

[redacted]

	Budget to 24/03/2022 £	Budget to 24/03/2021 £	Variance £	Variance Notes
Maintenance Costs				
Cleaning	1,230	1,230	0	
Window Cleaning	715	715	0	
Day to Day Maintenance	8,200	8,200	0	To include additional costs of running site to be explained in budget letter
Out Of Hours	430	420	(10)	Charged in line with externally appointed monitoring centre's tariff
General Risk Assessment	830	790	(40)	Charged in line with Mainstay's tariff
Fire System Maintenance	985	985	0	
Dry Riser Maintenance	300	300	0	
Loan from E&M	10,920	10,920	0	21k over 2 years with a 4% interest
Roof Works	30,000	0	(30,000)	
	53,610	**23,560**	**(30,050)**	
Utility Costs				
Water LL Supply	2,450	2,450	0	
Communal Electricity	2,400	2,400	0	
	4,850	**4,850**	**0**	
Insurance	7,420	7,110	(310)	Based on current premium
	7,420	**7,110**	**(310)**	
Professional Fees				
Management Fees	8,203	7,812	(391)	Based on Mainstay's Management Agreement
Accountancy Fees	200	200	0	Charged in line with Mainstay's tariff
Audit Fees	602	585	(17)	Charged in line with external auditor's tariff
Bank Charges	90	90	0	Held static in line with expenditure trends
Collection Fees	25	25	0	Held static in line with expenditure trends
	9,120	**8,712**	**(408)**	
Total Estimate	**75,000**	**44,232**	**(30,768)**	

Commercial Insurance Service Charge

[redacted]

	Budget to 24/03/2022	Budget to 24/03/2021	Variance	Variance Notes
	£	£	£	
Insurance	1,510	1,530	20	Based on current premium
	1,510	**1,530**	**20**	
Total Estimate	**1,510**	**1,530**	**20**	