



McCARTHY STONE

Life, well lived

JUL 2022 - JUN 2023

BUDGET REPORT

TUDOR ROSE COURT, SOUTHSEA



SECTIONS

1. Energy Costs
 2. Your Development In The Coming Year
 3. Your Service Charge For The Coming Year
 4. Our Proposed Budget
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PROPOSED SERVICE CHARGE BUDGET 2022-2023 GUIDE

“We’ve listened to your feedback and made some changes to this guide, including showing the 2020-2021 prior year as a comparative where applicable, to provide further insight and explanation of your Service Charge and we hope this report does just that for you!

We start by explaining why energy costs are increasing and how we are responding to this by working with our broker to deliver you competitive rates. There then follows some information on your development and the management team will outline activity planned for the year ahead that is included in your budget. We continue to breakdown the Service Charge budget for the coming year looking at the specific areas you’ve asked us to, in more detail.

We take seriously the responsibility of building the right budget to support the cost of running



your development for the forthcoming year to the standards that you would expect, and we want you to be comfortable with how this is put together.

Finally, we address your most frequently asked questions.

We hope this approach provides you with the information to give you peace of mind that your home is being taken care of. The happiness and wellbeing of every one of our customers is our priority, so please so let us know your thoughts.”

FIONA CARLETON
MANAGING DIRECTOR - SERVICES

1.

ENERGY COSTS

**GIVEN THE ENERGY SECTOR'S
RECENT VOLATILITY WE NEEDED
AN ENERGY PARTNER WITH THE
HERITAGE AND EXPERTISE WE
CAN TRUST**

Co-op Power is the energy division within the Co-op Group, well-respected and recognised for their Food, Insurance and Funeral Care businesses.

Not only is Co-op Power one of the largest buying groups in the UK, procuring £200m of energy each year, they share the benefits of their buying power with all their energy customers. A truly co-operative approach to energy buying.

PROTECTING MCCARTHY STONE RETIREMENT HOMES

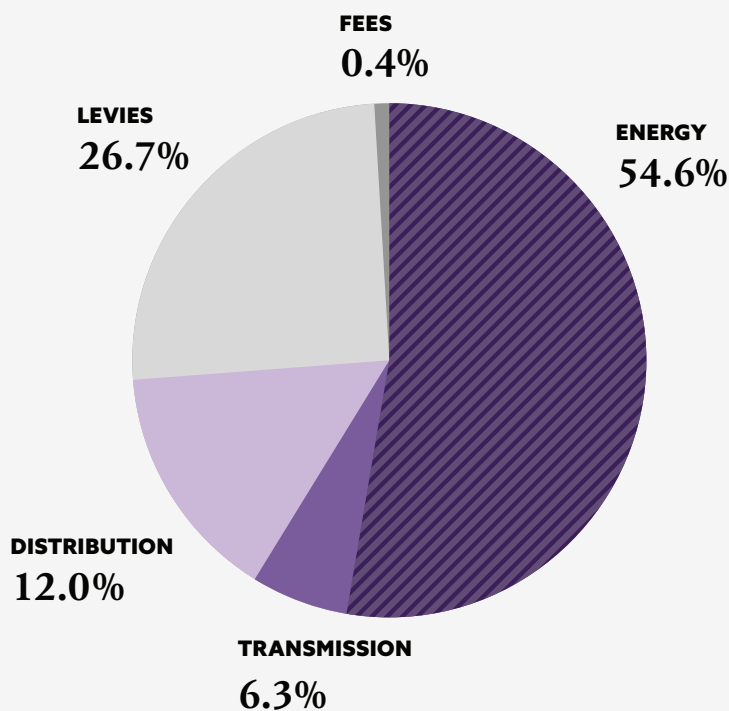
In the middle of this current price volatility where prices are inflating, Co-op Power's experts have significantly protected prices McCarthy Stone members pay by looking years ahead, carefully securing prices for the long term ['hedging'] to mitigate pricing risks.



Scott Etherington, Co-op Power's Managing Director credits the buying group's procurement model, protecting its 70 energy customers from the shock of the current energy market:

“As competition for renewables hots up and supply is less readily available, we've seen the market become more volatile. Because of our combined buying power, long forward hedging, risk management, and co-operative sharing of benefits we are able to give significant protection to our customers, not just this year, but into 2022 as well.”

WHERE YOUR ENERGY COSTS GO



Only the energy element (Dark Purple) is set using market prices. McCarthy Stone reduces the exposure to energy costs by using expert providers to reduce risk through careful forward buying procurement policies.

Costs & Price Setting

ENERGY

Wholesale energy costs – these vary with market prices.

TRANSMISSION

Final charges published each January. 5-year forecasts published each March subject to regulated cost process.

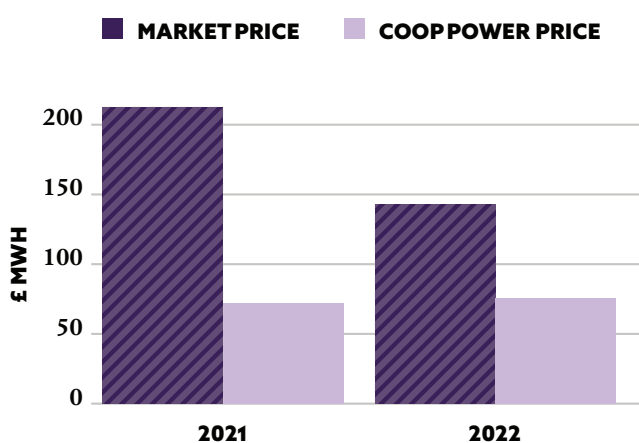
DISTRIBUTION

Final rates are published 15 months prior to the start of the charging period (December for April, FY+1) subject to regulated cost process.

TAXES & LEVIES

- Renewable Obligation (RO) set in October, Buy-Out price linked to RPI confirmed in February by BEIS. Scheme now closed to new capacity.
- Feed-in-Tariff (FiT) rates issued quarterly and reconciled. Scheme is now closed to new capacity.
- Contracts for Difference (CfD) levy rates set quarterly and reconciled. New capacity allocated via auctions every two years.

CO-OP POWER PRICES VS THE CURRENT MARKET



Co-op Power's energy procurement has achieved prices for 2021 & 2022 significantly below current market rates. Wholesale energy prices are at their highest ever level. Co-op Power's energy procurement strategy has protected customers from the impact.

2.

YOUR DEVELOPMENT IN THE COMING YEAR

The budget is an estimate of the costs incurred in running your development. Your area manager and development's team are focused on ensuring we deliver value for money.

A MESSAGE FROM YOUR AREA MANAGER

I am delighted to have been working and supporting you for the last year.

You will see that provision has been made for routine servicing contracts, as well as ad hoc repairs and maintenance items which may occur throughout the year.

I will ensure that we obtain competitive quotes for repairs and maintenance, keeping in mind value for money as well quality of work. With regards to local contracts, we will work with our existing or seek new contractors, looking for savings where possible; throughout I confirm that we will do this in a manner that engages you and keeps you informed.

MARIE MOODY
AREA MANAGER



JUL '22

AUG '22

SEP '22

OCT '22

NOV '22

DEC '22

JAN '23

FEB '23

MAR '23

APR '23

MAY '23

JUN '23

BISTRO

Following the changes with our Food & Beverage contractors, why not invite your family and friends to benefit from the improved quality of food and additional income to the service charge budget.



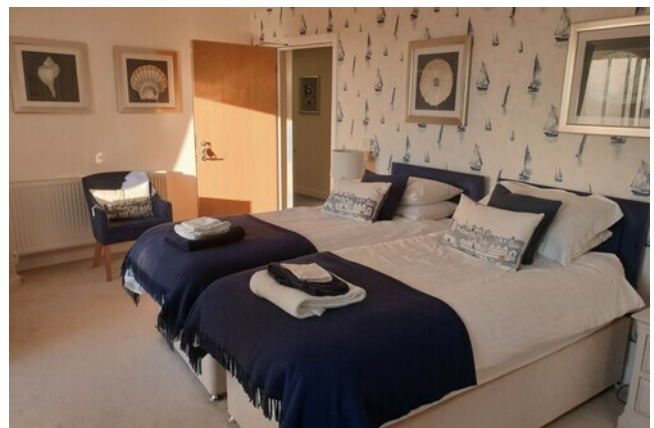
GARDENS

Following concerns with the garden contractors last year, quotes from alternative providers have been obtained following discussions with Homeowners. An alternative company has been identified for the new budget year.



GUEST SUITE

Tudor Rose boasts a beautiful guest suite which is available for your friends and family to enjoy a short break with you. Income from the guest suite is used to offset your service charges. For more details or to check availability, please speak to your Estate Manager.



3.

YOUR SERVICE CHARGE FOR THE COMING YEAR

Your service charge is calculated, as per the lease, based on the proposed budget for the 12 months ending 30 June 2023.

1 BEDROOM SERVICE CHARGE

Per Month

£581.86

Per Year

£6,982.36

2 BEDROOM SERVICE CHARGE

Per Month

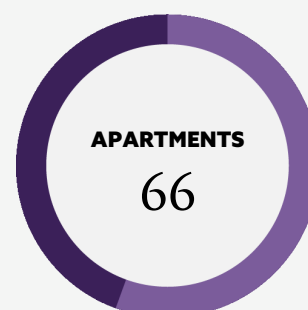
£769.16

Per Year

£9,229.95

The Service Charge is set in advance for a year and reflects the expected cost of the services we procure on your behalf as set out in the lease. We aim to keep the charge as low as possible whilst recognising inflationary pressures and other factors that may need to be taken in to account for each type of cost. We also have to ensure that the level and quality of the services provided are maintained.

YOUR DEVELOPMENT'S APARTMENT RATIO



■ 1 BEDROOM	29
■ 2 BEDROOM	37

SERVICE CHARGE INCREASE

4.1%

The proposed service charge has increased on average by 4.1% from the previous year. An increase of £23.53 per month for a single bedroom apartment and £30.35 for a 2 bedroom.

HOW THE SERVICE CHARGE IS CALCULATED

With the exception of the domestic assistance and on site catering elements of the service charge, which are equally apportioned between all apartments, all other elements of the service charge are apportioned based on the lease fraction %. Income raised on the development for the guest suite or parking permits is used to offset the cost.

SUMMARY OF THE KEY MOVEMENTS IN THE PROPOSED BUDGET

The budget for July 2022 to June 2023 takes place under rising inflationary pressure. The main areas affected by inflation are the Cost of Employment, Utilities and Insurance.

The Energy costs have increased by 15% in line with the national level and Insurance has increased by 19.3% vs 2022.

At the same time, we can see the benefits from having negotiated some national contracts under General Maintenance. These contracts have a fixed price, therefore no increased

expenditure in comparison to last year, e.g. Automatic Opening Vents, Water Treatments & Booster Pumps.

The savings with PPE will keep the Communal Services cost increase at just 1.9%.

As a result the overall increase in the service charge budget in comparison to the previous year is 4.1%.



GUEST SUITE RENTAL & YOUR SERVICE CHARGE

Income that is generated on the development, including guest suite rental and where relevant parking permits, is used to offset the total cost of the development to reduce the amount collected through the service charge.

We would normally base the budget assumption on historic usage. However, Covid continues to have an impact on the guest suite demand so the proposed budget, if applicable, has been set with this in mind.

DEVELOPMENT MANAGER AND ASSOCIATED COSTS

Includes all payroll costs along with the 24 hour emergency call team and office costs for the development.

FOOD & BEVERAGE

Delivered by third party catering contractors. This includes a management fee and all the costs of running on-site food and beverage provision. The cost of the meal is paid for by homeowners who take up the service.

COMMUNAL SERVICES

Costs relating to shared areas such as lounges and gardens. This includes the costs of energy, water, insurance, grounds maintenance and cleaning.

REPAIRS & MAINTENANCE

Planned maintenance and reactive repairs of all development assets. Ensuring regularly used assets such as lifts and doors are maintained and a provision for low level repairs.

PROFESSIONAL SERVICES

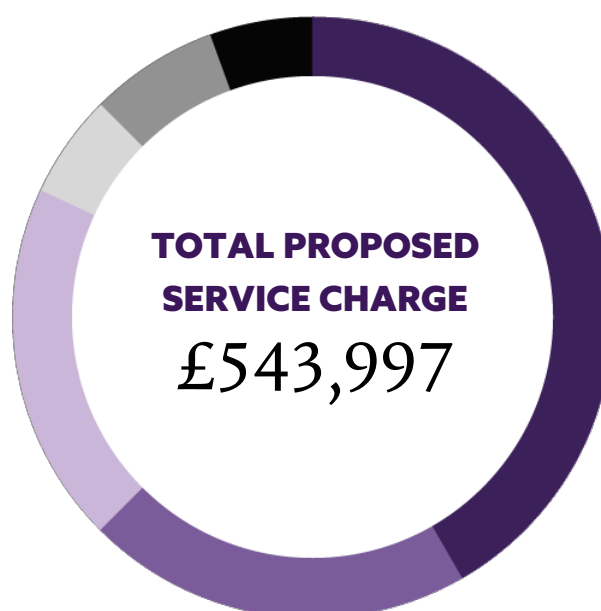
McCarthy Stone management fee; audit and bank fees.

Please note the data behind the expenditure presented in this report includes two decimal places (pence), but for ease of use we are presenting whole £ numbers, this may make some totals appear to be a £1 different when adding the lines above due to this rounding.

4.

OUR PROPOSED BUDGET

The budget is a best estimate of the costs expected in the running of your development for the coming year. Actual costs are used at the end of the year to true up the service charge account and calculate any surplus or deficit.



	22-23 (£) Proposed Budget	21-22 (£) Current Budget	Increase Decrease (%)	*20/21 (£) Actuals
DEVELOPMENT MANAGER AND ASSOCIATED COSTS	231,426	219,374	5.5% ▲	179,783
FOOD & BEVERAGE	111,847	107,164	4.4% ▲	103,170
COMMUNAL SERVICES	103,083	101,182	1.9% ▲	96,977
REPAIRS & MAINTENANCE	29,949	28,084	6.6% ▲	38,783
PROFESSIONAL SERVICES	39,908	39,111	2.0% ▲	37,735
CONTINGENCY FUND	28,985	28,416	2.0% ▲	27,859
TOTAL EXPENDITURE	545,197	523,332	4.2% ▲	477,184
INCOME	1,200	1,000	20.0% ▲	1,529
NET SERVICE CHARGE	543,997	522,332	4.1% ▲	475,655

* If 20/21 is the first year - this number will be the last 12 months actuals or the actuals accounts if less than 12 months

THE BUDGET IN MORE DETAIL

		22-23 (£) Proposed Budget	21-22 (£) Current Budget	Increase Decrease (%)		^20-21 (£) Actuals
DEVELOPMENT MANAGER & ASSOCIATED COSTS	COST OF EMPLOYMENT	169,399	159,505	6.2% ▲		142,478
	DOMESTIC ASSISTANCE	52,308	49,154	6.4% ▲		27,279
	24 HOUR EMERGENCY MONITORING	2,654	2,654	-		2,718
	OFFICE COSTS	7,065	8,062	-12.4% ▼		7,308
	TOTAL	231,426	219,374	5.5% ▲		179,783
FOOD & BEVERAGE	FOOD & BEVERAGE	111,847	107,164	4.4% ▲		103,170
	TOTAL	111,847	107,164	4.4% ▲		103,170
COMMUNAL SERVICES	ENERGY	29,828	25,937	15.0% ▲		25,050
	WATER AND SEWERAGE	7,701	7,477	3.0% ▲		4,220
	INSURANCE	12,815	10,740	19.3% ▲		10,010
	GROUNDS MAINTENANCE	5,253	5,100	3.0% ▲		2,671
	WINDOW CLEANING	6,757	6,561	3.0% ▲		6,307
	COMMUNAL CLEANING	38,128	35,885	6.3% ▲		40,487
	CLEANING MATERIALS - COMMUNAL	2,400	2,600	-7.7% ▼		3,343
	PPE	200	6,882	-97.1% ▼		4,888
	TOTAL	103,083	101,182	1.9% ▲		96,977
REPAIRS & MAINTENANCE	EMERGENCY CALL SYSTEM	6,104	6,082	0.4% ▲		5,656
	LIFT MAINTENANCE	5,111	5,338	-4.2% ▼		6,242
	GENERAL MAINTENANCE	18,734	16,665	12.4% ▲		26,885
	TOTAL	29,949	28,084	6.6% ▲		38,783
PROFESSIONAL SERVICES	MANAGEMENT FEE	38,137	37,026	3.0% ▲		35,904
	AUDIT FEE	774	762	1.6% ▲		756
	BANK CHARGES	247	223	10.7% ▲		225
	REGISTERED MANAGERS FEES (CQC)	750	1,100	-31.8% ▼		850
	TOTAL	39,908	39,111	2.0% ▲		37,735
CONTINGENCY FUND	CONTINGENCY FUND	28,985	28,416	2.0% ▲		27,859
	TOTAL	28,985	28,416	2.0% ▲		27,859
TOTAL EXPENDITURE		545,197	523,332	4.2% ▲		477,184
INCOME	GUEST SUITE INCOME	700	500	40.0% ▲		784
	NET MEALS INCOME	0	0	-		47
	OTHER INCOME	500	500	-		698
	TOTAL	1,200	1,000	20.0% ▲		1,529
NET SERVICE CHARGE		543,997	522,332	4.1% ▲		475,655

^ If 20-21 is the first year - this number will be the last 12 months actuals or the actuals accounts if less than 12 months

THE BUDGET BY APARTMENT

		Proposed Budget (£) per annum	1-Bedroom per month	2-Bedroom per month
DEVELOPMENT MANAGER & ASSOCIATED COSTS	COST OF EMPLOYMENT	169,399	167.06	250.59
	DOMESTIC ASSISTANCE	52,308	66.05	66.05
	24 HOUR EMERGENCY MONITORING	2,654	2.62	3.93
	OFFICE COSTS	7,065	6.97	10.45
	TOTAL	231,426	242.69	331.01
FOOD & BEVERAGE	FOOD & BEVERAGE	111,847	141.22	141.22
	TOTAL	111,847	141.22	141.22
COMMUNAL SERVICES	ENERGY	29,828	29.42	44.12
	WATER AND SEWERAGE	7,701	7.59	11.39
	INSURANCE	12,815	12.64	18.96
	GROUNDS MAINTENANCE	5,253	5.18	7.77
	WINDOW CLEANING	6,757	6.66	10.00
	COMMUNAL CLEANING	38,128	37.60	56.40
	CLEANING MATERIALS - COMMUNAL	2,400	2.37	3.55
	PPE	200	0.20	0.30
	TOTAL	103,083	101.66	152.49
REPAIRS & MAINTENANCE	EMERGENCY CALL SYSTEM	6,104	6.02	9.03
	LIFT MAINTENANCE	5,111	5.04	7.56
	GENERAL MAINTENANCE	18,734	18.47	27.71
	TOTAL	29,949	29.54	44.30
PROFESSIONAL SERVICES	MANAGEMENT FEE	38,137	37.61	56.42
	AUDIT FEE	774	0.76	1.14
	BANK CHARGES	247	0.24	0.37
	REGISTERED MANAGERS FEES (CQC)	750	0.74	1.11
	TOTAL	39,908	39.36	59.04
CONTINGENCY FUND	CONTINGENCY FUND	28,985	28.58	42.88
	TOTAL	28,985	28.58	42.88
TOTAL EXPENDITURE		545,197	583.05	770.94
INCOME	GUEST SUITE INCOME	700	0.69	1.04
	OTHER INCOME	500	0.49	0.74
	TOTAL	1,200	1.18	1.78
NET SERVICE CHARGE		543,997	581.86	769.16

WHILST WE ENDEAVOUR TO KEEP INCREASES IN THE SERVICE CHARGE AS LOW AS POSSIBLE THERE ARE CERTAIN FACTORS WHICH WE MUST ACCOMMODATE

INCOME

The overall income for the year is estimated as £1,200. Guest Suite income has been revised to £700 as confidence in overnight travel slowly returns.

DEVELOPMENT MANAGER & ASSOCIATED COSTS

Staff costs are based on a number of hours worked each week, using current rates with an inflation percentage added and pay award review from 1 November 2022. Increased pension & NI contributions are included in the 6.5% increase.

ENERGY

The overall cost is £29,828. This represents an increase on last year of 15%. The new tariff is a variable rate, which is difficult to forecast. We believe an additional 15% on the budgeted amount for 2022 should be a reasonable estimation for 2023.

INSURANCE

The insurance cost has gone up by 19.3% in respect to 2023 budget. This is to cover expected increases in premiums and higher excess charges.



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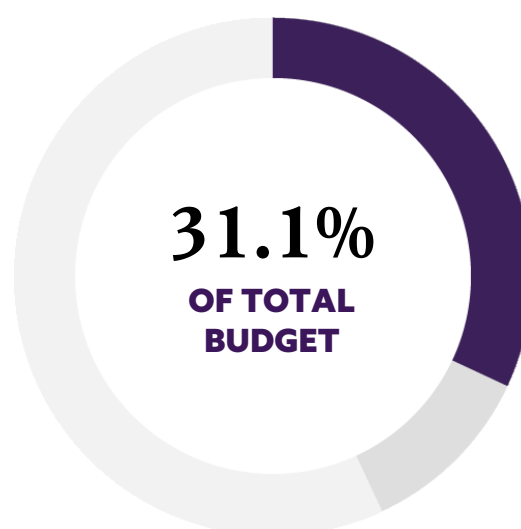
A CLOSER LOOK AT THE BUDGET

A few areas within the budget worth seeing in more detail.

DEVELOPMENT MANAGER AND ASSOCIATED COSTS

COST OF EMPLOYMENT

These include not just staff costs (salary, pension, national insurance, etc) but also associated costs such as training. The table below shows a breakdown of these costs.



		22-23 (£) Proposed Budget	21-22 (£) Current Budget	Increase Decrease (%)	^20-21 (£) Actuals
TOTAL STAFF COSTS	Including Employers NI, Pension etc.	159,068	149,129	6.7% ▲	136,236
CRB / PVOA	CRB (DBS) checks for employees	230	230	-	122
RECRUITMENT COSTS	Covers c.8 staff (excl manager)	4,000	4,000	-	1,304
TRAINING	Staff training	4,500	4,546	-1.0% ▼	3,771
TRAVEL & EXPENSES	Travel for cover, training etc	700	700	-	108
WORKWEAR	£75 per employee per year	900	900	-	936
TOTAL COST OF EMPLOYMENT		169,399	159,505	6.2% ▲	142,478

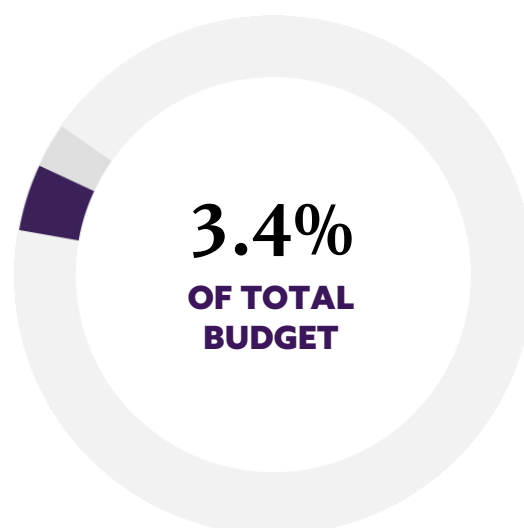
^ If 20-21 is the first year - this number will be the last 12 months actuals or the actuals accounts if less than 12 months



REPAIRS & MAINTENANCE

GENERAL MAINTENANCE

Planned maintenance of the development assets and a provision for unplanned repairs and maintenance.



		22-23 (£) Proposed Budget	21-22 (£) Current Budget	Increase Decrease (%)	^20-21 (£) Actuals
FIRE FIGHTING EQUIPMENT	Fire extinguishers, sprinklers & hydrants	277	269	3.0% ▲	72
DRY RISERS	Annual maintenance	312	312	-	312
BOOSTER PUMPS	Maintenance of water pumps	1,100	1,100	-	486
WATER TREATMENT	As determined by the bi-annual Legionella Risk Assessment	1,440	1,440	-	2,208
AIR SOURCE HEAT PUMPS	Annual maintenance	2,850	2,850	-	2,718
AUTOMATIC OPENING VENTS	Half yearly maintenance visits	1,427	1,427	-	1,391
ELECTRICAL APPLIANCE TESTING	Annual safety check of all Portable & Fixed Appliances	180	180	-	154
LIGHTNING PROTECTION	Annual maintenance	174	174	-	174
LIGHTING EQUIPMENT	As required	237	233	2.0% ▲	0
ELECTRONIC DOORS & GATES	Annual maintenance	2,851	1,016	180.7% ▲	7,061
PEST CONTROL	Regular visits	466	453	3.0% ▲	301
FEMININE HYGIENE	4 weekly uplift of sanitary bins	312	312	-	238
REACTIVE MAINTENANCE	Unplanned repairs	7,107	6,900	3.0% ▲	11,771
TOTAL		18,734	16,665	12.4% ▲	26,885

^ If 20-21 is the first year - this number will be the last 12 months actuals or the actuals accounts if less than 12 months

6.

FAQS

SOME OF OUR MOST COMMON QUESTIONS REGARDING THE ANNUAL BUDGET

HOW ARE BUDGETS PREPARED AND WHAT IS INCLUDED IN THEM?

We apply standard assumptions for each budget area to calculate the service charges for all the developments we manage which are then adjusted on an individual basis to take account of the number of apartments and facilities offered.

We aim to deliver value for money recognising inflationary pressures and other factors that may need to be taken into account. We also have to ensure that the level and quality of the services provided are maintained.

All budgets are reviewed by your Area Manager and the McCarthy Stone finance team to ensure we apply both a level of local and central knowledge to the process.

HOW CAN I BE SURE WE ARE GETTING VALUE FOR MONEY?

Using the combined weight of all 470+ developments we manage we are able to negotiate price and quality on nationwide contracts.

We employ a specialised broker to ensure your energy is bought at the best price in the market place.

WHAT HAPPENS IF THE ACTUAL COSTS ARE MORE OR LESS THAN THE BUDGET?

During the financial year we monitor the actual costs incurred against the budget. At the end of the financial year we produce a set of accounts which are audited by an independent firm of accountants.

Any surplus which is as a result of an underspend or saving is returned to homeowners in line with the lease fraction calculation. Any deficit as a result of actual costs being in excess of the budget will be invoiced to homeowners, again apportioned based on the lease fraction. For this reason it is important that the budget is as realistic as possible to avoid material surpluses or deficits at the end of the year.

WHAT SHOULD I DO IF I HAVE QUESTIONS ABOUT THE PROPOSED BUDGET?

It is our responsibility as your managing agent to ensure the budget is set at a realistic level to cover the expected costs.

If after reviewing this document, and the assumptions we have made in calculating the budget for the coming year, you have any concerns about any particular cost in the budget that has not been explained in this report then please raise it in the first instance with your development manager.



WHY DO I HAVE TO CONTRIBUTE TO THE CONTINGENCY FUND?

Some of the costs of maintaining the buildings are not incurred evenly every year. For example the internal and external decorations might only be carried out once every 5 or 10 years. It would not be practical for the service charge to be flexed to include these costs in the year they are incurred.

The contingency fund budget is based on the expected costs of these larger projects and spread over the number of years before they need completing to ensure the funds are available when the work needs to be carried out.

WHAT IS THE LEASE FRACTION?

The lease fraction is the calculation which determines how we allocate the total service charge budget across the apartments in development.

For our Retirement Living Plus developments, the lease stipulates that Food & Drink and 1-Hour Domestic Assistance are allocated evenly across all apartments.

All other costs are based on lease fraction where the apportionment is higher for the larger apartments with more bedrooms.

WHAT IS IN THE MANAGEMENT FEE CHARGED BY MCCARTHY STONE?

The management fee is set each year on a per apartment basis which is industry-standard. This is the price that McCarthy Stone will charge the development for the wide range of activities that are carried out in order to manage the development including:

- Operational support – Area Manager, plus any support required from the Regional Operations Manager
- Finance – preparing budgets and accounts, responding to audit queries, supporting Area Managers with homeowner queries, paying supplier invoices, invoicing and collecting service charges, credit control, reconciling the bank account monthly
- Building support including managing contracts
- Human resources and payroll
- Legal counsel services

We believe that our fees remain competitive within the Property Management industry and we remain committed to delivering a quality management service, including continued investment in the strength of our offering.

Life, well

“I hope this report gives you the information you need and has provided transparency in the way the proposed budget has been calculated.

We will use this same format to share the actual spends against this budget at the end of the financial period.

If you have ideas about other information you’d like to see in these documents please let your development management team know.”



FIONA CARLETON
MANAGING DIRECTOR - SERVICES

FIND OUT MORE

Want to know more about your budget report?
Or have questions about life with McCarthy
Stone? Please speak to your development
manager or visit our website at
[**mccarthyandstone.com**](http://mccarthyandstone.com)