



Service Charge

Jul 2026 - Jun 2027

Tudor Rose Court, Southsea

McCarthy Stone
Retirement living *your way*

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Your service charge for 2026/27



I am pleased to outline your service charge budget for financial year 2026/27. The service charge covers the cost of running and maintaining your development and providing the services that support you. It is our responsibility as your managing agent to ensure it's set at a realistic level to cover the expected costs. We do everything possible to achieve this.

This detailed report gives you full transparency of what's included. The service charge is made up of three core elements:

1. services that make up the everyday costs of running your development which we manage on your behalf (c. 86% of the service charge). You pay the same for these services as they cost us, and we don't add any additional fees.
2. the contingency fund to ensure there are funds to pay for future planned maintenance (around c. 8% of the charge)
3. the management fee (c. 6% of the charge). This covers our support costs for your development including operational support for our Estate Manager from an Operations Manager and Divisional Director. It also includes our national procurement service so we can negotiate low prices for the services the development needs, financial support to prepare the annual budgets and accounts, customer relations, training for staff, payroll and legal support.

We continue to deliver services in a volatile economic environment, with continuing inflationary pressures. As in recent years, labour

costs continue to be one of the biggest costs within the service charge; for our suppliers and our own staff to ensure we attract and retain the right people, in a very competitive recruitment market.

Effectively managing our suppliers remains a priority. We manage over 570 developments and use our size to negotiate terms, price, and quality on nationwide contracts. While response times and first-time fix rates have improved, feedback from homeowners and colleagues shows we need to do more to further improve suppliers' performance. By late 2026, we intend to appoint a smaller number of suppliers to carry out maintenance and repairs through a competitive tender process to improve performance. As part of this process, leaseholders and recognised Residents' Associations were invited to submit their observations on the proposed agreements and/or nominate a contractor against agreed criteria, which will be carefully considered before final decisions are made.

As ever, to calculate your monthly charge, the total costs are split across all apartments over a 12-month period, according to the lease fraction relevant to your development.

Thank you for choosing to live at a McCarthy Stone development. I hope we continue to deliver a great service which enhances your experience and enjoyment of living in your home.

Gareth Barter

Divisional Director - Operations

1.

Key impacts on your service charge

Energy

Energy costs make up a significant part of your service charge, and we want to assure you that we're working hard to manage these costs responsibly. We do this by working with a trusted energy broker, closely monitoring market conditions and making well-timed decisions to secure the best energy contracts for you. Our goal is to give you good value even when the market is uncertain. We have secured fixed contracts up to September 2026 mitigating the impact of volatility in the wholesale market.

In 2024/25, Standing and Availability Charges have increased because of changes in the energy market and government plans for clean energy. Prices can still change because of global events, but recent tenders that suggest there might be opportunities for more savings in the future. We are committed to securing energy for you at the best possible rates, protecting you from rising costs while contributing to a cleaner, more sustainable future.

Supply chain

The Supply Chain team control annual spending of c. £65 million and manage the performance of more than 2,000 suppliers. In the continued face of volatile and challenging market conditions, they ensure savings, through competitive tendering and benchmarking, are made and cost increases are avoided wherever possible. Our supply chain performance is critical in delivering quality services for you. We rigorously monitor our national suppliers against defined service standards and performance metrics to ensure consistent quality and reliability. Poor performance is challenged and rectified.

Tighter control has seen improvements in supplier performance in FY25/26, including response times and first-time fix rates. For example, OpenView maintain our warden call systems; they attend emergency breakdowns within a four- hour service level 100% of the time, and they now fix over 89% of breakdowns first time. Meanwhile our lift supplier, Orona, has ensured that over 850 lifts have been available for 99.94% of the time across all our developments in the last 12 months.

Labour costs and inflation continue to drive price increases, but all requests from suppliers are challenged and must be justified before we accept them. Many suppliers are contractually entitled to increase their charges annually by the rate of inflation, but we have successfully challenged several of these so that many will see no increase next year. However, Government changes to the National Living Wage and employers' National Insurance contributions mean that many contracts will increase in cost during 2026.

Homeowner and colleague feedback has shown we need to do more to further improve suppliers' performance. To tackle this, during 2026 we are conducting a competitive tendering process, to appoint a much smaller number of suppliers to carry out maintenance and repairs, which will have a positive impact on the overall performance. We will leverage our buying power to negotiate new contracts.

By having a smaller number of suppliers to manage, we will be able to build strong partnerships with them to manage their performance even more effectively.

Food and beverage

We've been working closely with our catering partner, Elixir, to continue improving the quality of our food and service delivery while offering great value for money. We understand how important it is to manage costs, and we've worked hard to keep any price increases to an absolute minimum.

Whilst we've been able to hold meal prices in a challenging market over the past few years, 2026

will see a small percentage increase to reflect rising ingredient and operational cost pressures.

Our aim remains the same, to ensure you continue to enjoy fresh, high-quality meals at a fair price. We'll also keep reviewing costs to identify further savings and operational improvements wherever possible.

Employment costs

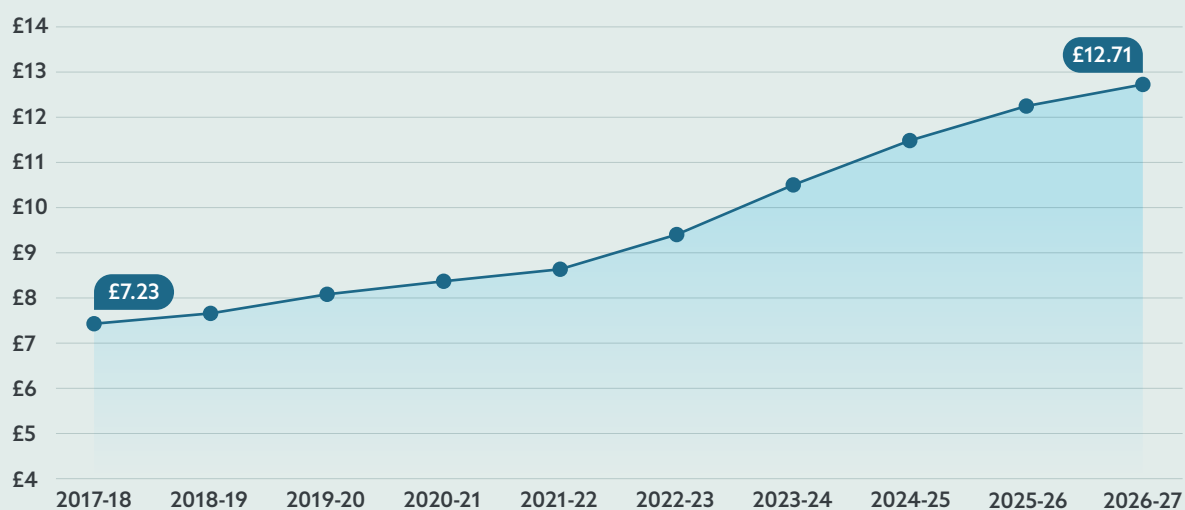
Labour-related costs remain a key factor in the cost of running and maintaining your development. The National Living Wage will increase again in April 2026, moving to £12.71 for workers aged 21 and over. This continues a multi-year pattern of strong wage growth, putting pressure on businesses to manage rising payroll costs.

In addition, employer National Insurance (NI) changes introduced in April 2025 have added

further pressure. The employer NI rate is now 15%, and the threshold at which contributions begin has been lowered to £5,000, meaning employers pay NI on a greater share of each employee's earnings.

These factors have had and will continue to have a considerable inflationary impact on the economy, putting upward pressure on the cost of goods and services.

In 2026/27, the national living wage will have seen a 75.8% increase since 2017



2. Your service charge for the coming year

Your individual service charge is calculated, as per the lease, based on the development service charge for the 12 months ending 30 June 2027.

1 Bedroom	Per Month	Per Year
	£783.17	£9,397.99

2 Bedroom	Per Month	Per Year
	£1,035.71	£12,428.48

The service charge is set in advance for the forthcoming year and reflects the expected cost of the services we procure on your behalf as set out in the lease. We are committed to keep the charge as low as possible, ensuring quality and a good level of service is maintained while also taking account of inflationary pressures and other factors for each type of cost.

Your development's
apartment ratio



■ 1 Bedroom	29
■ 2 Bedroom	37

Service charge
increase

3.2%

The service charge has increased on average by 3.2% from the previous year. An increase of £20.81 per month for a single bedroom apartment and £34.10 for a 2 bedroom.

Disclaimer

Rounding discrepancies between the figures presented in the brochure and those recorded in the billing system may be observed.

The service charge is the estimated cost of running your development for the coming year. It has been calculated to ensure that at the end of the year there is sufficient funding to cover all reasonably expected costs.

These costs are offset by any income we expect to be earned such as the income from guest suite bookings or parking permits, which are gifted by McCarthy Stone to the development (where applicable).

How is my service charge contribution calculated?

The percentage you contribute is calculated according to the terms of your lease. We refer to this percentage as the lease fraction which you can refer to under the 8th schedule section of your lease.

What is the lease fraction?

The lease fraction is the methodology used to calculate the divide of the service charge across homeowners where the larger units contribute more towards the overall cost. This is a standard industry practice.

The dividing factor/denominator noted in your lease assigns a 2 to a 1 bed, 3 to a 2 bed and so on. It represents 1 part contribution for each bed and 1 part contribution for the communal area. In addition, the lease stipulates that Food & Drink and 1-Hour Domestic Assistance are allocated evenly across all apartments.



Development manager and associated costs

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

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 and 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

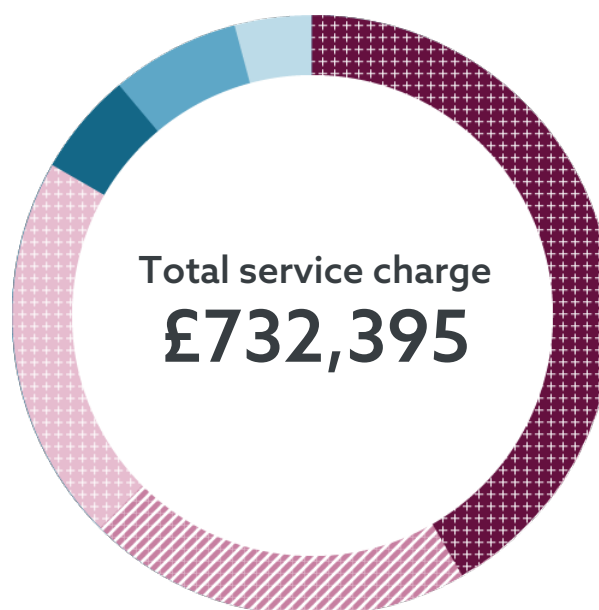
McCarthy Stone management fee; audit and bank fees.

Contingency fund

A separate fund to build up reserves for major works and long-term maintenance of the development which contributes towards ensuring asset values are maintained.

3. Our service charge

The service charge 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.



	26-27 (£) Service Charge	25-26 (£) Service Charge	Increase Decrease (%)	▲ ▼	^24/25 (£) Actuals
Development Manager and Associated Costs	306,003	289,132	5.8%	▲	242,441
Food & Beverage	150,428	159,108	-5.5%	▼	153,153
Communal Services	154,421	153,184	0.8%	▲	135,833
Repairs & Maintenance	41,081	31,110	32.1%	▲	67,726
Professional Services	49,411	47,469	4.1%	▲	45,510
Contingency Fund	34,851	33,836	3.0%	▲	33,173
Total Expenditure	736,195	713,839	3.1%	▲	677,836
Income	3,800	3,823	-0.6%	▼	4,704
Net Service Charge	732,395	710,016	3.2%	▲	673,132

^ If 24/25 is the first year, this number will be the last 12 calendar months or the year-end accounts, if less than 12 months.

The service charge in more detail

		26-27 (£) Service Charge	25-26 (£) Service Charge	Increase Decrease (%)		^24-25 (£) Actuals
Development Manager & Associated Costs	Cost Of Employment	217,908	211,176	3.2% ▲		196,208
	Domestic Assistance	69,814	65,716	6.2% ▲		31,816
	24 hour Emergency Monitoring	5,251	3,296	59.3% ▲		4,467
	Office Costs	13,031	8,944	45.7% ▲		9,950
	Total	306,003	289,132	5.8% ▲		242,441
Food & Beverage	Food & Beverage	150,428	159,108	-5.5% ▼		153,153
	Total	150,428	159,108	-5.5% ▼		153,153
Communal Services	Energy	63,134	71,474	-11.7% ▼		54,262
	Water And Sewerage	10,021	8,215	22.0% ▲		5,663
	Insurance	15,568	12,557	24.0% ▲		12,888
	Grounds Maintenance	4,528	5,511	-17.8% ▼		7,577
	Window Cleaning	6,307	4,807	31.2% ▲		4,562
	Communal Cleaning	51,949	47,791	8.7% ▲		48,749
	Cleaning Materials - Communal	2,914	2,829	3.0% ▲		1,761
	PPE	0	0	-		371
	Total	154,421	153,184	0.8% ▲		135,833
Repairs & Maintenance	Emergency Call System	5,335	5,749	-7.2% ▼		9,196
	Lift Maintenance	4,301	4,392	-2.1% ▼		5,252
	General Maintenance	31,445	20,969	50.0% ▲		53,277
	Total	41,081	31,110	32.1% ▲		67,726
Professional Services	Management Fee	47,735	45,530	4.8% ▲		43,527
	Audit Fee	950	912	4.2% ▲		888
	Bank Charges	200	200	-		268
	Registered Managers Fees (CQC)	526	827	-36.4% ▼		827
	Total	49,411	47,469	4.1% ▲		45,510
Contingency Fund	Contingency Fund	34,851	33,836	3.0% ▲		33,173
	Total	34,851	33,836	3.0% ▲		33,173
Total Expenditure		736,195	713,839	3.1% ▲		677,836
Income	Guest Suite Income	3,000	3,323	-9.7% ▼		3,521
	Net Meals Income	0	0	-		383
	Other Income	800	500	60.0% ▲		800
	Total	3,800	3,823	-0.6% ▼		4,704
Net Service Charge		732,395	710,016	3.2% ▲		673,132

The service charge by apartment

		Service Charge (£) per annum	1-Bedroom per month	2-Bedroom per month
Development Manager & Associated Costs	Cost Of Employment	217,908	214.90	322.35
	Domestic Assistance	69,814	88.15	88.15
	24 hour Emergency Monitoring	5,251	5.18	7.77
	Office Costs	13,031	12.85	19.28
	Total	306,003	321.08	437.54
Food & Beverage	Food & Beverage	150,428	189.94	189.94
	Total	150,428	189.94	189.94
Communal Services	Energy	63,134	62.26	93.39
	Water And Sewerage	10,021	9.88	14.82
	Insurance	15,568	15.35	23.03
	Grounds Maintenance	4,528	4.47	6.70
	Window Cleaning	6,307	6.22	9.33
	Communal Cleaning	51,949	51.23	76.85
	Cleaning Materials - Communal	2,914	2.87	4.31
	PPE	0	0.00	0.00
	Total	154,421	152.29	228.43
Repairs & Maintenance	Emergency Call System	5,335	5.26	7.89
	Lift Maintenance	4,301	4.24	6.36
	General Maintenance	31,445	31.01	46.52
	Total	41,081	40.51	60.77
Professional Services	Management Fee	47,735	47.08	70.61
	Audit Fee	950	0.94	1.41
	Bank Charges	200	0.20	0.30
	Registered Managers Fees (CQC)	526	0.52	0.78
	Total	49,411	48.73	73.09
Contingency Fund	Contingency Fund	34,851	34.37	51.56
	Total	34,851	34.37	51.56
Total Expenditure		736,195	786.91	1,041.33
Income	Guest Suite Income	3,000	2.96	4.44
	Other Income	800	0.79	1.18
	Total	3,800	3.75	5.62
Net Service Charge		732,395	783.17	1,035.71

4.

Maintaining and repairing assets

As your managing agent, we're responsible for maintaining your development and ensuring that all communal assets and equipment are safe, compliant, and in good working order. Our goal is to protect both your home and your investment by keeping the building in excellent condition and extending the life of its key assets.

There are many systems within your development that require regular maintenance and, occasionally, repair – from smoke detectors and emergency lighting to larger assets such as lifts, water pumps, and heating systems. We manage these through a proactive, planned maintenance programme with our trusted contractors. This ensures compliance with all relevant safety standards and helps assets last as long as possible, replacing them only when necessary and cost-effective to do so.

When unexpected issues arise – such as a lift breaks down or a pipe bursts – we act quickly to resolve them. The cost and timing of these reactive repairs can't always be predicted, so we include a reactive maintenance allowance within your service charge so we can respond promptly when needed.

We also plan ahead with our Asset Management Plan, which looks at the next 5–10 years. This plan sets out when major works are likely to happen, such as redecorating or replacing lifts or automatic doors. The cost of these works comes from your contingency fund, which is carefully calculated to ensure there's enough financial provision for these works.

Before major works or long-term contracts over a certain cost begin, we consult with homeowners through the Section 20 process; which is a legal requirement. This allows you to review proposed works, comment on

specifications, and nominate alternative contractors – ensuring transparency and fairness in how your funds are managed.

To maintain safety and compliance, we also commission professional specialists to complete Fire Risk Assessments, Stock Condition Surveys, and other necessary inspections. These services are essential to keeping your building safe and compliant with current regulations.

Above all, our priority is your safety and peace of mind. Through effective maintenance, open consultation, and careful financial planning, we're committed to keeping your development a secure, compliant, and well-managed place to live.



5.

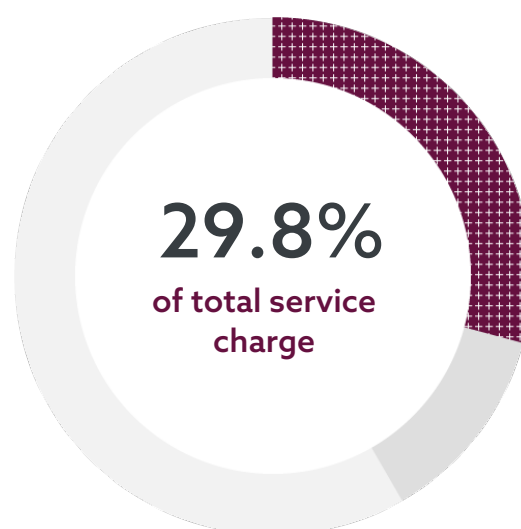
A closer look at the service charge

A few areas within the service charge 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.

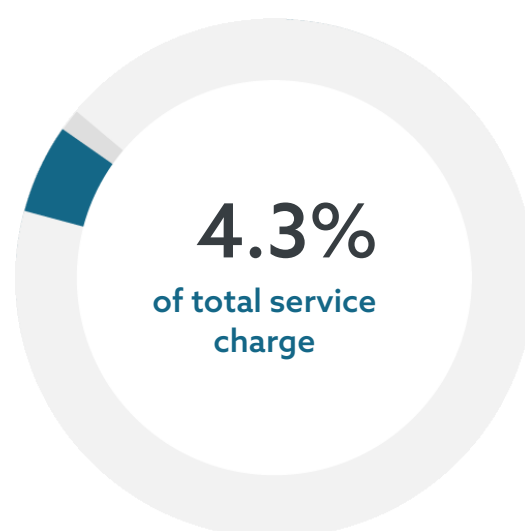


		26-27 (£) Service Charge	25-26 (£) Service Charge	Increase Decrease (%)	^24-25 (£) Actuals
Total Staff Costs	Including Employers NI, Pension etc.	207,604	200,846	3.4% ▲	195,386
CRB / PVOA	CRB (DBS) checks for employees	204	230	-11.3% ▼	239
Recruitment Costs	Covers c.8 staff (excl manager)	4,000	4,000	-	0
Training	Staff training	4,500	4,500	-	43
Travel & Expenses	Travel for cover, training etc	700	700	-	0
Workwear	£75 per employee per year	900	900	-	541
Total		217,908	211,176	3.2% ▲	196,208

Repairs & maintenance

General maintenance

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



		26-27 (£) Service Charge	25-26 (£) Service Charge	Increase Decrease (%)		[^] 24-25 (£) Actuals
Fire Fighting Equipment	Fire extinguishers, sprinklers & hydrants	1,625	374	334.5%	▲	1,657
Dry Risers	Annual maintenance	321	312	3.0%	▲	312
Booster Pumps	Maintenance of water pumps	1,489	1,100	35.4%	▲	320
Water Treatment	As determined by the bi-annual Legionella Risk Assessment	2,194	1,762	24.5%	▲	5,413
Air Source Heat Pumps	Annual maintenance	1,850	1,650	12.1%	▲	3,360
Automatic Opening Vents	Half yearly maintenance visits	1,454	1,426	2.0%	▲	1,410
Electrical Appliance Testing	Annual safety check of all Portable & Fixed Appliances	618	600	3.0%	▲	340
Lightning Protection	Annual maintenance	399	201	98.3%	▲	201
Lighting Equipment	As required	288	280	3.0%	▲	4,830
Light Bulbs	As required	0	0	-		116
Electronic Doors & Gates	Annual maintenance	3,263	3,086	5.7%	▲	5,639
Pest Control	Regular visits	633	615	3.0%	▲	514
Feminine Hygiene	4 weekly uplift of sanitary bins	360	360	-		236
Reactive Maintenance	Unplanned repairs	16,950	9,203	84.2%	▲	28,930
Total		31,445	20,969	50.0%	▲	53,277

6.

Frequently asked questions

Some of our most common questions regarding the annual service charge

How are service charges prepared?

Our Finance team, together with our Supply Chain, Property and Operations teams, follow a formal process to prepare the budgets for each development under our management ahead of the upcoming financial year.

As part of this process, financial assumptions are applied to each cost area of the budget. These take into account:

- existing and future maintenance and other service contracts
- a review of historic actual costs where relevant
- available forecast market indicators
- factors such as inflationary pressures.

Calculations are then made to estimate the new costs and subsequent service charge, in accordance with the terms of the lease. After a rigorous review process, the budgets are finalised and approved.

Assumptions are adjusted for each individual development to take account of the number of apartments and facilities available, and the costs of providing services to homeowners and maintaining and managing the development for the upcoming financial year.

The budgets are prepared based on information available at the time.

What is included in the service charge and is it value for money?

The service charge covers the cost of running and maintaining your development. It is our responsibility as your managing agent to ensure it is set at a realistic level to cover the expected costs. It is made up of three core elements:

- **Services that make up the everyday costs of running our developments.** You pay the same for these services as they cost us, and we don't add any additional fees. They are primarily delivered by external suppliers. They include the employment of our on-site CQC-Registered Estate Manager and a team of up to 17 people who run the development, deliver our services, bring together the community and are the point of contact for homeowners and their families. It also includes one hour of domestic support a week, a commercial scale restaurant or bistro with a dedicated chef just for homeowners, their family and friends, 24 hour emergency support with an emergency alarm, plus everyday essential costs such as maintenance, heating and cleaning of communal areas, buildings insurance, the intruder alarm, water rates, sewerage rates, gardening and window cleaning. There are also large communal areas and periodic health & safety inspections and fire risk assessments. This cost makes up around 86% of the service charge.



Costs for these services are influenced by government decisions, such as increases to the National Living Wage and employers' National Insurance contributions, and national factors, like inflation. We manage over 570 different developments and use our size to negotiate terms, price and quality on nationwide contracts.

- **The contingency fund.** We are responsible for maintaining your development and ensuring the building and its equipment work correctly, are safe and have a long life. We manage a contingency fund to ensure there are funds to pay for this maintenance work, which includes internal and external decorations, as well as long term repairs for things like roofs, alarm systems, and lifts. This money is held in a bank account for homeowners, and your specific development. It is for homeowners' benefit and does not come to McCarthy Stone. A small percentage fee paid at the point of resale of the apartment is also added to the fund. This cost makes up c. 8% of the service charge.
- **Our management fee.** This covers our support costs for your development including operational support for our Estate Manager from an Operations Manager and Divisional Director. It also includes our national procurement service so we can negotiate low prices for the services the development needs, financial support to prepare the annual budgets and accounts, customer relations, training for staff, payroll

and legal support. The contribution to the management fee makes up c. 6% of the service charge.

What happens if the actual costs are more or less than the service charge?

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 the result of an underspend or saving is returned to homeowners in line with the lease fraction calculation. If the actual costs exceeded the service charge budget, homeowners will be invoiced for the relevant amount, apportioned based on the lease fraction. We endeavour to ensure that the service charge budget is as realistic as possible to avoid surpluses or deficits at the end of the year.

What should I do if I have any questions about the service charge?

Once you've reviewed this information pack, if you have queries or concerns, and please raise them with your House/Estate Manager who will collate them for your Operations Manager ahead of the homeowner budget meeting. You can also access your development's online Customer Hub (see page 15). Where you'll find additional information, including a worked example of how the lease fraction is applied to a development. Your House/Estate Manager will be able to help you access it, if needed.



Why do I have to contribute to the contingency fund?

We are responsible for maintaining your development and ensuring that the buildings and their equipment work correctly, are safe and have a long life. We manage the contingency fund to ensure there are funds to pay for this work, which includes internal and external decorations, as well as long term repairs for things like roofs, alarm systems, window frames and lifts. This money is held in a bank account for homeowners, with one account for each of our developments. It is for the benefit of the homeowners and does not come to McCarthy Stone. We follow best practice, as set out by The Property Institute (formerly ARMA).

The fund is made up of monthly contributions paid through the service charge, plus a small percentage fee that is paid at the point of resale of the apartment.

What is the lease fraction?

The lease fraction is the calculation which determines how we allocate the total annual service charge across the apartments in the development. Details of your lease fraction can be found in Schedule 8 of your apartment lease.

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

All costs are based on the lease fraction where the apportionment is higher for the larger apartments with more bedrooms. A worked example of how the lease fraction is applied to a development is available on the Digital Customer Hub.

What is in the management fee charged by McCarthy Stone?

The management fee covers our support costs for your development including operational support for your Estate Manager from an Operations Manager and Divisional Director. It also includes our national procurement service so we can negotiate low prices for the services our developments need, financial support to prepare the annual budgets and accounts for each development, customer relations, training for staff, payroll and legal support. The contribution to the management fee makes up around 6% of the service charge.

7.

How to access your development budget online

Enter this address into your browser's URL bar & press enter to view your development's information

hub.mccarthyandstone.co.uk/1733A

or

Open your device's camera, point it at the adjacent QR code and tap the notification to go directly to your development's website

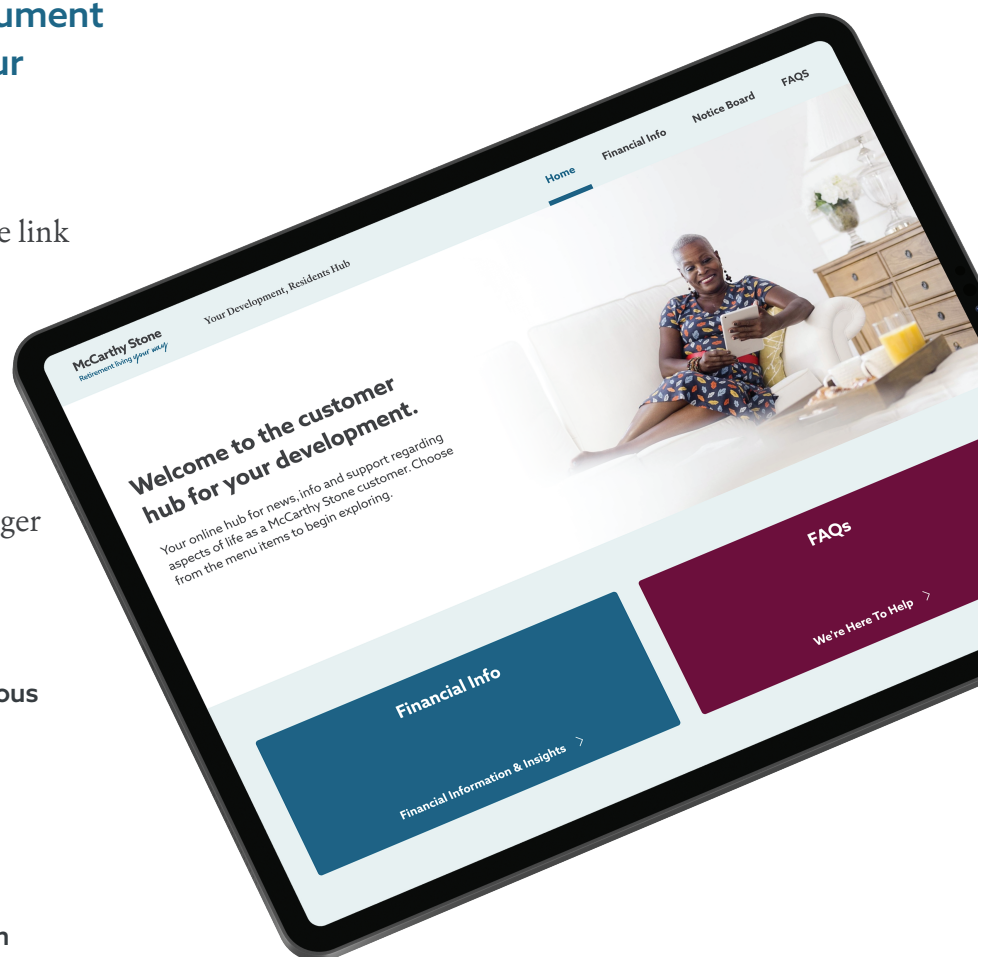


You can now access this document online at any time through our Customer Hub

View documentation more clearly, download or print a copy, or share the link with family or friends. Choosing the digital version also helps reduce unnecessary printing.

We'll continue to add more useful information in the future so try it out today or ask your House/Estate Manager for support getting online.

- ✔ View or download current and previous service charge documents.
- ✔ Access audited accounts
- ✔ Find answers to common questions
- ✔ View future updates and information
- ✔ Increase text size for easy reading



Thank you



This information pack aims to give you all the detail you need about your upcoming service charge and to clearly explain how the various elements have been calculated and forecasted. The content of this pack has evolved again this year, having listened to customer feedback. For example, we have provided more detail on the three different areas which make up the service charge.

Your House/Estate Manager will be able to answer general questions regarding the information in this report.

If you have any detailed queries once you have read it, please send them to your House/Estate Manager who will collate them and share them with me prior to the forthcoming homeowner budget meeting.

Tia Richardson
Operations Manager



Find out more

If you have questions about your service charge, or any aspect of living at your development, please speak to your House/Estate Manager or visit the online Customer Hub.