



McCARTHY STONE
Life, well lived

OCT 2022 - SEP 2023

BUDGET REPORT

HERON PLACE, KIDLINGTON



SECTIONS

1. Energy Costs
 2. Your Development In The Coming Year
 3. Your Service Charge For The Coming Year
 4. Our Proposed Budget
 5. A Closer Look At The 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

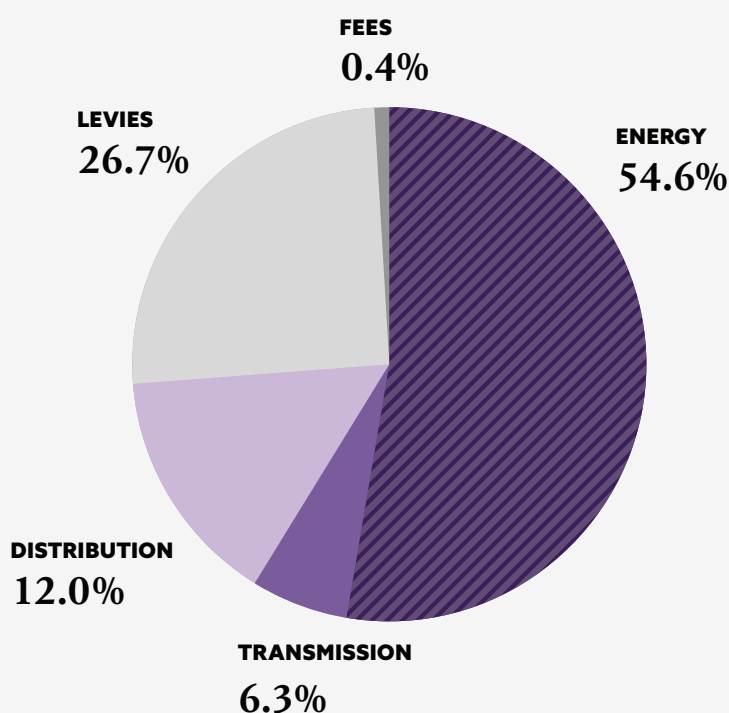
In the middle of this current price volatility where prices are inflating, Co-op Power's experts have significantly protected prices McCarthy Stone members pay by looking years ahead, carefully securing prices for the long term ['hedging'] to mitigate pricing risks.



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 heats 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 the next 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.

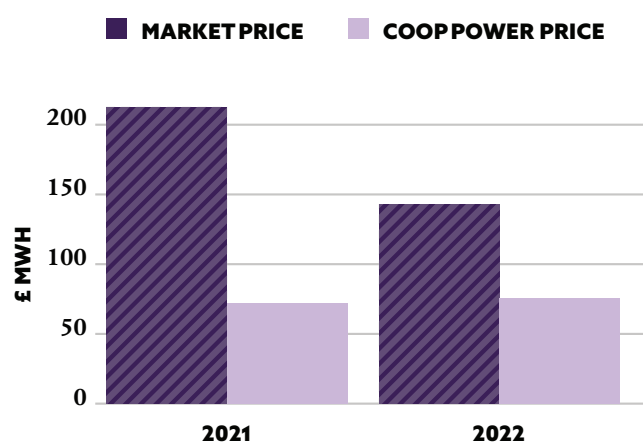
DISTRIBUTION

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 operations manager and development's team are focused on ensuring we deliver value for money.

A MESSAGE FROM YOUR OPERATIONS MANAGER

Firstly, I would like to introduce myself as your interim Operations Manager and look forward to meeting you all soon.

Welcome to your new budget brochure for 2022/23. The new financial year unfortunately presents some increased cost challenges with increases in energy and maintenance. Therefore, you will see increases in costs associated with repairs/maintenance and energy. In spite of these challenges, we have aimed to keep your budget increase to a minimum whilst ensuring that we have taken a realistic view of the year ahead to meet the predicted costs of running your development.

The positive news is that you can help to reduce your service charge by encouraging maximum use of the guest suite. All the income generated will come back to your development income fund. Therefore please continue to enjoy your guests visiting and minimise your ongoing costs at the same time!

PAULINE MCINTYRE
OPERATIONS MANAGER



OCT '22

NOV '22

DEC '22

JAN '23

FEB '23

MAR '23

APR '23

MAY '23

JUN '23

JUL '23

AUG '23

SEP '23

COMMUNAL LOUNGE

Your beautiful lounge area is a great place to meet for your coffee mornings and entertain your guests who may visit, with lovely views of your gardens.



GARDENS

The gardens are kept lovely with the contract you have in place and makes a pleasant area for entertaining or having a peaceful read or stroll.



ROOF SURVEY

Your recent roof survey was completed and the work needed for this will be conducted with your external decorations to reduce any impact it may have on you.



3.

YOUR SERVICE CHARGE FOR THE COMING YEAR

Your common charge is calculated, as per the deed of conditions, based on the proposed budget for the 12 months ending 30 September 2023.

1 BEDROOM COMMON CHARGE

Per Month

£224.54

Per Year

£2,694.45

2 BEDROOM COMMON CHARGE

Per Month

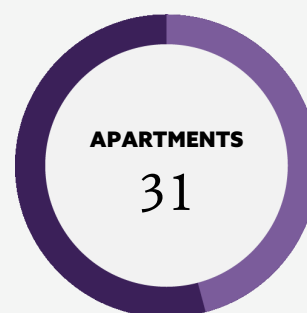
£336.81

Per Year

£4,041.67

The Common 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 deed of conditions. 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	17
■ 2 BEDROOM	14

COMMON CHARGE INCREASE

4.8%

The proposed common charge has increased on average by 4.8% from the previous year. An increase of £10.27 per month for a single bedroom apartment and £15.40 for a 2 bedroom.

HOW THE COMMON CHARGE IS CALCULATED

The common charge budget is apportioned between all apartments on the basis of the share of common charges % as described in the deed of conditions. 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 October 2022 to September 2023 takes place under rising inflationary pressure. The main areas affected by inflation are the Cost of Employment, Utilities and Insurance.

Increases to the National Living Wage & National Insurance have increased staffing costs on the site but 24 Hour Emergency Monitoring costs & Office Costs have remained largely the same.

Increases have been applied to the local Grounds & Cleaning contracts but larger increases have had to be applied to Utility and Insurance spends.

Some national contracts have remained the same as the prior year but costs have increased due to new Fixed Appliance Testing costs and an increase in the national Electronic Door maintenance contract.



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.

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

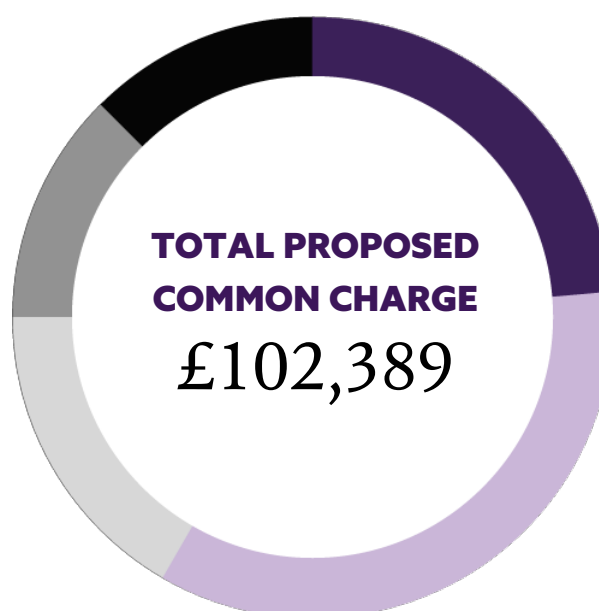
McCarthy Stone management fee; audit and bank fees.

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 £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	26,290	24,762	6.2% ▲	20,037
COMMUNAL SERVICES	38,826	34,639	12.1% ▲	29,230
REPAIRS & MAINTENANCE	18,062	16,424	10.0% ▲	20,535
PROFESSIONAL SERVICES	13,575	13,260	2.4% ▲	12,778
CONTINGENCY FUND	13,386	13,124	2.0% ▲	12,376
TOTAL EXPENDITURE	110,139	102,209	7.8% ▲	94,956
INCOME	7,750	4,500	72.2% ▲	7,037
NET COMMON CHARGE	102,389	97,709	4.8% ▲	87,919

* 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	20,227	18,998	6.5% ▲		16,452
	24 HOUR EMERGENCY MONITORING	3,003	3,003	-		1,773
	OFFICE COSTS	3,059	2,760	10.8% ▲		1,812
	TOTAL	26,290	24,762	6.2% ▲		20,037
COMMUNAL SERVICES	ENERGY	10,695	8,387	27.5% ▲		7,774
	WATER AND SEWERAGE	5,440	5,282	3.0% ▲		2,632
	INSURANCE	5,702	4,696	21.4% ▲		4,308
	GROUNDS MAINTENANCE	9,056	7,910	14.5% ▲		7,092
	WINDOW CLEANING	2,625	2,500	5.0% ▲		2,320
	COMMUNAL CLEANING	5,045	4,805	5.0% ▲		4,110
	CLEANING MATERIALS - COMMUNAL	63	250	-75.0% ▼		69
	PPE	200	809	-75.3% ▼		925
	TOTAL	38,826	34,639	12.1% ▲		29,230
REPAIRS & MAINTENANCE	EMERGENCY CALL SYSTEM	2,335	2,335	-		2,345
	LIFT MAINTENANCE	1,278	1,278	-		2,739
	GENERAL MAINTENANCE	14,449	12,811	12.8% ▲		15,452
	TOTAL	18,062	16,424	10.0% ▲		20,535
PROFESSIONAL SERVICES	MANAGEMENT FEE	12,900	12,524	3.0% ▲		12,152
	AUDIT FEE	575	575	-		551
	BANK CHARGES	100	161	-37.9% ▼		75
	TOTAL	13,575	13,260	2.4% ▲		12,778
CONTINGENCY FUND	CONTINGENCY FUND	13,386	13,124	2.0% ▲		12,376
	TOTAL	13,386	13,124	2.0% ▲		12,376
TOTAL EXPENDITURE		110,139	102,209	7.8% ▲		94,956
INCOME	GUEST SUITE INCOME	1,000	500	100.0% ▲		52
	PARKING PERMITS	4,500	4,000	12.5% ▲		4,381
	OTHER INCOME	2,250	0	100% ▲		2,604
	TOTAL	7,750	4,500	72.2% ▲		7,037
NET COMMON CHARGE		102,389	97,709	4.8% ▲		87,919

^ 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	20,227	44.36	66.54
	24 HOUR EMERGENCY MONITORING	3,003	6.59	9.88
	OFFICE COSTS	3,059	6.71	10.06
	TOTAL	26,290	57.65	86.48
COMMUNAL SERVICES	ENERGY	10,695	23.45	35.18
	WATER AND SEWERAGE	5,440	11.93	17.90
	INSURANCE	5,702	12.50	18.76
	GROUNDS MAINTENANCE	9,056	19.86	29.79
	WINDOW CLEANING	2,625	5.76	8.63
	COMMUNAL CLEANING	5,045	11.06	16.60
	CLEANING MATERIALS - COMMUNAL	63	0.14	0.21
	PPE	200	0.44	0.66
	TOTAL	38,826	85.14	127.72
REPAIRS & MAINTENANCE	EMERGENCY CALL SYSTEM	2,335	5.12	7.68
	LIFT MAINTENANCE	1,278	2.80	4.20
	GENERAL MAINTENANCE	14,449	31.69	47.53
	TOTAL	18,062	39.61	59.42
PROFESSIONAL SERVICES	MANAGEMENT FEE	12,900	28.29	42.43
	AUDIT FEE	575	1.26	1.89
	BANK CHARGES	100	0.22	0.33
	TOTAL	13,575	29.77	44.65
CONTINGENCY FUND	CONTINGENCY FUND	13,386	29.36	44.03
	TOTAL	13,386	29.36	44.03
TOTAL EXPENDITURE		110,139	241.53	362.30
INCOME	GUEST SUITE INCOME	1,000	2.19	3.29
	PARKING PERMITS	4,500	9.87	14.80
	OTHER INCOME	2,250	4.93	7.40
	TOTAL	7,750	17.00	25.49
NET COMMON CHARGE		102,389	224.54	336.81

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

INCOME

An estimate for RHI Income has been included in this budget for the first time with Parking Permit and Guest Suite income increasing from the previous year.

DEVELOPMENT MANAGER & ASSOCIATED COSTS

Cost of Employment is based on current rates plus inflation. It also includes Training, Recruitment, Pension contributions and increased NI contributions from April 2022.

ENERGY

We have budgeted for the cost of Energy to increase on last year's budget. The new tariff is a variable rate which will be difficult to forecast, therefore this heading has one of the highest individual increases within the budget.

INSURANCE

With Insurance prices significantly increasing in the past year or so, it has been necessary to budget for much higher expected premiums. A higher excess of £500 (from £250) has been agreed to try and minimise the premium increases.



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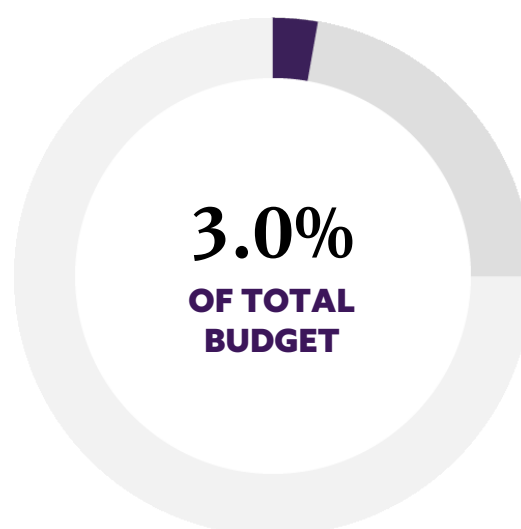
A CLOSER LOOK AT THE BUDGET

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

DEVELOPMENT MANAGER AND ASSOCIATED COSTS

OFFICE COSTS

These include the general office running costs of the development office. The table below shows a breakdown of these costs.



	22-23 (£) Proposed Budget	21-22 (£) Current Budget	Increase Decrease (%)	^20-21 (£) Actuals
TELEPHONE	468	468	-	199
COMPUTER CONSUMABLES	441	149	196.0% ▲	281
SOFTWARE LICENSE FEE*	382	382	-	370
INTERNET - OFFICE	200	196	2.0% ▲	173
STATIONERY & POSTAGE	300	300	-	68
TV LICENCE	418	415	0.7% ▲	415
GENERAL EXPENSES	850	850	-	307
TOTAL	3,059	2,760	10.8% ▲	1,812

* software licenses includes the QUBE property management system.

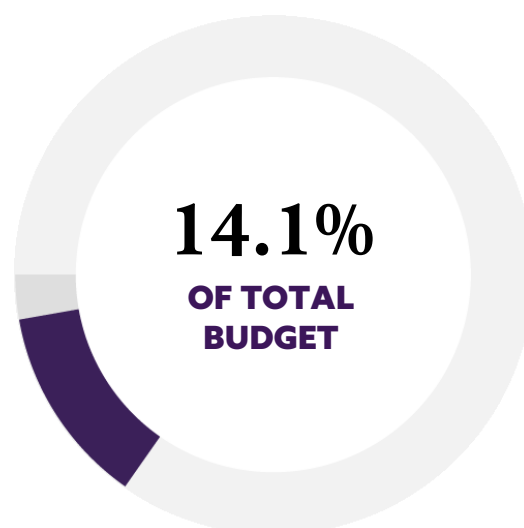
^ If 20-21 is the first year - this number will be the last 12 months actuals or the actuals accounts if less than 12 months



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	216	206	5.0% ▲	0
DRY RISERS	Annual maintenance	511	487	5.0% ▲	312
BOOSTER PUMPS	Maintenance of water pumps	973	973	-	72
WATER TREATMENT	As determined by the bi-annual Legionella Risk Assessment	1,107	1,107	-	2,491
CLEAN GUTTERS	Annual planned maintenance (inc scaffolding if required)	1,050	1,000	5.0% ▲	550
AIR SOURCE HEAT PUMPS	Annual maintenance	1,989	1,989	-	1,836
AUTOMATIC OPENING VENTS	Half yearly maintenance visits	907	864	5.0% ▲	991
ELECTRICAL APPLIANCE TESTING	Annual safety check of all Portable & Fixed Appliances	514	180	185.6% ▲	262
LIGHTNING PROTECTION	Annual maintenance	174	168	3.6% ▲	174
LIGHTING EQUIPMENT	As required	386	367	5.0% ▲	376
LIGHT BULBS	As required	101	97	5.0% ▲	66
ELECTRONIC DOORS & GATES	Annual maintenance	1,901	973	95.3% ▲	1,077
PEST CONTROL	Regular visits	420	400	5.0% ▲	95
REACTIVE MAINTENANCE	Unplanned repairs	4,200	4,000	5.0% ▲	7,150
TOTAL		14,449	12,811	12.8% ▲	15,452

^ 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 Operations 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 developments, the lease stipulates that all 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 – Operations Manager, plus any support required from the Divisional Head of Operations
- Finance – preparing budgets and accounts, responding to audit queries, supporting Operations 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)