



**McCARTHY STONE**

*Life, well lived*

**OCT 2023 - SEP 2024**

# **SERVICE CHARGE**

**HERON PLACE, KIDLINGTON**



# hello

## SECTIONS

1. Inflation
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  3. Our Service Charge
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## **YOUR SERVICE CHARGE FOR 2023/24**

This year we present your service charge following a challenging year, managing costs in a difficult environment. As ever, all costs in your service charge are passed directly through with no profit to McCarthy Stone.

The last twelve months have proven to be the most volatile in many years. During the year, the UK headline rate of inflation rose from 5.5% in January to 11.7% in October, the highest rate of inflation seen in forty years.

The cost of energy accelerated significantly beyond those inflation rates due to the effect of the war in Ukraine. The competition for staff has increased, impacting wage costs, with the care and hospitality sectors particularly challenged. Both energy and employment costs are also impacting the costs that our suppliers are seeking to pass on.

Whilst we cannot insulate the service charge from all these pressures, McCarthy Stone took positive steps to reduce the impact on your service charge where we could. We restructured our management team, reducing the overall headcount. This has kept the increase in the management fee element of your service charge below inflation. We have worked with our energy broker to mitigate the rise in energy costs where we can. We have invested in our



commercial team to better manage our suppliers, and their performance, so we can pass these benefits onto you.

This service charge document sets out in more detail the impact of energy costs, wages and supplier costs on your service charge. We break down your service charge per apartment so it is clear what your cost will be for the next year and explain how these costs are shared across different types of apartment.

We have also included a detailed service charge breakdown and then a further review of office costs, repairs and maintenance costs. We have addressed some of questions we often get asked, and provided some further detail where possible. Finally, we set out our future plans to move to a digital service charge document, reducing the need for printed versions in the future.

I would like to personally thank you for continuing to be a valued customer of McCarthy Stone, and I hope our service continues to contribute positively to the lifestyle in your development and home.



**WILLIE MCGILLIVRAY**  
**OPERATIONS DIRECTOR**



1.

# INFLATION

## KEY IMPACTS ONTO YOUR SERVICE CHARGE

### ENERGY

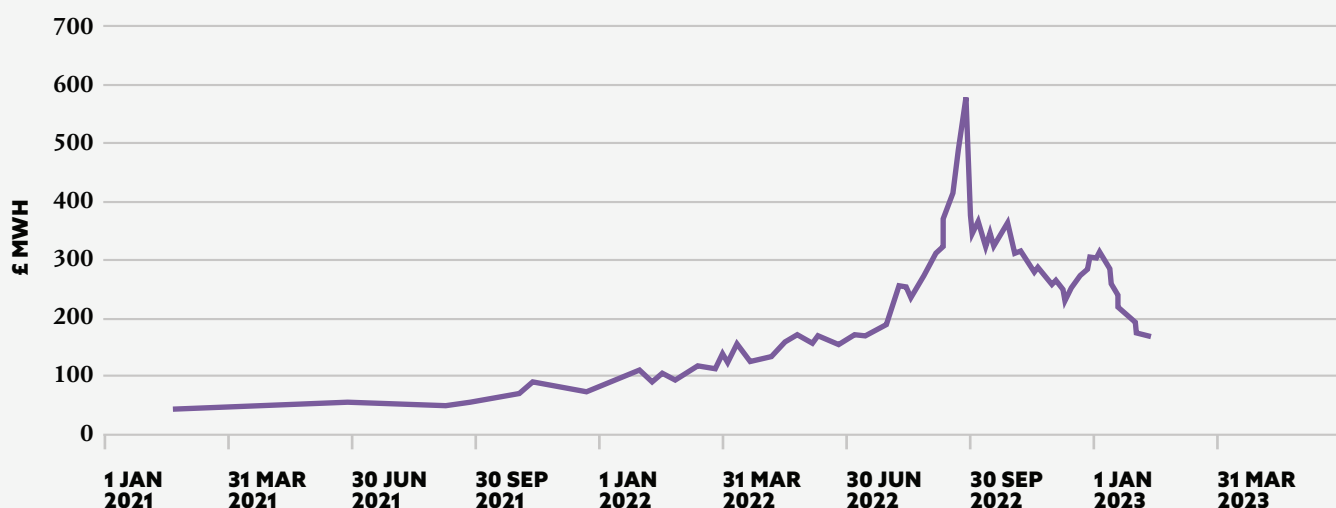
Electricity prices in the UK are heavily impacted by rising gas prices because of the importance of gas-fired power stations as the marginal unit to meet demand. This is the most significant driver of the increase in wholesale electricity prices.

The Russian invasion of Ukraine caused high price volatility as traders increased their risk premium among concerns that Russian natural gas pipes through the main transit routes – Ukraine and Belarus – would be targeted. Since March 2022, gas flows from Russia to Europe have significantly decreased across most major transit routes, feeding the security of supply concerns across the continent and therefore pushing prices up.

The UK government announced the Energy Bills Relief Scheme in September 2022 to support non-domestic energy supplies for the period 1 October 2022 to 31 March 2023. All McCarthy Stone developments are eligible for support through the Energy Bills Relief Scheme and this discount is applied to the communal energy charges which are recovered through the Service Charge. The Service Charge will be fully discounted, directly for our customers.

While energy costs remain volatile, we are working closely with our energy providers to mitigate price volatility and achieve better than market rates where possible.

### HOW ELECTRICITY PRICES IN THE UK HAVE MOVED OVER TIME



### SERVICE CHARGE





## EMPLOYMENT COSTS

This year, we undertook a full evaluation of all our teams in our developments. The current labour market is challenging, and we continue to struggle to attract and retain people for roles supporting you at our developments. We are competing against high wage inflation in the Hospitality sector as well as competitive hourly rates in Retail, Care and Support. Based on this evaluation, and by benchmarking comparable roles in the external market, it was clear it was the right time to award a pay increase to align salaries fairly in the market.

We communicated this uplift on pay in November last year and these new rates are reflected in your service charge for this year. We are already seeing the positive impact of these new rates in helping retain colleagues within developments and fill vacancies quicker to ensure the continued level of service that is expected by our customers within our developments.

## SUPPLY CHAIN

Naturally, our suppliers face many of the same challenges when managing energy and labour costs.

Many suppliers have struggled to source or retain employees with the required skillset to operate in their day-to-day roles, with the competition for skilled resource ever increasing. In addition, a 9.7% increase in the National Living Wage to £10.42 from 1 April 2023 has a knock-on impact for lower paid workers and employers. This has resulted in an increase in employment costs, which suppliers look to pass on to their customers.

Contractually, many suppliers are entitled to increase their charges annually by either the rate of Consumer Price Inflation (CPI) or the Retail Price Index (RPI). In the current environment, this would pass on an increase of 10.7% - 14.0% (Source: ONS as at January 2023).

Our Commercial team are dedicated to negotiating any proposed increases from our suppliers as we strive to balance the quality of service and value for money.



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 September 2024.

### 1 BEDROOM SERVICE CHARGE

Per Month

**£263.45**

Per Year

**£3,161.34**

### 2 BEDROOM SERVICE CHARGE

Per Month

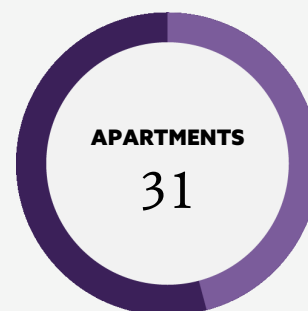
**£395.17**

Per Year

**£4,742.02**

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 into 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

#### SERVICE CHARGE INCREASE

**17.3%**

The service charge has increased on average by 17.3% from the previous year. An increase of £38.91 per month for a single bedroom apartment and £58.36 for a 2 bedroom.

#### HOW THE SERVICE CHARGE IS CALCULATED

The service charge is apportioned between all apartments on the basis of the lease fraction % as described in the lease. Income raised on the development for the guest suite or parking permits is used to offset the cost.

The Service Charge is our estimate of the 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 gifted by McCarthy Stone in respect of the guest suite and parking permits (where applicable).

The total service charge is allocated to each apartment based on the fraction quoted in the lease. This fraction allocates a higher cost to apartments with more bedrooms.





#### 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).

#### 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

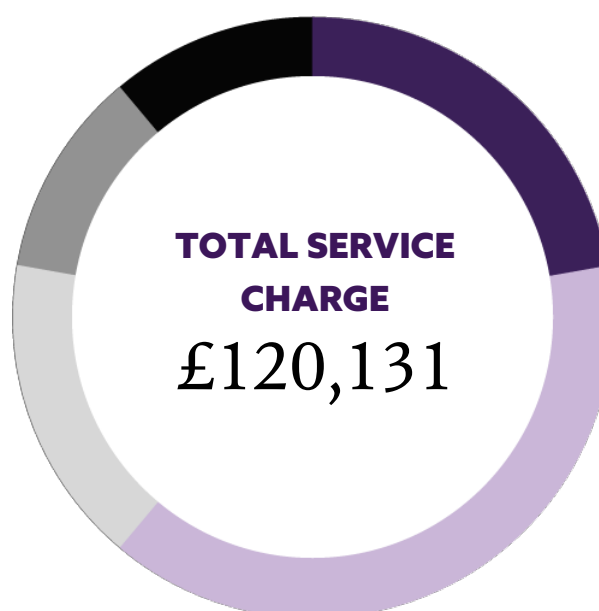
McCarthy Stone management fee; audit and bank fees.

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.

### 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.



	23-24 (£) Service Charge	22-23 (£) Service Charge	Increase Decrease (%)	*21/22 (£) Actuals
<b>DEVELOPMENT MANAGER AND ASSOCIATED COSTS</b>	29,045	26,290	10.5% ▲	20,569
<b>COMMUNAL SERVICES</b>	49,950	38,826	28.7% ▲	39,409
<b>REPAIRS &amp; MAINTENANCE</b>	20,864	18,062	15.5% ▲	20,337
<b>PROFESSIONAL SERVICES</b>	14,267	13,575	5.1% ▲	13,161
<b>CONTINGENCY FUND</b>	14,055	13,386	5.0% ▲	13,124
<b>TOTAL EXPENDITURE</b>	128,181	110,139	16.4% ▲	106,600
<b>INCOME</b>	8,050	7,750	3.9% ▲	8,889
<b>NET SERVICE CHARGE</b>	120,131	102,389	17.3% ▲	97,711

\* If 21/22 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

		23-24 (£) Service Charge	22-23 (£) Service Charge	Increase Decrease (%)		^21-22 (£) Actuals
<b>DEVELOPMENT MANAGER &amp; ASSOCIATED COSTS</b>	<b>COST OF EMPLOYMENT</b>	22,236	20,227	9.9% ▲		16,285
	<b>24 HOUR EMERGENCY MONITORING</b>	3,147	3,003	4.8% ▲		1,923
	<b>OFFICE COSTS</b>	3,662	3,059	19.7% ▲		2,361
	<b>TOTAL</b>	29,045	26,290	10.5% ▲		20,569
<b>COMMUNAL SERVICES</b>	<b>ENERGY</b>	17,112	10,695	60.0% ▲		10,028
	<b>WATER AND SEWERAGE</b>	6,148	5,440	13.0% ▲		5,223
	<b>INSURANCE</b>	5,962	5,702	4.6% ▲		5,533
	<b>GROUNDS MAINTENANCE</b>	12,508	9,056	38.1% ▲		12,175
	<b>WINDOW CLEANING</b>	2,256	2,625	-14.0% ▼		1,515
	<b>COMMUNAL CLEANING</b>	5,898	5,045	16.9% ▲		4,598
	<b>CLEANING MATERIALS - COMMUNAL</b>	66	63	5.0% ▲		420
	<b>PPE</b>	0	200	-100.0% ▼		(84)
	<b>TOTAL</b>	49,950	38,826	28.7% ▲		39,409
<b>REPAIRS &amp; MAINTENANCE</b>	<b>EMERGENCY CALL SYSTEM</b>	2,622	2,335	12.3% ▲		2,302
	<b>LIFT MAINTENANCE</b>	1,260	1,278	-1.4% ▼		930
	<b>GENERAL MAINTENANCE</b>	16,983	14,449	17.5% ▲		17,106
	<b>TOTAL</b>	20,864	18,062	15.5% ▲		20,337
<b>PROFESSIONAL SERVICES</b>	<b>MANAGEMENT FEE</b>	13,545	12,900	5.0% ▲		12,524
	<b>AUDIT FEE</b>	617	575	7.3% ▲		582
	<b>BANK CHARGES</b>	105	100	5.0% ▲		55
	<b>TOTAL</b>	14,267	13,575	5.1% ▲		13,161
<b>CONTINGENCY FUND</b>	<b>CONTINGENCY FUND</b>	14,055	13,386	5.0% ▲		13,124
	<b>TOTAL</b>	14,055	13,386	5.0% ▲		13,124
<b>TOTAL EXPENDITURE</b>		128,181	110,139	16.4% ▲		106,600
<b>INCOME</b>	<b>GUEST SUITE INCOME</b>	1,300	1,000	30.0% ▲		1,802
	<b>PARKING PERMITS</b>	4,500	4,500	-		4,647
	<b>OTHER INCOME</b>	2,250	2,250	-		2,440
	<b>TOTAL</b>	8,050	7,750	3.9% ▲		8,889
<b>NET SERVICE CHARGE</b>		120,131	102,389	17.3% ▲		97,711

^ If 21/22 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 BY APARTMENT

		Service charge (£) per annum	1-Bedroom per month	2-Bedroom per month
<b>DEVELOPMENT MANAGER &amp; ASSOCIATED COSTS</b>	<b>COST OF EMPLOYMENT</b>	22,236	48.76	73.14
	<b>24 HOUR EMERGENCY MONITORING</b>	3,147	6.90	10.35
	<b>OFFICE COSTS</b>	3,662	8.03	12.05
	<b>TOTAL</b>	29,045	63.70	95.54
<b>COMMUNAL SERVICES</b>	<b>ENERGY</b>	17,112	37.53	56.29
	<b>WATER AND SEWERAGE</b>	6,148	13.48	20.22
	<b>INSURANCE</b>	5,962	13.08	19.61
	<b>GROUND MAINTENANCE</b>	12,508	27.43	41.15
	<b>WINDOW CLEANING</b>	2,256	4.95	7.42
	<b>COMMUNAL CLEANING</b>	5,898	12.93	19.40
	<b>CLEANING MATERIALS - COMMUNAL</b>	66	0.14	0.22
	<b>PPE</b>	0	0.00	0.00
	<b>TOTAL</b>	49,950	109.54	164.31
<b>REPAIRS &amp; MAINTENANCE</b>	<b>EMERGENCY CALL SYSTEM</b>	2,622	5.75	8.62
	<b>LIFT MAINTENANCE</b>	1,260	2.76	4.14
	<b>GENERAL MAINTENANCE</b>	16,983	37.24	55.86
	<b>TOTAL</b>	20,864	45.75	68.63
<b>PROFESSIONAL SERVICES</b>	<b>MANAGEMENT FEE</b>	13,545	29.70	44.55
	<b>AUDIT FEE</b>	617	1.35	2.03
	<b>BANK CHARGES</b>	105	0.23	0.35
	<b>TOTAL</b>	14,267	31.29	46.93
<b>CONTINGENCY FUND</b>	<b>CONTINGENCY FUND</b>	14,055	30.82	46.23
	<b>TOTAL</b>	14,055	30.82	46.23
<b>TOTAL EXPENDITURE</b>		128,181	281.10	421.65
<b>INCOME</b>	<b>GUEST SUITE INCOME</b>	1,300	2.85	4.28
	<b>PARKING PERMITS</b>	4,500	9.87	14.80
	<b>OTHER INCOME</b>	2,250	4.93	7.40
	<b>TOTAL</b>	8,050	17.65	26.48
<b>NET SERVICE CHARGE</b>		120,131	263.45	395.17

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

### **OFFICE COSTS**

Please note that the recently communicated IT cost for the laptop upgrade and mobile phone is included in the Computer Consumables heading, within Office Costs.

### **ENERGY**

Since October 2021, Co-op Power have been engaged as our energy broker and they secure the energy we use as part of a larger buying basket, meaning we benefit from better rates than purchasing independently. In 2022, we achieved a 47% saving against market rates as a result of this strategy.

Co-op have already purchased the majority of our electricity supply for 2023 and this is reflected in our estimates for 2023-2024.

### **WATER AND SEWERAGE**

Water rates went up by 13% on average from 1st April 2023. While the anticipated increases are not as high as those in energy, it does reflect the inflation pressures we are seeing across the service charge.



### **GENERAL MAINTENANCE**

The recently communicated costs with regards to the fire doors being checked is included in the Fire Fighting Equipment heading under General Maintenance.

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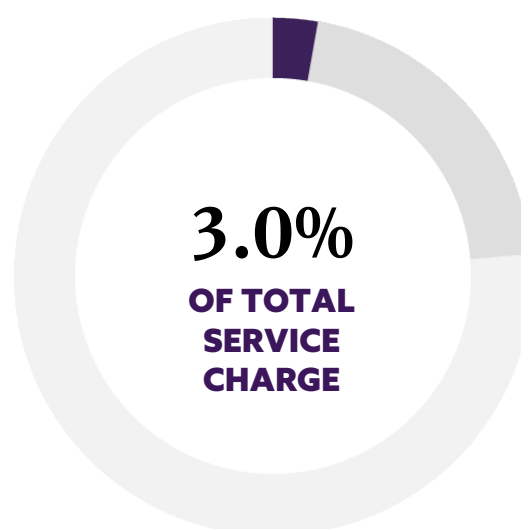
## A CLOSER LOOK AT THE SERVICE CHARGE

A few areas within the service charge worth seeing in more detail.

### DEVELOPMENT MANAGER AND ASSOCIATED COSTS

### OFFICE COSTS

Alongside the general office costs, these include the lease costs of the hardware and software rolled out at the beginning of 2023. Having up-to-date hardware and software is important to ensure we are able to keep your data secure and to better support the management of your development.



	23-24 (£) Service Charge	22-23 (£) Service Charge	Increase Decrease (%)	^21-22 (£) Actuals
<b>TELEPHONE</b>	468	468	-	146
<b>COMPUTER CONSUMABLES</b>	1,000	441	126.8% ▲	595
<b>SOFTWARE LICENSE FEE*</b>	402	382	5.0% ▲	402
<b>INTERNET - OFFICE</b>	210	200	5.0% ▲	130
<b>STATIONERY &amp; POSTAGE</b>	315	300	5.0% ▲	4
<b>TV LICENCE</b>	418	418	-	282
<b>GENERAL EXPENSES</b>	850	850	-	802
<b>TOTAL</b>	3,662	3,059	19.7% ▲	2,361

\* software licenses includes the QUBE property management system.

^ If 21/22 is the first year, this number will be the last 12 calendar months or the year-end accounts, if less than 12 months.

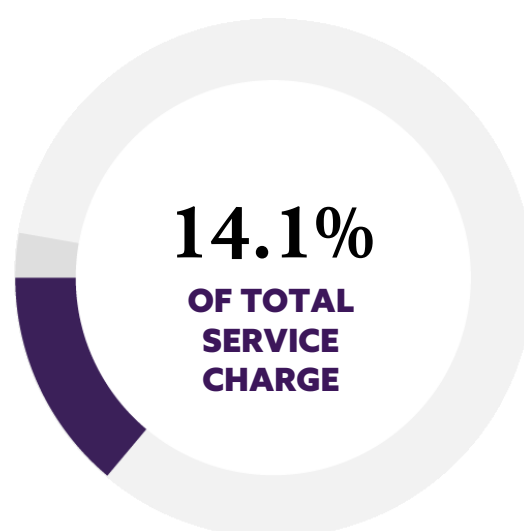




## REPAIRS & MAINTENANCE

# GENERAL MAINTENANCE

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



		23-24 (£) Service Charge	22-23 (£) Service Charge	Increase Decrease (%)	^21-22 (£) Actuals
<b>FIRE FIGHTING EQUIPMENT</b>	Fire extinguishers, sprinklers & hydrants	1,739	216	704.0% ▲	0
<b>DRY RISERS</b>	Annual maintenance	515	511	0.8% ▲	312
<b>BOOSTER PUMPS</b>	Maintenance of water pumps	973	973	-	0
<b>WATER TREATMENT</b>	As determined by the bi-annual Legionella Risk Assessment	1,206	1,107	9.0% ▲	2,490
<b>CLEAN GUTTERS</b>	Annual planned maintenance (inc scaffolding if required)	1,103	1,050	5.0% ▲	0
<b>AIR SOURCE HEAT PUMPS</b>	Annual maintenance	2,188	1,989	10.0% ▲	1,632
<b>AUTOMATIC OPENING VENTS</b>	Half yearly maintenance visits	998	907	10.0% ▲	775
<b>ELECTRICAL APPLIANCE TESTING</b>	Annual safety check of all Portable & Fixed Appliances	565	514	10.0% ▲	35
<b>LIGHTNING PROTECTION</b>	Annual maintenance	201	174	15.5% ▲	174
<b>LIGHTING EQUIPMENT</b>	As required	405	386	5.0% ▲	0
<b>LIGHT BULBS</b>	As required	107	101	5.0% ▲	120
<b>ELECTRONIC DOORS &amp; GATES</b>	Annual maintenance	1,901	1,901	-	2,225
<b>PEST CONTROL</b>	Regular visits	462	420	10.0% ▲	792
<b>REACTIVE MAINTENANCE</b>	Unplanned repairs	4,620	4,200	10.0% ▲	8,551
<b>TOTAL</b>		16,983	14,449	17.5% ▲	17,106

^ If 21/22 is the first year, this number will be the last 12 calendar months or the year-end accounts, if less than 12 months.

# 5.

## FAQS

### SOME OF OUR MOST COMMON QUESTIONS REGARDING THE ANNUAL SERVICE CHARGE

#### HOW ARE SERVICE CHARGES PREPARED AND WHAT IS INCLUDED IN THEM?

We apply standard assumptions for each financial 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 service charges 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 500+ 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 SERVICE CHARGE?

During the financial year we monitor the actual costs incurred against 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 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 service charge will be invoiced to homeowners, again apportioned based on the lease fraction. For this reason it is important that the service charge 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 SERVICE CHARGE?

It is our responsibility as your managing agent to ensure the service charge 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 service charge for the coming year, you have any concerns about any particular cost in the service charge 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 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 across the apartments in the 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 the 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 Director, Management Services
- Finance - preparing budgets and accounts
- 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.



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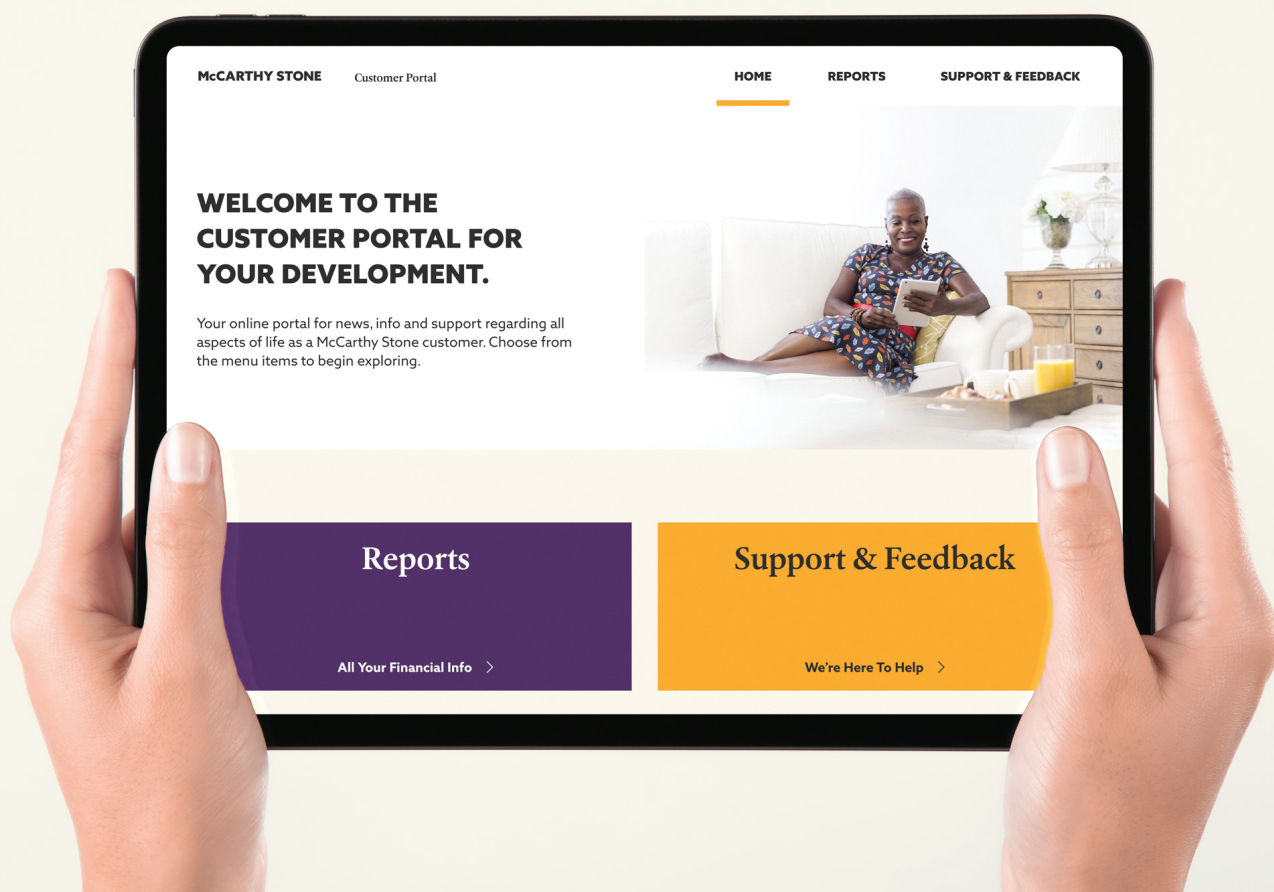
## MOVING FORWARD

### THANK YOU FOR TAKING THE TIME TO FEED BACK YOUR THOUGHTS ON THE SERVICE CHARGE DOCUMENT.

We have received many positive comments, particularly around the additional information the document provides.

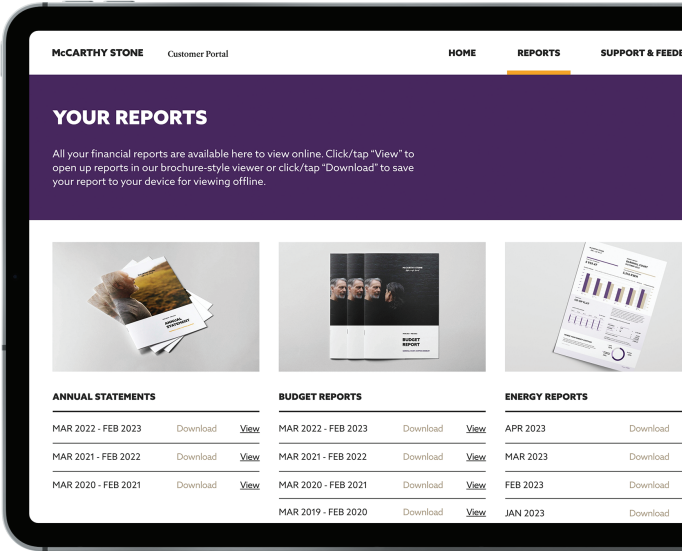
The one overriding message we heard was that, whilst you like the content, you are concerned about the environmental impact of the document.

We are currently working with our partner to enable you to receive the document in a digital form. In the future you will be able to log on to a portal to view the document, enlarge it for easier viewing and, if you so wish, print it off.



# SUPPORT & GUIDANCE

Over the coming 12 months we will be working with your development team to ensure they can support you with access to the document.



# Life, well



I hope this report gives you all the information you need in relation to the upcoming service charge and has provided transparency in the way the different elements have been calculated and forecast.

If you have any questions or concerns in relation to this document or its contents, please feel free to discuss this with your Development Manager and I will also be more than happy to answer any questions that may arise.

Hopefully you can see we have made some changes to this document reflecting your feedback by ensuring we are focusing on the key points and we will continue to enhance this going forward.

**ALISON ORSBOURN**  
**OPERATIONS MANAGER**





## FIND OUT MORE

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