
Service Charge Budget Report

Lendlease Residential (CG) Limited

South Gardens

Service Charge Year: : 01 July 2023 to 30 June 2024

Report date: 27 June 2023

Contents

Executive Summary	2
Management Team	9
Service charge budget accounting principles and policies	10
Notes to the budget	2
Appendix 1 – Savills Management Policies and Procedures	20
Appendix 2 – Detailed Budget	21
Appendix 3 – Apportionment	22

Executive Summary

This budget has been produced by Savills on behalf of Lendlease Residential (CG) Limited, landlords of South Gardens and relates to the service charge for the period 01 July 2023 to 30 June 2024. This report has been produced in accordance with RICS Professional Statement: Service charges in commercial property, 1st edition September 2018 and Savills Management Policies and Procedures which are set out in Appendix 1.

This budget period July 23 – June 24 will be the first full year service charge budget under our management. Last financial year we mobilised and stabilised the residential aspects of the site post-handover, with some unexpected issues that we have rectified.

As inflationary pressures continue to intensify, the UK economic backdrop is adding significant pressure to the service charge costs. Large increases in wholesale energy prices are impacting real incomes for UK households and CPI inflation. Moreover, at a micro-level, increases to the London Living Wages have affected the labour markets.

We will endeavour in this pack to explain the rationale / context for service charge increases, as well as some of the factors that are adversely distorting the increases and why elements of this budget cannot be compared on a like-for-like basis with the previous year. We will also provide details of the reasons for uplifts and savings.

The budget has been set with great consideration to the previous and existing levels of service and maintenance and, having spent the past eight months reviewing operations, we realise further changes are needed to be able to deliver to occupiers well-presented common areas, good service levels and peace of mind that compliance and fire, health and safety standards are being met.

Where increases have been made on those elements of the budget that we do have control over, these have not taken lightly. We have factored in costs required to address any repair issues as well as budgeting for other anticipated expenditure. We are aware that we need to complete work on retendering the bulk of the site-wide contracts in order to continue to drive further cost savings and improve on standards.

New Presentation

You will notice that the way the budget is presented is differently. The previous years' budget expenditure headings have changed from those previously presented by Mainstay. The schedules (Estate, Buildings, Apartment) remain the same and residents still pay the same percentage contribution to those.

Although the expenditure line may be presented differently, the costs follow the same principles and follow the same or similar apportionment splits as before (so that residents' contributions largely remain the same). Where we have separated costs out into new lines of expenditure, we will endeavour to explain how these costs have changed within this pack.

Savills are appointed on both South Gardens and the wider Estate. There is also no change to the way in which residents contribute to the South Gardens Estate and the wider Elephant Park Estate.

We have tried to provide an explanation as to how previous lines of expenditure can be tracked through to budget headings to give a comparable.

Key Points

The overall annual expenditure is budgeted at £2,323,550 (2023: £1,666,719) an increase of 39% on the previous year.

The budget has been broken down into six key areas. A further breakdown of each of these costs centres is provided in greater detail within this pack. The table below demonstrates sets out the key areas of expenditure and aims to demonstrate those factors that we can control and influence and those which we cannot.

As you will see there are two key areas which have dramatically increased because they are affected by economic factors outside of our control – being utilities and insurance.

The most noteworthy increase is hard services which has some elements that are within our control and others that are not – the Government this year introduced new fire safety legislation that carries costs with it.

	Cost description	Budgetary Increase (Decrease) %	Budgetary Increase (Decrease) £	Factor
MANAGEMENT	Management Fees, Accountancy, Staffing costs, Office & Systems costs, Professional Fees (Risk Assessment, Surveying & Legal advice)	24.3%	£118,762	Contractual / Economical
UTILITIES	Electricity & Water	98.5%	£142,421	Economic
SOFT SERVICES	Cleaning & Window Cleaning, Pest Control, Landscaping	19.5%	£27,830	Contractual
HARD SERVICES	M&E, Lifts, Suspended Access Equipment, Internal & External Fabric Repairs	61.7%	£151,186	Statutory / Contractual
INSURANCE	Buildings & Engineering Insurances	195.1%	£306,893	Economic
EXCEPTIONAL EXPENDITURE	Reserve Contribution	(6.45%)	(£20,410)	Contractual

Contracts & Service Improvements

The basis of the strategy of our appointment is to drive better value services in bulk contract tendering across all sites. The focus of the previous eight months and our period of mobilisation on site was to stabilise contracts and services with a focus on undertaking maintenance and statutory compliance. Several repairs were identified from these and where we have been able to, we have deferred costs into this budget period.

We have recently re-tendered and appointed on a new and improved Landscaping contract which is more robust, covering a wider scope of services, site wide with a much-needed improvement on standards. We have changed the strategy for cleaning – which has already delivered a saving.

This year's budget sees the introduction of a manned Mechanical and Engineering solution and a newly tendered Landscaping contract across all sites. All contracts placed currently are less than 1 year in duration.

Contracts that will be retendered in this forthcoming financial year are:

- Mechanical & Electrical
- Window Cleaning
- Cleaning

It is our intention to enter into long term agreements with our service providers for all major contracts such as those mentioned above, which will be estate wide and cover all blocks where contracts can be linked, as this will bring in a number of benefits such as introducing economy scale, fixed long term cost over a three year period and strict KPI requirements in accordance with the contracts which will allow us to provide a more robust service.

When tendering the long-term contracts, it is Savills intension to consult with all leaseholders throughout the process, in accordance with Section 20 of the Landlord & Tenants Act 1985, you will be given the chance to comment provide comments on the tender, as well as nominate potential service providers.

Key Increases & Reductions

This is a summary only of the most notable changes in this years' budget, a more detailed explanation of what each cost is for and explanation of increases per cost line by line can be found further in this pack.

MANAGEMENT COSTS

Management Fees – the management fee has reduced as we keep our fee separate from our staffing costs.

Staff Costs – the previous agent's staffing model was for management resource to be part of a centralised head office function and part of our contractual agreement was to change this staffing structure so that there is a dedicated-on site management resource. The benefit of this is an improved level of customer service so that the management team's sole focus is on Elephant Park and its residents, rather than staff having a multiple property portfolio. This has meant that we can offer a reduced management fee which offsets the most part of these costs.

		Total 2024	Headcount 2024	Total 2023	Headcount 2023	Variance (£)
207-05	Management Fees	42,774		69,680		-26,906.00
207-16	Staff costs	151,574	5	116,880	2	34,694.40
						7,788.40

Receptionist Concierge – the cost for concierge includes an increase in salary for all concierge to London Living Wage and an increase on the night Concierge salary to reflect market salaries.

UTILITIES

Electricity - As publicly advertised the energy market over the last 2 years now has been very volatile and we have seen record highs which have occurred due various global factors affecting the supply of utilities and fossil fuels from overseas.

These sites were onboarded at the start of November 2022, and it's been taking suppliers anywhere between 30 days and 90 days to process a Change of Tenancy (COT).

Only once the COT is done can we secure a contract and for this site we managed to secure a contract with EDF on the 12 Dec 2022 at the time as per the attached the deemed rates were 78p/kWh day and 70p/kWh night with peak period times costing as high as £1.59/kWh. The contract secured was circa 62p/kWh day and 44p/kWh night. Lots of other suppliers in the market were charging over £1/kWh as a single rate and the highest we saw was £1.60/kWh.

Suppliers were refusing to pick up supplies because of the risks on non-payment and a lot were only offering payment terms of 14 days Direct Debit. We opted for a contract at the time to April 2024 as the further out seasons were trading lower than the near season. It did help to bring down the cost for the site, but since April 2021 the first season had always been the most expensive of all seasons that were tradable and prices kept rising so it was reasonable at the time to buy the next 2 seasons, as at the time trends showed they would likely increase. We are working with our utility brokers to monitor the market, so when the energy contract comes up for renewal, we can secure the most competitive rates.

SOFT SERVICES

Cleaning – we have retained the existing cleaning contractor on the same terms. The cost in the budget is for the actual contract costs for cleaning the common parts. This includes cleaning of internal common hallways, resident leisure and concierge areas, service corridors, car parks and garden areas. The cleaners also complete the bin movements from the bin stores to the collection areas. Although the budget appears to have increased since last year, the actual contract cost has increased only by around 2% in 2022 due to an increase in wages and employers' contributions. Actual prices have been held since last financial year as inherited.

Landscaping – this contract was re-tendered at the end of the last financial period and a contract has been placed for less than 1 year with Willoughby Landscapes Ltd. The scope was broadened to include not only include external landscaping but to also include the eco green roofs, living wall, internal planting in residents' areas and an annual tree survey. Replanting is not included in these costs (as before) and additional works required will be costed.

The contracted hours have been increased and the labour rate has been reduced. The previous contract was for 2 Gardening Operatives for 2 days per week a total of 16 hours. The new contracted hours are for 3 Gardening Operatives for 1 day per week and a supervisor for 0.5 days per week, a total of 28 hours per week.

We will look to review the contract and retender at the end of next year and will monitor the performance of the Gardening Contractor this year.

HARD SERVICES

Overall costs have increased due to:

- Placement of M&E Service Cover.
- Costs for known M&E remedial works.
- Costs for known external fabric maintenance.
- New fabric maintenance services as a direct result of newly introduced fire legislation in 2023.

Mechanical & Electrical Services M&E – the cost headings under this section (M&E Maintenance, M&E Repairs, Life Safety Systems) cover the mechanical and electrical plant and machinery (unless separated out i.e., lifting equipment and gates and car park equipment).

When Savills were appointed as Managing Agents in October 2022, it was apparent that much of the life safety and mechanical and electrical systems were not being maintained in accordance with statutory requirement or SFG20, which is the set industry standard. This meant that blocks were at risk of potentially being non-compliant, so we had to act in ensuring a comprehensive contract was placed and all systems are being maintained as required.

When reviewing the information passed to us by the former Managing Agent, it was apparent that a fully comprehensive asset register was not available, meaning that we were unable to carry out a fully comprehensive tender last year. Furthermore, from the limited time we have worked on Elephant Park, it has become apparent that the previous contingency for the South Gardens Mechanical and Electrical, was underbudgeted.

Considering the above, we have agreed with Lendlease to fully fund an independent asset review and condition survey of all Mechanical & Electrical Systems on site, which we expect to have been completed by September 2023. Once completed it is our intention to run a full tender across the estate with a minimum of three suppliers, as well as consult with the leaseholders under Section 20, which will give you the opportunity to nominate potential suppliers.

Until such time that the contract can be fully tendered in accordance with a comprehensive asset register, we have gone out to tender to two separate firms based on the partial asset register we currently have, whilst benchmarking the project against similar sites within the portfolio, which will ensure we are meeting our obligation to maintain, with the contract being placed with KCE FM, who are the most competitive of the two.

The contract covers all known assets for statutory maintenance. This will be completed by full-time dedicated engineers on site to ensure full compliance with statutory requirements. In addition to statutory maintenance, there is an allowance for reactive engineer services, which it is anticipated will help to reduce the minor repairs call outs for minor faults such as lighting faults, door faults etc. Specialist sub-contractors will still be required, and the usual M&E specialists and maintenance contracts are included within this.

There has been a provision made for some of the known required remedial works to various plant and equipment. It is not unusual for plant and equipment to require remedial works annually and consumables to be required to be replaced. This of course depends upon the natural lifespan of the part and the equipment. While a good maintenance regime can help to prevent parts from failing earlier than expected, it does not mean that parts will not need to be replaced annually or from time to time. While the reserve funds are available as a Capital Replacement Fund, and can in most cases replace failed parts, the Reserve Fund is not to be used for typical annual maintenance, and typical consumables that would naturally be replaced in annual maintenance.

Fabric Repairs and Maintenance

H&S Fabric - new regulations came into effect in early 2023 under the Fire Safety (England) Regulations 2022 and the Updated Fire Safety Act 2021. These regulations added further requirements on Landlords and their Agents, and we were already in the process of implementing these as a matter of course. These changes mean that we are now required to complete inspections and remedial works to all fire doors in communal areas and apartment doors as well as completing repairs. Buildings that have an existing EWS1 (External Wall Survey) are required to update the EWS1 (External Wall System Survey) with an FRAEW (Fire Risk Appraisal of External Walls) survey. The current EWS1 for the building is still valid but we are commissioning a further FRAEW so we can add this to our EWS1 as required by the new regulations. This means that we have introduced this a new cost element into the budget.

Drainage Maintenance and Repairs – as residents will be aware insurers introduced an increased excess of £2,500 for escape of water claims in the last insurance period. As part of our plan to mitigate the source of communal escape of water claims we have allowed a provision for cleaning soil stacks annually.

Insurance (All) – the insurance year runs from 01 October to 30 September so while it is too early for insurers to provide us with an accurate forecast, the insurance premium increased last year between 16-29% and insurers have agreed to cap all and any increases at 25% on next years' premium. This does not mean that insurance premium will increase by 25% in all cases, so we have provisioned for this at a 20% uplift as a midpoint. The uplifted premium is based on the actual insurance bills from last year. So, while the budget has more than doubled year on year, this is not an accurate reflection of the actual increase, as previous year's budget insurance amount was much lower than the actual. We have issued a separate letter which details the actual costs year on year; please refer to this for more information.

EXCEPTIONAL EXPENDITURE

Reserve Fund Contributions – to mitigate some of the budget increases and alleviate some of the financial burden on residents, we have reduced the contributions to the Reserve this year. Once the asset review is completed and the CAPEX / Long Term Maintenance Plans have been reviewed, we will hold further discussions with the client and with residents about adjusting these.

Management Team

South Gardens Management Team comprises of:

Name	Role	Tel. No	Email Address
Ben Belcher	Estate Director	07977 700354	Ben.Belcher@savillspm.co.uk
Ruth Perry	Residential Property Manager	07880 476942	ruth.perry@savillspm.co.uk
Helen Creed	Building Manager	07591 953656	estatemanager@southgardens.london
Kamil Galek	Head Concierge		kamilgalek@southgardens.london
Danielle Crossley	Finance Assistant		
Ashley Fisher	Credit Controller	0207 8774722	elephantpark@savills.com

This report has been produced by Ruth Perry and queries should be addressed to Ruth Perry in the first instance.

The Director with overall control for Savills instruction is Ben Belcher. In the event that you wish to raise further concerns please contact Ben Belcher at Ben.Belcher@savillspm.co.uk.

Service charge budget accounting principles and policies

Set out below are the accounting policies under which the budget has been prepared:

Banking

All service charge funds held by Savills are in a dedicated client account administered at Property level, with interest earned credited to the service charge account minus any administration costs.

VAT

With effect from 14 October 2023 the landlord elected to waive the exemption from VAT. Therefore, all service charge expenditure is shown exclusive of VAT. VAT will be charged at the appropriate rate on all service charge payments demanded/ invoiced by the landlord.

Total Cost of Management

Management fee

Savills were appointed as managing agents on this property from 14 October 2023 for a period of 3 years and the managing agreement relates solely to this property.

The management fee is a fixed fee subject to annual indexation.

A separate fee has been agreed with the landlord for any duties performed in relation to non-service charge matters.

On site management

Any separate administration fees made in relation to human resources costs and payroll costs associated with dealing with on-site staff are separately identified in the service charge budget where applicable.

The notes to the budget include a summary of all fees charged by the managing agent.

Insurance Claims

Income in respect of insurance claims is recognised in the accounting period where confirmation has been received from the insurers that the claim will be settled. The associated costs of the claim are charged to the service charge in the period in which the costs are incurred.

Empty Units and concessions granted to tenants

Service charge costs are apportioned on a daily basis and for the avoidance of doubt it is confirmed that the landlord bears an appropriate proportion of the service charge expenditure in respect of voids and vacant premises.

Likewise if a tenant has any form of concession, whereby their contribution to the service charge is capped or is lower than the apportionment due, the landlord pays the difference.

Sinking fund/reserve fund

A reserve fund has been established to provide funds to meet the costs of future maintenance & repair works required across the estate. Contributions are paid to the reserve fund are currently based on an estimated figure and a previous Planned Maintenance Program. It is usual for Planned Maintenance Programs to be reviewed every year and to be fully re-assessed every 5 years. This is budgeted for in the service charge, which will be used to dictate contributions moving forward. Interest is credited gross of UK tax.

The reserve funds are held in an account at Lloyds Bank in a dedicated client account administered at property level. Bank interest is charged to this account. Interest is credited gross of UK tax.

Landlord forward funding

There are no landlord funded works in the service charge budget.

Depreciation charges

There is no depreciation charge in the service charge budget.

Agreed contributions to future works

The service charge budget does not include contributions to future works.

Commercialisation

This property has no commercialisation income.

Notes to the budget

Variances

In understanding the budgeted amounts, we would draw your attention to the following explanatory notes.

Management						
Management Fees:	2024	£63,345.00	2023	£121,997.00	Variance	48.08%
The fees are lower as these are only costs for managing and administering management. The strategy is to have dedicated on site manned resource to enhance customer service rather than have a partial resource and this provides better value for money.						
Accounting Fees						
Independent Accountant's Fees	2024	£5,400.00	2023	£0.00	Variance	100.00%
Independent accountant's fees to fully review and certify the year-end service charge accounts. Previously these have been audit only. As the first set of accounts is a partial year end, we have agreed with the client to complete a full review.						
Audit Fees	2024	£0.00	2023	£2,186.00	Variance	n/a
Last year's costs for accountancy / audit was placed under this heading but is replaced by the above.						
Site Management Resources						
Staff costs	2024	£173,662.80	2023	£80,662.00	Variance	115.00%
Costs under this heading are for the on-site management team who deal with any day-to-day issues which arise, together with ensuring that the contracts in place are being adhered to and that we are complying with Health and Safety matters. Previously the budget allowed for a Building Manager and Head Concierge. We have increased the headcount allowing also for a Residential Property Manager, a Compliance Manager, and a Finance Assistant. These positions work across both the Estate and Building instructions and the associated costs have also been split across budgets – Elephant Park Estate, South Gardens, West Grove, Trafalgar Place all contribute to the shared management staff collectively. The costs are apportioned on a total square footage basis.						
Reception / Concierge	2024	£310,471.20	2023	£235,990.00	Variance	31.56%
Concierge costs include an uplift this year of salaries to the London Living Wage as well as a further increase on the night concierge being increased to be closer to market rates. These costs also include employers' costs, staff benefits, holiday and sickness cover, training, and payroll management fees.						

Office costs (telephones/stationery)	2024	£4,150.00	2023	£4,150.00	Variance	0.00%
---	-------------	------------------	-------------	------------------	-----------------	--------------

Day-to-day running costs of the on-site management office. These cost centres were previously set out in the budget as Estate Office costs / Telephones. This one cost now includes telephone, broadband and stationery.

Systems	2024	£6,916.80	2023	£23,383.00	Variance	-70.42%
----------------	-------------	------------------	-------------	-------------------	-----------------	----------------

This cost is for an external third-party IT support function to support the existing IT equipment belonging to the site office and concierge as well as providing workstation and user support and licencing. The 2023 costs for systems are not just for systems, this is for the office costs, systems and Dwellant costs collectively.

Help desk/call centre/information centre	2024	£17,231.00	2023	£0.00	Variance	100.00%
---	-------------	-------------------	-------------	--------------	-----------------	----------------

Help desk/call centre/information centre covers all licencing for databases and platforms used by the staff for the running of the development. We have split this into two to make this transparent as Dwellant was a standalone cost in the previous budget.

Professional Fees

Landlord's risk assessments, audits and reviews	2024	£12,630.00	2023	£5,400.00	Variance	133.89%
--	-------------	-------------------	-------------	------------------	-----------------	----------------

The costs under this code are for undertaking a fire risk assessment, a health and safety assessment, and a playground risk assessment. In previous years the general risk assessment was completed as one for the entire development however, this it is best practice and in compliance to complete a risk assessment per building.

Other Professional Fees	2024	£9,000.00	2023	£12,438.00	Variance	-27.64%
--------------------------------	-------------	------------------	-------------	-------------------	-----------------	----------------

Costs are to undertake a condition survey review and update the long-term maintenance plans. The purpose of the long-term maintenance plan is to consider the condition and age of the buildings, the changes in the market (services, materials etc) and helps when setting the level of Reserve Fund contributions. It will also help to plan for any Major Works that may be required or assist in addressing any immediate maintenance issues.

Legal Fees	2024	£2,160.00	2023	£0.00	Variance	100.00%
-------------------	-------------	------------------	-------------	--------------	-----------------	----------------

A small provisional sum has been allowed for legal queries to be referred to an external third-party solicitor relating to the building or the leases.

Utilities

Electricity	2024	£279,550.57	2023	£140,370.00	Variance	99.15%
--------------------	-------------	--------------------	-------------	--------------------	-----------------	---------------

Electricity for the common parts usage. The costs are based on actual consumption data received to date. We are locked into contracts for 9 months of the budget year which fix our rate per KW hour paid.

Water and sewerage charges	2024	£4,248.00	2023	£4,248.00	Variance	0.00%
-----------------------------------	-------------	------------------	-------------	------------------	-----------------	--------------

Water supply in relation to the estate. We are yet to receive water bills and while we actively chasing these as the supply is transferred, we have rolled last year's figure forward.

Utility procurement and consultancy	2024	£3,240.00	2023	£0.00	Variance	100.00%
--	-------------	------------------	-------------	--------------	-----------------	----------------

These costs are for the active bureau management of all utility supplies across the Elephant Park estate. The cost is based on our agreed fee structure with our utility consultant partner. This service ensures that all supplies are actively managed to ensure contracts offer value for money while also ensuring only renewable energy tariffs are entered into. The service also includes utility consumption reporting, analysis, and strategic advice to help drive energy and cost savings moving forward.

Security

Security Systems	2024	£450.00	2023	£3,201.00	Variance	-85.94%
-------------------------	-------------	----------------	-------------	------------------	-----------------	----------------

This is the cost for an annual audit of the CCTV system.

Cleaning and Sustainability

Internal Cleaning	2024	£126,879.53	2023	£87,990.00	Variance	44.20%
--------------------------	-------------	--------------------	-------------	-------------------	-----------------	---------------

Actual annual contract costs for cleaning the common parts. This includes cleaning of internal common hallways, resident leisure and concierge areas, service corridors, car parks and garden areas. The cleaners also complete the bin movements from the bin stores to the collection areas.

External Cleaning	2024	£5,760.00	2023	£13,849.00	Variance	-58.41%
--------------------------	-------------	------------------	-------------	-------------------	-----------------	----------------

This is a quoted cost to jet wash the external hard landscaping

Window Cleaning	2024	£16,068.00	2023	£28,024.00	Variance	-42.66%
------------------------	-------------	-------------------	-------------	-------------------	-----------------	----------------

Costs incurred for cleaning of the external windows; this is the actual annual current contract costs for 6 monthly window cleaning.

Hygiene services/ toiletries	2024	£2,642.40	2023	£0.00	Variance	100.00%
-------------------------------------	-------------	------------------	-------------	--------------	-----------------	----------------

Actual annual contract costs for bin room deodorisers and sanitary bins.

Carpets/mats hire	2024	£9,600.00	2023	£0.00	Variance	100.00%
This is the cost for two annual carpet cleans.						
Waste Management	2024	£0.00	2023	£4,641.00	Variance	-100.00%
Costs for the removal of dumped items are now included within internal fabric repairs and maintenance.						
Pest Control	2024	£3,112.73	2023	£3,389.00	Variance	-8.15%
Pest-control services provided to common-part and retained areas. The cost is for a quoted annual contract only.						
Snow clearance/road gritting	2024	£3,348.00	2023	£0.00	Variance	100.00%
Costs incurred in clearing snow and supplying snow clearing equipment and gritting salt. This cost is an estimated figure based upon attendance last year, benchmarked against a similar development in Elephant Park.						
Landscaping and Environment						
External Landscaping	2024	£71,400.00	2023	£59,040.00	Variance	20.93%
Provision of external soft landscaped areas around the South Gardens Estate areas, podium gardens and internal planting in lobbies, leisure areas and entrances. This service has been recently retendered and an annual contract for 1 year has been placed. As well as maintaining the soft landscaping, the cost also includes maintenance of all green roofs which are on most of the blocks. The costs also include an annual tree survey. The increase in costs is as a direct result of increased scope of contract and increased labour costs to provide a better standard of service.						
Mechanical and electrical services						
M&E maintenance	2024	£139,552.15	2023	£109,201.00	Variance	27.79%
This is the M&E contract cost for a site-based engineering team to carry out statutory maintenance and testing of plant and equipment. This also includes for one engineer to respond to reactive minor mechanical and electrical faults. This also includes the costs of administration for the contract.						
M&E repairs	2024	£29,182.00	2023	£29,182.00	Variance	0.00%
Allowance for reactive repairs required to the owner's M&E services, including the contractor's H&S compliance.						

**Life safety systems
maintenance and repair**

2024	£17,984.00	2023	£17,984.00	Variance	0.00%
-------------	-------------------	-------------	-------------------	-----------------	--------------

Provisional sum allowed based on known costs of repairs already completed and work that is known to be completed - fire protection, emergency lighting and other specialist life safety systems.

**Car parking M&E
maintenance**

2024	£2,400.00	2023	£3,000.00	Variance	-20.00%
-------------	------------------	-------------	------------------	-----------------	----------------

Provisional sum for annual Gate Maintenance, not included within the M&E contract.

Car parking M&E repairs

2024	£600.00	2023	£0.00	Variance	100.00%
-------------	----------------	-------------	--------------	-----------------	----------------

Provisional repair sum of entry systems and gate car park equipment.

Lifts and escalators**Lift maintenance**

2024	£48,950.79	2023	£48,384.00	Variance	1.17%
-------------	-------------------	-------------	-------------------	-----------------	--------------

Following recommendations by lift consultants the lift contract has been increased from 10 visits per annum to 12 visits per annum. The contract placed is with OTIS who are the lift manufacturers. The lift contract is fully comprehensive and includes all replacement parts and call outs. Call outs and repairs due to vandalism, misuse, or overloading, leaks and power surges / failures are excluded and are chargeable. Savills have a portfolio wide framework agreement with OTIS and the comprehensive terms and pricing are as a result of Savills pre-agreed terms.

**Lift and escalator inspections
and consultancy**

2024	£3,948.00	2023	£0.00	Variance	100.00%
-------------	------------------	-------------	--------------	-----------------	----------------

Lift consultants auditing the quality of the maintenance works, the condition of lift plant and H&S compliance. These costs are based upon quotes obtained.

**Suspended-access
equipment****Suspended-access
maintenance**

2024	£13,946.40	2023	£0.00	Variance	100.00%
-------------	-------------------	-------------	--------------	-----------------	----------------

Maintenance of the suspended access and man safe equipment, that is used for roof access, window cleaning and inspecting the facade. Davit arms were installed circa 2020 and maintenance for this was included in the budget last year, the budget costs for last year were included in the cost heading M&E costs.

**Fabric repairs and
maintenance**

External fabric repairs and maintenance

2024	£26,076.00	2023	£26,287.00	Variance	-0.80%
------	------------	------	------------	----------	--------

Repair and maintenance of the external building structure and fabric common parts and retained areas. Costs are based on actuals and are for repairs to external areas such as roofs and rain water pipes.

Internal fabric repairs and maintenance

2024	£7,800.00	2023	£3,600.00	Variance	116.67%
------	-----------	------	-----------	----------	---------

Repair and maintenance of the internal building structure and fabric common parts and retained areas. . An allowance has been set for items such as damages to common hallway redecoration, soil stack repairs, door repairs as examples.

H&S (Fabric)

2024	£66,600.00	2023	£209.00	Variance	31766.03%
------	------------	------	---------	----------	-----------

This cost heading has been introduced as new legislation came into effect in early 2023. Costs have been included for door surveys of all communal fire doors and apartment front door surveys which must be undertaken annually. As costs are not yet known, provisional sums have been included for repairs pending the results of the recently instructed surveys and costs are based on quoted works from other buildings of similar sizes. Provisional sums have been allowed for FRAEW (Fire Risk Appraisal of External Walls) Surveys, while we await costs from the nominated consultants.

Building fabric inspections and consultancy

2024	£1,080.00	2023	£0.00	Variance	100.00%
------	-----------	------	-------	----------	---------

A small sum has been provisioned for surveyors' costs to inspect any issues relating to the condition of the building and recommending required works.

Car park fabric repairs

2024	£4,320.00	2023	£0.00	Variance	100.00%
------	-----------	------	-------	----------	---------

Repair of the car park structure, fabric and road surfaces. An allowance has been made for repairs to the concrete ramp.

Drainage Maintenance and repairs

2024	£33,594.00	2023	£7,000.00	Variance	379.91%
------	------------	------	-----------	----------	---------

These costs are based upon quoted works for one annual clean of all soil stacks across all buildings. This is a preventative measure to reduce escape of water insurance claims. Residents have experienced floods and burst pipes as a result of drain blockages from wet wipes and cooking fat.

Engineering insurance

2024	£15,829.08	2023	£9,068.00	Variance	74.56%
------	------------	------	-----------	----------	--------

Costs incurred for engineering insurance and inspections to plant and equipment that is subject statutory inspections annually, such as lifting equipment, fall arrest systems and pressured systems. The uplifted costs are based on 20% of actuals in the last year.

All-risks insurance cover

Building insurance	2024	£366,328.72	2023	£148,201.00	Variance	147.18%
---------------------------	-------------	--------------------	-------------	--------------------	-----------------	----------------

Costs incurred for landlord's building insurance. Uplifted costs based on 20% of actuals in the last year.

Public and property owner's liability	2024	£26,538.00	2023	£0.00	Variance	100.00%
--	-------------	-------------------	-------------	--------------	-----------------	----------------

Costs incurred for landlord's public liability insurance for the South Gardens Estate and Buildings. Uplifted costs based on 20% of actuals in the last year. This has previously been included within the heading Building Insurance.

Terrorism insurance

Terrorism insurance	2024	£55,466.47	2023	£0.00	Variance	100.00%
----------------------------	-------------	-------------------	-------------	--------------	-----------------	----------------

Costs incurred for landlord's Terrorism insurance. Uplifted costs based on 20% of actuals in the last year. This has previously been included within the heading Building Insurance. Terrorism insurance is an essential part of Buildings Insurance cover.

Forward funding

Reserve funds	2024	£35,948.78	2023	£117,097.00	Variance	-69.30%
----------------------	-------------	-------------------	-------------	--------------------	-----------------	----------------

Forward funding of specific periodic works - this has been reduced this year. This will be reviewed again prior to the next budget year.

External contributions

Contributions to Estate Service charge	2024	£296,139.00	2023	£316,549.00	Variance	-6.45%
---	-------------	--------------------	-------------	--------------------	-----------------	---------------

Service charge contributions in respect of the wider Elephant Park estate service charge.

We trust this service charge budget report provides sufficient detail, to enable you as an occupier to gain a clear understanding of Savills approach to managing the common services and areas of your property and the budgeted expenditure for the following year.

The information in the report and appendices should enable you to now make a payment of any on account charges due. In the event that you do wish to raise any queries or require clarification of any costs detailed, please contact the surveyor referred to in the management team on page 3 of this report.

Appendix 1 – Savills Management Policies and Procedures

Savills takes a diligent approach to the management of property and recognise the need to operate service charge accounts with care. For each property, Savills identify the procurement strategy most suitable based upon an appropriate level of service and value for money. In managing tenant funds we take a professional approach to contractor management and procurement, utilising in house resource wherever possible. Recurrent contracts will be retendered or price checked at regular intervals and specifications are subjected to regular review. Specialist consultants will be utilised to assist in the management and procurement of certain expenditure to provide expert input and insure market level charges are agreed and fees for this service are detailed within the budget report.

We ensure that all contractors and suppliers perform according to the agreed written performance standards. Where appropriate Savills regularly measure and review performance against these defined performance standards as well as regularly review the appropriateness of standards used.

Our procurement policies and procedures cover the whole procurement process and ensure there is effective management of the procurement cycle. We have systems in place to enable us to carry out a full and thorough evaluation of contractor's ethical, financial, environmental, sustainability and social standards.

We aim to deliver a management regime which takes a considered and structured approach to sustainability, managing environmental impact whilst ensuring compliance with statutory requirements and delivery of sustainability targets including waste management, energy efficiency and responsible procurement.

Appendix 2 – Detailed Budget

Appendix 3 – Apportionment
