
Service Charge Budget Report

Lendlease Residential (CG) Limited

South Gardens

Service Charge Year: 01 July 2024 to 30 June 2025

Report date: 01 June 2024

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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 2024 to 30 June 2025. This report has been produced in accordance with RICS Professional Statement: Service charges, 1st edition September 2018 and Savills Management Policies and Procedures which are set out in Appendix 1.

Over the past year, we have undertaken extensive work to elevate levels management services and maintenance being provided to South Gardens. This includes creating a comprehensive asset register for all mechanical and electrical services to support us in providing accurate predictions of maintenance costs. We have also worked with an external surveyor to produce a 25-year capital expenditure budget, to help us plan for longer-term services and maintenance costs.

As part of our commitment to transparency, we would like to provide a breakdown of the Estimated Service Charge Budget for South Gardens. You will have noticed a total increase of £319,589, representing a 13.42% increase.

Whilst we have endeavoured to keep costs to as reasonable level as possible, this increase has become necessary due to number of factors, in particular:

Concierge & Reception services: We have deemed it necessary to increase concierge salaries and ensure these are above London living wage levels. This will enable us to retain our team members, as well as attract the right candidates to Elephant Park. Similarly, we have decided to introduce overtime incentives to the existing teams to reduce use of agency staff. After careful review of the duties and escalation points, we have also introduced a floating resource which will be shared across all buildings, who will act as an escalation for the concierge teams and provide cover should any of the team not be able to cover their shifts at short notice.

Building Safety Act Compliance: Considering recent regulatory requirements under the Building Safety Act, we have allocated additional funds to ensure that our property meets all necessary safety standards, as well as executing the responsibilities under the Principal Accountable Person as Detailed within the act. These costs are new and many of these are applied once every five years and some will be on an annual basis moving forwards.

Electricity: the budget has decreased in line with the renegotiated tariff costs.

Reserve Fund: We have increased the size of our reserve fund to better prepare for future major works projects. Which we have increased in this service charge year and intend to incrementally increase this cost year on year, so that we are able to meet all future items of major works, as per the capital expenditure plan for South Gardens. This will avoid the requirement to potentially demand additional funds when there are capital expenditure works to be carried out.

Asset Maintenance: It is crucial that all items listed in our asset register receive adequate maintenance and servicing in accordance with SFG20. The increased budget will enable us to uphold the integrity of our property's infrastructure and minimize the risk of equipment failure which will lead to the need for early replacement and increased capital expenditure costs.

All other items of variance have been detailed within the variance report provided the budgets variances report included within this pack.

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	Senior Building Manager	07542 625096	estatemanager@southgardens.london
Kamil Galek	Building Manager	07708 476750	kamilgalek@southgardens.london
Ashley Fisher	Credit Controller	0207 877 4722	Elephantpark@savills.com

Any queries in relation to this report should be addressed to Ruth Perry in the first instance.

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 development 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 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 previous estimates. 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 guide 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. Works for planned maintenance highlighted in the capital expenditure report is collected via the reserve fund.

Commercialisation

This property has no commercialisation income meaning no profits are made on service charge income and monies are allocated towards recoverable costs.

Notes to the budget

Budget Heading Overview:

The budget has been broken down into 7 key areas. We have summarised these below and provided an overview for the relevant increases and decreases of the budget headings.

We have also provided a line-by-line overview of the relevant variances within the budget to offer a more detailed explanation of changes to the budget.

Heading	YE 2025	YE2024		
	Total	Total	Variance (£)	Variance (%)
Management Services	705,294	604,968	102,327	16.58%
Utilities	157,256	287,039	-130,156	-45.21%
Soft Services	257,208	237,821	19,387	8.15%
Hard Services	583,565	396,033	187,531	47.35%
Insurance	513,207	464,163	37,334	8.04%
Reserve Fund & Projects	130,000	35,949	64,051	178.17%
Estate Service Charge Contribution	353,400	355,367	-1,967	-0.55%
TOTAL EXPENDITURE	2,700,928	2,381,338	318,428	13.42%

Variances

The total budgeted expenditure for the forthcoming year is £2,700,928. In understanding the budgeted amounts, we would draw your attention to the following variances which are above or below 5% - however further detail can be found under the link provided on Appendix 2 which provides an excel link to the proposed budget.

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 property manager contact referred to in the management team on page 8 of this report.

Management						
Management Fees	2025	£63,345.00	2024	£63,345.00	Variance	0%
No change as per Savills tender process, we have locked this until 2026.						
Independent Accountant's Fees	2025	£5,670.00	2024	£5,400.00	Variance	5.00%
Phillip Carroll's fees have increased in line with their fee matrix.						
Site Management Resources						
Staff costs	2025	£164,556.00	2024	£173,662.80	Variance	-5.24%
Contribution to central resource personnel including Building Manager, Building Assistant (full costs being chargeable to South Gardens), with shared Residential Property Lead, Compliance Manager & Estate co-ordinators (formally finance / admin assistant.). These costs have reduced based on weighting calculations which have been considered in line with a growing estate.						
Reception / Concierge	2025	£323,247.32	2024	£310,471.20	Variance	4.12%
Allowance for 6 concierge and contribution to floating Duty Manager which is a shared resource between South Gardens & Buildings at Elephant Park. The purpose for this position is to allow for greater coverage and senior escalations during out of hours and weekends. The cost for the Duty Manager has been achieved at no additional expenditure to South Gardens, as we have restructured the weekend team which will allow for this.						
Systems	2025	£14,400.00	2024	£6,916.80	Variance	108.19%

Increased to include Parcel Safe, which is an unmanned parcel system on site which is launching later in 2024. This will place less time on site staff to scan parcels and allow them to perform more customer service led functions and building spot checks. This budget line has also increased due to moving the costs from the helpdesk cost line into this line, these costs are NOC, Elogbooks, compass and datastation.

Help desk/call centre/information centre

2025	£7,320.00	2024	£11,232.00	Variance	-34.83%
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We have captured all the call system costs under one line item, so that they also include all licenses and internal systems used by on site team members.

Professional Fees

Other Professional Fees

2025	£107,940.00	2024	£9,000.00	Variance	1,099.33%
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Cost of increase further to appointment of Building Safety Case Officer at the cost of £12,850 per block (or individual stair core,) for year one - these services include all obligations to be met for the Principle Accountable Person, plus the initial registration of the building under the Building Safety Case - this cost is expected to fall after the initial year of implementation, so residents should expect to see a drop in costs in the next service charge year.

Buildings which fall into the 'high risk' category of the Building Safety case requirements are Arum, Henderson, Siddal, Drake, Sir John, Baldwin Point, Stock House.

Utilities

Electricity

2025	£149,394.00	2024	£279,550.57	Variance	-46.56%
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Reduction based on Savills re-negotiated costs for electricity, the unit rates have decreased from 65p per kWh to 30p per kWh.

Utility procurement and consultancy

2025	£3,402.00	2024	£3,240.00	Variance	5.00%
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These are the costs charged for the services provided by utility brokers for the procurement of the utilities at Elephant Park.

Soft services

External Cleaning

2025	£0.00	2024	£4,320.00	Variance	-100.00%
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Removed and included within the standard cleaning contract.

Window Cleaning

2025	£16,800.00	2024	£16,068.00	Variance	4.56%
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The window cleaning contract has been retendered and has resulted in a slight increase.

Carpets/mats hire	2025	£0.00	2024	£9,600.00	Variance	-100.00%
Reduced as negotiated to be include within the cleaning contract for site.						
Snow clearance/road gritting	2025	£3,182.40	2024	£3,348.00	Variance	-4.95%
Reduced with retender carried out at Elephant Park.						
Landscaping and Environment						
External Landscaping	2025	£92,400.00	2024	£71,400.00	Variance	29.41%
Increased based on actual expenditure received and contract costs for South Gardens. The landscaping contract includes the wages for three gardeners for two days plus a supervisor. Further, it includes a tree survey, pest control, fertilisers, maintenance of the plants in the resident lobbies and maintenance of the green roof.						
Mechanical and electrical services						
M&E maintenance	2025	£258,009.72	2024	£139,552.15	Variance	84.88%
Increased based on full asset register being produced for site, meaning that previous costs had not allowed for all assets that were needing to be maintained, Also includes an allowance for additional duties to be fulfilled such as regular fire door inspections as per the requirements of the Building Safety Act. The costs that were previously included under: Life safety systems maintenance and repair, H&S (mechanical and electrical), Car parking M & E maintenance and repairs and suspended access maintenance have been absorbed into this cost code which has been the main factor of the increase within this cost line.						
M&E repairs	2025	£60,089.83	2024	£0.00	Variance	-
Allowance for reactive repairs required to the owner's M&E services, including the contractor's H&S compliance noting that there are several areas of remedial work that are required in 2025. This cost is under constant review and will be subject to change in future service charge budgets.						
Life safety systems maintenance and repair	2025	£0.00	2024	£17,984.00	Variance	-100.00%
Absorbed into M&E Maintenance Contract						

H&S (mechanical and electrical)	2025	£0.00	2024	£29,182.00	Variance	-100.00%
Absorbed into M&E Maintenance Contract						
Car parking M&E maintenance	2025	£0.00	2024	£2,400.00	Variance	-100.00%
Absorbed into M&E Maintenance Contract						
Car parking M&E repairs	2025	£0.00	2024	£600.00	Variance	-100.00%
Absorbed into M&E Maintenance Contract.						
Lifts and escalators						
Lift maintenance	2025	£51,031.20	2024	£48,950.79	Variance	4.25%
Maintenance contract of lifts in the common part and retained areas, including the contractor's H&S compliance and costs associated with telephone lift lines, costs have increased in line with inflation.						
Suspended-access equipment						
Suspended-access maintenance	2025	£0.00	2024	£26,076.00	Variance	-100.00%
Absorbed into M&E Maintenance Contract.						
Fabric repairs and maintenance						
External fabric repairs and maintenance	2025	£30,000.00	2024	£26,076.00	Variance	15.05%
Increased based on actual expenditure to external parts of the building and estate and we have budgeted costs for rainwater pipe clearances and repairs.						
Internal fabric repairs and maintenance	2025	£63,000.00	2024	£7,800.00	Variance	707.69%
Provisional sum for internal repairs - with the age of the building and the amount of reactive call outs we have for attending to ad hoc reactive jobs on the internal common areas, this cost has been increased. The cost also increased to also contribute to onsite shared fabrics team.						

H&S (Fabric)	2025	£57,486.00	2024	£66,600.00	Variance	-13.68%
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Allowing for BSA Requirements, cost included are to cover FRAEW inspections on External walls and fire stopping - this cost is expected to run through 2024 - 2025 and become part of the capital expenditure.

Building fabric inspections and consultancy

2025	£0.00	2024	£1,080.00	Variance	-100.00%
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Auditing the quality of maintenance works, the condition of the building and H&S compliance.

Car park fabric repairs	2025	£0.00	2024	£4,320.00	Variance	-100.00%
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Line item cost moved into M&E Maintenance Contract heading.

Drainage Maintenance and repairs

2025	£60,000.00	2024	£33,594.00	Variance	78.60%
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Increased in line with Capital Expenditure Costs as per the plan produced by a third-party surveyor for future projects for the next 10 year. This line item cost is to keep the communal stack pipes clear of blockages. The annual CCTV survey has also been included within the budget.

Engineering insurance

Engineering insurance	2025	£8,456.22	2024	£15,829.08	Variance	-46.58%
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Costs incurred for landlord's engineering insurance revised based on actual costs plus estimated uplift for 2025

All-risks insurance cover

Building insurance	2025	£406,004.51	2024	£366,328.72	Variance	10.83%
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Costs incurred for landlord's engineering insurance revised based on actual costs plus estimated uplift for 2025.

Terrorism insurance

Terrorism insurance	2025	£60,267.77	2024	£55,466.73	Variance	8.66%
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Costs incurred for landlord's Terrorism insurance.

Major works

Project works	2025	£30,000.00	2024	£0.00	Variance	-
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The budget is the cost of replacing the current phone lines in lifts for GSM readers, as the previous phone lines are becoming obsolete. This is a one-off cost.

Forward funding

Reserve funds	2025	£100,000.00	2024	£35,948.78	Variance	178.17%
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Increased further to receipt of an amended Capital Expenditure plan which was produced by a third-party surveyor and reviewed all future projects planned over the next 10 years. The purpose of the reserve fund is to set aside monies for these projects and reduce the possibility of needing to collect additional funds via a supplementary demand. Copy of the Capital Expenditure Plan can be issued upon request. Reserves are currently not being collected at 100% of the recommended amount, which is being discussed with the Landlord to incrementally increase annually to meet the proposed level of reserves and eliminating sharp annual increases.

External contributions

Contributions to Estate

Service charge	2025	£354,397.00	2024	£355,366.80	Variance	-0.27%
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Cost for external estate charge, further detail of which is explained in included Elephant Park estate service charge pack.

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 ensure 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 & Apportionment Matrix

Please visit the following link for a detailed budget and apportionment schedule:

Please refer to attached document – 'EPC001 South Gardens YE JUNE 2025 Final (locked)' which includes both the detailed gross service charge budget and apportionment schedule.