



Your guide to our service charges and fees



McCarthy & Stone

— Retirement living to the full —



We know that as someone who is thinking seriously about buying into retirement living you will want to be absolutely clear on your costs going forward. After all, how much you can expect to pay in Service Charges and Fees is going to be an important consideration when it comes to budgeting.

At McCarthy & Stone we firmly believe that the charges we make to our homeowners represent excellent value for money. But it's not enough for us to simply state that as fact – we need to show you, in an entirely transparent manner, where your money will go and what you'll get back in return.

We understand that as well as wanting a good idea of what your Service Charges will be, you also need to know what they do – and just as importantly, don't – cover. You might also be wondering what kind of year-on-year changes you should allow for and why certain costs, such as paying Ground Rent, occur in the first place.

So, please take your time and read through this Service Charge leaflet, which should have all your questions covered. And don't forget that our Sales Executives are always happy to discuss in person any other queries you might want to raise.

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How much will you pay?

The last thing you want to see at this stage of life is the costs associated with running your home suddenly shooting up. That's why so many of our homeowners are pleased to find that the Service Charges for their apartment tend to work out at less than what they were paying in like-for-like costs at their previous property*.

What's more, your new apartment is likely to be much more manageable in size than where you're living now and energy bills often turn out to be lower, thanks to the modern construction methods we employ at all our developments.

Service Charges do vary slightly depending on which development you move to, reflecting the different sizes and facilities we offer. But we certainly don't pluck these figures from thin air – charges are calculated according to a formula that is standardised across the country.

For a typical **Retirement Living** apartment (based on Atwood House in Sanderstead) the latest annual service charge has been worked out at £45.15 per week for a one bedroom apartment or £67.72 per week if you have two bedrooms.

For a typical **Retirement Living PLUS** apartment (based on Lady Shephard's House in Chislehurst) the latest annual service charge has been worked out at £125.19 per week for a one bedroom apartment or £164.51 per week if you have two bedrooms.

These figures are correct up to 31 May 2019.

As you'll see, costs in Retirement Living PLUS developments are higher than in Retirement Living schemes. This reflects the increased staffing costs, the provision of domestic support packages and the restaurant facilities provided on these sites.

*Source: Housing LIN, an independent consultancy, June 2018.



What does your service charge cover?

In our **Retirement Living** schemes it pays for a dedicated House Manager, who is on-site during weekday office hours. Employed by McCarthy & Stone Management Services, these staff members are the friendly faces taking care of the day-to-day running and upkeep of our developments. They also help to facilitate the social events that our homeowners can take part in, if they wish.

Other services that are covered include the provision and maintenance of:



A 24-hour emergency call system



An intruder alarm system



The door camera entry system

Your Service Charge also pays for:



Gardening and general maintenance costs



Buildings insurance



External window cleaning



Water and sewerage rates*



Heating, lighting and cleaning of all communal areas

At our **Retirement Living PLUS** properties, in addition to everything already set out above, the Service Charges also cover restaurant running costs and the provision of staff. There are staff members remaining on-site at the development, day and night, every single day of the year.

There is a small additional cost for each meal eaten in the restaurant, which is typically £4.00 for three-courses with everything freshly prepared by our on-site chef.

*In Scotland, water and sewerage rates are paid as part of your council tax.





Additional care packages are available at all our Retirement Living PLUS developments. These are tailor-made to cater for a homeowners' individual needs, and might include help with going to bed and getting up in the morning, night services, meal preparation and help getting to and from appointments.

Of course, homeowners are under no obligation to take care packages from us, and can use third party providers if they prefer. It's worth noting that the level of support our packages provide can be continually adjusted according to individual needs, meaning you only ever pay for what you use.

It's also reassuring to know that we are registered with the Care Quality Commission in England, and its equivalent bodies in Scotland and Wales.

Your charges also include an element of domestic support each week from our on-site staff, which comes in whatever form you decide would be most useful to you. Many of our homeowners use this built-in benefit to delegate the kind of domestic chores that eat into their time, such as cleaning, grocery shopping and running errands.

What isn't covered?

Beyond water rates and buildings insurance, the individual running costs of your apartment are not included in the Service Charges. So council tax and electricity bills, as well as any maintenance specifically relating to your apartment, should be budgeted for separately.

You should also note that your apartment's furnishings and your personal belongings would not be covered under the buildings insurance that makes up part of your Service Charges. We would always advise you to take out a separate contents insurance policy.

And while Water Rates* are included in your annual Service Charge bill, some water supply companies raise a separate environmental or 'other' charge on an individual apartment basis.

How are the fees calculated and paid?

This is a process that you, as a homeowner, would be involved with. The budgeted costs for each development are presented at an annual Service Charge budget meeting to everyone living there – these are then divided amongst the homeowners in accordance with the terms of their lease.

Written confirmation of the figure to be paid for the year ahead is then sent out to all homeowners. You would be invoiced annually, but the charges are collected each month via direct debit by McCarthy & Stone Management Services.

At the end of the financial year, accounts are prepared and audited detailing the income and actual expenditure at your development. This is always undertaken by a firm of independent chartered accountants, with the accounts then circulated to all homeowners.

Opposite is an example of what your services and charges bill might look like:

*In Scotland, water and sewerage rates are paid as part of your council tax.

Services and Charges at Atwood House, Sanderstead

McCarthy & Stone Management Services Ltd will manage **Atwood House** on behalf of **McCarthy & Stone**. An indication of the items being managed and a summary of the estimated Service Charge, expressed as a weekly figure, is set out below.

THE BUDGET

The Service Charge, payable collectively by the apartment owners of **Atwood House**, is based upon a budget which is summarised below and prepared for the 12 months ending **31 March 2019**.

• Staff Costs: including all staff salaries and holiday cover	£19,046	• Comprehensive insurance of the building including contents of the communal areas, lift inspections and Manager sickness insurance	£4,646
• Manager Office Costs; including Office phone and broadband, postage, stationery and TV Licences	£3,141	• 24hr Emergency Monitoring service	£1,946
• Building and systems maintenance contracts: Testing and regular servicing of lifts, fire equipment, emergency lighting to general areas, TV entry system, alarms, emergency call system	£4,203	• Repairs and maintenance: to the interior and exterior communal areas, windows and extractor fans	£10,530
• Contract Cleaning and Materials for Communal Areas	£6,780	• Contingency Fund: including internal and external redecoration of communal areas	£10,274
• Contract Cleaning of Communal Windows	£4,200	• Management Fee and Accounts	£10,962
• Gardening: Upkeep of gardens and grounds	£6,300	• Audit Fee	£540
• Water Rates (for communal areas and private Apts)	£3,108	• Bank Charges	£100
• Electricity, heating, lighting and power to communal areas	£7,716	• Sundry income from rent of guest suite	-£500
		TOTAL SERVICE CHARGE	£92,992

Estimated weekly costs	1 Bedroom	2 Bedroom
Service Charge	£45.15	£67.72
Landlord Ground Rent	£8.15	£9.49
Total	£53.30	£77.22



Ground rent

As an award-winning retirement house builder we have two main income streams: the sales of our beautiful apartments, and the ground rent we charge our homeowners, that largely covers the construction costs of the valuable (but unsellable) communal areas we provide.

These spaces include the shared lounges, grounds and for Retirement Living PLUS, the restaurants and staff accommodation – all of which play such a vital role in the retirement lifestyle that our homeowners enjoy. They make up in the region of 30% of the total area at each of our developments.

Charging ground rent allows us to keep the pricing of our apartments competitive. Without it this could lead to higher purchase prices for our customers.

That is, of course, the last thing we would ever want to do, and so if ground rent did ever have to be removed we would always explore alternatives before putting up purchase prices only as a last resort.

Ground rent currently applies in England and Wales, but not Scotland, which operates under a different legal system.

The level of ground rent you are likely to pay will reflect the size of your development and the level of shared spaces it provides, and will be set by McCarthy & Stone at the very start of the building process. Figures are always clearly highlighted during the sales process to all potential customers.

Our ground rents are typically charged in the region of c.£400 to c.£500 per year depending on the product, number of bedrooms and location. The charges are a little higher within the M25 area, ranging from c.£500 to c.£600 a year. Our regional sales teams can provide more detailed figures if required.

Ground rents remain fixed for 15 years, and are reviewed every 15 years on the anniversary of the date relevant contracts were signed. At this point increases are linked either to the latest Retail Price Index (RPI) or, if greater, by 2% per annum. This figure is compounded yearly.

The ground rent doesn't increase after the 125th anniversary, even though our new leases are for a term of 999 years.



Contingency Fees

As you know, your home sits inside a development where all communal spaces, both indoor and outside, are maintained by us. That means you don't have the headache of worrying about the state of the roof tiles or making sure that the development always looks attractive and well cared for.

But of course repairs and renovations do need paying for. The last thing you want is to suddenly be faced with a bill for structural work or a major refurbishment at your development that you simply hadn't budgeted for.

This is where the Contingency Fees come in – this is a small fee that's included in your weekly service charges and ring-fenced for these kind of unexpected costs. This is held in trust in your development's own bank account.

We keep this cost to a minimum by topping up the fund with a charge of 1% of the resale price when an apartment is sold on. If you decide to rent out your home then the sub-letting contingency fee is 1% of the annual rent you charge.

Our pledge to you:

Our homeowners move into their development expecting a certain standard of living. They also want to know that the services we provide while facilitating their retirement lifestyle are organised in a professional and entirely proper manner.

That's why we want to be absolutely clear that we put all work out to competitive tender via independent service providers .

And whichever type of development you choose, service charges don't change much year-on-year. For example, in 2016/17 there was an average increase of just 1%.

That's significantly lower than the rate of inflation, and yet achieved without any reduction in the level and quality of services our homeowners continued to enjoy.

If there's anything else you would like to know, please ask your sales executive.



McCarthy & Stone

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McCarthy & Stone Retirement Lifestyles Ltd.

4th Floor, 100 Holdenhurst Road

Bournemouth BH8 8AQ

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