Living in a managed development:

Finances explained

FIRST PORT

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People first property management

Service charges and management fees

Clarity over costs and charges

Service charges and management fees fund the cost of maintaining the development in good order and to a standard you expect.

This guide tells you what these charges are, what they cover and ways to pay.

What is the service charge?

Your service charge is the money you pay towards the day-to-day running costs of your development. Some service charge items are subject to mandatory government taxes such as VAT or Insurance Premium Tax, which we have to collect and pass to HMRC.

Every resident pays a service charge and the money is used to cover items such as buildings insurance, maintenance, repairs, gardening and communal facilities, as well as your Property or Development Manager.

What is ground rent?

If you live in a leasehold property, this is the money you pay to your landlord in respect of the land on which your property is built. Either we will collect this money on the landlord's behalf or, more usually, the landlord will invoice you directly. This information will be included in your lease.

In England and Wales there will be no new ground rent charges on most new residential leases from 30th June 2022. This will impact leaseholders buying brand new properties or formally extending their existing leases.

When is the service charge paid?

This depends on your lease or transfer. You may be required to pay your service charge, or estate charge if you own a freehold home, once or twice a year or in rarer cases it may be quarterly. Usually though, it would be twice a year but can vary.

If you aren't sure when you should pay your service charge just ask your Property or Development Manager.

What bills and costs am I responsible for?

You're responsible for:

- The internal decoration, repairs and maintenance of your property
- Your electricity or gas bill
- Your television licence
- Your council tax
- Your telephone bill
- Your home contents insurance
- Cleaning your inside windows

How can I find out about the estimated costs or accounts for my development?

We provide all residents with an individual budget or estimate of expenditure at the beginning of the financial year, as well as an audited account after the year ends. This enables you to see exactly how much has been spent and on what. More detailed information about the expenditure is available on request.

If you have any questions your Property or Development Manager will be please to help you. At some of our developments we hold annual meeting too.

How do you work out the annual service charge?

For new build developments, the service charge is based on estimated costs. We make every effort to make sure the budget is accurate and as close as possible to actual costs.

For established developments, the previous years costs are used to prepare the estimate for the coming year.

We work hard to obtain competitive prices and negotiate cost savings for insurance cover, utility providers and maintenance contracts through our bulk purchasing power to deliver the best possible prices for our customers.

However, we have no control over charges such as electricity and VAT, so we can only estimate what these costs might be.

When is the service charge worked out?

We prepare a budget based on the estimated service charges for the next financial year. We will send you your bill one month in advance of your service charge payment being due.

Your bill is also available to view on our online customer account tool which provides development specific information, e-billing and payment facilities.

How is the service charge allocated for new owners?

When you purchase a property your solicitor and the seller's solicitor are solely responsible for agreeing, as part of the sale of the property, how the service charge is fairly allocated between you and the previous owner. This may include any credits or invoices that are for periods before you owned your property but could be received at a later date. FirstPort are not responsible or involved in any of these decisions that are made during the negotiation of the purchase of your property by your solicitor and the seller's solicitor. Therefore, we are unable to help you with any service charge queries that you may have for dates before you legally owned your new property.

We also cannot legally invoice you for any service charges until we have received formal notification of the change of property ownership. This is beyond our control, but does mean in some cases we have to invoice customers after they have been living in their new property for some months.

What is the financial year?

The financial year is a standard accounting period. At the end of every financial year, the actual costs for your development are compared with the budget provided at the beginning of the year. Audited accounts will be circulated to all residents within six months of the end of the financial year.

A typical financial year will run from the beginning of April to the end of March, but this can vary for each development. If you are unsure, please ask your Property or Development Manager.

What happens if the actual costs are different from the estimated budget?

If running your development has cost less than the estimate, there will be a surplus for that year. This will be credited to you or your development in accordance with your lease or transfer document.

If costs are more than the estimate, there will be a deficit. Depending on your lease the deficit could either be added to your next service charge invoice or an additional charge will be raised.

Is the money I pay for the service charge safe?

The service charge you pay is held in an interest bearing designated client bank account, in the name of your development, and held under the terms of statutory trust. This account is totally independent of the trading accounts of FirstPort.

These service charge funds are covered by the Financial Services Compensation Scheme (FSCS).

What is the contingency fund (also called the reserve or sinking fund) and redecoration fund?

We all think it's generally a good idea to keep savings for that unexpected expenditure and the proverbial 'rainy day'. Industry guidelines stipulate that it's best practice for each development to have its own 'Reserve/ Contingency Fund' (your legal documents set out whether we can collect these at your development – we only do this where it is allowed).

The Reserve/Contingency Funds are collected to help contribute towards the cost of non-annual expenditure like major repairs, external and internal decorations. And in some cases reserves are collected solely to cover the cost of redecoration.

We set out in the annual budget how much is being collected in that year, and the money accumulates over time. The annual accounts contain a statement of the overall amount for your development.

The money is held in the same way as other service charge funds in a designated client bank account with interest added to the reserve fund. The money can only be spent on your development.

What is the audit fee?

This fee is payable to independent qualified accountants who audit your accounts if that is a requirement of your lease.

Explaining Service Charges

Your service charge covers the costs of running and maintaining the development. Charges will vary depending on the services that are provided.

On-site employee costs such as Development Manager or Concierge*:

- Salary
- Employer's National Insurance contribution
- Pension contributions (if applicable)
- Deputy or relief costs (if applicable)
- Employers Liability cover in relation to your Development Manager
- Utilities costs for communal areas and buildings insurance
- Accountancy and audit fees
- Statutory checks such as health and safety and fire risk assessments
- Role-specific training for your Development Manager
- Mandatory Government taxes such as VAT and Apprentice Levy.

Communal maintenance and running costs:

- Cleaning communal areas
- Maintaining garden and grounds
- Cleaning all exterior windows
- Lighting, power and heating
- Light bulbs and sundries.

Maintenance contracts:

- Lift
- Emergency lighting
- Fire prevention equipment
- Door entry system and intercom systems
- Laundry equipment (after the warranty has expired).

Emergency call response system costs:

- Monitoring charges
- Telephone link to your emergency response system
- Response system costs in some retirement developments
- Maintenance and repairs.

*Not all Developments have dedicated on-site staff

Explaining Management Fees

Our management fee can cover many of the below activities in these three areas:

COMMUNICATIONS

- Providing management information to our customers
- Keeping in touch with individual customers on management correspondence
- Provision of our customer service team to deal with all customer enquiries
- Your online account where you can view and pay bills, report issues and review information on your property

DEVELOPMENT MANAGEMENT

- Preparing specifications for works (such as cleaning, window cleaning and gardening) and arranging tendering for, and administering of, maintenance contracts
- Property inspections and general visits and dealing with matters that arise
- Arranging for ad-hoc repairs and managing contractor/supplier performance
- Employing and working with specialist advisors such as building surveyors or structural engineers
- Providing an out of hours duty Development/Property Manager, 365 days per year

REGULATORY COMPLIANCE

- Managing communal area insurance claims with the insurer
- Administering public liability insurance and provision of professional indemnity insurance
- Arranging periodic health and safety and fire risk assessments of the communal areas
- Reviewing and arranging works resulting from the risk assessments taken

Your online account

If you're a home owner or tenant, we have an online customer account that helps you manage all your property needs more efficiently and easily.

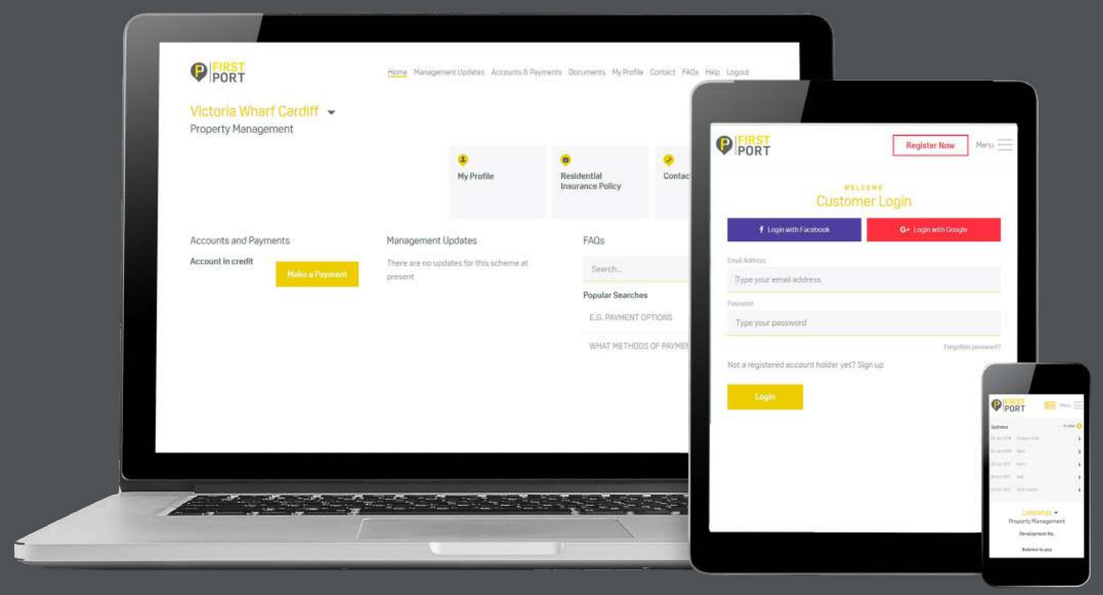
It's our free, quick and easy way for you to stay in touch with us, receive important updates and news about your home, track maintenance works updates, view your statements and balance and register for e-billing.

We're currently in the process of rolling out a new platform called My Home. Customers who haven't had My Home rolled out yet for their development should use Your Property Online as their online account. To find out which platform you need, visit our website and click on My Account. Simply enter your development name and follow the next steps.

Why it's good to stay in touch with us

A happy inbox can mean a happy life. We'd love to stay in touch with you and give you news about your home or update you about maintenance on your property. You have the opportunity via your online account to choose how you want to be contacted, so you're in control.

So why sign up? There are benefits for you, so when you access to your online account, head to the 'Alert preferences' section and make your choice of how and what you'd like to receive from us.



Here are the benefits of using your online account:

You can receive email updates regarding major works, repairs and maintenance on your development.

We'll keep you updated on all you need to know about your development.

Our online contact form is easy to use, makes sure we receive your enquiry and get back to you promptly. We're also on the end of the phone should you need us.

Have your say - provide feedback and ratings on our supplier/contractor performance.

There's the option to receive bills and statements online rather than by post and make secure payments quickly and easily.

Easy links to all the relevant documentation you need.

Reserve fund and major works

Reserve fund

Your development may be legally required to have its own contingency fund or 'Reserve Fund'. These funds are used to cover the cost of any planned major works expenditure (see below), such as large scale internal and external redecoration, access way repairs or replacement common area carpeting.

Your reserve fund is used to finance projects on your development. It is set aside to provide a contribution to the actual costs incurred. You will be notified and consulted on any planned 'Major Works', as required by Landlord & Tenant Legislation (known as Section 20, explained on the next page).

Major Works

'Major works' is the term we use to describe large-scale or substantial building projects that are carried out to keep your development looking good and working correctly.

This work is carried out as part of an ongoing maintenance programme.

These projects are planned in advance and include things like:

- Maintaining the main structure of the building. For example, looking after the roof and external walls
- Maintaining and upgrading items within the building. For example, replacing lifts and upgrading fire alarms
- Maintaining the decoration of the building. For example, painting the communal areas and protecting the outside of the building
- Maintaining the building's systems. For example, maintaining the lifts and upgrading old communal heating systems
- Road, access or pathway repairs.

Occasionally, major works also includes emergency work that cannot be planned for, such as repairing a major roof leak.

How are major works paid for?

The Reserve Fund money that is set aside, year-by-year, is used to help pay towards major works projects.

What if the reserve fund doesn't cover the cost of the work?

If the development's reserve fund won't cover the cost of the work, we may write to you requesting an additional contribution. We do this as soon as we know what the additional costs are.

Major works projects vary in cost, but we will always make sure you know how much we are spending. If any leaseholder needs to contribute more than £250 (which is sometimes the case), we start a consultation process with all leaseholder. We are required to do this by law, in the case of leasehold, but also do so as a matter of good practice for freehold properties.

We will make sure everyone knows what is happening, when, and how much it will cost.

How do we communicate with you on major works projects?

To ensure that the works run smoothly, and that we comply with legislation and best practice, we use a specific consultation and communication process. This means that you will know what is happening and what the next steps are.

This is called a 'Section 20' consultation. It is drawn from Section 20 of the Landlord & Tenant Act 1985. There is no equivalent legislation for freehold, but we apply the same process. The Act details and is very specific about the type of words we can use in the communications we send out. As this is a legal requirement the words we have to use are very formal but this is beyond our control.

We have a handy information guide detailing the communication process, which is available for download in our residents help and advice section of our website **firstport.co.uk**.

Essential Health & Safety

A safe environment right across your development and throughout its lifecycle is non-negotiable: for residents, for visitors, for our people and for our contractors to work in. Our safety and environmental management systems are five-star rated by the British Safety Council and are benchmarked against best-in-class industry standards.

No ifs, no buts. We follow the legislative requirements that apply to all aspects of Health & Safety within residential property management.

Our Property Managers, Area Managers and Development Managers ensure that all risk assessments are carried out and that we implement all health and safety recommendations. These typically include: fire risk assessments, Asbestos Register compliance, Legionella risk assessment, five year electrical testing and portable appliance testing (PAT). We also advise leaseholders on issues that might arise from new regulations or legislation – for instance, with gas safety.

Working with the freeholder

The freeholder or landlord owns the freehold of the development. In some cases on private estates (when stipulated within the lease) a small company is set up to oversee all communal areas.

This is known as a Resident Management Company (RMC). The RMC is run by directors (usually apartment owners, and appointed by the residents themselves).

Leaseholders can also exercise their right to manage their development by applying to form a Right to Manage (RTM) company through the Commonhold and Leasehold Reform Act 2002. Our client (generally either a freehold landlord, Residents Management Company (RMC) or Right to Manage Company (RTM Company) has appointed us to carry out general maintenance and repairs, and to manage the communal areas of the building, such as gardens and lobbies. This is paid for by your annual service charge.

We hold regular meetings with each other in order to protect your long-term assets. This ensures that any planned repairs are fully discussed before they are carried out. We want to keep the costs to a minimum, while ensuring excellent standards of workmanship.

Insurance and Warranty

Building Insurance

If you live in a freehold house on a FirstPort managed development you will need to arrange your own buildings insurance. The landlord will take out cover should an accident occur on the communal areas of the site and this will form part of the service charge you pay.

Leaseholders of apartments will be covered by a buildings insurance policy which has been put in place by FirstPort or by the freeholder/landlord. Dependent on your lease agreement, this will either be paid as part of your service charge or billed to you separately as an insurance rent. If you rent out your property, you may wish to consider landlord insurance.

Home contents insurance

Building insurance does not cover your personal items and furnishings. You will need to make sure you take out home contents insurance to cover personal valuables, furniture and other belongings.

Knight Square Insurance Brokers Limited are able to offer a range of insurance products for all leaseholder, landlord and tenant needs; details are available on their website.

Buildings and contents insurance

If you're a leaseholder within the development, there's no need to take out buildings insurance, as we or the freeholder/landlord make sure your development is insured.

If your policy is with Knight Square Insurance Brokers Limited, the policy will cover the building for damage caused by emergencies such as fire, storm, water and accidental damage, including damage to decoration and any fittings or furnishings in communal areas.

Should one of the above make any of your apartment impossible to live in, the policy will cover the cost of alternative accommodation, while repairs are carried out. The building will also be covered against damage caused by an act of terrorism.

If your insurance was placed through your landlord/freeholder, we recommend you contact them to check the cover that has been put in place for you.

If you own a freehold home on an estate we manage you'll need to arrange your own buildings and contents home insurance. Your deed of transfer should explain in more detail and give guidance on insurance.

Your property warranty

New developments are usually covered by a warranty product such as the NHBC Buildmark ten-year warranty from the National House-Building Council. This insures your property against any defects that arise during the first ten years.

If the building suffers any abnormal defects during the first ten years, they will be referred to the developer and you will not be expected to foot the bill.

The warranty does not cover general wear and tear, condensation damage, normal shrinkage, damage arising from the failure to maintain the property or minor faults that emerge after the second year.

Please note: The warranty will carry an excess as it is insurance backed.

Savings and Efficiencies

We save, you benefit. We regularly negotiate lower prices across our major contracts so we can keep your service charges as low as possible.

Procurement Policy – Thrifty by nature

We work hard to obtain competitive prices and negotiate cost savings for insurance cover, utility providers and maintenance contracts through our bulk purchasing power.

We do not receive or accept payments or commissions from contractors - all cost savings at each development are passed directly to residents.

To ensure full transparency, any fees we earn from works or services provided at your development are always itemised in the annual accounts.

Our management fees are competitive and cover the cost of running regional property management and support centre functions, including accounts, human resources and group procurement as outlined in the 'Explaining Management Fees' summary on pages 12 and 13.

Ways to pay

We offer the following easy ways to pay:

Direct Debit

Paying by Direct Debit means that your invoices are paid in full, on time and in line with the terms of your lease or transfer document. Most leases do not offer the option of monthly instalments by Direct Debit so the full invoice value should be paid. Once your Direct Debit has been set up there is no further action required by you. It's quick and easy to set up a Direct Debit, just call us on **01425 632196**.

Online

If you'd like to pay your Service Charge online by credit or debit card you'll first need to register to use our secure online portal. You will be able to pay quickly and securely and will receive an instant confirmation of your payment. We accept most credit and debit cards.

Over the phone

To make payment over the phone using your credit or debit card just call our 24 hour automated payment number. We accept most credit and debit cards, please allow 3 working days for the payment to show on your account.

If you live in one of our Retirement properties please call **0333 321 4080**, for all other properties please call **0333 321 4041**.

Direct bank transfer

If you'd like to make a bank transfer you will find your development's bank account details printed on your invoice.

What happens with late payments

It is important that you pay your service charge on time. Late payments have a huge impact on levels of service and the maintenance we can provide and ultimately affects your development and your neighbours. If you're having problems paying your account, contact us. We may be able to help.

We also provide more information and details of organisations that can aid you if you have problem paying your service charge.

Our policy on late payment is:

A first reminder will be sent to you in writing if an invoice remains unpaid after the due date.

If we haven't received payment, a second reminder letter will be sent. A £60* late payment fee will be charged to cover administration costs. Interest may also be charged to your account.

Finally, a third letter will be sent after the second reminder. This will confirm that we are passing your account to independent solicitors or a debt collection agency and will include a further £60* charge to cover the legal review of your account.

So we can keep you updated

Please register for our online account on our website. Simply visit **firstport.co.uk** and click on My Account to set up your own free account.

If you live in one of our Retirement Properties please call **0333 321 4080** or email **retirementhelp@firstport.co.uk**. For all other properties call **0333 321 4041** or email **help@firstport.co.uk**.

For more information

The information in this brochure is purely for guidance. You should refer to, and rely on, the provisions contained in the lease or title document for your property and not on the general provisions outlined here.

If you have any questions, please get in touch with your Property or Development Manager.

Visit **firstport.co.uk** to access lots of helpful information in our residents help & advice section, or simply just search 'ask for help'.

People first property management

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