

The Waterside – Charges Explained

The Service Charge

The service charge is a variable, not for profit charge for the overall costs of independent living at Middleton Hall. The charge is per property and there is no discount for single person occupancy. The service charge is payable to Middleton Hall Ltd by Direct Debit, monthly in advance. The service charge funds are held in trust for residents as required under the Landlord and Tenant Act 1987.

The service charge is based on actual costs only and is independently audited. The financial year runs from 1st April to 31st March. Residents receive one month's notice of the new charge. A copy of the annual service charge accounts is provided to each resident each autumn following the annual audit. Any surplus or deficit is refunded or collected at this time. Residents also get the opportunity to comment on the services prior to the production of the service charge budget for the following year, primarily through the Independent Residents' Committee.

The service charge for the Waterside has two main elements:

- Re-charge of specific costs for the Waterside & shared costs with Middleton Woods apartments
- Contribution to the retirement village overheads

Each element is calculated on a proportional basis using the appropriate fraction. For example, the Waterside costs will be split between 36 properties and the retirement village overheads between the number of accommodation units on site. (Currently 154.)

Service Charge specific to the Waterside ("First Annual Service Cost") includes:

- Specific maintenance in the Waterside (fire alarms, emergency lighting, call system, electrical tests, satellite services, drains and gutter cleaning) and external window cleaning
- External decoration of properties
- Basic maintenance of individual properties including annual maintenance check
- Cleaning and checking of the PV panels
- Electricity for street lighting/CCTV
- Membership of Middleton Spa (plus VAT)
- Audit fee

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Service Charge shared with Middleton Woods includes:

- Coffee mornings
- Contribution to Minibus running costs and cost of Middleton Hall's drivers for regular shopping trips

Service Charge split between all residents of Middleton Hall Retirement Village ("Second Annual Service Cost") will include:

- Contribution to the retirement village overheads including bowling green and sports facilities, maintenance, gardening, CCTV, street lighting, library, reception and administration costs

Where Middleton Hall is unable to provide a service included in the charge external service providers will be employed.

The above list covers the majority of elements of the service charge but is not exhaustive.

For the first two years of ownership the property carries a two year warranty. Once this warranty expires, there is be an additional small charge added to the service charge for the necessary checking or servicing of equipment within the property by the Middleton Hall maintenance team.

The Service Charge for 2019/20 for the Waterside is set at £4,886. (£407.14 monthly, £93.96 weekly)

Buildings insurance, including the PV panels, will be invoiced separately from the service charge.

As The Waterside develops there may need to be some additional services provided or requested by the residents for example:

- Environmental cost of rubbish bins (if applicable)
- Any on site transport provided from the Waterside to Middleton Hall
- Independent Living Manager (if provided in the future)

These may have an effect on the service charge but would be discussed with the residents prior to being instated.

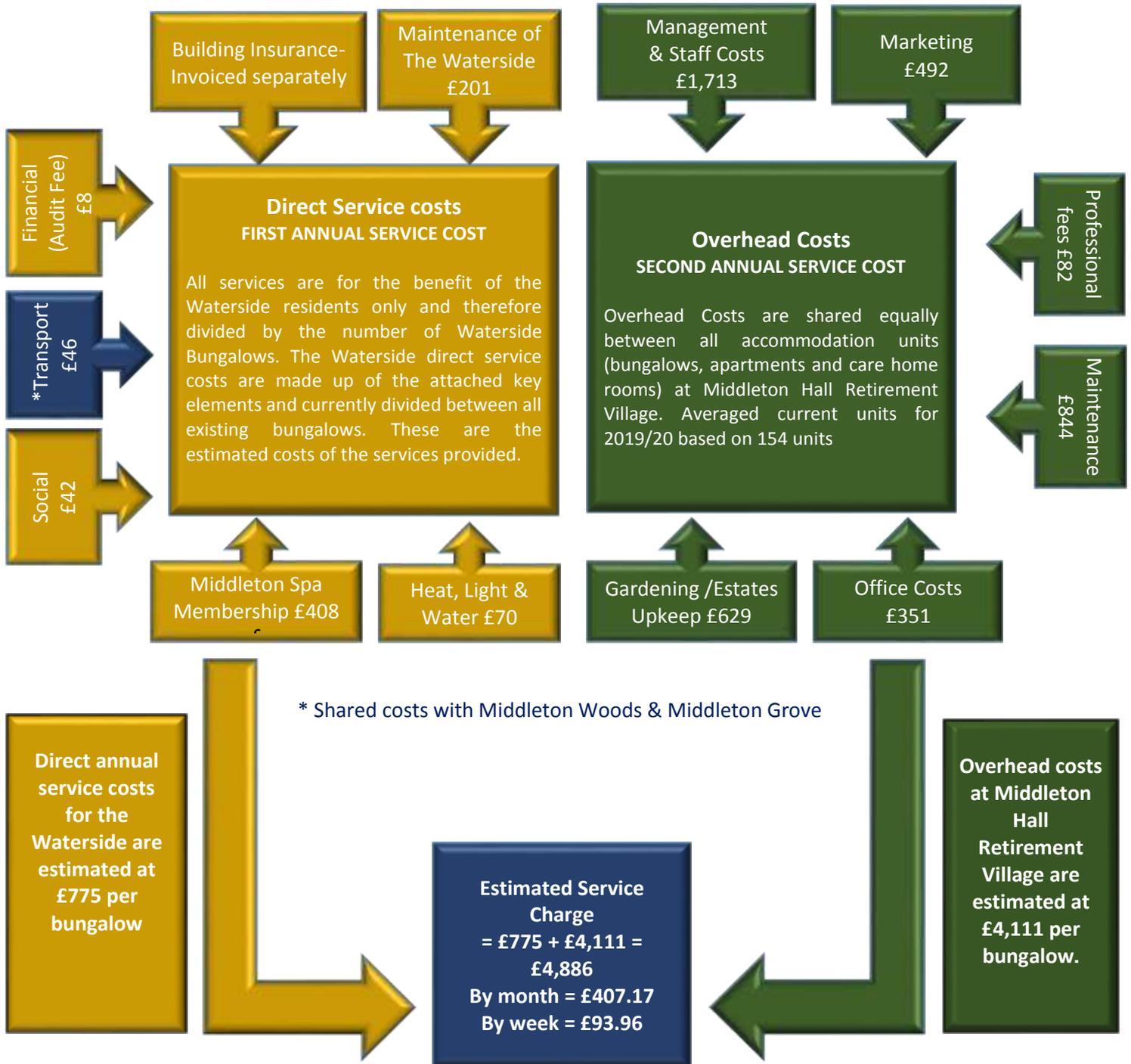
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Estimated Service Charge for The Waterside Bungalows

April 1st 2019 – 31st March 2020

The illustration below shows the components of the service charge per bungalow for 2019/2020



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The Waterside Bungalows – The Resales Process and Fees payable

On re-sale, under the terms of the lease, the property has to be brought back to an as new standard. This ensures that sellers get the best price and purchasers are buying a property suitable to move straight into.

The asking price for a property is set by the seller in agreement with Middleton Hall. We aim for this to be a realistic price to maintain the integrity of The Waterside development.

There is a standard specification for each property. Extras added by the current owners will be included if fitted (e.g. dishwashers) or negotiable if not (e.g. curtains). If you would like something extra fitted after purchase, we will be happy to arrange a quote.

When you decide to sell your property, Middleton Hall has the right to act as agent exclusively for the first six months. There is a planning condition on the Waterside that properties cannot be sold on the open market (to establish the difference between retirement properties and normal residential properties). However, in the event that Middleton Hall is not able to sell the property, residents can request after the six months that the property is marketed jointly with an outside agency. Permission would also need to be obtained from the local authority planning department.

In all cases Middleton Hall will receive the following fees paid by the seller:

- The infrastructure fee as calculated unless it has already been paid monthly in advance by direct debit.
- A sales fee for re-sales, similar to an estate agent fee, currently 2% of the selling price (subject to VAT).

Infrastructure Charge

Considerable investment is needed to continually maintain and develop facilities on site for the benefit of residents and to ensure good re-sales prices of their properties. It is for this reason that many retirement villages charge a fixed percentage “event fee” on re-sale (often 10 - 12.5% or more). The amount paid ultimately depends on property prices.

Middleton Hall’s equivalent is a fee called the Infrastructure Charge.

Paid to Middleton Hall Ltd the fee will cover the repairs, maintenance and replacement of the infrastructure relating to the Waterside – drains, roads, paths, street lighting etc. and investment in new communal facilities. Middleton Hall has the responsibility to ensure that the facilities on site are kept up to date and in good repair.

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The Infrastructure charge is paid to Middleton Hall Ltd, and The Waterside residents will have no further liability or unexpected charges for contributing to repairs to the Waterside infrastructure, the main village facilities or new developments on site.

Middleton Hall offers a choice of two options to pay the Infrastructure Charge as a contribution to the costs of running the central facilities of the retirement village and infrastructure of the Waterside with the fees clearly set out.

Option One - Percentage fee paid on re-sale

The percentage accumulates over time to reflect the increased cost over time with a capital gain element. It is set at 2% of the purchase price for the first three years and then grows by 0.5% for each year (or part of) up to a maximum of 5%, plus 25% of any capital gain on the property (re-sales price less purchase price). The capital gain element is designed to represent the inflation impact on the infrastructure charge.

At four and a half years, for example, the fee would be 3% of purchase and in the 8th year it would be 4.5% (in both cases plus 25% of any capital gain on the property). Once 9 years is reached the first part of the fee is then held at 5%.

Residents pay all the fee on re-sale from the proceeds of sale.

This option may suit purchasers who anticipate being in their property for a relatively long time. It is likely to be more expensive than paying annually (Option Two) for the first few years, depending on RPI inflation and property prices, however does provide a simple and peace of mind option in the longer term.

Option Two – “Pay as you go”

The pay as you go option is based on an annual fee set for the duration of your ownership, subject to annual adjustment of RPI inflation (Retail Price Index, published by the Office of National Statistics each month).

The annually paid Infrastructure Charge has been set at £1,371.71 per annum for 2019/20. For people moving in during 2019, it will be adjusted based on RPI inflation from April 2019 to time of moving in. There are projections available of how it should increase with RPI at 2% or 3%.

Purchasers choosing Option 2 (pay as you go) may change to Option 1 (pay on resale) at a later date. Payments already made would be offset against the final account. It is not possible to change from Option 1 to Option 2.

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On re-sale, Middleton Hall reserves the right to review (up or down) the level of infrastructure charge that will apply to the incoming purchaser if there has been a change in costs. Under the terms of the lease, this can only be done “acting reasonably” – in other words, it cannot be increased without clear reasons. Middleton Hall regularly plans future expenditure to maintain the retirement village facilities and infrastructure carefully and consults with residents on future projects. In the event of a need to increase the level of infrastructure charge, financial information on expenditure in relation to infrastructure charge would be provided for leaseholders.

Comparative examples of the Infrastructure charge payments

Assuming a purchase price of **£350,000**

Base level set in 2013 for 2013/14 – £1,197
2014/15 increase by RPI of 2.5% – £1,226.93
2015/16 increase by RPI of 0.9% – £1,237.97
2016/17 increase by RPI of 1.6% – £1,257.78
2017/18 increase by RPI of 3.1% – £1,296.77
2018/19 increase by RPI of 3.3% – £1,339.56
2019/20 increase by RPI of 2.4% - £ 1,371.71

The following examples are based on a purchase made in the 2018/19 year

Example 1 – Property prices stay at current level *RPI Increase 2% annually*

Years/part years of ownership	Property value	Option 1	Option 2
		Pay on resale	Pay as you go
		Total payable	Total payable
1	£350,000	£7,000	£1,372
3	£350,000	£7,000	£4,198
6	£350,000	£12,250	£8,653
10	£350,000	£17,500	£15,020
20	£350,000	£17,500	£33,329
25	£350,000	£17,500	£43,936

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Example 2 – Property prices stay at current level *RPI increase 3% annually*

		Option 1 Pay on resale	Option 2 Pay as you go
Years/part years of ownership	Property value	Total payable	Total payable
1	£350,000	£7,000	£1,372
3	£350,000	£7,000	£4,240
6	£350,000	£12,250	£8,873
10	£350,000	£17,500	£15,725
20	£350,000	£17,500	£36,858
25	£350,000	£17,500	£50,012

Example 3 – Property prices stay at current level *RPI decrease 2% annually*

		Option 1 Pay on resale	Option 2 Pay as you go
Years/part years of ownership	Property value	Total payable	Total payable
1	£350,000	£7,000	£1,372
3	£350,000	£7,000	£4,033
6	£350,000	£12,250	£7,830
10	£350,000	£17,500	£12,546
20	£350,000	£17,500	£22,797
25	£350,000	£17,500	£27,197

Example 4 – Property prices increase by 2% year on year *RPI increase 3% annually*

		Option 1 Pay on resale	Option 2 Pay as you go
Years/part years of ownership	Property value	Total payable	Total payable
1	£357,000	£8,750	£1,340
3	£371,423	£12,356	£4,140
6	£394,157	£23,289	£8,665
10	£426,648	£36,662	£15,357
20	£520,082	£60,020	£35,994
25	£574,212	£73,553	£48,839

It must be noted that property values may go up or down and are subject to market forces. The above examples are indicative and not intended as a forecast of property values.

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Further costs on resale

A property will be placed on the market after the following conditions have been met:

- The property has to be redecorated
- Carpets cleaned or replaced if damaged
- Any alterations to the property not approved by Middleton Hall must be reinstated
- All electrical goods are in full working order
- The property has been vacated unless an alternative arrangement has been agreed

All prospective purchasers have to be approved by Middleton Hall and meet appropriate criteria – age (55 years and over), health assessment and financial assessment (to ensure their ability to meet the service charge and other costs of living at Middleton Hall).

The responsibility for all ongoing costs e.g. service charge, council tax and utilities remains with the owner until completion of the sale.

April 2019

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