

# **RESERVE FUNDS**

## **What is a Reserve Fund (RF)?**

A RF is a fund held by the freeholder or managing agent of a site to cover the cost of major works or other significant items of cyclical expenditure expected on that site in the foreseeable future - usually a period of 10-20 years. The RF consists of monies paid in advance by residents, and is held in trust for those residents.

## **Why are RFs needed?**

Without RFs big items of expenditure would have to be financed in one go. The build-up of a RF ensures that large costs do not fall as a one-off charge for those residents in occupation in the year when the works have to be paid for.

## **How is the RF implemented at Woodside Square?**

Future major & cyclical works at Woodside Square include such items as roof refurbishment, redecoration of internal and external common parts, replacement of heating units, lift refurbishment / replacement, & other renewals etc.

It is important to recognise that the precise future expenditure items, and their timings, can differ between the Blocks on Woodside Square, based on the Block size and range of facilities e.g. is it a Heritage Block, is it apartments or houses, is there a lift(s), etc.

So each Block has its own RF, and will have varying contributions to meet the future expenditure profile forecast for that Block.

All of the RFs' money is held in trust by Anchor, and attracts bank interest, which is credited back to the residents as an offset to the Service Charges.

## **How is my own RF contribution calculated?**

Anchor would normally carry out a Stock Condition Survey (SCS) across Woodside Square every five years (a new one is now planned in the coming months.) The SCS assesses the age and condition of main components of the individual properties and all communal areas, to identify long-term maintenance, investment, and replacement / upgrade requirements.

These feed into an ongoing Asset Improvement Plan (AIP) for the site, which also includes the projected dates and costs for the future work. Dates are based on expected lifecycles of the assets, while the costs are based on current rates, with an annual inflationary increase (currently 2% per year)

Anchor then calculates an RF annual contribution for your own Block, to ensure that sufficient funds will be available to meet the AIP expenditure when it is forecast to fall due. Your Block contribution also includes an element towards projected future communal Estate expenditure, such as refurbishing our pathways and maintaining the outside lighting.

Your own share of your Block's contribution is based on the square meterage of your property. This is then added as a specific "*Fund*" element within your overall Service Charge for the year.

### **How is the timing and amount of future expenditure estimated?**

Woodside Square has some unique aspects within Anchor's portfolio and is a 'young' estate, without a prior round of refurbishments or replacements on which to base estimates. The AIP should be refreshed, and shared with residents, annually. Anchor intend to issue a rolling 5-year plan of work, which will be amended annually to reflect any changes or updates.

### **What happens when costs and timings of big items of expenditure change?**

There will be always changes as cost estimates are regularly updated. Your annual contribution may be adjusted downwards if costs have been over-estimated, or if expenditure can be deferred until later than planned. Conversely your contribution may go up if either the estimates are too low or expenditure on your block (or on the Estate) arises earlier than projected. So, you should always expect changes to your RF contribution each year but Anchor's aim is to make such changes small and manageable.

### **How is the calculation of RF contributions made fair between successive generations of owners and leaseholders?**

There is no ideal method of building up RFs to ensure exactly fair contributions towards big items of expenditure which necessarily occur irregularly over a long period. Anchor's approach is, as far as possible, to avoid any big increases in your contribution from year to year so that over an extended cycle of expenditure you will pay a fair and proportionate amount.

### **Are any items of expenditure imminent?**

Most big items of expenditure are some years in the future but it is possible that some refurbishment items, either for the Estate or for particular Blocks, may occur sooner.

### **What about my contributions to the RFs since the Estate started?**

Anchor have taken some time to get to grips with the cycle of expenditure for the Estate but a pattern has now been established. Past contributions to the RFs, both overpayments and underpayments, are taken into account when future contributions are set.

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