ONGOING MANAGEMENT STRATEGY FOR APARTMENT BLOCKS 3 AND 4 POTATO WHARF MANCHESTER

BY LIVINGCITY ASSET MANAGEMENT LTD ON BEHALF OF LEND LEASE RESIDENTIAL (MAY 2015)

In order to operate the building and common services effectively, also to provide good quality support to residents ensuring their safety and security an annual contract will be placed with a leading firm of managing agents specialising in this type of property. ISO 9001 and OHSAS 18001 Occupational Health and Safety standard registration and full membership of a professional body such as ARMA and or the RICS will be required along with a minimum of 10 years relevant experience. The following summary provides a list of the key tasks involved to ensure the long term success of the occupancy and desirability of Potato Wharf as a place to live.

1. To provide financial management and control financial reporting in line with the requirements of the "Management Agreement".

Financial reporting is essential for effective management, timely decision-making and monitoring of the scheme's financial position. It is also required to provide information to enable clients to review our performance. We will agree a reporting matrix with Lend Lease that delivers the requirement for reporting under the draft Management Agreement but would stress that we work with our clients to produce regular reports tailored to their individual requirements. We have invested in Yardi APB, which are market leaders in Estate Management software, to underpin our service delivery.

Key financial reports produced include, but are not limited to:

- Annual service charge certificate along with variance analysis schedule
- A budget comparison report which compares the actual expenditure versus the budgeted expenditure for the reporting period (prepared on an accruals basis)
- A trial balance
- A cash statement summarising all fund movements during the reporting period
- A bank reconciliation statement
- A detailed income statement, which also shows debtors brought and carried forward for the reporting period
- A detailed expenditure statement, which also shows creditors brought and carried forward for the reporting period

- A schedule detailing the up to date position of debtors passed to Solicitors.

We have implemented detailed and effective internal controls at each stage of the Estate Management lifecycle and have designated team members to take ownership of their tasks. We have a diligent internal audit team in place to monitor and review the systems and controls.

2. ***Management of all Estate staff (both directly employed and agency), this should include regular review to ensure that Estate staffing meets the changing needs of the scheme.***

- At present staff based on site at Potato Wharf (Saville & Whitworth Buildings) consists of: a dedicated Buildings Manager, and a full time dedicated cleaner who both work **between 7am and 4pm Monday to Friday**. Arrangements are put in place to work additional or varied hours in the event of occasional operational need. Security staff can be brought in at short notice in the event of need. **IT** facilities are provided on site within the Building Manager's office. It is recommended that phases 3 & 4 are managed in conjunction with the already completed phases 1 & 2 to allow economy of scale synergies to be achieved. For example this could be achieved with the addition of either one or one and a half additional cleaners within the existing organisational structure at Potato Wharf.

- Outside of these hours a 365/24/7 resident helpdesk and emergency contact centre is operated from our office in Manchester. Urgent matters are fed through to a duty manage for decisions on responses. Out of hours contractors can then be mobilised.

- The site staff receive estate management support, from operational and financial management, professional estate management and human resource management perspectives. We are aware that the Management Office IT requires regular review for the staff are to be given the tools to communicate effectively with residents/tenants, client representatives and the professional estate management team.

- The site-based staff members have defined roles and responsibilities, a programme of tasks and strict policies and procedures to adhere to while carrying out their duties. An agreed uniform "pack" is issued for each employee and the uniform policy is strictly enforced. The uniform is Livingcity branded.

- Our proposal is underpinned by a commitment of senior professional Estate Managers to be regularly present on site. This will establish a far stronger "real time" link between the site staff funded via the service charges and the Estates team, remunerated via the management fees.

The site staff are employed directly by Livingcity Asset Management Limited and regarded as an extension of our professional asset management service.

Duties carried out include:

- "Front of House" customer care and tenant liaison.
  - Supervision and control of the management office.
  - Assistance with training, supervision and monitoring of the site staff (concierges and cleaners etc.). Daily building walk arounds and inspections / cleaning and waste management.
  - Maintenance of Health & Safety documentation and other essential site records.
  - Supervision and monitoring of contractors, sub-contractors/ permits to work etc.
  - Responsibility for report coordination and submission to the Senior Estate Surveyor.
  - Responsibility for those elements of the service charge budget which fall under site-based management control.

- Wherever possible, we seek to avoid a reliance on "agency staff", but acknowledge that this may arise from time to time due to sick or holiday absences, or contingencies. Where agency staff provide cover, they are inducted in advance and expected to perform to the same criteria as the fully employed operative they are providing cover for.

Trigger points for additional staff

The staffing profile receives review to establish that it satisfies the requirements of the built environment and scheme communal areas released to date. The profile delivers a resource that takes full account of the nature and configuration of the development and the key tasks involved in providing the level of management and services required.

The impact of the completion of later phases of the scheme will be assessed well in advance and we assess the optimum and most cost-effective regime at each stage for discussion with Lend Lease and the relevant stakeholders.

Anticipated triggers that could demonstrate the need for additional staff include:

- Significant increase in workload that cannot be accommodated from within the existing staff resource or a realignment of their roles and responsibilities.
- Feedback from residents, staff or the client about the quality of service provision and where the root causes are clearly attributable to inadequate staff resource.

3. Management of maintenance contractors employed on Estate business.

We employ strict policies in respect of the management of service sub-contractors attending site.

The Professional Estate Management team will oversee that the site management team are fully inducted in our procedures and regular review will take place to ensure that these are strictly applied.

Our formal policies are embodied in our "Rules for Contractors Booklet".

We insist that all service sub-contractors employed on site pre-qualify for our "preferred contractors register". This is a requirement of our ISO 9001: OHSAS 18001 Occupational Health and Safety standard, and we would anticipate that the

minimum standards required from the sub- contractors accords with the Lend Lease Global Minimum Requirements and other standards.

Livingcity undertake regular reviews of all site service sub-contractors and audit the current service contracts that are in place for periodic service and maintenance (particularly of plant and equipment) in order to confirm that all maintenance works accord with manufacturers' recommendations and that no warranties or guarantees are being invalidated by the intervention of unsuitable or unauthorised contractors.

4. ***Ensure that all Estate plant and machinery is compliant and certified in line with applicable statute.***

We carry out frequent audits and inspections of the Estate plant and machinery, to verify compliance and fitness for purpose. We undertake a full audit of the relevant service histories and a review of the service contracts to ensure that these satisfy all statutory and regulatory obligations in respect of each item of plant and machinery.

5. ***Ensure that Health & Safety Files and associated documentation is kept up to date and is adhered to.***

We carry out frequent reviews of the site Health & Safety documentation, O&M Manuals, Asset Registers and other essential associated documentation to ensure that all required files are present, up to date and readily available. Any missing documentation will require immediate replication.

We institute a regular Health & Safety and Risk audit for all the constituent buildings in the development. This audit will incorporate annual Fire Risk Assessments and Premises Health and Safety Inspections.

6. ***Regular tendering of maintenance contracts with particular emphasis on mechanical and electrical maintenance to ensure best value for Lessees is achieved.***

We have a policy of tendering all maintenance contracts on an annual basis. It is vital that best value is demonstrated to the tenants but that quality of service delivery is not compromised by cost.

Preference is always given to "comprehensive" maintenance contractors from manufacturer-approved service contractors, and these are strictly monitored to ensure performance and the avoidance of unnecessary extra charges.

The tender process is supervised by our professional chartered estate surveyors and chartered building surveyors and all maintenance contractors will be required to satisfy our preferred contractor qualification requirements (see 3. above).

We investigate the viability and economies of scale arising from placing "bulk contracts" for major plant maintenance items (e.g. passenger lift maintenance) but will not allow these to compromise service delivery or manufacturer/installer warranties. Whilst contracts are tendered on an annual basis, contractor performance is strictly monitored and under-performance will lead to contract termination and an early re-tender.

7. Regular tendering of utility contracts to ensure best value for Lessees is achieved.

We tender utility contracts annually and fully test the market to achieve the most preferential tariffs. We employ the services of independent experts to administer the tender (at no cost to the client or service charges). Where advantageous and feasible, we negotiate "bulk buying" contracts with a single utility provider, to drive the lowest energy tariffs.

8. Enforcement of Estate Regulations.

It is vital for the Potato Wharf community to recognise that the estate regulations underpin the prestige of the scheme, safeguard the investment values and protect the lifestyle and enjoyment of the residents.

We believe that if the estate regulations are to have any credence and effect, they must be fairly and uniformly enforced.

We would argue that a combination of regular and detailed daily inspections of all the buildings in the scheme and the communal gardens and other shared spaces and encouraging residents to report (in strictest confidence) any breaches affecting them (the Web Portal and site presence of the Estates Team will facilitate this), most overt breaches may be recognised and logged.

Once logged, the issue will be escalated to the Professional Estates Team, who will initiate a staged response commensurate with the problem reported.

The response will commence each time with a personal visit to the offending tenant and culminate in legal action (if approved by the client). In reviewing the adequacy of the service charge remunerated site staff, we assess the ability of the Development team to deal with issues such as anti-social behaviour and unapproved nightly and weekend lettings.

These issues can very soon blight a community, if left unchecked. We get to the very root of the issues, identify the main protagonists and agree a policy for action with the local authority that sends out a message of zero tolerance and thus provides major reassurances to the vast majority of the residents, that their environment, investment and lifestyle are protected.

9. Regular meetings with the Landlords and recognised Residents Associations.

Our proposal delivers regular site attendance by senior members of the Professional Asset Management team. We seek to maximise accessibility for the Landlord client and tenants and residents to the management team members on a daily basis.

Our insistence on transparency, accessibility and ease of communication underscores our management service delivery and drives a culture of "partnership" with our scheme stakeholders.

We endorse and encourage the need to set up an agreed schedule of regular, periodic and structured meetings with the Landlords, recognised Residents Associations and other pertinent stakeholder groups. The frequency of these meetings will be agreed in advance and the timetable circulated to the relevant attendees.

Due to Livingcity's senior management commitment to the development, we will also have the flexibility to react to any reasonable request for ad hoc meetings at short notice, should the need or demand arise.

To supplement the timetable of quarterly and ad hoc meetings, we will also be using the Forum areas of the dedicated Web Portal to encourage constant dialogue and discussion with the stakeholders. The web portal provides a secure and

moderated discussion platform and virtual meeting place "twenty four-seven". Within the "info bank" areas we can create resource for posting meeting minutes in an accessible and downloadable format, so that stakeholder groups may stay fully informed from anywhere where an internet connection is available.

In addition, we have the facility to create and manage individual workspaces for recognised Resident Associations within the Potato Wharf and Castlefield community.

The Web Portal will be a no cost, value-adding resource for all the stakeholders. The cost of the development, delivery and management of the Web Portal is embedded in our management fee.

10. Active co-operation and collaboration with recognised Residents' Associations wherever reasonably possible in providing a high standard and cost effective service and giving proper consideration to the views and requirements of the Lessees on the understanding that in essence the provision of services is for the ultimate benefit of both Lessees and Landlords.

We have always encouraged maximum engagement with the investors and occupiers in our managed developments. We actively consult with recognised resident groups, when assessing service charge budgets for future periods and on other relevant matters which may prove contentious or, from which all parties may benefit from structured debate. Our aim is to create a tenant and occupier perception of reasonable democracy and consensus, while reserving the client's right and privilege to have ultimate authority in the decision process.

To this end, strong communication links with recognised Residents' Associations (and with the relevant officers in the RSL's) together with transparent and accurate financial and operational reporting assist in establishing an environment where tenant confidence in the management regime can be nurtured and strengthened.

Through regular meetings with Resident Groups (see 9. above), information published through the Web Portals and discussions encouraged on the Web Portal Forums, accessibility to the management regime is maximised and procedures for contract procurement & tender, cost-saving initiatives, value-adding services and opportunity for economies of scale and efficiency may be communicated to the tenant population.

Tenant-led initiatives should be considered and discussed and, if viable and in the best interests of the estate, applied (subject to client approval).

We are comfortable that our presence and accessibility on site, the planned meeting programme and the Web Portal resource will provide a foundation for the establishment of enhanced communication and positive interaction between the management regime and the Residents Associations.

11. Procedures and time frames for complaint resolution.

One of the fundamental challenges faced with complaint resolution is ensuring that the issue is brought to the attention of the appropriate party swiftly and accurately. This escalation is essential if agreed complaint procedures can be instigated, tracked, monitored and, upon successful resolution, closed.

We utilise a "call logging" resource within our Yardi APB management software to log, track and administer a variety of tenant and client communications including (inter alia) web portal queries, supplier invoice queries, contract renewals, repairs, tenant query/complaint and building inspection action points.

We utilise the resource to log the enquiry, allocate ownership of the issue to a named team member and allocate a timescale for response. The performance of our staff in dealing with their allocated issues is monitored on a daily basis by the Senior Management team, via the software interface.

Timeframes will be set which accord KPI's to be agreed with the client and these will be strictly applied to all staff members and performance will form part of their personal appraisal process.

12. Management of the under building car parking and street level parking.

We undertake a complete review of all current car park licences, the issue of parking permits and the procedures for administering and policing the rights to park. Regular inspections will inform the wants of repair, access issues, fly-parking

and other matters that impact on the ordered management of the car park. Bike stores ,where provided are proactively managed and monitored with security given a high priority.

13. ***Manage and administer any major works (including cyclical repairs/replacements) and inform the Landlords of these in accordance with current legislation.***

Our Professional Estates Team are fully conversant with all the obligations imposed by statute requiring tenant consultation and transparent contract tender, in advance of any major works projects. We will ensure that the client is fully protected from subsequent tenant challenge by conducting all works contracts in a legislatively compliant manner.

Our in-house Chartered Building Surveying team have extensive experience in procurement and administration of major works contracts and in ensuring compliance with The Construction Design & Management Regulations.

We will ensure that all major items (excluding contingencies that could not be reasonably foreseen) are per a programmed strategy driven by the relevant PPM schedules, and that wherever possible, the costs thereof are covered by adequate reserves on deposit.

We fully appreciate that the justifiable tenant resistance to surcharges beyond the agreed service charge budget or accumulated PPM reserve fund application and we strive to ensure that major works items are foreseen, adequately budgeted and diligently executed.

14. ***Administer/prepare an appropriate CAPEX strategy and ensure that suitable reserve fund collection is in place and meet its requirements. This will include the on going updating of the Landlords asset register with lifecycle costings***.

We recognise the aspiration that the properties in our care need management in the long term to ensure that they present equally well throughout their life as the day upon which they were completed.

We would strongly suggest that a full PPM exercise is carried out for all the new scheme elements at an early stage, to define the requirements for the existing built environment and provide a framework for incorporation of later phases.

The data gathered during the exercise will be utilised by our asset managers to recommend adequate levels of reserve accumulation via the service charge budgets. Not only do the reports inform the budgetary financial planning and they are also an informative and reassuring document for residents which supports a professional and considered approach to major works and CAPEX. As stated previously, our in-house team have extensive experience in procurement and administration of major works contracts and in administering and delivering PPM strategies.

15. ***Provide a clear framework for managing services provided by the management fee and where and what management and resource will be provided to the scheme in addition to the Estate staff costs (i.e. Estate Manager cost etc.) already met via the Service Charge.***

The development needs an experienced and visible and accessible professional management team in situ for the delivery of a full management service to the communal areas and the public realm.

We will dedicate that a senior management resource to the scheme and will deliver our management commitment by ensuring that a senior member of our team is present on most working days.

- From the outset of our instruction, we will agree a "go live" strategy with Lend Lease to ensure that the handover process is as structured and effective as possible and that full liaison is maintained with the appropriate officers of the developer in order the we may obtain a swift and accurate information flow to populate our data systems and initiate our operational and accounting routines.

In Scope Services.

The managing agent will deliver all the management services to site, as defined in the draft Management Agreement appended to the Tender Document. However for clarity in-scope management services include:

- Assessment and formulation of the management regime for each development phase.
- Client liaison and reporting on an agreed time frame and structure.

- Calculation of the service charge budgets on an annual basis.
- Apportionment, collection and administration of the service charge accounts.
- Collection of annual ground rents on behalf of the superior Landlord.
- Rigorous and effective credit control.
- Direct recruitment, training and employment of site-based manned services.
- Provision and management of a bespoke web portal for the scheme
- Appointment and monitoring of service sub-contractors as appropriate.
- Liaison with the Landlord and occupier to effect a transparent and best value management service.
- Liaison with the Landlord and their solicitors to apply the structure of the management regime and enforce satisfaction of the management elements incorporated in the occupational leases.