



**JOHNSON FELLOWS**  
CHARTERED SURVEYORS

125 Hinckley Road

Leicester

LE3 0TF

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**Service Charge Budget Report**

**25<sup>st</sup> March 2015 to 24<sup>th</sup> March 2016**



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Johnson Fellows. Charter House, Newhall Street, Birmingham, B3 1SW





## **Introduction**

Historically, Tesco have maintained the communal areas at Hinckley Road. As all of the tenants benefit from the use of the communal areas and are liable to contribute towards their upkeep under the terms of their leases a service charge has been introduced in order that all of the tenants contribute towards the communal costs.

This report has been produced by Johnson Fellows on behalf of the Landlord, Tesco Stores Limited. It is intended to provide details of the planned expenditure for the service charge year commencing 25<sup>th</sup> March 2015. The budget this year is £12,681.00 which is a 9.26% reduction from the previous year which was £13,975. A Budget Variation Report can be seen in Appendix B.

## **The Property**

The premises consists of a parade of 4 retail units and one void unit. It is located within 1 mile of Leicester city centre and has access off A563 Hinckley Road roundabout. The site benefits from a front car parking facility, landscaped area and rear service yard which are maintained directly by the service charge.

## **Voids and Concessions**

The service charge for any void lettable units or attributable to any service charge concessions is the responsibility of the Landlord.

## **VAT**

The Landlord has elected the property for VAT.

The service charge payable by the commercial lessees will have VAT charged at the standard rate.



## **Banking**

Due to the general level of service charge funds, they are not maintained within a discrete bank account. The funds are held within the Johnson Fellows Clients Account which is maintained with Barclays Bank plc. As a consequence the service charge is not credited with any interest, neither are any bank charges allocated to the service charge.

Interest charged on late payment of service charge by tenants is to be credited to the service charge.

There is no sinking fund or reserve fund.

## **Service Charge Objectives**

The object of this budget report is to provide clear explanation of the planned service charge expenditure on a not for profit/not for loss basis. It is also to promote clarity and transparency and to allow the leaseholders to budget accurately for the forthcoming year.

We encourage leaseholders to provide comments on the format and/or the information contained in this report which would assist in the report being improved for the benefit of all concerned. We would also welcome constructive feedback on the communal services provided at the property.

As Managing Agents, Johnson Fellows aim to provide a high quality management service in order to provide a well maintained environment, and delivering value for money for the service charge expenditure.

The service charge is administered having regard to Service Charges in Commercial Property; RICS Code of Practice.



## **Management Team**

### Facilities Manager:

Chris Monteith

Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW

Direct Dial: 0121 234 0409

Mobile: 07786 072 755

Email: [chris.monteith@johnsonfellows.co.uk](mailto:chris.monteith@johnsonfellows.co.uk)

Chris Monteith is responsible for the repair and maintenance of the property and statutory compliance.

### Management Surveyor:

Jeremy Williams

Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW

Direct Dial: 0121 234 0454

Mobile: 07884 352 576

Email: [jeremy.williams@johnsonfellows.co.uk](mailto:jeremy.williams@johnsonfellows.co.uk)

Jeremy Williams is responsible for the overall management of the property.

### Service Charge Accountant:

Rebecca Glover

Client Accounts

Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW

Direct Dial: 0121 234 0405

Email: [rebecca.glover@johnsonfellows.co.uk](mailto:rebecca.glover@johnsonfellows.co.uk)

Rebecca Glover is the client accountant responsible for this property.



### **Service Charge Apportionment**

The service charge provisions are set out in each tenants lease. These consistently provide for each tenant to pay a due proportion of the service charge which is attributable to each tenants premises. The due proportion is based primarily on the net internal area of each property relative to the total net internal area of all units. If such apportionment is inappropriate, the Landlord has reasonable discretion to adopt such other due proportion as is fair and reasonable. This may include attributing the whole expenditure to a particular unit.

The net internal areas for the commercial units have been obtained from the 2010 ratings list on the VOA website, and the area for the house has been provided by Tesco.

The costs included within the budget for Schedule 1 relate to the repair and maintenance of the communal areas. The communal areas are defined as the car park located at the front of the parade on Hinckley Road, and a strip of land located at the rear of the parade on Stretton Road. All tenants contribute towards Schedule 1.

Schedule 2 relates to any Building repairs required to units 1 & 2, and only the leaseholders of units 1 & 2 contribute towards these costs.

Schedule 3 has been introduced for this year and relates to items of expenditure which are non-recoverable through the lease granted on the warehouse. Tesco agree to cover the proportion of expenditure attributable to the warehouse premises. The percentage shown for the supermarket and warehouse in the percentage apportionment schedule in Appendix A is based on the overall combined floor areas of both premises. The other percentages in the schedule have not been adjusted and will remain unaffected.

The service charge percentage apportionments are detailed in Appendix A.



## **Budget Commentary**

### **SCHEDULE 1**

***All figures are shown net of VAT***

- **Cleaning** **£800**

Tesco have a contract in place for daily cleaning. The cleaning contract covers both the internal and external cleaning for multiple Tesco properties.

Based upon information provided by Tesco and the cleaning contractors, we have calculated the proportion of the cost attributable to just the car park is £12.20 per week, which equates to £634.40 pa.

We have also included a contingency should any additional cleaning, refuse removal or fly tipping removal be required during the year.

- **Boundary Maintenance** **£2,000**

Adhoc costs for any unforeseen repairs or graffiti removal

- **Car Park Maintenance** **£2,000**

Costs to repaint car park lines, and attend to any further unforeseen ad hoc works

- **Drain Maintenance** **£800**

Annual cost for the flush out of the drainage system

### **Total**

**Schedule 1** **£5,600**

Please note this budget is net of VAT at 20%.



## **SCHEDULE 2**

*All figures are shown net of VAT*

- **Building Repair** **£300**

A contingency for any building repairs that may be required to units 1 and 2

- **Signage** **£300**

A contingency for making any changes to the totem pole signage

### **Total**

**Schedule 2** **£600**

Please note this budget is net of VAT at 20%.



**SCHEDULE 3**

**All figures are shown net of VAT**

- **Landscape - External** **£700**

Two 6 monthly visits to attend to the high level tree pruning and cut back of vegetation to the raised beds at the front of the site.

- **Interest** **£0**

Any interest charge on late payment of the service charge will be credited to the budget heading.

- **Audit Fee** **£250**

The RICS Service Charge Code of Practice states that service charge accounts should be independently certified on an annual basis.

- **Management Fee** **£5,181**

This figure represents the cost incurred for the management of the property and administration of the service charge, including periodic inspection. The RICS Service Charge Code of Practice recommends that this be a fixed fee, subject to annual review or indexation, which has been calculated from January 2015 at 1.1%

- **Facilities Management** **£350**

The cost for the Facilities Manager to organise and supervise the service charge contracts and maintenance works.

**Total**

**Schedule 3** **£6,481**

Please note this budget is net of VAT at 20%.

.....  
Management Surveyor

Dated  
11<sup>th</sup> May 2015

.....  
Partner

Dated  
11<sup>th</sup> May 2015



Appendix A

125 Hinckley Road, Leicester, LE3 0TF

Service Charge Apportionment Schedule

25th March 2015 to 24th March 2016

Unit	Schedule	Area (sq m)	Percentage
Warehouse	1	624.65	43.6%
Unit 1	1	77.44	5.4%
Unit 2	1	74.18	5.2%
Supermarket	1	400.61	28.0%
House	1	255.48	17.8%
<b>1 Total</b>		<b>1432.36</b>	<b>100.00%</b>
Unit 1	2	77.44	51.1%
Unit 2	2	74.18	48.9%
<b>2 Total</b>		<b>151.62</b>	<b>100.00%</b>
Unit 1	3	77.44	5.4%
Unit 2	3	74.18	5.2%
Supermarket & Warehouse	3	1025.26	71.6%
House	3	255.48	17.8%
<b>3 Total</b>		<b>1432.36</b>	<b>100.00%</b>



**Appendix B**

**125 Hinckley Road, Leicester, LE3 0TF**

**Service Charge Variance Schedule**

**25th March 2015 to 24th March 2016**

The property is VAT registered. Figures are shown net of VAT.

Service Charge Item	Schedule	Budget 2014/2015	Budget 2015/2016	Budget v Budget Variance %	Budget v Budget Variance £
Car Park Cleaning	1	£ 800	£ 800	0.00%	£ -
Boundary Maintenance	1	£ 4,300	£ 2,000	-53.49%	-£ 2,300
Car Park Maintenance	1	£ 2,000	£ 2,000	0.00%	£ -
Drain Maintenance	1	£ 500	£ 800	60.00%	£ 300
<b>1 Total</b>		<b>£ 7,600</b>	<b>£ 5,600</b>	<b>-26.32%</b>	<b>-£ 2,000</b>
Building Repair	2	£ 300	£ 300	0.00%	£ -
Signage	2	£ 200	£ 300	50.00%	£ 100
<b>2 Total</b>		<b>£ 500</b>	<b>£ 600</b>	<b>20.00%</b>	<b>£ 100</b>
Landscaping	3	£ 500	£ 700	40.00%	£ 200
Audit Fees	3	£ 250	£ 250	0.00%	£ -
Management Fees	3	£ 5,125	£ 5,181	1.09%	£ 56
Facilities Management F	3	£ -	£ 350	100.00%	£ 350
<b>3 Total</b>		<b>£ 5,875</b>	<b>£ 6,481</b>	<b>10.31%</b>	<b>£ 606</b>
<b>Grand Total</b>		<b>£ 13,975</b>	<b>£ 12,681</b>	<b>-9.26%</b>	<b>-£ 1,294</b>