



JOHNSON FELLOWS
CHARTERED SURVEYORS

125 Hinckley Road

Leicester

LE3 0TF

Service Charge Expenditure Report

25st March 2018 to 24th March 2019



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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. The report is intended to provide details of the expenditure incurred for the service charge year ending 24th March 2019.

The Property

The property consists of a parade of 4 retail units and block of flats. 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 service charge expenditure report is aimed at providing a clear explanation of the expenditure incurred and is to promote clarity and transparency. Should any occupier have comments on the format or the information contained in this report that would assist with the report being improved for the benefit of all concerned, these comments would be welcome. We would also welcome constructive feedback on the communal services provided at the property.

The objective of Johnson Fellows as Managing Agents is to provide a high quality management service. In doing so, we aim to provide a well maintained business environment, delivering value for money for the service charge expenditure.

The service charge year end accounts and this report have been prepared having regard to the RICS Practice Standards; Service Charges in Commercial Property, 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

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

Management Surveyor:

George Brittain
Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW
Direct Dial: 0121 234 0454
Mobile: 07884 352 576
Email: george.brittain@johnsonfellows.co.uk

George Brittain 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

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 tenant's 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.

The service charge percentage apportionments are detailed in Appendix A.



Expenditure Commentary

SCHEDULE 1 – All Tenants

All figures are shown net of VAT

- **Cleaning** **£170.00**

Cost of adhoc cleaning the front car park.

- **Car Park Maintenance** **£5,235.00**

Cost of gritting the car park and walk ways, and the resurfacing of the rear access due to pot holes.

- **Drain Maintenance** **£600.00**

Annual flush out of drains.

- **Landscape - External** **£350.00**

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** **-£9.23**

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

- **Health and Safety** **£750.00**

Cost of site health and safety report.

- **Audit Fee** **£250.00**

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

- **Management Fee** **£5,599.00**

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 RPI increase.



Facilities Management

£1,040.00

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

Total

Schedule 1

£13,984.77



SCHEDULE 2 – Units 1 & 2 Leaseholders

All figures are shown net of VAT

• Building Repair	£0.00
• Signage	£0.00
<u>Total</u>	
Schedule 2	£0.00

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Management Surveyor

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Facilities Manager



Appendix A

125 Hinckley Road, Leicester, LE3 0TF

Service Charge Apportionment Schedule

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%
1 Total		1432.36	100.00%
Unit 1	2	77.44	51.1%
Unit 2	2	74.18	48.9%
2 Total		151.62	100.00%



Appendix B

125 Hinckley Road, Leicester, LE3 0TF

Service Charge Variance Schedule

25th March 2018 to 24th March 2019

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

Service Charge Item	Schedule	Budget 2018/2019	Actual 2018/2019	Budget v Actual Variance %	Budget v Actual Variance £
Car Park Cleaning	1	£ 800.00	£ 170.00	-78.75%	-£ 630.00
Boundary Maintenance	1	£ 500.00	£ -	-100.00%	-£ 500.00
Car Park Maintenance	1	£ 1,500.00	£ 5,235.00	249.00%	£ 3,735.00
Drain Maintenance	1	£ 800.00	£ 600.00	-25.00%	-£ 200.00
Landscaping	1	£ 400.00	£ 350.00	-12.50%	-£ 50.00
Health & Safety	1	£ 750.00	£ 750.00	0.00%	£ -
Gritting	1	£ 1,000.00	£ -	-100.00%	-£ 1,000.00
interest	1	£ -	-£ 9.23	#DIV/0!	-£ 9.23
Audit Fees	1	£ 250.00	£ 250.00	0.00%	£ -
Management Fees	1	£ 5,599.00	£ 5,599.00	0.00%	£ -
Facilities Management F	1	£ 1,040.00	£ 1,040.00	0.00%	£ -
1 Total		£ 12,639.00	£ 13,984.77	10.65%	£ 1,345.77
Building Repair	2	£ 300	£ -	-100.00%	-£ 300
Signage	2	£ 300	£ -	-100.00%	-£ 300
2 Total		£ 600	£ -	-100.00%	-£ 600



Appendix C

TESCO STORES LIMITED

**125 HINCKLEY ROAD
LEICESTER**

SERVICE COSTS AUDIT STATEMENT

YEAR ENDED 24 MARCH 2019





125 Hinckley Road
Leicester

Certificate of Service Costs for the year ended 24 March 2019

	2019	2018
Schedule 1		
Cleaning	170.00	652.40
Boundary maintenance	-	1,050.00
Car park maintenance	5,235.00	3,245.00
Drain maintenance	600.00	1,250.00
Landscape - external	350.00	490.00
Health & safety	750.00	-
Interest	- 9.23	-
Audit fees	250.00	250.00
Management fees	5,599.00	5,386.00
Facilities management	1,040.00	1,000.00
	<u>13,984.77</u>	<u>13,323.40</u>
Schedule 2		
Building Repair	-	95.00
Total expenditure	<u><u>13,984.77</u></u>	<u><u>13,418.40</u></u>

No reserve fund is held for this property.

Independent Accountant's Review Report

To the Manager, 125 Hinckley Road

We have reviewed the statement of service charge expenditure for the above property for the year ended 24 March 2019. The statement of service charge expenditure has been prepared by the Manager in accordance with guidance issued by the RICS in the Code of Practice, Services Charges in Commercial Property, Third edition.

Manager's Responsibility for the Statement of service charge expenditure

The Manager is responsible for the preparation of the statement of service charge expenditure and for such internal control as the Manager determines is necessary to enable the preparation of statements that are free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express a conclusion on the statement of service charge expenditure based on the procedures we have performed and the evidence we have obtained. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, Engagements to Review Historical Financial Statements (Revised). ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the statement of service charge expenditure, taken as a whole, is not prepared in all material respects in accordance with the provisions of the Code of practice 'Service charges in commercial property' issued by the RICS. ISRE 4000 (Revised) also requires us to comply with relevant ethical requirements.

A review of a statement of service charge expenditure in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The reporting accountant performs procedures, primarily consisting of making inquiries of management and others responsible for the services that comprise the service charge on this property, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. The procedures do not include review of the allocation or apportionment of service charge expenditure to occupiers.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion



on the statement of service charge expenditure.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the statement of service charge expenditure is not prepared, in all material respects, in accordance with the provisions of the Code of practice 'Service charges in commercial property' issued by the RICS.

Basis of Accounting, and Restriction on Distribution and Use

Our report is made in accordance with the terms of our engagement and is intended solely for the Manager to issue to current occupiers. This report should not be distributed to or used by other parties. Our work has been undertaken to enable us to make this report to the Manager and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Manager in connection with the report or this engagement.

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