

Service Charge Budget Report

125 Hinckley Road

Leicester

LE3 0TF

Service Charge Year

25 March 2014 to
24 March 2015



JOHNSON FELLOWS

CHARTERED SURVEYORS

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1. 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 25th March 2014. The budget this year is £13,975.00 This is an increase from the previous year's budget which was £11,650. A Budget Variation Report can be seen in Appendix A.

2. Voids

Presently there is one void unit Hinckley Road. The responsibility for the service charge for the void unit rests with the Landlord.

3. Service Charge Caps

The Landlord is liable to pay the shortfall for any leaseholder who has a service charge cap in their lease.

4. VAT

The Landlord has elected the property for VAT, consequently the budget stated within this report is net of VAT.

5. Service Charge Banking

Due to the general level of service charge funds, they are not maintained within a discreet 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.

6. Service Charge Objectives

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

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

Should any occupier have comments on the format or the information contained in this report which would assist in 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 service charge is administered having regard to Service Charges in Commercial Property; RICS Code of Practice 3rd Edition.



JOHNSON FELLOWS

CHARTERED SURVEYORS

7. Management Team

Management Surveyor:

Murray Wells

Surveyor

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

Direct Dial: 0121 234 0409

Mobile: 07786 072755

Email: murray.wells@johnsonfellows.co.uk

Rachel Scicluna

Partnership Secretary

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

Direct Dial: 0121 234 0417

Email: rachel.scicluna@johnsonfellows.co.uk

Rachel Scicluna is the client accountant responsible for this property.

8. 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 B 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 B.



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9. Budget Commentary

Schedule 1

All of the tenants contribute towards Schedule 1.

• Cleaning	Budget 2014/15	£800
	Budget 2013/14	£800
	Variance	%0

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	Budget 2014/15	£4,300
	Budget 2013/14	£1,000
	Variance	%330

We have received a quotation for undertaking repairs to the rendering on the brick wall on the PPG side of the car park.

• Car Park Maintenance	Budget 2014/15	£2,000
	Budget 2013/14	£1,500
	Variance	%33.33

We propose to install an Aco drainage channel along the kerb line and car parking spaces nearest the recycling banks.

• Drain Maintenance	Budget 2014/15	£500
	Budget 2013/14	£500
	Variance	%0

We have included a contingency should jetting be required to the communal drains.

• Landscaping	Budget 2014/15	£0
	Budget 2013/14	£1,000
	Variance	% -100

The landscaped areas in the raised beds between the car park at the front of the site and the public highway require pruning when overgrown.



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• Audit Fee	Budget 2014/15	£0
	Budget 2013/14	£250
	Variance	% -100

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

• Management Fee	Budget 2014/15	£0
	Budget 2013/14	£5,000
	Variance	% -100

Total Schedule 1	Budget 2014/15	£7,600
	Budget 2013/14	£10,050
	Variance	% -24.38

Schedule 2

The tenants at units 1 & 2 contribute towards Schedule 2.

• Building Repairs	Budget 2014/15	£300
	Budget 2013/14	£1,000
	Variance	% -70

We have included a contingency for any building repairs that may be required to units 1 & 2.

• Signage	Budget 2014/15	£200
	Budget 2013/14	£600
	Variance	% -66.67

A contingency for making any changes to any changes to the totem signs at the entrance and exit of the car park.

Total Schedule 2	Budget 2014/15	£500
	Budget 2013/14	£1,600
	Variance	% -68.75

Schedule 3

All tenants apart from the warehouse premises. Tesco agree to cover the proportion of expenditure attributable to the warehouse premises.

• Landscaping	Budget 2014/15	£500
	Budget 2013/14	£0
	Variance	%100

The landscaped areas in the raised beds between the car park at the front of the site and the public highway require pruning when overgrown.



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• Audit Fee	Budget 2014/15	£250
	Budget 2013/14	£0
	Variance	%100

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

• Management Fee	Budget 2014/15	£5,125
	Budget 2013/14	£0
	Variance	%100

This figure represents the cost incurred to prepare and manage the service charge at the property for a 12 month period. The RICS Service Charge Code of Practice recommends that this be a fixed fee, subject to annual review or indexation.

Total Schedule 3	Budget 2014/15	£5,875
	Budget 2013/14	£0
	Variance	%100

Total Schedules 1 & 2 & 3	Budget 2014/15	£13,975
	Budget 2013/14	£11,650
	Variance	%19.96

Overall the budget has increased this year. This is mainly due to the planned boundary maintenance works.



JOHNSON FELLOWS

CHARTERED SURVEYORS

Appendix A

Service Charge Budget Report

125 HINCKLEY ROAD LEICESTER

Service Charge Budget Variation Report

25 March 2014 to 24 March 2015

Schedule 1 - All Tenants

Service Charge Item	Budget 2014/15	Budget 2013/14	Variation %
Cleaning	£ 800	£ 800	0.00
Boundary Maintenance	£ 4,300	£ 1,000	330.00
Car Park Maintenance	£ 2,000	£ 1,500	33.33
Drain Maintenance	£ 500	£ 500	0.00
Landscaping	£ -	£ 1,000	-100.00
Audit Fee	£ -	£ 250	-100.00
Management Fee	£ -	£ 5,000	-100.00
Total Schedule 1	£ 7,600	£ 10,050	-24.38

Schedule 2 - Unit 1 & 2

Service Charge Item	Budget 2014/15	Budget 2013/14	Variation %
Building Repair	£ 300	£ 1,000	-70.00
Signage	£ 200	£ 600	-66.67
Total Schedule 2	£ 500	£ 1,600	-68.75

Schedule 3 - All tenants excluding warehouse

Service Charge Item	Budget 2014/15	Budget 2013/14	Variation %
Landscaping	£ 500	£ -	100.00
Audit Fee	£ 250	£ -	100.00
Management Fees	£ 5,125	£ -	100.00
Total Schedule 3	£ 5,875	£ -	100.00



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Appendix B

Service Charge Apportionments

125 HINCKLEY ROAD LEICESTER

Service Charge Apportionment Percentages

25 March 2014 to 24 March 2015

Schedule 1

Unit	Floor Area (m ²)	Apportionment
Warehouse 125 Hinckley Rd	624.65	43.6 %
Unit 1, 125 Hinckley Road	77.44	5.4 %
Unit 2, 125 Hinckley Road	74.18	5.2 %
Supermarket	400.61	28.0 %
House	255.48	17.8 %
Total	1,432.36	100.0 %

Schedule 2

Unit	Floor Area (m ²)	Apportionment
Unit 1, 125 Hinckley Road	77.44	51.1 %
Unit 2, 125 Hinckley Road	74.18	48.9 %
Total	151.62	100.0 %

Schedule 3

Unit	Floor Area (m ²)	Apportionment
Unit 1, 125 Hinckley Road	77.44	5.4 %
Unit 2, 125 Hinckley Road	74.18	5.2 %
Supermarket & Warehouse	1,025.26	71.6 %
House	255.48	17.8 %
Total	1,432.36	100.0 %