



JOHNSON FELLOWS
CHARTERED SURVEYORS

42/48 Clayhanger Lane,

Brownhills,

Walsall,

West Midlands, WS8 7DT

Service Charge Expenditure Report

29th September 2018 to

28th September 2019



Contents

Introduction
The Property
Voids and Concessions
VAT
Banking
Reserve Fund
Service Charge Objectives
Management Team
Service Charge Apportionment
Commentary

Appendices

- A. Service Charge Apportionment
- B. Service Charge Variance
- C. Service Costs Audit Statement



Introduction

This service charge report is intended to provide details of the expenditure for the service charge year.

A service charge is necessary due to there being communal structures, services and areas.

The Property

The property comprises of two single-storey buildings. The larger building is exclusively occupied by Midcounties Coop and trades as a convenience store. The other building is in multiple occupation, comprising three shop units. In between the two buildings is a shared gated service yard and to the front is a car park. A section of car park to the side of the larger building has been fenced off.

The common parts serving the whole property include the car park, service yard, soft landscaped areas and the boundary walls/fences. The communal systems include the external lighting and pump for the foul drains. The main structure and the external elements of the smaller building is communal to just those tenants who occupy one of the three units.

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 has 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.

Reserve Fund

A reserve fund has not been established.

Service Charge Objectives

The object of this report is to provide clear explanation of the service charge 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 service charge.

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 the RICS professional statement, Service Charges in Commercial Property, 1st Edition.

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:

Neil Wetherell
Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW
Direct Dial: 0121 234 0406
Mobile: 07836 313 914
Email: neil.wetherell@johnsonfellows.co.uk

Neil Wetherell 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

Not all common parts of the property serve all occupiers, for this reason we have adopted a number of service charge schedules.

The car park, service yard, lighting and drain pump serve all units and the expenditure is apportioned between all occupiers and these included in Schedule 1.

The external and structural common parts of the building in multiple occupation benefits only the occupiers of the building. These costs are allocated to Schedule 2.



All tenant's apportionment percentages for each schedule are noted within the Service Charge Apportionment detailed in Appendix A.

Commentary

SCHEDULE 1 – General

All figures are shown net of VAT

- **Cleaning** **£3,784**

The contract cost for the twice weekly clean of the car park by Abbey Cleaning. The contract is being retendered in 2019/2020.

- **Drain Maintenance** **£5,925**

The contract for the maintenance of the foul drainage pump was re-tendered during the year and arranged with Fastaway at an annual cost of £2,800. During the year the pumps failed and significant repairs were required.

The costs incurred during the year are summarised below:

| Invoice Date | Supplier | Description | Net Cost |
|--------------|----------------------------|---|---------------|
| 12/12/18 | Fastaway Services | Cleaning blocked foul drain with tanker (2 visits) | £1,050 |
| 13/12/18 | Specialist Pumping Service | Install 2xpumps, lifting chains, shackles & hose | £1,700 |
| 28/12/18 | Fastaway Services | Cleaning blocked foul drain | £400 |
| 23/5/19 | Specialist Pumping Service | Replace float switches, junction box, NRVs, overloads and pipe. | £919 |
| 29/7/19 | Debs Drainage | Flush surface water drains | £220 |
| 31/7/19 | Fastaway Services | Service Visit | £235 |
| 21/8/19 | Fastaway | Bi-annual PPM pumping station with tanker | £1,400 |
| TOTAL | | | £5,925 |

One of the new pumps failed in May 2019 and the junction box in October 2019, both were replaced under warranty

As a result of the equipment within the pumping station having to be comprehensively replaced during this service charge year which was not budgeted for, there is a significant overspend in this year.

Despite the grease traps installed by the two hot food takeaway tenants, given the amount of grease which flows into the foul drainage regular cleaning and servicing of the pumping station is essential to minimise future failure of the equipment. The service charge budget for the year ending 2020 reflects these regular costs.

- **Electrical Repairs** **£100**

A repair was undertaken to one lamp post serving the car park.

- **Landscape - External** **£280**





There was one visit to site to attend to the landscaped areas around the car park.

- **Repairs – External** **£380**

There was one visit to site to clean graffiti from the car park.

- **Gritting** **£1,488**

The cost of gritting the common areas to mitigate the slip hazard for customers during cold weather.

- **Electric Supply** **£250**

A contribution for the electric supply to the communal lighting which is provided from the Midcounties trading store electricity supply.

- **Statutory Compliance** **£500**

The annual health and safety audit of the common parts of the property was undertaken.

- **Audit Fee** **£350**

The RICS service charge practice statement provides for the service charge accounts to be certified annually. This is the cost for an independent accountant to certify the service charge accounts.

- **Management Fee** **£1000**

This is the fee to manage the property and administer the service charge which is indexed linked annually to RPI. The whole fee has been allocated to Schedule 1 as there was no service charge expenditure in Schedule 2.

- **Facilities Management** **£413**

This is the contribution to the facilities managers costs. They administer the maintenance contracts and organise the repair and maintenance of the common parts. It is a fixed contribution indexed linked annually to RPI.

Total

Schedule 1 **£14,469**

The expenditure exceeded the budget due to the costs of the pumping station repairs.

Please note the expenditure is net of VAT at 20%.



SCHEDULE 2 – Building

All figures are shown net of VAT

- **Building Repair** **£0**

No reactive repairs were required to the external parts of the building.

- **Management Fee** **£0**

No Management Fee was allocated to this schedule as no costs were incurred in this schedule.

Total

Schedule 2 **£0**

Please note the expenditure is net of VAT at 20%.

.....
Management Surveyor

.....
Facilities Manager

19th February 2020

19th February 2020



Appendix A

42/48 Clayhanger Lane, Brownhills, Walsall, WS8 7DT (02132)

Service Charge Apportionment

25th December 2018 to 28th September 2019

| Unit | Schedule | Percentage |
|------------------------------|-----------------|-------------------|
| 42 Clayhanger Lane | 1 | 9.00% |
| 44 Clayhanger Lane | 1 | 9.00% |
| 46 Clayhanger Lane | 1 | 9.00% |
| D3-427 42/48 Clayhanger Lane | 1 | 73.00% |
| 1 Total | | 100.00% |
| 42 Clayhanger Lane | 2 | 33.34% |
| 44 Clayhanger Lane | 2 | 33.33% |
| 46 Clayhanger Lane | 2 | 33.33% |
| 2 Total | | 100.00% |



Appendix B

42/48 Clayhanger Lane, Brownhills, Walsall, WS8 7DT (02132)

Service Charge Variance

25th December 2018 to 28th September 2019

The property is VAT registered. Figures for Schedule 1 shown net of VAT.

| Service Charge Item | Schedule | Actual 2017/2018 | | Budget 2018/2019 | Actual 2018/2019 | Actual v Budget | |
|-----------------------|----------|------------------|-----------------|------------------|------------------|-----------------|------------|
| | | (9 Months) | | | | Variance % | Variance £ |
| Cleaning | 1 | £ 2,080 | £ 3,500 | £ 3,784 | 8.10% | £ 284 | |
| Drain Maintenance | 1 | £ 1,513 | £ 2,900 | £ 5,925 | 104.29% | £ 3,025 | |
| Electrical Repair | 1 | £ - | £ 250 | £ 100 | -60.00% | £ 150 | |
| Landscape - External | 1 | £ 500 | £ 500 | £ 280 | -44.00% | £ 220 | |
| Repairs - External | 1 | £ - | £ 1,000 | £ 380 | -62.00% | £ 620 | |
| Gritting | 1 | £ 270 | £ 750 | £ 1,488 | 98.40% | £ 738 | |
| Electricity Supply | 1 | £ - | £ 250 | £ 250 | 0.00% | £ - | |
| Statutory Compliance | 1 | £ - | £ 500 | £ 500 | 0.00% | £ - | |
| Audit Fees | 1 | £ - | £ 350 | £ 350 | 0.00% | £ - | |
| Management Fees | 1 | £ 188 | £ 800 | £ 1,000 | 25.00% | £ 200 | |
| Facilities Management | 1 | £ 300 | £ 413 | £ 413 | 0.00% | £ - | |
| 1 Total | | £ 4,850 | £ 11,213 | £ 14,469 | 29.04% | £ 3,256 | |
| Building Repair | 2 | £ - | £ 1,000 | £ - | -100.00% | N/A | |
| Management Fees | 2 | £ - | £ 200 | £ - | -100.00% | N/A | |
| 2 Total | | £ - | £ 1,200 | £ - | -100.00% | £ - | |
| Grand Total | | £ 4,850 | £ 12,413 | £ 14,469 | 16.56% | £ 3,256 | |



Appendix C

31 JAN 2020

**MIDCOUNTIES CO-OPERATIVE LIMITED
42/48 CLAYHANGER LANE
BROWNHILLS, WALSALL**

SERVICE COSTS AUDIT STATEMENT

YEAR ENDED 28TH SEPTEMBER 2019





42/48 Clayhanger Lane
Brownhills, Walsall

Certificate of Service Costs for the year ended 28th September 2019

| | 2019 |
|--------------------------|-------------------------|
| Cleaning | 3,783.55 |
| Drain Maintenance | 5,924.50 |
| Electrical Repair | 100.00 |
| Landscape - External | 280.00 |
| Repairs - External | 380.00 |
| Gritting | 1,488.00 |
| Electricity Supply | 250.00 |
| Statutory Compliance | 500.00 |
| Audit Fees | 350.00 |
| Management Fees | 1,000.00 |
| Facilities Management | 413.00 |
| Total expenditure | <u>14,469.05</u> |

No reserve fund held.

Independent Accountant's Review Report

To the Manager, 42/48 Clayhanger Lane, Brownhills, Walsall.

We have reviewed the statement of service charge expenditure for the above property for the year ended 28 September 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.

Haines Watts

Haines Watts
Sterling House
97 Lichfield Street
Tamworth
Staffordshire
B79 7QF