



**JOHNSON FELLOWS**  
CHARTERED SURVEYORS

58/64 Parkway  
Ruislip Manor  
Ruislip  
Middlesex  
HA4 8NR

**Service Charge Expenditure Report**

29<sup>th</sup> September 2015 to  
28<sup>th</sup> September 2016



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## **Introduction**

The service charge expenditure report is intended to provide details of the expenditure incurred for the service charge year ending 28<sup>th</sup> September 2016.

## **The Property**

The property (defined as 'the Block' in various lease documents) comprises of two ground floor retail units, three maisonettes, one second floor residential flat, one first floor unit used as a dental surgery. The property does not include the Tesco customer car park at the rear. The service charge is to operate for the Block.

There would appear to be a discrepancy with the legal interest and service charge liability for one part of the Block, which comprises a bedroom which forms part of 66a Parkway, positioned above the front communal stairs at second floor level. This is being investigated by solicitors, the outcome of which will be advised in future Service Charge Reports together with any impact on the service charge.

Whilst the Block forms part of a parade extending to Windmill Hill, with mutual rights of access for the occupiers over the balcony areas, it is understood that there is no obligation for the owner/occupiers of the Block to contribute to maintenance expenditure of other parts of the parade and vice versa.

The parts of the Block covered by the service charge include the rain water goods, drains and the communal areas for the first and second floor occupiers which include the front and rear balconies and the front and side stairs. The service charge specifically does not cover any areas which are demised to any leaseholder.

Not all leaseholders are responsible for contributing to all service charge expenditure for the Block. For this reason service charge schedules have been used, details of which are provided below.

## **Voids and Concessions**

For this service charge year, all units were let.

Any shortfall in the recovery of the service charge expenditure as a result of voids or concessions are funded by the Landlord.

## **VAT**

The Landlord has elected the property for VAT.

The service charge payable by the commercial lessees, including the dental surgery, has VAT charged at the standard rate. The service charge payable by the leaseholders of the first and second floor residential parts is charged inclusive of VAT, as the Landlord is unable to recover the VAT on this part of the service charge expenditure.



## **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 Quinquennial Maintenance Programme has previously been prepared. This report identified maintenance requirements to the property, some of which are significant.

A reserve fund operates in order to accumulate funds to undertake substantial long term repairs to the front and rear balcony surfaces. These works were specified and competitive tenders obtained. The works and costs are:

Front Balcony Surface Repairs	£8,065
Rear Balcony Surface Repairs	<u>£8,900</u>
Total	£16,965
<b>SAY</b>	<b>£17,000</b>

Following consultation in 2011/2012, it was agreed that a reserve fund was to be collected over 4 years at a rate of £4,250 per annum to fund the cost of the long term works. These works are being undertaken in the service charge year 2016/2017

Tesco Stores (as Landlord) are making a contribution of £4,500 to the reserve fund. Whilst Tesco do not accept liability, it is in recognition that their alteration works to their ground floor unit might have contributed to repairs required. In respect of repairs to the balcony, it is acknowledged that the costs are otherwise payable by the leaseholders of the first and second floors.

No allowance for VAT has been made in the reserve fund.

These funds are held in a discrete bank account with interest credited to it. Any banking costs will be paid from the service charge together with any tax on the interest earned.

The balance of the Reserve Fund is set out in the Service Costs Audit Statement in Appendix C.



### **Service Charge Objectives**

It is the objective of Johnson Fellows to issue service charge budgets at least one month prior to the start of the service charge year with service charge year end accounts being completed within four months of the year end.

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

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.

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 and the Service Charge Residential Management Code; RICS Code of Practice.

### **Residential Service Charge Obligations**

In accordance with the Landlord & Tenant Act 1987, Section 48, it is confirmed that the Landlord is Tesco Stores Ltd and their address for the service of notices is Plus Building, Ground Floor, The Boulevard, Shire Park, Welwyn Garden City, Hertfordshire, AL7 1GB.

Details of the relevant legislation of residential long leaseholder's rights and obligations which are relevant to the service charge are provided with the annual service charge budget. For clarity Appendix D provides a copy of The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007.

Any individual works required where any residential long leaseholders' contribution exceeds £250 + VAT will be subject to consultation with the relevant long leaseholders.



## **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:

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

Rebecca Glover is the client accountant responsible for this property.



## **Service Charge Apportionment**

The service charge operates for the whole Block. The apportionment percentages for each lessee are noted within the Service Charge Apportionment Report, as detailed in Appendix A.

### **Ground Floor Expenditure**

The ground floor occupiers are liable for 100% of the costs for the repair and maintenance of the ground floor building (excluding the structure and foundations) and the rear extension. They are also responsible for 50% of the cost attributable to the rain water goods and drains which serve the Block.

The split of the service charge expenditure between the ground floor leaseholders has regard to the Net Internal Area (NIA) of their accommodation.

All expenditure to which the ground floor occupiers contribute towards is contained in Schedule One.

### **First and Second Floor Expenditure**

The first and second floor leaseholders are liable to pay 100% of the cost to repair and maintain the communal parts of the Block above ground floor level and the communal stairs from the ground floor. The exception is the expenditure upon the rain water goods and drains which serve the Block, towards which they contribute 50% of the costs. There is also a liability to contribute towards any repairs to the structure and foundations.

There should be just one schedule which operates for the upper floors, but due to the VAT status of the first floor Dental Surgery being different to the residential parts, the expenditure for the first and second floor is split into two schedules. Of the first and second floor expenditure 20% is allocated to Schedule Two which is wholly attributed to the Dental Surgery. The 80% balance of the expenditure is allocated to Schedule Three for the residential units.

It should be noted that the first and second floor leaseholders are directly responsible for the repair and maintenance of the main elements of the first and second floor building demised to them individually, including the roof. This is also the case for the stairwell accessing flat 58b.

The expenditure towards which each leaseholder pays is the correct amount having regards to the service charge percentage prescribed in their lease. However as a result of the split between Schedules Two and Three, it does mean that the percentage figure detailed in the Service Charge Apportionment Report will be different to those stated in the lease documents.

For the avoidance of doubt, no expenditure on the drains and rainwater goods serving the ground floor rear extension will be allocated to Schedules 2 or 3.



### Block Expenditure

Where expenditure is incurred for the whole block and is not directly attributable to the ground floor or the first/second floors, (excluding rain water goods and drains), the expenditure is split between the schedules by one of two alternative methods.

The first is by utilising Net Internal Area, a common method of service charge apportionment. The split is as follows:

Ground Floor	5,491 sf	68%
First & Second Floors	2,500 sf	32%

The first and second floor expenditure is then split 20%:80% to Schedules Two and Three respectively.

The second method is by reference to the level of expenditure within each service charge schedule, excluding the Block expenditure in question.

The method adopted is that which is considered to be the fairest having regards to the nature of the expenditure and in all cases the method adopted will be confirmed in the Budget & Expenditure Reports.

### Service Charge Schedules

Schedule One     Ground Floor Commercial Occupiers (Figures Net of VAT)

Schedule Two     First Floor Dental Surgery (Figures Net of VAT)

Schedule Three    First and Second Floor Residential Leaseholder  
(Figures Inclusive of VAT)



**Expenditure Commentary**

***SCHEDULE 1 – Ground Floor Commercial***

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

- **Building Repair** **£747.60**

Cost of works carried out to the flat roof at the rear of the property.

- **Drain Maintenance** **£0.00**

During the year no works were required under this schedule.

- **Audit Fee** **£42.00**

The RICS Code of Practice regulations state that service charge accounts for residential & commercial properties are to be independently certified. This cost covers the fee raised by the accountants for certifying the service charge year end accounts. The allocation of this cost is as budgeted.

- **Management Fee** **£649.00**

The Management Fee is the same as the budgeted figure.

**Total**

**Schedule 1** **£1,438.60**



## **SCHEDULE 2 – First Floor Commercial**

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

- **Pest Control** **£165.00**

Cost of setting up bait boxes and quarterly checks.

- **Building Repairs** **£1,018.42**

Cost of adhoc roofing repairs and contribution towards materials for use in walk way renovation that are due to begin at the beginning of October 2016.

- **Drain Maintenance** **£0.00**

During the year no works were required under this schedule.

- **Electrical Maintenance** **£0.00**

No repairs were required to the communal electrics.

- **Electricity Supply** **£40.00**

The electricity sub-meter for the communal lighting is being checked in order to provide accurate consumption data so the supply costs can be confirmed. In the meantime an accrual has been made for the estimated consumption.

- **Reserve Fund** **£0.00**

No contribution to the walkway renovations was required in this budget period. The reserve fund will be closed down in the 2016/2017 period following the completion of the works; any balance will be refunded to the tenants in that period.

- **Insurance** **£0.00**

Insurance has been charged out directly to individual tenants and will not be included in the service charge budget going forward.

- **Audit Fee** **£51.00**

The RICS Code of Practice regulations state that service charge accounts for residential & commercial properties are to be independently certified. This cost covers the fee raised by the accountants for certifying the service charge year end accounts. The allocation of this cost is as budgeted.

- **Management Fee** **£788.00**

The Management Fee is the same as the budgeted figure.

### **Total**

**Schedule 2** **£2,062.42**



### **SCHEDULE 3 – First & Second Floor Residential**

**All figures are shown inclusive of VAT where applicable**

- **Pest Control** **£792.00**

Cost of setting up bait boxes and quarterly checks.

- **Building Repairs** **£4,224.48**

Cost of adhoc roofing repairs and contribution towards materials for use in walk way renovation that are due to begin at the beginning of October 2016.

- **Drain Maintenance** **£0.00**

During the year no works were required under this schedule.

- **Electrical Maintenance** **£0.00**

No repairs were required to the communal electrics.

- **Electricity Supply** **£192.00**

The electricity sub-meter for the communal lighting is being checked in order to provide accurate consumption data so the supply costs can be confirmed. In the meantime an accrual has been made for the estimated consumption.

- **Reserve Fund** **£0.00**

No contribution to the walkway renovations was required in this budget period. The reserve fund will be closed down in the 2016/2017 period following the completion of the works; any balance will be refunded to the tenants in that period.

- **Insurance** **£0.00**

Insurance has been charged out directly to individual tenants and will not be included in the service charge budget going forward.

- **Audit Fee** **£248.00**

The RICS Code of Practice regulations state that service charge accounts for residential & commercial properties are to be independently certified. This cost covers the fee raised by the accountants for certifying the service charge year end accounts. The allocation of this cost is as budgeted.



- **Management Fee** **£3,836.00**

The Management Fee is the same as the budgeted figure.

**Total**

**Schedule 3** **£9,292.48**

.....  
Management Surveyor

.....  
Dated 12<sup>th</sup> January 2016

.....  
Facilities Manager

.....  
Dated 12<sup>th</sup> January 2016



**Appendix A**

**58-64 Parkway, Ruislip Manor, Ruislip HA4 8NR**

**Service Charge Apportionment Schedule**

**29th September 2015 to 28th September 2016**

Unit	Tenant	Schedule 1 Ground Floor	Schedule 2	Schedule 3
			First & Second Floors	First & Second Floors
58-62 Parkway	Tesco Stores	76.00%	0.00%	0.00%
64 Parkway	Explore Learning	24.00%	0.00%	0.00%
58a & 58b Parkway	Dendoc	0.00%	100.00%	25.00%
60a Parkway	Messrs Lewis & Boardman	0.00%	0.00%	25.00%
62a Parkway	Messrs Lewis & Boardman	0.00%	0.00%	25.00%
64a Parkway	Mr Bashir	0.00%	0.00%	25.00%
		<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Note 1: Expenditure split between Schedules 2 and 3 is 20% and 80% respectively, consequently tenant percentages adjusted. The tenant in Schedule 2 is paying 100% of 20% of First & Second Floor expenditure and tenants in Schedule 3 are paying 25% each of 80% of First & Second Floor expenditure.



**Appendix B**

**58-64 Parkway, Ruislip Manor, Ruislip HA4 8NR**

**Service Charge Variance Schedule**

**29th September 2015 to 28th September 2016**

The property is VAT registered. Figures for Schedules 1&2 shown net of VAT. Schedule 3 figures shown inclusive of VAT.

Service Charge Item	Schedule	Budget 2015/2016	Actual 2015/2016	Budget v Actual Variance %	Budget v Actual Variance £
Pest Control	1	£0.00	£0.00	N/A	£0.00
Building Repair	1	£500.00	£747.60	49.52%	£247.60
Drain Maintenance	1	£250.00	£0.00	-100.00%	-£250.00
Audit Fees	1	£42.00	£42.00	0.00%	£0.00
Management Fees	1	£649.00	£649.00	0.00%	£0.00
Professional Fees	1	£0.00	£0.00	0.00%	£0.00
<b>1 Total</b>		<b>£1,441.00</b>	<b>£1,438.60</b>	<b>-0.17%</b>	<b>-£2.40</b>
Cleaning	2	£0.00	£0.00	N/A	£0.00
Pest Control	2	£0.00	£165.00	N/A	£165.00
Building Repair	2	£660.00	£1,018.42	54.31%	£358.42
External Decorations	2	£0.00	£0.00	0.00%	£0.00
Drain Maintenance	2	£50.00	£0.00	-100.00%	-£50.00
Electrical Maintenance	2	£50.00	£0.00	-100.00%	-£50.00
Electricity Supply	2	£40.00	£40.00	0.00%	£0.00
Reserve Fund	2	£0.00	£0.00	N/A	£0.00
Insurance	2	£160.00	£0.00	-100.00%	-£160.00
Audit Fees	2	£51.00	£51.00	0.00%	£0.00
Management Fees	2	£788.00	£788.00	0.00%	£0.00
Professional Fees	2	£0.00	£0.00	0.00%	£0.00
<b>2 Total</b>		<b>£1,799.00</b>	<b>£2,062.42</b>	<b>14.64%</b>	<b>£263.42</b>
Cleaning	3	£0.00	£0.00	N/A	£0.00
Pest Control	3	£0.00	£792.00	N/A	£792.00
Building Repair	3	£3,168.00	£4,224.48	33.35%	£1,056.48
External Decorations	3	£0.00	£0.00	0.00%	£0.00
Drain Maintenance	3	£240.00	£0.00	-100.00%	-£240.00
Electrical Maintenance	3	£240.00	£0.00	-100.00%	-£240.00
Electricity Supply	3	£192.00	£192.00	0.00%	£0.00
Reserve Fund	3	£0.00	£0.00	N/A	£0.00
Insurance	3	£768.00	£0.00	-100.00%	-£768.00
Audit Fees	3	£248.00	£248.00	0.00%	£0.00
Management Fees	3	£3,836.00	£3,836.00	0.00%	£0.00
Professional Fees	3	£0.00	£0.00	0.00%	£0.00
<b>3 Total</b>		<b>£8,692.00</b>	<b>£9,292.48</b>	<b>6.91%</b>	<b>£600.48</b>
<b>Grand Total</b>		<b>£11,932.00</b>	<b>£12,793.50</b>	<b>7.2%</b>	<b>£861.50</b>



**Appendix C**

**TESCO STORES LTD**

**PARKWAY  
RUISLIP MANOR, RUISLIP**

**SERVICE COSTS AUDIT STATEMENT**

**YEAR ENDED 28TH SEPTEMBER 2016**





**Parkway**  
**Ruislip Manor, Ruislip**  
**Certificate of Service Costs for the year ended 28th September 2016**

	2016	2015
<b>Ground Floor Commercial Occupiers (Net)</b>		
Building Repair	747.60	-
Audit fees	42.00	27.00
Management fees	649.00	413.00
	<u>1,438.60</u>	<u>440.00</u>
<b>First Floor Dental Surgery (Net)</b>		
Pest control	165.00	-
Building Repair	1,018.42	189.90
Electricity supply	40.00	80.00
Reserve fund	-	865.10
Audit fees	51.00	42.00
Management fees	788.00	643.00
	<u>2,062.42</u>	<u>1,820.00</u>
<b>1st &amp; 2nd Floor Residential (Gross)</b>		
Pest control	792.00	-
Building Repair	4,224.48	759.60
Drain maintenance	-	950.00
Electricity supply	192.00	400.00
Reserve fund	-	5,418.40
Audit fees	248.00	277.00
Management fees	3,836.00	4,243.00
	<u>9,292.48</u>	<u>12,048.00</u>
<b>Total expenditure</b>	<u><u>12,793.50</u></u>	<u><u>14,308.00</u></u>
<b>Reserve Fund</b>		
Balance brought forward	16,674.63	
Interest earned	13.27	
Reserved in 2015-16	0.00	
2015 reserved contribution from landlord	0.00	
Balance carried forward	<u><u>16,687.90</u></u>	

In our opinion the above is a fair summary of the costs incurred by or on behalf of Tesco Stores Ltd in connection with the matters for which the service charge is payable and is sufficiently supported by accounts, receipts and other documents which have been produced to us.

*Haines Watts*

Haines Watts Chartered Accountants



## Appendix D

### **The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007**

- (1) This summary, which briefly sets out your rights and obligations in relation to variable service charges, must by law accompany a demand for service charges. Unless a summary is sent to you with a demand, you may withhold the service charge. The summary does not give a full interpretation of the law and if you are in any doubt about your rights and obligations you should seek independent advice.
- (2) Your lease sets out your obligations to pay service charges to your landlord in addition to your rent. Service charges are amounts payable for services, repairs, maintenance, improvements, insurance or the landlord's costs of management, to the extent that the costs have been reasonably incurred.
- (3) You have the right to ask a leasehold valuation tribunal to determine whether you are liable to pay service charges for services, repairs, maintenance, improvements, insurance or management. You may make a request before or after you have paid the service charge. If the tribunal determines that the service charge is payable, the tribunal may also determine:
  - a. who should pay the service charge and who it should be paid to;
  - b. the amount;
  - c. the date it should be paid by; and
  - d. how it should be paid.

However, you do not have these rights where:

- e. a matter has been agreed or admitted by you;
  - f. a matter has already been, or is to be, referred to arbitration or has been determined by arbitration and you agreed to go to arbitration after the disagreement about the service charge or costs arose;
  - g. or a matter has been decided by a court.
- (4) If your lease allows your landlord to recover costs incurred or that may be incurred in legal proceedings as service charges, you may ask the court or tribunal, before which those proceedings were brought, to rule that your landlord may not do so.
  - (5) Where you seek a determination from a leasehold valuation tribunal, you will have to pay an application fee and, where the matter proceeds to a hearing, a hearing fee, unless you qualify for a waiver or reduction. The total fees payable will not exceed £500, but making an application may incur additional costs, such as professional fees, which you may also have to pay.
  - (6) A leasehold valuation tribunal has the power to award costs, not exceeding £500, against a party to any proceedings where:
    - a. it dismisses a matter because it is frivolous, vexatious or an abuse of process; or
    - b. it considers a party has acted frivolously, vexatiously, abusively, disruptively or unreasonably.

The Lands Tribunal has similar powers when hearing an appeal against a decision of a leasehold valuation tribunal.

- (7) If your landlord:
  - a. proposes works on a building or any other premises that will cost you or any other tenant more than £250, or



- b. proposes to enter into an agreement for works or services which will last for more than 12 months and will cost you or any other tenant more than £100 in any 12 month accounting period,

Your contribution will be limited to these amounts unless your landlord has properly consulted on the proposed works or agreement or a leasehold valuation tribunal has agreed that consultation is not required.

- (8) You have the right to apply to a leasehold valuation tribunal to ask it to determine whether your lease should be varied on the grounds that it does not make satisfactory provision in respect of the calculation of a service charge payable under the lease.
- (9) You have the right to write to your landlord to request a written summary of the costs which make up the service charges. The summary must:
  - a. cover the last 12 month period used for making up the accounts relating to the service charge ending no later than the date of your request, where the accounts are made up for 12 month periods; or
  - b. cover the 12 month period ending with the date of your request, where the accounts are not made up for 12 month periods
- (10) The summary must be given to you within 1 month of your request or 6 months of the end of the period to which the summary relates whichever is the later.
- (11) You have the right, within 6 months of receiving a written summary of costs, to require the landlord to provide you with reasonable facilities to inspect the accounts, receipts and other documents supporting the summary and for taking copies or extracts from them.
- (12) You have the right to ask an accountant or surveyor to carry out an audit of the financial management of the premises containing your dwelling, to establish the obligations of your landlord and the extent to which the service charges you pay are being used efficiently. It will depend on your circumstances whether you can exercise this right alone or only with the support of others living in the premises. You are strongly advised to seek independent advice before exercising this right.
- (13) Your lease may give your landlord a right of re-entry or forfeiture where you have failed to pay charges which are properly due under the lease. However, to exercise this right, the landlord must meet all the legal requirements and obtain a court order. A court order will only be granted if you have admitted you are liable to pay the amount or it is finally determined by a court, tribunal or by arbitration that the amount is due. The court has a wide discretion in granting such an order and it will take into account all the circumstances of the case.