



JOHNSON FELLOWS
CHARTERED SURVEYORS

Battle Hospital

Oxford Road

Reading

RG30 1AP

Service Charge Budget Report

29th September 2019 to

28th September 2020



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Introduction

This report has been produced by Johnson Fellows on behalf of the Landlord, Tesco Stores Ltd. It is intended to provide details of the planned expenditure for the service charge period 29th September 2019 to 28th September 2020.

Enclosed within this report is a copy of the Service Charge Variance Schedule and Service Charge Apportionment Schedule.

The service charge is administered having regard to RICS Professional Statement; Service Charges in Commercial Property; 1st Edition.

The Property

The property is located off the A329 Oxford Road, which forms one of the main arterial routes into Reading from the west. The town centre is approximately 1 mile to the east and Reading West railway station lies less than ½ a mile to the east. Junction 4 of the M4 Motorway is approximately 3½ miles to the south.

The property is of steel framed construction with brick and clad elevations under a pitched roof. The main block, Cholsey House, is two storey with retail units to the ground floor and a mix of commercial and residential apartments to the first floor. Adjoining Cholsey House is the entrance to Winterbrook House, which provides housing association apartments above the Tesco Extra store.

An archway through Cholsey House gives access to a secure gated car park to the rear. The car park is shared between the residential occupiers and the commercial offices on the first floor of Cholsey House.

A secondary open car park is located to the front of the property for the benefit of the customers of the commercial units.

The communal services provided at the property consist of the cleaning and landscaping to both car parks, the external upkeep and maintenance of Cholsey House & Winterbrook House and the fire alarm to the first floor of Cholsey House. Tesco is directly responsible for their store and the areas immediately surrounding it.

Service Charge Objectives

The objective of Johnson Fellows as Managing Agent 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 objective of this budget report is to provide a 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 period.

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 welcomed. We would also welcome constructive feedback on the communal services provided at the property.



VAT

The property is elected for VAT.

The VAT on the service charge expenditure attributable to the residential elements of the property cannot be recovered, so the gross expenditure is applied. The VAT on the commercial expenditure can be recovered, consequently the net costs plus VAT are applied, enabling the commercial leaseholders to recover the VAT charged to them.

Voids and Concessions

Where any void units exist, the responsibility for the service charge rests with the Landlord. Currently the first floor offices of Cholsey House are vacant.

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

Reserve Fund

There is no reserve fund.



Service Charge Apportionment

The apportionment for each schedule is detailed within the Service Charge Apportionment Schedule attached at Appendix A.

Schedule One:	Rear Car Park – Residential (Gross)
Schedule Two:	Cholsey House Building – Commercial (Net)
Schedule Three:	Cholsey House Building – Residential (Gross)
Schedule Four:	Upper Floor Cholsey House – Commercial (Net)
Schedule Five:	Upper Floor Cholsey House – Residential (Gross)
Schedule Six:	Winterbrook House Building – Residential (Gross)
Schedule Seven:	Front Car Park – Commercial (Net)
Schedule Eight:	Rear Car Park – Commercial (Net)

There are eight separate schedules set up for the commencement of the new service charge year. The rationale behind our splitting the shared costs for the residential and commercial leaseholders is purely due to VAT. Residential properties are not able to recover VAT, therefore the expenditure detailed is inclusive of VAT (Gross). The commercial leaseholders are able to recover VAT, therefore the expenditure for the commercial element is net of VAT.

The two residential elements and the first floor offices of Cholsey House contribute towards Schedules One and Eight. The apportionment is based on the number of car spaces allocated and the costs are split between the two schedules on a commercial/residential (net/gross) basis. Schedules Two and Three are contributed towards by all occupiers of Cholsey House. The costs are apportioned based on floor area and are split between the two schedules on a commercial/residential (net/gross) basis. Schedules four and five are for the first floor commercial and residential accommodation of Cholsey House. These are again apportioned based on floor area and split between the two schedules on a commercial/residential (net/gross) basis. Schedule Six is solely contributed towards by Southern Housing and on a gross basis. Schedule Seven, which is for the benefit of the commercial occupiers of Cholsey House, is also apportioned based on floor area and is net of VAT.

Costs that are shared between several schedules for items such as Management and Auditors Fees have been apportioned between the schedules based approximately on the total net expenditure within each schedule.



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:

Ian Starbuck

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

Direct Dial: 0121 234 0462

Mobile: 07887 745 635

Email: ian.starbuck@johnsonfellows.co.uk

Ian Starbuck 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.



Budget Commentary

SCHEDULE 1 (Residential 90.90% Gross) & SCHEDULE 8 (Commercial 9.10% Net) **– REAR CAR PARK**

	Schedule 1	Schedule 8	Total (Net)
• Pest Control	£490.86	£40.95	£450.00

The budget reflects the cost of the pest control contract for the rear car park.

• Car Park Maintenance	£3,272.40	£273.00	£3,000.00
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The budget provides for any repairs required to the car park surface and structure and the annual drainage flush through. It has been maintained at the same level for the new year.

• Cleaning & Landscaping	£3,163.32	£263.90	£2,900.00
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The cost heading is for the landscaping and litter pick contract, together with a sum for ad-hoc landscaping repairs and weed treatment.

• Snow Clearance & Gritting	£954.45	£79.63	£875.00
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The budget provides for the anticipated cost for gritting the car park, with 25 visits estimated.

• Utilities	£545.40	£45.50	£500.00
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The cost heading is for the electricity consumption within the rear car park for the lighting and automatic gates. The supply is linked with Tesco's electricity meter and monitored via a sub meter.

• Mechanical & Electrical Maintenance	£594.49	£49.60	£545.00
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The cost heading is for the maintenance contract for the electronic car park gates. It has been maintained at the same level.

• Mechanical & Electrical Repairs	£2,181.60	£182.00	£2,000.00
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The budget figure allows for unforeseen repairs to the car park gate and for other electrical maintenance within the car park.

• Health & Safety	£685.75	£57.21	£628.67
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This figure represents the cost for the completion of a Health & Safety Audit Report including recommendations and actions. The total cost of £1,250 has been apportioned between Schedules 1, 2, 3, 7 & 8.



**SCHEDULE 2 (Commercial 64.24% Net) & SCHEDULE 3 (Residential 35.76% Gross)
– CHOLSEY HOUSE BUILDING**

	Schedule 2	Schedule 3	Total (Net)
• Cleaning	£899.36	£600.77	£1,400.00

The cost heading provides for the annual cleaning of the gutters and fascia's, together with cherry picker hire.

• Building Repair	£963.60	£643.68	£1,500.00
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The budget provides a contingency sum for any unexpected external repairs that may need to be carried out to the structure.

• Health & Safety	£114.04	£76.18	£177.52
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This figure represents the cost for the completion of a Health & Safety Audit Report including recommendations and actions. The total cost of £1,250 has been apportioned between Schedules 1, 2, 3, 7 & 8.

• Site Staff Costs	£160.30	£107.08	£249.53
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The figure represents the costs incurred for periodic site inspections, to organise and supervise the various contracts in place, deal with items of maintenance and ensure compliance. The total fixed fee has been increased to £2,651.98 in line with indexation and is split between all schedules.

• Audit Fee	£30.22	£20.18	£47.04
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The RICS Service Charge Code of Practice states that service charge accounts for commercial properties are to be independently certified on an annual basis. The Accountants fee for certifying the year end service charge account is £500.00. This has been split between all schedules.

• Management Fee	£288.54	£192.74	£449.16
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This figure represents the costs incurred for the management of the property and the administration of the service charge. The RICS Service Charge Code of Practice recommends that this be a fixed fee, subject to annual review or indexation. The total fixed fee has been increased to £4,773.56. It is split between all schedules.

Total

Schedules 2 & 3			£3,823.25
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**SCHEDULE 4 (Commercial 26.86% Net) & SCHEDULE 5 (Residential 73.14% Gross)
– UPPER FLOOR CHOLSEY HOUSE**

	Schedule 4	Schedule 5	Total (Net)
• Fire Prevention	£349.18	£1,140.98	£1,300.00

The cost heading provides for the maintenance contract and weekly testing of the fire alarm linked between the first floor commercial unit and the residential flats. There is also a small contingency for any unforeseen issues.

• Site Staff Costs	£30.05	£98.18	£111.87
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The figure represents the costs incurred for periodic site inspections, to organise and supervise the various contracts in place, deal with items of maintenance and ensure compliance. The total fixed fee has been increased to £2,651.98 in line with indexation and is split between all schedules.

• Audit Fee	£5.66	£18.52	£21.09
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The RICS Service Charge Code of Practice states that service charge accounts for commercial properties are to be independently certified on an annual basis. The Accountants fee for certifying the year end service charge account is £500.00. This has been split between all schedules.

• Management Fee	£54.08	£176.72	£201.35
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This figure represents the costs incurred for the management of the property and the administration of the service charge. The RICS Service Charge Code of Practice recommends that this be a fixed fee, subject to annual review or indexation. The total fixed fee has been increased to £4,773.56. It is split between all schedules.

Total

Schedules 4 & 5			£1,634.31
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SCHEDULE 6 (Residential 100.00% Gross) – WINTERBROOK HOUSE BUILDING

- **Window Cleaning** **£1,200.00**

The cost heading provides for quarterly window cleaning.

- **External Maintenance** **£3,000.00**

The cost heading provides a contingency sum for any unexpected external repairs that may need to be carried out to the structure, plus the annual test for the lightning conductor.

- **Access Equipment** **£600.00**

The budget provides for the annual maintenance of the mansafe system in respect of the window cleaning.

- **Site Staff Costs** **£939.64**

The figure represents the costs incurred for periodic site inspections, to organise and supervise the various contracts in place, deal with items of maintenance and ensure compliance. The total fixed fee has been increased to £2,651.98 in line with indexation and is split between all schedules.

- **Insurance** **£6,120.00**

The budget provides for the annual buildings insurance premium. The budget figure is based on the premium for the previous year.

- **Audit Fee** **£177.16**

The RICS Service Charge Code of Practice states that service charge accounts for commercial properties are to be independently certified on an annual basis. The Accountants fee for certifying the year end service charge account is £500.00. This has been split between all schedules.

- **Management Fee** **£1,691.34**

This figure represents the costs incurred for the management of the property and the administration of the service charge. The RICS Service Charge Code of Practice recommends that this be a fixed fee, subject to annual review or indexation. The total fixed fee has been increased to £4,773.56. It is split between all schedules.

Total

Schedule 6 **£13,728.14**



SCHEDULE 7 (Commercial 100% Net) – FRONT CAR PARK

- **Cleaning** **£2,500.00**

The heading is for the cost of the monthly litter picking.

- **Car Park Maintenance** **£4,500.00**

The cost heading provides for repairs to the car park surface and structure, re-lining and the cleaning out of the drainage points. It has been increased for the new year to allow for the works.

- **Landscaping** **£250.00**

The heading is for the anticipated cost of the quarterly weed treatment.

- **Health & Safety** **£443.80**

This figure represents the cost for the completion of a Health & Safety Audit Report including recommendations and actions. The total cost of £1,250 has been apportioned between Schedules 1, 2, 3, 7 & 8.

- **Site Staff Costs** **£623.84**

The figure represents the costs incurred for periodic site inspections, to organise and supervise the various contracts in place, deal with items of maintenance and ensure compliance. The total fixed fee has been increased to £2,651.98 in line with indexation and is split between all schedules.

- **Audit Fee** **£117.62**

The RICS Service Charge Code of Practice states that service charge accounts for commercial properties are to be independently certified on an annual basis. The Accountants fee for certifying the year end service charge account is £500.00. This has been split between all schedules.

- **Management Fee** **£1,122.92**

This figure represents the costs incurred for the management of the property and the administration of the service charge. The RICS Service Charge Code of Practice recommends that this be a fixed fee, subject to annual review or indexation. The total fixed fee has been increased to £4,773.56. It is split between all schedules.

Total

Schedule 7 **£9,558.18**



Budget Approval

A handwritten signature in black ink, appearing to read 'A. Lantieri'.

A handwritten signature in black ink, appearing to read 'Paul Starbuck'.

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Facilities Manager

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Partner

Dated 9th September 2019

Dated 9th September 2019



Appendix A

Battle Hospital, Oxford Road, Reading

Service Charge Apportionment Schedule

29th September 2019 to 28th September 2020

Unit	Floor Area Sq Ft	Schedule 1	Schedule 2	Schedule 3	Schedule 4	Schedule 5	Schedule 6	Schedule 7	Schedule 8
1 Cholsey House	1,820	0.00%	15.33%	0.00%	0.00%	0.00%	0.00%	15.33%	0.00%
2 Cholsey House	1,710	0.00%	14.40%	0.00%	0.00%	0.00%	0.00%	14.40%	0.00%
3 Cholsey House	1,506	0.00%	12.68%	0.00%	0.00%	0.00%	0.00%	12.68%	0.00%
4 Cholsey House	660	0.00%	5.73%	0.00%	0.00%	0.00%	0.00%	5.73%	0.00%
5 Cholsey House	743	0.00%	6.26%	0.00%	0.00%	0.00%	0.00%	6.26%	0.00%
6 Cholsey House	1,545	0.00%	13.01%	0.00%	0.00%	0.00%	0.00%	13.01%	0.00%
7 Cholsey House	1,442	0.00%	12.14%	0.00%	0.00%	0.00%	0.00%	12.14%	0.00%
8 Cholsey House Residential	2,428	0.00%	20.45%	0.00%	100.00%	0.00%	0.00%	20.45%	100.00%
Winterbrook House	6,611	32.50%	0.00%	100.00%	0.00%	100.00%	100.00%	0.00%	0.00%
	-	67.50%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%
	18,485	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Schedule 1 - Rear Car Park - Resi (Gross)

Schedule 2 - Cholsey House - Com (Net)

Schedule 3 - Cholsey House - Resi (Gross)

Schedule 4 - Upper Floor Cholsey House - Com (Net)

Schedule 5 - Upper Floor Cholsey House - Resi (Gross)

Schedule 6 - Winterbrook House - Resi (Gross)

Schedule 7 - Front Car Park - Com (Net)

Schedule 8 - Rear Car Park - Com (Net)



Appendix B

Battle Hospital, Oxford Road, Reading

Service Charge Variance Schedule

29th September 2019 to 28th September 2020

The property is VAT registered.

Service Charge Item	Schedule	Budget 2018/2019	Budget 2019/2020
Pest Control	1	£ 545.40	£ 490.86
Car Park Maintenance	1	£ 3,272.40	£ 3,272.40
Landscaping	1	£ 3,272.40	£ 3,163.32
Snow Clearance & Gritting	1	£ 954.45	£ 954.45
Utilities	1	£ 545.40	£ 545.40
M&E Maintenance	1	£ 594.49	£ 594.49
M&E Repairs	1	£ 2,181.60	£ 2,181.60
Health & Safety	1	£ 741.14	£ 685.75
Staff Site Costs	1	£ 1,002.06	£ 963.95
Audit Fee	1	£ 194.16	£ 181.74
Management Fee	1	£ 1,803.71	£ 1,735.10
1 Total		£ 15,107.21	£ 14,769.06
Cleaning	2	£ 963.60	£ 899.36
Building Repair	2	£ 963.60	£ 963.60
Health & Safety	2	£ 125.67	£ 114.04
Staff Site Costs	2	£ 169.91	£ 160.30
Audit Fee	2	£ 32.92	£ 30.22
Management Fee	2	£ 305.83	£ 288.54
2 Total		£ 2,561.53	£ 2,456.06
Cleaning	3	£ 643.68	£ 600.77
Building Repair	3	£ 643.68	£ 643.68
Health & Safety	3	£ 83.94	£ 76.18
Staff Site Costs	3	£ 113.50	£ 107.08
Audit Fee	3	£ 21.99	£ 20.18
Management Fee	3	£ 204.29	£ 192.74
3 Total		£ 1,711.08	£ 1,640.63
Fire Prevention	4	£ 268.60	£ 349.18
Staff Site Costs	4	£ 23.68	£ 30.05
Audit Fee	4	£ 4.59	£ 5.66
Management Fee	4	£ 42.62	£ 54.08
4 Total		£ 339.49	£ 438.97
Fire Prevention	5	£ 877.68	£ 1,140.98
Staff Site Costs	5	£ 77.38	£ 98.18
Audit Fee	5	£ 14.99	£ 18.52
Management Fee	5	£ 139.28	£ 176.72
5 Total		£ 1,109.33	£ 1,434.40



Window Cleaning	6	£	1,200.00	£	1,200.00
External Maintenance	6	£	3,000.00	£	3,000.00
Access Equipment	6	£	600.00	£	600.00
Staff Site Costs	6	£	962.73	£	939.64
Insurance	6	£	6,120.00	£	6,120.00
Audit Fee	6	£	186.54	£	177.16
Management Fee	6	£	1,732.91	£	1,691.34
6 Total		£	13,802.18	£	13,728.14
Cleaning	7	£	2,500.00	£	2,500.00
Car Park Maintenance	7	£	3,000.00	£	4,500.00
Landscaping	7	£	250.00	£	250.00
Health & Safety	7	£	374.93	£	443.80
Staff Site Costs	7	£	506.93	£	623.84
Audit Fee	7	£	98.22	£	117.62
Management Fee	7	£	912.48	£	1,122.92
7 Total		£	7,642.56	£	9,558.18
Pest Control	8	£	45.50	£	40.95
Car Park Maintenance	8	£	273.00	£	273.00
Landscaping	8	£	273.00	£	263.90
Snow Clearance & Gritting	8	£	79.63	£	79.63
Utilities	8	£	45.50	£	45.50
M&E Maintenance	8	£	49.60	£	49.60
M&E Repairs	8	£	182.00	£	182.00
Health & Safety	8	£	61.83	£	57.21
Staff Site Costs	8	£	83.60	£	80.42
Audit Fee	8	£	16.20	£	15.16
Management Fee	8	£	150.47	£	144.75
8 Total		£	1,260.33	£	1,232.12

Schedule 1 - Rear Car Park - Resi (Gross)

Schedule 2 - Cholsey House - Com (Net)

Schedule 3 - Cholsey House - Resi (Gross)

Schedule 4 - Upper Floor Cholsey House - Com (Net)

Schedule 5 - Upper Floor Cholsey House - Resi (Gross)

Schedule 6 - Winterbrook House - Resi (Gross)

Schedule 7 - Front Car Park - Com (Net)

Schedule 8 - Rear Car Park - Com (Net)