



**JOHNSON FELLOWS**  
CHARTERED SURVEYORS

51-63 Elm Grove

Southsea

PO5 1JF

**Service Charge Expenditure Report**

**25<sup>th</sup> March 2014 to 24<sup>th</sup> March 2015**



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





## **Introduction**

This report has been produced by Johnson Fellows on behalf of the Landlord, Tesco Stores Limited. It is intended to provide details of the expenditure incurred during the service charge year 25<sup>th</sup> March 2014 to 24<sup>th</sup> March 2015.

## **The Property**

The property comprises a large mixed use development located on a major thoroughfare in Southsea, Hampshire. The property is located approximately 1km from the coast and is surrounded by a mixture of retail, leisure and residential users. The property is believed to have been constructed in the early 1900's and comprises traditional masonry and structural steelwork construction over three floors with a basement.

The property has been extensively altered to create two large retail premises at ground floor level and a smaller single retail unit to the far right hand side. The residential accommodation at first and second floor levels has also been altered to create student accommodation consisting of 3 and 4 bedroom flats. Access to the flats is via doors to the front elevation, with secondary access to the rear elevation from Belmont Place.

## **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 objective of this report is to provide a 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 that 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.

The service charge is administered having regard to Service Charges in Commercial Property; RICS Code of Practice 3<sup>rd</sup> Edition, and the Service Charge Residential Management Code; RICS Code of Practice 2<sup>nd</sup> Edition.

## **Residential Service Charge Obligations**

In accordance with the Landlord & Tenant Act 1987, Section 48 we can confirm that the Landlord is Tesco Stores Ltd and their address for the service of notices is PO Box 400, Cirrus B Building, Shire Park, Welwyn Garden City, Hertfordshire AL7 1AB.

For the residential long leaseholders, please refer to the enclosed details at Appendix C for the legislation relevant to the service charge. For any individual works required, where any residential long leaseholders' contribution exceeds £250 plus VAT, we will consult with the relevant long leaseholders.



## **VAT**

The Landlord has elected the property for VAT.

The VAT on the service charge expenditure attributable to the residential part of the property cannot be recovered by the Landlord, so the gross expenditure is applied to the residential long leaseholders. 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**

The landlord is responsible for the service charge contribution for void units and to pay any shortfall where there are service charge caps. Presently there are no void units at the property.

## **Banking**

Due to the general level of service charge funds, they are not maintained within a discrete bank account. As a consequence the service charge is not credited with any interest, neither are any bank charges allocated to the service charge. The funds are held within the Johnson Fellows Clients Account which is maintained with Barclays Bank plc.

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

There was no reserve fund in place for the service charge year 25th March 2014 to 24th March 2015.



## **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:

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

Rebecca Glover is the client accountant responsible for this property.



### **Service Charge Apportionment**

The service charge has been apportioned over three schedules.

The service charge apportionment for each schedule is noted within the Apportionment Schedule as detailed in Appendix A.

Schedule 1 Residential Leaseholders – 100%

Schedule 2 Residential Leaseholders – Costs split 50% with Commercial Leaseholders

Schedule 3 Commercial Leaseholders – Costs split 50% with Residential Leaseholders

The rationale behind splitting the shared costs for the residential and commercial leaseholders is purely due to VAT. Residential leaseholders 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 exclusive of VAT (Net).

For expenditure that relates purely to the internal residential areas we have applied 100% to Schedule 1.

For expenditure that relates to the external parts, common areas and the fabric of the building, the costs have been split 50:50 between Schedules 2 & 3.

The service charge costs are apportioned in line with the terms of the leases and provide for each tenant to pay a due proportion of the service charge which is attributable to each tenant's premises; this is shown in Appendix A.



## Expenditure Commentary

### **SCHEDULE 1 – Residential Leaseholders**

**All figures are shown inclusive of VAT**

- **Cleaning** **£5,663.50**

The expenditure is for the twice weekly cleaning of all internal/external common areas. It also included a one-off deep clean to bring the property back up to standard. The total expenditure was under budget.

- **Internal Decoration** **£0.00**

The budget heading allowed for the redecoration of the internal common parts. However, due to the need to preserve funds for future essential works, no expenditure was incurred.

- **Electrical Repair** **£0.00**

The budget allowed for any unforeseen adhoc electrical works. No expenditure was incurred.

- **Internal Repairs** **£270.00**

The budget allowed for various internal repairs to be completed. However, due to the need to preserve funds for future essential works, non-essential items were not carried out. The expenditure was therefore kept to a minimum.

- **Electricity Supply** **£1,466.19**

The expenditure relates to the electrical consumption for the communal lighting. It has come in marginally above budget.

- **Fire Prevention** **£1,599.00**

The expenditure relates to the annual maintenance/service contract for quarterly inspections and testing of the fire alarm system and emergency lighting. It has come in marginally above budget.

- **Audit Fee** **£225.00**

The RICS Service Charge Code of Practice states that service charge accounts for residential & commercial properties are to be independently certified on an annual basis. The cost covers the fee raised by the Accountants for certifying the year end service charge accounts. The total fee has been shared among the three service charge schedules.

- **Management Fee** **£2,358.00**

The expenditure figure represents the cost incurred to prepare and manage the service charge budget together with arranging necessary maintenance/repairs and carrying out periodic inspections of the property. The overall Management Fee is £5,894.00 and is fixed in accordance with the RICS Service Charge Code. The fee is split equally among all three schedules.



**Total**

**Schedule 1 (Gross) £11,581.69**

***SCHEDULE 2 – Residential Leaseholders (50% of costs)***

*All figures are shown inclusive of VAT*

**&**

***SCHEDULE 3 – Commercial Leaseholders (50% of costs)***

*All figures are shown exclusive of VAT*

	<b>Sched 2</b>	<b>Sched 3</b>
• <b>Cleaning</b>	£150.00	£150.00

The budget provided for the removal of any fly tipping to external areas and the pressure washing to the communal paved areas. The expenditure relates to the removal of various items of fly tipping. However, the pressure washing was placed on hold.

• <b>Building Repairs</b>	£14,482.30	£8,700.00
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A number of large items of works are required in order to rectify water ingress into the building. The works commenced in the summer of 2015. The main expenditure under this heading relates to the accrual of funds in order to facilitate these works, together with the cost of the initial exploratory surveys and reports.

• <b>Drain Maintenance</b>	£165.00	£405.00
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The budget allowed for a full CCTV survey and the jetting and clearing of all gutters and downpipes, in particular to the front elevation of the building. Due to the need to preserve funds, these works were not fully completed. However, some essential repairs/works were carried out. Some of the drainage works related to the commercial units only hence the greater proportion attributed to Schedule 3.

• <b>Audit Fee</b>	£112.50	£93.75
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The RICS Service Charge Code of Practice states that service charge accounts for residential & commercial properties are to be independently certified on an annual basis. This cost covers the fee raised by the Accountants for certifying the year end service charge accounts, the fee has been shared among the three service charge schedules.



- **Management Fee** £2,358.00 £1,965.00

The expenditure figure represents the cost incurred to prepare and manage the service charge budget together with arranging necessary maintenance/repairs and carrying out periodic inspections of the property. The overall Management Fee is £5,894.00 and is a fixed fee in accordance with the RICS Service Charge Code. The fee is split equally among all three schedules.

**Total**

**Schedule 2 (Gross) £17,267.80**  
**Schedule 3 (Net) £11,313.75**

.....  
Management Surveyor

.....  
Partner

.....  
Dated 22<sup>nd</sup> September 2015

.....  
Dated 22<sup>nd</sup> September 2015



Appendix A

51-63 Elm Grove, Southsea, PO5 1JF

Service Charge Apportionment Schedule

25th March 2014 to 24th March 2015

Flat/Unit	Schedule	Percentage
1	1	6.25%
2	1	6.25%
3	1	6.25%
4	1	6.25%
5	1	6.25%
16	1	6.25%
17	1	6.25%
18	1	6.25%
19	1	6.25%
20	1	6.25%
51	1	6.25%
51a	1	6.25%
57	1	6.25%
57a	1	6.25%
59	1	6.25%
59a	1	6.25%
<b>1 Total</b>		<b>100.00%</b>
1	2	5.94%
2	2	5.94%
3	2	5.50%
4	2	5.48%
5	2	5.48%
16	2	5.50%
17	2	5.94%
18	2	5.94%
19	2	5.48%
20	2	5.48%
51	2	8.96%
51a	2	5.48%
57	2	8.96%
57a	2	5.48%
59	2	8.96%
59a	2	5.48%
<b>2 Total</b>		<b>100.00%</b>
51/55	3	48.14%
57/61	3	42.24%
63	3	9.62%
<b>3 Total</b>		<b>100.00%</b>



**Appendix B**

**51-63 Elm Grove, Southsea, PO5 1JF**

**Service Charge Variance Schedule**

**25th March 2014 to 24th March 2015**

Service Charge Item	Schedule	Budget 2014/2015	Expenditure 2014/2015	Budget v Expenditure Variance %	Budget v Expenditure Variance £
Cleaning	1	£ 6,500	£ 5,664	-12.87%	-£ 837
Decoration - Internal	1	£ 1,500	£ -	-100.00%	-£ 1,500
Electrical Repair	1	£ 600	£ -	-100.00%	-£ 600
Repairs - Internal	1	£ 1,000	£ 270	-73.00%	-£ 730
Electricity Supply	1	£ 1,400	£ 1,466	4.73%	£ 66
Fire Prevention	1	£ 1,500	£ 1,599	6.60%	£ 99
Audit Fees	1	£ 240	£ 225	-6.25%	-£ 15
Management Fees	1	£ 2,358	£ 2,358	0.00%	£ -
<b>1 Total</b>		<b>£ 15,098</b>	<b>£ 11,582</b>	<b>-23.29%</b>	<b>-£ 3,516</b>
Cleaning	2	£ 900	£ 150	-83.33%	-£ 750
Building Repair	2	£ 9,000	£ 14,482	60.91%	£ 5,482
Drain Maintenance	2	£ 1,200	£ 165	-86.25%	-£ 1,035
Audit Fees	2	£ 120	£ 113	-6.25%	-£ 8
Management Fees	2	£ 2,358	£ 2,358	0.00%	£ -
<b>2 Total</b>		<b>£ 13,578</b>	<b>£ 17,268</b>	<b>27.17%</b>	<b>£ 3,690</b>
Cleaning	3	£ 750	£ 150	-80.00%	-£ 600
Building Repair	3	£ 7,500	£ 8,700	16.00%	£ 1,200
Drain Maintenance	3	£ 1,000	£ 405	-59.50%	-£ 595
Audit Fees	3	£ 100	£ 94	-6.25%	-£ 6
Management Fees	3	£ 1,965	£ 1,965	0.00%	£ -
<b>3 Total</b>		<b>£ 11,315</b>	<b>£ 11,314</b>	<b>-0.01%</b>	<b>-£ 1</b>
<b>Grand Total</b>		<b>£ 39,991</b>	<b>£ 40,163</b>	<b>0.43%</b>	<b>£ 172</b>



## Appendix C

### **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.