



JOHNSON FELLOWS
CHARTERED SURVEYORS

Jacey Buildings

40/48 Birmingham Road

Sutton Coldfield

West Midlands B72 1QQ

Service Charge Budget Report

1st April 2015 to 31st March 2016



Contents

Introduction

The Property

Service Charge Objectives

Residential Service Charge Obligations

VAT

Voids and Concessions

Banking

Management Team

Service Charge Apportionment

Budget Commentary

Appendices

- A. Service Charge Apportionment Schedule
- B. Service Charge Variance Schedule
- C. The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007

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





Introduction

This report has been produced by Johnson Fellows on behalf of the Landlord, Hawksvalley Properties Limited. It is intended to provide details of the planned expenditure for the service charge year 1st April 2015 to 31 March 2016. Enclosed within this report is a copy of the Service Charge Variance Schedule, Service Charge Apportionment Schedule and The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007.

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

The Property

The subject property is located within Sutton Coldfield and consists of a three storey parade, comprising of four ground floor retail units and eleven residential long leasehold flats above. The front of the parade consists of a forecourt for access and loading / unloading to the retail units. The rear benefits from a communal landscaped area and designated fire exit routes. Internal common areas include two corridors which lead to the residential flats.

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 budget report is to provide a clear explanation for the 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 welcomed. We would also welcome constructive feedback on the communal services provided at the property.

Residential Service Charge Obligations

In accordance with the Landlord & Tenant Act 1987, Section 48, it is confirmed that the Landlord is Hawksvalley Properties Limited and their address for the service of notices is 6 South Bar, Banbury, Oxfordshire OX16 9AA.

Please refer to the enclosed details at Appendix C for the relevant legislation of residential long leaseholder's rights and obligations which are relevant to the service charge. Any individual works required where any residential long leaseholders' contribution exceeds £250 plus VAT, we will consult the relevant leaseholders.



VAT

The property is VAT registered, however, the VAT on the service charge expenditure attributable to the residential part of the property cannot be recovered by either the tenant or the landlord; therefore the gross expenditure is charged to the residential leaseholders only and is applied to Schedules 1 and 4. The VAT on the commercial expenditure can be recovered, therefore the net costs are applied to Schedule 3.

Voids and Concessions

Where any void units exist, the responsibility for the service charge rests with the Landlord. Number 46-48 Birmingham Road is currently 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.

There has been a reserve fund in place since the 2014 -2015 budget. The total amount currently stands at £2,117.17. The reserve fund is held in a separate interest earning account.



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.



Service Charge Apportionment

The service charge is shared between residential and commercial leaseholders. The service charge apportionment for each schedule is noted within the Service Charge Apportionment Schedule at Appendix A.

Schedule 1:	Residential Leaseholders
Schedule 2:	No longer used
Schedule 3:	Commercial Leaseholders
Schedule 4:	Residential Leaseholders (excluding Flat 1)

For shared expenditure the costs are split 50% to the residential leaseholders and 50% to the commercial leaseholders.

The apportionment figures for the residential leaseholders have been amended slightly so that every tenant pays an equal contribution. This is shown on the apportionment schedule in Appendix A and applies to both Schedules 1 and 4. The system previously used for calculating the apportionment % was based on Rateable Value as per the terms of the lease and was inherited by the previous owners. To ensure everyone is being fairly charged going forward and without incurring the cost to measure each flat separately, we have adopted the same % for all tenants.

With regard to the Management Fee, we have shared the costs between both commercial and residential leaseholders. This fee has been split 50:50 between Schedules 1 and 3.



Budget Commentary

SCHEDULE 1 – Residential Leaseholders

All figures are shown inclusive of VAT

- **Cleaning** **£180**

We have included a provision for any external cleaning or fly tipping removal that may be required during the year. The costs are shared between the residential and commercial tenants.

- **Window Cleaning** **£300**

This figure represents the cost of cleaning the external windows of the residential parts of the building once per year.

- **Pest Control** **£210**

We have implemented a pest control contract for the rear communal area which is attended to on a quarterly basis.

- **Building Repair** **£950**

We have included a contingency for any repairs to the external parts of the building that may be required during the year. In addition we have allocated a figure to undertake roof and lead flashing repairs and the clearance of the gutters. The costs have been split between the residential and commercial tenants.

- **External Decoration** **£240**

A budget figure has been included to cover the cost of any required decoration to the premises.

- **Drain Maintenance** **£360**

A budgeted cost for the jetting of the drains. The cost is shared between the residential and commercial tenants.

- **Landscaping** **£1,250**

The landscaping contract has recently been retendered giving us a cost saving against last year's budget. In addition a budgeted figure has been included for the high level pruning.

- **Reserve Fund** **£500**

We have included a figure to put into the Reserve Fund to accrue monies to resurface the walkway at the rear of the property. We have not sourced quotes for these works as yet, however we anticipate it will cost in the region of £4,000 - £5,000. Both the residential and commercial tenants contribute towards the reserve fund.



- **Buildings Insurance** **£1,698**

The cost heading provides the total buildings insurance premium for the residential units. The insurance premium is not subject to VAT.

- **Audit Fee** **£240**

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 is shared among the residential and commercial tenants in Schedules 1 and 3.

- **Management Fee** **£2,936**

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. As such we have applied an uplift in line with the Retail Price Index, which this year equates to 1.1%. The overall fee this year is £4,894.00 + VAT and is shared between both commercial and residential leaseholders.

- **Professional Fees** **£1,200**

The budget figure is for an independent Building Surveyor to inspect and prepare a planned maintenance report. This will identify areas of the building that require maintenance in the near future, together with their budget costs.

Total

Schedule 1 **£10,064**



SCHEDULE 3 – Commercial Leaseholders

All figures are shown net of VAT

- **Cleaning** **£150**

We have included a provision for any external cleaning or fly tipping removal that may be required during the year. The costs are shared between the residential and commercial tenants.

- **Pest Control** **£175**

We have implemented a pest control contract for the rear communal area which is attended to on a quarterly basis.

- **Building Repair** **£800**

We have included a contingency for repairs to the external parts of the building that may be required during the year. In addition we have allocated a figure to undertake roof and lead flashing repairs and the clearance of the gutters. The costs have been split between the residential and commercial tenants.

- **External Decoration** **£200**

A budget figure has been included to cover the cost of any required decoration to the premises.

- **Drain Maintenance** **£300**

A budgeted cost for the jetting of the drains. The cost is shared between the residential and commercial.

- **Landscaping** **£1,000**

The landscaping has recently been retendered giving us a cost saving against last year's budget. In addition a budgeted figure has been included for the high level pruning.

- **Reserve Fund** **£500**

We have included a figure to put into the reserve fund to accrue monies to resurface the walkway at the rear of the property. We have not sourced quotes for these works as yet, however we anticipate it will cost in the region of £4,000 - £5,000. Both the residential and commercial tenants contribute towards the reserve fund.

- **Building Insurance Including
Loss of Rent Cover** **£1,340**

The cost heading provides to total buildings insurance premium for the commercial units, including the loss of rent cover.



- **Audit Fee** **£200**

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 is shared among the residential and commercial tenants in Schedules 1 and 3.

- **Management Fee** **£2,447**

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. As such we have applied an uplift in line with the Retail Price Index, which this year equates to 1.1%. The overall fee this year is £4,894.00 + VAT and is shared between both commercial and residential leaseholders.

- **Professional Fees** **£1,000**

The budget figure is for an independent Building Surveyor to inspect and prepare a planned maintenance report. This will identify areas of the building that require maintenance in the near future, together with their budget costs.

Total

- Schedule 3** **£8,112**

SCHEDULE 4 – Residential Leaseholders Excluding Flat 1

All figures are shown inclusive of VAT

- **Cleaning** **£1,860**

This heading covers the cost of the weekly cleaning of the internal common areas and a contingency should any additional works be required outside of the scope of the contract.

- **Building Repairs** **£310**

We have included a contingency sum should any internal repairs be required during the year.

- **Decoration** **£1,500**

A budget figure has been included to cover the cost of the decoration of the common internal staircase.



- **Electrical Repair** **£240**

We have included a contingency for any electrical repairs that may be required during the year.

- **Electricity Supply** **£480**

A budgeted cost for the electricity supply for the common areas. This budget is based on the consumption over the past 12 months

Total

Schedule 4 **£4,390**

.....
Management Surveyor

.....
Dated 25th June 2015

.....
Partner

.....
Dated 25th June 2015



Appendix A

Jacey Buildings, 40/48 Birmingham Road, Sutton Coldfield, West Midlands B72 1QQ

Service Charge Apportionment Schedule

1st April 2015 to 31st March 2016

Unit	Schedule	Percentage
Flat 1	1	12.00%
Flat 2	1	8.80%
Flat 3	1	8.80%
Flat 4	1	8.80%
Flat 5	1	8.80%
Flat 6	1	8.80%
Flat 7	1	8.80%
Flat 8	1	8.80%
Flat 9	1	8.80%
Flat 10	1	8.80%
Flat 11	1	8.80%
1 Total		100.00%
40	3	16.67%
42	3	16.67%
44	3	16.68%
46/48	3	49.98%
3 Total		100.00%
Flat 2	4	10.00%
Flat 3	4	10.00%
Flat 4	4	10.00%
Flat 5	4	10.00%
Flat 6	4	10.00%
Flat 7	4	10.00%
Flat 8	4	10.00%
Flat 9	4	10.00%
Flat 10	4	10.00%
Flat 11	4	10.00%
4 Total		100.00%

Schedule 1 - Residential

Schedule 3 - Commercial Only

Schedule 4 - Residential Excl

Flat 1



Appendix B

Jacey Buildings, 40/48 Birmingham Road, Sutton Coldfield, West Midlands B72 1QQ

Service Charge Variance Schedule

1st April 2015 to 31st March 2016

The property is VAT registered. Figures for Schedules 1 & 4 shown inclusive of VAT. Schedule 3 figures shown net of VA

Service Charge Item	Schedule	Budget 2014/2015	Budget 2015/2016	Budget v Budget Variance %	Budget v Budget Variance £
Cleaning	1	£ 180	£ 180	0.00%	£ -
Window Cleaning	1	£ 300	£ 300	0.00%	£ -
Pest Control	1	£ -	£ 210	100.00%	£ 210
Building Repair	1	£ 750	£ 950	26.67%	£ 200
External Decoration	1	£ 2,400	£ 240	-90.00%	-£ 2,160
Drain Maintenance	1	£ 300	£ 360	20.00%	£ 60
Landscape	1	£ 1,500	£ 1,250	-16.67%	-£ 250
Health & Safety	1	£ 300	£ -	-100.00%	-£ 300
Reserve Fund	1	£ 500	£ 500	0.00%	£ -
Buildings Insurance	1	£ 1,379	£ 1,698	23.11%	£ 319
Audit Fees	1	£ 240	£ 240	0.00%	£ -
Management Fees	1	£ 2,905	£ 2,936	1.08%	£ 31
Professional Fees	1	£ -	£ 1,200	100.00%	£ 1,200
1 Total		£ 10,754	£ 10,064	-6.42%	-£ 690
Cleaning	3	£ 150	£ 150	0.00%	£ -
Pest Control	3	£ -	£ 175	100.00%	£ 175
Building Repair	3	£ 625	£ 800	28.00%	£ 175
External Decoration	3	£ 2,000	£ 200	-90.00%	-£ 1,800
Drain Maintenance	3	£ 250	£ 300	20.00%	£ 50
Landscape	3	£ 1,250	£ 1,000	-20.00%	-£ 250
Health & Safety	3	£ 250	£ -	-100.00%	-£ 250
Reserve Fund	3	£ 500	£ 500	0.00%	£ -
Buildings Insurance inc Loss of Rent	3	£ 1,883	£ 1,340	-28.83%	-£ 543
Audit Fees	3	£ 200	£ 200	0.00%	£ -
Management Fees	3	£ 2,421	£ 2,447	1.07%	£ 26
Professional Fees	3	£ -	£ 1,000	100.00%	£ 1,000
3 Total		£ 9,529	£ 8,112	-14.87%	-£ 1,417
Cleaning	4	£ 1,860	£ 1,860	0.00%	£ -
Building Repair	4	£ 240	£ 310	29.17%	£ 70
Decoration	4	£ 240	£ 1,500	525.00%	£ 1,260
Electrical Repair	4	£ 240	£ 240	0.00%	£ -
Electricity Supply	4	£ 480	£ 480	0.00%	£ -
Health & Safety	4	£ 240	£ -	-100.00%	-£ 240
4 Total		£ 3,300	£ 4,390	33.03%	£ 1,090



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.