



JOHNSON FELLOWS
CHARTERED SURVEYORS

Jacey Buildings

40/48 Birmingham Road

Sutton Coldfield

West Midlands, B72 1QQ

Service Charge Budget Report

1st April 2017 to 31st March 2018



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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, Hawksvalley Properties Limited. It is intended to provide details of the planned expenditure for the service charge year 1st April 2017 to 31 March 2018.

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. Currently there are no void units.

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 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)

The service charge apportionment percentages are based on the Gross Internal Areas (GIA's) of the individual units as a percentage of the total GIA. Shared expenditure is split 66% for the residential leaseholders and 34% for the commercial leaseholders, based on the total residential and commercial GIA's against the overall total GIA.

Apportioning based on floor area is regarded as best practice in accordance with the Service Charges in Commercial Property; RICS Code of Practice.



Budget Commentary

SCHEDULE 1 – Residential Leaseholders

All figures are shown inclusive of VAT

- **Cleaning** **£198.00**

The budget provides 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. The budget has been maintained at the same level.

- **Window Cleaning** **£250.00**

This figure represents the cost of cleaning the external windows to the residential parts of the building once a year. The budget has been reduced for the current year in line with last year's expenditure.

- **Pest Control** **£348.48**

The cost heading is for the pest control contract for the rear communal areas, which is attended to on a quarterly basis. The cost is shared between the residential and commercial tenants. The budget has been maintained at the same level.

- **Building Repair** **£1,980.00**

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 the re-pointing of the chimney breast. The costs have been split between the residential and commercial tenants. The budget has been increased for the current year.

- **External Decoration** **£316.80**

A budget figure has been included to cover the cost of any ad-hoc decoration works required to the premises. This budget has been maintained at the same level and is split between the residential and commercial tenants.

- **Drain Maintenance** **£475.20**

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

- **Landscaping** **£1,452.00**

The cost heading is for the landscaping contract and the high level pruning. It has been maintained at the same level for the year and is shared between the residential and commercial tenants.



- **Reserve Fund** **£660.00**

The Reserve Fund is to accrue monies to resurface the walkway at the rear of the property. The estimated total cost is in the region of £4,000 - £5,000. Both the residential and commercial tenants contribute towards the reserve fund.

- **Buildings Insurance** **£2,689.65**

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

- **Audit Fee** **£264.00**

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. 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.

- **Facilities Management** **£792.00**

The budget cost is for the Facilities Manager to organise and supervise the various service charge contracts, arrange maintenance works, ensure legislative compliance and complete periodic inspections. The total fee for the year is £1,000.00 + VAT and is shared between both commercial and residential leaseholders.

- **Management Fee** **£4,752.00**

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. The total fee has been increased for the current year to bring it in line with market rates. Thereafter annual increases will be in line with the Retail Price Index. The overall fee this year is £6,000.00 + VAT and is shared between both commercial and residential leaseholders.

Total

Schedule 1 **£14,178.13**



SCHEDULE 3 – Commercial Leaseholders

All figures are shown net of VAT

- **Cleaning** **£85.00**

The budget provides 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. The budget has been maintained at the same level.

- **Pest Control** **£149.60**

The cost heading is for the pest control contract for the rear communal areas, which is attended to on a quarterly basis. The cost is shared between the residential and commercial tenants. The budget has been maintained at the same level.

- **Building Repair** **£850.00**

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 the re-pointing of the chimney breast. The costs have been split between the residential and commercial tenants. The budget has been increased for the current year.

- **External Decoration** **£136.00**

A budget figure has been included to cover the cost of any ad-hoc decoration works required to the premises. This budget has been maintained at the same level and is split between the residential and commercial tenants.

- **Drain Maintenance** **£204.00**

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

- **Landscaping** **£748.00**

The cost heading is for the landscaping contract and the high level pruning. It has been maintained at the same level for the year and is shared between the residential and commercial tenants.

- **Reserve Fund** **£330.00**

The Reserve Fund is to accrue monies to resurface the walkway at the rear of the property. The estimated total cost is in the region of £4,000 - £5,000. Both the residential and commercial tenants contribute towards the reserve fund.

- **Building Insurance** **£1,848.45**

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



- **Audit Fee** **£136.00**

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. 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.

- **Facilities Management** **£340.00**

The budget cost is for the Facilities Manager to organise and supervise the various service charge contracts, arrange maintenance works, ensure legislative compliance and complete periodic inspections. The total fee for the year is £1,000.00 + VAT and is shared between both commercial and residential leaseholders.

- **Management Fee** **£2,040.00**

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. The total fee has been increased for the current year to bring it in line with market rates. Thereafter annual increases will be in line with the Retail Price Index. The overall fee this year is £6,000.00 + VAT and is shared between both commercial and residential leaseholders.

Total

Schedule 3 **£6,867.05**



SCHEDULE 4 – Residential Leaseholders Excluding Flat 1

All figures are shown inclusive of VAT

- **Cleaning** **£1,860.00**

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. The budget has been maintained at the same level.

- **Building Repairs** **£500.00**

The budget figure provides a contingency sum should any internal repairs be required during the year.

- **Electrical Repair** **£240.00**

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

- **Electricity Supply** **£550.00**

The budgeted cost is for the electricity supply for the common areas. This budget has been increased and is based on the consumption over the past 12 months.

Total

Schedule 4 **£3,150.00**

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Management Surveyor

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Facilities Manager

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Dated 15th March 2017

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Dated 15th March 2017



Appendix A

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

Service Charge Apportionment Schedule

1st April 2017 to 31st March 2018

Unit	GIA Floor Area Sq Ft	Schedule	Percentage
Flat 1	1,215	1	15.80%
Flat 2	645	1	8.42%
Flat 3	645	1	8.42%
Flat 4	645	1	8.42%
Flat 5	645	1	8.42%
Flat 6	645	1	8.42%
Flat 7	645	1	8.42%
Flat 8	645	1	8.42%
Flat 9	645	1	8.42%
Flat 10	645	1	8.42%
Flat 11	645	1	8.42%
	7,665	1 Total	100.00%
40	602	3	15.23%
42	633	3	16.01%
44	727	3	18.39%
46/48	1991	3	50.37%
	3,953	3 Total	100.00%
Flat 2	645	4	10.00%
Flat 3	645	4	10.00%
Flat 4	645	4	10.00%
Flat 5	645	4	10.00%
Flat 6	645	4	10.00%
Flat 7	645	4	10.00%
Flat 8	645	4	10.00%
Flat 9	645	4	10.00%
Flat 10	645	4	10.00%
Flat 11	645	4	10.00%
	6,450	4 Total	100.00%

Schedule 1 - Residential

Schedule 3 - Commercial Only

Schedule 4 - Residential Excl Flat 1

Shared costs are to be split between residential and commercial 66% / 34% based on total GIA's



Appendix B

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

Service Charge Variance Schedule

1st April 2017 to 31st March 2018

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

Service Charge Item	Schedule	Budget 2016/2017	Budget 2017/2018	Budget v Budget Variance %	Budget v Budget Variance £
Cleaning	1	£ 198.00	£ 198.00	0.00%	£ -
Window Cleaning	1	£ 300.00	£ 250.00	-16.67%	-£ 50.00
Pest Control	1	£ 348.48	£ 348.48	0.00%	£ -
Building Repair	1	£ 1,584.00	£ 1,980.00	25.00%	£ 396.00
External Decoration	1	£ 316.80	£ 316.80	0.00%	£ -
Drain Maintenance	1	£ 475.20	£ 475.20	0.00%	£ -
Landscape	1	£ 1,452.00	£ 1,452.00	0.00%	£ -
Reserve Fund	1	£ 660.00	£ 660.00	0.00%	£ -
Buildings Insurance	1	£ 2,547.01	£ 2,689.65	5.60%	£ 142.64
Audit Fees	1	£ 264.00	£ 264.00	0.00%	£ -
Facilities Management	1	£ -	£ 792.00	N/A	£ 792.00
Management Fees	1	£ 3,922.78	£ 4,752.00	21.14%	£ 829.22
1 Total		£ 12,068.27	£ 14,178.13	17.48%	£ 2,109.86
Cleaning	3	£ 85.00	£ 85.00	0.00%	£ -
Pest Control	3	£ 149.60	£ 149.60	0.00%	£ -
Building Repair	3	£ 680.00	£ 850.00	25.00%	£ 170.00
External Decoration	3	£ 136.00	£ 136.00	0.00%	£ -
Drain Maintenance	3	£ 204.00	£ 204.00	0.00%	£ -
Landscape	3	£ 748.00	£ 748.00	0.00%	£ -
Reserve Fund	3	£ 330.00	£ 330.00	0.00%	£ -
Buildings Insurance	3	£ 1,736.67	£ 1,848.45	6.44%	£ 111.78
Audit Fees	3	£ 136.00	£ 136.00	0.00%	£ -
Facilities Management	3	£ -	£ 340.00	N/A	£ 340.00
Management Fees	3	£ 1,684.02	£ 2,040.00	21.14%	£ 355.98
3 Total		£ 5,889.29	£ 6,867.05	16.60%	£ 977.76
Cleaning	4	£ 1,860.00	£ 1,860.00	0.00%	£ -
Building Repair	4	£ 310.00	£ 500.00	61.29%	£ 190.00
Decoration	4	£ 2,000.00	£ -	-100.00%	-£ 2,000.00
Electrical Repair	4	£ 240.00	£ 240.00	0.00%	£ -
Electricity Supply	4	£ 480.00	£ 550.00	14.58%	£ 70.00
4 Total		£ 4,890.00	£ 3,150.00	-35.58%	-£ 1,740.00



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.