



**Jacey Buildings**

**40/48 Birmingham Road**

**Sutton Coldfield**

**West Midlands B72 1QQ**

**Service Charge Expenditure Report**

**1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020**



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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 expenditure incurred during the service charge year 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020.

## **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 corridors and stairs leading 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 expenditure 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 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.

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

## **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 2 Woodcrest, Marine Drive, Looe, Cornwall, PL13 2DQ.

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 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; therefore the gross expenditure is charged to the residential leaseholders only. 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.

## **Banking**

Due to the general level of service charge funds, we do not maintain the funds 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 the late payment of service charge by tenants is to be credited to the service charge.

There is a reserve fund in place in order to accrue funds for the resurfacing of the rear walkways. The reserve fund is held in a separate interest earning account.



## **Management Team**

### Facilities Manager:

Robert Scott  
Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW  
Direct Dial: 0121 234 0407  
Mobile: 07540 732 602  
Email: robert.scott@johnsonfellows.co.uk

Robert Scott 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: All Leaseholders (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.



## **Expenditure Commentary**

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

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

- **Cleaning** **£1,122.66**

The budget provided for any ad-hoc cleaning or removal of fly tipping that may be required during the year. The main expenditure relates to the cleaning of the fire exits, together with some waste removal costs. It was over budget.

- **Pest Control** **£348.48**

The expenditure is for the quarterly pest control contract. The cost is shared between the residential and commercial tenants. The expenditure came in on budget.

- **Window Cleaning** **£150.00**

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

- **Building Repair** **£2,897.03**

The budget allowed for any repairs required to the external parts of the building, with the primary aim being to continue to address the external brickwork. Repointing works were completed, together with essential roof repairs. The total expenditure for the year was reduced courtesy of an accrual of funds from the previous year. The costs have been split between the residential and commercial tenants.

- **External Decoration** **£130.68**

A provision was made for any external decoration works. The expenditure relates to the re-decoration of some external timberwork. It was under budget.

- **Drain Maintenance** **£236.28**

The budget provided for the jetting through of the drains. The expenditure came in below budget.

- **Landscaping** **£819.26**

The expenditure relates to the landscaping contract together with any additional non contract pruning works. The expenditure came in below budget. The costs are shared between the residential and commercial tenants.

- **Reserve Fund** **£0.00**

There is a reserve fund in place to accrue for the resurfacing of the walkway to the rear of the property. No contribution was made during this year, due to increased expenditure elsewhere.



- **Buildings Insurance** **£4,198.09**

The cost is for the total buildings insurance premium for the residential units. The insurance premium is not subject to VAT. The expenditure came in above budget due to an increase in premiums, but also due to the completion of an insurance valuation.

- **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. The 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.

- **Management Fee** **£5,065.73**

This figure represents the cost incurred to prepare and manage the service charge at the property for a 12 month period. The overall fee this year is £6,396.11 + VAT and is shared between both commercial and residential leaseholders.

- **Facilities Management** **£843.65**

The cost heading 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 £1,065.22 + VAT and is shared between both commercial and residential leaseholders.

**Total**

**Schedule 1** **£16,075.86**



### **SCHEDULE 3 – Commercial Leaseholders**

**All figures are shown net of VAT**

- **Cleaning** **£505.24**

The budget provided for any ad-hoc cleaning or removal of fly tipping that may be required during the year. The main expenditure relates to the cleaning of the fire exits, together with some waste removal costs. It was over budget.

- **Pest Control** **£149.60**

The expenditure is for the quarterly pest control contract. The cost is shared between the residential and commercial tenants. The expenditure came in on budget.

- **Building Repair** **£1,298.37**

The budget allowed for any repairs required to the external parts of the building, with the primary aim being to continue to address the external brickwork. Repointing works were completed, together with essential roof repairs. The total expenditure for the year was reduced courtesy of an accrual of funds from the previous year. The costs have been split between the residential and commercial tenants.

- **External Decoration** **£56.10**

A provision was made for any external decoration works. The expenditure relates to the re-decoration of some external timberwork. It was under budget.

- **Drain Maintenance** **£115.60**

The budget provided for the jetting through of the drains. The expenditure came in below budget.

- **Landscaping** **£241.74**

The expenditure relates to the landscaping contract together with any additional non contract pruning works. The expenditure came in below budget. The costs are shared between the residential and commercial tenants.

- **Reserve Fund** **£0.00**

There is a reserve fund in place to accrue for the resurfacing of the walkway to the rear of the property. No contribution was made during this year, due to increased expenditure elsewhere.

- **Building Insurance** **£2,210.96**

The cost is for the total buildings insurance premium for the residential units. The insurance premium is not subject to VAT. The expenditure came in above budget due to an increase in premiums, but also due to the completion of an insurance valuation.



- **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.

- **Management Fee** **£2,174.69**

This figure represents the cost incurred to prepare and manage the service charge at the property for a 12 month period. The overall fee this year is £6,396.11 + VAT and is shared between both commercial and residential leaseholders. This is in line with the budget figure.

- **Facilities Management** **£362.16**

The cost heading 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 £1,065.22 + VAT and is shared between both commercial and residential leaseholders.

**Total**

**Schedule 3** **£7,250.46**



**SCHEDULE 4 – Residential Leaseholders Excluding Flat 1**

**All figures are shown inclusive of VAT**

- **Cleaning** **£2,871.42**

The expenditure relates to the cost of the weekly cleaning of the internal common areas to the residential flats. Additional deep cleaning works were completed resulted in the total expenditure coming in above budget.

- **Building Repairs** **£1,224.60**

The budget heading provided a contingency sum for any unforeseen items of repair. The costs incurred include replacing broken door glass, replacing entrance mats and post boxes.

- **Electrical Repair** **£220.32**

The budget heading provided a contingency sum for any unforeseen electrical repairs. Costs incurred relate to the maintenance of the emergency lighting.

- **Electricity Supply** **£792.78**

The expenditure is for the electricity supply to the common areas of the residential flats.

**Total**

**Schedule 4** **£5,109.12**

.....  
Management Surveyor

Dated 31<sup>st</sup> December 2020

.....  
Facilities Manager

Dated 31<sup>st</sup> December 2020



## Appendix A

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

### **Service Charge Apportionment Schedule**

**1st April 2019 to 31st March 2020**

<b>Unit</b>	<b>GIA Floor Area Sq Ft</b>	<b>Schedule</b>	<b>Percentage</b>
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%
	<b>7,665</b>	<b>1 Total</b>	<b>100.00%</b>
40	602	3	15.23%
42	633	3	16.01%
44	727	3	18.39%
46/48	1991	3	50.37%
	<b>3,953</b>	<b>3 Total</b>	<b>100.00%</b>
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%
	<b>6,450</b>	<b>4 Total</b>	<b>100.00%</b>

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 2019 to 31st March 2020**

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 2019/2020	Expenditure 2019/2020	Budget v Expenditure Variance %	Budget v Expenditure Variance £
Cleaning	1	£ 198.00	£ 1,122.66	467.00%	£ 924.66
Pest Control	1	£ 348.48	£ 348.48	0.00%	£ -
Window Cleaning	1	£ 250.00	£ 150.00	-40.00%	-£ 100.00
Building Repair	1	£ 3,960.00	£ 2,897.03	-26.84%	-£ 1,062.97
External Decoration	1	£ 316.80	£ 130.68	-58.75%	-£ 186.12
Drain Maintenance	1	£ 475.20	£ 236.28	-50.28%	-£ 238.92
Landscape	1	£ 1,452.00	£ 819.26	-43.58%	-£ 632.74
Reserve Fund	1	£ -	£ -	0.00%	£ -
Buildings Insurance	1	£ 2,916.00	£ 4,198.09	43.97%	£ 1,282.09
Audit Fees	1	£ 264.00	£ 264.00	0.00%	£ -
Management Fees	1	£ 5,065.72	£ 5,065.73	0.00%	£ 0.01
Facilities Management	1	£ 843.65	£ 843.65	0.00%	£ -
<b>1 Total</b>		<b>£ 16,089.85</b>	<b>£ 16,075.86</b>	<b>-0.09%</b>	<b>-£ 13.99</b>
Cleaning	3	£ 85.00	£ 505.24	494.40%	£ 420.24
Pest Control	3	£ 149.60	£ 149.60	0.00%	£ -
Building Repair	3	£ 1,700.00	£ 1,298.37	-23.63%	-£ 401.63
External Decoration	3	£ 136.00	£ 56.10	-58.75%	-£ 79.90
Drain Maintenance	3	£ 204.00	£ 115.60	-43.33%	-£ 88.40
Landscape	3	£ 748.00	£ 241.74	-67.68%	-£ 506.26
Reserve Fund	3	£ -	£ -	0.00%	£ -
Buildings Insurance	3	£ 1,692.00	£ 2,210.96	30.67%	£ 518.96
Audit Fees	3	£ 136.00	£ 136.00	0.00%	£ -
Management Fees	3	£ 2,174.68	£ 2,174.69	0.00%	£ 0.01
Facilities Management	3	£ 362.17	£ 362.16	0.00%	-£ 0.01
<b>3 Total</b>		<b>£ 7,387.45</b>	<b>£ 7,250.46</b>	<b>-1.85%</b>	<b>-£ 136.99</b>
Cleaning	4	£ 1,860.00	£ 2,871.42	54.38%	£ 1,011.42
Building Repair	4	£ 1,250.00	£ 1,224.60	-2.03%	-£ 25.40
Electrical Repair	4	£ 600.00	£ 220.32	-63.28%	-£ 379.68
Electricity Supply	4	£ 550.00	£ 792.78	44.14%	£ 242.78
<b>4 Total</b>		<b>£ 4,260.00</b>	<b>£ 5,109.12</b>	<b>19.93%</b>	<b>£ 849.12</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.