



Jacey Buildings

40/48 Birmingham Road

Sutton Coldfield

West Midlands B72 1QQ

Service Charge Expenditure Report

1st April 2021 to 31st March 2022



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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 1st April 2021 to 31st March 2022.

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 1st 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** **£46.20**

The budget provided for any ad-hoc cleaning that may be required during the year. The expenditure relates to the removal of dumped waste. The costs were below 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** **£0.00**

This figure represents the cost of cleaning the external windows of the residential parts of the building once per year. It was not completed within this budget year.

- **Building Repair** **£5,177.37**

The budget allowed for any repairs required to the external parts of the building. Various works were completed, but the main expenditure relates to essential roof repairs. The costs have been split between the residential and commercial tenants. The expenditure was marginally above the budget figure.

- **Drain Maintenance** **£1,284.36**

The budget provided for the annual jetting through of the drains. The expenditure came in above budget due to the need to attend to various blockages.

- **Landscaping** **£762.96**

The budget allowed for the landscaping contract together with any additional non contract pruning works. The expenditure came in below budget as it was limited to the routine contract works. 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. Whilst the works have not been completed, it is anticipated that there are sufficient funds in place.

- **Buildings Insurance** **£4,400.61**

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.



- **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. It was in line with the budget.

- **Management Fee** **£5,270.71**

This figure represents the cost incurred to prepare and manage the service charge at the property for a 12 month period. It is a fixed fee, subject to annual increases in line with the Retail Price Index. The overall fee this year is £6,654.92 + VAT and is shared between both commercial and residential leaseholders. It is in line with the budget.

- **Facilities Management** **£877.79**

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. It is a fixed fee, subject to annual increases in line with the Retail Price Index. The total fee for the year is £1,108.33 + VAT and is shared between both commercial and residential leaseholders. It is in line with the budget.

Total

Schedule 1 **£18,432.48**



SCHEDULE 3 – Commercial Leaseholders

All figures are shown net of VAT

- **Cleaning** **£23.80**

The budget provided for any ad-hoc cleaning that may be required during the year. The expenditure relates to the removal of dumped waste. The costs were below 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** **£2,608.65**

The budget allowed for any repairs required to the external parts of the building. Various works were completed, but the main expenditure relates to essential roof repairs. The costs have been split between the residential and commercial tenants. The expenditure was marginally above the budget figure.

- **Drain Maintenance** **£605.20**

The budget provided for the annual jetting through of the drains. The expenditure came in above budget due to the need to attend to various blockages.

- **Landscaping** **£353.60**

The budget allowed for the landscaping contract together with any additional non contract pruning works. The expenditure came in below budget as it was limited to the routine contract works. 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. Whilst the works have not been completed, it is anticipated that there are sufficient funds in place.

- **Building Insurance** **£2,494.67**

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.

- **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. 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. It was in line with the budget.



- **Management Fee** **£2,262.68**

This figure represents the cost incurred to prepare and manage the service charge at the property for a 12 month period. It is a fixed fee, subject to annual increases in line with the Retail Price Index. The overall fee this year is £6,654.92 + VAT and is shared between both commercial and residential leaseholders. It is in line with the budget.

- **Facilities Management** **£376.84**

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. It is a fixed fee, subject to annual increases in line with the Retail Price Index. The total fee for the year is £1,108.33 + VAT and is shared between both commercial and residential leaseholders. It is in line with the budget.

Total

Schedule 3 **£9,001.04**



SCHEDULE 4 – Residential Leaseholders Excluding Flat 1

All figures are shown inclusive of VAT

- **Cleaning** **£2,759.00**

The expenditure relates to the cost of the weekly cleaning of the internal common areas to the residential flats. The total expenditure came in above budget due to an increase in the contract costs.

- **Building Repairs** **£1,750.00**

The budget heading allowed for the completion of the internal decoration works to the communal staircase, plus any ad-hoc repairs. The decoration works were completed. Expenditure was under budget.

- **Electrical Repair** **£720.32**

The budget heading provided a contingency sum for any unforeseen electrical repairs. The costs incurred relate to the replacement of the bulkhead light fittings. Expenditure was over budget.

- **Electricity Supply** **£1,911.43**

The expenditure is for the electricity supply to the common areas of the residential flats. Expenditure was over budget.

Total

Schedule 4 **£7,140.75**

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Management Surveyor

Dated 6th April 2023

.....
Facilities Manager

Dated 6th April 2023



Appendix A

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

Service Charge Apportionment Schedule

1st April 2021 to 31st March 2022

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 2021 to 31st March 2022

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 2021/2022	Expenditure 2021/2022	Budget v Expenditure Variance %	Budget v Expenditure Variance £
Cleaning	1	£ 316.80	£ 46.20	-85.42%	-£ 270.60
Pest Control	1	£ 348.48	£ 348.48	0.00%	£ -
Window Cleaning	1	£ 250.00	£ -	-100.00%	-£ 250.00
Building Repair	1	£ 5,148.00	£ 5,177.37	0.57%	£ 29.37
Drain Maintenance	1	£ 475.20	£ 1,284.36	170.28%	£ 809.16
Landscape	1	£ 3,511.20	£ 762.96	-78.27%	-£ 2,748.24
Reserve Fund	1	£ -	£ -	0.00%	£ -
Buildings Insurance	1	£ 4,066.21	£ 4,400.61	8.22%	£ 334.40
Audit Fees	1	£ 264.00	£ 264.00	0.00%	£ -
Management Fees	1	£ 5,270.70	£ 5,270.71	0.00%	£ 0.01
Facilities Management	1	£ 877.80	£ 877.79	0.00%	-£ 0.01
1 Total		£ 20,528.39	£ 18,432.48	-10.21%	-£ 2,095.91
Cleaning	3	£ 136.00	£ 23.80	-82.50%	-£ 112.20
Pest Control	3	£ 149.60	£ 149.60	0.00%	£ -
Building Repair	3	£ 2,210.00	£ 2,608.65	18.04%	£ 398.65
Drain Maintenance	3	£ 204.00	£ 605.20	196.67%	£ 401.20
Landscape	3	£ 1,808.80	£ 353.60	-80.45%	-£ 1,455.20
Reserve Fund	3	£ -	£ -	0.00%	£ -
Buildings Insurance	3	£ 2,228.53	£ 2,494.67	11.94%	£ 266.14
Audit Fees	3	£ 136.00	£ 136.00	0.00%	£ -
Management Fees	3	£ 2,262.67	£ 2,262.68	0.00%	£ 0.01
Facilities Management	3	£ 376.83	£ 376.84	0.00%	£ 0.01
3 Total		£ 9,512.43	£ 9,011.04	-5.27%	-£ 501.39
Cleaning	4	£ 2,500.00	£ 2,759.00	10.36%	£ 259.00
Building Repair	4	£ 3,000.00	£ 1,750.00	-41.67%	-£ 1,250.00
Electrical Repair	4	£ 400.00	£ 720.32	80.08%	£ 320.32
Electricity Supply	4	£ 600.00	£ 1,911.43	218.57%	£ 1,311.43
4 Total		£ 6,500.00	£ 7,140.75	9.86%	£ 640.75



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.

HAWKSVALLEY PROPERTIES LIMITED

**JACEY BUILDINGS
BIRMINGHAM**

SERVICE COSTS AUDIT STATEMENT

YEAR ENDED 31 MARCH 2022

Haines Watts

**Jacey Buildings
Birmingham
Certificate of Service Costs for the year ended 31 March 2022**

	2022	2021
Residential		
Cleaning	46.20	151.80
Pest control	348.48	348.48
Window cleaning	-	150.00
Building repair	5,177.37	5,311.15
Drain maintenance	1,284.36	340.44
Landscape	762.96	2,809.60
Insurance	4,400.61	4,066.21
Audit fees	264.00	330.00
Management fees	5,270.71	5,198.96
Facilities management	877.79	865.84
	<u>18,432.48</u>	<u>19,572.48</u>
Commercial		
Cleaning	23.80	37.40
Pest control	149.60	149.60
Building repair	2,608.65	2,321.68
Drain maintenance	605.20	175.38
Landscape	353.60	1,450.40
Insurance	2,494.67	2,228.53
Audit fees	136.00	119.00
Management fees	2,262.68	2,231.88
Facilities management	376.84	371.72
	<u>9,011.04</u>	<u>9,085.59</u>
Residential excl. Flat 1		
Cleaning	2,759.00	2,563.20
Building repair	1,750.00	2,076.59
Electrical repair	720.32	370.32
Electricity supply	1,911.43	687.72
	<u>7,140.75</u>	<u>5,697.83</u>
Total expenditure	<u><u>34,584.27</u></u>	<u><u>34,355.90</u></u>

Reserve Fund

Balance b/fwd @ 01/04/21	6,099.50
Interest earned 2018-2022	30.73
Reserved in 2018 not included in b/fwd	990.00
Balance c/fwd @ 31/03/22	<u><u>7,120.23</u></u>

Independent Accountant's Review Report

To the Manager, Jacey Buildings

We have reviewed the statement of service charge expenditure for the above property for the year ended 31 March 2022. The statement of service charge expenditure has been prepared by the Manager in accordance with guidance issued by the RICS in the Code of Practice, Services Charges in Commercial Property, Third edition.

Manager's Responsibility for the Statement of service charge expenditure

The Manager is responsible for the preparation of the statement of service charge expenditure and for such internal control as the Manager determines is necessary to enable the preparation of statements that are free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express a conclusion on the statement of service charge expenditure based on the procedures we have performed and the evidence we have obtained. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, Engagements to Review Historical Financial Statements (Revised). ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the statement of service charge expenditure, taken as a whole, is not prepared in all material respects in accordance with the provisions of the Code of practice '*Service charges in commercial property*' issued by the RICS. ISRE 4000 (Revised) also requires us to comply with relevant ethical requirements.

A review of a statement of service charge expenditure in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The reporting accountant performs procedures, primarily consisting of making inquiries of management and others responsible for the services that comprise the service charge on this property, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. The procedures do not include review of the allocation or apportionment of service charge expenditure to occupiers.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the statement of service charge expenditure.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the statement of service charge expenditure is not prepared, in all material respects, in accordance with the provisions of the Code of practice '*Service charges in commercial property*' issued by the RICS.

Basis of Accounting, and Restriction on Distribution and Use

Our report is made in accordance with the terms of our engagement and is intended solely for the Manager to issue to current occupiers. This report should not be distributed to or used by other parties. Our work has been undertaken to enable us to make this report to the Manager and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Manager in connection with the report or this engagement.



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