



JOHNSON FELLOWS

Olton Bridge,
245 Warwick Road,
Olton, Solihull,
B92 7AH

Service Charge Expenditure Report

1st January 2019 to

31st December 2019



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Introduction

Johnson Fellows LLP were appointed property management surveyors of Olton Bridge by Olton Bridge (Warwick Road) Ltd with effect from 1st January 2019. Under the new arrangements Johnson Fellows are providing for the first time a service charge expenditure report for the year ending 31st December 2019.

A service charge operates to fund the administration of Olton Bridge (Warwick Road) Ltd who are ultimately responsible for ensuring the upkeep of the communal areas and services.

This report is intended to provide details of the expenditure for the service charge year. The service charge is reviewed each year with the objective that the service charge accurately provides the services required in line with the expenditure budget.

The Property

The property comprises of communal grounds around six units which are in separate ownership. All units originally provided office accommodation, but over recent years three units (No. 1, 3 and 5) have been converted into residential flats. All units have rights over the communal areas.

The communal areas comprise of an entrance drive from Ulverley Crescent with automated gate, surface and twin-level car parking, footpaths, surface-water drains, boundary walls and soft landscaped areas. The communal services include external lighting, commercial refuse and cleaning.

Voids and Concessions

There are no void lettable units and no service charge concessions. These would otherwise be the responsibility of Olton Bridge (Warwick Road) Ltd.

VAT

The Landlord has elected the property for VAT.

As the Units which contribute to the service charge have a combination of commercial and residential occupiers, separate service charge schedules have been adopted to allow for the correct treatment of VAT.

The service charge payable by the commercial occupiers has VAT charged at the standard rate. The residential occupiers are charged service charge inclusive of VAT, as the landlord is unable to recover the VAT on this part of the service charge expenditure.

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.

Reserve Fund

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Historically there has been a reserve fund, held for irregular service charge expenditure. This is financial prudent as it allows these repairs to be planned in advance and the costs spread over a period of time to avoid erratic service charge contributions. For this reason, the Directors have instructed the reserve fund is maintained at a level of £12,500. The balance of the reserve fund is £13,988.99.

The reserve fund is held in a discrete bank account with interest credited to it. Any banking costs are paid from the service charge together with any tax on the interest earned.

Service Charge Objectives

The object of this report is to provide clear explanation of the service charge expenditure on a not for profit/not for loss basis. It is to promote clarity and transparency and to allow the leaseholders to budget accurately.

We encourage leaseholders to provide comments on the format and/or the information contained in this report which would assist in the report being improved for the benefit of all concerned. We would also welcome constructive feedback on the communal services provided at the property.

As Managing Agents, Johnson Fellows aims to deliver a high-quality management service to provide a well-maintained environment and deliver value for money.

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

Residential Service Charge Obligations

In accordance with the Landlord & Tenant Act 1987, Section 48, it is confirmed that the Landlord is Olton Bridge (Warwick Road) Ltd and their address for the service of notices is Carleton House, 266-268 Stratford Road, Shirley, Solihull, B90 3AD.

Please refer to the enclosed details in 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.

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.

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Management Surveyor:

Neil Wetherell

Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW

Direct Dial: 0121 234 0406

Mobile: 07836 313 914

Email: neil.wetherell@johnsonfellows.co.uk

Neil Wetherell 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 operates for the common parts of the property. The apportionment percentages for each Freeholder are noted in Appendix A, Service Charge Apportionment.

Not all occupiers benefit from all services and different occupiers are treated differently for VAT. For these reasons service charge schedules are used, details of which are set out below. Expenditure for the property is split having regard to the sum of the historical apportionment percentages of the units within the two schedules.

Schedule 1 – Commercial

At the start of the service charge year Units 2, 4, 5 and 6 had commercial occupiers who benefit from all services. During the year Unit 5 was converted into residential flats, the effective date being 28th October 2019.

The share of the expenditure paid by the commercial units is detailed in Schedule 1 and is stated net of VAT.

At the start of the year Schedule 1 represented 57.27% of the expenditure, after the conversion of Unit 5 it was 43.86%.

The occupier's historical apportionment percentages are adjusted so that within Schedule 1 they proportionately add up to 100%.

Schedule 2 – Residential

Units 1 and 3 have residential occupiers who benefit from all services with the exception of refuse. Unit 5 was converted to residential flats in October 2019. They are within Schedule 2 where the expenditure is stated inclusive of VAT.

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At the start of the year Schedule 2 represented 42.73% of the expenditure, after the conversion of Unit 5 it was 56.14%.

The occupier's historical apportionment percentages are adjusted so that within Schedule 2 they proportionately add up to 100%.

Commentary

SCHEDULE 1 – Commercial

All figures are shown net of VAT

- **Refuse** **£3,342**

The contract cost for the disposal of the commercial occupiers refuse. The contract has been reviewed to reflect the residential waste being cleared by the local authority without any additional costs.

- **Electrical Repair** **£32**

The planned works to ensure the communal electrical fittings comply with current electrical standards were deferred to allow for formal consultation with the residential leaseholders. Only minor repairs were completed during the year.

- **Landscape - External** **£2,974**

The costs for maintaining the soft landscaped areas, including litter pick, grass cutting and maintaining the shrubs and trees.

- **Repairs – External** **£665**

Minor repairs were completed to the boundary wall, the drainage channels in the basement car park and the car park gate.

- **Electricity Supply** **£444**

The contract cost (Npower) for the communal electric supply serving the entrance gate and communal lighting.

- **Insurance** **£148**

The premium for insuring reinstatement of the common parts and property owners' liabilities.

- **Audit Fee** **£1,310**

The Landlord and Tenant Act 1985 and RICS regulations require that service charge accounts are approved by independent qualified accountants. Accountants also maintain the Management Company's registered office, accounts and Company House records. This is the accountant's costs.

- **Management Fee** **£1,867**

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This figure represents the fee to manage the property and administer the service charge. It is a fixed fee indexed linked annually to RPI.

- **Facilities Management** **£412**

This expenditure provides for the Facilities Managers fee for contract administration and statutory compliance.

Total

- Schedule 1** **£11,192**

Please note this budget is net of VAT at 20%.

SCHEDULE 2 – Residential

All figures are shown inclusive of VAT

- **Electrical Repair** **£24**

The planned works to ensure the communal electrical fittings comply with current electrical standards were deferred to allow for formal consultation with the residential leaseholders. Only minor repairs were completed during the year.

- **Landscape - External** **£2,477**

The costs for maintaining the soft landscaped areas, including litter pick, grass cutting and maintaining the shrubs and trees.

- **Repairs – External** **£572**

Minor repairs were completed to the boundary wall, the drainage channels in the basement car park and the car park gate.

- **Electricity Supply** **£409**

The contract cost (Npower) for the communal electric supply serving the entrance gate and communal lighting.

- **Insurance** **£150**

The premium for insuring reinstatement of the common parts and property owners' liabilities.

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- **Audit Fee** **£1,209**

The Landlord and Tenant Act 1985 and RICS regulations require that service charge accounts are approved by independent qualified accountants. Accountants also maintain the Management Company's registered office, accounts and Company House records. This is the accountant's costs.

- **Management Fee** **£1,840**

This figure represents the fee to manage the property and administer the service charge. It is a fixed fee indexed linked annually to RPI.

- **Facilities Management** **£406**

Historically contract administration costs have been incurred. This budget will in future will provide for the Facilities Managers fee for contract administration.

Total

Schedule 2 **£7,087**

Please note this budget is inclusive of VAT.

.....
Management Surveyor

Dated 4th January 2021

.....
Facilities Manager

Dated 4th January 2021

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Appendix A

Olton Bridge, 245 Warwick Road, Olton, Solihull, B92 7AH (02153)

Service Charge Apportionment

1st January 2019 to 31st December 2019

PERIOD	1st JANUARY 2019	TO	27th OCTOBER 2019
Unit	Schedule	Original Percentage (Whole Development)	Percentage (Schedule)
Unit 2	1 - Commercial (57.27%)	13.73%	23.165%
Unit 4	1 - Commercial (57.27%)	15.19%	25.628%
Unit 5	1 - Commercial (57.27%)	15.41%	26.000%
Unit 6	1 - Commercial (57.27%)	14.94%	25.207%
	1 Total	59.27%	100.000%
Unit 1	2 - Residential (42.73%)	14.65%	35.969%
Unit 3	2 - Residential (42.73%)	26.08%	64.031%
	2 Total	40.73%	100.000%
	Grand Total		

PERIOD	28th OCTOBER 2019	TO	31st DECEMBER 2019
Unit	Schedule	Original Percentage (Whole Development)	Percentage (Schedule)
Unit 2	1 - Commercial (43.86%)	13.73%	31.304%
Unit 4	1 - Commercial (43.86%)	15.19%	34.633%
Unit 6	1 - Commercial (43.86%)	14.94%	34.063%
	1 Total	43.86%	100.000%
Unit 1	2 - Residential (56.14%)	14.65%	26.095%
Unit 3	2 - Residential (56.14%)	26.08%	46.455%
Unit 5	2 - Residential (56.14%)	15.41%	27.449%
	2 Total	56.14%	100.000%
	Grand Total	100.00%	

Notes

1. Schedule 1 for commercial units and service charge collected net of VAT
2. Schedule 2 for residential units and service charge collected inclusive of VAT
3. Unit 3 converted to residential use wef 28th October 2019

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Appendix B

Olton Bridge, 245 Warwick Road, Olton, Solihull, B92 7AH

Service Charge Variance

1st January 2019 to 31st December 2019

The property is VAT registered. Figures shown in Schedule 1 are net of VAT. Figures shown in Schedule 2 are inclusive of VAT.

Service Charge Item	Schedule	Actual 2018	Budget 2019	Actual 2019	Budget v Budget Variance %	Budget v Budget Variance £
Cleaning	1 - Commercial	£ 3,061	£ 2,405	£ -	-100.00%	£ 2,405
Refuse	1 - Commercial	£ -	£ 3,000	£ 3,342	11.41%	£ 342
Electrical Repair	1 - Commercial	£ -	£ 3,150	£ 32	-99.00%	£ 3,119
Landscape - External	1 - Commercial	£ -	£ 1,031	£ 2,974	188.45%	£ 1,943
Repairs - External	1 - Commercial	£ 4,971	£ 2,893	£ 665	-77.03%	£ 2,228
Electricity Supply	1 - Commercial	£ 438	£ 344	£ 444	29.03%	£ 100
Interest	1 - Commercial	£ 88	£ -	£ -	N/A	£ -
Reserve Fund	1 - Commercial	£ -	£ 5,440	£ -	-100.00%	£ 5,440
Insurance	1 - Commercial	£ -	£ 659	£ 148	-77.51%	£ 511
Audit Fees	1 - Commercial	£ 888	£ 603	£ 1,310	117.24%	£ 707
Management Fees	1 - Commercial	£ 3,400	£ 1,947	£ 1,867	-4.13%	£ 80
Facilities Management	1 - Commercial	£ -	£ -	£ 412	N/A	£ 412
1 Total		£ 12,846	£ 10,592	£ 11,192	5.67%	£ 600
Cleaning	2 - Residential	£ -	£ 2,154	£ -	-100.00%	£ 2,154
Electrical Repair	2 - Residential	£ -	£ 2,820	£ 24	-99.17%	£ 2,797
Landscape - External	2 - Residential	£ -	£ 923	£ 2,477	168.39%	£ 1,554
Repairs - External	2 - Residential	£ -	£ 2,588	£ 572	-77.88%	£ 2,016
Electricity Supply	2 - Residential	£ -	£ 307	£ 409	33.19%	£ 102
Interest	2 - Residential	£ -	£ -	£ -	N/A	£ -
Reserve Fund	2 - Residential	£ -	£ 4,060	£ -	-100.00%	£ 4,060
Insurance	2 - Residential	£ -	£ 491	£ 150	-69.52%	£ 341
Audit Fees	2 - Residential	£ -	£ 531	£ 1,209	127.72%	£ 678
Management Fees	2 - Residential	£ -	£ 1,744	£ 1,840	5.51%	£ 96
Facilities Management	2 - Residential	£ -	£ -	£ 406	N/A	£ 406
2 Total		£ -	£ 7,498	£ 7,087	-5.48%	£ 411
Grand Total		£ 12,846	£ 18,090	£ 18,280	1.05%	£ 190

NOTE

The property is VAT registered. Figures shown in Schedule 1 are net of VAT. Figures shown in Schedule 2 are inclusive of VAT. All figures for Actual 2017 shown net of VAT.

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Appendix C

**Service Costs Audit Statement
(Including Reserve Fund)**

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OLTON BRIDGE (WARWICK) LTD
UNIT 1-6 OLTON BRIDGE
245 WARWICK ROAD, OLTON, SOLIHULL

SERVICE COSTS AUDIT STATEMENT
YEAR ENDED 31 DECEMBER 2019



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





Unit 1-6 Olton Bridge
245 Warwick Road, Olton, Solihull
Certificate of Service Costs for the year ended 31 December 2019

2019

Residential 56.14% Gross	
Electrical Repair	23.50
Landscape - External	2,477.26
Repairs - External	572.48
Electricity Supply	408.90
Insurance	149.68
Audit Fees	1,209.18
Management Fees	1,840.03
Facilities Management	406.06
	<hr style="width: 100%; border: 0.5px solid black;"/>
	7,087.09
Commercial 43.86% Net	
Refuse	3,342.20
Electrical Repair	31.50
Landscape - External	2,973.97
Repairs - External	664.52
Electricity Supply	443.85
Insurance	148.20
Audit Fees	1,309.93
Management Fees	1,866.67
Facilities Management	411.62
	<hr style="width: 100%; border: 0.5px solid black;"/>
	11,192.46

Total expenditure	<hr style="width: 100%; border: 0.5px solid black;"/> 18,279.55 <hr style="width: 100%; border: 0.5px solid black;"/>
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Reserve fund

Balance brought forward 1st January	13,988.99
Interest earned	-
Reserved in year	-
Balance carried forward 31st December	<hr style="width: 100%; border: 0.5px solid black;"/> 13,988.99 <hr style="width: 100%; border: 0.5px solid black;"/>

Independent Accountant's Review Report

To the Manager, Olton Bridge

We have reviewed the statement of service charge expenditure for the above property for the year ended 31 December 2019. 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.

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**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.

Haines Watts
Sterling House
97 Lichfield Street
Tamworth
Staffordshire
B79 7QF

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OLTON BRIDGE (WARWICK) LTD
UNIT 1-6 OLTON BRIDGE 245 WARWICK ROAD, OLTON, SOLIHULL
Proof of Certificates totalling costs per
Cost Schedule

Service Charge Certificates Raised	
	2,424.56
	2,754.95
	4,316.11
	3,047.88
	2,738.27
	2,997.80
Total raised	<u>18,279.57</u>
Total costs per schedule	<u>18,279.55</u>
Difference (rounding)	<u>0.02</u>

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Appendix D
**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

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- 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.