



39-49 Oulton Rise

Northampton

NN3 6EW

Service Charge Budget Report

25th December 2017 to 24th
December 2018



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Introduction

This report has been prepared 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 period 25 December 2017 to 24 December 2018.

Enclosed within this report is a copy of the Service Charge Variance Schedule and Service Charge Apportionment Schedule.

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.

The Property

The property is located at the junction of Spinney Hill Road and Oulton Rise on the housing estate known as 'Parklands', situated to the north east of the town centre, off the Kettering Road (A5123). The premises consist of a parade of ground floor retail units, with residential flats above and associated garages. There is a customer car park to the front of the property and a private service road providing vehicular access to the rear. A communal staircase leads to a walkway terrace, which provides access to the residential flats.

Voids and Concessions

The landlord is responsible for the service charge contribution for any void units. The landlord is responsible for any service charge shortfall resulting from concessions granted to tenants.

Reserve Fund

A Reserve Fund is to be introduced for the new service charge year to accrue funds for the replacement of the lower level roof. The Reserve Fund will be held in a discrete bank account in order to obtain interest on the retained funds. The account will be maintained with Barclays Bank plc, Kidderminster branch.

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, so the gross expenditure is applied to the residential long leaseholders. 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.



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.



Service Charge Objectives

The objective of Johnson Fellows as Managing Agent 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 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 period.

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 we can confirm that the Landlord is Hawksvalley Properties Ltd and their address for the service of notices is 6 South Bar, Banbury, Oxfordshire OX16 9AA.

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, will result in consultation with the relevant leaseholders.



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 property is shared between residential and commercial leaseholders therefore the service charge has been apportioned over three schedules.

The service charge costs are apportioned in line with the terms of the lease and provide for each tenant to pay a due proportion of the service charge which is attributable to each tenant's premises. This is shown in Appendix A.

The rationale behind our splitting the shared costs for the residential and commercial leaseholders is purely due to VAT. Residential properties are not able to recover VAT, therefore the expenditure detailed is inclusive of VAT (Gross). The commercial leaseholders are able to recover VAT, therefore the expenditure for the commercial element is as net of VAT.

Schedule 1	Residential – 100% (Gross)
Schedule 2	Residential – split 40% with commercial tenants (Gross)
Schedule 3	Commercial – split 60% with residential tenants (Net)

For expenditure that relates purely to the residential areas we have applied 100% to Schedule 1.

For expenditure that relates to the external parts, common areas and the fabric of the building the costs have been split 40:60 between Schedules 2 & 3.



Budget Commentary

SCHEDULE 1: Residential 100% Gross

- **Building Repairs** **£1,000**

This is a new cost heading for the service charge year. The budget allows for the installation of a new fence to the rear of the flats, following the degradation of the old fence and repairs to the flat roof. This has been added to schedule 1 as it is solely of benefit to the residential occupiers.

Total: **£1,000**

SCHEDULE 2: Residential 40% Gross & SCHEDULE 3: Commercial 60% Net

This schedule details the budget headings that benefit both the residential flats and the commercial units. The costs are split 40:60 between the residential and commercial tenants.

	Schedule 2	Schedule 3	Total
• Building Repairs	£1,200	£1,500	£2,500

The heading provides for repairs and maintenance to all external common areas and structure. Proposed works include repairs to the car park surface, rectifying loose roof tiles, replacing lead flashings and clearing out of the gutters.

- **Landscaping** **£912** **£1,140** **£1,900**

This figure represents the cost for a monthly litter pick and weeding of the common areas. The budget has been maintained at the same level.

- **Electricity Supply** **£72** **£90** **£150**

This is the cost of the electricity supply for the communal and car park lighting. The budget has been maintained at the same level.

- **Facilities Management** **£374** **£467** **£779**

The budget cost is for the Facilities Manager to organise and supervise the various service charge contracts, arrange maintenance works and ensure legislative compliance. The figure has been adjusted by 3.85% for the current year in line with the Retail Prices Index.

- **Management Fee** **£748** **£935** **£1,558**

This figure represents the cost incurred to prepare and administer the service charge budget and carrying out periodic inspections of the property. The figure has been adjusted by 3.85% for the current year in line with the Retail Prices Index.



- **Professional Fees** **£120** **£150** **£250**

The cost heading is the fee for having the year end accounts independently certified. The budget has been maintained at the same level.

- **Reserve Fund** **£480** **£600** **£1,000**

The lower level flat roof has reached the end of its economic life. It is important to start accruing funds for its replacement. We have received an initial estimate of approximately £40,000 for its replacement. We are conscious of the impact of significantly increasing the service charge budget, so the initial contribution for the current year has been set at a moderate level.

	Schedule 2	Schedule 3	Total
Total:	£3,906	£4,882	£8,137

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Facilities Manager

Dated 14th November 2017

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Partner

Dated 14th November 2017



Appendix A

39-49 Oulton Rise, Northampton, NN3 6EW

Service Charge Apportionment Schedule

25th December 2017 to 24th December 2018

Unit	Schedule	Percentage
Flat 1	1	25.00%
Flat 2	1	25.00%
Flat 3	1	25.00%
Flat 4	1	25.00%
1 Total		100.00%
Flat 1	2	25.00%
Flat 2	2	25.00%
Flat 3	2	25.00%
Flat 4	2	25.00%
2 Total		100.00%
39	3	13.00%
41	3	13.00%
43	3	13.00%
45-49	3	61.00%
3 Total		100.00%



Appendix B

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Service Charge Variance Schedule

25th December 2017 to 24th December 2018

The property is VAT registered. Figures for Schedules 1 & 2 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 £
Building Repair	1	£ -	£ 1,000	N/A	£ 1,000
1 Total		£ -	£ 1,000	0.00%	£ 1,000
Building Repairs	2	£ 1,488.00	£ 1,200.00	-19.35%	-£ 288.00
Landscaping	2	£ 912.00	£ 912.00	0.00%	£ -
Electricity Supply	2	£ 72.00	£ 72.00	0.00%	£ -
Facilities Management	2	£ 360.00	£ 374.00	3.85%	£ 14.00
Management Fee	2	£ 720.00	£ 748.00	3.85%	£ 28.00
Professional Fees	2	£ 120.00	£ 120.00	0.00%	£ -
Reserve Fund	2	£ -	£ 480.00	N/A	£ 480.00
2 Total		£ 3,672.00	£ 3,906.00	6.37%	£ 234.00
Building Repairs	3	£ 1,860.00	£ 1,500.00	-19.35%	-£ 360.00
Landscaping	3	£ 1,140.00	£ 1,140.00	0.00%	£ -
Electricity Supply	3	£ 90.00	£ 90.00	0.00%	£ -
Facilities Management	3	£ 450.00	£ 467.00	3.85%	£ 17.00
Management Fee	3	£ 900.00	£ 935.00	3.89%	£ 35.00
Professional Fees	3	£ 150.00	£ 150.00	0.00%	£ -
Reserve Fund	3	£ -	£ 600.00	N/A	£ 600.00
3 Total		£ 4,590.00	£ 4,882.00	6.36%	£ 292.00



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.