



JOHNSON FELLOWS
CHARTERED SURVEYORS

Permanent House

1 Leicester Street

Walsall

WS1 1PT

Service Charge Expenditure Report

1st January 2017 to

31st December 2017



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





Introduction

The service charge expenditure report is intended to provide details of the expenditure incurred for the service charge year.

The Property

The subject property is situated on the corner of Leicester Street and Bridge Street at the heart of Walsall town centre.

The property comprises a self contained ground floor retail unit with basement accommodation and four floors of office accommodation above. The offices have a separate dedicated entrance from Leicester Street.

The common areas to the office accommodation consist of a central staircase and passenger lift. Toilet facilities are provided at each half landing level. The toilets are demised to the tenants and do not form part of the communal areas.

Voids and Concessions

Where void accommodation exists, the Landlord is responsible for the apportioned service charge applicable to the floors. The second floor remained vacant for the duration of the service charge year.

Service Charge History

The individual leases permit for on account service charge payments. However, the arrangement adopted is based on the recharging of the Landlord's outgoings on an apportioned basis rather than the provision of a structured budget. Fixed sums are demanded from the tenants in advance in order to cover the anticipated expenditure for the period ahead. The recovery of the Landlord's costs is on a 'not for profit, not for loss' basis.

VAT

The Landlord has elected the property for VAT; consequently the expenditure is stated net of VAT.

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.



Service Charge Objectives

The service charge expenditure report is aimed at providing a clear explanation of the expenditure incurred and is to promote clarity and transparency. Should any occupier have comments on the format or the information contained in this report that would assist with the report being improved for the benefit of all concerned, these comments would be welcome. We would also welcome constructive feedback on the communal services provided at the property.

The objective of Johnson Fellows as Managing Agents is to provide a high quality management service. In doing so, we aim to provide a well maintained business environment, delivering value for money for the service charge expenditure.

The service charge year end accounts and this report have been prepared having regard to the RICS Practice Standards; Service Charges in Commercial Property, Code of Practice.



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:

George Brittain

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

Direct Dial: 0121 234 0454

Mobile: 07884 352 576

Email: george.brittain@johnsonfellows.co.uk

George Brittain 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 Landlord's expenses and outgoings are apportioned on a percentage basis. The percentages have been calculated on fair and reasonable basis having regard to the floor area occupied.

Two percentage schedules are adopted as summarised below.

Schedule 1 – Upper Floor Occupiers

This schedule covers the items of expenditure that are associated with the common parts of the upper floor office accommodation. The occupier of the ground floor and basement does not contribute towards this schedule. They do not have access to the upper areas and do not benefit from the services provided.

The items within this schedule include the internal cleaning, maintenance, internal window cleaning, lift maintenance and fire alarm maintenance etc.

Schedule 2 – All Occupiers

This schedule covers the costs that are associated with the building as a whole and benefit all occupiers including the tenant of the ground floor and basement accommodation.

The items within this schedule include repairs to the external common parts and structure of the building.

A service charge apportionment schedule is attached at Appendix A.



Expenditure Commentary

SCHEDULE 1 – Upper Floor Occupiers

All figures are shown net of VAT

- **Cleaning** **£2,412.75**

The contract cost for the cleaning of the entrance lobby, stairwell, landing areas and lift.

- **Toilet Requisites** **£252.96**

Whilst labelled as 'toilet requisites' the expenditure covered the monthly replacement of the door mat to the entrance lobby.

The charges were increased this year from £18.51 to £20.06.

- **Window Cleaning** **£520.00**

The expenditure represents the cost of the internal window cleaning contract for the entrance lobby, stairwell and landings. It also included the cost of the external cleaning of the windows that is carried out on an ad-hoc basis.

There has been a slight decrease in the cost compared with the previous year.

- **Electricity Supply** **£396.45**

The expenditure is for the electricity supply to the common parts.

- **Lift Maintenance** **£818.96**

The annual cost of 4 quarterly visits from OTIS Lifts to service and maintain the passenger lift.

In addition, there were some repair works done to the lighting.

- **Fire Prevention** **£150.00**

The cost of the bi-annual fire alarm and emergency lights service for the communal areas.

- **Insurance** **£656.58**

The premium for engineering insurance for the lifts together with the cost of the engineering inspection. 2016 & 2017 invoice were included in this year, so were higher than expected and will be much lower next year.



- **Audit Fees** **£250.00**

This figure represents the fee for the annual service charge accounts to be certified by an independent accountant in order to promote transparency and verify accuracy.

- **Management Fees** **£1,912.00**

The fees charged for managing the property and administering the service charge.

Total

Schedule 1 **£7,369.70**

SCHEDULE 2 – All Occupiers

All figures are shown net of VAT

There was no expenditure incurred under this schedule during the service charge year.

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Management Surveyor

Facilities Manager

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Dated

Dated

August 2018

August 2018



Appendix A

Permanent House, 1 Leicester Street, Walsall

Service Charge Apportionment Schedule

1st January 2017 to 31st December 2017

Unit	Schedule	Area (sq ft)	Percentage
First Floor	1	700	25.00%
Second Floor	1	700	25.00%
Third Floor	1	700	25.00%
Fourth Floor	1	700	25.00%
1 Total		2,800	100.00%
Basement	2	325	8.55%
Ground Floor	2	676	17.77%
First Floor	2	700	18.42%
Second Floor	2	700	18.42%
Third Floor	2	700	18.42%
Fourth Floor	2	700	18.42%
2 Total		3,801	100.00%



Appendix B

Permanent House, 1 Leicester Street, Walsall

Service Charge Variance Schedule

1st January 2017 to 31st December 2017

The property is VAT registered. Figures for Schedule 1 & 2 shown net of VAT.

Service Charge Item	Schedule	Actual 2016	Actual 2017	2016 v 2017 Variance %	2016 v 2017 Variance £
Cleaning	1	£ 2,298.24	£ 2,412.75	4.98%	£ 114.51
Toilet Requisites	1	£ 227.00	£ 252.96	11.44%	£ 25.96
Window Cleaning	1	£ 530.00	£ 520.00	-1.89%	-£ 10.00
Electrical Maintenance	1	£ -	£ -	0.00%	£ -
Electricity Supply	1	£ 530.29	£ 396.45	-	-£ 133.84
Lift Maintenance	1	£ 824.31	£ 818.96	-0.65%	-£ 5.35
Lift Repair	1	£ -	£ -	0.00%	£ -
Fire Prevention	1	£ 377.94	£ 150.00	-60.31%	-£ 227.94
Insurance	1	£ 311.88	£ 656.58	110.52%	£ 344.70
Audit Fee	1	£ 250.00	£ 250.00	0.00%	£ -
Management Fees	1	£ 1,912.00	£ 1,912.00	0.00%	£ -
1 Total		£ 7,261.66	£ 7,369.70	1.49%	£ 108.04



Appendix C

**NEWHALL STREET PROPERTIES LLP
PERMANENT HOUSE, 1 LEICESTER SQUARE,
WALSALL, WEST MIDLANDS**

**SERVICE COSTS AUDIT STATEMENT
YEAR ENDED 31ST DECEMBER 2017**





Permanent House, 1 Leicester Square,
Walsall, West Midlands
Certificate of Service Costs for the year ended 31st December 2017

	2017	2016
Cleaning	2,412.75	2,298.24
Toilet Requisites	252.96	227.00
Window Cleaning	520.00	530.00
Electricity Supply	396.45	530.29
Lift Maintenance	818.96	824.31
Fire Prevention	150.00	377.94
Insurance	656.58	311.88
Audit Fees	250.00	250.00
Management Fees	1,912.00	1,912.00
Total expenditure	<u>7,369.70</u>	<u>7,261.66</u>

No reserve fund is held on this property

Independent Accountant's Review Report

To the Manager, Permanent House

We have reviewed the statement of service charge expenditure for the above property for the year ended 31 December 2017. 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.

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