



**JOHNSON FELLOWS**  
CHARTERED SURVEYORS

**Tesco Express**

**Portsmouth Rd**

**Milford**

**Godalming**

**GU8 5HJ**

**Service Charge Budget Report**

**24<sup>th</sup> June 2024 to 23<sup>rd</sup> June 2025**



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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, Tesco Stores Ltd. It is intended to provide details of the planned expenditure for the service charge period 24<sup>th</sup> June 2024 to 23<sup>rd</sup> June 2025.

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

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

## **The Property**

The property is located on the A3100 Portsmouth Road in the village of Milford. It is approximately 1 mile from the A3, which provides direct access to the M25, 12 miles to the north. The city of Portsmouth lies approximately 30 miles to the south.

The property is of two storey brick construction under a pitched tiled roof. The ground floor consists of a Tesco Express store. The upper parts have been converted into four self-contained residential flats. Access to the residential flats is via a metal staircase to the rear and a central flat roof walkway.

There is a car park serving the Tesco store. The flats are allocated their own dedicated spaces within this area.

The communal services provided at the property consist of building repairs to the exterior and structure, the maintenance and upkeep of the surrounding car park and landscaped areas.

Tesco has decided that they will bear the full cost of the services associated with the car park as they are the primary user. This service charge budget will therefore focus on the expenditure relating to the building and structure.

## **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 the 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 Tesco Stores Ltd and their address for the service of notices is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, Hertfordshire AL7 1GA.

In order to comply with Residential Service Charge legislation, if any planned works are anticipated to exceed £250 plus VAT per long leaseholder, we will carry out a tendering exercise and consult the residential long leaseholders prior to instruction.

For the residential long leaseholder we have enclosed herewith a copy of 'The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007' at Appendix C.

### **VAT**

The property is elected for VAT, consequently the expenditure stated within this report is net of VAT.

### **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, 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.

### **Reserve Fund**

A reserve fund has been introduced to prevent large fluctuations in the service charge expenditure when major maintenance works are required. Such works include external decoration and major roof repairs. Funds are held in a discrete bank account to obtain interest on the retained funds.



## **Service Charge Apportionment**

The apportionment basis has regard to the gross internal floor areas.

As a result of VAT having to be treated differently for the commercial and residential elements of the property, two service charge schedules have been adopted. All expenditure is applicable to both schedules and the 'overall apportionment' percentages are used to divide the expenditure between the schedules. Schedule 1 is applicable to the expenditure for the commercial occupier and is net of VAT. Schedule 2 is applicable to the expenditure for the residential part and is gross of VAT.

A Service Charge Apportionment Schedule is attached at Appendix A.



## **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.



## **Budget Commentary**

The budget is split between two schedules having regard to the overall apportionment percentages based on the gross internal floor areas. 54.00% is applied to Schedule 1 and 46.00% to Schedule 2. The figure in Schedule 2 is then adjusted to be gross of VAT.

	<b>Schedule 1</b>	<b>Schedule 2</b>	<b>Total</b>
• <b>Roof Maintenance</b>	<b>£1,620.00</b>	<b>£1,656.00</b>	<b>£3,000.00</b>

Whilst various repairs were completed during the last service charge year, the budget has been increased to allow for the ongoing fitting of roof guards to the perimeter, plus a contingency for any unforeseen maintenance.

It was stated in the last service charge budget that Tesco Stores has agreed to replace the felt surface to the lower walkway roof at their expense and outside of the scope of the service charge. These works were not completed but are still proposed.

• <b>External Maintenance</b>	<b>£1,620.00</b>	<b>£1,656.00</b>	<b>£3,000.00</b>
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Last year's budget allowed for the cleaning down of the external painted facades and repairs to the render. Due to an overspend on roof maintenance, these works were not completed. It is now proposed that the works are carried out during this year. The budget has been increased due to the anticipated costs, whilst also allowing for any unforeseen maintenance to the exterior of the building.

• <b>Drain Maintenance</b>	<b>£540.00</b>	<b>£552.00</b>	<b>£1,000.00</b>
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Following completion of various repairs to the gutters last year, the budget has been reduced. It allows for the periodic cleaning to ensure no blockages occur and a contingency for any unforeseen repairs.

• <b>Health &amp; Safety</b>	<b>£270.00</b>	<b>£276.00</b>	<b>£500.00</b>
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The cost heading allows for the completion of an independent health and safety audit. This will allow us to pick up on any essential items of maintenance and compliance that may not be immediately obvious. It was proposed during last year's budget but not completed due to an overspend in other areas.

• <b>Reserve Fund</b>	<b>£1,080.00</b>	<b>£1,104.00</b>	<b>£2,000.00</b>
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A Reserve Fund is in place to meet future major maintenance costs and avoid large fluctuations in the service charge budgeting. Such expenditure will include re-roofing works and external re-decoration. The budget sum represents the contribution during the service charge year.

• <b>Audit Fee</b>	<b>£216.00</b>	<b>£220.80</b>	<b>£400.00</b>
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The RICS Service Charge Code of Practice states that service charge accounts are to be independently certified on an annual basis. The accountants fee for certifying the year end service charge account is £400.00.



- **Management Fee**                      **£1,115.10**                      **£1,139.88**                      **£2,065.00**

This figure represents the costs incurred for the management of the property, administration of the service charge and completing periodic inspections. The RICS Service Charge Code of Practice recommends that this be a fixed fee, subject to annual review or indexation.

- **Facilities Management**              **£1,115.10**                      **£1,139.88**                      **£2,065.00**

The figure represents the costs incurred to organise and supervise the various contracts in place, dealing with items of maintenance, ensuring compliance. The fee is subject to annual indexation review.

**Total**                                      **£7,576.20**                      **£7,744.56**                      **£14,030.00**

**Budget Approval**

.....  
Facilities Manager

.....  
Partner

Dated 4<sup>th</sup> June 2024

Dated 4<sup>th</sup> June 2024



**Appendix A**

<b>Service Charge Apportionment</b>				
Recovery Group = SC				
Reconciliation Period = 24/06/2024-23/06/2025				
*Amounts in gbp				
<b>Unit</b>	<b>Tenant</b>	<b>Days</b>	<b>Area Sq Ft</b>	<b>Overall</b>
Gnd Floor	<b>Tesco Stores Ltd</b>	365.00	3,491.00	54.00
Upper Floor	<b>Fordmill Estates Ltd</b>	365.00	2,972.00	46.00
	<b>Total</b>			<b>100.00</b>
<b>Unit</b>	<b>Tenant</b>	<b>Days</b>	<b>Area Sq Ft</b>	<b>Schedule 1</b>
Gnd Floor	<b>Tesco Stores Ltd</b>	365.00	3,491.00	100.00
	<b>Total</b>			<b>100.00</b>
<b>Unit</b>	<b>Tenant</b>	<b>Days</b>	<b>Area Sq Ft</b>	<b>Schedule 2</b>
Upper Floor	<b>Fordmill Estates Ltd</b>	365.00	2,972.00	100.00
	<b>Total</b>			<b>100.00</b>



**Appendix B**

<b>Service Charge Budget Comparison</b>				
Recovery Group = SC				
Reconciliation Period = 24/06/2024 - 23/06/2025				
*Amounts in gbp				
<b>Code</b>	<b>Description</b>	<b>Budget (2023-2024)</b>	<b>Budget (2024-2025)</b>	<b>Variance</b>
	<b>Schedule 1</b>			
5100-0101	Management Fee	1,080.00	1,115.10	35.10
5100-0203	S/C Audit Fees	216.00	216.00	0.00
5100-0309	Facilities Manager	1,080.00	1,115.10	35.10
5100-0401	Health & Safety	270.00	270.00	0.00
5400-1531	Roof Maintenance	1,350.00	1,620.00	270.00
5300-1016	Drainage	999.00	540.00	-459.00
5400-1502	External Repairs and maintenance	1,080.00	1,620.00	540.00
5700-2202	Reserve Fund	1,080.00	1,080.00	0.00
	<b>Schedule Total</b>	<b>7,155.00</b>	<b>7,576.20</b>	<b>421.20</b>
	<b>Schedule 2</b>			
5100-0101	Management Fee	1,104.00	1,139.88	35.88
5100-0203	S/C Audit Fees	220.80	220.80	0.00
5100-0309	Facilities Manager	1,104.00	1,139.88	35.88
5100-0401	Health & Safety	276.00	276.00	0.00
5400-1531	Roof Maintenance	1,380.00	1,656.00	276.00
5300-1016	Drainage	1,021.00	552.00	-469.00
5400-1502	External Repairs and maintenance	1,104.00	1,656.00	552.00
5700-2202	Reserve Fund	1,104.00	1,104.00	0.00
	<b>Schedule Total</b>	<b>7,313.80</b>	<b>7,744.56</b>	<b>430.76</b>
	<b>Total Net</b>	<b>13,250.00</b>	<b>14,030.00</b>	<b>780.00</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.