



JOHNSON FELLOWS
CHARTERED SURVEYORS

Tesco Express

Portsmouth Rd

Milford

Godalming

GU8 5HJ

Service Charge Expenditure Report

24th June 2023 to 23rd June 2024



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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 expenditure for the service charge period 24th June 2023 to 23rd June 2024.

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 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 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.



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 is being introduced in order 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 will be held in a discrete bank account in order 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:

Kiesha Gregory
Client Account
Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW
Direct Dial: 0121 234 0405
Email: kiesha.gregory@johnsonfellows.co.uk

Kiesha Gregory is the client accountant responsible for this property.



Expenditure Commentary

The expenditure 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.

	Schedule 1	Schedule 2
• Roof Maintenance	£4,274.10	£4,369.08

The expenditure figure includes various planned and reactive works to the roof of the property, including the fitting of roof guards and tile repairs. Expenditure was significantly above the budget figure.

• External Maintenance	£0.00	£0.00
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The cost heading allowed for the cleaning down of the external painted facades and render repairs to the building. However, no expenditure was incurred. The works were not completed due to an overspend on roof maintenance.

• Drain Maintenance	£243.00	£248.40
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The budget allowed for essential gutter and downpipe repairs and their periodic cleaning to ensure that no blockages occur. Expenditure was under budget.

• Health & Safety	£0.00	£0.00
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The cost heading allowed for the completion of an independent health and safety audit. This was not completed due to an overspend on roof maintenance.

• Reserve Fund	£1,080.00	£1,104.00
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A Reserve Fund was put 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 expenditure detailed represents the contribution for the first 12 months.

• Audit Fee	£216.00	£220.80
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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 was £400.00. This is in line with the budget.

• Management Fee	£1,080.00	£1,104.00
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This expenditure 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. The expenditure is in line with the budget.



Appendix A

Portsmouth Road, Milford, GU8 5HJ

Service Charge Apportionment Schedule

24th June 2023 to 23rd June 2024

Unit	Overall Apportionment	Area Sq Ft	Apportionment
Ground Floor Retail	1	3,491	54.00%
Upper Floor Residential	1	2,972	46.00%
		6,463	100.00%
Schedule 1			
Ground Floor Retail	1	3,491	100.00%
		3,491	100.00%
Schedule 2			
Upper Floor Residential	2	2,972	100.00%
		2,972	100.00%



Appendix B

Portsmouth Road, Milford, GU8 5HJ

Service Charge Variance Schedule

23rd June 2023 to 24th June 2024

The property is VAT registered. Schedule 1 is net of VAT. Schedule 2 is gross of VAT

Service Charge Item	Schedule	Budget 2023-24	Expenditure 2023-24
Roof Maintenance	1	£ 1,350.00	£ 4,274.10
External Maintenance	1	£ 1,080.00	£ -
Drain Maintenance	1	£ 999.00	£ 243.00
Health & Safety	1	£ 270.00	£ -
Reserve Fund	1	£ 1,080.00	£ 1,080.00
Audi Fee	1	£ 216.00	£ 216.00
Management Fee	1	£ 1,080.00	£ 1,080.00
Facilities Management	1	£ 1,080.00	£ 1,080.00
		£ 7,155.00	£ 7,973.10
Roof Maintenance	2	£ 1,380.00	£ 4,369.08
External Maintenance	2	£ 1,104.00	£ -
Drain Maintenance	2	£ 1,021.20	£ 248.40
Health & Safety	2	£ 276.00	£ -
Reserve Fund	2	£ 1,104.00	£ 1,104.00
Audi Fee	2	£ 220.80	£ 220.80
Management Fee	2	£ 1,104.00	£ 1,104.00
Facilities Management	2	£ 1,104.00	£ 1,104.00
		£ 7,314.00	£ 8,150.28
Total		£ 14,469.00	£ 16,123.38



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.



Appendix D

TESCO STORES LTD

PORTSMOUTH ROAD SC
MILFORD

INDEPENDENT REVIEW

YEAR ENDED 24TH JUNE 2024

Haines Watts



Portsmouth Road SC
Millford
Certificate of Service Costs for the year ended 24th June 2024

	2024
Retail	
Drain Maintenance	243.00
Roof Maintenance	4,274.10
Audit Fees	216.00
Management Fees	1,080.00
Facilities Management	1,080.00
Reserve Fund	1,080.00
	<hr/> 7,973.10
Residential	
Drain Maintenance	248.40
Roof Maintenance	4,369.08
Audit Fees	220.80
Management Fees	1,104.00
Facilities Management	1104
Reserve Fund	1,104.00
	<hr/> 8,150.28
Total expenditure	<hr/> 16,123.38 <hr/>
Reserve fund:	
Balance @ 24.06.2023	0.00
Balance paid during the year	2,184.00
Interest in the year	0.00
Balance @ 24.06.2024	<hr/> 2,184.00 <hr/>

Independent Accountant's Review Report

To the Manager, Kennedy Way, Washdyke Lane, Immingham

We have reviewed the statement of service charge expenditure for the above property for the year ended 24 June 2024. 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, 1st 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 Tamworth Limited
Sterling House
97 Lichfield Street
Tamworth
Staffordshire
B79 7QF