



51-63 Elm grove

Southsea

PO5 1JF

Service Charge Budget Report

25th March 2024 to 24th March 2025



Contents

Introduction

The Property

Service Charge Objectives

Residential Service Charge Obligations

VAT

Voids and Concessions

Banking

Management Team

Service Charge Apportionment

Budget Commentary

Appendices

- A. Service Charge Apportionment Schedule
- B. Service Charge Variance Schedule
- C. The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007

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





Introduction

This report has been prepared by Johnson Fellows on behalf of the landlord Tesco Stores Limited. It is intended to provide details of the planned expenditure for the service charge period 25 March 2024 to 24 March 2025.

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 Professional Statement, 1st Edition and the Service Charge Residential Management Code; RICS Code of Practice, 3rd Edition.

The Property

The property comprises a large mixed use development located on a major thoroughfare in Southsea, Hampshire. The property is located approximately 1km from the coast and is surrounded by a mixture of retail, leisure and residential users. The property is believed to have been constructed in the early 1900's and comprises traditional masonry and structural steelwork construction over three floors with a basement. The development has been progressively extended to the rear, forming larger ground floor retail space and additional residential accommodation at first and second floor levels.

The property has been extensively altered to create two large retail premises at ground floor level and a smaller single retail unit to the far right hand side. The residential accommodation at first and second floor levels has also been altered to create student accommodation consisting of 3 and 4 bedroom flats. Access to the flats is via doors to the front elevation, with secondary access to the rear elevation from Belmont Place.

Service Charge Objectives

The objective of Johnson Fellows as Managing Agents 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 the budget 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 and to allow the tenants to budget accurately for the forthcoming year.

Should any occupier have comments on the format or the information contained in this report that 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 leaseholders we have enclosed herewith a copy of 'The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007'.

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.

Voids and Concessions

The landlord is responsible for the service charge contribution for void units and to pay any shortfall where there are service charge caps. Presently there are no void units at the property.

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 late payment of service charge by tenants is to be credited to the service charge.

There is no sinking fund or reserve fund.



Management Team

Facilities Manager:

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

Tina Hothi
Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW
Mobile: 07594 089 316
Email: tina.hothi@johnsonfellows.co.uk

Tina Hothi 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 has been apportioned over three schedules.

The service charge apportionment for each schedule is noted within the Apportionment Schedule as detailed in Appendix A.

Schedule 1 Residential Leaseholders - Internal - 100% (Gross)

Schedule 2 Residential Leaseholders - External - Split 50% with Commercial Leaseholders (Gross)

Schedule 3 Commercial Leaseholders - External - Split 50% with Residential Leaseholders (Net)

The rationale behind splitting the shared costs for the residential and commercial leaseholders is purely due to VAT. Residential leaseholders 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 net of VAT.

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

For expenditure that relates to the external parts and the fabric of the building, the costs have been split 50:50 between Schedules 2 & 3.

For expenditure that relates to the internal and external parts, the costs have initially been split 50:50 and then apportioned again as above.

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.



Budget Commentary

SCHEDULE 1

This schedule details the budget headings that benefit the internal communal parts to the residential flats only. All figures on this schedule are inclusive of VAT (Gross).

- **Cleaning** **£7,000**

The costing heading is for the weekly cleaning of all internal common areas. The budget has been maintained at the same level.

- **Pest Control** **£240**

The budget allows for the pest control contract within the common areas. The bait boxes are replenished quarterly. The budget has been increased in line with last year's expenditure.

- **Internal Decoration** **£5,000**

The cost heading is for the internal decoration of the communal areas. The budget has been increased to allow for any ad-hoc work required.

- **Electrical Repair** **£1,000**

The budget provides for the re-lamping of the communal lighting. The budget also allows for any unforeseen ad-hoc works. It has been maintained at the same level.

- **Internal Repairs** **£5,000**

The budget allows for ad-hoc general maintenance to the communal areas throughout the year. It has been maintained at the same level.

- **Electricity Supply** **£1,500**

The budget figure is for the electricity consumption for the communal lighting. Despite the recent increase in utility costs, it has been maintained at the same level based on last year's expenditure.

- **Security Equipment** **£1,200**

The above cost heading relates to the CCTV equipment around the internal and external communal areas. The budget has been reduced for the new year and allows for servicing and ad-hoc repairs. The total cost of £2,000 has been split between all schedules.



- **Fire Prevention** **£3,000**

This cost heading provides for the annual maintenance contract for quarterly inspections and testing of the fire alarm system and emergency lighting.

- **Health and Safety** **£450**

The proposed expenditure is for the completion of a Health and Safety Audit for the communal areas in order to identify any risks and ensure compliance. The total cost of £750 has been shared across the three schedules.

- **Audit Fee** **£240**

The RICS Service Charge Code of Practice states that service charge accounts for residential & commercial properties are to be independently certified on an annual basis. This cost covers the fee raised by the Accountants for certifying the year end service charge accounts. The total fee of £400 has been shared across the three service charge schedules.

- **Help Desk** **£300**

This is a new cost heading for the service charge year. A 24 hour/7 day a week Help Desk has been set up to allow all occupiers to speak with a dedicated operative and report urgent items of repair and maintenance. This will ensure that matters can be handled promptly without delay. Further correspondence including the telephone number and email address will be circulated in advance of the commencement of the service charge year. This cost of £500 is split between all schedules.

- **Management Fee** **£5,257**

The budget figure represents the cost incurred to manage the property, prepare the service charge budget and carrying out periodic inspections. The overall Management Fee is £8,762 and is a fixed fee in accordance with the RICS Service Charge Code and subject to annual review or indexation. The Retail Price Index has increased by 13.41% and this increase has been applied to this year's management fee. The fee is split amongst all three schedules.

- **Facilities Management** **£1,699**

The cost heading is for the Facilities Manager to organise the maintenance contracts and supervise the works. The total cost of £2,831.59 has been split between the schedules. The fixed fee has been increased for the current year in line with the Retail Price Index, which has increased by 13.41%.

Total

Schedule 1 **£31,886**



SCHEDULES 2 & 3

These schedules detail the budget headings relating to the external communal areas that benefit both the residential and commercial leaseholders. The costs are split 50:50 with Schedule 2 being gross of VAT and Schedule 3 net of VAT.

	Sch 2	Sch 3
• Cleaning	£600	£500

The budget figures represent the cost for the quarterly deep clean of the service yard area, together with anticipated fly tipping and rubbish removal to the external communal areas. It has been maintained at the same level.

• Building Repairs	£6,000	£5,000
---------------------------	---------------	---------------

The budget allows for items of external maintenance and repair. It has been increased for the new year based on last year's expenditure and the need to complete ongoing essential roof repairs.

• Security Equipment	£600	£500
-----------------------------	-------------	-------------

The above cost heading relates to the CCTV equipment around the internal and external communal areas. The budget has been reduced for the new year and allows for servicing and ad-hoc repairs. The total cost of £2,000 has been split between all schedules.

• Health and Safety	£225	£188
----------------------------	-------------	-------------

The proposed expenditure is for the completion of a Health and Safety Audit for the communal areas in order to identify any risks and ensure compliance. The total cost of £750 has been shared across the three schedules.

• Audit Fee	£120	£100
--------------------	-------------	-------------

The RICS Service Charge Code of Practice states that service charge accounts for residential & commercial properties are to be independently certified on an annual basis. This cost covers the fee raised by the Accountants for certifying the year end service charge accounts. The total fee of £400 has been shared across the three service charge schedules.

• Help Desk	£150	£125
--------------------	-------------	-------------

This is a new cost heading for the service charge year. A 24 hour/7 day a week Help Desk has been set up to allow all occupiers to speak with a dedicated operative and report urgent items of repair and maintenance. This will ensure that matters can be handled promptly without delay. Further correspondence including the telephone number and email address will be circulated in advance of the commencement of the service charge year. This cost of £500 is split between all schedules.



- **Management Fee** **£2,629** **£2,191**

The budget figure represents the cost incurred to manage the property, prepare the service charge budget and carrying out periodic inspections. The overall Management Fee is £8,352 and is a fixed fee in accordance with the RICS Service Charge Code and subject to annual review or indexation. The Retail Price Index has increased by 13.41% and this increase has been applied to this year’s management fee. The fee is split amongst all three schedules.

- **Facilities Management** **£849** **£708**

The cost heading is for the Facilities Manager to organise the maintenance contracts and supervise the works. The total cost of £2,699 has been split between the schedules. The fixed fee has been increased for the current year in line with the Retail Price Index, which has increased by 13.41%.

<u>Total</u>	Sch 2	Sch 3
	£11,173	£9,311

.....

.....

Management Surveyor

Facilities Manager

Dated 13th March 2024

Dated 13th March 2024

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





51-63 Elm Grove, Southsea, PO5 1JF

Service Charge Variance Schedule

25th March 2024 to 24th March 2025

Service Charge Item	Schedule	Budget 2023/2024	Budget 2024/2025	Budget v Budget Variance %	Budget v Budget Variance £
Cleaning	1	£ 7,000	£ 7,000	0.00%	£ -
Pest Control	1	£ 240	£ 240	0.00%	£ -
Decoration - Internal	1	£ 1,000	£ 5,000	400.00%	£ 4,000
Electrical Repair	1	£ 1,000	£ 1,000	0.00%	£ -
Repairs - Internal	1	£ 3,000	£ 5,000	66.67%	£ 2,000
Electricity Supply	1	£ 1,500	£ 1,500	0.00%	£ -
Security Equipment	1	£ 1,200	£ 1,200	0.00%	£ -
Fire Prevention	1	£ 17,500	£ 3,000	-82.86%	-£ 14,500
Health and Safety	1	£ 450	£ 450	0.00%	£ -
Audit Fees	1	£ 240	£ 240	0.00%	£ -
Help Desk	1	£ 300	£ 300	N/A	£ -
Management Fees	1	£ 5,011	£ 5,257	4.92%	£ 246
Facilities Management	1	£ 1,619	£ 1,699	4.94%	£ 80
1 Total		£ 40,060	£ 31,886	9.86%	-£ 8,174
Cleaning	2	£ 600	£ 600	0.00%	£ -
Building Repair	2	£ 6,000	£ 6,000	0.00%	£ -
Security Equipment	2	£ 600	£ 600	0.00%	£ -
Health and Safety	2	£ 225	£ 225	0.00%	£ -
Audit Fees	2	£ 120	£ 120	0.00%	£ -
Help Desk	2	£ 150	£ 150	N/A	£ -
Management Fees	2	£ 2,506	£ 2,629	4.90%	£ 123
Facilities Management	2	£ 810	£ 849	4.87%	£ 39
2 Total		£ 11,011	£ 11,173	9.77%	£ 123
Cleaning	3	£ 500	£ 500	0.00%	£ -
Building Repair	3	£ 5,000	£ 5,000	0.00%	£ -
Security Equipment	3	£ 500	£ 500	0.00%	£ -
Health and Safety	3	£ 188	£ 188	0.00%	£ -
Audit Fees	3	£ 100	£ 100	0.00%	£ -
Help Desk	3	£ 125	£ 125	N/A	£ -
Management Fees	3	£ 2,088	£ 2,191	4.91%	£ 103
Facilities Management	3	£ 675	£ 708	4.87%	£ 33
3 Total		£ 9,176	£ 9,311	9.79%	£ 135



51-63 Elm Grove, Southsea, PO5 1JF

Service Charge Apportionment Schedule

25th March 2024 to 24th March 2025

Flat/Unit	Schedule	Percentage
1	1	6.25%
2	1	6.25%
3	1	6.25%
4	1	6.25%
5	1	6.25%
16	1	6.25%
17	1	6.25%
18	1	6.25%
19	1	6.25%
20	1	6.25%
51	1	6.25%
51a	1	6.25%
57	1	6.25%
57a	1	6.25%
59	1	6.25%
59a	1	6.25%
1 Total		100.00%
1	2	5.94%
2	2	5.94%
3	2	5.50%
4	2	5.48%
5	2	5.48%
16	2	5.50%
17	2	5.94%
18	2	5.94%
19	2	5.48%
20	2	5.48%
51	2	8.96%
51a	2	5.48%
57	2	8.96%
57a	2	5.48%
59	2	8.96%
59a	2	5.48%
2 Total		100.00%
51/55	3	48.14%
57/61	3	42.24%
63	3	9.62%
3 Total		100.00%