



# JOHNSON FELLOWS

CHARTERED SURVEYORS

**82/84 Forest Road**

**Walthamstow**

**London**

**E17 6RJ**

**Service Charge Expenditure Report**

**1st April 2020 to**

**31st March 2021**



## **Contents**

|                                        |
|----------------------------------------|
| Introduction                           |
| The Property                           |
| Voids and Concessions                  |
| VAT                                    |
| Banking                                |
| Reserve Fund                           |
| Service Charge Objectives              |
| Residential Service Charge Obligations |
| Management Team                        |
| Service Charge Apportionment           |
| Budget Commentary                      |

## **Appendices**

- A. Service Charge Apportionment
- B. Service Charge Variance
- C. Service Costs Audit Statement
- D. 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 produced by Johnson Fellows on behalf of the Landlord, Tesco Stores Limited. It is intended to provide details of the expenditure for the service charge year ending 31 March 2021.

A service charge is necessary due to there being communal structures, services, and areas.

## **The Property**

The property comprises one ground floor retail unit and 17 flats situated above on three floors above. To the front of the property is a car park for the exclusive use of the shop customers and a footpath which is used in common. At the side and rear of the property is a cycle store, landscaped area, and car park for the exclusive use of the residents of the flats. There is an access road leading from Hervey Park Road to the resident's car park.

The service charge covers the structure and exterior of the building together with the path and access road used in common.

## **Voids and Concessions**

The service charge for any void lettable units or attributable to any service charge concessions is the responsibility of the Landlord.

## **VAT**

The Landlord has elected the property for VAT.

The service charge payable by the leaseholder of the residential parts will be charged inclusive of VAT, as the landlord is unable to recover the VAT on this part of the service charge expenditure. The service charge for the commercial parts will pay net of VAT. For this reason, the service charge has been split into two schedules, see below for details.

## **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. Consequently, 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**

In the future, repairs will be necessary to various elements of the building. It is financial prudent to plan for the cost of these repairs in advance and to spread the cost over a period. For this reason, a reserve fund has been established.

The fund is held in a discrete bank account with interest credited to it. Any banking costs will be paid from the service charge together with any tax on the interest earned. An allowance for VAT will be made in the reserve fund.



### **Service Charge Objectives**

The object of this budget report is to provide 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 leaseholders to budget accurately.

We encourage leaseholders to provide comments on the format and/or the information contained in this report which would assist in the report being improved for the benefit of all concerned. We would also welcome constructive feedback on the communal services provided at the property.

As Managing Agents, Johnson Fellows aim to provide a high-quality management service to provide a well-maintained environment and delivering value for money for the service charge expenditure.

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.

### **Residential Service Charge Obligations**

In accordance with the Landlord & Tenant Act 1987, Section 48, it is confirmed 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, United Kingdom, AL7 1GA.

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, we will consult the relevant leaseholders.

### **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:**

Neil Wetherell  
Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW  
Direct Dial: 0121 234 0406  
Mobile: 07836 313 914  
Email: neil.wetherell@johnsonfellows.co.uk



Neil Wetherell 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](mailto:rebecca.glover@johnsonfellows.co.uk)

Rebecca Glover is the client accountant responsible for this property.

**Service Charge Apportionment**

The service charge operates for the common parts of the property. The apportionment percentages for each unit are noted in Appendix A, Service Charge Apportionment.

Different occupiers are treated differently for VAT. For this reason, two service charge schedules are used, details of which are set out below. Expenditure for each schedule is split having regards to the internal area of the units in each schedule.

Schedule 1 – Nett Commercial (22.5%)

The ground floor commercial unit benefits from all services. They are detailed in Schedule 1 where the budget is stated net of VAT.

Schedule 2 – Gross Residential (77.5%)

The whole of the residential upper floors which benefit from all services. They are detailed in Schedule 2 where the budget is stated inclusive of VAT.



## **Budget Commentary**

### ***SCHEDULE 1 – 22.5% Nett Commercial***

The expenditure is shown net of VAT.

- **Management Fee** **£694.79**

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

- **S/C Audit Fees** **£22.50**

The budget for the external accountants to certify the service charge accounts.

- **Landlords risk assessments, audits & reviews** **£112.50**

Testing was undertaken during the year to the man-safe system and lightening conductor.

- **Drainage** **£0.00**

The drain flush was deferred.

- **Interest** **£0.00**

No interest was charged.

- **External Repairs and maintenance** **£148.50**

A repair was completed to the rainwater gutters and they were cleared during the year.

- **Reserve Fund** **£563.50**

The contribution to the reserve fund.

**Schedule Sub-Total** **£1,541.79**

The expenditure reflects the normal level of costs during the year after the corrections were made in the previous service charge year.



## **SCHEDULE 2 – 77.5% Gross Residential**

The expenditure is shown inclusive of VAT.

- **Management Fee** **£2,871.84**

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

- **S/C Audit Fees** **£93.00**

The budget for the external accountants to certify the service charge accounts.

- **Landlords risk assessments, audits & reviews** **£465.00**

Testing was undertaken during the year to the man-safe system and lightening conductor.

- **Drainage** **£0.00**

The drain flush was deferred.

- **Interest** **£0.00**

No interest was charged.

- **External Repairs and maintenance** **£511.50**

A repair was completed to the rainwater gutters and they were cleared during the year.

- **Reserve Fund** **£2,323.00**

The contribution to the reserve fund.

**Schedule Sub-Total** **£6,264.34**

The expenditure reflects the normal level of costs during the year after the corrections were

**GRAND TOTAL** **£7,806.13**

.....  
Partner  
February 2022

.....  
Facilities Manager  
February 2022







## **Appendix A**

**82/84 Forest Road, Walthamstow, London, E17 6RJ (01894)**

### **Service Charge Apportionment**

**1st April 2020 to 31st March 2021**

#### **Schedule Apportionment Percentages**

| Unit                    | Tenant      | Schedule | Floor Areas (sq ft) | Schedule Percentage |
|-------------------------|-------------|----------|---------------------|---------------------|
| Shop, 82 Forest Road    | Commercial  | 1        | 4,144               | 22.5%               |
| Flats 1-17 Almond Close | Residential | 2        | 14,246              | 77.5%               |
|                         |             |          | <b>14,246</b>       | <b>77.5%</b>        |

#### **Unit Apportionment Percentages**

| Unit                    | Tenant                    | Floor Area (sq ft) | Schedule 1 Commercial | Schedule 2 Residential |
|-------------------------|---------------------------|--------------------|-----------------------|------------------------|
| Flats 1-17 Almond Close | Islington & Shoreditch HA | 14,246             | 0.0%                  | 100.0%                 |
| Shop, 82 Forest Road    | Tesco Stores Ltd          | 4,144              | 100.0%                | 0.0%                   |
|                         |                           | <b>18,390</b>      | <b>100.0%</b>         | <b>100.0%</b>          |



## **Appendix B**

Walthamstow: S/C Social Housing Units 82/84 Forest Road (01894)

### **Service Charge Expenditure**

Reconciliation Period = 01/04/2020-31/03/2021

| <b>Code</b> | <b>Description</b>                 | <b>Actual (03/2021)</b> |
|-------------|------------------------------------|-------------------------|
| <b>1</b>    | <b>22.5% Nett Commercial</b>       |                         |
| 5100-0101   | Management Fee                     | 694.79                  |
| 5100-0203   | S/C Audit Fees                     | 22.50                   |
| 5100-0401   | Landlords risk assessments, audits | 112.50                  |
| 5400-1502   | External Repairs and maintenance   | 148.50                  |
| 5700-2202   | Reserve fund                       | 563.50                  |
|             | <b>Schedule Total</b>              | <b>1,541.79</b>         |
|             |                                    |                         |
| <b>2</b>    | <b>77.5% Gross Residential</b>     |                         |
| 5100-0101   | Management Fee                     | 2,871.84                |
| 5100-0203   | S/C Audit Fees                     | 93.00                   |
| 5100-0401   | Landlords risk assessments, audits | 465.00                  |
| 5400-1502   | External Repairs and maintenance   | 511.50                  |
| 5700-2202   | Reserve fund                       | 2,323.00                |
|             | <b>Schedule Total</b>              | <b>6,264.34</b>         |
|             |                                    |                         |
|             | <b>Total</b>                       | <b>7,806.13</b>         |



## Appendix C



## **Appendix D**

### **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.

**TESCO STORES**

**SOCIAL HOUSING UNITS 82/84 FOREST ROAD  
WALTHAMSTOW**

**SERVICE COSTS AUDIT STATEMENT**

**YEAR ENDED 31ST MARCH 2021**



**Social Housing Units 82/84 Forest Road  
Walthamstow  
Certificate of Service Costs for the year ended 31st March 2021**

|                                | 2021                   | 2020                   |
|--------------------------------|------------------------|------------------------|
| <b>22.5% Nett Commercial</b>   |                        |                        |
| Drain maintenance              | -                      | 355.50                 |
| Repairs - external             | 148.50                 | (1,085.00)             |
| Health and safety              | -                      | (254.00)               |
| Statutory compliance           | 112.50                 | 8.60                   |
| Interest                       | -                      | (17.76)                |
| Reserve fund                   | 563.50                 | 563.50                 |
| Audit fees                     | 22.50                  | (55.00)                |
| Management fees                | 694.79                 | 684.22                 |
|                                | <u>1,541.79</u>        | <u>200.06</u>          |
| <b>77.5% Gross Residential</b> |                        |                        |
| Drain maintenance              | -                      | 1,469.40               |
| Repairs - external             | 511.50                 | 1,302.00               |
| Statutory compliance           | 465.00                 | 1,614.48               |
| Interest                       | -                      | 17.76                  |
| Reserve fund                   | 2,323.00               | 2,323.00               |
| Audit fees                     | 93.00                  | 186.00                 |
| Management fees                | 2,871.84               | 2,828.12               |
|                                | <u>6,264.34</u>        | <u>9,740.76</u>        |
| <b>Total expenditure</b>       | <u><u>7,806.13</u></u> | <u><u>9,940.82</u></u> |

**Reserve fund**

|                                    |                         |
|------------------------------------|-------------------------|
| Balance brought forward 1st April  | 14,435.00               |
| Interest earned                    | -                       |
| Reserved in year                   | 2,886.50                |
| Balance carried forward 31st March | <u><u>17,321.50</u></u> |

**Independent Accountant's Review Report**

To the Manager, Social Housing Units

We have reviewed the statement of service charge expenditure for the above property for the year ended 31 March 2021. 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