

## **Service Charge Budget Report**

*Service Charge Year*

1<sup>st</sup> April 2014 to  
31<sup>st</sup> March 2015

For

82/84 Forest Road  
Walthamstow  
London  
E17 6RJ

Prepared by Johnson Fellows LLP  
Charter House  
163 Newhall Street  
Birmingham  
B3 1SW

On behalf of  
Tesco Stores Limited



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## 1. Introduction

The service charge budget report is intended to provide details of the planned expenditure for the forthcoming service charge year.

### 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

Presently there is no void accommodation. Were there to be any void accommodation capable of being let, the responsibility for the service charge would rest with the Landlord.

### Insurance

Previously, insurance was included within the service charge budget. This item has now been excluded and the premium will be recharged to the leaseholder separately as a one off annual charge.

### 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 level of general 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.

### Reserve Fund

Long term repairs to building will be required in the future. The anticipated repair works will be identified in a Planned Maintenance Report which is to be commissioned. In addition this report will provide a budget cost for the work and a projected timescale. This information will be used to budget for a reserve fund so that there is sufficient money



available to fund the works when they are to be undertaken. These works will be specified and competitively tendered closer to the time.

In the short term a nominal reserve fund contribution is being budgeted for.

The reserve 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.

No allowance for VAT has been made in the reserve fund.

### Service Charge Objectives

The object of this budget report is to provide clear explanation of the planned service charge expenditure on a not for profit/not for loss basis. It is also to promote clarity and transparency and to allow the long leaseholders to budget accurately for the forthcoming year. The Planned Maintenance Report will help with this objective.

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 welcome. 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 in order 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 PO Box 400, Cirrus B Building, Shire Park, Welwyn Garden City, Hertfordshire, AL7 1AB.

Please refer to the enclosed details of the relevant legislation of residential long leaseholder's rights and obligations which are relevant to the service charge, Appendix C. Any individual works required where any residential long leaseholders' contribution exceeds £250 plus VAT, we will consult the relevant long leaseholders.



## 2. Management Team

Management Surveyors:

Neil Wetherell

Partner

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Mobile: 07836 313 914

Email: [neil.wetherell@johnsonfellows.co.uk](mailto:neil.wetherell@johnsonfellows.co.uk)

Service Charge Accountant:

Rachel Scicluna

Partnership Secretary

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

Direct Dial: 0121 234 0417

Email: [rachel.scicluna@johnsonfellows.co.uk](mailto:rachel.scicluna@johnsonfellows.co.uk)

Rachel Scicluna is the client accountant responsible for this property.



### 3. **Service Charge Apportionment**

The apportionment percentages are set out within the Service Charge Apportionment Report, as detailed in Appendix A.

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 schedule apportionment percentages are used to divide the expenditure between the schedules.



#### 4. Budget Commentary

There is a single expenditure budget which is detailed below, shown net of VAT. This budget is split between two schedules having regards to the Schedule Apportionment Percentages detailed in Appendix A.

The budget for Schedule 2 is then adjusted to be inclusive of VAT.

##### 1. Cleaning

Budget - £0

No cleaning requirements are anticipated.

##### 2. Decoration - External

Budget - £0

No decorations are anticipated during this year.

##### 3. Drain Maintenance

Budget - £250

We have included a contingency should any unforeseen works be required.

##### 4. Footpath Maintenance

Budget - £100

We have included a contingency should any unforeseen works be required.

##### 5. Repairs External

Budget - £1,000

We have included a contingency should any unforeseen works be required.

##### 6. Structural Repairs

Budget - £0

No structural repairs are anticipated.

##### 6. Health & Safety

Budget £500

We have included a budget for undertaking the annual maintenance and inspection of the high level mansafe system.

##### 6. Statutory Compliance



Budget £500

The budget for undertaking an annual health & safety audit.

7. Reserve Fund

Budget £2,000

A notional contribution to the fund pending a more accurate assessment with the Planned Maintenance Report.

8. Audit Fees

Budget £250

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

9. Management Fees

Budget £2,490

The management fees as charged last year, adjusted for inflation.

10. Professional Fees

Budget £2,500

A budget for the preparation of a planned maintenance report, to identify areas of the building which will require to be maintained in the future, together with their budget costs which require to be funded from the service charge.

11. Total

Budget - £9,590



**Appendix A**

**Service Charge Percentage Apportionment**

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<b>82/84 Forest Road, Walthamstow, London, E17 6RJ</b>						
<b>Service Charge Apportionment Percentages</b>						
<b>1st April 2014 to 31st March 2014</b>						
<b>Schedule Apportionment Percentages</b>						
Unit	Tenant	Schedule	Floor Area (Sq Ft)	Schedule Percentage		
Flats 1 to 17, Almond Close	Residential	2	14,246	77.5%		
Shop, 82 Forest Road	Commercial	1	4,144	22.5%		
<b>Total</b>			<b>18,390</b>	<b>100.0%</b>		
<b>Unit Apportionment Percentages</b>						
Unit	Tenant	Floor Area (Sq Ft)	Schedule 1 Commercial	Schedule 2 Residential		
Flats 1 to 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>Total</b>		<b>18,390</b>	<b>100.0%</b>	<b>100.0%</b>		



## Appendix B

### Service Charge Budget Variance Report

<b>82/84 Forest Road, Walthamstow, London, E17 6RJ</b>						
<b>Service Charge Budget Variance Report</b>						
<b>1st April 2014 to 31st March 2015</b>						
The property is VAT registered.						
Service Charge Item	Schedule	Budget 2013/2014	Budget 2014/2015	Budget v Budget Variance %	Budget v Budget Variance £	
Cleaning	1	£ 258	£ -	-100.00%	£	258
Decoration - External	1	£ -	£ -	N/A	£	-
Drain Maintenance	1	£ -	£ 56	N/A	£	56
Footpath Maintenance	1	£ -	£ 23	N/A	£	23
Repairs External	1	£ 18	£ 225	1151.89%	£	207
Structural Repairs	1	£ -	£ -	N/A	£	-
Health & Safety	1	£ -	£ 113	N/A	£	113
Statutory Compliance	1	£ -	£ 113	N/A	£	113
Reserve Fund	1	£ 227	£ 451	98.54%	£	224
Insurance	1	£ -	£ -	N/A	£	-
Audit Fees	1	£ 113	£ 56	-50.1%	£	57
Management Fees	1	£ 546	£ 561	2.8%	£	15
Professional Fees	1	£ -	£ 563	N/A	£	563
<b>1 Total</b>		<b>£ 1,162</b>	<b>£ 2,161</b>	<b>excl VAT</b>		
Cleaning	2	£ 1,070	£ -	-100.00%	£	1,070
Decoration - External	2	£ -	£ -	N/A	£	-
Drain Maintenance	2	£ -	£ 232	N/A	£	232
Footpath Maintenance	2	£ -	£ 93	N/A	£	93
Repairs External	2	£ 578	£ 930	60.83%	£	352
Structural Repairs	2	£ -	£ -	N/A	£	-
Health & Safety	2	£ 1,350	£ 465	-65.57%	£	885
Statutory Compliance	2	£ -	£ 465	N/A	£	465
Reserve Fund	2	£ 938	£ 1,859	98.21%	£	921
Insurance	2	£ 2,310	£ -	-100.00%	£	2,310
Audit Fees	2	£ 465	£ 232	-50.0%	£	233
Management Fees	2	£ 2,255	£ 2,315	2.6%	£	60
Professional Fees	2	£ -	£ 2,324	N/A	£	2,324
<b>2 Total</b>		<b>£ 8,966</b>	<b>£ 8,915</b>	<b>incl VAT</b>		
<b>Grand Total</b>		<b>£ 10,128</b>	<b>£ 11,076</b>			
<b>NOTE</b>						
1. As the property is elected for VAT, Schedule 1 for the commercial parts of the building is show net of VAT.						
2. As the property is elected for VAT, Schedule 2 for the residential parts of the building is show inclusive of VAT.						



## 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.