



JOHNSON FELLOWS
CHARTERED SURVEYORS

82/84 Forest Road

Walthamstow

London

E17 6RJ

Service Charge Budget Report

1st April 2023 to 31st March 2024



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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 planned expenditure for the service charge year commencing 1st April 2023 to 31 March 2024 and enclose within this report a copy of the Service Charge Budget Commentary and Apportionment Report.

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.

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

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.

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. 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

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 of time. For this reason a reserve fund has been established since 2014-2015 and we have collected £4,500 to date.

In the first year of the service charge a Planned Maintenance Report was commissioned to identify the future repairs and to provide budget costs. This report is used to establish the appropriate annual contribution to the reserve fund from the second year onwards.

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 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 leaseholders to budget accurately for the forthcoming year.

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 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 Black Swan Homes (Sheldon) and their address for the service of notices is Avon House, 435 Stratford Road, Shirley, Solihull, West Midlands, B90 4AA.

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:

Chris Monteith
Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW
Direct Dial: 0121 234 0409
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:

George Brittain
Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW
Direct Dial: 0121 234 0454
Mobile: 07884 352 576
Email: George.Brittain@johnsonfellows.co.uk

George Brittain 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 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.



Budget Commentary

This is a single expenditure budget 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

- **Cleaning** **£180**

Budgeted cost for the cleaning of the common area communal path, including litter pick, and a cost for any fly tipping.

- **Drain Maintenance** **£250**

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

- **Footpath Maintenance** **£250**

We have included a budgeted figure for the jet washing of the footpath to remove moss.

- **Repairs External** **£1,000**

Budgeted cost for the cleaning and repairing of the gutter system along with the replacement of the missing leaf guards. We have included a contingency should any unforeseen works be required.

- **Health & Safety** **£750**

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

- **Statutory Compliance** **£1,200**

The annual testing of the lighting conductor

- **Reserve Fund** **£2,500**

Following on from the 5 year PPM report there are a number of issues that will need attention within the next few years. The reserve fund has been put in place to attend to the redecoration of the external rendering, repairs to the flat roof, re-levelling of the clay paviors to the pedestrian footpath.

- **Audit Fees** **£250**

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

- **Management Fees** **£3,518**

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.

TOTAL **£9,898**



.....
Management Surveyor

.....
Dated



.....
Partner

.....
Dated



Appendix A

1st April 2023 to 31st March 2024

Schedule Apportionment Percentages					
Unit	Tenant	Schedule	Floor Areas (sq ft)	Area (sq m)	Schedule Percentage
Shop, 82 Forest Road	Commercial	1	4,144	121	22.5%
Flats 1-17 Almond Close	Residential	2	14,246	375	77.5%
			14,246	375	77.5%
Unit Apportionment Percentages					
Unit	Tenant	Floor Area (sq ft)	Schedule 1 Commercial	52 52	Schedule 2 Residential
Flats 1-17 Almond Close	Islington & Shoreditch HA	14,246	0.0%	5200.0%	100.0%
Shop, 82 Forest Road	Tesco Stores Ltd	4,144	100.0%	5200.0%	0.0%
		18,390	100.0%	20800.0%	100.0%



Appendix B

82/84 Forest Road, Walthamstow, London, E17 6RJ

Service Charge Variance Schedule

1st April 2023 to 31st March 2024

The property is VAT registered. Figures for Schedule 1 shown net of VAT. Schedule 2 figures shown inclusive of VAT.

Service Charge Item	Schedule	Budget 2022/2023	Budget 2023/2024	Budget v Budget Variance %	Budget v Budget Variance £
Cleaning	1	£ 40.50	£ 40.50	0.00%	£ -
Drain Maintenance	1	£ 56.25	£ 56.25	0.00%	£ -
Footpath Maintenance	1	£ 56.25	£ 56.25	0.00%	£ -
Repairs External	1	£ 225.00	£ 225.00	0.00%	£ -
Health & Safety	1	£ 168.75	£ 168.75	0.00%	£ -
Statutory Compliance	1	£ 270.00	£ 270.00	0.00%	£ -
Reserve Fund	1	£ 562.50	£ 562.50	0.00%	£ -
Audit Fees	1	£ 56.25	£ 56.25	0.00%	£ -
Management Fees	1	£ 697.95	£ 791.55	13.41%	£ 94
1 Total		£ 2,133.45	£ 2,227.05	13.41%	£ 94
Cleaning	2	£ 167.40	£ 167.40	0.00%	£ -
Drain Maintenance	2	£ 232.50	£ 232.50	0.00%	£ -
Footpath Maintenance	2	£ 232.50	£ 232.50	0.00%	£ -
Repairs External	2	£ 930.00	£ 930.00	0.00%	£ -
Health & Safety	2	£ 697.50	£ 697.50	0.00%	£ -
Statutory Compliance	2	£ 1,116.00	£ 1,116.00	0.00%	£ -
Reserve Fund	2	£ 2,325.00	£ 2,325.00	0.00%	£ -
Audit Fees	2	£ 232.50	£ 232.50	0.00%	£ -
Management Fees	2	£ 2,884.86	£ 3,271.74	13.41%	£ 387
2 Total		£ 8,818	£ 9,205.14	13.41%	£ 387
Grand Total		£ 10,952	£ 11,432	26.82%	



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.