

June 2004 – LON/00AW/LSL/2004/0016 Heiret V Thames Valley Housing Association (Major works)

'It is the Tribunals opinion that 16% is the upper limit of what can be regarded as reasonable.' The organisation was at that time charging 8% on the specified costs of the works. The LVT also determined that 12% applied to the surveyors fees was acceptable.

November 2007.

Case brought against a private management company in respect of management fees added to day to day service costs. ' The Tribunal is aware of the different approaches to the calculation thereof either by a % of the cost incurred or a cost per unit. Both approaches are valid but there is a trend towards the latter as the amounts payable by the leaseholders are not subject to wide variations as would occur if major costs incurred one year against another and the managing agent is assured of the covering the minimum costs of providing the services. This may not be the case if there is a low level of expenditure in any one year. In the knowledge and experience of the Tribunal , the charges (£250p.a) made are not excessive and the Tribunal find them to be reasonable.

June 2007. City West Homes

The applicant seeking a declaration in relation to the recoverability and reasonableness of their "supervision and management" and "accountancy and administration" costs. Extract from a service charge estimate sent by the landlord in question to its leaseholders.

Supervision/Management, block
Accountancy/Admin.
Contract supervision, estate
Estate cleaning
Grounds maintenance, estate
Contract Supervision, block
Block cleaning
Grounds maintenance
Window cleaning
Repairs/maintenance
Estate repairs/maintenance
Block repairs/maintenance
TMO management costs

'There is no principle of law that the costs of private management are or are not a good guide to the proper service charges in the defendant's lease. For having construed the

lease, the question of what are proper charges becomes in my opinion a question of fact. Evidence from either the private or the public sector is relevant. But it must be evidence which compares like with like. There is little guidance to be obtained from the charges of private managing agents, unless the services they provide are the same as those provided by Westminster'

November 2007 – Determination on the reasonableness of administration costs.

"Residents/management companies are unwilling to engage managing agents on a percentage of service charge monies expended as this is often felt to encourage increased expenditure to obtain increased fees."

"There are two sources of guidance in determining the recoverability of service charges. Firstly, the lease permits the landlord to recharge "monies properly and reasonably expended" and requires the Landlord "to manage the property for the purposes of keeping it in a condition similar to its present state and condition" [9th Schedule]. A test for reasonableness in relation to repair was given in *Plough Investments v Manchester City Council* [1989] 1 EGLR 244:

"whether works... are responsible [*sic*] is... whether the landlord would have chosen that method of repair if he had had to bear the cost himself' It is submitted that a similar test should apply in relation to the reasonableness of administrative cost."

3 March 2006 – LON/00AM/LSC/2006/0080 Hackney Homes

Case brought against Hackney Homes for the introduction of a management charge in addition to the existing administration charge. Ruled that the council have the right to levy a management charge to cover the cost of housing management functions. Total charge now £209 per leaseholder. The council must balance its books. Tenants are already paying their share through their rents and there is no justification for lessees not to pay their share. Lessees now need to adjust to an annual service charge of £200 - £220 with raises for inflation and this is not a high service charge in comparisons with service charges elsewhere in London.

A 10% service charge for major works is not unreasonable. Additionally the management charge is added for specific services provided under the different partnering contracts.