



**FIRST - TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)**

Case Reference:	CHI/00HE/LSC/2024/0088/ST
Property:	Jace Court, Priory Road, St Austell, Cornwall PL25 5FL
Applicant:	Laura Grace Ford and other leaseholders
Representative:	Laura Grace Ford
Respondent:	Sedgemoor Campus Ltd
Representative:	-
Type of Application:	Determination of liability to pay service charges Section 27A and 20C of the Landlord and Tenant Act 1985 and Paragraph 5A of Schedule 11 Commonhold and Leasehold Reform Act 2002
Tribunal Members:	WH Gater FRICS (Chair) Mr. M Woodrow MRICS
Date and venue of Hearing:	2 & 3 December 2024
Date of Decision:	5 February 2025

DECISION

Background

By an application made on 8 May 2024, the Applicant submitted an application for a determination of the Respondent's liability to pay and the reasonableness of service charges for the years 2018 to 2025 under S27A of the Landlord and Tenant Act 1985. (The S27a application). The application sets out the total disputed amount as £85,000

1. The Tribunal is asked in particular to decide questions about the gas bill for the years ending 2019, 2021, 2022, 2023 and 2024 together with the budget for 2025.
2. For the budgeted year 2025 the Tribunal is asked to consider questions of the general increase in charges including provision for increased management fee, estate charge, bulk rubbish removal, roof repairs, water tank management and Reserve Fund. In the course of making submissions, the Applicant has also questioned the reasonableness of some of these charges for previous years and the Tribunal has dealt with these issues as appropriate.
3. The applicant also seeks an Order under section 20C of the Landlord and Tenant Act 1985 preventing the Landlord from recovering the whole or part of the costs of these proceedings by way of a future service charge demand, together with an application under Paragraph 5A of Schedule 11 of the Commonhold and Leasehold Reform Act 2002 to reduce or extinguish any administration charge in respect of litigation costs which may be payable under the lease.
4. The Applicant simultaneously made an application under S24 of the Landlord and Tenant Act 1987 for the appointment, by the Tribunal, of a Manager of the Property. (The AOM Application).
5. The AOM application is determined in a separate decision.
6. The original Applicant is Laura Grace Ford [Flat 26], who was joined by and represented the leaseholders as follows: -
(Reference to The Applicant includes all applicants.)

Neil Batchelor Flat 21
Dawn and David Harris Flat 28
Sally and Ian Lewis Flat 7
Amy Jacob and Joe Baker Flat 24
Michelle Rendell Flat 20
Samuel Grose Flat 33
Jessica Buscombe Flat 14
Diane Davies Collins Flat 32
Chris and Pauline Buscombe Flat 2
Sharon le Cheminant Flat 3
Derry Robertson Flat 22
Dawn and Brian Bunce Flat 16
Andrea Mansell and Philip Templeton Flat 11
The Estate of the late Angela Stokes Flat 31
Chloe Duckett Flat 19
Sarah Gray Flat 25

Anna Minear Flat 12
Brian Blatchford Flat 23
Patrick Dobie Flat 27
Jacob Kirk Flat 13
Daniel Walters Flat 4
Georgina Ashby-Smith Flat 8
Judith Esterhuizen Flat 15

7. The Respondent to the Application is Sedgemoor Campus Limited, being the freeholder Landlord of the building containing the flats.
8. Directions were issued on 2 September 2024 in usual terms, including providing for a response from the Respondent. The application was directed to be determined at a hearing.
9. On 10 October 2024, Regional Judge Whitney issued Directions in response to an application from the Respondent granting an extension of 30 days to time limits in previous directions. The Judge referred to the failure of the Respondent to serve their statement of case and went on to direct that the Respondent would be barred from relying on evidence at the final hearing of this matter if they failed to comply.
10. On 5 November 2024 Regional Judge Whitney informed the Respondent that in view of the fact they had failed to comply as directed, they were barred as stated above.
11. The Tribunal inspected the exterior and common parts of Jace Court on 2 December 2024 in the presence of Applicants Miss Ford, Miss Buscombe, Mr Lewis and the proposed Manager for the AoM case, Mr Kearton. No evidence was taken during the inspection save for factual information which assisted the Tribunal in carrying out the inspection.
12. The Hearing was held immediately after the inspection at Bodmin Magistrates Court and in addition to those present on the inspection, two more Applicants, Mr and Mrs Bunce, attended. The Respondent was neither present nor represented.
13. The first day was taken up with the AOM application although inevitably matters relating to the S27A application were heard on both days. Mr Kearton was not present for the second day as he was not required to give further evidence.

The Subject Property

14. Jace Court is a block of apartments close to the centre of St Austell in Cornwall. It is attached to Nya Court, a similar group of flats which together originally formed part of a former college building.
15. The building Jace Court is arranged mainly on three stories and is built with brick walls under a slate mansard roof, believed to be finished in felt.
16. Whilst Jace Court and Nya Court are attached, these applications relate only to Jace Court.

17. There are 31 flats in Jace Court, 23 of which are members of the Residents Association.

The Lease

18. The Tribunal was provided with a copy of the lease of Flat 26, Jace Court, dated 4 December 2018. The parties to the Lease are the Landlord, Sedgemoor Campus Ltd and the Tenant at that time Alexander Mathew Penn.
19. The Lease was granted for a term of 125 years from 4 December 2018.
20. Clause 5 of the Lease obliges the Landlord to observe and perform the Landlord's covenants, inter alia, to insure, maintain and keep in good and substantial repair and condition, the structure of the building, the common parts, pipes drains and cabling, boundary walls and fences and all other parts not included in the demised flat.
21. Clause 5 of the Lease also sets out provisions for a service charge by which the Landlord may recover the cost of complying with Clause 5.
22. Clause 4 (4) of the Lease requires the Tenant to pay the Interim Charge and the Service Charge as defined in the Fifth Schedule.
23. The Fifth Schedule sets out the definitions appropriate to the service charge mechanism and provisions for payment by the Tenant. The Schedule requires the Landlord to certify service charge expenditure within three months of the end of an accounting period, with provision for the Tenant to inspect the receipts and vouchers relating to the Total Expenditure within one month of certification.

The Hearing

24. The hearing was held at Bodmin Magistrates Court on 2 and 3 December 2024 to dispense with both applications.

Preliminary matters

25. The Tribunal noted that the Respondent was not present and that no representative had attended.
26. The Tribunal set out the proceedings for the next two days and noted that the two applications for the Appointment of Manager and determination of service charges contained some assertions which went beyond the jurisdiction of the applications themselves. Issues include reference to breach of lease, misappropriation of funds and recovery of reserve funds and overpayments. The Tribunal would therefore determine only those matters within the jurisdictions of this application under Section 27.
27. The Applicant requested that the following parties be included as Applicants being owners of flats at the property, Judith Esterhuizen Flat 15 and Gina Ashby-Smith Flat 8. The Tribunal admitted those parties.

28. The Tribunal also noted that Mr Lewis of Flat 7 had been included twice in directions in error and that Angela Stokes of Flat 31 had sadly passed away. The Tribunal corrected the duplication re Mr Lewis and accepts that the Estate of Ms Stokes may remain as a party.

The Law. see Appendix below

29. The Tribunal has power under section 27A of the Act to decide about all aspects of liability to pay service charges and can interpret the lease where necessary to resolve disputes or uncertainties. The Tribunal can decide by whom, to whom, how much and when a service charge is payable.
30. By Section 19 of the Act a service charge is only payable to the extent that it has been reasonably incurred and if the services or works for which the service charge is claimed are of a reasonable standard. Section 19 (2) concerns where a service charge is payable before the relevant costs are incurred, no greater amount than this is payable.

Lack of Engagement.

31. The Respondent has taken no effective part in the proceedings, and this is regrettable. The Tribunal must therefore make its decision on the evidence available see **Schilling v Canary Riverside Development PTE Limited LRX/26/2005 at paragraph 15.**

“Once a tenant establishes a prima facie case by identifying the item of expenditure complained of and the general nature (but not the evidence) of the case it will be for the landlord to establish the reasonableness of the charge. *There is no presumption for or against the reasonableness of the standard or of the costs as regards service charges and the decision will be made on all the evidence made available*”.

32. **London Borough of Havering v Macdonald [2012] UKUT 154 (LC)** Walden-Smith J at paragraph 28. “The lessee is obliged to identify the costs which s/he disputes and to give reasons for his/her challenge. The landlord is expected to produce evidence which justifies the costs and answers the lessee’s challenge. If the lessee succeeds in persuading the Tribunal that the costs should be reduced, *the Tribunal will expect him/her to produce evidence of the amount by which the landlord’s costs should be reduced.* It is a key element of the section 27A determination process (The Gateway (Leeds) Management Ltd v (1) Mrs Bahareh Naghash (2) Mr Iman Shamsizadeh [2015] UKUT 0333 (LC)).”
33. The Tribunal must therefore do the best that it can as an expert Tribunal and takes into consideration the only available evidence, that of the Applicant. The Upper Tribunal reiterated in **Knapper v Francis [2017] UKUT 3 (LC)** that the Tribunal can make its own assessment of the reasonable cost.

Consideration of the issues

34. The Tribunal's consideration of the matter has been hindered by the lack of engagement by the Respondent. Information on service charges obtained by the Applicant is, through no fault of their own, limited and incomplete. The Applicant states that a notice to the Respondents agent under Section 22 of the Landlord and Tenant Act 1985 sent on 18 April 2024 was not complied with. The absence of submissions by the Respondent and the inability of the Tribunal to question those submissions is a significant obstacle to the determination.
35. The lease is the primary source of evidence as to the intention of the parties to that lease and the means by which service charges are calculated under the Act. When considering the wording of the lease, the Tribunal adopts the guidance given to it by the Supreme Court:

Arnold v Britton and others [2015] UKSC 36 Lord Neuberger:

“15. When interpreting a written contract, the court is concerned to identify the intention of the parties by reference to “what a reasonable person having all the background knowledge which would have been available to the parties would have understood them to be using the language in the contract to mean”, to quote Lord Hoffmann in *Chartbrook Ltd v Persimmon Homes Ltd* [2009] UKHL 38, [2009] 1 AC 1101, para 14. And it does so by focussing on the meaning of the relevant words, in this case clause 3(2) of each of the 25 leases, in their documentary, factual and commercial context. That meaning has to be assessed in the light of (i) the natural and ordinary meaning of the clause, (ii) any other relevant provisions of the lease, (iii) the overall purpose of the clause and the lease, (iv) the facts and circumstances known or assumed by the parties at the time that the document was executed, and (v) commercial common sense, but (vi) disregarding subjective evidence of any party's intentions”.

Service Charges

36. The Tribunal has considered the evidence and submissions of the Applicant and determines the service charge issues contained in the application as follows.

Communal gas supply

37. The Applicant has set out the history of gas charges but the limited information in the management schedules the Applicants obtained from the managing agents is hard to decipher. There are multiple entries for the same date and not all information is in date order.
38. The Leaseholders have not been charged for gas in some years despite budgeting for sums varying from £8,000 to £16,000.

39. In a bill dated 15 December 2021, the supplier changed from CNG to Pozitive Energy. This purports to show an actual meter reading. However, the Applicants point to the fact that the actual reading referred to is the same as the previous estimated figure. This and previous bills from CNG also refer to the site address being “Sedge Moor and Trevarthian Road PL25 2BU” rather than the subject property.
40. In a bill dated 2 February 2022, an arrears of £26,373 appears and an actual meter reading is recorded. The difference between the previous estimated reading and the actual usage led to a very large bill. The fact that the meter has not been read for some years appears to have resulted in an accumulation of debt based on inaccurate estimates.
41. The position does not improve as subsequent readings were estimates only. There is no period of charging where two actual readings are taken which can be relied on.
42. When Laura Grace Ford purchased her flat in September 2022, no arrears were shown for the flat or the previous tenants. In fact at the same time gas bill arrears for the whole block stood at £40,556.
43. This presents the Applicant with two issues. What has happened to the money paid by the leaseholders to the management company and what is the correct level of gas charges for the years in question.
44. The question of the whereabouts of the money paid is outside of the jurisdiction of this application and the Applicant will wish to seek advice on the action necessary.
45. The current arrears now amount to almost £90,000. The residents have paid large sums when demanded. The precise amount paid by leaseholders cannot be determined as some are not party to this application, but the Tribunal notes the Applicant estimates that £44,329.70 has been paid to the Respondent through the management company between 2021 and 2023 alone.

Consideration

46. The Tribunal has considered the limited management records available. There were two unexplained reverse bills in November 2022 of £44,385.24 and £20,457.68 which placed the account in credit.
47. This pattern follows on. On 10 January 2023 a bill for £30,877.5 is recorded but by June 2023 there are reversals totaling £76,892.52 which again puts the account in credit.
48. This continues with a steady flow of bills occasionally offset by bill reversals and a small number of BACS transfers. The account goes from credit + £13,951.09 in June 2023 to debit - £88,136.
49. Payments to the supplier, through BACS, between 8 July 2022 and 15 December 2023 appear to amount to only £15,831.82.

50. This illustrates the extreme difficulty presented to the Tribunal by the lack of engagement and compliance with directions on the part of the Respondents.
51. Given the poor record keeping what is a fair bill for gas.
52. As a result the Tribunal has had to exercise its experience and skill as an expert Tribunal and determine reasonable charges doing the best that it can.

Determination

53. The lease, through clause 6(d) provides for the Respondent to pay outgoings and charges assessed on the building and for the Applicants to pay through a service charge under Clause 4(4). The Tribunal is satisfied that this would include charges for common utilities such as gas and electricity.
54. The Tribunal finds that the Respondent has failed to manage the gas account to an acceptable standard. It has failed to account properly to the Applicants and has not disclosed the dispute on charges in a timely manner.
55. The gas account urgently requires reconciliation. Gas charges are normally largely based on usage but the failure of the Respondent to ensure accurate billing has caused the discrepancy to build.
56. The reconciled service charge account for 2018 shows that gas cost £11,129. It appears that this account was for the whole of Sedgemoor Campus to include Nya Court and Jace Court when there was a different gas supplier. The Applicant indicates that Nya Court has entirely electric heating and Jace Court entirely gas. On that basis the Tribunal finds that the gas charge of £11,129 for 2018 relates solely to gas used by Jace Court. This is possibly the only reliable evidence where it can be assumed that readings were taken and an actual figure provided. Subsequent charges in 2021-22 £18,746, 2022-23 £15,030 were based on estimated readings.
57. The last bill from CNG was charged at 3.41p per Kwh for November 2021. In December 2021 Pozitive Energy were engaged following the insolvency of CNG. They charged 10p per KWH only one month later. This increased to 15p per kwh in April 2022.
58. Whilst there was a significant rise in gas prices in 2022 the Tribunal questions whether reasonable efforts were made to get a fair price. Government data in House of Commons library shows large increases of 95% from 2021-2022 but not treble. A 95% increase on 3.41p/Kwh suggests 7p/kwh.
59. The Residents have clearly been consuming gas over the period and are willing to pay for it. The lack of engagement by the Respondent and poor management of the gas account has caused serious issues.
60. Using the limited information and doing the best that it can in the circumstances, the Tribunal seeks to establish a reasonable level for gas charges across the period.

61. Using the 2018 gas cost of £11,129 as a base, the Tribunal has considered the gas price indices published by the UK Government including “Domestic Energy Prices” published in the House of Commons Library on 10 December 2024 and the Consumer prices index UK: fuel components in the UK (QEP 2.1.1 to 2.1.3) published on the Gov.Uk website. These show a slight drop in prices from 2018 until the fuel crisis in 2022 saw significant rises. After his prices moderated slightly.
62. Using these indices as a base the Tribunal determines that the following gas charges are reasonable.

2018 - £11,129
2019 - £11,000
2020 - £9,000
2021 - £9,000
2022 - £14,000
2023 - £12,000
2024 - £12,000

Budget 2025 - £12,000

Communal Electricity

63. The Applicant told the Tribunal that electricity bills levied by British Gas to the Respondent have not been paid.
64. As of June 2023 the arrears on that account was £8,561.78. The issue of arrears and recovery of sums missing is beyond the jurisdiction of this application. The Tribunal is concerned here with the budgeted figure for 2025.
65. Whilst the British Gas bill states that the account is for Landlords Supply Jace Court, the Applicants state that there is no way of being certain that the supply does not also serve Nya Court.
66. Some electricity bills have been provided which again rely on estimated readings. The supplier has estimated annual usage on some bills.
67. The Applicant, through the Residents Association, has requested both the landlord and managing agents to provide electricity account information since 2023 but to no avail.

Determination

68. The Tribunal notes that the 2018 expenditure report shows a common electricity charge of £31,916.56 for both Nya Court and Jace Court. The bill produced and budgeted for common electricity are around £3,000. This suggests that there are at least two meters and that the amount estimated by British Gas for annual consumption at Jace Court is proportionate.

69. Given this, and that the supplier has stated that the supply relates to Jace Court's Landlord's Supply, the Tribunal finds that the bills levied, on balance of probability, do relate to common electricity for Jace Court only.
70. Whilst many of the bills are based on estimated readings, there are some actual readings recorded.
71. In December 2021 the meter was read by British Gas. This did not result in a large reconciliation bill. The Tribunal concludes that previous estimated readings were not seriously in error as they were with the gas supply.
72. The amount estimated for the year 2024-2025 is £2,800. The Tribunal finds that this amount is in line with the previous pattern of costs and determines that this sum is reasonable for budget purposes.

Debt charges and interest on late payment charges

73. The Applicant submits that no such payments should be payable given the conduct of the Respondent in withholding the payments to the suppliers for gas and not disclosing the dispute.
74. The Tribunal accepts the uncontroverted evidence of the Applicant and finds that no payments of this type shall be payable as part of any service charge.

Reserve fund

75. The Applicant states that contributions to reserve funds have been demanded in some but not all years. On other occasions a sum has been allowed for in the budget but not charged in the final account. For example, for the years ended June 2023 and 2024, the sum of £5,000 was budgeted but not charged or shown in the final account.
76. In the service charge year 2022-23, Flat 26 was charged a total of £190 for the reserve fund. That flat pays 3.8% of total expenditure, indicating that £5,000 was being collected from the block.
77. The Applicant expresses concern as to the location of the funds collected in previous years.
78. No capital account has been provided and there is no way of knowing how much has accumulated in that fund.
79. The lease provides at Section 5 clause 6(k) *to set aside (which setting aside shall for the purpose of the fifth schedule hereto be deemed an item of expenditure incurred by the landlord) such sum of money as the landlord shall reasonably expect to incur of replacing maintaining and renewing those items which the landlord has herby covenanted to replace maintain and renew.*
80. The Tribunal finds that the lease provides sufficiently for the collection of a reserve fund as described. Furthermore, a building of this age and construction will

require a programme of repair and maintenance which will require adequate funding.

81. The Applicants do not challenge the Respondents right to collect such a fund but rather express concern about the whereabouts of any money which has been collected. Such an issue is outside of the jurisdiction of a Section 27 application, which is concerned with the payability of service charges.
82. Accordingly, the Tribunal determines that a reserve fund is payable but in doing so, a Landlord must set out the purpose and the calculation of the demand as part of good practice. In the absence of any accounts showing the amounts held and an explanation of such charges it is unable to assess the reasonableness of the amounts budgeted for 2025 and determines the amount payable as nil.
83. The Applicants will wish to take advice on the issue of the missing funds collected.

Management fees

84. The Applicant states that no service is provided by the Respondent despite rising charges for management. Tradesmen are not paid and as a result there is difficulty engaging contractors to work at the property. Managing agents are rarely on site and the standard of management is inadequate and has been for many years. The building has not been redecorated for 6 years and no gardening is carried out.
85. The management fees charged were
 - 2018-2019 - £6,700
 - 2019-2020 - £6,700
 - 2020-2021 - £6,700
 - 2021-2022 - £6,700
 - 2022-2023 - £7,950
 - 2023-2024 - £7,950
 - 2024-2025 - £9,500 budgeted.
86. The Applicant submits that a reasonable fee given the poor management and lack of service would be 50% of the sums charged.

Determination

87. The Tribunal finds that some management work will have been undertaken in billing residents and engaging contractors but the clear evidence of inadequate response to enquiries, lack of diligent maintenance and compliance with management codes must be reflected in the reasonable level of charges.
88. The Tribunal accepts the uncontroverted evidence of the Applicant and additionally finds that no increase in fees is justified for the later years. Furthermore, the fees below shall be inclusive of any accounts charges which shall not be otherwise payable. Accordingly, the management fees payable shall be as follows

2018-2019 - £3,350

2019-2020 - £3,350
2020-2021 - £3,350
2021-2022 - £3,350
2022-2023 - £3,350
2023-2024 - £3,350
2024-2025 - £3,350 budget

These sums are inclusive of accounts preparation costs and no additional charges are payable.

Estate costs

89. Estate Costs are not specifically mentioned in the lease. Sections 1)13 and 14 define the Estate Area and Estate Road.
90. Estate Costs are described by Managing Agents as including items such as Insurance, window cleaning, snow clearance, gardening and lightening conductor service. This is unsatisfactory. A lump sum is included in budgets without explanation. The Applicants submit that there is double counting of costs such as insurance and maintenance costs.
91. The Tribunal finds that in the absence of evidence and an explanation of the charges, none of the Estate Service Charge Costs are payable in the 2025 budget.

Miscellaneous

92. In the Application the Tribunal is asked to consider specific miscellaneous budgeted items in the 2025 budget.

Bulk rubbish clearance

93. The Applicant points out that provision has been made in the years ending 2024 and 2025 for bulk rubbish removal at £500. The Tribunal was shown amounts of rubbish and waste on site and the Applicants submit that the charges are not payable. Rubbish was accumulated through the Landlords other activities and not the responsibility of Jace Court.
94. In an email dated 9 May 2024 which was disclosed in the bundle, the managing agents confirmed to the Applicant that there would be no charge for this item.
95. The Tribunal accepts the Applicants evidence and determines that no charges are payable for bulk rubbish removal in the years under question.

Water tank management

96. The Applicants point out that this item was budgeted for but not charged in 2023. This can lead to overpayment if works are not planned or carried out.
97. In the absence of contrary evidence the Tribunal finds that this item is not payable under the 2025 budget.

Water supply and drainage

98. The Applicants state that the drains are in poor condition and that no effective maintenance or repairs have been carried out. Despite this £5,500 was budgeted in the 2024 budget compared to £1,200 in the previous year.
99. The Tribunal notes that actual water supply charges are recorded as £2,168 in 2023 and £801 in 2022 being limited to the charges levied by Anglian Water.
100. The Tribunal accepts the evidence of the Applicant regarding drainage repairs and determines that such charges shall be limited to the actual water bills levied, there being no evidence of any drainage work carried out or planned by the Respondent.

Door entry system.

101. The Applicants state that whilst some maintenance is carried out the access control system is broken.
102. The Tribunal accepts the Applicants evidence but as no item specifically charges for this, it is unable to make a finding for the 2025 budget.
103. **Note on budgeted accounts findings.** Where findings are made in respect of budgeted amounts the parties shall be at liberty to apply for determination of actual charges if not agreed.

The Section 20C and Paragraph 5A applications

104. The Applicant having been successful in respect of both Applications, the Tribunal determines that an Order be made under section 20C of the Landlord and Tenant Act 1985, and para 5A to schedule 11 of the Commonhold and Leasehold Reform Act 2002 preventing the Landlord from recovering under the Lease any costs incurred in connection with these proceedings by way of any future service charge or administration charge demand. This order is made notwithstanding the fact that no such costs appear to have been incurred, the Landlord not having responded to the Application.

The Applicant's fees

105. For the same reasons, the Tribunal orders under Rule 13(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013 that the Respondent reimburse the Applicant the fees paid by them to the Tribunal in respect of the Applications within 28 days of the date of this decision.

RIGHTS OF APPEAL

1. A person wishing to appeal this decision to the Upper Tribunal (Lands Chamber) must seek permission to do so by making written application by email to rpsouthern@justice.gov.uk to the First-tier Tribunal at the Regional office which has been dealing with the case.
2. The application must arrive at the Tribunal within 28 days after the Tribunal sends to the person making the application written reasons for the decision.
3. If the person wishing to appeal does not comply with the 28 day time limit, the person shall include with the application for permission to appeal a request for an extension of time and the reason for not complying with the 28 day time limit; the Tribunal will then decide whether to extend time or not to allow the application for permission to appeal to proceed.
4. The application for permission to appeal must identify the decision of the Tribunal to which it relates, state the grounds of appeal, and state the result the party making the application is seeking.

Appendix of relevant legislation

Landlord and Tenant Act 1985 (as amended)

Section 18

(1) In the following provisions of this Act "service charge" means an amount payable by a tenant of a dwelling as part of or in addition to the rent -

- (a) which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management, and
- (b) the whole or part of which varies or may vary according to the relevant costs.

(2) The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord, or a superior landlord, in connection with the matters for which the service charge is payable.

(3) For this purpose -

- (a) "costs" includes overheads, and
- (b) costs are relevant costs in relation to a service charge whether they are incurred, or to be incurred, in the period for which the service charge is payable or in an earlier or later period.

Section 19

(1) Relevant costs shall be taken into account in determining the amount of a service charge payable for a period -

- (a) only to the extent that they are reasonably incurred, and
- (b) where they are incurred on the provisions of services or the carrying out of works, only if the services or works are of a reasonable standard; and the amount payable shall be limited accordingly.

(2) Where a service charge is payable before the relevant costs are incurred, no greater amount than is reasonable is so payable, and after the relevant costs have been incurred any necessary adjustment shall be made by repayment, reduction or subsequent charges or otherwise.

Section 20B

(1) If any of the relevant costs taken into account in determining the amount of any service charge were incurred more than 18 months before a demand for payment of the service charge is served on the tenant, then (subject to subsection (2)), the tenant shall not be liable to pay so much of the service charge as reflects the costs so incurred.

(2) Subsection (1) shall not apply if, within the period of 18 months beginning with the date when the relevant costs in question were incurred, the tenant was notified in writing that those costs had been incurred and that he would

subsequently be required under the terms of his lease to contribute to them by the payment of a service charge.”

Section 21B - Notice to accompany demands for service charges

(1) A demand for the payment of a service charge must be accompanied by a summary of the rights and obligations of tenants of dwellings in relation to service charges.

(2) The Secretary of State may make regulations prescribing requirements as to the form and content of such summaries of rights and obligations.

(3) A tenant may withhold payment of a service charge which has been demanded from him if subsection (1) is not complied with in relation to the demand.

(4) Where a tenant withholds a service charge under this section, any provisions of the lease relating to non-payment or late payment of service charges do not have effect in relation to the period for which he so withholds it.

(5) Regulations under subsection (2) may make different provision for different purposes.

(6) Regulations under subsection (2) shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.]

Section 27A

(1) An application may be made to the appropriate tribunal for a determination whether a service charge is payable and, if it is, as to -

- (a) the person by whom it is payable,
- (b) the person to whom it is payable,
- (c) the amount which is payable,
- (d) the date at or by which it is payable, and
- (e) the manner in which it is payable.

(2) Subsection (1) applies whether or not any payment has been made.

(3) An application may also be made to the appropriate tribunal for a determination whether, if costs were incurred for services, repairs, maintenance, improvements, insurance or management of any specified description, a service charge would be payable for the costs and, if it would, as to -

- (a) the person by whom it would be payable,
- (b) the person to whom it would be payable,
- (c) the amount which would be payable,
- (d) the date at or by which it would be payable, and

- (e) the manner in which it would be payable.
- (4) No application under subsection (1) or (3) may be made in respect of a matter which -
 - (a) has been agreed or admitted by the tenant,
 - (b) has been, or is to be, referred to arbitration pursuant to a post-dispute arbitration agreement to which the tenant is a party,
 - (c) has been the subject of determination by a court, or
 - (d) has been the subject of determination by an arbitral tribunal pursuant to a post-dispute arbitration agreement.
- (5) But the tenant is not to be taken to have agreed or admitted any matter by reason only of having made any payment.

Section 20

- (1) Where this section applies to any qualifying works or qualifying long term agreement, the relevant contributions of tenants are limited in accordance with subsection (6) or (7) (or both) unless the consultation requirements have been either—
 - (a) complied with in relation to the works or agreement, or
 - (b) dispensed with in relation to the works or agreement by (or on appeal from) the appropriate tribunal.
- (2) In this section “relevant contribution”, in relation to a tenant and any works or agreement, is the amount which he may be required under the terms of his lease to contribute (by the payment of service charges) to relevant costs incurred on carrying out the works or under the agreement.
- (3) This section applies to qualifying works if relevant costs incurred on carrying out the works exceed an appropriate amount.
- (4) The Secretary of State may by regulations provide that this section applies to a qualifying long term agreement—
 - (a) if relevant costs incurred under the agreement exceed an appropriate amount, or
 - (b) if relevant costs incurred under the agreement during a period prescribed by the regulations exceed an appropriate amount.
- (5) An appropriate amount is an amount set by regulations made by the Secretary of State; and the regulations may make provision for either or both of the following to be an appropriate amount—
 - (a) an amount prescribed by, or determined in accordance with, the regulations, and
 - (b) an amount which results in the relevant contribution of any one or more tenants being an amount prescribed by, or determined in accordance with, the regulations.
- (6) Where an appropriate amount is set by virtue of paragraph (a) of subsection (5), the amount of the relevant costs incurred on carrying out the

works or under the agreement which may be taken into account in determining the relevant contributions of tenants is limited to the appropriate amount.

(7) Where an appropriate amount is set by virtue of paragraph (b) of that subsection, the amount of the relevant contribution of the tenant, or each of the tenants, whose relevant contribution would otherwise exceed the amount prescribed by, or determined in accordance with, the regulations is limited to the amount so prescribed or determined.]