



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

Case Reference	:	BIR/00CN/LSC/2024/0622
Subject Properties	:	60 Apartments at Broadway Plaza 219 Ladywood Middleway Birmingham B16 8EG
Applicants	:	Leaseholders of the subject properties
Representative and Lead Applicant	:	Pervaz Akhtar
Respondent	:	Danesdale Land Limited
Representative	:	J B Leitch
Interested parties	:	(1) Legal & General Leisure Fund Trustee Limited (2) Legal & General Property Partners (Leisure) Limited
Representative	:	Eversheds Sutherlands International LLP
Type of Application	:	Application under section 27A of the Landlord and Tenant Act 1985 for the determination of the payability and reasonableness of service charges demanded in respect of the subject properties
Hearing dates	:	11-13 May 2026
Tribunal Members	:	Deputy Regional Judge N Gravells Mr N Wint FRICS
Date of Decision	:	20 July 2026

DECISION

Preliminary

- 1 This is the Decision of the Tribunal on an application by the Applicants, the leaseholders of 60 apartments in the Blue, Green, Purple and Red Apartments at Broadway Plaza, 219 Ladywood Middleway, Birmingham B16 8LP ('the subject properties'), for a determination under section 27A of the Landlord and Tenant Act 1985 ('the 1985 Act') as to the payability and/or reasonableness of service charges demanded by the Respondent in respect of the subject properties.
- 2 The original application under section 27A named as Respondents (1) Legal & General Leisure Fund Trustee Limited and (2) Legal & General Property Partners (Leisure) Limited, the freeholders of the subject properties, and (3) Danesdale Land Limited, the intermediate leaseholder of the properties.
- 3 However, the Applicants and the first and second Respondents subsequently entered into a confidential agreement and as between the Applicants and the First and Second Respondents the section 27A application was withdrawn.
- 4 Danesdale Land Limited remained as the only Respondent; and the first and second Respondents continued as Interested Parties.

Factual background

- 5 Broadway Plaza is a development comprised of four blocks (Blue, Red, Green and Purple) containing 114 residential apartments, commercial units and a 110-space car park. The Blue Block contains 46 apartments (35 with allocated parking spaces); the Red Block contains 27 apartments (all with allocated parking spaces); the Green Block contains 14 apartments (all with allocated parking spaces); and the Purple Block contains 27 apartments (24 with allocated parking spaces).
- 6 The Interested Parties are the freeholders of the Broadway Plaza development. By clause 5 of the head lease between the Interested Parties and the Respondent, the Interested Parties covenant, inter alia, to maintain and repair the structural parts of the blocks and the car park. By clause 4.2 and Part 1 of Schedule 3 to the lease the Respondent covenants to pay the relevant proportion of the costs incurred by the Interested Parties in providing the services set out in clause 5.
- 7 The Interested Parties appointed Savills UK Limited as their managing agent to carry out their management functions.
- 8 The Respondent is the head leaseholder of the apartments and the communal areas of the four blocks. The leases between the Respondent and the residential leaseholders are materially the same (save in respect of apportionment). By clause 4 of, and the Seventh Schedule to, the leases the Respondent covenants, inter alia, to repair and decorate the common parts of the blocks, to keep the common parts clean and tidy, to maintain any lift control system and door entry system and to employ staff for the foregoing purposes. By paragraph 1 of the Fourth Schedule to the leases the residential leaseholders each covenant to pay 1/100 of the costs payable by the Respondent to the Interested Parties pursuant to clause 4.2 of, and Part 1 of Schedule 3 to, the head lease; and by paragraph 1 of Schedule 6 to the residential leases the leaseholders each covenant to pay their proportion of the costs incurred by the Respondent in providing the services set out in clause 4 of, and the Seventh Schedule to, the residential leases.

- 9 The Respondent appointed Remus Management Limited ('Remus') as its managing agent to carry out its management functions prior to 2022. From 1 January 2022 to 31 December 2024 the Respondent's managing agent was Centrick Limited ('Centrick'). Since 1 January 2025 the Respondent's managing agent has been Carters Surveyors Limited ('Carters').
- 10 On 23 October 2024 the Tribunal received three applications from the Applicants. The applications are (1) under section 27A of the 1985 Act for the determination of the payability and reasonableness of service charges demanded by the Respondent in respect of the subject properties ('the section 27A application'); (2) under section 20C of the 1985 Act for an order for the limitation of costs ('the section 20C application'); and (3) under paragraph 5A of Schedule 11 to the Commonhold and Leasehold Reform Act 2002 for an order reducing or extinguishing the Applicants' liability to pay administration charges in respect of the Respondent's litigation costs ('the paragraph 5A application').
- 11 The section 27A application originally covered the service charge years 2012/2013 to 2024/2025 but was subsequently amended to cover the years 2020/2021 to 2024/2025 only.
- 12 On 12 December 2024 the Tribunal issued Directions inviting the parties to participate in mediation. That procedure was not pursued; but, as noted, the Applicants eventually reached a settlement with the Interested Parties.
- 13 On 8 July 2025 the Tribunal issued Directions and on 22 August 2025 a case management hearing took place. Further Directions were issued on 6 October 2025, 17 December 2025 and 12 January 2026.
- 14 In the meantime, on 28 April 2025 the Interested Parties applied to the Tribunal under section 20ZA of the 1985 Act for (retrospective) dispensation from the statutory consultation requirements in respect of qualifying works carried out to the Red, Green and Purple Blocks. Following the withdrawal of the one objection to that application, on 3 November 2025 the Tribunal granted dispensation: see BIR/00CN/LDC/2025/0019.
- 15 The section 27A application was the subject of a three-day hearing on 13-15 May 2026. The Applicants were represented by Mr Pervaz Akhtar and Mr Harry Bindra. The Respondent was represented by Ms Rebecca Ackerley of Counsel, instructed by J B Leitch.
- 16 The hearing bundle extended to 11,084 pages. The Applicants called three witnesses: Ms Carol Harris, the leaseholder of apartment 2 (Green), Mr Lee Cowell, the leaseholder of apartment 42 (Purple), and Mr Pervaz Akhtar, the leaseholder of apartment 58 (Blue). The Respondent called three witnesses: Mr Matthew Brace, Group Compliance Director for Centrick, Mr Martin Nicholls, Director of Carters, and Ms Paula Wright, Head of Estates Management for the Sarum Group, a group of companies which includes the Respondent.

Statutory framework

- 17 Sections 18 and 19 of the 1985 Act provide –
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.

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 provision 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.

18 Section 27A of the 1985 Act provides (so far as material) –

(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.

Legal principles

Reasonableness

19 Section 19(1)(a) allows for the recovery of costs through the service charge only if the relevant costs were reasonably incurred. In *Waller v Hounslow LBC* [2017] EWCA Civ 45 the Court of Appeal stated that ‘reasonableness’ must be determined by reference to an objective standard (which takes into account the interests of both parties) and not by the lower subjective standard of rationality. Where a landlord has adopted a course of action which leads to a reasonable outcome, the

costs incurred will have been reasonably incurred even if there was a less expensive outcome which would also have been reasonable. The question for the Tribunal is whether the charge that was made was reasonable, not whether there were other possible ways of charging that might have been regarded as more reasonable: see *Haverling LBC v MacDonald* [2012] UKUT 154 (LC).

- 20 In *Forcelux Ltd v Sweetman* [2001] 2 EGLR 173 the then Lands Tribunal endorsed a two-stage test as to reasonableness: (i) was the decision-making process reasonable? and (ii) are the costs included in the service charge reasonable in the light of market evidence?
- 21 The above principles were endorsed by the Upper Tribunal (Lands Chamber) in *Assethold Ltd v Adam* [2022] UKUT 282 (LC) and in *Bradley v Abacus Land 4 Limited* [2024] UKUT 120 (LC), applying the decision of the Supreme Court in *Williams v Aviva Ground Rent Investors Ltd* [2023] UKSC 6.
- 22 In *Assethold Ltd v Adam* the Upper Tribunal added (at paragraph 54) that the First-tier Tribunal should not reach a decision as to reasonableness on the basis of the hindsight provided by the evidence of the parties' expert witnesses and following their cross-examination. It stated -

What the First-tier Tribunal had to look at was not what it knew as a result of the proceedings, but at whether the expenditure was reasonable in the circumstances and on the basis of the information available when the cost was incurred.

Financial impact

- 23 In *Gartside v RFYC Ltd* [2011] UKUT 367 (LC) the Upper Tribunal considered the relevance of the leaseholders' financial means to the question of reasonableness. In that case the Tribunal-appointed manager proposed to carry out extensive works to the development; and the service charge demands over two years were increased to recover the costs of the work. For some leaseholders the service charge increased by £9,000 in the second year. The leaseholders accepted that the works were necessary but argued that the work should be phased so as to spread the service charge costs over a number of years.
- 24 The Upper Tribunal accepted that the financial impact of major works on leaseholders (and whether as a consequence works should be phased) is capable of being a material consideration when determining whether the costs are reasonably incurred for the purpose of section 19(1)(a). The Tribunal might consider the amount demanded compared with the amount demanded in previous years. While leaseholders can be expected to make provision for some fluctuations in service charges, they cannot ordinarily be expected to plan for substantial increases at short notice. However, other considerations may be relevant and may need to be weighed in the balance when deciding whether major works should be phased and the cost spread over a longer period of time. The degree of disrepair and the urgency of the work or the extent to which it can wait are likely to be relevant. Another relevant consideration may be the extent of any increase in the total cost of the works if carried out in phases as opposed to in one contract. These and other relevant matters are factual issues and matters of judgment for the First-tier Tribunal to weigh up against the hardship of substantial increased costs when deciding on the evidence before it whether the service charge costs are reasonably incurred.

- 25 In conclusion, the Upper Tribunal stated (at paragraph 20) -

It is important to make clear that liability to pay service charges cannot be avoided simply on the grounds of hardship, even if extreme. If repair work is reasonably required at a particular time, carried out at a reasonable cost and to a reasonable standard and the cost of it is recoverable pursuant to the relevant lease then the lessee cannot escape liability to pay by pleading poverty. As the Lands Tribunal made clear in *Southend-on-Sea Borough Council v Skiggs* LRX/110/2005 (a decision on section 27A of the 1985 Act), the [First-tier Tribunal] cannot alter a tenant's contractual liability to pay. That is a different matter from deciding whether a decision to carry out works and charge for them in a particular service charge year rather than to spread the cost over several years is a reasonable decision and thus the costs reasonably incurred for the purpose of section 19(1)(a) of the 1985 Act.

Burden of proof

- 26 A leaseholder cannot simply apply to the Tribunal for a determination as to whether costs included in service charges accounts were not reasonably incurred. A leaseholder applying for such a determination must at least demonstrate a prima facie case of unreasonableness, for example by pointing to a significant and unexplained increase in the costs for a specified service or to an arguable failure on the part of the landlord to provide the service for which the costs were incurred. The burden of proof then shifts to the landlord to demonstrate that the costs were reasonably incurred.
- 27 It is much easier for a landlord to demonstrate that the costs of works or services were reasonably incurred where there has been competitive tendering and a number of estimates/quotations have been obtained. Where there has been no competitive tendering, the First-tier Tribunal must take a commonsense approach to the available evidence.

Relationship between the landlord's covenants and the leaseholder's covenants

- 28 Some leases contain service charge clauses that appear to require the landlord to carry out its obligations only if the leaseholders have paid their service charges (and have complied with other obligations in the lease).
- 29 In the present case paragraph 1 of the Seventh Schedule to the residential leases provides that –
- Subject to the payment by the Lessee of the Lessee's contribution to the total Service Charge and to the Reserve Fund and provided that the Lessee has complied with all the covenants agreements and obligations on his part to be performed and observed,
- the Lessor covenants to keep in good repair, renew and improve the common parts.
- 30 The question arises whether, if the leaseholders fail to pay the service charges, the landlord is still obliged to carry out its obligations.
- 31 In *Yorkbrook Investments Ltd v Batten* [1985] HLR 25, the Court of Appeal held that the landlord was so obliged. The Court of Appeal, as part of its construction of the relevant clause in that case, considered the statutory provisions in place at the time of the lease, the deed and the possible consequences of the various interpretations. There was concern that a strict interpretation meant that it was conceivable that in the event of wholly unreasonable (in)action by the landlord, the

tenant would still be obliged to pay the service charge. The Court balanced this against the landlord's remedies against the non-paying leaseholders.

- 32 Alternative interpretations were discussed by the Court of Appeal in *Bluestorm v Portvale Holdings* [2004] 22 EG 142, *Earle v Charalambous* [2007] HLR 8 and *Manchikalapati v Zurich Insurance* [2019] EWCA Civ 2163. However, the discussions in those cases were obiter and have not prompted a departure from the interpretation adopted in *Yorkbrook*. In the absence of full argument, the Tribunal is of the view that it would not be appropriate for it to depart from *Yorkbrook*.

Heads of expenditure and challenges

- 33 The heads of expenditure challenged by the Applicants are indicated (x) in the table below –

Head of expenditure	2021	2022	2023	2024	2025
Freeholder car park services	x	x	x	x	
Freeholder external maintenance				x	x
Lift maintenance	x	x	x	x	x
Lift insurance		x	x	x	
Lift reserves			x	x	x
Cleaning	x	x	x	x	
Rubbish removal	x	x	x	x	
Fire door survey			x	x	
Building safety manager				x	
Certified accounts		x	x	x	
Management fees		x	x	x	x

Representations of the parties and discussion

- 34 In determining the issues in dispute between the parties under each head of expenditure, the Tribunal took into account, so far as relevant, all written representations of the parties, together with the oral evidence and arguments advanced at the hearing.

Freeholder car park services

- 35 As noted above, the Interested Parties are responsible for the maintenance of the car park.
- 36 Under the terms of the headlease and the leaseholders' residential leases the relevant proportion of the costs incurred by the Interested Parties is charged to the Respondent and recovered from the residential leaseholders through the service charge payable to the Respondent.
- 37 The Applicants allege that the Respondent has sought to recover greater sums from the residential leaseholders than charged to the Respondent by the Interested Parties.
- 38 However, at the hearing the parties indicated agreement as to the relevant sums as follows -

2019/2020: £25,916.17
2020/2021: £24,289.26

2021/2022: £21,002.17
2022/2023: £22,393.78
2023/2024: £30,960.00

- 39 The Tribunal determines that the total sum of £124,561.38 was reasonably incurred and is payable by the residential leaseholders.
- 40 That sum is to be apportioned in accordance with the terms of the residential leaseholders' individual leases.
- 41 The Tribunal has no jurisdiction to determine the impact of the agreement between the Applicants and the Interested Parties on the sums payable by the Applicants to the Respondent. However, the Tribunal determines that no residential leaseholder (whether or not a party to the present application) is liable to pay more than the proportion payable in accordance with the terms of his or her individual lease.

Freeholder exterior maintenance

- 42 As noted above, the Interested Parties are responsible for the maintenance of the structure of the four blocks, although the costs in dispute in the present case relate to the Red, Green and Purple Blocks only.
- 43 Under the terms of the headlease and the leaseholders' residential leases the relevant proportion of the costs incurred by the Interested Parties is charged to the Respondent and recovered from the residential leaseholders through the service charge payable to the Respondent.
- 44 The Applicants allege that the Respondent has sought to recover greater sums from the residential leaseholders than charged to the Respondent by the Interested Parties.
- 45 However, at the hearing the parties indicated agreement that the global sum payable by the residential leaseholders in the Red, Green and Purple Blocks is £228,481.36.
- 46 The Tribunal determines that that sum was reasonably incurred and is payable by the residential leaseholders of the Red, Green and Purple Blocks.
- 47 That sum is to be apportioned in accordance with the terms of the residential leaseholders' individual leases.
- 48 The Tribunal has no jurisdiction to determine the impact of the agreement between the Applicants and the Interested Parties on the sums payable by the Applicants to the Respondent. However, the Tribunal determines that no residential leaseholder (whether or not a party to the present application) is liable to pay more than the proportion payable in accordance with the terms of his or her individual lease.

Lift maintenance

- 49 There are five lifts in the blocks – two in the Green Block and one in each of the other three blocks. However, the Blue Block and the Purple Block are partly linked and the lift in either block can be used to access (the apartments in) the other block, although access to apartments on the third, fourth and fifth floors of the other block also requires the use of some stairs.

- 50 From 2003, when the lifts were installed, until October 2018 the lifts were maintained by the manufacturer, Orona. In October 2018, Remus, the then managing agent, terminated the Orona contract and engaged Deltron to maintain the lifts. Following the appointment of Centrick as managing agent in January 2022 the contract with Deltron continued until September 2024, when, prompted by intervention on the part of the leaseholders, Orona was re-engaged. Carters continued to engage Orona following its appointment as managing agent in January 2025.
- 51 The costs for the lift service contracts and repair costs included in the service charge accounts and challenged by the Applicants are –
- | | |
|------------|-------------|
| 2020/2021: | £43,460.81 |
| 2021/2022: | £62,302.19 |
| 2022/2023: | £101,780.88 |
| 2023/2024: | £27,841.42 |

Applicants' representations

- 52 The Applicants state that the average annual expenditure on lift maintenance from 2011 to 2018, when the lifts were maintained by Orona, was £7665 for the service contract and £4279 for repairs, a total of £11,944.
- 53 By contrast, the Applicants state that the average annual expenditure on lift maintenance from 2018 to 2024, when the lifts were maintained by Deltron, was £44,600.
- 54 The Applicants argue –
- (i) that the Deltron service contract was less comprehensive than the Orona contract, resulting in more charges for repairs;
 - (ii) that while Orona was maintaining the lifts they were working 95% of the time, whereas while Deltron was maintaining the lifts they were working only 50% of the time;
 - (iii) that in May 2021 questions were raised about Deltron's charging practices; but, despite the International Lift and Escalator Consultants (ILECS) reports commissioned by Remus that found that works proposed by Deltron were unnecessary, Remus persisted with Deltron;
 - (iv) that Centrick persisted with Deltron when it was appointed as managing agent on 1 January 2022;
 - (v) that the Blue Block lift and one of the Green Block lifts were out of service for more than a year, causing significant inconvenience and hardship to the leaseholders and/or their tenants;
 - (vi) that Centrick failed to monitor Deltron's work and costs and failed to explore the engagement of an alternative contractor;
 - (vii) that Centrick conducted only two of the seven LOLER inspections required by the lift insurance policy during its time as managing agent;
 - (viii) that Centrick failed to make claims on the lift insurance policy;
 - (ix) that in the first year (from September 2024) after Orona was re-engaged, the costs of lift maintenance reduced significantly to £14,463.

- 55 The Applicants propose that in the circumstances a reasonable sum payable for lift maintenance would be £20,000 per year.

Respondent's representations

- 56 The Respondent provided a schedule of visits by Deltron from July 2020 to May 2024 and a commentary on the works carried out on each of those visits.
- 57 The Respondent argues that the lifts were installed in 2003 and, given their expected lifespan of 15-20 years, increasing incidents of malfunction and the need for repairs were to be expected.
- 58 The Respondent denies all of the alleged failures on the part of the Centrick. It asserts –
- (i) that LOLER inspections were carried out in January 2021 (all lifts), May 2023 (all lifts except the Blue Block lift, which was out of service), November 2024 (all lifts except the Blue Block lift, which was out of service) and December 2024 (all lifts);
 - (ii) that Deltron is a reputable and experienced specialist lift engineering company;
 - (iii) that Centrick was not alerted to the questions raised about Deltron in May 2021;
 - (iv) that in any event it is normal practice for an incoming managing agent to retain existing contractors at least in the short term;
 - (v) that Deltron monitored the condition of the lifts and any required works throughout their engagement;
 - (vi) that Centrick monitored Deltron in accordance with industry norms and the RICS Service Charge Residential Management Code;
 - (vii) that Centrick responded to issues raised by residential leaseholders;
 - (viii) that Centrick's management of the financial pressures and repair schedule was a rational exercise of its discretion;
 - (ix) that the Applicants offered no (expert) evidence that repairs carried out by Deltron were unnecessary or substandard;
 - (x) that the reduced lift maintenance costs incurred in 2024 reflect the fact that repairs carried out in the preceding years addressed major issues with the lifts.

Discussion

- 59 The Tribunal accepts that Deltron was maintaining the lifts at a time when the lifts were reaching the end of their expected lifespan. It was therefore to be anticipated that there would be an increase in the incidence of malfunctioning and the need to incur costs for repairs.
- 60 Nonetheless, given the exponential increase in repair costs incurred following the engagement of Deltron, the Tribunal is of the view that Centrick should have investigated whether Deltron was providing good value and whether the lift maintenance contract should be put out to tender, if only to test the market. Centrick failed to do that and it may be questioned whether it was reluctant to sour

its relationship with Deltron, who provided lift maintenance services to nearly 20 other developments managed by Centrick.

- 61 There is disagreement as to the precise periods during which some of the lifts were out of service and whether they were temporarily returned to service during those periods. However, the Tribunal finds that the Blue Block lift and one of the Green Block lifts were out of service for substantial periods of time, that there was ongoing uncertainty as to their availability and that for both reasons the leaseholders and/or their tenants suffered significant inconvenience and hardship.
- 62 Having said that, the Applicants did not challenge any specific invoice. There is no (expert) evidence that Deltron carried out unnecessary work, carried out work that was not of a reasonable standard or made unreasonable charges for their work. For those reasons, the provisional view of the Tribunal is that the sums set out in paragraph 51 above were reasonably incurred and are payable by the residential leaseholders.
- 63 However, the Tribunal considered the pervasive argument of the Applicants that the Respondent failed to pursue the timely implementation of its long-term management plans – including the replacement of the lifts – and the Respondent’s counter-argument that, owing to the widespread failure of leaseholders to pay their service charges, the funds were not available to carry out major works.
- 64 The Tribunal has already noted its view (at paragraphs 28-32 above) that it is not appropriate for it to depart from the approach of the Court of Appeal in *Yorkbrook* – that the obligations of the Respondent under the residential leases are not conditional on the payment of service charges by the leaseholders.
- 65 It follows that the Respondent, having resolved to implement the recommendation of the ILECS Report in May 2021 that ‘the best engineering solution’ was the complete replacement of all five lifts, should not have delayed the programme of replacement on the grounds of a lack of funds. If the Respondent had replaced one or more lifts, the repair costs for the replaced lifts would not have been incurred; and to the extent that those costs were incurred, the Tribunal determines that they were not reasonably incurred.
- 66 The Tribunal accepts that it was reasonable to phase the replacement of the lifts and to allow for a lead-in period. Nonetheless, the Tribunal determines that the repair costs for one lift in 2022/2023 and for two lifts in 2023/2024 could have been avoided if the Respondent had not delayed the programme of replacement.
- 67 The Tribunal therefore determines that the recoverable lift repair costs in 2022/2023 should be reduced by 20 per cent; and that the recoverable lift repair costs in 2023/2024 should be reduced by 40 per cent
- 68 The Tribunal determines that the total reasonable lift repair costs payable by the Applicants and the other residential leaseholders (and apportioned in accordance with the individual leases) are –

2020/2021:	£43,460.81
2021/2022:	£62,302.19
2022/2023:	£81,424.71
2023/2024:	£16,704.85

Lift insurance

69 The costs for the lift insurance included in the service charge accounts and challenged by the Applicants are –

2021/2022: £1,611.19
2022/2023: £2,024.79
2023/2024: £2,375.94

Applicants' representations

70 The Applicants argue –

- (i) that the failure to arrange all LOLER inspections required between 2022 and 2024 potentially invalidated the insurance cover;
- (ii) that no insurance claims were pursued in respect of lift repairs;
- (iii) that Centrick failed to manage the insurance policy competently.

71 The Applicants submit that for the above reasons they derived no practical benefit from the policy; and that the costs of the premiums were not reasonably incurred and should not be payable as part of the service charge.

Respondent's representations

72 The Respondent argues –

- (i) that the schedule of LOLER inspections was disrupted by the periods when some of the lifts were out of service (so that the lifts were unavailable for testing) and the consequent need for return-to-service inspections;
- (ii) that inspections were deferred as a reasonable management decision;
- (iii) that there is no evidence that the insurance policies were cancelled or invalidated;
- (iv) that there is no evidence that the insurer (would have) refused a valid claim;
- (v) that the Applicants had failed to identify which lift repair invoices should have been the subject of claims under the insurance policy;
- (vi) that the repairs could not be the subject of claims since they were subject to the standard wear and tear and vandalism exclusions in the insurance policy and to the policy excess.

73 The Respondent argues that the Applicants continued to receive the benefit of insurance protection and that the costs of the premiums included in the service charge accounts were reasonably incurred and are payable by the Applicants.

Discussion

74 On the basis of the Respondent's arguments in paragraph 72(iii)-(vi) above, the Tribunal determines that the Applicants' argument that the costs of the premiums included in the service charge accounts were not reasonably incurred cannot be sustained.

75 The Tribunal determines that the costs for lift insurance set out in paragraph 69 above were reasonably incurred and are payable by the Applicants and the other residential leaseholders (apportioned in accordance with the individual leases).

Lift reserve

76 The amounts for the lift reserve included in the service charge accounts and challenged by the Applicants are –

2022/2023:	£60,000
2023/2024:	£110,000
2024/2025:	£110,000

Applicants' representations

77 The Applicants argue –

- (i) that the Respondent failed to maintain an adequate reserve fund over the years to cover the costs of major repairs and the ultimate replacement of the lifts and that that failure led to excessive and unreasonable demands in 2022/2023 to 2024/2025;
- (ii) that the demands in 2022/2023 to 2024/2025 place an undue financial burden on the leaseholders and are unreasonable: see *Gartside v RFYC Ltd* [2011] UKUT 367 (LC);
- (iii) that the demands reflect a proposal on the part of the Respondent, based on a report from ILECS in May 2021, to phase the replacement of the lifts at a cost now estimated to exceed £1 million;
- (iv) that Orona, the original manufacturers of the lifts, inspected the lifts in September 2024 and concluded that they did not require replacement but recommended short-term upgrades over two years and subsequent modernisation over another five years at a cost of £327,000 (2024 prices);
- (v) that, based on Orona's quotation, the contributions to the lift reserve fund should be £46,700 per year in the years 2023 to 2030.

Respondent's representations

78 The Respondent argues –

- (i) that the residential leases do not require a lift reserve to be established at their commencement in 2003 but paragraph 8(2) of the Seventh Schedule to the leases confers a managerial discretion subject to reasonableness;
- (ii) that it is standard industry practice (and well-recognised asset management strategy) and consistent with accepted professional guidance (RICS Service Charge Management Code) *not* to build up a substantial reserve fund for lifts in the early years after installation;
- (iii) that the Respondent provided the leaseholders with a copy of the long-term maintenance plan together with budgets based on the ILECS reports (although the statutory consultation process and tendering was put on hold pending the recovery of unpaid service charges);
- (iv) that higher contributions to the lift reserve fund as major expenditure approaches are not inherently unreasonable;
- (v) that *Gartside v RFYC Ltd* does not support the proposition that service charges are unreasonable by reference to historic reserve-funding decisions;

- (vi) that liability to pay service charges cannot be avoided on grounds of financial hardship arising from the level of current contributions to the reserve fund, even where the financial impact is significant: see *Southend-on-Sea BC v Skiggs LRX/110/2005* and *Gartside v RFYC Ltd* at paragraph 20.

Discussion

- 79 It is indisputable that lifts have a limited lifespan and that the need for replacement is inevitable. It remains a matter of judgment and discretion how that replacement is to be financed; and, where the lifts are located in a residential block and the costs of replacement are to be borne by the leaseholders, the landlord (or its managing agent) must exercise that discretion reasonably. However, the Tribunal is not entitled to substitute its own view as to what approach to funding should have been adopted. The relevant question is whether the landlord's decision falls within the range of decisions open to a landlord acting reasonably and in accordance with the leases.
- 80 There have been different views as to the future replacement/repair programme for the lifts in this case. In January 2021 British Engineering Services reported that the lift ropes were serviceable. In February 2021 RS Lifts recommended the replacement of the lift ropes as soon as possible. In May 2021, following the questions raised about Deltron, Remus instructed ILECS to examine the existing condition of the lifts. Although ILECS recorded that at the time of inspection the lift ropes were serviceable and did not require immediate replacement, it advised close monitoring and recommended as the best engineering solution complete replacement of all five lifts at cost of £580,000 (subsequently revised to approximately £1 million). In August 2024 the leaseholders commissioned an inspection report from Orona. Orona stated that the lifts were in a 'serviceable condition' and recommended repairs to the lifts at a cost of £8,124. In September 2024 Orona recommended a programme of short-term upgrades and medium-term modernisation at a cost of £327,000.
- 81 It appears that Centrick did not revisit the ILECS recommendation and proposed to phase the replacement of the lifts and to finance the replacement by (inevitably significant) leaseholder contributions to the lift reserve fund. (However, it appears that Carters has revisited the replacement/modernisation issue and is consulting with Orona and OTIS.)
- 82 In determining the reasonableness of the contributions to the lift reserve fund demanded by the Respondent the Tribunal must apply two specific principles discussed in paragraphs 19-32 above.
- 83 First, as decided in *Assethold Ltd v Adam*, the question whether the reserve fund demands were reasonable must be determined on the basis of the information available to the Respondent when the demands were made. The reserve fund contributions under challenge were demanded in June 2022, June 2023 and June 2024. At those times, the inspection report from Orona did not exist (it was provided in September 2024) and therefore the Applicants cannot argue that the Respondent should have considered the alternatives to replacement of the lifts recommended by Orona. That would be to argue on the basis of hindsight, which the Upper Tribunal in *Assethold Ltd v Adam* precluded.
- 84 In the view of the Tribunal at the time of the lift reserve demands it was reasonable for the Respondent to rely on the ILECS Report to determine that the lifts should

be replaced and to demand reserve fund contributions based on the costs of the replacement programme recommended by IIECS.

- 85 Second, it is necessary to consider the implications of *Gartside v RFYC Ltd*. The power of the Tribunal is limited. The Upper Tribunal stated (at paragraph 20) –
- 86 It is important to make clear that liability to pay service charges cannot be avoided simply on the grounds of hardship, even if extreme. If repair work is reasonably required at a particular time, carried out at a reasonable cost and to a reasonable standard and the cost of it is recoverable pursuant to the relevant lease then the lessee cannot escape liability to pay by pleading poverty. As the Lands Tribunal made clear in *Southend-on-Sea Borough Council v Skiggs* LRX/110/2005 (a decision on section 27A of the 1985 Act), the Leasehold Valuation Tribunal cannot alter a tenant’s contractual liability to pay. That is a different matter from deciding whether a decision to carry out works and charge for them in a particular service charge year rather than to spread the cost over several years is a reasonable decision and thus the costs reasonably incurred for the purpose of section 19(1)(a) of the 1985 Act.
- 87 The Upper Tribunal did not determine whether the contributions demanded in that case were reasonable or not. However, the demands in that case were for contributions (in addition to the standard service charge demands) of up to £9,000 in a single year. The additional contributions in the present case average less than £1,000 per apartment.
- 88 Applying the relevant legal principles, the Tribunal is not persuaded that the lift reserve contributions set out in paragraph 76 above were unreasonable and the Tribunal determines that those sums are payable by the Applicants and the other residential leaseholders (apportioned in accordance with the individual leases).

Cleaning

- 89 Prior to July 2022 cleaning services were mainly provided by L & C Cleaning Limited. From July 2022 until February 2025 cleaning services were provided by Virtu Property Ltd (‘Virtu’).
- 90 Cleaning costs included in the service charge accounts and challenged by the Applicants are –
- | | |
|------------|------------|
| 2020/2021: | £26,520.00 |
| 2021/2022: | £26,160.00 |
| 2022/2023: | £31,830.61 |
| 2023/2024: | £27,936.00 |
- 91 The average monthly costs are therefore £2,210.00, £2,180.00, £2,652.00 and £2,328.00.
- 92 In February 2025 Carters replaced Virtu with Expert Cleaning and Maintenance 4U Ltd (‘Expert’) at a monthly cost of £1,500.00 (£18,000 per year).

Applicants’ representations

- 93 The Applicants argue –
- (i) that Virtu and Centrick have the same Directors and owners and that there is therefore a clear conflict of interest (contrary to RICS guidance), which resulted in poor performance, unreasonable charges and over-charging;

- (ii) that the specifications of the Virtu and Expert contracts are the same, except that Virtu completed the cleaning over five days per week whereas a larger cleaning team from Expert completed the cleaning in one day;
 - (iii) that the engagement of Expert resulted in significantly reduced costs;
 - (iv) that the cleaning by Virtu was of a poor standard, evidenced by the Mitchell Report, causing dissatisfaction to leaseholders and their tenants; and that the service quality improved under Expert;
 - (v) that in completing daily cleaning of the reception areas Virtu provided unnecessary services outside the terms of the residential leases.
- 94 The Applicants propose that in the circumstances a reasonable sum payable for cleaning would be £18,000 per year.

Respondent's representations

- 95 The Respondent argues –
- (i) that the relationship between Centrick and Virtu was fully disclosed to the Respondent at the outset; and that Virtu was engaged in July 2022 following a competitive tendering process in which the quotation provided by Virtu was the most cost-effective;
 - (ii) that Centrick monitored the service through regular site inspections and Virtu provided photographs following the cleaning of each block;
 - (iii) that the respective specifications of the Virtu contract and the Expert contract are not identical; and that, following complaints from leaseholders, the Expert contract was revised to upgrade the specification with the result that the costs are now higher than under the Virtu contract;
 - (iv) that the cleaning services were carried out in accordance with the contract and to a reasonable standard;
 - (v) that carrying out the cleaning services was made more difficult because the leaseholders and their tenants frequently left bin bags in the communal areas of the blocks.
 - (vi) that the cleanliness of the common areas will inevitably be compromised between the cleaners' visits;
 - (vii) that, while it is acknowledged that carpets are worn and stained and require replacement, a consistent cleaning regime is in place and carpets will be replaced when funds are available;
 - (viii) that paragraph 2 of the Seventh Schedule to the underleases requires the Respondent to keep the common parts clean and tidy and 'common parts' is defined as including the entrance halls;
 - (ix) that there were significantly more complaints about the previous cleaners, which prompted the tendering process in June/July 2022 and the appointment of Virtu.

Discussion

- 96 Although Virtu was engaged to provide the cleaning services from July 2022 following competitive tendering, it is not disputed that there was no further competitive tendering for the contract in 2023 or 2024.

- 97 The Tribunal does not accept the Applicants' apparent argument that the mere fact that Virtu and Centrick have the same Directors and owners necessarily creates a conflict of interest that has resulted in poor performance of the cleaning contract, unreasonable charges and over-charging.
- 98 There is no evidence of excessive increases in the contract price since Virtu was engaged following competitive tendering.
- 99 It is not disputed that the carpets in the communal areas of the blocks are stained and worn. The Respondent argues that replacement of the carpets has been delayed because of a lack of funds resulting from the failure of residential leaseholders to pay their service charges. The Tribunal has already indicated that it does not accept that argument: see paragraphs 28-32 above; but, to the extent that the Respondent has failed to comply with its obligations under the residential leases, that is a matter for the County Court.
- 100 The same comment applies to any failure to repair damage to the walls in the communal areas.
- 101 In the view of the Tribunal, the failure to replace the carpets in the communal areas and the failure to repair damage does not mean that the communal areas were not cleaned in accordance with the cleaning contract and to a reasonable standard.
- 102 The central issue is therefore whether the cleaning was carried out and to a reasonable standard. On the one hand, there is the written and photographic evidence of residential leaseholders and the Mitchell Report that appear to show rubbish deposited in the communal areas. On the other hand, there is the photographic evidence of the communal areas provided by Virtu immediately following cleaning visits, which appears to show that cleaning has been carried out to a reasonable standard.
- 103 There is a rational explanation for the difference between the photographs provided by the respective parties. It is clearly possible that within a relative short time after cleaning has been carried out rubbish has been deposited in the communal areas. Regrettably, that explanation is all the more plausible where the residents of the blocks are largely tenants of the apartments rather than the leaseholders. It is generally acknowledged that the former are less likely to look after the development to the same standard as the latter.
- 104 In the circumstances, the Tribunal is not persuaded that cleaning of the communal areas was not carried out to a reasonable standard.
- 105 The Tribunal determines that the costs for cleaning set out in paragraph 90 above were reasonably incurred and are payable by the Applicants and the other residential leaseholders (apportioned in accordance with the individual leases).

Rubbish removal/bulk waste collection

- 106 During the relevant years, rubbish removal/bulk waste collection was undertaken by A Eacock until February 2022 (with one removal by Brass Facilities in December 2021), 2 Clean Plus from February 2022 to June 2022 and Virtu from June 2022.
- 107 The costs for rubbish removal/bulk waste collection included in the service charge accounts and challenged by the Applicants are –

2020/2021:	£3,575.00
2021/2022:	£3,596.92
2022/2023:	£4,308.00
2023/2024:	£4,845.60

Applicants' representations

108 The Applicants argue –

- (i) that Virtu and Centrick have the same Directors and owners and that there is therefore a clear conflict of interest (contrary to RICS guidance), which has resulted in poor performance and unreasonable charges;
- (ii) that the sums invoiced by Virtu are not bona fide charges and are unreasonable because (a) the invoices do not state the date of removals, details of the items removed or the basis on which charges are calculated and (b) Virtu failed to provide waste transfer notes as required by the Waste (England and Wales) Regulations 2011;
- (iii) that Birmingham City Council offers a more cost-effective waste collection service, which provides better value for money for the leaseholders.

Respondent's representations

109 The Respondent argues –

- (i) that the relationship between Centrick and Virtu was fully disclosed to the Respondent at the outset;
- (ii) that Centrick carried out a re-tendering exercise; and that the quotation provided by Virtu was the most cost-effective
- (iii) that Centrick monitor the service through regular site inspections and Virtu provide photographs of dumped rubbish prior to its removal;
- (iv) that the Waste (England and Wales) Regulations 2011 have been amended to allow businesses to provide written information instead of standard waste transfer notes and that the various documents provided by Centrick contain the required information;
- (v) that, in any event, breach of the 2011 Regulations is a regulatory matter between the contractor and the Environment Agency and does not mean that the costs of the underlying service were not reasonably incurred and are not payable;
- (vi) that the Applicants have not argued that the underlying service was not carried out or not carried out to a reasonable standard;
- (vii) that the need to remove rubbish is to a considerable extent the consequence of the leaseholders and their tenants dumping bulky items (furniture, carpets, mattresses, refrigerators and freezers) both inside and outside the blocks and in the bin store and the car park;
- (viii) that the disposal of many of the above items incurs additional fees;
- (ix) that the Respondent and its managing agents used various waste disposal contractors during the relevant years and the prices charged have been similar;

- (x) that the Birmingham City Council residential rates for waste collections referred to by the Appellants are misleading because (a) when Centrick takes control of dumped waste it is reclassified as commercial waste which incurs higher disposal charges, (b) local authority waste removal operatives will frequently not enter communal hallways and bin stores so that additional costs would be incurred in moving waste to an external collection point; and (c) local authorities cannot always guarantee immediate and reliable response times to ensure compliance with health and safety regulations.

Discussion

- 110 The Tribunal does not accept the Applicants' apparent argument that the mere fact that Virtu and Centrick have the same Directors and owners necessarily creates a conflict of interest that has resulted in poor performance of the cleaning contract, unreasonable charges and over-charging.
- 111 The contract was awarded to Virtu following a competitive tendering exercise in which the quotation provided by Virtu was the most cost-effective
- 112 The Appellants have provided no evidence for their assertion that any conflict of interest between Centrick and Virtu has resulted in the underlying service not being carried out or not being carried out to a reasonable standard.
- 113 There is no evidence of significant differences in charges made by the various waste disposal contractors engaged during the relevant years.
- 114 The Tribunal questions whether the waste removal contractors engaged by the managing agents provided waste transfer notes or the alternative written information required by the Waste (England and Wales) Regulations 2011 (as amended).
- 115 However, the Tribunal accepts the argument of the Respondent that any breach of regulatory requirements is not relevant to the question whether the costs incurred in providing waste removal services were reasonably incurred and are payable by the leaseholders.
- 116 As to whether the costs of the service were not reasonable, for the reasons given by the Respondent the charges made by Birmingham City Council do not provide a like-for-like comparable.
- 117 The Tribunal determines that the costs for rubbish removal/bulk waste collection set out in paragraph 107 above were reasonably incurred and are payable by the Applicants and the other residential leaseholders (apportioned in accordance with the individual leases).

Fire door survey costs

- 118 The costs included under this head of expenditure in the service charges for 2022/2023 and 2023/2024 include the costs of annual inspections carried out by Fire Compliance Services Limited which the Applicants do not challenge. The costs also include the administration/management charges raised by the Centrick, which the Applicants do challenge.
- 119 Those latter charges are –

2022/2023: £3,483
2023/2024: £4,269

Applicants' representations

- 120 The Applicants state that the relevant invoices for 2024 were not disclosed.
- 121 The Applicants question the substance of the administration/management involved; but, in any event, they argue that any such administration/management should properly be covered by the Respondent's general management agreement. They refer to paragraph 2.4 of the management agreement between the Respondent and Centrick.
- 122 The Applicants therefore argue that any charges in addition to the general management fee are unreasonable and not payable.

Respondent's representations

- 123 The Respondent argues that the administration and management of the fire door inspection reports, associated surveys and the co-ordination of related fire safety compliance are responsibilities that fall outside paragraphs 2.4, 2.5 and 2.7 of the management agreement, which list 'routine, low-risk, operational services'.
- 124 By contrast, the Respondent argues that the administration and management connected with fire door surveys, which constitute 'a forensic compliance audit necessitated by the Fire Safety (England) Regulations 2022', 'exceeds the scope of day-to-day management'.
- 125 The Respondent argues that those responsibilities fall squarely within paragraph (f) of the First Schedule to the management agreement and are an additional service provided by Centrick of 'dealing with compliance with any notice, regulation, requirement or order ... or statute in respect of the property'.
- 126 The Respondent argues that, by virtue of clause 9.2 of the management agreement, it is entitled to demand charges for such additional services separately from the general management fee.

Discussion

- 127 Paragraph 2 of the management agreement between the Respondent and Centrick provides a non-exhaustive list of the services to be provided by Centrick.
- 128 Paragraph 2.4 provides –
instruct contractors to carry out such works at the property that the agent may consider necessary to ensure that the property is adequately maintained in accordance with the provisions of the leases/transfers, and to administer any such contracts and to check demands for payment for goods and services and any plant and equipment supplied for the benefit of the property, provided that all such expenditure and demands for payment are reasonable.
- 129 Paragraph 2.5 provides –
enter into and administer contracts for services including but not limited to gardening cleaning window cleaning and lift maintenance.
- 130 Paragraph 2.7 provides –
ensure that the property is maintained in a safe condition and that nothing is done or permitted to be done that might put any policy of insurance in jeopardy or lead to an

increased premium. Carry out periodic 'health and safety' and 'risk assessment' inspections and promptly implement any recommendations.

- 131 Pursuant to clause 3.1 of the management agreement, Centrick may provide such of the additional services set out in the First Schedule to the agreement which in the opinion of Centrick are necessary for the efficient management and administration of the property.
- 132 Paragraph (f) of the First Schedule lists –
dealing with compliance on behalf of the [Respondent] with any notice, regulation, requirement or order of any competent local or other authority or statute in respect of the property.
- 133 Paragraph 9.2 of the management agreement provides that Centrick shall be remunerated for any of the additional services at the hourly rate set out in the Third Schedule to the agreement. The hourly rates (exclusive of VAT) are £210 for a Director or Chartered Surveyor, £131 for a Property Manager/Contracts Services and £100 for administrative support.
- 134 The Tribunal determines that compliance with fire safety issues is a *statutory* requirement and that the related administration/management falls within the description of *dealing with* that compliance within the meaning of paragraph (f) of the First Schedule to the management agreement.
- 135 The Tribunal therefore determines that that administration/management is an additional service provided by the Respondent.
- 136 In the absence of any challenge to the amount of the costs included in the service charges for 2022/2023 and 2023/2024, the Tribunal determines that those costs were reasonably incurred and are payable by the Applicants and the other residential leaseholders (apportioned in accordance with the individual leases).

Building safety manager

- 137 In 2023/2024 the service charge included costs of £3,780 for a building safety manager.

Applicants' representations

- 138 The Applicants argue that those costs are unreasonable and not payable.
- 139 They argue –
- (i) that the UK government removed the legal requirement for a specific dedicated building safety officer in March 2022;
 - (ii) that all aspects of regulatory health and safety, building safety and fire safety should properly be covered by the general management agreement. They refer to paragraph 2.4 of the management agreement between the Respondent and Centrick.

Respondent's representations

- 140 The Respondent argues –
- (i) that the abolition of the statutory building safety manager role did not remove mandatory safety obligations but shifted them to the relevant accountable person or its agent;

- (ii) that the responsibilities of the building safety manager under the requirements of Building Safety Act 2022 (including inspection of safety equipment, provision of information to the Building Safety Regulator, engagement with leaseholders and tenants, liaison with the Fire and Rescue Services and maintaining an updating building safety information) fall outside paragraph 2 of the management agreement, which, it argues, refers to ‘traditional, routine upkeep and basic health and safety assessments’;
 - (iii) that, in contrast, the building safety responsibilities fall squarely within paragraph (f) of the First Schedule to the management agreement and are an additional service provided by Centrick of ‘dealing with compliance with any notice, regulation, requirement or order ... or statute in respect of [the subject properties]’;
 - (iv) that, by virtue of clause 9.2 of the management agreement, it is entitled to demand charges for such additional services separately from the general management fee.
- 141 The Respondent submits that, taking into account the size and nature of the Broadway Plaza development, and the responsibilities of the building safety manager, the costs incurred are reasonable and payable.

Discussion

- 142 The relevant terms of the management agreement between the Respondent and Centrick are set out in paragraphs 127-133 above.
- 143 The Tribunal determines that compliance with building safety issues is a *statutory* requirement and that the related administration/management falls within the description of *dealing with* that compliance within the meaning of paragraph (f) of the First Schedule to the management agreement.
- 144 The Tribunal therefore determines that that administration/management is an additional service provided by the Respondent.
- 145 In the absence of any challenge to the amount of the costs included in the service charge for 2023/2024, the Tribunal determines that those costs were reasonably incurred and are payable by the Applicants and the other residential leaseholders (apportioned in accordance with the individual leases).

Certified accounts

Applicants’ representations

- 146 The Applicants assert that the accounts have persistently been issued late; and that that prejudices the leaseholders by preventing proper scrutiny and undermining transparency and evidences poor management.
- 147 The Applicants allege that their accountant has identified numerous accounting anomalies in the service charge accounts for the service charge years 2021/2022, 2022/2023 and 2023/2024.
- 148 The Applicants argue that the demands for the balancing charge for the service charge year 2022/2023 were issued on 5 January 2026, more than eighteen months after the end of the relevant service charge year, that no section 20B(2) notices were issued in respect of those balancing charges and that by virtue of section 20B(1) the balancing charges are not payable by the Applicants.

Respondent's representations

- 149 The Respondent asserts that the Applicants have not disputed any particular head of expenditure or invoice other than those discussed in the preceding paragraphs.
- 150 The Respondent asserts that it has provided responses to the alleged anomalies in the service charge accounts, which, it argues, relate to accounting methodology and do not demonstrate any material impact on the final service charge demands.

Discussion

- 151 In the absence of any challenge by the Applicants relating to particular heads of expenditure or invoices other than those discussed in the preceding paragraphs, the Tribunal determines, subject to paragraphs 152-154 below, that the arguments of the Applicants under this heading do not affect the reasonableness and payability of service charges demanded from the Applicants by the Respondent.
- 152 However, the Respondent has not responded to the Applicants' argument that the balancing charges for 2022/2023 were demanded more than eighteen months after the end of the service charge year and that by virtue of section 20B(1) those balancing charges are not payable.
- 153 The Tribunal accepts the Applicants' argument and determines that the balancing charges for 2022/2023 are not payable.
- 154 Although the Applicants refer to a balancing charge of £230.16 per leaseholder, the Tribunal assumes that that figure is the *average* balancing charge and that the actual balancing charge demanded from each leaseholder is the proportion of the total overspend for 2022/2023 payable under each leaseholder's individual lease.

Management fees

- 155 As noted above the Respondent appointed Remus as its managing agent to carry out its management functions prior to 2022; from 1 January 2022 to 31 December 2024 the Respondent's managing agent was Centrick; and since 1 January 2025 the Respondent's managing agent has been Carters.
- 156 The management fees included in the service charge accounts and challenged by the Applicants are –
- | | |
|------------|------------|
| 2021/2022: | £31,260.00 |
| 2022/2023: | £32,851.00 |
| 2023/2024: | £35,320.00 |
| 2024/2025: | £38,145.00 |
- 157 The average annual figures per apartment were therefore £274.21, £288.17, £309.82 and £334.61.

Applicants' representations

- 158 The Applicants dispute the reasonableness of the management fees on grounds of 'poor performance and failures in carrying out the duties detailed in the contract to a reasonable standard'. The Applicants allege -
- 'poor performance, breach of multiple clauses in management contract, breach of Fire regulations and Health & Safety rules, breaches detailed in BCC improvement notices, breach of RICS code, breaches of lease, failure to produce annual service charge accounts, poor management customer service, failure in duty of care to

expend service charge monies in a diligent manner to achieve best value for leaseholders, poor choice of contractors, conflict of interests and failure to check contractors works before payment’.

- 159 The alleged failings are further detailed in the preliminary notice served on the Respondent on 18 October 2024 under section 22 of the Landlord and Tenant Act 1987.
- 160 The Applicants also refer to the Cardinus Fire/Health and Safety Risk Assessment Report dated 21 February 2024, the Mitchell Report dated August 2024 and the Birmingham City Council improvement notices issued on various dates in 2025.
- 161 More broadly, the Applicants allege prolonged lift failures, delayed certified accounts, poor procurement and contractor oversight, conflicts of interest, non-compliance with fire and health and safety requirements, failure to challenge freeholder costs, poor budgeting, inadequate reserves planning, failure to comply with lease obligations as to decoration and repairs.
- 162 In summary, the Applicants allege that the management of the blocks fell materially below the standard reasonably to be expected of a professional managing agent.
- 163 The Applicants propose that in the circumstances a reasonable sum for the management fees would be 50 per cent of the figures included in the service charge accounts - £15,630, £16,425, £17,660 and £19,072.

Respondent’s representations

- 164 The Respondent strongly denies the allegations in paragraphs 158-162 above and argues that they are unsupported by evidence.
- 165 The Respondent argues –
- (i) that Centrick carried out frequent site inspections and noted any necessary maintenance and compliance actions;
 - (ii) that Centrick appointed contractors only after competitive tendering processes;
 - (iii) that Centrick required contractors to provide photographic evidence of works and services carried out;
 - (iv) that fire risk assessments and general risk assessments were completed within appropriate timeframes and identified actions were addressed on a risk-prioritised basis; and that at the time of the management handover to Carters, there were valid and up to date health and safety audits, fire risk assessments and asbestos/legionella checks;
 - (v) that Centrick commissioned the Cardinus assessment and report and, wherever possible, completed any required action;
 - (vi) that the primary operational challenge faced by Centrick was the restricted availability of funds resulting from unpaid service charges;
 - (i) that Centrick nonetheless attempted to engage collaboratively with the leaseholders, putting together long-term maintenance plan, providing updates to the leaseholders via the portal and organising meetings with leaseholders and tenants to promote communication, transparency, and understanding of both the challenges faced and the works required;

- (vii) that in carrying out its management functions Centrick acted on the basis of the information available, professional advice and financial and operational constraints.

166 The Respondent argues that the management fees are reasonable against the background of the complexity of managing the development and the extensive management functions actually carried out.

Discussion

- 167 All but four of the Applicants provided witness statements, which were highly critical of the management provided by Centrick, with repeated references to lack of communication from Centrick, lack of financial transparency, poor cleaning, frequent and prolonged unavailability of the lifts, poor maintenance of the communal areas, malfunctioning of the door entry system, increased service charges and consequent difficulties in renting apartments and reduction in achievable rents.
- 168 Only three of the Applicants attended the hearing and were cross-examined on their evidence.
- 169 Both Carol Harris and Lee Cowell reiterated the above criticisms and argued that the management provided by Centrick was significantly inferior to that provided previously by Remus and subsequently by Carters. They made few concessions under cross-examination.
- 170 Pervaz Akhtar also provided a narrative on the various measures taken by the Applicants and the Resident Tenants Association to address some of the criticisms, including alerting Birmingham City Council to the Mitchell Report and the issue of the preliminary notice prior to an application to the First-tier Tribunal for an order appointing a manager in place of Centrick.
- 171 Matthew Brace provided in his witness statement a detailed response to the Applicants' criticisms and that response is summarised in paragraphs 164-166 above.
- 172 The Tribunal finds that the average charge per apartment during the relevant years (rising from £274.21 in 2021/2022 to £334.61 in 2024/2025) is within the normal range of management fees for a development of the size and nature of Broadway Plaza.
- 173 The Applicants implicitly recognise in their proposed 50 per cent reduction that, despite their detailed criticisms of Centrick's management, the Respondent and Centrick have carried out many of the functions required in the management of the development.
- 174 The Tribunal finds that many of the criticisms made of Centrick in relation to other heads of expenditure were at least in part criticisms of Centrick's management. Moreover, in some instances the Applicants criticised Centrick's management but did not challenge the reasonableness and/or payability of the costs for the underlying head of expenditure. For example, the Applicants were critical of Centrick's management of the door entry system but did not challenge the costs of repairs included in the service charge.
- 175 The Tribunal finds that the management provided by Centrick was not always of an appropriate standard. It finds that there is clear evidence of some of the failings identified by the Applicants. In particular it finds that Centrick was

misconceived in its view that the scarcity of funds justified its failure to comply with obligations of maintenance, repairs and decoration and replacement. The Tribunal also accepts that the Applicants had legitimate concerns about lift failures, communications between the leaseholders and Centrick, reserve fund planning and the lengthy delays in issuing service charge accounts.

- 176 However, in determining the appropriate reduction to reflect the shortcomings in the management, the Tribunal finds (what the Applicants implicitly recognise) that Centrick carried out many of its management functions. In the circumstances the Tribunal determines that an appropriate reduction would be 30 per cent.
- 177 However, since the Applicants' criticisms were almost exclusively directed at Centrick (and not at Remus or Carters), the Tribunal determines that the reduction should only apply to the periods of Centrick's management in the relevant service charge years. Consequently, while the management fees for the years 2022/2023 and 2023/2024 should be reduced by 30 per cent, the management fees for the years 2021/2022 and 2024/2025, when Centrick was the managing agent for half the year only, should be reduced by 15 per cent.
- 178 The Tribunal therefore determines that the total reasonable management fees payable by the Applicants and the other residential leaseholders (apportioned in accordance with the individual leases) are –

2021/2022:	£26,571.00
2022/2023:	£22,995.00
2023/2024:	£24,724.00
2024/2025:	£32,423.00

Summary

- 179 The Tribunal determines that the costs included in the service charges demanded from the Applicants by the Respondent, and challenged by the Applicants in the present proceedings, were reasonably incurred and are payable by the residential leaseholders to the Respondent, subject to paragraphs 180-182 below.
- 180 The Tribunal determines that the reasonable lift repair costs payable by the Applicants and the other residential leaseholders (apportioned in accordance with the individual leases) are –

2022/2023:	£81,424.71
2023/2024:	£16,704.85

- 181 The Tribunal determines that the balancing charges demanded from the Applicants and the other residential leaseholders by the Respondent for the 2022/2023 service charge year are not payable.
- 182 The Tribunal determines that the reasonable management fees payable by the Applicants and the other residential leaseholders (apportioned in accordance with the individual leases) are –

2021/2022:	£26,571.00
2022/2023:	£22,995.00
2023/2024:	£24,724.00
2024/2025:	£32,423.00

Section 20C and paragraph 5A applications

- 183 The parties may make written representations to the Tribunal on the Applicants' section 20C application and paragraph 5A application.
- 184 Any such representations must be received by the Tribunal not later than **4.00pm on 7 August 2026**.

Appeal

- 185 If a party wishes to appeal this Decision, that appeal is to the Upper Tribunal (Lands Chamber). However, a party wishing to appeal must first make written application for permission to the First-tier Tribunal at the Regional Office which has been dealing with the case.
- 186 The application for permission to appeal must be received by the Regional Office within 28 days after the Tribunal sends written reasons for the decision to the person making the application.
- 187 If the application is not made within the 28-day time limit, such application must include a request for an extension of time and the reason(s) for not complying with the 28-day time limit. The Tribunal will then consider the reason(s) and decide whether to allow the application for permission to appeal to proceed despite not being within the time limit.
- 188 The application for permission to appeal must state the grounds of appeal and state the result the party making the application is seeking.

20 July 2026

Professor Nigel Gravells
Deputy Regional Judge