FIRST-TIER TRIBUNAL
PROPERTY CHAMBER
(RESIDENTIAL PROPERTY)

Case reference	**:**	**LON/00BB/LSC/2026/0104**
Property	**:**	**Holly House, 152 Earlham Grove, Forest Gate, London E7 9FB**
Applicants	**:**	**Katarina Otcenasova, Edvard Lamartson, Sizalobuhle Moyo, Cassandra Waterman & Others**
Representative	**:**	**In person**
Respondent	**:**	**Clarion Housing Association Limited**
Representative	**:**	**Paul Fuller (Counsel)**
Type of application	**:**	**For the determination of the liability to pay service charges under section 27A of the Landlord and Tenant Act 1985**
Tribunal members	**:**	**Judge J Moate and Mrs Angela Kelly MRICS**
Venue	**:**	**10 Alfred Place, London WC1E 7LR**
Date of decision	**:**	**10 September 2026**

DECISION

Decisions of the tribunal

(1) The Tribunal determines that the service charges demanded in the years 2024/25 (actual) and 2025/26 (budgeted) for general maintenance are payable and reasonable.

(2) The Tribunal determines that the amounts demanded for cleaning in the years 2024/25 (actual) and 2025/26 (budgeted) are payable and reasonable.

(3) The Tribunal determines that the amount demanded for solar maintenance in the year 2025/26 (budgeted) is payable and reasonable.

(4) The Tribunal determines that the amount demanded for fire equipment in the year 2025/26 (budgeted) is payable and reasonable.

(5) The Tribunal determines that the amount demanded for electricity in the year 2024/25 (actual) and in the year 2025/26 (budgeted) is payable and reasonable.

(6) Based on the parties' agreement made during the hearing, the amount payable for management fees for Holly House in the year 2024/25 (actual) and 2025/26 (budgeted) is reduced by 50%. This is calculated as £3,899 in 2024/25 and £5,767.47 in 2025/26. The amount payable by the Applicants is their individual proportion of those sums in each relevant year.

(7) The Tribunal determines that the amounts demanded for the reserve fund/major works in the year 2024/25 (actual) and in the year 2025/26 (budgeted) are payable and reasonable.

(8) The Tribunal makes an order under section 20C of the Landlord and Tenant Act 1985 and paragraph 5A of Schedule 11 of the 2002 Act so that none of the landlord's costs of the Tribunal proceedings may be passed to the lessees through any service charge.

The application

1. The Applicant seeks a determination pursuant to s.27A of the Landlord and Tenant Act 1985 ("the 1985 Act") and Schedule 11 to the Commonhold and Leasehold Reform Act 2002 ("the 2002 Act") as to the amount of service charges and administration charges payable by the Applicant in respect of the service charge years 2024/25 and 2025/26.

The hearing

2. The hearing took place on 21 August 2026 at 10 Alfred Place, London WC1E 7LR. The Applicants Katarina Otcenasova, Edvard Lamartson, Sizalobuhle Moyo, Cassandra Waterman attended in person. The Respondent was represented by Mr Fuller (Counsel), with Kim Davies (Regional Estates Relationship Manager), Dean Clarke (Estate Management Director for Encore) and Peter Hughes (Estate Asset Manager for Clarion) in attendance.

3. At the start of the hearing Katarina Otcenasova made an application via an Order 1 form requesting reasonable adjustments for the hearing due to autism and ADHD. The Tribunal granted her request for permission to refer to and read from her witness statement and prepared notes, additional processing time when responding to questions, questions to be asked one at a time, and permission to take short breaks if required. The application was not opposed by Mr Fuller.

4. The parties requested a short time for discussion to narrow the issues or settle the case, which the Tribunal granted. Following these discussions the hearing commenced at around 11am.

The background

5. The property which is the subject of this application is a purpose-built block of flats made up of 6 floors and circa 51 flats, located above commercial premises. Holly House forms part of the wider Warden's Reach development, comprising Holly House and Epping House together with various estate-wide services and infrastructure, including the commercial premises. There are fifteen named applicants who are leaseholders of Flats 12, 18, 19, 26, 29, 31, 32, 33, 36, 37, 41 and 42 Holly House.

6. Neither party requested an inspection and the Tribunal did not consider that one was necessary, nor would it have been proportionate to the issues in dispute.

7. The Applicants hold shared-ownership long leases of the property which require the landlord to provide services and the tenants to contribute towards their costs by way of a variable service charge. Estate management functions are undertaken by Encore Estate Management Limited ("Encore"). The specific provisions of the lease are referred to below, where appropriate.

The issues

8. At the start of the hearing the Tribunal identified, in consultation with the parties, the relevant issues for determination as set out below.

(i) The payability and/or reasonableness of service charges demanded in the year 2024/2025 based on actual costs incurred; and

(ii) The payability and/or reasonableness of service charges demanded in the year 2025/26 based on budgeted costs.

9. The parties had prepared a schedule of disputed charges, in which the items remaining in dispute were as follows:

a) General maintenance;
b) Cleaning;
c) Solar maintenance;
d) Fire equipment;
e) Electricity charges;
f) Management fees;
g) Reserve fund/major works provision.

10. The Applicants did not pursue their challenge to costs for pest control, window cleaning, door entry system, CCTV maintenance, lift maintenance, health and safety costs, emergency call out charges, professional and accounting fees, bank charges and disbursements, balancing charges and service charge accounts. These costs were no longer in issue and were deleted from the schedule of disputed charges.

11. The Tribunal explained that the burden of establishing that a service charge is recoverable lies upon the landlord seeking to recover it, although a tenant seeking to challenge service charges must identify a sufficient basis for disputing the charges (a "prima facie" case).

12. Having heard evidence from Mr Clarke and Ms Davies on behalf of the Respondent and submissions from both parties, and having considered all the documents provided, the Tribunal has made determinations on the various issues as follows.

a) The payability and/or reasonableness of service charges in the years 2024/25 (actual) and 2025/26 (budgeted) for general maintenance

2024/25: £6,908 (Holly House – whole block actual cost)
2025/26: £7,000 (Holly House – whole block budgeted cost)

13. The material terms of the Lease are as follows:

3 Leaseholder's Obligations

3.3.3 To pay to the Landlord, or as directed by the Landlord, the Service Charge in accordance with Clause 7.

. . . .

7 Service charge provisions

7.1 Obligation to pay

The Leaseholder covenants with the Landlord to pay the Service Charge to the Landlord, or as directed by the Landlord, during the Term by equal payments in advance at the same time and in the same manner in which the Specified Rent is payable under this Lease (the first payment to be made on the date of this Lease), or following Final Staircasing, by any other method that the Landlord from time to time reasonably requires by giving notice to the Leaseholder.

7.2 When calculated

The Service Provision in respect of any Account Year shall be calculated before the beginning of the Account Year and shall be calculated in accordance with clause 7.3.

7.3 How calculated

The Service Provision shall consist of a sum comprising the expenditure estimated by the Authorised Person as likely to be incurred in the Account Year by the Landlord for the matters specified in clause 7.4 together with:

7.3.1 an appropriate amount as a reserve for or towards the matters specified in clause 7.4 as are likely to give rise to expenditure after such Account Year being matters which are likely to arise either only once during the then unexpired term of this Lease or at intervals of more than one year (including (without limitation) such matters as the decoration of the exterior of the Building) (the said amount to be calculated in a manner which will ensure as far as is reasonably possible that the Service Provision shall not fluctuate unduly from year to year); but

7.3.2 reduced by any unexpended reserve already made pursuant to clause 7.3.1.

7.4 Service Provision

The relevant expenditure to be included in the Service Provision shall comprise all expenditure reasonably incurred by the Landlord in connection with the repair, management, maintenance and provision of services for the Building and the Landlord's Estate and shall include (without prejudice to the generality of the foregoing):

7.4.1 the costs of and incidental to the performance of the Landlord's covenants contained in clause 5.2 and clause 5.3 and clause 5.4 and clause 5.8 and clause 6.10;

7.4.2 the costs of and incidental to compliance by the Landlord with every notice, regulation or order of any competent local or other authority in respect of the Building or the Landlord's Estate (which shall include compliance with all relevant statutory requirements);

7.4.3 all reasonable fees, charges and expenses payable to the Authorised Person, any solicitor, accountant, surveyor, valuer, architect or other person whom the Landlord may from time to time reasonably employ in connection with the management or maintenance of the Building or the Landlord's Estate including the computation and collection of rent (but not including fees, charges or expenses in connection with the effecting of any letting or sale of any premises) including the cost of preparation of the account of the Service Charge and if any such work shall be undertaken by an employee of the Landlord then a reasonable allowance for the Landlord for such work;

7.4.4 any Outgoings assessed, charged, imposed or payable on or in respect of the whole of the Building or the Landlord's Estate or in the whole or any part of the Common Parts; and

7.4.5 any administrative charges incurred by or on behalf of the Landlord including but not limited to:

(a) the grant of approvals under this Lease or applications for such approvals;

(b) the provision of information or documents by or on behalf of the Landlord;

(c) costs arising from non-payment of a sum due to the Landlord; and/or

(d) costs arising in connection with a breach (or alleged breach) of this Lease; and

7.4.6 the costs of and incidental to the supply of heating and hot water to the Premises and for the maintenance of the relevant infrastructure;

7.4.7 the costs of any insurance cover the Landlord may effect in relation to the Common Parts or the Landlord's Estate;

7.4.8 the costs charges and expenditure of any external management company as and when they fall due together with any charge levied by the Landlord in connection with the collection and administration involved;

7.4.9 any other costs that the Landlord incurs in respect of any other service or amenity that the Landlord deems necessary (acting in accordance with the principles of good estate management) to provide for the benefit of tenants owners or occupiers of the Landlord's Estate; and

7.4.10 any sums incurred paid or payable by the Landlord in connection with any matters contained mentioned or referred to in the title to the Landlord's Estate.

14. The Applicants contended that the service charge for general maintenance in 2024/2025 was unreasonable. They did not understand why it included a separate charge for additional cleaning (jet washing), for accessing the CCTV footage and for bulk waste collection. They argued that there was no cost analysis, that there was no evidence it was the best quotation for the job, that the Respondent's contractor did not attend in a timely manner and that the bin store was not maintained properly which resulted in homeless people coming in. The Applicants also contended that the charge for signage should not have been incurred because this should have been included as part of the property build or within the defects liability period.

15. As to the budgeted cost, the Applicants argued that the same inefficiencies and lack of maintenance had meant the budget projection for 2025/26 was high.

16. In response, the Respondent contended that the Applicants had not made out a prima facie case that the costs in 2024/25 were not reasonably incurred or not reasonable. Mr Fuller queried what the Applicants expected the landlord to do in circumstances where rough sleepers had entered the block and left detritus and drugs. He submitted that the landlord had to address these issues by cleaning (jet-washing), and bulk waste removal as part of its obligations under the Lease. He further submitted that the Applicants had not pleaded breach of lease or set-off for alleged failure to maintain.

17. As to the cost of CCTV retrieval, Mr Fuller submitted that this was not the same as CCTV maintenance/installation and that the cost of recovering the CCTV footage was necessary understand how trespassers accessed the block. As to the cost of the signage, Mr Fuller submitted that this was not part of the sign off/initial build or building defects liability but was for unforeseen additional signage to prevent people pushing too hard on the doors resulting in damage.

18. Mr Fuller submitted that the Applicants did not have a positive case or any alternative quotes to show the costs incurred were unreasonable and that their case was based on speculation.

19. In respect of the budgeted cost for 2025/26, the Respondent's case was that the actual cost in 2024-25 had exceeded the budget (then set at £5,600) by £1,308, therefore the budget for 2025/26 was necessarily higher. Mr Fuller submitted that this was the best way to set the budget; the budget of £7,000 in 2025/26 tracked the actual expenditure in the previous year of £6,908.

The Tribunal's decision

20. **The Tribunal determines that the service charges demanded in the years 2024/25 (actual) and 2025/26 (budgeted) for general maintenance are payable and reasonable.**

Reasons for the Tribunal's decision

21. Section 27A of the 1985 Act enables the Tribunal to determine whether a service charge is payable and, if so, by whom, to whom, in what amount and when.

22. By section 19 of the 1985 Act, relevant costs are only recoverable through a service charge to the extent that they have been reasonably incurred and, where applicable, that any works or services are of a reasonable standard.

23. Section 19(2) of the 1985 Act provides that where a service charge is payable before the relevant costs are incurred, no greater amount than is reasonable is so payable.

24. The burden of establishing that a service charge is recoverable lies upon the landlord seeking to recover it, although a tenant seeking to challenge service charges must identify a sufficient basis for disputing the charges (a "prima facie" case).

25. The Tribunal finds that the Applicants have not made out a prima facie case as to why the service charges for general maintenance in 2024/25 (actual) and 2025/26 (budgeted) are not payable or reasonable.

26. The Applicants' argument that there is no cost analysis or that the cost might not be the best quotation for the job is vague and not backed by an alternative quotation or cost analysis which might give rise to a prima facie case of unreasonableness.

27. Whereas a breach of the landlord's covenant to repair could give rise to an equitable set-off against service charges, that would not mean those service charges were not reasonably incurred (see paras 11 and 14 of the decision in *Continental Property Ventures Inc v White* [2006] 1 EGLR 85). The Applicants did not plead breach of lease or equitable set-off therefore the question of set-off is not before the Tribunal for determination.

28. In any event, the Tribunal finds that the Respondent has established that the costs of the individual items challenged were reasonably incurred and that the budgeted costs are no more than is reasonable. The Respondent has provided invoices for bulk waste collection, jet-washing

and CCTV footage retrieval, along with an explanation as to how these additional costs came about due to trespassers entering the block. As to the signage, the Tribunal accepts the Respondent's explanation that these signs were required to prevent users from pushing the doors too hard and were not part of the building completion or defects liability.

29. The budgeted costs are based on the actual costs of the previous year, which the Tribunal finds to be a sensible method of calculation, allowing no more than is reasonable.

b) The payability and/or reasonableness of service charges in the years 2024/25 (actual) and 2025/26 (budgeted) for cleaning

2024/25: £5,550 (Holly House – whole block actual cost)
2025/26: £6,552 (Holly House – whole block budgeted cost)

30. In the Schedule of Disputed Charges, the Applicants disputed the cleaning charges in 2024/25 due to alleged repeated failures in cleaning standards and unresolved hygiene issues. They requested supporting invoices, specifications and contractor records, which were provided and included in the bundle.

31. In oral submissions, the Applicants contended that the Property was supposed to be cleaned 3 evenings per week but was only being cleaned twice a week. They also said it was not clear whether the charges were for Epping House or Holly House.

32. The Applicants disputed the budgeted costs in 2025/26 because it was not clear to them how the charges were calculated.

33. The Respondent argued that the Applicants had not made out a prima facie case of unreasonableness. Mr Fuller submitted that there was no contractual requirement in the Lease or otherwise for the property at Holly House to be cleaned three times per week, and none had been identified by the Applicants. He submitted that there was no evidence to support the Applicants' contention that there was a general failure in cleaning standards, nor was there any other basis for saying the service was not of a reasonable standard. He argued that the Applicants had not suggested that the costs were unreasonable in amount.

34. As to the allocation of cleaning costs, Mr Fuller submitted that the split between Holly House and Epping House was apportioned 44:30, there being 44 flats in Holly House and 30 Flats in Epping House, as set out in the witness statement of Mr Clarke at paragraph 16.

35. As to the budget for the cleaning in 2025/26 Mr Fuller argued that budgeted amount was based on last year's actual cost and was calculated using the same apportionment method.

The Tribunal's decision

36. **The Tribunal determines that the amounts demanded for cleaning in the years 2024/25 (actual) and 2025/26 (budgeted) are payable and reasonable.**

Reasons for the Tribunal's decision

37. The Tribunal agrees with the Respondent that the Applicants have not made out a prima facie case of unreasonableness for the cleaning cost in 2024/25. The Applicants did not suggest that the cleaning was not carried out or that the amount charged was excessive. The Applicants' main argument in oral submissions was that cleaning should have been carried out three times a week. However, the Applicants were unable to identify any contractual basis for that contention and it was not specified in the Lease. The Tribunal accepts the evidence of Mr Clarke at paragraphs 27-37 of his witness statement, that the agent JOCS attends twice weekly and provides cleaning service in accordance with the specification. The Applicants' allegation that the general cleaning had been substandard was not pursued in oral submissions and was not substantiated by any documentary evidence.

38. As to the budgeted cost for 2025/26, there was no challenge to reasonableness. The issue for the Applicants was about how the costs were calculated, which was explained by the Respondent in their written and oral evidence. The issues surrounding communication by the Respondent are dealt with in paragraph 63 below.

39. Accordingly, the Tribunal finds that the amounts demanded for cleaning in the relevant years are payable and reasonable.

c) The payability and/or reasonableness of service charges in the year 2025/26 (budgeted) for solar maintenance

2025/26: £1,989 (Holly House and Epping House – both blocks budgeted cost)

40. The Applicants accepted that they were not charged for solar maintenance in 2024/2025. They challenged the budgeted cost for 2025/26 on the basis that they were not aware of any solar panels and they did not understand why they were being charged for their maintenance.

41. The Respondent contended that Holly House had solar panels on the roof which served the communal areas, in particular for lighting. Mr Fuller relied on Clause 7.4.9 of the Lease for the recovering of this cost through the service charges, as follows:

7.4.9 any other costs that the Landlord incurs in respect of any other service or amenity that the Landlord deems necessary (acting in accordance with the principles of good estate management) to provide for the benefit of tenants

42. Mr Fuller further explained that the building was a "higher risk" building under the Building Safety Act 2022 and that, as set out in the schedule of disputed charges, solar maintenance was necessary as a failure to maintain could result in the panels catching fire. The Respondents contended that the budgeted figure was calculated based on comparable buildings/services and was reasonable. The figure of £1,989 was shared across the whole development and not just Holly House.

The Tribunal's decision

43. **The Tribunal determines that the amount demanded for solar maintenance in the year 2025/26 (budgeted) is payable and reasonable.**

Reasons for the Tribunal's decision

44. The Tribunal finds that the Applicants have not made out a prima facie case of unreasonableness in respect of the budgeted cost for solar maintenance in 2025/26. The Tribunal accepts the Respondent's explanation that there are solar panels serving Holly House and that those panels require maintenance to ensure they are safe and do not present a fire risk. The Applicants have not presented any alternative quote or evidence to suggest that the budgeted figure is unreasonable. In the absence of any evidence to the contrary, the Tribunal accepts the Respondent's contention that the amount budgeted is based on comparable buildings.

d) The payability and/or reasonableness of service charges in the year 2025/26 (budgeted) for fire equipment

2025/26: £5,700 M&E equipment and £8,100 Building External (Holly House and Epping House – both blocks budgeted cost)

45. The Applicants accepted that they were not charged for fire equipment in 2024/2025. They challenged the budgeted cost for 2025/26 on the basis that the cost was excessive and insufficiently evidenced for a newly constructed building. They sought clarification as to whether the fire equipment should have been included as part of the build or under the defects liability period.

46. The Respondent contended in the schedule of disputed charges that the costs for fire equipment relates to its maintenance. Although the maintenance of the fire equipment is currently covered by the existing

warranties, the cost for maintenance moving forward will fall to be recovered through the service charge. Maintenance includes weekly attendance and emergency lighting checks. The Respondent asserted in the schedule of disputed charges that the budgeted figure for 2025/26 was £5,700 across the development.

47. The budget document showed two separate charges for fire equipment a) £5,700 for "M&E equipment" and b) £8,100 for "Building External".

48. Mr Clarke gave oral evidence as to how the overall cost of each charge was split across the development. He explained that the "Building External" figure of £8,100 was for the Commercial Units, Epping House and Holly House combined. He said that the breakdown was not in the bundle but the split was 20% commercial, 39% Epping House and the remaining 41% was for Holly House. He said this produced the leaseholder contribution percentage of 1.0977 for Holly House as set out in the Annual Budget Estimate dated 29 August 2025. He explained that the "M&E Equipment" figure was split between Holly House and Epping House on the 44:30 basis, which produced the leaseholder contribution percentage of 1.3913%.

49. Mr Clarke further explained that in undertaking the budgeting exercise for a new build he had drawn on previous experience, having regard to the assets and systems across the site including emergency lighting, a refuge alarm and sprinkler systems. Budgeting forward, he had included statutory maintenance and allowance for repairs following inspection based on his experience on other sites.

<u>The Tribunal's decision</u>

50. **The Tribunal determines that the amount demanded for fire equipment in the year 2025/26 (budgeted) is payable and reasonable.**

<u>Reasons for the Tribunal's decision</u>

51. The Tribunal finds that the Applicants have not made out a prima facie case of unreasonableness in respect of the budgeted cost for fire equipment in 2025/26. There is no alternative quote which might suggest that the Respondent's budget is excessive.

52. The Tribunal accepts Mr Clarke's explanation that the budgeted costs are based on his experience across other sites and represent his best estimate taking into account the assets and systems across the development. The Tribunal finds that Mr Clarke has not acted unreasonably in calculating the budget and has not budgeted more than is reasonable.

53. The Tribunal notes that it would have been helpful to have in the bundle a full breakdown of how the leaseholder contribution percentage in the Annual Budget was calculated, but nevertheless accepts Mr Clarke's oral evidence on this point. The issues surrounding communication by the Respondent are dealt with in paragraph 63 below.

e) The payability and/or reasonableness of service charges in the years 2024/25 (actual) and 2025/26 (budgeted) for electricity

2024/25: £7,499 (Holly House actual cost)
2025/26: £7,919 (Holly House budgeted cost) and £8,372 budget for M&E

54. The Applicants challenged the electricity charges due to a variance from the budget and a lack of supporting calculations within the accounts.

55. The Respondent contended that there was no significant variance from the budget which was set at £7,644 for Holly House in the service charge year 2024/25. The Respondent further contended that they had competitively tested the market to ensure costs are reasonable, using an appointed energy broker to support the procurement and management of gas and electricity supplies across their portfolio.

56. Ms Davies gave evidence about how the electricity charge was calculated across the development. She said that when the building reached practical completion, the supplier was British Gas. When the building was transferred to Respondent, the energy supplier was changed to Sustainable Energy First because they offered more competitive rates. Ms Davies explained that Holly House and Epping House each have a separate supply of heat and hot water, therefore the charges are separately accounted for based on the meter for each property.

57. As to the increased budget for 2025/26, he said that there was always a year on year increase in utilities and that the energy provider had based consumption on a likely average.

The Tribunal's decision

58. **The Tribunal determines that the amounts demanded for electricity in the year 2024/25 (actual) and in the year 2025/26 (budgeted) are payable and reasonable.**

Reasons for the Tribunal's decision

59. The Tribunal finds that the Applicants have not made out a prima facie case of unreasonableness in respect of the actual or budgeted cost for electricity in the years 2024/25 and 2025/26. There is no alternative quote which might suggest that the amounts charged are unreasonable.

The Tribunal accepts Ms Davies' explanation about why the energy supplier was selected and how the charges are calculated from actual usage.

60. As to the alleged variance from the budget, the Tribunal does not find a variance of £150 for Holly House to be significant. Equally, the budget for 2025/26 is in line with the actual expenditure in 2024/25.

61. The Tribunal agrees with the Applicants that the breakdown and calculations for the electricity cost should have been better presented in the accounts. The issues surrounding communication by the Respondent are dealt with in paragraph 63 below.

f) The payability and/or reasonableness of management fees for Holly House in the years 2024/25 (actual) and 2025/26 (budgeted)

2024/25: £7,798 (Holly House actual cost)
2025/26: £11,534 (Holly House budgeted cost)

62. In the schedule of disputed charges the Applicants stated that the management fees were challenged due to concerns regarding management standards, responsiveness, transparency, complaint handling and administration failures.

63. Mr Fuller conceded that the material in the bundle demonstrated that the standard of communication could have been better. He said the Estate Management was relatively new and they had undertaken today to ensure they were more customer facing in the future. He said the Respondent did not otherwise accept that the building had not been managed properly and asserted that those expenses made up the majority of the management cost. In the light of their concession, the Respondent proposed reducing the management fee across the whole of Holly House for both years 2024/25 and 2025/26 by 50%.

64. The Applicants accepted the Respondents' proposed reduction.

65. The calculation for 2024/25 was 50% of £7,798 = **£3,899**.

66. The calculation for 2025/26 was 50% of £11,534.94 (41% Holly House proportion of the total budget of £28,134) = **£5,767.47**.

The Tribunal's decision

67. **Based on the parties' agreement made during the hearing, the amount payable for management fees at Holly House in the year 2024/25 (actual) is £3,899 and in the year 2025/26 (budgeted) is £5,767.47. The amount payable by the Applicants**

is their individual proportion of those sums in each relevant year.

Reasons for the Tribunal's decision

68. The Tribunal accepted the parties' agreement made during the hearing based on the Respondent's concession.

g) The payability and/or reasonableness of the reserve fund/major works provision in the years 2024/25 (actual) and 2025/26 (budgeted)

2024/25: £4,878 (Holly House); £6,323 (External); £2,564 (M&E)
2025/26: £7,300 (Holly House); £10,000 (External) and £3,500 M&E

69. In the schedule of disputed charges the Applicants stated they were challenging the budgeted reserve fund cost because no planned maintenance schedule, lifecycle assessment or forecast programme of works had been disclosed to justify reserve fund contributions.

70. The Respondent stated that the defects liability period of 2 years had expired in July 2026 and the warranty was for individual units; it did not cover common parts. In his witness statement Mr Clarke explained that the fact that the building was new did not mean there should not be a reserve fund; it was good practice to start collecting funds from the outset and it was required by the Lease. Mr Clarke stated that it was not necessary to have an immediate programme of works but that a long-term plan for cyclical works was being set up on the expiry of the defects liability period. The amount collected in the reserve fund was reflective of buildings of a similar size.

71. The Respondent submitted that the figures for 2024/25 were lower because they were based on a partial year (22 July 2024 – 31 March 2025) so those figures pro-rated, together with a natural increase, made up the budgeted figures for 2025/26. The Respondent further submitted that the commercial premises had their own separate sinking fund therefore the amount payable to the reserve fund for Holly House was based on the 44:30 split between Holly House and Epping House.

The Tribunal's decision

72. **The Tribunal determines that the amounts demanded for the reserve fund/major works in the year 2024/25 (actual) and in the year 2025/26 (budgeted) are payable and reasonable.**

Reasons for the Tribunal’s decision

73. The Tribunal finds that the Applicants have not made out a prima facie case of unreasonableness in respect of the actual or budgeted reserve fund/major works in the years 2024/25 and 2025/26.

74. The Tribunal accepts the Respondent’s evidence that it is a new building therefore it is difficult to assess precisely the likely amount required but the Lease requires the landlord to collect a reserve fund for future works. The Tribunal finds that it is good practice to collect a reserve fund to avoid large bills later, which might be unaffordable. The Tribunal further finds that the Respondent adopted a principled approach based on buildings of a similar description, and did not charge more than was reasonable.

75. In the circumstances, the Tribunal finds that the amounts demanded are payable and reasonable.

Application under s.20C and refund of fees

76. At the end of the hearing, the Applicants made an application for a refund of the fees that they had paid in respect of the application and hearing[1]. Having heard the submissions from the parties and taking into account the determinations above, the Tribunal does not order the Respondent to refund any fees paid by the Applicant. Although the Applicants were successful in obtaining a reduction in management fees, that issue formed only one part of a much wider challenge to service charges. The Applicants were unsuccessful in relation to the majority of the disputed items and in those circumstances the Tribunal does not consider it just to order reimbursement of the application or hearing fees. The Tribunal also takes into account that the Applicant did not take up the Respondent’s offer to discuss the application or engage in mediation in April 2026, although the Tribunal recognises that this offer only came after proceedings had been initiated and the fee incurred.

77. The Applicant also applied for an order under section 20C of the 1985 Act and paragraph 5A of Schedule 11 of the 2002 Act. The Respondent indicated that no costs would be passed through the service charge. For the avoidance of doubt, although the Respondent was successful on most substantive issues, it accepted during the hearing that the standard of communication and transparency with leaseholders could have been better and agreed a substantial reduction in management fees. Taking all the circumstances into account, the Tribunal considers it just and equitable to make an order under section 20C so that none of the Respondent’s costs of the proceedings may be passed onto the leaseholders through the service charge.

[1] The Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013

Name: Judge J Moate **Date: 10 September 2026**

Rights of appeal

By rule 36(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013, the tribunal is required to notify the parties about any right of appeal they may have.

If a party wishes to appeal this decision to the Upper Tribunal (Lands Chamber), then a written application for permission must be made to the First-tier Tribunal at the regional office which has been dealing with the case.

The application for permission to appeal must arrive at the regional office within 28 days after the tribunal sends written reasons for the decision to the person making the application.

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 for not complying with the 28-day time limit; the tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed, despite not being within the time limit.

The application for permission to appeal must identify the decision of the tribunal to which it relates (i.e. give the date, the property and the case number), state the grounds of appeal and state the result the party making the application is seeking.

If the tribunal refuses to grant permission to appeal, a further application for permission may be made to the Upper Tribunal (Lands Chamber).