

## RESIDENTIAL PROPERTY TRIBUNAL SERVICE

## NORTHERN RENT ASSESSMENT PANEL

## Decision of the Leasehold Valuation Tribunal

LANDLORD & TENANT ACT 1985 – SECTION 27A(1)  
LANDLORD & TENANT ACT 1985 – SECTION 20C

<b>Applicants:</b>	Laura Halsall	Flat 1
	Peter Skinner	Flat 2
	Mrs Heselton	Flat 4
	Andrea Eastham	Flat 6
	Lopomundra Ghosh	Flat 7
	Alex Wheldon, Trevor Jackson, Audley Jackson and Andrew Jackson	Flat 8
	Brian Magee	Flat 9
	John Terry Kelly	Flat 11
	Andrew Snell	Flat 12
	Marshal Brabner	Flat 13
	Paul Cullen & Katherine Connolly	Flat 14
	Jane Windle	Flat 16
	Paul O'Malley	Flat 18
	David Corless	Flat 19
	Thomas Keane	Flat 20
	Margaret & Eddie Murphy	Flat 21
	Padraig Plunkett	Flat 25
	John & Margaret Brennan	Flats 24 and 26
	Michael Ahern & Dr C Ryan	Flat 28

**Respondent:** Trinity Estates Property Management Ltd

**Property:** First National Bank Building, 24 Fenwick Street and  
2-8 James Street, Liverpool L2 7NE

**Date of Hearing:** 16 February 2007  
Concluded: 2 April 2007  
Cunard Buildings, The Strand, Liverpool

**Committee:**  
L J Bennett - Chairman  
E Thornton Firkin BSc, MRICS  
C Roberts

**A. Application:**

The Applicants apply:

1. Under section 27A of the Landlord and Tenant Act 1985 for determination of liability to pay service charges in respect of First National Bank Building, 24 Fenwick Street and 2-8 James Street, Liverpool L2 7NE, Merseyside (the Property).
2. Under section 20C of the Landlord and Tenant Act 1985 for an Order that the Respondent's costs in connection with the proceedings shall not be recoverable as service charge.

**B. Attendance:**

3. Various Applicants attended the hearing, all were represented by Ms Sian Evans, Solicitor, JST Lawyers instructed directly by the Applicants save for Mr and Mrs Heselton who instructed Messrs Heseltons, who in turn instructed JST Lawyers, as Agent.
4. Mrs Mandy Mottram, Company Solicitor represented Trinity Estates accompanied by Mr Jonathan Smith, Company Accountant and Ms Helen Christie, Regional Manager.

**C. Preliminary:**

5. A pre-trial review took place on 18 August 2006 under the provisions of paragraph 12 of the Leasehold Valuation Tribunals (Procedure)(England) Regulations 2003. At that review, the parties agreed many of the issues raised by the Applicants. The tribunal made directions to facilitate the hearing.
6. On the joint application of the parties at the hearing the tribunal allowed the amendment of the appeal to include service charge years 2006, 2007 and 2007/2008.

**D. The Property:**

7. National Bank Buildings is located in the business area of Liverpool City centre and was originally constructed as a banking headquarters. It has been converted to comprise twenty-eight 1 and 2 bedroom flats on floors 1-7. The ground floor and part-basement are occupied under a commercial lease by licensed premises. The eighth floor is unoccupied and in derelict condition and was previously bank director's private facilities. The flat roof has recently been repaired but appears to require further works. Part of the roof has been leased for the purpose of a telecommunication aerial.

8. Communal service installations are shared by both residential and commercial parts of the building and are housed in the basement. There is a central boiler which provides heating and hot water throughout the property, a water tank with pumping equipment, oil tank, stores for the flats and a refuse collection area for both flats and licensed premises. It was noted that there were a number of standard issue Liverpool City Council wheeled bins in the basement with two further industrial wheeled bins. The single lift in the premises provides access to the basement and there are stairs from the main entrance hallway.

9. The residential floors at the property to which the commercial lessee does not require access, are reached either by lift or by staircase from the entrance hallway. The general condition of the hallway and landings was considered poor, consistent with the Applicants' description at the hearing of "shabby." There was evidence of partial decoration on some floors and work to one or two of the metal window frames but most appeared inoperative and requiring attention.

10. We were allowed access to flat 8 occupied by Mr Alex Wheldon. It comprises two bedrooms and is generally spacious and airy. We observed that the entry phone system was not operative. Mr Wheldon part-owner of the flat stated that he was the sole Applicant resident in the Property; the other flats are generally let to Assured Tenants.

11. Externally the Property presents as a substantial early 20<sup>th</sup> century stone built bank headquarters. The windows are original metal frames which require attention due to their age. The Property did not appear to have been recently decorated and was in need of internal and external decoration.

#### **E. The Lease:**

12. The tribunal was provided with a copy of the Lease for flat 8 on the second floor. The parties considered this Lease representative of all the Leases in the development save in relation to commercial premises.

13. The Lease provides that the Leaseholder shall in addition to other obligations "At all times during the Term well and substantially to repair clean replace and keep in good and substantial repair the Premises."

14. The Premises are defined in the First Schedule to the Lease and in effect consist of the flat, "The plaster work of the boundary walls of the Premises and the doors door frames windows window fastenings window frames windows sills and glass fitted in such window frames" and in effect the internal surfaces of the walls. It excludes "Any of the main timbers and joists of the Building not referred to as specifically included in the Premises and any of the walls or partitions (whether internal or external) except such of the internal walls and partitions and the plastered surfaces windows window frames doors and door frames as are expressly included in this demise," service conduits and other parts of the building.

15. Paragraph 3.2 of the Lease contains a covenant by the Tenant "To pay the Service Charge by way of further or additional rent (whether formally demanded or not) calculated and made payable in the manner set out in the Fourth Schedule."

16. The Fourth Schedule contains provisions relating to the calculation, payment and accounting of the service charge for service provisions specified in the Fifth Schedule.

17. The Fifth Schedule to the Lease specifies "Moneys actually expended or reserved for periodical expenditure by or on behalf of the Management Company at all times during the Term hereby granted in respect of following:-" items include maintenance, repair, decoration renewal and keeping in repair the structure of the building, service installations, common parts and lifts, insurance, cleaning and lighting, disposal of refuse, maintaining hot water radiators and heating and supply of hot and cold water, general administration of

the building, water rate charges, works to the exterior, employment of a caretaker, fire fighting equipment, entry phone system and other costs.

18. There is provision for the collection of "an appropriate amount as a reserve fund for or towards such other matters specified in the Fifth Schedule,....."

19. The Lease contains covenants by the landlord to perform the obligation of the Management Company in event that it ceases to exist or perform, fails to carry out its obligations.

20. Paragraph 5 sets out Management Company's covenants for the Landlord and the Tenant to carry out the activities specified in the Fifth Schedule "(subject to contribution and payment as herein provided)."

21. The Respondent provided a copy of a Lease dated 20 May 1994 relating to the licensed premises in the basement and ground floor of the Building. This provides for a Service Charge defined as "A fair and reasonable proportion of the annual expenditure" for services provided by the Landlord which broadly reflect the service obligations to the residential tenants.

22. The Respondent was appointed as the Management Company to act in the management and maintenance and to assume all obligations on behalf of the Management Company contained in the Leases of the residential part of the Building by an Agreement dated 1 August 2000. There is reference at clause 10 of that Agreement to the "commercial units on the ground floor of the buildings" and specification of a contribution for the first accounting year for their service provision and "thereafter 5.5% of the service provision PROVIDED THAT:

- i. if the service provision shall change then the annual contribution shall be such amount as shall be requested by the company to take account of such variations."

**F. Facts & Submissions:**

23. The Applicants first requested a determination of the Service Charge payable for the financial year 2000 onwards. The parties agreed issues in respect of years 2000–2005 and withdrew their request for a determination by the tribunal. The Applicants requested a determination for completed Service Charge year 2005/2006 and in respect of Service Charge requests on account for years 2006/2007 and 2007/2008.

24. During the appeal the parties agreed some elements of the charges for 2005/2006 which were set out in draft account which forms appendix 1 to this decision. They later agreed further issues set out in a schedule produced at the close of the hearing. This formed appendix 2 to this decision.

25. The Applicants consider the Service Charge is high both in relation to an expectation for similar flats and in relation to the extent and standard of the services provided. They do not consider it represents value and identified a number of issues affecting items they query.

**Commercial Premises:**

26. The Applicants consider that the commercial premises do not pay a fair proportion of the services which they enjoy together with the Applicants and this adversely affects the proportion payable by the residential tenants. Details of the individual items affected are set out below. The Respondent considers they are bound by the terms of the commercial lease and management agreement which they have concluded limits them to recovery from the commercial tenant of 5.5% of the overall service costs. Despite this view they acknowledge that a higher proportion of certain service items should and is now charged to the commercial tenants.

27. The Applicants do not consider the Lease and Management Agreement bind the Management Company to the proportion suggested but submit in any event that Section 19 requires that the amount payable by the residential Tenants is reasonable for the services provided to them.

**Efficiency of Management:**

28. It was not disputed that there has been a substantial turnover in staff assigned by the Respondent to manage the Premises. At least five individuals have had responsibility for management at the Property since 2005. The Applicants submit that this has affected continuity and attention which has led to failure to monitor properly the frequency and extent of works carried out and has led to repeated and unnecessary duplication of works, particularly repairs to boiler and water system. They consider that consistent management with greater experience of the building might have engaged more local contractors and avoid payment of additional time and travel expenses.

29. The Respondent, whilst acknowledging that there have been unfortunate changes in personnel over time state that there has always been a management hierarchy and this has not had an effect on the quality or costs of services provided.

30. The Respondent stated the contractors used are all approved by them. In specific cases they gave details for the reasons using a contractor from outside the area but stated decision to use each contractor was reasonable and taken on the basis of benefit to the building and efficiency of work required.

31. Ms Christie advised that she had been involved in line management of the Property for some time. She necessarily had carried out some functions in relation to the Property because of the changes in personnel, which she agreed was unfortunate. She stated that office procedures had changed and new software introduced so that management could more effectively pick up such matters as recurring faults. She gave further details of the use of approved contractors who often appeared to be national organisations but in fact, had local depots.

**Service Charge Year 2005/2006:**

32. The Applicants have specific comments "challenging invoices for unjustified expenditure" which they listed on a spreadsheet submitted with their case statement. Items identified related to:

33.i **Cleaning** – Cleaning charges have increased significantly from those incurred during previous Service Charge years and were in excess of budget. It is common ground that there has been increase in cleaning services following a notice served by fire authority after an inspection of the basement. A new cleaning firm was engaged and the caretaker was involved in assisting the cleaning. This includes

cleaning of the bin areas used by both commercial and residential tenants, moving bins out to the street for collection, necessarily via the lift and keeping clear the route of the fire escape for the benefit of the licensed premises kitchen area. The Applicants suggest that this has been occasioned because of fire requirements of the commercial tenant who should pay a greater proportion of the amount. The Applicants were unhappy with the standard of work of previous contractors but did not make specific complaints about the standard of cleaning under the new arrangements which started in December 2005. They commented on the general shabby state of the common parts. They also submitted charges may be higher than necessary because the cleaning company is based in Manchester. The Respondent stated that that this was not relevant as local staff are used.

- 33.ii It was not disputed that the licensed premises benefited only from the cleaning of the basement and ground floor entrance hallway area. This is the route by which the bins are taken for emptying.
- 33.iii Mrs Mottram advised that the current cleaning contract is for eight hours per week. The caretaker attends for one hour a day, seven days per week. Mr Smith gave details of cleaning at other Liverpool developments managed by the Respondent, including the Collegiate and Tea Factory and stated that the input at the Property was consistent with the requirements of other properties they managed. Various Applicants stated they did not consider that cleaners or caretaker were in attendance for the total of the time mentioned.
- 33.iv **Window cleaning** – The Applicants do not consider an increase from £96.60 per six week period to £376 per quarter for the period in issue is justified. They consider that a local window cleaner would charge less. They also dispute whether or not the window cleaning has been effective. Certain windows have masking tape which has not been removed and the outsides have not been cleaned because they do not open; because of height, access cannot be obtained. There are three windows to the common parts on each floor making a total of twenty-one relevant windows.
- 33.v. The Respondent confirmed that the licensed premises do not have benefit of window cleaning charged in the Service Charge and have produced a schedule which includes a complete separation and recharge to the premises for their window cleaning services. New window cleaners were engaged in January 2005 "due to dissatisfaction with the quality of work provided by the previous contractor." Competitive contracts will be obtained when the contract is renewed.
- 33.vi The amount in the accounts is £1,810 which the Respondent stated includes the sum of £280 caused by an overlap in contractors. The budget figure provided in advance of the Service Charge year amounted to £645.
- 34.i **Water charges** – The sum of £12,272 has been included in the amended Service Charge accounts for this year, this includes two missing invoices and a £3,000 accrual based on a later invoice. The billing arises from the single water meter which services the building. The Respondent has reduced the billed water charges by 15% which has been attributed to the licensed premises.

7640	VAT Borne	1905/2005	MAART1001	(OO) Metaltrale Fuels Limited									132.15
7640	VAT Borne	2402/2005	ONE-OR001	O M Farmwork Limited									275.18
7640	VAT Borne	2403/2005	ONE-OR001	O M Farmwork Limited									220.15
7640	VAT Borne	2405/2005	DMF-OR001	D M Farmwork Limited									110.04
7640	VAT Borne	2405/2005	DMF-OR001	D M Farmwork Limited									294.47
7640	VAT Borne	2502/2005	RESER001	Les Publishers Ltd									5.23
7640	VAT Borne	2502/2005	RESER001	Les Publishers Ltd									12.23
7640	VAT Borne	2502/2005	RESER001	Les Publishers Ltd									5.23
7640	VAT Borne	2505/2005	EXTRA001	Ecta Clean (Manchester) Ltd C/o Bibby Factors Yorkshire									5.28
7640	VAT Borne	2505/2005	EXTRA001	Ecta Clean (Manchester) Ltd C/o Bibby Factors Yorkshire									32.05
7640	VAT Borne	2505/2005	EXTRA001	Ecta Clean (Manchester) Ltd C/o Bibby Factors Yorkshire									52.85
7640	VAT Borne	3105/2005	MERSE003	Merespice Fza & Cold O.A.									16.75
7640	VAT Borne	3105/2005	MERSE001	Gashek Waste Services									17.54
7640	VAT Borne	01/08/2005	RESER001	Les Publishers Ltd									68.01
7640	VAT Borne	07/08/2005	RESER001	Les Publishers Ltd									6.13
7640	VAT Borne	08/08/2005	KOUSER001	KMS Building Services (Chester) DO NOT USE									21.00
7640	VAT Borne	08/08/2005	PRESER001	Prasman (Preservation) Company Limited									41.12
7640	VAT Borne	10/08/2005	ADVANO01	Advance Lits Ltd									4.98
7640	VAT Borne	13/08/2005	INDU901	Industrial Commercial Maintenance Limited									87.24
7640	VAT Borne	21/08/2005	MOKNOA001	Monor Alarm Installation Ltd									16.82
7640	VAT Borne	21/08/2005	INDU901	Industrial Commercial Maintenance Limited									121.63
7640	VAT Borne	21/08/2005	EXTRA001	Ecta Clean (Manchester) Ltd C/o Bibby Factors Yorkshire									41.33
7640	VAT Borne	23/08/2005	PRESER001	Prasman (Preservation) Company Limited									18.20
7640	VAT Borne	30/08/2005	INDU901	Industrial Commercial Maintenance Limited									24.81
7640	VAT Borne	01/07/2005	GASKE001	Gashek Waste Services									69.01
7640	VAT Borne	07/07/2005	MAART1001	(OO) Metaltrale Fuels Limited									251.05
7640	VAT Borne	11/07/2005	INDU901	Industrial Commercial Maintenance Limited									71.75
7640	VAT Borne	22/08/2005	ADVANO01	Advance Lits Ltd									131.25
7640	VAT Borne	23/07/2005	EXTRA001	Ecta Clean (Manchester) Ltd C/o Bibby Factors Yorkshire									128.13
7640	VAT Borne	28/08/2005	PRESER001	Prasman (Preservation) Company Limited									41.83
7640	VAT Borne	28/07/2005	PRESER001	Prasman (Preservation) Company Limited									18.91
7640	VAT Borne	28/08/2005	GASKE001	Gashek Waste Services									6.82
7640	VAT Borne	01/08/2005	INDU901	Industrial Commercial Maintenance Limited									69.01
7640	VAT Borne	07/08/2005	RESER001	Les Publishers Ltd									28.44
7640	VAT Borne	07/08/2005	RESER001	Les Publishers Ltd									28.44
7640	VAT Borne	10/08/2005	STEWA001	Stephens Andrew Ltd									40.83
7640	VAT Borne	15/08/2005	ADVANO01	Advance Lits Ltd									18.50
7640	VAT Borne	16/08/2005	PRESER001	Prasman (Preservation) Company Limited									90.80
7640	VAT Borne	27/08/2005	EXTRA001	Ecta Clean (Manchester) Ltd C/o Bibby Factors Yorkshire									121.83
7640	VAT Borne	31/08/2005	MARTR001	(OO) Metaltrale Fuels Limited									163.16
7640	VAT Borne	29/08/2005	GASKE001	Gashek Waste Services									22.25
7640	VAT Borne	01/11/2005	SWTR001	Smith Partnership Services									88.01
7640	VAT Borne	11/10/2005	MAART1001	(OO) Metaltrale Fuels Limited									52.85
7640	VAT Borne	11/10/2005	MAART1001	(OO) Metaltrale Fuels Limited									22.75
7640	VAT Borne	25/10/2005	EXTRA001	Ecta Clean (Manchester) Ltd C/o Bibby Factors Yorkshire									88.01
7640	VAT Borne	01/10/2005	GASKE001	Gashek Waste Services									33.04
7640	VAT Borne	02/10/2005	MAART1001	(OO) Metaltrale Fuels Limited									12.25
7640	VAT Borne	17/09/2005	SMIT1001	Smith Partnership Services									1,138.40
7640	VAT Borne	22/08/2005	INDU901	Industrial Commercial Maintenance Limited									199.40
7640	VAT Borne	23/08/2005	EXTRA001	Ecta Clean (Manchester) Ltd C/o Bibby Factors Yorkshire									130.00
7640	VAT Borne	30/08/2005	GASKE001	Gashek Waste Services									27.56
7640	VAT Borne	01/10/2005	MAART1001	(OO) Metaltrale Fuels Limited									69.01
7640	VAT Borne	01/11/2005	MAART1001	(OO) Metaltrale Fuels Limited									69.01
7640	VAT Borne	01/11/2005	MAART1001	(OO) Metaltrale Fuels Limited									69.01
7640	VAT Borne	19/11/2005	MAART1001	(OO) Metaltrale Fuels Limited									49.01
7640	VAT Borne	23/11/2005	INDU901	Industrial Commercial Maintenance Limited									23.85
7640	VAT Borne	23/11/2005	GASKE001	Gashek Waste Services									23.85
7640	VAT Borne	02/12/2005	EXTRA001	Ecta Clean (Manchester) Ltd C/o Bibby Factors Yorkshire									69.01
7640	VAT Borne	13/12/2005	MARTR002	Martin & Green Ltd (Electrical Contractor)									148.75
7640	VAT Borne	13/12/2005	MARTR002	Martin & Green Ltd (Electrical Contractor)									282.50
7640	VAT Borne	14/12/2005	RESER001	R & L Services Ltd									107.88
7640	VAT Borne	15/12/2005	RESER001	R & L Services Ltd									12.25
7640	VAT Borne	15/12/2005	RESER001	R & L Services Ltd									21.88
7640	VAT Borne	15/12/2005	EXTRA001	Ecta Clean (Manchester) Ltd C/o Bibby Factors Yorkshire									56.80
7640	VAT Borne	15/12/2005	RESER001	R & L Services Ltd									37.07
7640	VAT Borne	28/12/2005	MAART1001	(OO) Metaltrale Fuels Limited									229.89
7640	VAT Borne	30/12/2005	RESER001	R & L Services Ltd									18.53
7640	VAT Borne	31/12/2005	GASKE001	Gashek Waste Services									37.49
7640	VAT Borne	31/12/2005	INDU901	Industrial Commercial Maintenance Limited									73.95

7640 VAT Borne 121.63

7640 VAT Borne 21.00

7640 VAT Borne 128.13

7640 VAT Borne 41.83

7640 VAT Borne 18.91

7640 VAT Borne 6.82

7640 VAT Borne 69.01

7640 VAT Borne 28.44

7640 VAT Borne 28.44

7640 VAT Borne 40.83

7640 VAT Borne 18.50

7640 VAT Borne 90.80

7640 VAT Borne 121.83

7640 VAT Borne 163.16

7640 VAT Borne 22.25

7640 VAT Borne 88.01

7640 VAT Borne 52.85

7640 VAT Borne 22.75

7640 VAT Borne 88.01

7640 VAT Borne 33.04

7640 VAT Borne 12.25

7640 VAT Borne 1,138.40

7640 VAT Borne 199.40

7640 VAT Borne 130.00

7640 VAT Borne 27.56

7640 VAT Borne 69.01

7640 VAT Borne 69.01

7640 VAT Borne 69.01

7640 VAT Borne 49.01

7640 VAT Borne 23.85

7640 VAT Borne 23.85

7640 VAT Borne 69.01

7640 VAT Borne 148.75

7640 VAT Borne 282.50

7640 VAT Borne 107.88

7640 VAT Borne 12.25

7640 VAT Borne 21.88

7640 VAT Borne 56.80

7640 VAT Borne 37.07

7640 VAT Borne 229.89

7640 VAT Borne 18.53

7640 VAT Borne 37.49

7640 VAT Borne 73.95





7720	Contra	03/10/2005	3/11/2006	INDUS001	Industrial Commercial Maintenance Limited
7720	Contra	24/10/2005			
7720	Contra	28/10/2005			
7720	Contra	14/11/2005	12/12/2005	INDUS001	Industrial Commercial Maintenance Limited
7720	Contra	23/11/2005	21/12/2005	INDUS001	Industrial Commercial Maintenance Limited
7720	Contra	27/11/2005	INDUS001	Industrial Commercial Maintenance Limited	
7720	Contra	12/12/2005	INDUS001	Industrial Commercial Maintenance Limited	
7720	Contra	13/12/2005	INDUS001	Industrial Commercial Maintenance Limited	
7720	Contra	28/12/2005	25/01/2006	INDUS001	Industrial Commercial Maintenance Limited
7720	Contra	31/12/2005	24/01/2006	INDUS001	Industrial Commercial Maintenance Limited
7720	Contra	09/01/2006	06/02/2006	INDUS001	Industrial Commercial Maintenance Limited
7720	Contra	09/02/2006	09/02/2006	INDUS001	Industrial Commercial Maintenance Limited

0		0		0	
	Claim	67,357.76	-185,113.9	2,328.60	4,407.73
					Insurance RM

	Sub Total for Month/End Code:				

Form of heading values  
Insurance Motor Payment  
Fire loss bond  
Emergency repair to switchgear  
Check broomstick  
Paint out from on water  
Paint broomstick  
Reset water switch  
Investigate leak on B13  
Reorder billroom ceiling

271.43  
-50,000.00  
-4,800.00  
285.53  
208.45  
208.15  
231.08  
281.08

- 34.ii The Applicants believe the apportionment should be 40% to the licensed premises because of the nature of that occupancy. They highlight use by public house customers of toilets, kitchen and the general nature of licensed business.
- 34.iii The Applicants support their apportionment by calculations based on a Parliamentary Briefing Note in March 2000 giving averages for annual water consumption per person/per day. The Respondent submits that the use of such averages is "not a firm, reliable method for determining the actual water usage of the building."
35. **Electricity** – the Respondent stated that they have not at any time received an electricity bill for the building and there is no amount charged for electricity. Despite this position, electricity has been included in each budget underlying each request for Service Charge on account of the year in question.
- 36.i **Fuel charges** – the amount within the Service Charge account described as light and heat is £11,506 but relates to fuel oil for the space heating and hot water systems.
- 36.ii The boiler was replaced in 2004 and the installation is still under warranty. The issue between the parties largely relates to the proportion of the fuel charges that should be attributed to the licensed premises. The Applicants presented calculations based on figures produced for the government energy efficiency best practice programme. Using these figures they calculated usage by the flats and communal landings. They submitted on that basis that 45% of the fuel relates to the residential tenancies.
- 36.iii Mrs Mottram stated that the Respondent considered that 15% of the charge is attributable to the commercial premises based on the relative floor area of the bar premises to the remainder of the building.
- 37.i **Repairs and maintenance charges** – The Applicants refer to their general submission noted at paragraph 28 above. They drew attention to individual invoices for repairs set out in a schedule to their case statement. The Respondent accepted that some items should be removed from the Service Charge request and stated that the remaining items were properly incurred, submitting for instance it reasonable for original installers to be involved in maintenance of boilers.
- 37.ii The Applicants referred to invoices from D M Formwork Ltd for removal of rubbish which they consider should have been included in insurance works that should not have led to a Service Charge. They also queried whether certain works had actually been carried out or were appropriate. They stated that the consequence of damage which formed the subject of an insurance claim should have been recovered in that claim and not recovered by inclusion in the Service Charge.
- 37.iii The Applicants consider charges for repair of the entry phone system should not be included as the work has not proved satisfactory. The system does not work as intended. They believe specialist should have been engaged. Mrs Mottram stated that the equipment was disconnected by general contractors and sent to the manufacturers for maintenance.

38. **Lift maintenance** – During the hearing the parties agreed that expenditure on the lift included matters of upgrade/redevelopment which should appropriately be taken from the existing sinking fund balance and not form a further charge to residents within the year.
39. **Fire alarm** – The Applicants drew attention to the refurbishment of the emergency lighting in 2004 at a cost of £3,500 and consider that in particular, expenditure of £203 on repairs and £200 for servicing of fire extinguishers should not fall upon residents in addition to the budgeted £800 for maintenance. They expressed some surprise as they were not aware of the installation. The Respondent submitted that the works forming the invoices were properly required and the charges reasonable. It was later agreed that the system was the benefit of the licensed premises and should not be charged to residents.
- 40.i **Water pumps** – The Applicants refer to "excessive call-outs because of Trinity's lack of management and control." They drew attention to the repetitive nature of work carried out by Messrs Pressmain and submitted that that firm had identified and reported an underlying fault some years ago. They consider that repeated call-outs arose from a lack of effective management by the Respondent.
- 40.ii Mrs Mottram stated that call-outs were in response to reported faults and that as a matter of policy immediate action had to be taken when leaseholders reported a matter as basic as a lack of water supply to their flats. The charges arose from call-outs to deal with that problem. She accepted that lack of co-ordination between contractors may have resulted in call-outs but stated that a call-out to rectify the problem at the time was still necessary. The pump was eventually replaced although it was acknowledged that ideally the similarity of the Pressmain items would have been picked up earlier by a manager.
- 41.i **Boiler** – The Applicants consider the expenditure for maintenance of the boiler exceeded the budget amount, not least because the contractor utilised, Messrs Flue Clean, is located in Stockport. Their invoices contain significant charges for travel time and mileage.
- 41.ii Mrs Mottram stated that Messrs Flue Clean is the contractor who installed the boiler and their involvement in maintenance was considered "most appropriate" as the boiler was still under warranty. She referred to two sets of call-out invoices highlighted by the Applicants, she said they were treated as emergency calls as without an operative boiler the building did not have heat and hot water.
- 42.i **Waste removal** – The Applicants stated that until approximately 2004 refuse was collected by the local authority, Liverpool City Council. This service ceased and in subsequent years an independent contractor Messrs Gaskell Waste Services was engaged. They empty both residents' and commercial tenant's refuse from the bins put out by the caretaker.
- 42.ii The Respondent was unable at the hearing to advise why the local authority service had ceased and no attempt had been made to query the position. An Applicant leaseholder stated that the local authority had informed him that if requested, they would call.

- 43.i **Redecoration Fund** - The Applicants consider the amount requested on account for future decoration, a separate element of the sinking fund is excessive. They commented upon the increased contribution for the year under consideration over that for previous years.
- 43.ii The Applicants consider their liability for interior decoration should be reduced by the insurance claim and that any shortfall in funds available from that source should not form expenditure requested from residential Tenants.
- 43.iii. The Applicants consider the amount requested reasonable taking into account the decorative condition of the Building and anticipated cost, particularly of exterior redecoration which is imminent. They suggested this might cost up to £30,000 explaining that this will necessarily involve scaffolding. The Respondent accepts that the commercial tenants should also make a contribution to redecoration.
- 44.i **Sinking Fund** – The Applicants consider that the requested contribution towards (general) sinking fund is excessive. They said that they do not have sufficient details of anticipated work, estimates or budget proposals to form a final view.
- 44.ii The Respondent stated that the contribution requested is necessary because of the state and condition of the building and its installations and facilities. They drew attention to the recent need to replace the boiler, work to the lift, major work necessary to the roof and foreseeable replacement of external drainpipes and other installations. This has been evidenced by the need to replace the boiler.
- 45.i **Building insurance premium** – The Applicants consider without sight of insurance documents and risk covered, the increase in insurance premium during the year in question is unjustified.
- 45.ii The Respondent referred to their block policy for all properties under their management and stated that the increase for the year was due to inclusion of terrorism cover and an almost doubling of the sum insured following revaluation. They point out that the Property is in a high risk location, reflected in the premium.
46. **Service Charge Years 2006/2007 and 2007/2008:**  
The Applicants consider that the requests on account of these years are excessive and should be reduced in line with their submissions relating to the 2005/2006 Service Charge account, particularly those in relation to the benefit to the licensed premises of the relevant services.

#### G. The Law:

47. Section 27A of the Landlord and Tenant Act 1985 provides that an application may be made to a leasehold valuation tribunal for a determination whether a service charge is payable.
48. Section 19 of the Landlord and Tenant Act 1985 states  
(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.

49. Section 20C of the Landlord and Tenant Act 1985 states

(1) A tenant may make an application for an order that all or any of the costs incurred, or to be incurred, by the landlord in connection with proceedings before a court residential property tribunal] or leasehold valuation tribunal, or the Lands Tribunal, or in connection with arbitration proceedings, are not to be regarded as relevant costs to be taken into account in determining the amount of any service charge payable by the tenant or any other person or persons specified in the application.

## H. TRIBUNALS CONCLUSIONS WITH REASONS

### Conclusions:

We have considered the general submission of the parties and taken them into account when considering specific issues raised. We have commented on these general submissions in our conclusions.

#### a. Cleaning:

i. Following our inspection of the premises and evidence given by the parties we conclude that other than in relation to the basement and ground floor, the commercial tenant does not derive or have interest in the cleaning of the common parts to the Property. We note that the change of cleaning contractor, increase in frequency and extent of cleaning and consequent increase in costs followed a visit by a statutory authority. We accept from the evidence that that authority was particularly concerned with the fire escape from the licensed premises. Whilst this was the catalyst for the increased cost, we must consider whether the cleaning activity was nevertheless necessary and is proportionate and appropriate for the benefit of residential tenants. We note this includes the taking in and out of residential and commercial refuse bins and tidying up of waste areas. We have inspected these areas and note bins have to be taken out in the lift via the main entrance.

ii. Bearing in mind the nature and layout of the Premises we accept it reasonable that cleaners should be engaged for eight hours each week with additional activity by the caretaker, particularly because of necessity to maintain the bin storage area and take bins to the street as required. We have particularly taken into account the number of floors in the building and the condition of the premises. Whilst we found evidence of what the Tenant's describe as "shabbiness" we were not persuaded that cleaning itself was ineffective. To the contrary, it is clear that in the basement area at least, the new contractors have increased the standard of cleanliness. We find that the total expenditure on cleaning is acceptable.

iii. Taking into account the number of flats, the traffic between floors and the consequent use of the waste facilities and balancing that against the needs of the commercial tenant of what is an extensive bar and food facility; we take the view reinforced by the evidence of the trigger for the increase in cleaning, that a substantial proportion of cleaning attention is for the basement and entrance way. From our view of

the relevant benefit to the parties we conclude it is appropriate that the residential tenants pay 75% of the combined cleaning and caretaking costs. Having reached our conclusions we consider cleaning activities should be kept under review not least to ensure that the contracted input is consistently provided.

**b. Window cleaning:**

i. From our inspection of the premises we note there are twenty-one relevant windows to be cleaned within the common parts. From our observation we accept the Applicant's submissions that the outsides of the windows are not accessible and have not been cleaned. On the day of the inspection we observed the internal surfaces of several windows had not been cleaned for some time and had masking tape and other marks indicating a lack of effective attention.

ii. We note that the amount in the 2005/2006 for window cleaning services £1,810. This does not appear reduced by £280 which the Respondent acknowledged was incurred due to an overlap of contractors; this allowance should be made.

iii. Taking into account the cleaning that is possible without access to outside window surfaces and the evidence of the standard of cleaning that has been carried out, we do not consider the costs have been reasonably incurred or that the cleaning is of a reasonable standard. We conclude that it would be reasonable to limit that charge to the sum of £645 being the expectation of the parties when setting out the budget for the year in question. Whilst this may have reflected previous contractors charges who did not provide an adequate service, we are not satisfied there has been an improvement.

iv. Unless there is a change in contractor or improvement in standard, we consider that the budget figure for later service charge years should reflect our conclusions relating to 2005/2006.

**c. Water charges:**

i. It is a matter of regret expressed by all parties that the licensed premises do not have a separate water meter. Ideally, each individual flat would have its own meter. We have considered the evidence provided by the parties. The Respondent has taken a view that it is reasonable that the commercial unit pays 15% of the charge; however, we can find no logical basis for that conclusion. The Applicants have provided independent evidence of average water usage, however, this is limited in its application because we are not aware of the number of individuals resident in flats during the relevant period. We observed some flats are two bedroom and some are one bedroom and as they are largely let to tenants, there will be void periods. We are also not in the position to determine the actual usage by the licensed premises, we are not aware of the extent of their trade or numbers of people who attend the premises. From the information available and taking into account our knowledge of water charges we consider on average a flat owner might expect to pay around £250 p.a. for a metered water supply. This is necessarily broad brush average taking into account the different sizes and occupancy of the flats. With that figure in mind we conclude that an apportionment of 40% to the licensed premises as submitted by the Applicants is a reasonable apportionment and is appropriate to reflect reasonably incurred charges on behalf of the residential tenants.

**d. Electricity:**

i. The Respondent accepts that it has not received accounts for electricity to the common parts. Whilst they might care to investigate the cause, at this stage it is unreasonable to collect on account of charges which may not be made or may have been

satisfied, whether or not inadvertently by another party. We observe that a sinking fund is available should at some stage an account be raised, this will give some measure of comfort for that event. We conclude it inappropriate to collect on account of speculative electricity charges and this item should not be included in requests for Service Charges on account for later years unless accounts are received. We note that such amount would relate to lighting of common parts and any electricity involved in heating and water services and would require apportionment between licensed premises and residential tenants.

**e. Fuel charges:**

i. The difference between the parties relates to the apportionment of benefit between residential and commercial areas. We have considered the government statistics submitted and note that they include different figures for old and new boilers. They do not differentiate between age and relative thermal efficiency of buildings. They relate to residential premises only. We do not consider them reliable indicators of estimated usage for flats in a building such as that in question. The Property is a conversion of commercial premises, has unique features and not purpose built. We find no guidance in those figures.

ii. We consider for matters such as heating our best guide is the relative space that is heated and conclude that it is appropriate to consider the area occupied by the relevant tenancies. This is necessarily an approximate method and does not take into account an important element, hot water. We have taken a view based on approximate floor area and our conclusion about water usage referred to above. We conclude that it is appropriate for the residential tenants to be responsible for 70% of the cost. We consider the remaining 30% is attributable to fuel consumption for the benefit of the licensed premises.

**f. Repairs and maintenance charges:**

i. We note that the Respondent has agreed that items in the agreed bundle 82(2)(5)(10)(11), invoices from D M Formwork Ltd and Industrial Commercial Maintenance Ltd invoices should be removed from the Service Charge account.

ii. We note that D M Formwork Ltd was engaged for insurance works. We were not persuaded that their other invoices included within the Service Charge should be differentiated from those works and consider them a consequence of the insured loss. We conclude they should have formed part of the claim and not included in the Service Charge. We reach a similar conclusion regarding the invoice from Fast Property Maintenance Services dated 1 July 2005 which as it states, relates to the flooding which we note was the substance of the insurance claim.

iii. Whilst we accept that longer familiarity of management of the Property by one individual might have given that might have led to greater efficiency and avoidance of duplicated charges, we are not able to identify specific unjustified or wrongly charged items in the accounts. The Property is of some age and requires greater maintenance than a modern purpose built development. We are not persuaded that utilisation of local contractors would have resulted in significantly lower invoiced costs. It is reasonable for a management company to utilise contractors on an approved list to ensure some quality and consistency of outcome.

iv. Many of these items were identified during the hearing and agreed between the parties. They may also form the content of a letter dated 26 February 2007 from the Respondent to the Applicants' solicitor. We would not seek to disturb any agreement

between the parties. For the avoidance of doubt in that we have referred to any such item the agreement of the parties about its treatment should prevail.

v. We have considered the invoice in relation to the repair for the entry phone system. At the time of our visit we noted that it was not working. Clearly repairs have not been satisfactory despite steps stated to have been taken by way of return to original manufacturer. It may be that the fault lies elsewhere. We do not consider it reasonable that there should be a perfect outcome to any particular maintenance visit as a manager cannot be sure that a matter complained about is capable of repair in the way stated. Nevertheless, in the light of the lack of effective completion we consider that unless and until properly repaired there should be no further charges for its obvious requirement for attention. It is clear to us that reasonable management would query the effectiveness of the contractor's work and ensure it is corrected.

**g. Lift maintenance:**

i. Taking into account the agreement reached by the parties about allocation of some expenditure to the sinking fund as cost of upgrade, we accept the sum remaining within the account is appropriate to reflect expenditure on maintenance.

**h. Fire alarm:**

i. We note this is now accepted as relevant to the licensed premises and is no longer sought from the residential tenants.

**i. Water pumps:**

i. From the evidence given about the frequency and repetitive nature of call-outs for the water pump and its ultimate replacement after sufficient attention was given to the Pressmain reports, we conclude that the position has not been effectively managed and that as a result, significant charges have been incurred which could have been avoided. We do not consider it reasonable that all charges should fall upon the Applicants and conclude that the amount contained within the Service Charge should be reduced by approximately 50% such that £1,600 falls within the Service Charge.

**j. Boiler:**

i. We accept it reasonable and appropriate, particularly during the warranty period that installing contractors should be engaged for maintenance. We consider this outweighs any consideration of travelling time, particularly when their base is as close as Stockport, within the North West region. Any saving in travelling time should be balanced with the expertise relevant to the installation and the contractor's warranty obligations. We conclude the amount contained within the Service Charge is appropriate.

**k. Waste removal:**

i. It is common ground that the caretaker's duties extend to taking waste bins to the street for collection. This is required by the independent contractor and was necessary for the local authority when it carried out refuse collection. Neither party could advise why local authority refuse collection ceased. We find no good reason from the evidence why this might be so and suspect, although we do not determine, that the position changed when it became necessary to employ private contractors for the commercial refuse stored in the same basement area. We do not consider it reasonable or that management has been efficient in the circumstances. The collections to which residents are entitled and have paid for within their council tax should have continued; we do not consider any element of refuse collection charges are reasonably or appropriately included within the Service Charge and they should be removed.



**I. Redecoration fund:**

i. The lease provides for the collection of funds in anticipation of redecoration. We have noted the figures so far collected and the evidence of likely costs of decoration, described as imminent. From our observation of the building we consider that estimate within the range we would expect. In the light of the funds so far available, we conclude it appropriate to require a charge in the sum requested.

ii. It is clear that issues relating to the insurance claim and internal decoration have not been resolved. No doubt such will be investigated and at the time of expenditure, appropriate apportionment of the costs will be made. We do not consider this capable of determination at this stage.

**m. Sinking fund:**

i. Taking into account the sinking fund balance, £8,700 (appendix 1), the nature of the Building and likely costs of works to a building of that character, we consider it necessary for a realistic sum to be collected over time by way of sinking fund in anticipation of expenditure. Our observation revealed the difficulties presented by a conversion of a listed building which will have to be taken into account in future repairs and replacements. We conclude that the sum requested from residential tenants is reasonable. Issues such as a contribution to actual repairs by the commercial tenant are a matter for consideration when the item of expenditure occurs.

**n. Building insurance premium:**

i. We noted the explanation provided for the increase in insurance premium and have considered whether the premium itself is reasonable for the cover given. We have borne in mind the character of the building, its size and location. In the absence of alternative quotations or evidence we have no reason to consider either the sums insured or resulting premium inappropriate. It is within the range we would have expected and consider the amount requested is properly included within the Service Charge although we would expect on each renewal the managers and brokers would endeavour to obtain competitive quotes to ensure the premium represents value for the cover obtained.

**o. Proportion of Service Charge attributable to residential and commercial tenants:**

i. At the close of proceedings the Respondent submitted a schedule of proposed/agreed apportionments of various items of charge to the commercial premises expressed as "proportion to bar." We accept them as reasonable and appropriate insofar as we have concluded that an amount falls upon the residential tenants and we have not indicated any greater attribution or contribution by commercial tenants. We take into account that expenditure from sinking and redecoration funds will form the basis of Service Charge when made and should be considered having regard to the particular item of expenditure and relevant benefit to each class of tenant.

ii. We note that the schedule attributes 5.5% of management fees to the licensed premises. We do not consider this proportionate. The licensed premises are approximately 15% of the floor area of the building and as we have determined substantial users of the services, some to greater extent than 15%. We have borne in mind that they are a single unit and do not require individual servicing of the number of leaseholders on each residential floor. Taking this into balance, we conclude they have benefit of 15% of the management fees and that the residential tenants should pay 85% of such fees.

iii. The Applicants referred in their case statement to contribution by the lessees of the roof space utilised for the telecommunication installation. No evidence or detail was provided about consequential usage of common parts, internal or external or the effect of their presence upon the premises. From our observation of the installation we anticipate access will mainly be external and the presence has limited if any, impact upon the residential tenants and internal common parts. Requirements for maintenance of an aerial are different in nature from those of occupiers of premises, whether residential or commercial. It is obvious they do not have the benefit of heating, lighting, cleaning and most other aspects of occupation save for a right of support. We are not able to determine any significant attribution of service costs to this interest and decline to make any apportionment or allowance.

**p. Service Charge year 2006/2007:**

i. This Service Charge year has now been completed although accounts are not yet finalised. Collection on account is now historic. Whilst we would expect audited accounts to be available within the immediate future as indicated by the Respondent at the hearing and this may render our determination otiose, we conclude that the sum payable shall equate to the amount determined due from the Applicants for Service Charge year 2005/2006.

**q. Service Charge year 2007/2008:**

i. Taking into account the Respondent's evidence of closer management attention to the Property and clarification of the apportionment of service costs to the licensed premises, we conclude the Service Charge requested for this year should equate to that determined for Service Charge year 2005/2006.

**r. Section 20C – Landlord & Tenant Act 1985:**

i. The original application related to Service Charge years 2002 onwards. During the appeal period the parties have resolved in their entirety issues relating to years to 2005/2006 and many issues relating to the later years. We note that the many changes of personnel involved in the management of the Building and consider that without the attention now given by the Respondent these matters might have remained unresolved. Taking this into account and the determinations we have made, we are satisfied that it was appropriate that the application was made and heard.

ii. The Respondent did not choose to make submissions relating to Section 20C.

iii. In the light of our observations in paragraph i. we conclude it appropriate to make an order under Section 20C negating any right the lease contains to include costs incurred in these proceedings within the Service Charge and order to that effect. We observe that neither side referred to application fees and make no order relating to them.

**Order**

a. The Service Charge payable for the year for 2005/2006 shall reflect the tribunal's conclusions in Section H. For the avoidance of doubt, the tribunal's conclusion in paragraph o.i shall apply.

b. The Service Charge requested on account for the year 2006/2007 shall equate to the sum determined payable for Service Charge year 2005/2006.

- c. The Service Charge requested on account for the year 2007/2008 shall equate to the sum determined payable for Service Charge year 2005/2006.
- d. Any costs incurred or to be incurred by the Respondent shall not be relevant costs to be taken into account in determining the amount of any Service Charge payable by the Applicants.

**Appendices**

- 1. Appendix 1 – Letter dated 26 February 2007 Respondent to Applicant's solicitors enclosing draft account for Service Charge year 2005/2006.
- 2. Appendix 2 – Schedule of Service Charge items with proportions attributed to licensed premises submitted at the close of proceedings by the Respondent.

Date: May 2007

Signed:

Chairman: L J Bennett

	Notes	Ref. No.	Nat'l	YAT'l	Total	Propn. to Bar %	Charge to Bar \$	
Buildings Insurance	01/04/05 to 31/03/2006		7,041.31		7,041.31	11.11	782.29	782.29
Cleaning			6,775.56	1,185.72	7,961.28	5.5	437.87	437.87
Window Cleaning	To Bar only							
		Window Cleanin	320.00	56.00	376.00	100	376.00	
		Window Cleanin	320.00	56.00	376.00	100	376.00	
		Window Cleanin	320.00	56.00	376.00	100	376.00	
		Windows cleane	320.00	56.00	376.00	100	376.00	
		Windows cleane	320.00	56.00	376.00	100	376.00	1880.00
Water	01/04/05 to 31/03/2006		2,657.71		2,657.71	15	398.66	
			2,112.91		2,112.91	15	316.94	
			2,362.70		2,362.70	15	354.41	
			2,138.92		2,138.92	15	320.84	
			3,000.00		3,000.00	15	450.00	1840.44
Dil	1/4 to 3/4	Various	11,506.29	2,013.60	13,519.89	15	2027.98	2027.98
General Maintenance	Emergency repair to switchfuse	INDUS001	1,427.63	249.84	1,677.47	100	1677.47	
		Various	10,859.00	1,900.33	12,759.33	5.5	701.76	2379.23
Refuse Collection	01/04/05 to 31/03/2006	Various	1,625.00	284.38	1,909.38	5.5	106.02	106.02
Fire Alarm Maintenance	Annual Inspection		1,254.46	219.53	1,473.99	100	1473.99	1473.99
Boiler Maintenance	Servicing Contract 2005		163.10	32.04	215.14	15	32.27	
	Repairs		236.20	41.34	277.54	15	41.63	73.90
Water Pump Maintenance	Servicing Contract		235.00	41.13	276.13	15	41.42	
			238.00	41.65	279.65	15	41.95	
			348.00	60.90	408.90	15	61.34	
			130.00	22.75	152.75	15	22.91	
			1,262.80	220.99	1,483.79	15	222.57	390.18
Management Fees	01/04/05 to 31/03/2006		5,126.29	897.10	6,023.39	5.5	331.29	331.29
Redecoration Fund	01/04/05 to 31/03/2006		6,250.00		6,250.00	5.5	343.75	343.75
Sinking Fund	01/04/05 to 31/03/2006		8,700.00		8,700.00	5.5	478.50	478.50
							<u>12,544.83</u>	<u>12,544.83</u>

Notes

- 1 Quarterly servicing of fire alarm to bar
- 2 Repairs to bar fire alarm installation
- 3 Window cleaning to bar
- 4 Six monthly service of oil fired boiler
- 5 Six monthly service of water pumps
- 6 Metered water consumption to building

Reckoned from BAR

26<sup>th</sup> February 2007

Sian Evans  
Dispute Resolution Department  
JST Lawyers  
Colonial Chambers  
Temple Street  
Liverpool  
L2 5RH

Dear Sian

**Re: National Bank Building, Liverpool**

Further to the LVT hearing on 16<sup>th</sup> February I have enclosed the revised draft accounts for the period to 31<sup>st</sup> March 2006.

The adjustments made as result of the hearing to date are:

- 1) Moved £965.00 from Repairs & Maintenance to Cleaning to cover the caretaker costs where the invoices were originally miss-coded.
- 2) Increased water charges by the two identified missing invoices (£2,362.70 and £2,138.92). There is also an additional accrual for £3,000 accrual based on the attached invoice received in June 2006 based on an actual reading.
- 3) Charged £1,782 + £311.85 (VAT) to the Sinking Fund from Lift Maintenance. This invoice relates to supplying and fitting a drive inverter.
- 4) Invoice from Industrial Commercial Maintenance for Emergency Repair to switch fuse in First National Bar £1,427.63 + £136.85 (VAT). This is now included in the Commercial recharge.
- 5) Amended the charge to the Commercial Unit as per the attached recharge schedule. Commercial recharge increased from £10,021 to £15,429.

The deficit is now amended to £8,821 from £8,822. This is broken down as follows:

Original Draft Accounts	£8,822.58
Add additional water charges	£7,501.62
Movement to Sinking Fund	(£2,093.85)
Additional charges to Commercial	(£5,408.80)
	-----
	£8,821.55
	=====

I trust the above to be in order, however should you require any further information or have any queries, please do not hesitate to contact me on 01582 465089.

Yours sincerely

**Jonathan Smith**  
**Company Accountant**

**TRINITY (ESTATES) PROPERTY  
MANAGEMENT LIMITED**

**Scheme Accounts in Respect of  
NATIONAL BANK BUILDING,  
LIVERPOOL**

**For the year ended  
31 March 2006**

**DRAFT**

Trinity (Estates) Property Management Limited

INCOME AND EXPENDITURE ACCOUNT  
In respect of National Bank Building, Liverpool

For the year ended 31 March 2006

	For the year ended 31 March 2006		For the year ended 31 March 2005	
	£	£	£	£
<b>Income</b>				
Service charge receivable		60,021		59,869
Other Income		15,429		12,888
Trinity Settlement of March 04 Deficit				69,300
Trinity Settlement of Declined Insurance claim		104,567		208,009
		<u>180,017</u>		<u>350,066</u>
<b>Expenditure</b>				
Cleaning		6,776		3,132
Window cleaning		1,810		1,130
Water charges		12,272		4,492
Light & heat		11,506		14,952
General Repairs & Maintenance		10,859		26,849
Lift maintenance		873		900
Fire/emergency lighting maintenance		1,254		1,116
Pump & boiler maintenance		3,090		2,171
Refuse Collection		1,625		
Bank charges and interest		123		183
Accountancy fee		450		450
Building insurance		7,041		4,708
Lift insurance		367		
Management fee		5,126		4,687
VAT		6,147		9,947
Insurance Claims Declined		104,567		200,000
		<u>173,888</u>		<u>274,716</u>
<b>Transfer to reserves</b>				
Redecoration fund		6,250		3,150
Sinking fund		8,700		2,900
Service charge costs		(188,838)		280,766
<b>Surplus/(deficit) for the year</b>		<u>(8,821)</u>		<u>69,300</u>

DRAFT



Trinity (Estates) Property Management Limited

BALANCE SHEET

In respect of National Bank Building, Liverpool

As at 31 March 2006

	31 March 2006		As at		31 March 2005	
	£	£	£	£	£	£
<b>CURRENT ASSETS</b>						
Service charge debtors	23,258		28,704			
Insurance Debtors	16,918		204,350			
Trinity Estates	401,115		277,309			
Prepayments	2,545					
Other debtors	43,512		35,321			
		453,512		545,683		
<b>CURRENT LIABILITIES</b>						
Bank overdraft	406,439		356,799			
Trade creditors	23,052		172,313			
Accrued expenses	9,492		6,078			
		438,983		(535,190)		
		14,529		10,493		
<b>RESERVES</b>						
<b>Redecoration Fund</b>						
Balance brought forward	12,100		8,950			
Transfer from Income & Expenditure Account	8,250		3,150			
		18,350		12,100		
<b>Sinking Fund</b>						
Balance brought forward	(1,607)		7,233			
Expenditure During the year	(2,094)		(11,740)			
Transfer from Income & Expenditure Account	8,700		2,900			
		4,999		(1,607)		
<b>Balance on Income &amp; Expenditure Account</b>						
Balance brought forward	0		(69,300)			
Transfer from Income & Expenditure Account	(8,821)		69,300			
		(8,821)		0		
		14,529		10,493		

Trinity (Estates) Property Management Limited  
Scheme Accounts in respect of National Bank Building, Liverpool

For the year ended 31 March 2006

We confirm that to the best of our knowledge and belief the records produced together with the explanations given constitute a true and correct record of the transactions relating to the Scheme for the year ended 31 March 2006 and we confirm the attached accounts have our approval.

P A Halliwell

Trinity (Estates) Property Management Limited

Date

**DRAFT**

Trinity (Estates) Property Management Limited  
Scheme Accounts in respect of National Bank Building, Liverpool

For the year ended 31 March 2006

REPORT TO THE LESSEES/OWNERS OF NATIONAL BANK BUILDING, LIVERPOOL

We have examined the accounts of the above named Scheme on pages 1 and 2.

In our opinion, the accounts have been properly prepared from the accounting records and present a fair summary of the assets and liabilities as at 31 March 2006 and of the income and expenditure for the year ended 31 March 2006.

Booth Ainsworth  
Chartered Accountants  
Alpha House  
4 Greek Street  
Stockport  
SK3 8AB

Date

DRAFT

Trial Balance  
Client From 101  
Client To: 101  
Accounting 12/2005

101 Freehold Estates Ltd  
101 Freehold Estates Ltd

Nominal C	Nominal Acc Name	Accou	Year to Date Balance	GR/RENT	Adj's	Revised TB	
2010	Bank Account-Service Charge	B	-406,559.18	120.00		-406,439.18	
2020	Bank Account - Ground Rent	B	0.00			0.00	
2040	Bank Account - Sundry	B	120.00	-120.00		0.00	
2046	Electricity Bank Account	B	0.00			0.00	
2060	Insurance Debtors	B	239,670.23	-7,238.00	-230,111.79	2,320.44	
2060	Debtors TEPM		277,309.00		104,567.58	381,876.58	
2060	Debtors First National				33,440.24	33,440.24	
2060	Debtors Redcrystal				10,071.70	10,071.70	
2070	Pre-Payments	B	0.00		2,545.00	2,545.00	
3060	Other Creditors	B	-0.26			-0.26	
3070	Accruals	B	0.00		- 9,492.46	-9,492.46	
3080	Ground Rent	B	-1,400.00	1,400.00		0.00	
4005	Sinking Fund	B	-10,493.08		- 12,856.15	-23,349.23	
4010	Reserves - Transfer from P&L	B				0.00	
	Profit & Loss Brought Forward					0.00	
	CREDITORS CONTROL	B	-23,051.66			-23,051.66	
	DEBTORS CONTROL	B	90,587.36	1,970.87	-69,300.00	23,258.23	
	CLIENT CONTROL	B	3,370.87	-3,370.87		0.00	
6010	Service Charge - Receivable	P	-129,320.66		69,300.00	-60,020.66	Redcrystal
6020	Service Charge First National Bar P	P			-12,544.83	-12,544.83	
6020	Service Charge Redcrystal	P			-2,884.51	-2,884.51	
7100	Cleaning	P	5,810.56		965	6,775.56	
7120	Window Cleaning	P	1,810.00			1,810.00	
7140	Water Charges	P	4,770.62		7,501.62	12,272.24	
7180	Other Fuel	P	11,506.29			11,506.29	575.31
7200	General Repairs & Maint	P	12,420.70		-1,561.45	10,859.25	
7220	Lift Maintenance	P	2,654.80		-1,782.00	872.80	43.64
7240	Fire/Emergency Lighting Maint	P	1,254.46			1,254.46	62.72
7280	Pump Maintenance	P	2,213.80			2,213.80	
7300	Boiler Maintenance	P	419.30			419.30	
7340	Other Plant/Equipment Maint	P	456.80			456.80	
7400	Refuse Collection	P	1,625.40			1,625.40	
7420	Buildings Insurance	P	9,136.31		- 2,095.00	7,041.31	528.10
7440	Engineering Insurance	P	367.17			367.17	19.36
7480	Audit Fees	P	-850.00		1,300.00	450.00	22.50
7520	Bank Charges	P	122.50			122.50	
7560	Interest Receivable/Payable	P	-7,238.00	7,238.00		0.00	
7590	Recoverable Court Costs	P	450.00		450.00	0.00	
7570	Health & Safety Audit	P	0.00			0.00	
7600	Miscellaneous	P	258.64		258.64	0.00	
7620	Management Fees	P	4,731.96		394.33	5,126.29	512.63
7640	VAT Borne	P	18,871.33		- 12,723.94	6,147.39	
7660	Redecoration Fund	P			6,250.00	6,250.00	468.75
7690	Sinking Fund	P			8,700.00	8,700.00	652.50
7720	Contra	P	-111,025.30		111,025.30	0.00	
			-0.04	0.00	0.00	-0.04	2,884.51

Other Debtors				
	Insurance	First National	Redcrystal	TEPM
2005	232,432.23			
-	20,895.41	20,895.41		
-	7,187.19		7,187.19	
				Interest
2006	111,025.30	7,046.94	2,884.51	Interest
	<u>93,324.33</u>	<u>27,942.35</u>	<u>10,071.70</u>	<u>-</u>

Notes to adjustments

- Moved £965 from R&M to cleaning to cover the caretaker costs
- Increased water charges by the 2 missing invoices and a £3k accrual
- Charged £1782 + VAT to sinking fund from Lift maint.
- Repairs & Maint - Charged bar with ICM invoice for Switchfuse.

Original Position	8,822.00	Original Start Point	
	7,501.62	Missing Water Charges	
-	5,408.34	Less Additional commercial charges	
-	2,093.50	Less Lift Maint invoice to sinking fund.	

## Notes to adjustments

- 1 Moved £965 from Repairs & Maintenance to Cleaning to cover the caretaker costs  
Invoices originally mis-coded.
- 2 Increased water charges by the 2 missing invoices (£2362.70 and £2138.92)  
also added an accrual for £3k accrual due to actual reading
- 3 Charged £1782 + VAT to sinking fund from Lift maint.
- 4 Repairs & Maint - Charged bar with ICM invoice for Switchfuse. £1,427.63 + VAT
- 5 Added various additional items to the commercial charge for the bar..

<u>Expenditure Headings</u>		<u>2005/06</u>	<u>(VAT)</u>	<u>Actual</u>	
<u>Common Parts</u>					
1	Cleaning	2620		6776	4156
2	Window Cleaning	645	(113)	1810	1165
3	Water Charges	4600		12272	7672
4	Electricity	2500	(125)		(2500)
5	Oil	14000	(2450)	11506	(2494)
<u>Maintenance</u>					
6	General Repairs & Maintenance	5000	(875)	10859	5859
7	Lift	1200	(210)	873	(327)
8	Fire Alarm Maintenance	800	(140)	1254	454
9	Boiler	800	(140)	876	76
10	Water Pumps	1000	(175)	2214	1214
11	Refuse Collection	600	(105)	1625	1025
<u>Insurance/Professional Costs</u>					
12	Buildings	4732		7041	2309
13	Audit Fee	450	(79)	450	
14	Lift Insurance	265		367	102
15	Bank Charges	150		123	(28)
16	Management Fee	4620	(809)	5126	506
17	VAT	5220		6147	927
18	Redecoration Fund	6250		6250	
19	Sinking Fund	8700		8700	
20	Less Contribution from Commercial Unit	(4500)			
<b><u>TOTAL</u></b>		<b>59652</b>			

## Accruals & Prepayments

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Willlams Park, Benton

### Accruals

<u>Code</u>	<u>Code Description</u>	<u>Details</u>	<u>Value</u>
7480	Audit Fees		1,300.00
7620	Management Fees		394.33
7640	VAT Borne		296.51
7140	Water Charges		2,362.70 Actual
7140	Water Charges		2,138.92 Actual
7140	Water Charges		3,000.00

9,492.46

### Prepayments

<u>Code</u>	<u>Code Description</u>	<u>Details</u>	<u>Value</u>
7420	Buildings Insurance		2,095.00
7590	Recoverable Court Costs		450.00

2,545.00







7200	General Repairs & Maint	31/12/2005	23/01/2006	INDUS501	Industrial Commercial Maintenance Limited
7200	General Repairs & Maint	27/02/2006	27/02/2006	BLSER001	B & L Services Ltd
7200	General Repairs & Maint	23/01/2006	27/02/2006	BLSER001	B & L Services Ltd
7200	General Repairs & Maint	23/01/2006	27/02/2006	BLSER001	B & L Services Ltd
7200	General Repairs & Maint	28/01/2006	02/02/2006	BLSER001	B & L Services Ltd
7200	General Repairs & Maint	28/02/2006	02/02/2006	FLUCR001	Flucream Installation Ltd
7200	General Repairs & Maint	10/03/2006	03/02/2006	HELEN001	Helen Chiriba
7200	General Repairs & Maint	13/03/2006	17/04/2006	BLSER001	B & L Services Ltd
7200	General Repairs & Maint	28/02/2006	10/04/2006	INDUS001	Industrial Commercial Maintenance Limited
7200	General Repairs & Maint	30/01/2006	04/05/2006	BLSER001	B & L Services Ltd
7200	Light Maintenance	10/08/2005	09/07/2005	ADVA001	Advance Lites Ltd
7200	Light Maintenance	25/07/2005	23/02/2005	ADVA001	Advance Lites Ltd
7200	Light Maintenance	16/08/2005	13/02/2005	ADVA001	Advance Lites Ltd
7200	Light Maintenance	17/02/2006	17/02/2006	ADVA001	Advance Lites Ltd
Sub Total for Nonfinal Code:					
7240	Fire/Security Lighting Maint	29/07/2005	29/07/2005	PHOCE001	H Roberts & Son Ltd
7240	Fire/Security Lighting Maint	14/09/2005	28/02/2006	MERS003	Merseyside Fire & Civil D/A
7240	Fire/Security Lighting Maint	31/01/2006	28/02/2006	PHOCE001	H Roberts & Son Ltd
7240	Fire/Security Lighting Maint	31/01/2006	28/02/2006	PHOCE001	H Roberts & Son Ltd
7240	Fire/Security Lighting Maint	28/02/2006	25/01/2006	PHOCE001	H Roberts & Son Ltd
Sub Total for Nonfinal Code:					
7280	Pump Maintenance	09/08/2005	09/07/2005	PRES001	Presman (Presusubstition) Company Limited
7280	Pump Maintenance	29/07/2005	29/09/2005	PRES001	Presman (Presusubstition) Company Limited
7280	Pump Maintenance	19/04/2005	16/09/2005	PRES001	Presman (Presusubstition) Company Limited
7280	Pump Maintenance	31/08/2005	31/08/2005	BANN001	Banning Heating & Plumbing Ltd
7280	Pump Maintenance	30/01/2006	27/02/2006	PRES001	Presman (Presusubstition) Company Limited
Sub Total for Nonfinal Code:					
7300	Boiler Maintenance	25/05/2005	24/05/2005	FLUCR001	Flucream Installations Ltd
7300	Boiler Maintenance	29/06/2005	27/01/2005	PRES001	Presman (Presusubstition) Company Limited
Sub Total for Nonfinal Code:					
7340	Other Plant/Equipment Maint	31/12/2005	30/01/2006	FLUCR001	Flucream Installations Ltd
7400	Reins Collection	30/04/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	30/04/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	31/05/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	31/05/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	31/07/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	31/07/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	30/08/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	31/10/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	30/11/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	31/12/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	31/01/2006	29/05/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	28/02/2006	28/02/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	28/02/2006	28/02/2006	GASKE001	Gas-Kill Waste Services
7400	Reins Collection	31/03/2006	28/02/2006	GASKE001	Gas-Kill Waste Services
Sub Total for Nonfinal Code:					
7420	Buildings Insurance	01/04/2005	28/07/2005	STEWAN01	Stewart Andrew Ltd
7420	Buildings Insurance	28/07/2005	28/07/2005	STEWAN01	Stewart Andrew Ltd
7420	Buildings Insurance	28/07/2005	28/07/2005	STEWAN01	Stewart Andrew Ltd
7420	Buildings Insurance	15/08/2005	15/08/2005	STEWAN01	Stewart Andrew Ltd
Sub Total for Nonfinal Code:					
7440	Engineering Insurance	28/01/2005	28/07/2005	STEWAN01	Stewart Andrew Ltd
7440	Engineering Insurance	15/08/2005	15/08/2005	STEWAN01	Stewart Andrew Ltd
Sub Total for Nonfinal Code:					
7480	Audit Fees	01/04/2005	19/04/2006	BOOTH001	Booth Atkinson
Sub Total for Nonfinal Code:					
7520	Bank Charges	01/03/2005	01/03/2005		
7520	Bank Charges	01/05/2005	01/05/2005		
7520	Bank Charges	01/07/2005	01/07/2005		
7520	Bank Charges	01/08/2005	01/08/2005		
7520	Bank Charges	01/09/2005	01/09/2005		
7520	Bank Charges	01/10/2005	01/10/2005		
Sub Total for Nonfinal Code:					
7560	Interest Receivable/Payable	01/04/2005	01/05/2005		
7560	Interest Receivable/Payable	01/05/2005	01/06/2005		
7560	Interest Receivable/Payable	01/07/2005	01/07/2005		
7560	Interest Receivable/Payable	01/09/2005	01/09/2005		

421.00	Repair main boiler				
45.35	Light bulbs replaced 5/1/06				
15.13	Light bulbs replaced 4/1/06				
60.78	Light bulbs replaced Jun 05				
15.13	Light bulbs replaced 25/1/06				
124.20	Service 07/02/06				
1.50	Key cut 10.3.06				
7.05	Light bulbs replaced 01.03.06				
44.44	Report to H&S on C.A.D. Management				
45.39	Light bulbs replaced 22/02/06				
13,429.76	Repair floors & roof				
26.50	maintenance 16/05-31/7/06				
750.00	Repair lift & vent				
94.30	Supply & fit drive inverter				
2,864.80	Supply & fit drive inverter				
More to SF					
169.00	Service ceilinglights 20/7/05				
302.00	Call out to flood				
173.00	Repair emergency light 19/1/06				
024.50	Inspection 04/05/05 & 15/1/2005				
49.90	Service water ceilinglights				
1,264.42	Check booster unit				
235.00	Check booster unit 23 July 05				
236.00	Check booster unit				
348.00	Call out in water fault				
1,302.00	Repair boiler unit				
2,273.80	Clean burner				
183.10	Boiler Maintenance				
438.20	Boiler Maintenance				
459.00	Boiler Maintenance				
456.80	Boiler Maintenance				
168.85	Empty wheats bins Apr 05				
166.85	Empty wheats bins Apr 05				
190.95	Empty wheats bins Apr 05				
100.80	Empty wheats bins 4/1/11/05 Mayo				
141.76	Refuse Collected June 05				
37.80	Empty wheats bins July 05				
138.60	Empty bins Aug 05				
217.35	Empty bins 7/11/05 Oct 05				
157.50	Bin empty 4/11/05 Nov 05				
151.20	Bin empty Dec 05				
214.20	Bin emptied 12/25 Jan 06				
72.45	Refuse Collected Feb 06				
107.10	Empty Wheats Bin March 06				
119.70	Empty Wheats Bin March 06				
152.40	Service Charge				
4,777.32	Renewal cover Sept 31 Jul 05				
1,408.77	Insurance cover Mar-Sep 04				
1,282.55	Insurance cover Mar-Sep 04				
6,285.85	Insurance Aug 05- Jul 06				
0	Insurance Aug 05- Jul 06				
138.00	Insurance charges June 04				
232.17	Insurance Aug 05- Jul 06				
347.17	Insurance Aug 05- Jul 06				
0	Insurance Aug 05- Jul 06				
1,300.00	Service Charge				
450.00	3 months work upto 31 Mar 05				
450.00	3 months work upto 31 Mar 05				
12.80	Bank Charges				
10.00	Bank Charges May 05				
10.00	Bank Charges June 05				
10.00	Bank Charges July 05				
10.00	Bank Charges Aug 05				
10.00	Bank Charges Sep 05				
10.00	Bank Charges Oct 05				
10.00	Bank Charges Nov 05				
82.59	Bank Interest Receivable				
1,494.07	Bank Interest Receivable				
1,917.78	Bank Interest Receivable				
1,197.95	Bank Interest Receivable				
1,076.90	Bank Interest Receivable				
1,050.50	Bank Interest Receivable				

03/08/2004	Repair work to basement	3194.43
03/09/2004	Repair Work	2099.8
17/09/2004	Repair Works	3104.43
24/09/2004	Work to basement	1482.03
24/09/2004	Changing flat roof	1106.61
31/09/2004	Repair Works	869.5
31/09/2004	Repair Works	2013.16
31/09/2004	Repair Works	1722.55
31/09/2004	Cleaning Flat Roof	1847.89
31/09/2004	Wet Verc	3104.43
07/09/2004	Clean Bin store	581.04
07/09/2004	Flashing to flat roof	2405.33
07/09/2004	Wet Verc	2024.69
07/09/2004	Work to basement	2249.45
07/09/2004	Repair work to Apartment 7	195.64
14/09/2004	Work to bin stores	2089.67
14/09/2004	Emergency Signwriting	1750.14
14/09/2004	Work to roof	0598.11
21/09/2004	Repair work to basement	3104.43
21/09/2004	Repair work to roof	2099.39
28/09/2004	Repairs to roof	2469.49
19/10/2004	Lead Flashing	4317.67
02/11/2004	Jobbery to lead flashing	3751.73
09/11/2004	Painting of Lead Flashing	3895.38
18/11/2004	Repair roof	4217.08
23/11/2004	Repair roof via 18/11/04	1947.82
30/11/2004	Fill & sand floor 3rd floor banding	923.84
30/11/2004	Repair roof via 28/11/04	1912.58
07/12/2004	Painting	1847.69
14/12/2004	Roof works	1878.78
21/02/2005	Roofing survey on flat 17	105.75
22/02/2005	Investigate water leak	305.4
23/02/2005	Investigate leak from solids	228.8

