

PL MANAGEMENT
PROPERTY MANAGEMENT

CHELSEA HARBOUR

FIRST-TIER TRIBUNAL: DECISION SUMMARY



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INTRODUCTION

It is our intention within this document to summarise the issues and decision of the recent First-Tier Tribunal Property Chamber Decision.

A group of leaseholders, in the end totaling 53 of the 310 residing at Chelsea Harbour, commenced proceedings against the Landlord (Chelsea Harbour Ltd), in the First Tier Tribunal of the Property Chamber. The Tribunal has now completed its work having decided on the substantive matter of the application and the matter of costs. These matters are now decided and the Applicants have decided not to Appeal. Leaseholders with arrears relating to the relevant periods will be subject to immediate collection.

The Tribunal decisions on the applications listed below are now available for leaseholders to view on the Tenant Portal

- Liability to pay and reasonableness of service charges
- Dispensation from statutory consultation regulations [S.20ZA Landlord and Tenant Act 1985]
- Costs [S.20C Landlord and Tenant Act 1985]

To view these documents, please log in to your account at <https://www.portalpm.co.uk/>. Further information regarding the Portal has been included alongside this booklet. A more comprehensive document to deal with these issues in greater depth will also be made available on the Tenant Portal in due course.

CONTACT

If you have any queries regarding the information provided within this booklet and wish to speak to a representative within PL Management, Heidi Hampton is the Associate Director overseeing the management of Chelsea Harbour and will be happy to assist you.

You can also contact the rest of the PL Management team on the following numbers:-

PL Management Main Office	+44 (0)20 3626 7565
Emergency Lines (Out of Hours)	*0345 604 8580
Emergency Lines (Out of Hours) - Overseas	+44 (0)29 2038 6713

VARIOUS LEASEHOLDERS V CHELSEA HARBOUR LTD

SUMMARY OF ISSUES PRESENTED AT THE FIRST TIER TRIBUNAL (FTT)

ISSUE	POSITION PRE-FTT	POSITION POST-FTT	RESULT
Village Charge: Apportionment	The relevant costs are apportioned between the occupiers Commercial/Residential and Car Parks based upon an approximation of area. When the Landlord completes the extension of the Design Centre a full measured survey of the whole development will take place. This survey will form the basis of the apportionment thereafter.	The relevant costs are apportioned between the occupiers Commercial/Residential and Car Parks based upon an approximation of area. When the Landlord completes the extension of the Design Centre a full measured survey of the whole development will take place. This survey will form the basis of the apportionment thereafter.	No Change
Village Charge: Allocation of Costs	Costs which are considered to be of benefit to both Commercial and Residential occupiers, such as Security, Workshop, Refuse Compactor and some CHL staff will be apportioned using the Village Charge Apportionment.	Costs which are considered to be of benefit to both Commercial and Residential occupiers, such as Security, Workshop, Refuse Compactor and some CHL staff will be apportioned using the Village Charge Apportionment.	No Change
PL Management (PLM): Management Fee	PLM's Management Fee, staffing costs and benefits are reasonable, reasonably incurred and to a reasonable standard.	PLM's Management Fee, staffing costs and benefits are reasonable, reasonably incurred and to a reasonable standard.	No Change
Qualifying Long Term Agreements (QLTA)	The contracts for Gardening, Cleaning and Security are not QLTA's.	The contracts for Gardening, Cleaning and Security are not QLTA's.	No Change
Reserve Fund	Reserve funds are collected and accumulated in accordance with the lease and the principles of good estate management. There is no "shortfall" in the funds and they are expended on appropriate matters.	Reserve funds are collected and accumulated in accordance with the lease and the principles of good estate management. There is no "shortfall" in the funds and they are expended on appropriate matters.	No Change
Traffic Control System	The costs incurred in the renewal of the car park traffic control system are reasonable and are not a QLTA.	The costs incurred in the renewal of the car park traffic control system are reasonable and are not a QLTA.	No Change
Reasonableness of Service Charge Costs	The costs incurred in the running of the development and services provided are reasonable, reasonably incurred and to a reasonable standard.	The costs incurred in the running of the development and services provided are reasonable, reasonably incurred and to a reasonable standard, except in relation to the items listed in the decision summary in as far as the Applicants are concerned.	The Applicants will receive a credit of ~£25k between them.

VARIOUS LEASEHOLDERS V CHELSEA HARBOUR LTD

SUMMARY OF FIRST TIER TRIBUNAL (FTT) DECISION

ISSUE	APPLICANT'S POSITION	LANDLORD'S POSITION	DECISION
PL Management (PLM) Management Fees	PLM's fees should be capped at £100/lessee as the agreement between CHL and PLM is a QLTA.	An Application for dispensation from the requirements to consult was submitted. No objections were received to the application for dispensation.	Dispensation was granted and PLM's fees are payable in full
Knight Frank Management Fees	Knight Frank's Fees should be capped at £25/lessee as no agreement was entered in to between CHL and KF and the draft agreement was a QLTA.	No Application for dispensation was submitted.	The draft agreement includes provisions for services which could be construed as being for a period greater than 1 year and therefore could be classified as a QLTA. The standard of management was not thought to have been of a reasonable standard and therefore the Applicants will receive a credit for their relevant proportion of the last quarter of KF's fees in excess of £100.
Chelsea Harbour Ltd. (CHL) Management Fees	CHL's fees should be reduced by 50% for the years in question for the Applicants as the standard of management had not been to a reasonable standard.	CHL conceded this issue during the course of the hearing as the time being spent on the issue was disproportionate to the amount in question.	The FTT noted that they would have ordered the reduction in the management fee in relation to the Applicants. However, other than the items noted here, no services for which CHL were responsible were found to be not of a reasonable standard.
Legal Fees	Legal Fees which relate to individual lessees, for example in relation to debt recovery, should be recovered from the lessee and not the service charge generally.	Agreed. Since PLM were appointed this has been the system employed. This issue largely relates to the period prior to PLM's appointment and the transfer information where it was not possible to identify individual costs and conversely receipts. These costs have now largely been identified, however a number of lessees have subsequently left the development or sufficient information is not available.	Where these costs are not able to be identified they will be met by the Landlord.
Audit Fees	Audit Fees in excess of what might be incurred in one year are unreasonably incurred.	With the transition from Gross Fine to KF and then PLM additional work was required.	All fees are payable save for a token deduction of £5k.

VARIOUS LEASEHOLDERS V CHELSEA HARBOUR LTD

LEGAL FEES ASSOCIATED WITH THE FIRST TIER TRIBUNAL (FTT)

ISSUE	APPLICANT'S POSITION	LANDLORD'S POSITION	DECISION
CHL Legal Fees	These should be capped at 66% of the amount that the Landlord has incurred and chargeable to the service charge, in relation to the Applicants.	There should be no deduction for the Applicants or if any deduction is allowed it should be no more than 10%	The FTT have decided that the Applicants should pay all but 8% of their apportioned amount of the Landlord's legal costs. The Landlord will meet the cost of their balance. The FTT also decided that the legal costs could be put to the service charge, meaning that all Leaseholders will be charged. The final amount is expected to be in the region of £300,000.
CHL & Applicants Costs in relation to the PLM QLTA Application for Dispensation	These should be met in full by CHL.	CHL had agreed that the Landlord's costs would be met by CHL and not the service charge. In relation to the Applicants' costs, the Landlord asked that these be limited to £1,000 as the application had been pointless.	The FTT decided that CHL should meet the Applicants costs in full. These costs are £3,030.

VARIOUS LEASEHOLDERS V CHELSEA HARBOUR LTD

LEGAL COSTS AND AWARDS PER LESSEE FOR SERVICE CHARGES IN RELATION TO THE PERIOD 29TH SEPT 2009 - 28TH SEPT 2012

	£	APPLICANT LEASEHOLDERS (53) £	REMAINING LEASEHOLDERS (257) £	CHELSEA HARBOUR LTD LANDLORD £	COMMENTS
HIGH LEVEL SUMMARY					
Service Charge Total	10,061,717	1,250,370	8,811,347	-	3 Years Inc. Car Park
Amount Claimed	4,000,000	-	-	-	Per Mr Hale email 19 April 2015
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DECISION					
CHL Management Fees	-	13,226	-	-	Fees for management of the Village Charge
Calders Fees	-	721	-	-	Fees for audit and accounts preparation transfer between KF & PLM
Legal Fees	-	7,159	-	-	Fees related to individual leaseholder but unable to be attributed
Knight Frank Fees	-	3,721	-	-	Fees for the final quarter of Knight Frank management
AWARD TOTAL	-	24,827	-	(24,827)	
LEGAL COSTS					
Applicant's Costs	(150,000)	(150,000)	-	-	Estimate admitted during the tribunal by Mr Brookson
Landlord's Costs	(300,000)	(47,374)	(230,507)	(22,119)	Landlord costs for defending the application, but not the dispensation
Dispensation	-	3,030	-	(3,030)	The applicants legal costs for the dispensation
COSTS TOTAL	(450,000)	(194,344)	(230,507)	(25,149)	
NET COSTS	(450,000)	(169,517)	(230,507)	(49,976)	

Note: A number of costs above are still to be clarified and this is therefore an estimate to be confirmed