



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

Case Reference : **LON/00BE/LSC/2013/0755**

Property : **152 GAYHURST ROAD, HOPWOOD
ROAD, LONDON SE17 2BN**

Applicant : **LONDON BOROUGH OF
SOUTHWARK**

Representative : **SOUTHWARK LEGAL SERVICES**

Respondent : **MS DOMINICA NWACHUKWU**

Representative : **IN PERSON**

Type of Application : **For the determination of the
reasonableness of and the liability
to pay a service charge**

Tribunal Members : **MS L SMITH (Tribunal Judge)
MR M CAIRNS, MCIEH**

**Date and venue of
Hearing** : **17 June 2014 at
10 Alfred Place, London WC1E 7LR**

Date of Decision : **30 June 2014**

DECISION

Decisions of the Tribunal

- (1) The Tribunal determines that the sums of £2429.38 and £3122.45 are payable by the Respondent in respect of the estimated service charges for the years 2012-13 and 2013-14
- (2) The Tribunal makes the determinations as set out under the various headings in this Decision
- (3) The Tribunal determines that the Respondent shall pay the Applicant £220 within 28 days of this Decision, in respect of the reimbursement of the Tribunal fees paid by the Applicant
- (4) Since the Tribunal has no jurisdiction over county court costs and fees, this matter should now be referred back to the Lambeth County Court.

The application

1. The Applicant seeks a determination pursuant to s.27A of the Landlord and Tenant Act 1985 ("the 1985 Act") as to the amount of estimated service charges payable by the Applicant in respect of the service charge years 2012-13 and 2013-14.
2. Proceedings were originally issued in the Northampton County Court under claim no. 3YQ13512 . The claim was transferred to the Lambeth County Court and then in turn transferred to this Tribunal, by order of District Judge Zimmels on 29 October 2013.
3. The application was initially listed for hearing on 3 March 2014 but was adjourned due to the Respondent's ill health and lack of preparedness for hearing. It was relisted for hearing on 7 April 2014 but directions were further amended at the parties' request and the application finally listed for hearing on 17 June 2014.
4. The relevant legal provisions are set out in Appendix A to this decision.

The hearing

5. The Applicant was represented by Ms Ezania Bennett and Mr Gulam Dudhia at the hearing and the Respondent appeared in person and was represented by Ms Nessa Dincgun of Southwark Citizens' Advice Bureau. Mr Michael Orey of the Home Owners Council also attended to give evidence.
6. Immediately prior to the hearing, the Applicant handed in a letter dated 25 March 2014 which set out the details of a meeting which the

Applicant had with Southwark CAB and Mr Orey on 19 March 2014 which helpfully set out the basis on which the heating and hot water charges were calculated. In the course of the hearing Mr Orey also produced a spreadsheet setting out his calculations of the heating and hot water charges on which the Tribunal permitted him to rely notwithstanding that it had not been produced earlier. The Tribunal was also informed prior to the hearing that there was another case listed on the same day before a different Tribunal concerning a property on the same estate and an adjournment of one of the hearings was sought in order that the legal representative and witnesses could be present at both hearing. Following discussion between the Tribunal panels, it was agreed that the hearing of this case would proceed first (since the other case was listed for 2 days) and the other case would be heard immediately thereafter thereby avoiding the need for a longer adjournment of either case.

The background

7. The property which is the subject of this application (“the Property”) is a 5 bedroomed flat on the Aylesbury Estate (“the Estate”).
8. 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.
9. The Respondent holds a long lease of the Property (“the Lease”) which requires the landlord to provide services and the tenant to contribute towards their costs by way of a variable service charge. The specific provisions of the Lease are set out at Appendix B to this decision and are referred to below, where appropriate.

The issues

10. The County Court claim was for estimated service charges for the year 2012-13 and 2013-14. Although the final service charge account was now available and produced to the Tribunal for information, the Tribunal’s consideration focussed on the figures claimed in the County Court proceedings which were £1318.42 for 2012-13 (the balance outstanding as at 2 August 2013 of the estimated service charge of £2429.38) and £1556.12 for 2013-14 (being that part of the estimated service charge of £3122.45 due as at 2 August 2013). At the start of the hearing, Ms Bennett indicated that some payments had been made by the Respondent so that only £438.42 remained outstanding of the estimate for 2012-13. The actual service charge for 2012-13 was in the sum of £2938.18 which was an underpayment of £498.80 but that did not form part of the County Court proceedings and was not therefore a matter for determination by the Tribunal.

11. The Respondent's updated statement of case dated 23 April 2014 focussed on the heating and hot water charges. The main issue was the apportionment of those charges between the properties on the Aylesbury Estate and lack of documentation evidencing the breakdown of the charges. The Respondent also challenged the boiler and non-boiler repairs as not justified by evidence of disrepair and the element of costs pertaining to controls as there was no explanation of this charge. In the course of his evidence, Mr Orey, also raised the issue of the Council's administration charges and the Tribunal has therefore also dealt with this issue notwithstanding that it was raised without notice for the first time during the hearing.
12. Having heard evidence and submissions from the parties and considered all of the documents provided, the Tribunal has made determinations on the various issues as follows.

Heating and Hot Water charges

13. The estimated service charge accounts include charges for heating and hot water charges which include also the boiler and non-boiler repairs which were challenged by the Respondent as well as the charges for the controls. Accordingly, this item covers all the issues raised save for the 10% administration charge. The sums included in the estimated service charge accounts were £1195.86 for 2012-13 and £1512 for 2013-14.

The Tribunal's decision

14. The Tribunal determines that the amount payable in respect of heating and hot water charges is £1195.86 for 2012-13 and £1512 for 2013-14.

Reasons for the Tribunal's decision

15. Ms Bennett referred the Tribunal to a breakdown of the charges for heating and hot water for the Property from 2009-10 to 2012-13. These figures showed a fairly consistent picture of charges and Ms Bennett submitted that most of the differences in charges were accounted for by the change in energy prices.
16. Ms Bennett then referred to the proposal sent to the tenants of the Aylesbury Estate on 23 June 2009 to re-tender the contract for gas supply to the Estate. This enabled the Council to purchase energy in bulk. No responses had been received to the consultation. Dispensation had been sought in relation to the consultation and granted by a decision dated 28 February 2012. Laser had been appointed as the new energy supplier from 1 October 2012. The new contract commenced in March 2013.
17. Ms Bennett submitted that the costs were reasonably incurred and were not unreasonable in amount.

18. In relation to repairs, Ms Bennett referred to the documentation produced by the Applicant which set out the works carried out and the charges for them. As is usual with works carried out by a local authority, the works are set out in relation to each work order but each work order may include more than one line as the works are based on different rates. Although the document did show a large number of call outs, Mr Dudhia explained that this was to be expected for such a large estate and where the equipment was quite old. In relation to whether the works were necessary, Mr Dudhia pointed out that each item stated exactly what work had been carried out on each occasion and there was no evidence to suggest that this had not been necessary.
19. In relation to controls, Mr Dudhia explained that these were to monitor the equipment and such things as carbon monoxide emissions. They were included within repairs but because the costs were billed in a different form to the I Works system, they were shown separately.
20. Ms Bennett also referred to the content of the letter of 25 March which set out the estimated and actual charges for heating and hot water for 2009-10 to 2013-14 and provided a complete breakdown of the charge for 2012-13 of the heating and hot water into fuel/gas, boiler maintenance, controls, overheads, electricity, boiler repairs and non boiler repairs.
21. In terms of the obligation to pay for the heating and hot water, Ms Bennett referred firstly to the Lease. By clause 2(3)(a) of the Lease, the Respondent covenants to pay the service charges set out in the Third Schedule to the Lease. By paragraph 2(1) of the Third Schedule, the Applicant covenants to provide an estimate of the service charge for the forthcoming year. By paragraph 2(2) of the Third Schedule, the Respondent covenants to pay the amount of such estimate by equal payments on 1 April, 1 July, 1 October and 1 January. By paragraph 4(1) of the Third Schedule, the Applicant covenants to ascertain the actual service charge as soon as practicable after the end of the service charge year and to notify the same to the Respondent. By paragraph 5(1) of the Lease, if the amount of the actual service charge exceeds the amount of the estimated service charge, the Respondent covenants to pay the balance within one month of the notice. Conversely, if the amount of the actual service charge is less than the estimate, the balance is credited against the service charge for the following year (paragraph 5(2)). By paragraph 6(1) of the Third Schedule, the service charge payable is a "fair proportion". By paragraph 6(2), the Applicant may adopt "any reasonable method" to ascertain the proportion and "may adopt different methods in relation to different items of costs and expenses". The costs and expenses are defined in paragraph 7 of the Third Schedule as including the services defined in the Lease which include central heating, the carrying out of all works required by clauses 4(2) to 4(4) of the Lease.

22. In terms of apportionment of the heating and hot water charges, Ms Bennett referred to the Applicant's statement of case. She explained that the base bed weighting for each property on the Estate is 4 units which comprise a living room, bathroom, kitchen and hallway. To that base is added a bed weighting of 1 unit per bedroom. The Property has 5 bedrooms and accordingly has a bed weighting of 9. For costs which fall to be paid by the block ("the Block Costs"), those are the total Block Costs divided by the total of all the bed weightings for all the properties comprised in the block. That provides a unit cost which is then multiplied by the number of units for the particular property (9 in the case of the Property) to give the apportionment of those costs. In relation to estate costs, the same methodology is applied save that the total units by which the Estate Cost is divided is the total of all the bed weightings of the properties on the Estate. The bed weighting system was approved by the Home Owners Council. The Respondent did not dispute the reasonableness of this system.
23. In terms of heating and hot water, the Applicant's statement of case sets out that this is calculated slightly differently. The apportionment is based firstly on bed weighting but those bed weightings are further multiplied by a factor depending whether the property in question benefits from full heating and hot water, partial heating and hot water or hot water only. Those factors are 4.52 for full heating, 2.5 for partial heating and 1 for hot water only. This means that a property which uses more heating pays a greater proportion of the heating and hot water costs than one which benefits from only partial heating or has no heating and only uses hot water. In relation to the Property, the bed weighting is 9 and since the Property benefits from full heating and hot water, that is multiplied by 4.52 giving a proportion of around 40 units.
24. For the Respondent, Mr Orey gave evidence and produced the spreadsheet referred to at paragraph 6 above. This spreadsheet was based on information which had been provided by the Council for the other application being heard on 17 June where the issues were far more wide ranging than in the instant case. Mr Orey had obtained information from the Applicant that there were 2448 properties on the Aylesbury Estate which were linked to the Aylesbury boiler house. Of those, 886 were 1 bedroomed properties, 644 were 2 bedroomed properties, 591 were 3 bedroomed properties, 274 were 4 bedroomed properties and 50 were 5 bedroomed properties like the Respondent's. There were also 6 commercial properties which did not appear to form part of the bed weighting (although Mr Dudhia explained that they would be given a notional bed weighting) and 3 were "bedroom type unknown". All those about which Mr Orey had information were properties with full heating. Mr Orey had calculated from the information that he had gleaned in the other case that the total bed weight (leaving aside the properties whose bed weighting was unknown) was 15073. The boiler bed weighting was 68694. He questioned why therefore there were 53911 additional units in the total bed weighting. It became evident from probing of the calculations that

the basis of the calculations was misconceived. The 68694 was explained by the multiplication of the bed weighting by the factors used for heating and hot water. That was roughly 4.56 times the bed weight and any slight anomaly in that figure was probably due to the units which were not included in Mr Orey's calculations because he did not have the information (ie the 6 commercial units and the 3 unknown properties).

25. What Mr Orey had sought to do was to apportion the £1,290,845.87 (total cost of fuel/gas estimated for 2012-13) by dividing this by the total boiler bed weighting but then multiplying it only by the bed weighting rather than the bed weighting and the 4.52 factor. This gave a figure for the Property of £168.41 for 2012-13 and £225.29 for 2013-14. The Tribunal sought to explain to Mr Orey why this could not be right and that even leaving aside the basis of the calculation, he must accept that those figures could not possibly be accurate as a reflection of the cost of heating and hot water for a 5 bedroomed property for a year. As the Tribunal pointed out, since all the properties on the Estate (save perhaps for the commercial units and the 3 unknown properties) benefitted from full heating, that the most obvious calculation to carry out would be a division of the total figure of 1.29million by the total bed weight of 15073 and then a multiplication of that figure by 9 (for the Property). That would in fact give a figure of £770.76 for 2012-13 and £1031.07 which was not dramatically different (but higher) than the £761.21 and £1018.31 contained in the estimates. Again, any anomaly was likely to be due to the fact that the 6 commercial units and 3 unknown properties were not accounted for.
26. Mr Orey then questioned why the bed weighting was different in another document he had seen as was the total cost (for the year 2012-13). Again, this document had not been produced previously. It became apparent that the document which Mr Orey was referring to was in relation to the actual service charge for 2012-13 where the total charge for fuel/gas was £1,693,149.88 rather than the £1.29m figure from the estimate. The bed weighting of 69052 was higher than the 68984 in the estimate. Mr Dudhia thought that this might have been due to alterations to properties eg landlords sub-dividing properties to create more bedrooms or a survey may have been carried out between the 2 dates which gave a more accurate figure. However, it was pointed out to Mr Orey that the increase in bed weighting totals could only benefit the Respondent since the charge would be shared amongst a greater number of units and would therefore be lower.
27. Mr Orey was also suspicious that the Applicant was double charging in relation to repairs – once under the heading of boiler repairs and once to the individual properties which had made the call for the repair. Mr Dudhia explained that this could not happen, firstly because there were different contractors who carried out repairs to the boilers from those who carried out repairs to properties but also because the works order would be processed separately so that if the repair related to the boiler

then the repair would be logged and charged as a boiler repair whereas if it were a repair to a property, it would be logged and charged as a block or estate repair cost as the case may be. The Tribunal notes in any event that Mr Orey was not able to produce any evidence that this had occurred.

28. The Tribunal therefore concludes that the method of apportionment is fair and reasonable. It is only fair that those who have the option to use more energy because they have full heating and hot water should pay more than those who have only partial or no heating. As to the actual factors, the method of calculation of those was not explained but the correlation between the factors of 4.52 for full heating and 2.5 for partial heating and 2.5 for partial heating and 1 for no heating does not appear to the Tribunal to be unreasonable. Nor does this apportionment appear to produce unreasonable figures. A cost of £761.21 and £1018.31 does not appear excessive to provide heating and hot water to a 5 bedroomed property for a year (about £63 and £85 respectively per month).
29. The Tribunal also considers that there is no evidence that the total cost for heating and hot water is excessive. The Applicant provided evidence of the contractual arrangements between it and its energy suppliers which has been the subject of some consultation and contractual tendering and, as above, does not appear to lead to any excessive charges.
30. As to repairs, the Tribunal was provided with evidence of the repairs carried out and the charges for those repairs. Those were itemised to show the work which had been done and there was no evidence that the work was not done nor that it was not necessary. The same is true of the repairs to controls.

Administration Charges

31. The estimated service charge accounts for 2012-13 and 2013-14 include figures of £220.85 and £283.86 respectively by way of administration charges.

The Tribunal's decision

32. The Tribunal determines that the amount payable in respect of administration charges is £220.85 and £283.86.

Reasons for the Tribunal's decision

33. Mr Orey queried why the estimated service charge accounts included figures for both overheads and administration charges and submitted that this was a duplication of charges.

34. Mr Dudhia explained that overheads related to the service being provided and paid for, for example, the engineers overseeing the provision of the service by contractors whereas the administration cost was akin to a management fee and paid for the home ownership service and the provision of invoices and notices.
35. Ms Bennett pointed to paragraph 7(7) of the Third Schedule to the Lease which permitted the Applicant to add 10% to its costs and expenses if no managing agent were appointed to cover administration. She also pointed to the case of ***LB Southwark v Paul and Benz [2013] UKUT 0375*** which supported the reasonableness of this method of charging. In that case, the Upper Tribunal was considering a lease with an identical provision in relation to administration costs. The Council's evidence to the Upper Tribunal is summarised as follows:-

“27. The details of the overheads and the administration charge are discussed under issue (ii) below (paragraph 41 et seq), but in summary the appellant’s (Ms Turff’s) evidence was that the administration charge of 10% was designed to (but in practice did not) cover the costs of HOS in calculating, invoicing and collecting service charges from leaseholders, in addition to responding to queries, being a first point of contact and conducting litigation. Overheads were the indirect costs that were incurred by other parts of the appellant’s Housing Department, excluding HOS, such as rent, stationery, IT and, especially, salaries in providing services to LBS’s residential property portfolio but which could not be associated directly with a particular activity. It was the appellant’s case that there was no overlap between the administration charge (which was solely concerned with the costs of HOS) and overheads (which was not concerned at all with the costs of HOS).”

Having considered the authorities and submissions from the Respondents in that appeal, the Upper Tribunal concluded:-

“38. We find, therefore, that the costs and expenses of or incidental to the provision of services under the terms of the lease are not limited to the direct costs of the provision of the services. The indirect costs of providing those services, for example the staff costs and the costs of accommodation in arranging and managing those works, are all part of the costs and are all properly chargeable under the terms of the lease. The words used in paragraph 7 of the Third Schedule to the leases are to be widely construed and there is no justification to limit the ambit of the costs and expenses....”

36. The same analysis applies in this case and the administration costs invoiced at 10% of the other costs and expenses in the service charge account are payable and reasonable.

Application under s.20C and refund of fees

37. At the end of the hearing, the Applicant made an application for a refund of the fees that it had paid in respect of the application and hearing in the sum of £220 (£190 for the application and £30 for the hearing) ¹. Having heard the submissions from the parties and taking into account the determinations above, the Tribunal orders the Respondent to refund those fees paid by the Applicant within 28 days of the date of this decision.
38. In the application form, in the statement of case and at the hearing, the Respondent applied for an order under section 20C of the 1985 Act. The Applicant indicated that it would not pass any of its costs of this application through the service charge. Accordingly, the Tribunal did not consider it necessary to determine this issue.

The next steps

39. The Tribunal has no jurisdiction over county court costs. This matter should now be returned to the Lambeth County Court.

Name: Ms L Smith

Date: 30 June 2014

¹ The Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013 SI 2013 No 1169

Appendix A: relevant legislation

Landlord and Tenant Act 1985

Section 18

- (1) In the following provisions of this Act "service charge" means an amount payable by a tenant of a dwelling as part of or in addition to the rent -
 - (a) which is payable, directly or indirectly, for services, repairs, maintenance, improvements or insurance or the landlord's costs of management, and
 - (b) the whole or part of which varies or may vary according to the relevant costs.
- (2) The relevant costs are the costs or estimated costs incurred or to be incurred by or on behalf of the landlord, or a superior landlord, in connection with the matters for which the service charge is payable.
- (3) For this purpose -
 - (a) "costs" includes overheads, and
 - (b) costs are relevant costs in relation to a service charge whether they are incurred, or to be incurred, in the period for which the service charge is payable or in an earlier or later period.

Section 19

- (1) Relevant costs shall be taken into account in determining the amount of a service charge payable for a period -
 - (a) only to the extent that they are reasonably incurred, and
 - (b) where they are incurred on the provisions of services or the carrying out of works, only if the services or works are of a reasonable standard;and the amount payable shall be limited accordingly.
- (2) Where a service charge is payable before the relevant costs are incurred, no greater amount than is reasonable is so payable, and after the relevant costs have been incurred any necessary adjustment shall be made by repayment, reduction or subsequent charges or otherwise.

Section 27A

- (1) An application may be made to a leasehold valuation Tribunal for a determination whether a service charge is payable and, if it is, as to -
 - (a) the person by whom it is payable,
 - (b) the person to whom it is payable,
 - (c) the amount which is payable,
 - (d) the date at or by which it is payable, and
 - (e) the manner in which it is payable.

- (2) Subsection (1) applies whether or not any payment has been made.
- (3) An application may also be made to a leasehold valuation Tribunal for a determination whether, if costs were incurred for services, repairs, maintenance, improvements, insurance or management of any specified description, a service charge would be payable for the costs and, if it would, as to -
 - (a) the person by whom it would be payable,
 - (b) the person to whom it would be payable,
 - (c) the amount which would be payable,
 - (d) the date at or by which it would be payable, and
 - (e) the manner in which it would be payable.
- (4) No application under subsection (1) or (3) may be made in respect of a matter which -
 - (a) has been agreed or admitted by the tenant,
 - (b) has been, or is to be, referred to arbitration pursuant to a post-dispute arbitration agreement to which the tenant is a party,
 - (c) has been the subject of determination by a court, or
 - (d) has been the subject of determination by an arbitral Tribunal pursuant to a post-dispute arbitration agreement.
- (5) But the tenant is not to be taken to have agreed or admitted any matter by reason only of having made any payment.

Section 20C

- (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 the Upper 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.
- (2) The application shall be made—
 - (a) in the case of court proceedings, to the court before which the proceedings are taking place or, if the application is made after the proceedings are concluded, to a county court;
 - (aa) in the case of proceedings before a residential property Tribunal, to that Tribunal;
 - (b) in the case of proceedings before a residential property Tribunal, to the Tribunal before which the proceedings are taking place or, if the application is made after the proceedings are concluded, to any residential property Tribunal;
 - (c) in the case of proceedings before the Upper Tribunal, to the Tribunal;

- (d) in the case of arbitration proceedings, to the arbitral Tribunal or, if the application is made after the proceedings are concluded, to a county court.
- (3) The court or Tribunal to which the application is made may make such order on the application as it considers just and equitable in the circumstances.

APPENDIX B: RELEVANT CLAUSES OF THE LEASE

THIS LEASE is dated 6 November 2000 and made BETWEEN THE MAYOR AND BURGESSES OF THE LONDON BOROUGH OF SOUTHWARK ... (hereinafter referred to as "the Council") of the one part and DOMINICA URECHUKWU NWACHUKWU of 152 Gayhurst Hopwood Road London SE17 2BN (hereinafter referred to as "the Lessee") of the other part

IN THIS LEASE the following expressions shall where the context admits have the following meanings:

"the building" means the building known as 145-162 Gayhurst...

"the estate" means the estate known as Aylesbury Estate...

"the flat" means the flat and land (if any) shown coloured pink on the plan or plans attached hereto and known as Number 152 on the ground first and second floors of the building....

"the services" means the services provided by the Council to or in respect of the flat and other flats and premises in the building and on the estate and more particularly set out hereunder

(i) central heating

....

Clause 2

THE Lessee hereby covenants with the Council:

....

(3)(a) To pay the Service Charge contributions set out in the Third Schedule hereto at the times and in the manner there set out

....

Clause 4

THE Council hereby covenants with the Lessee:-

...

(2) To keep in repair the structure and exterior of the flat and of the building (including drains gutters and external pipes) and to make good any defect affecting that structure

(3) To keep in repair the common parts of the building and any other property over or in respect of which the Lessee has any rights under the First Schedule hereto

(4) As often as may be reasonably necessary to paint in a good workmanlike manner with two coats of good quality paint all outside parts of the building usually painted and also all internal common parts of the building usually painted

(5) To provide the services more particularly hereinbefore set out under the definition of "services" to or for the flat and to ensure so far as practicable that they are maintained at a reasonable level and to keep in repair any installation connected with the provision of those services

....

THIRD SCHEDULE
Annual Service Charge

1(1) In this Schedule "year" means a year beginning on 1st April and ending on 31st March

....

2(1) Before the commencement of each year.... the Council shall make a reasonable estimate of the amount which will be payable by the Lessee by way of Service Charge (as hereinafter defined) in that year and shall notify the Lessee of that estimate

(2) The Lessee shall pay to the Council in advance on account of Service Charge the amount of such estimate by equal payments on 1st April 1st July 1st October and 1st January in each year (hereinafter referred to as "the payment days")

.....

4(1) As soon as practicable after the end of each year the Council shall ascertain the Service Charge payable for that year and shall notify the Lessee of the amount thereof

(2) Such notice shall contain or be accompanied by a summary of the costs incurred by the Council of the kinds referred to in paragraph 7 of this Schedule and shall state the balance (if any) due under paragraph 5 of this Schedule

5(1) If the Service Charge for the year exceeds the amount paid in advance under paragraph 2 or 3 of this Schedule the Lessee shall pay the balance thereof to the Council within one month of service of the said notice

(2) If the amount so paid in advance by the Lessee exceeds the Service Charge for the year... the balance shall be credited against the next advance payment or payments due from the Lessee...

6(1) The Service Charge payable by the Lessee shall be a fair proportion of the costs and expenses set out in paragraph 7 of this Schedule incurred in the year

(2) The Council may adopt any reasonable method of ascertaining the said proportion and may adopt different methods in relation to different items of costs and expenses

7. The said costs and expenses are all costs and expenses of or incidental to

(1) The carrying out of all works required by sub-clause (2) to (4) inclusive of Clause 4 of this lease

(2) Providing the services hereinbefore defined

.....

(7) The employment of any managing agents appointed by the Council in respect of the building or the estate or any part thereof PROVIDED that if no managing agents are so employed then the Council may add the sum of 10% to any of the above items for administration

8 The summary of costs referred to in paragraph 4 of this Schedule shall contain an explanation of the manner in which the proportion of those costs apportioned to the flat under paragraph 6 of this Schedule has been calculated