

Mr Jim Vessey  
Case Manager  
Professional Conduct Directorate  
Institute of Chartered Accountants in England & Wales  
Silbury Court  
412-416 Silbury Boulevard  
Milton Keynes MK9 2AF

Ms N K-Dit-Rawé  
3 Jefferson House  
11, Basil Street  
London SW3 1AX

**(By Recorded Delivery)**

Your ref: I69236/JV/hg/INV01

1 September 2005

Dear Mr Vessey

**Re-statement by Pridie Brewster, 29-39 London Road, Twickenham Middx TW1 3SZ,  
of year-end accounts for Jefferson House**

Thank you for your letter dated 4 August 2005.

**1 Pridie & Brewster's opinion on the 2003 accounts**

You have accurately captured the first part of Pridie & Brewster's opinion i.e.

*"We have examined the attached summary of costs, outgoing and expenses for the year ended 31 December 2003 from the receipts, vouchers and other documentation provided to us by the Managing Agents"*

However, in relation to a latter part of it, you have captured the following:

*"Subject to the above, it is our opinion that the attached schedule of costs, expenses and outgoing is sufficiently supported by receipts and other documents and represents a fair summary of the said costs, expenses and outgoing..."*

Leaving out the last part of the sentence:

*"...and, when read in conjunction with the annexed summaries, shows how they are reflected in the service charge demands and specifies the amount payable by each lessee"*

**2 Pridie & Brewster's opinion is incorrect given the LVT determination**

Pridie & Brewster's opinion "that the attached schedule of costs, expenses and outgoing is sufficiently supported by receipts and other documents" is incorrect given the LVT determination.

In my letter to your Office of 19 July 2005, under point '2 Leasehold Valuation Tribunal determination – 17 June 2003', I provided a summary of the main outcome of the determination.

I will repeat this again – and take the opportunity to quote from the LVT determination. (The full determination, ref LVT/SC/007/120/02, is accessible by members of the public on the LVT website).

The LVT actually ruled that it could not make a determination on 26% of the global sum demanded due to lack of specification. For example:

*Point 44 – "The reports prepared on behalf of the Applicant and provided to the Tribunal were, in the words of Mr Jones, "a wish list" for refurbishment of the subject property to a high standard. They do not seem to have been prepared on behalf of the Applicant having regard to its rights and responsibilities under the lease... The Tribunal would*

*normally expect alternative proposals to be costed and produced, in order to make a proper and considered judgement of the best way forward to meet the obligations of both the landlord and the tenants"*

*Point 46 – "In this case the Tribunal was frustrated by the lack of detail in the specification and in Mr Gale's evidence. Works were not clearly identified, were not measured where they clearly could have been, and there was some element of duplication. Some items were not specified at all, e.g. the types and capacity of the boilers"*

*Point 16.07 – "It would appear to the Tribunal from the above, and the evidence given by Mr Jones, that his instructions were obviously client led rather than an independent opinion... The specification is considered inadequate in that it is vague and lacked specific detail e.g. the provision to "remove and replace with new the boiler plant and all associated pipework..."*

*Point 38 – "Mr Gale also accepted that there were no boiler specification in the tender document which merely stated "to remove and replace with new the boiler plant and all associated pipework"*

*Point 16.07 - "In the circumstances, the Tribunal does not consider that it has sufficient information to make a proper judgement and therefore makes no determination in respect of the boilers... This is an area which, in the Tribunal's view, alternatives and costings should have been explored"*

Please note that the sum demanded for the boiler was £89,824.00. Therefore, with the addition of VAT and management fees the total amount is £117,153.

*Points 19 & 20 – "Mr Jones, C Eng MCI Bsc of Michael Jones & Associates, Engineering consultants... said that the report on the condition [of the lift] at the time had been 'a wish list'"*

*Point 16.07 – "The recommendation of J Bashford and Associates... to prepare a specification and drawings appeared to have been ignored by Mr Gale in his own specification... The specification prepared by Mr Gale is therefore insufficiently detailed to allow for a quotation for this work, and he conceded during the hearing that there may have been an element of duplication. Further, no proper explanation has been given for the increase from £27,3000 to £60,000 over a matter of months... the Tribunal is unable to make a determination on the specification, since it is considered inadequate.*

*Point 37 – "In respect of the provision for downlighters Mr Gale said: I agree that there is latitude for contractors to fit 25 or 50 units. We may have to tighten it up"*

In addition, the LVT disallowed 23% of the global sum demanded on the grounds that the items were "improvements" and therefore not chargeable to the lessees under the terms of the lease. For example:

*Point 42 – "Mr Gale was questioned on the provision of £20,000 in the specification in respect of the porter's desk... He also accepted that there could have been a fixed, rather than a provisional sum for this within the specification and said "it was a time factor really". He acknowledged "there is no specification yet"*

*Point 41 – "Mr Gale accepted that he had been "upping the specification" for the fire doors".*

As pointed out by the LVT in its determination – under point 54:

*"Assuming that, on a proper construction of the lease, the services in issue are covered by the charging clause, this does not mean that the landlord enjoys carte blanche to incur costs..."*

As to the contingency fund which, at the time of the substantive hearings, Ms Hathaway told the Tribunal that it contained the sum of £141,977.00, the LVT considered Clause 2 (2) (e) of the lease (captured under point 59 of the LVT report) and stated the following:

*Point 62 - "The Tribunal draws the parties' attention to the RICS Code to which property managers should subscribe and abide by, as a matter of good practice. Section 10 of the Code covers reserve funds. A reserve fund is referred to as "a pool of money created to build-up sums which can be used to pay for large items of infrequent expenditure (such as the replacement of a lift or the recovering of a roof) and for major items which arise regularly (such as redecoration)".*

*Point 63 – "The wording of the clause relating to the contingency fund or reserve fund in the lease is unambiguous. It refers to costs expenses and outgoings "not being of an annually recurring nature", and as such surely envisages the type of works proposed at the subject property. Although the Tribunal has no power to order the Applicant to make payments from the contingency fund, the Tribunal considers it inequitable that this fund should not be used in part to fund the works, and cannot accept Mr Warwick's (Steel Services) contention that to divest or reduce the contingency fund would be "wrong"*

With my 17 April 2005 letter, I supplied Mr Clement with, among others, a copy of the following:

1. Ms Joan Hathaway's letter of 7 June 2001 letter to "All Lessees" in which she stated:

*"At present, there is approximately £125,000.00 in the Reserve Fund, but in view of the scope of works required to be carried out it is anticipated that the sum will be inadequate to meet the costs. This means that once the Specifications have been prepared and estimates obtained, a Landlord & Tenant Act 1985 Notice will be served on you giving details of the **additional payment required from you...**" (NB: my highlight)*

2. A copy of Steel Services 'offer' to me dated 21 October 2003.

In relation to this 'offer', in my 30 March 2005 letter to Ms Hathaway – on which I copied Pridie Brewster - I wrote:

*"Because I had a letter from you dated 7 June 2001 specifically stating that the fund would be used as contribution, your client, Mr Andrew Ladsky, through his solicitor, Ms Ayesha Salim, Cawdery Kaye Fireman & Taylor (CKFT), London NW3 1QA, 'eventually' took full account of it in the 'offer' to me of 21 October 2003 - from which I quote: "...our client is also prepared notionally to utilise the reserve fund to reduce the total figure and, accordingly, your client's apportioned liability".*

*You-your client cannot charge residents differentially other than on the basis of their fixed percentage share - of a global sum which must be the same for all"*

*What each lessee is required to pay is clearly defined by means of a fixed percentage for each of the 35 flats - as you supplied e.g. with your 7 August 2002 application to the LVT – and the global sum on which this is calculated must be the same for all"*

In the same letter, I also wrote:

*"In addition to my lease, this point has also been made abundantly clear by the LVT when:*

- *In a letter dated 17 July 2003, Mr Silverstone, CKFT, wrote to the LVT: "Our client's Council has advised us that the LVT was asked to make a determination of the specific amount of the service charge payable by the tenant of flat 3, Ms Dit-Rawé..."*

*To which the LVT replied in its letter dated 21 July 2003: "It is not the duty of the Tribunal to assess the particular contribution payable by any specific tenant but only to determine the reasonableness, or otherwise of the service charges as a whole to go on the service charge account from which no doubt you can assess the proportion for that particular tenant" . (This letter was copied to West London County Court).*

Given the Tribunal's determination and Mr Clement's admission in his 15 April 2005 letter, "...we were not made aware of the Leasehold Valuation Tribunal determination of 17 June 2003...", it suggests that Pridie & Brewster have simply taken the documentation given to them without question.

Regarding your question "Is there any evidence that [Pridie Brewster] were made aware of the LVT hearing or decision?": can Pridie & Brewster provide evidence to support their assertion that they did not see the LVT determination?

There is also the issue of my consent order for exemption from the Leasehold Valuation Tribunal related costs in the service charges for Jefferson House – as I pointed out in my 9 May 2005 letter to Mr Clement. Where is this reflected in the accounts?

As to the nature of the accounts, I would point out to you that Steel Services is a '*limited*' company.

Finally, regarding your 7-day deadline: I consider this wholly unreasonable in the middle of August. I am a member of the public, not a firm.

Yours sincerely

N K-Dit-Rawé

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