

**Mr Smith & Mrs Smith
1 De Pass Gardens
Barking IG11 0FQ**

11th March 2018

Priya Rawal
Pinnacle Places
Ground Floor
6 St Andrew Street
Holborn
London EC4A 3AE

Dear Priya Rawal,

There have been significant increases in the Service Charge demands and budgets. We have been provided with inconsistent information to support such demands. These inconsistencies do not make clarifications, but cause confusion and concern regarding the robustness of the accounts.

As a result we are compelled to suspended Service Charge payments until clarity has been provided by Pinnacle Places. We notified Pinnacle Places of this several times through recorded delivery postage after we received your letter dated **8th December 2017**.

Below, we have summarised the items requiring action from Pinnacle Places (A). This is then followed by specific queries (B) that have been generated by the inconsistent information provided by Pinnacle Places to date. Please take the time to review and respond to these items so we can resume payments for Service Charges at the earliest opportunity.

We would like to take this opportunity to state that as homeowners at Barking Riverside, it is in our interests that Service Charges are paid in a timely manner by all residents so the estate can be maintained. However, transparency and clarifications are required before full payments can be resumed.

(A) Summary of items requiring action by Pinnacle Places

• Standardisation of information

- Common formats, terminology and headings to be used.
- A guide on how to understand the current information issued to date.

• Evidence of Expenditure

- As required under section 22 of the Landlord and Tenant Act 1985.
- Pinnacle Places' continued failure to provide this information is deemed an offence under section 25 of the Landlord and Tenant Act 1985.
- Required to demonstrate that the proposed increases in demands are fair and reasonable.

• Annual Summary of the Estate Zones

- To identify the zones and their percentage contribution to the annual Estate Charge for the upcoming year.
- To include: zone location; number of units in each zone; the number of 1-bed, 2-bed, 3-bed, 4-bed, etc. units within each zone; the percentage contribution to the zone's Estate Charge allocation for each unit size.
- To demonstrate how each zone's percentage contribution to the Estate Charge decreases as the estate increases in size.
- To demonstrate how the habitable rooms apportionment method has increased or decreased a unit's percentage contribution to their zone's Estate Charge allocation.

- **Fully Operational Dwellant Portal**

- Confirm when the portal will be fully operational – the 'Finances' page continues to read 'COMING SOON'.
- Responding to all requests in a timely manner. Pinnacle Places are yet to respond to several request on the portal that several residents deem important, such as water leaks (ref: 509408 – created on 10th November 2017), or security gates non-operational (ref: 556408 – created on 19th February 2018).
- Subsidise residents' contributions for the portal until it is fully operational.

(B) Specific Queries

1. Inconsistent terminologies and formats lack clarity of information. Please describe the purpose of, and how to understand each of the following documents and provide them for YE July 2015 (please identify where any of the following terminologies refer to the same document):

- a. Budget
- b. S20b notice
- c. Summary of total Service Charge costs recoverable from the lessees.
- d. Statement of Service Charge Income and Expenditure

2. Regarding the **3rd paragraph of your letter dated 8th December 2017**, please clarify if expenditure for the YE July 2015 is less or more than notified in the S20b notice and demonstrate this through the above requested documents.

3. We have received the following information for YE July 2015:

- a. **15th December 2016** 'Statement of Anticipated Service Charge Income and Expenditure'.
- b. **8th December 2017** 'Statement of Service Charge Income and Expenditure'.

Please respond to each of the following regarding this correspondence:

3.1. What is the purpose of the Summary issued on **15th December 2016** if we are not invoiced at this stage?

3.2. What is the Service Charge deficit (**£30,696.31**) indicated on the Summary issued on **15th December 2016**? How is the sum that each unit contributed to this deficit calculated?

3.3. The revised notice issued on **9th December 2017** was 29 months after the relevant accounting period, therefore residents are not obliged to pay it under section 20B of the Landlord and Tenant Act 1985. Please confirm.

3.4. The service charge demand issued on **9th December 2017** represents an additional 50% of the initial service charge payment. A full review of the accounts is required to demonstrate that this latest demand is fair and reasonable. Evidence of all expenditure is to be provided to support the suggested deficits and subsequent increase in demand.

3.5. The revised invoice issued on **15th December 2017** is based on the revised Habitable Rooms apportionment. This equates to **0.1671%** of the **Zone E** contribution, up from **0.1408%** when the **Zone E** contribution was divided equally between the zone E units. Please demonstrate how the apportionment of each unit size has changed from **0.1408%**.

3.6. Please confirm, by issuing an extract of the relevant document, where it is expressed in the lease that apportionment must be calculated by habitable rooms. If this is not expressed in a document, please confirm under what authority Pinnacle Places acted in adjusting the units' apportionment.

4. Following a review of the summary of main differences between budget and actual expenditure for YE July 2015, issued **8th December 2017**, we have several other comments and queries. Please review and respond to each item:

Deficit

4.1. If the deficit (£22,555.82) is divided by the number of units (686), the deficit owed by each unit is £32.88. Please provide calculations demonstrating how **£433.81** of the deficit has been apportioned to my unit.

Management Fees

4.2. If the total number of units is 686 and the actual expenditure on Management Fees was £50,631.97, the unit cost for Management Fees is $(50,631.97/686) = £73.81$. This is inconsistent with £96 unit cost previously disclosed by Pinnacle Places, Please explain the inconsistency.

4.3. The following table was provided by Pinnacle Places identifying 8 units and handover dates. Please explain how the unit numbers in the letter dated **8th December 2017** relate to this table.

Zone	Units	HR	Handover
A	97	367	01/08/2013
B	67	301	01/08/2013
C	129	442	01/08/2013
D	64	290	01/08/2014
E	88	273	01/08/2014
F	58	198	01/02/2016
Bluebird	41	150	01/08/2014

Robert Lewis	205	559	01/03/2015
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Table provided by Pinnacle Places, 10th April 2017

4.4. Please add a column to the table in item 4.3 that indicates what financial year the units became 'active'. Active, meaning adding to the total management costs and also reducing existing units' percentage contributions to the overall Estate Charge.

4.5. Where units are 'handed over' during a financial year, and therefore do not require management for that entire period, how is the management fee relevant to those units calculated for that financial year?

4.6. How do units that are 'handed over' during a financial year fairly contribute to that year's Service Charge?

4.7. Unit numbers for YE July 2016 and YE July 2017 have been disclosed by Pinnacle Places as 599 and 749, respectively. Please provide an update to the table in item 4.3. and explain how the 2016 and 2017 unit numbers relate to the updated table.

4.8. As management fees are based on a unit rate, please explain how the sum can fluctuate between budget, summary and actual expenditure. We would propose that the Management Fee is not charged via the Estate Charge, but invoiced to each unit to avoid contributing to the Estate Charge deficit.

Accounting Fee

4.9. Is this terminology the same as 'Audit Fee' used in Pinnacle Places' annual budgets? If so, could this terminology be standardised?

4.10. Why were the Service Charge accounts for YE July 2015 not audited in accordance with International Standards on Auditing, as noted in Moore Stephens letter dated **11th September 2017**?

Staff Costs

4.11. Could descriptions be consistent with the annual budgets for ease of reference?

4.12. Please provide reasons for the requirement of temporary staff.

4.13. We noted that this sum is greater than the budget allowance for YE July 2016. Please provide an explanation.

External Reports

4.14. What organisation inspects the playgrounds and how often?

4.15. If this is a statutory requirement, why was it not included in the budget?

Waste Management

4.16. Please provide evidence of the number of private collections and the dates they were carried out.

External Landscaping

- 4.17. Please itemise all tools purchased.
- 4.18. Why was the ride on lawnmower not previously required?
- 4.19. Where is the ride on lawnmower, and all other tools purchased, stored when not in use?
- 4.20. Where are the climbing stations located and why were they not included in the base build costs?
- 4.21. Is the climbing stations were an enhancement, under what authority did Pinnacle Places act when instructing these works?
- 4.22. Please confirm when the cockleshells are due to be replenished.

General Maintenance

- 4.23. Please itemise all activities associated with this heading.
- 4.24. The costs associated with the reactive repairs are normally covered by insurances and/or warranties provided by suppliers/installers due to poor workmanship, or specification of products that are not fit for purpose. Please explain why Pinnacle Places have not obtained costs from the responsible parties and are requesting money from residents in lieu of this.

Gate

- 4.25. The cost of these repairs are normally covered by insurances and/poor warranties provided by suppliers/installers due to poor workmanship, or specification of products that are not fit for purpose. Please explain why Pinnacle Places have not obtained costs from the responsible parties and are requesting money from residents in lieu of this.

Evidence of Expenditure

- 4.26. Please provide evidence of expenditure for all items relating to the Service Charge to demonstrate that the proposed increases in demands are fair and reasonable.

We look forward to your response so we can enjoy residing at Barking Riverside without the unnecessary stress caused by this ongoing lack of clarity and transparency.

Yours sincerely,

Mr Smith

Mrs Smith