

Hebble Wharf Residents and Owners' Association.

Block Finance Update 2024/25 (Agenda Item 6)

Since the draft Service Charge Accounts were issued to leaseholders by Praxis on 30 September, the Association has been active in pursuing a number of elements that, in our opinion, were not correctly reflected in the Accounts. On 17 October we received a response from Praxis outlining the changes that they were instructing the accountants (Simpson Wreford) to make before issuing the final accounts. The principal changes are summarised below:

Service Charge Account:

- Administration Fee : The one-off charge for issuing sub-letting invitations to leaseholders (Oct 2024) has been removed/cancelled as a gesture of goodwill.
- Electricity : Praxis are waiting to receive copies of revised invoices/credit note. Unfortunately, Praxis can't confirm the actual electricity usage on site as the invoices do not match the meter reading submitted.
- Professional Fee (£18,000) : This was an incorrectly recorded entry; however, this has been moved to cladding works expenditure as it relates to Professional fee - Cladding works.
- Cladding Income & Expenditure : Fees of £28,492 paid to Consult Construct have been moved from the Service Charge Account to the Building Safety Fund account.
- General Repairs and Maintenance (Apartments) : Details of recharges to leaseholders or insurance claims will be in a separate email.

Reserve Fund Account:

- A Reserve fund account application has already been submitted, however due to the account opening limit and the number of applications submitted, we are facing significant delays, however this particular application has been chased and we expect this application to be expedited by our banking group.
- RF contribution for 2024-25 : Reserve Fund contributions for 2024-25 will be transferred once year end accounts have been reconciled & any deficits paid (if any).
- Service charge arrears are being chased and recoveries are in progress through our general reminder process where all leaseholders with outstanding balance are being chased by emails, call & letter and any defaulting leaseholders will be passed on to Legal team. Note, the sale & recovery of arrears on commercial unit was after 31st March 2025 and hence this SC recovery will not be reconciled/reflected in March 2025 yearend accounts.

A copy of the final Service Charge Accounts for 2024/25 was received by the Association in the past week, and is attached as a separate appendix to this report. The detailed changes are still being examined, but it is unclear whether the accountant will make any further changes to the accounts before issuing the year end deficit invoices.

Key points to be noted in the final accounts are:

- Expenditure from the Building budget (Schedule A) has been reduced by £30k, primarily through the transfer of costs against the Building Safety Fund.
- Expenditure from the Apartments budget (Schedule B) has been reduced by £40k, with the transfer of professional fees to the Building Safety Fund and a reduction in the amount charged against electricity (pending clarification)
- Expenditure from the Car Parking Account has been reduced by almost £6k with electricity charges being transferred back to the Apartments budget (as previous years)

Overall, this translates into a projected Year-End Deficit on the building account of **£33,859** for 2024/25 which will be invoiced to leaseholders in accordance with the schedule attached to the accounts. A further **£570** deficit on the car parking account will be similarly recovered.

As noted overleaf, the contributions paid by leaseholders last year into the Reserve Fund (£33,000 to the building reserves and £2,950 to the car parking reserves) are awaiting the recovery of this deficit before they can be credited to the Reserve Account.

- The accounts indicate that £99,413 of the initial £210,000 Building Safety Fund grant from Homes England had been committed by 31 March 2025, leaving a balance carried forward of £110,587. We do not have a complete breakdown of this expenditure.
- With the balance of the BSF grant, the 'Cash at Bank' balance is quoted as £185,572, though there is (as yet) no breakdown of the remaining £75,000 between the Service Charge account and the Reserve Account. Until the transfers for 2024/25 have been made, the Reserve balance is assumed to be around £9,000.
- It should be noted that Plymouth Block Management made no transfers into the Reserve Account for 2023/24, as neither they nor Praxis have recovered the year-end deficit from leaseholders – and we were initially told by Praxis that it was now too late to issue the year-end invoices. The accountants have indicated that the uncollected deficit for 2023/24 amounted to £26,290 (+£1,329 in the car parking budget) – without which the reserve fund contributions for 2023/24 cannot be paid across into the Reserve Account..

The Association will continue its dialogue with Praxis on the outstanding questions, and leaseholders are encouraged to submit any questions they may have to the Secretary either at, or before the AGM in order that these can be reflected in our discussions with Praxis.

John Hodgkins

Association Secretary