Y TRIBIWNLYS EIDDO PRESWYL

RESIDENTIAL PROPERTY TRIBUNAL

LEASEHOLD VALUATION TRIBUNAL

Reference: LVT/0021/10/23

In the matter of applications under sections 20C and 27A Landlord and Tenant Act 1985 relating to service charges payable at Llys Newydd, Tir Einon, Llanelli, SA14 9DT.

APPLICANTS: Mr R. G. Williams (of No. 6)
Ms M. Hinchey (of No. 3)
Ms J. Williams (of No. 21)
Ms P. Oram (of Nos. 28 and 31)

RESPONDENT: Gray's Inn Capital Ltd

Tribunal: Mr M. Hunt (Chairman)
Mr H. Lewis (Valuer)
Ms S. Hurds (Member)

Date of hearing: 5 September 2024

DECISION

1. The service charges in dispute for the accounting period 2022-2023 are payable in full, except for those relating to the roof repairs undertaken in September 2022. A maximum of £250 is payable by each leaseholder in relation to those roof repairs.

2. The roof repairs were commissioned by the Respondent without the requisite consultation with leaseholders. This is the only reason each leaseholders' liability is limited to £250. The Respondent landlord's oral application to the Tribunal to dispense with consultation will not be determined unless it is renewed in writing. If no written application is made within 21 days, the application will be dismissed without further order.

3. In all other respects, the relevant costs constituting the disputed service charges have been reasonably incurred, including those relating to the roof repairs. The relevant services and works have been provided and carried out to a reasonable standard.

4. The application for an order that the Respondent be prevented from recovering its costs incurred in these proceedings from the leaseholders through service charges is dismissed.

REASONS FOR DECISION

Introduction

1. The Respondent is the freehold owner (the "Owner") of the premises known as Llys Newydd, Tir Einon, Llanelli, SA14 9DT (the "Property"). The Property contains a number of leasehold flats. The Applicants hold leases over 5 of those flats. The Tribunal was provided with a copy of the lease relating to Flat 6, which was executed on 28 July 2005 for a term of 125 years from 24 June 2004. Under that lease, the Owner is responsible for the upkeep and repair of the Property, including the roof, and for keeping the grounds in "*a neat and tidy condition*". The Respondent employs an estate management company to assist it with fulfilling its obligations.

2. The costs incurred by the Owner, referred to in the lease as the "Maintenance Expenses", are recovered from the leaseholders through service charges, with each leaseholder contributing a set proportion of the overall expenses. The service charges are accounted for yearly, over the period 1 April – 31 March. For each accounting period, the Owner prepares a budget for the year and seeks monthly contributions from the leaseholders. At the end of each accounting period, the Owner prepares written accounts recording actual expenditure against the budget. If the expenditure was greater than budgeted, a "balancing charge" is sought from the leaseholders.

3. Thus, although the Owner is ultimately responsible for the upkeep of the Property and grounds, it is the leaseholders who actually finance it through their service charges.

4. For the accounting year 1 April 2022 – 31 March 2023, the accounts were finalised on 23 August 2023 and requests for payment of balancing charges were made on 5 September 2023. The balancing charges sought were significantly greater than those sought for the preceding year 2021-2022. The Owner sent an explanation for this and the considerable "overspend" alongside its request for balancing charges.

5. The Applicants are very concerned about their service charges generally for the year 2022-2023, in particular the size of the balancing charges. In reality, the issues are the same as the balancing charges are simply the result of higher-than-expected expenditure by the Owner. The Applicants therefore applied to the Tribunal on 29 September 2023 for a determination of whether their service charges are payable and in what amount in accordance with section 27A of the Landlord and Tenant Act 1985 (the "Act"). Additionally, the Applicants asked the Tribunal to order that the Owner must not recover its costs related to these proceedings through service charges in accordance with section 20C of the Act (the "Costs Application").

6. At a pre-trial review on 10 July 2024, the Applicants confirmed that the elements of the service charges that they wished to challenge related solely to the accounting year 2022-2023 and only to the following issues:

    a. the cost of a new garden maintenance contract;
    b. the upkeep of the grounds surrounding the Property not being to a reasonable standard;
    c. the cost of repairs to the roof above flat 21, which were inflated due to the Owner's unreasonable delay in commissioning the works and degradation during that period; and
    d. the service charges not having been calculated in accordance with the proportions stipulated in the Applicants' individual leases.

7. Accordingly, these were the only issues the Tribunal considered relating to the service charges. It also considered the Costs Application.

8. A remote hearing was listed for 5 September 2024. The Applicants were informed of the date, but did not attend. At the start of the hearing, the Tribunal checked whether they wished to do so by sending an email and also calling and leaving a voicemail, but received no answer. In accordance with Regulation 14(8) of the Leasehold Valuation Tribunals (Procedure) (Wales) Regulations 2004, the Tribunal proceeded with the hearing in the Applicants' absence.

9. The Tribunal was assisted by 301 pages of correspondence received from the parties in advance of the pre-trial review, and by a trial bundle extending to 219 pages, prepared by the Owner's solicitor.

Facts

10. It is not this Tribunal's task to make findings about the history of the Property and its management. However, it may be helpful to record some mutually agreed facts and the parties' views in certain respects. The Tribunal has not investigated these matters at any length. After providing these general observations, the Tribunal will focus only on the facts relevant to its decision, notably regarding garden maintenance, the roof repairs above flat 21, and the apportionment of the service charges.

11. The parties agree that over the years the state of the Property and its grounds has gradually declined. It has not been maintained as well as it could have been, nor has it been managed as professionally as it could have been. By way of example, the roof has suffered numerous leaks and been professionally assessed as requiring replacement, the common areas are in need of renovation, the safety infrastructure (emergency lighting, alarm systems, fire doors) has required significant upgrading. It appears that no schedule of regular or preventative maintenance has been prepared or put into place. In parallel, insufficient funds have been accumulated over the years to cover the cost of significant works. As at 31 March 2023, the "reserve" fund contained £27,178.74. An outline estimate of the cost of roof replacement provided by a building surveyor in December 2022 was £175,000 - £225,000.

12. A new property management team was appointed in or around 2020. It submitted to the Tribunal that it had inherited much of this state of affairs and was striving to improve the state and management of the Property. In an email to one of the Applicants in September 2023, a senior property manager wrote that he would have expected at least £150,000 to have been accumulated in the reserve fund by that point. Clearly, that was far from the case.

13. It appears that the current management's strategy is to return the Property to what it believes to be a safe and stable condition, whilst boosting the reserve funds to a more functional level for undertaking more significant works in due course. This approach has resulted in service charges increasing significantly, whilst the state of the Property is not visibly improving. For the period 2020-2021, total funds sought from the leaseholders amounted to £39,061.54. For 2021-2022, the figure was £40,037.08. For 2022-2023, the figure was £54,994.37. The large increase coincides with a period of significant and sustained inflation creating severe cost-of-living pressures for at least some of the leaseholders, which is plainly a very difficult combination.

14. As to the facts more directly relevant to the Tribunal's determination, the Property gardens are maintained by a contractor. In 2020-2021, the grounds maintenance contract cost £2,470. In 2021-2022, a similar sum was budgeted for – £2,600 – but costs incurred were actually significantly lower – £1,300. For the year 2022-2023, the Owner budgeted for costs similar to the previous budgets – £2,800. The reason for the lower actual cost in 2021-2022 was unclear, but the Owner submitted that the garden maintenance had historically always been heavily restricted due to cost pressure and consisted purely of grass cutting. The Applicants agreed that the service provided had been very limited and had resulted in bushes and brambles encroaching significantly into the lawn over the years.

15. After receiving complaints from the leaseholders about inadequate garden maintenance, the Owner engaged an alternative contractor for the year 2022-2023, with an increased work specification. It now included more frequent grass-cutting, and also weed control, hedge and shrub maintenance, litter picking, and winter visits to include leaf clearance. The price consequently increased to £6,994 over the year. The contract was for the period 1 May 2022 to 30 April 2023. The Owner conducted site inspections in August and September 2022, finding on both occasions the grounds to be in "satisfactory" condition, attaching photos that showed the gardens to be tidy and reasonably well kempt. Photos submitted by the Applicants also showed that the lawn had been kept in relatively good condition, albeit the encroachment of bushes and brambles was readily apparent. The Tribunal did not know what time had elapsed between the Applicants' photos. The Applicants don't believe the garden maintenance improved significantly in 2022-2023.

16. By the time of the hearing, for the year 2024-2025, the Owner had decided to revert to the previous contractor but to the same enhanced specification. The Owner said that the garden maintenance services were being provided at almost the same price, £2 per month cheaper.

17. In relation to the Property's roof, at some point in or around July 2021 the leaseholder of flat 21 reported to the Owner that she was suffering water ingress. The Owner investigated the issue and received a quote from Crossland Group on 18 October 2021 for comprehensive roof repairs in the sum of £37,249.45 (inclusive of VAT). It appears that the quote related to repairing the roof over the entire block within which flat 21 was situated (the Property is made up of several distinct, but inter-connected blocks).

18. Deeming the cost to be too high at that point in time, and apparently mindful of the requirement to consult with leaseholders before undertaking significant works, the Owner sought an alternative quote for temporary repairs. Crossland Group reverted on 2 November 2021 with a quote of £1,650 (inc. VAT), which was accepted. Shortly afterwards, on 7 December 2021, the Owner commenced a formal consultation by writing to leaseholders to seek their views about undertaking "*Roof repairs or recovering as necessary to ensure that the roof is watertight*". This was stated to be a notice of intention in accordance with section 20 of the Act. No leaseholders made any observations.

19. The temporary repair rapidly failed and the leaseholder of flat 21 reported it afresh. The Owner did not progress further repairs, nor did it undertake any further consultation. In June 2022, the leaseholder approached the Property Redress Scheme (the "PRS") to assist her in having the leak repaired. Her case was accepted and, on 10 August 2022, the Owner acted on the complaint by seeking a quote for repairs from a new contractor, GWI Roofing Ltd. Within a week the contractor had attended the Property and estimated costs of £6,500 for a temporary repair or £19,250 for a full repair (both excluding VAT). By 6 September 2022, a firm quote of £7,200 (excluding VAT) was provided with

work expected to begin on 14 September 2022. It was clear to the Tribunal that the "temporary" repairs this time in fact amounted to a complete recovering of the section of roof above flat 21.

20. Work in fact began on 13 September 2022, and damage to the fascia and rafters was identified, notably rot. This was stated to be a structural issue and due both to poor design and to inadequate installation. Photos were provided. Additional repairs were recommended for an approximate sum of £2,000. The additional works were agreed, and in fact amounted to a little less – £1,810 (excluding VAT). The total cost of the works was £10,812 (inclusive of VAT).

21. The Owner submitted that the delay to commissioning the roof repairs was due to difficulties in sourcing competent contractors. The Tribunal had no objective evidence to support that statement. It noted that Crossland Group had been engaged with apparently little difficulty in late-2021 and that within around a month of contacting GWI Roofing Ltd in August 2022, work had begun. The Tribunal found on the balance of probabilities that the Owner may have experienced some difficulties in identifying reputable contractors, but the main reason it failed to commission the works sooner was simply that it did not prioritise it. As soon as the issue was raised more formally via the PRS, the matter was progressed with more urgency to a rapid resolution.

22. As to whether the delay resulted in additional damage, the Tribunal found that this was likely, but not to such a degree as to have had an impact on the cost of the works. Both Crossland Group and GWI Roofing Ltd found the roof to be in a poor state of repair. The significant damage suffered to the rafters and fascia through rot was unlikely to have resulted solely from the delay in undertaking the works and had likely begun well beforehand. Crucially, the Tribunal found that GWI Roofing Ltd would likely have recommended their replacement in any event due to the design and installation flaws it identified. It was unlikely to have guaranteed the work otherwise. In light of the relatively limited additional cost involved, there is no reason to suspect that the Owner would not have accepted that recommendation. As to internal redecoration, the Tribunal found that it was required in any event and the limited additional surface area needing attention would have made no difference to the cost.

23. In relation to the service charge apportionment, the Owner accepted that leaseholders were not charged the proportion stipulated in their leases. It submitted that the leases had been poorly drafted in that respect. Cumulatively, the proportions recorded in the leases amounted only to 92.82% of actual expenditure. The Tribunal was not provided with all the leases but had no reason to doubt the Owner's statement. The documents provided to the Tribunal show that the apportionment had been altered by the Owner at some point prior to the new management being installed in 2020 to result in 100% recovery.

24. The leases include the following clause, in a section entitled "Agreements and Declarations":

    "*6.10. If at any time (including retrospectively) it should become necessary or equitable to do so, the Lessor* [i.e. the Owner] *(acting reasonably) shall recalculate on an equitable basis the percentage figure(s) comprised in the Lessee's proportion appropriate to all the Dwellings comprising the Block and shall then notify the Lessees accordingly and in such case as from the date specified in the said notice the Lessee's proportion so recalculated and notified to the Lessee in respect of the Demised Premises shall be substituted for that set out in the Particulars and clause 1 of the Seventh Schedule and the Lessee's proportion so recalculated in respect of the said Properties shall be notified by the Lessor to the Lessees thereof and shall be substituted for those set out in their leases*".

Law

25. The Landlord and Tenant Act 1985 (referred to throughout this decision document as the "Act") provides a framework for assessing service charges. The following provisions are of most relevance to this case.

26. Section 19 limits the amount of costs that can be recovered through a service charge (referred to as the "relevant costs").

> ***19. Limitation of service charges: reasonableness***
>
> *(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 provision 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.*

27. Section 20 limits the sums that a landlord can claim by way of service charge in certain circumstances.

> ***20. Limitation of service charges: consultation requirements***
>
> *(1) Where this section applies to any qualifying works or qualifying long term agreement, the relevant contributions of tenants are limited in accordance with subsection (6) or (7) (or both) unless the consultation requirements have been either—*
>
> *(a) complied with in relation to the works or agreement, or*
>
> *(b) dispensed with in relation to the works or agreement by (or on appeal from) the appropriate tribunal.*
>
> *(2) In this section "relevant contribution", in relation to a tenant and any works or agreement, is the amount which he may be required under the terms of his lease to contribute (by the payment of service charges) to relevant costs incurred on carrying out the works or under the agreement.*
>
> *(3) This section applies to qualifying works if relevant costs incurred on carrying out the works exceed an appropriate amount.*
>
> *...*
>
> *(5) An appropriate amount is an amount set by regulations made by the Secretary of State* [now the Welsh Ministers]*...*

28. "Qualifying works" are defined in section 20ZA, as are the "consultation requirements".

> ***20ZA. Consultation requirements: supplementary***
>
> *(2) In section 20 and this section—*
>
> *"qualifying works" means works on a building or on any other premises, and*

"qualifying long term agreement" means (subject to subsection (3) [irrelevant in this case]*) an agreement entered into, by or on behalf of the landlord or superior landlord, for a term or more than twelve months.*

...

(4) In section 20 and this section "the consultation requirements" means requirements prescribed by regulations made by the Secretary of State [now the Welsh Ministers].

29. The Service Charges (Consultation Requirements) (Wales) Regulations 2004 prescribe both the "appropriate amount" referred to in section 20(3) of the Act and the consultation requirements referred to in sections 20(1) and 20ZA(4).

Regulation 6. Application of section 20 to qualifying works

For the purposes of subsection (3) of section 20 the appropriate amount is an amount which results in the relevant contribution of any tenant being more than £250.

The consultation requirements relevant to this case are laid down in Part 2 of Schedule 4 of the Regulations, which are included as an appendix to this decision document.

30. In accordance with section 20(7) of the Act read with Regulation 6, the limit to any individual leaseholder's contribution to "qualifying works" undertaken without consultation (or dispensation) is £250.

31. Section 27A of the Act permits the Tribunal to determine whether a service charge is payable.

27A. Liability to pay service charges: jurisdiction

(1) An application may be made to the appropriate 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.

32. Section 20C of the Act permits the Tribunal to order a landlord not to recover its costs of legal proceedings via a service charge.

20C. Limitation of service charges: costs of proceedings

(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 leasehold valuation tribunal or the First-tier 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.

...

(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.

The Determination

33. The first issue for the Tribunal to determine is whether the £6,994 cost of garden maintenance for the year 2022-2023 was reasonably incurred. The Tribunal concludes that it was. It was a much greater expense than the previous year – £1,300 – and almost three times that of the preceding year – £2,470. However, the Owner had received complaints about the quality of the previous service, including that the bushes and brambles were not being kept in check. Accordingly, it decided to switch contractor and to expand the scope and frequency of the maintenance. The Owner is entitled to exercise discretion about the services it provides and did so after taking account of complaints received. It did not need to undertake formal consultation as the contract was limited to twelve months.

34. The Applicants' main complaint appeared to be the choice of contractor, which was based further away from the Property, and value for money. But they submitted no evidence that alternatives would have provided better value. The only evidence the Tribunal had was from the Owner. It had kept the contract under review and recently reverted to the original contractor, which charges about the same as the company it replaced for an equivalent service. The cost was not obviously excessive.

35. The second issue concerned the quality of the service being provided. The Owner believed the grounds to be in satisfactory condition after inspection and the Tribunal agreed, based on the limited information it had. Bushes and brambles had clearly encroached into the lawn over time, but over what exact timeframe was unclear. The Owner monitored compliance with the contract, without noting any issues. It said that it had received no complaints about the state of the gardens since increasing the level of maintenance. The gardens appeared neat and tidy from the photos provided. Even with an increased scope, the garden maintenance contract remains relatively basic. It involves tending the lawn, pruning shrubs and clearing dead vegetation and litter. There was no good evidence to demonstrate that these services were not being adequately performed over the year 2022-2023, which is the period the Tribunal is considering. The Tribunal therefore found that the garden maintenance services had been provided to a reasonable standard.

36. As to the roof repairs, the Tribunal sympathised with the Applicants. It determined that the Owner delayed fixing the leak above flat 21 with no good reason. It could and should have addressed the matter sooner, despite financial pressures. Money was available in the reserve fund. Initially seeking a temporary repair and consulting on a longer-term solution was reasonable in late-2021, but speedier action should have been taken when that repair failed. However, crucially, the months-long delay had no discernible impact on the cost of repairs. They were required in any event and their cost and quality appear reasonable. Accordingly, the Tribunal determined the costs were reasonably incurred. Whether those costs are payable in full will be addressed below.

37. The final issue raised by the Applicants was the apportionment of the service charges. The Tribunal accepted it did not accord with the proportions stipulated in the leases. However, the leases allow the Owner to vary the apportionment as long as it is necessary or equitable to do so and is then done equitably. The reason for the change was that the original apportionment did not allow the Owner to recover all its expenditure on the Property from the leaseholders, costs that they were committed to covering under the leases. It was therefore both necessary and equitable to revise the apportionment. Clear notice should have been given to leaseholders of the change. There was no evidence to show that had happened. Whatever the true position, the change was made several years ago without complaint and the leaseholders have now received clear written notice of the change. The lease allows such changes to take effect retrospectively if it is equitable. The Applicants have not submitted that the new apportionment is unfair or inequitable. The adjustments appear relatively limited and are not obviously inequitable. Notice of the change merely formalises an existing arrangement, no additional service charges are being levied for past periods. Taking all of these factors into account, the Tribunal determined that the new apportionment was effective and that the service charges sought from the Applicant were consequently payable, albeit with one exception.

38. A final issue arose during the course of the hearing, which was whether the requisite consultation had taken place with leaseholders in relation to the roof repairs in September 2022. The Tribunal concluded that it had not. The quote for the initial repairs was £7,200 plus VAT, so a total of £8,640. This equates to a contribution in excess of £250 for several leaseholders. The actual cost of the repairs was greater, amounting to £10,812. Only an initial notice of intention to carry out qualifying works was given in December 2021. Therefore, in accordance with section 20 of the Act, no leaseholder can be required to contribute more than £250 to the repairs unless the Tribunal grants dispensation from consultation. The Owner made an application for dispensation orally at the hearing. However, as the Applicants were not present and otherwise had no notice of the application, and the same applies to all other leaseholders, it is fair and appropriate to require the Owner to renew its application in writing and to allow the leaseholders an opportunity to respond if so minded. The Tribunal anticipates being able to determine the application without a hearing, but one can be arranged if necessary. It is in all parties' and the Tribunal's interests to ensure the application is determined expeditiously **so the Owner must send the written application to the Tribunal within 21 days of receipt of this decision otherwise it will be dismissed without further order.**

39. The service charges have been found to be payable in full, save in relation to the roof repairs in September 2022. The only reason for that is a lack of consultation. This is not an issue that was raised by the Applicants but was identified by the Tribunal. In relation to the matters that were in dispute between the parties, the Tribunal was greatly assisted by the Owner's evidence, submissions and general engagement with the application in reaching its determination. It behaved reasonably throughout the proceedings. The Tribunal had sight of a summary of the Owner's costs incurred in handling these proceedings and no sums appeared unreasonable. Accordingly, there is no good reason to allow the Costs application and it is dismissed.

Dated this 18th day of September 2024

M. Hunt
Tribunal Judge

Appendix

Part 2 of Schedule 4 to the Service Charges (Consultation Requirements) (Wales) Regulations 2004

Notice of intention

1.—

(1) The landlord shall give notice in writing of intention to carry out qualifying works–

(a) to each tenant; and

(b) where a recognised tenants' association represents some or all of the tenants, to the association.

(2) The notice shall–

(a) describe, in general terms, the works proposed to be carried out or specify the place and hours at which a description of the proposed works may be inspected;

(b) state the landlord's reasons for considering it necessary to carry out the proposed works;

(c) invite the making, in writing, of observations in relation to the proposed works; and

(d) specify–

(i) the address to which such observations may be sent;

(ii) that they must be delivered within the relevant period; and

(iii) the date on which the relevant period ends.

(3) The notice shall also invite each tenant and the association (if any) to propose, within the relevant period, the name of a person from whom the landlord should try to obtain an estimate for the carrying out of the proposed works.

Inspection of description of proposed works

2.—

(1) Where a notice under paragraph 1 specifies a place and hours for inspection–

(a) the place and hours so specified must be reasonable; and

(b) a description of the proposed works must be available for inspection, free of charge, at that place and during those hours.

(2) If facilities to enable copies to be taken are not made available at the times at which the description may be inspected, the landlord shall provide to any tenant, on request and free of charge, a copy of the description.

Duty to have regard to observations in relation to proposed works

3.

Where, within the relevant period, observations are made in relation to the proposed works by any tenant or recognised tenants' association, the landlord shall have regard to those observations.

Estimates and response to observations

4.—

(1) Where, within the relevant period, a nomination is made by a recognised tenants' association (whether or not a nomination is made by any tenant), the landlord shall try to obtain an estimate from the nominated person.

(2) Where, within the relevant period, a nomination is made by only one of the tenants (whether or not a nomination is made by a recognised tenants' association), the landlord shall try to obtain an estimate from the nominated person.

(3) Where, within the relevant period, a single nomination is made by more than one tenant (whether or not a nomination is made by a recognised tenants' association), the landlord shall try to obtain an estimate–

(a) from the person who received the most nominations; or

(b) if there is no such person, but two (or more) persons received the same number of nominations, being a number in excess of the nominations received by any other person, from one of those two (or more) persons; or

(c) in any other case, from any nominated person.

(4) Where, within the relevant period, more than one nomination is made by any tenant and more than one nomination is made by a recognised tenants' association, the landlord shall try to obtain an estimate–

(a) from at least one person nominated by a tenant; and

(b) from at least one person nominated by the association, other than a person from whom an estimate is sought as mentioned in paragraph (a).

(5) The landlord shall, in accordance with this sub-paragraph and sub-paragraphs (6) to (9)–

(a) obtain estimates for the carrying out of the proposed works;

(b) supply, free of charge, a statement ("the paragraph (b) statement") setting out–

(i) as regards at least two of the estimates, the amount specified in the estimate as the estimated cost of the proposed works; and

(ii) a summary of any observations made in accordance with paragraph 3 and the landlord's response to them; and

(c) make all of the estimates available for inspection.

(6) At least one of the estimates must be that of a person wholly unconnected with the landlord.

(7) For the purpose of paragraph (6), it shall be assumed that there is a connection between a person and the landlord–

(a) where the landlord is a company, if the person is, or is to be, a director or manager of the company or is a close relative of any such director or manager;

(b) where the landlord is a company, and the person is a partner in a partnership, if any partner in that partnership is, or is to be, a director or manager of the company or is a close relative of any such director or manager;

(c) where both the landlord and the person are companies, if any director or manager of one company is, or is to be, a director or manager of the other company;

(d) where the person is a company, if the landlord is a director or manager of the company or is a close relative of any such director or manager; or

(e) where the person is a company and the landlord is a partner in a partnership, if any partner in that partnership is a director or manager of the company or is a close relative of any such director or manager.

(8) Where the landlord has obtained an estimate from a nominated person, that estimate must be one of those to which the paragraph (b) statement relates.

(9) The paragraph (b) statement shall be supplied to, and the estimates made available for inspection by–

(a) each tenant; and

(b) the secretary of the recognised tenants' association (if any).

(10) The landlord shall, by notice in writing to each tenant and the association (if any)–

(a) specify the place and hours at which the estimates may be inspected;

(b) invite the making, in writing, of observations in relation to those estimates;

(c) specify–

(i) the address to which such observations may be sent;

(ii) that they must be delivered within the relevant period; and

(iii) the date on which the relevant period ends.

(11) Paragraph 2 shall apply to estimates made available for inspection under this paragraph as it applies to a description of proposed works made available for inspection under that paragraph.

Duty to have regard to observations in relation to estimates

5.—

Where, within the relevant period, observations are made in relation to the estimates by any tenant or recognised tenants' association, the landlord shall have regard to those observations.

Duty on entering into contract

6.—

(1) Subject to sub-paragraph (2), where the landlord enters into a contract for the carrying out of qualifying works, the landlord shall, within 21 days of entering into the contract, by notice in writing to each tenant and the recognised tenants' association (if any)–

(a) state reasons for awarding the contract or specify the place and hours at which a statement of those reasons may be inspected; and

(b) where observations are made to which (in accordance with paragraph 5) the landlord was required to have regard, summarise the observations and set out the landlord's response to them.

(2) The requirements of sub-paragraph (1) do not apply where the person with whom the contract is made is a nominated person or submitted the lowest estimate. Paragraph 2 shall apply to a statement made available for inspection under this paragraph as it applies to a description of proposed works made available for inspection under that paragraph.