



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

Case reference : **CAM/OOMG/LDC/2024/0029**

Applicant : **Milton Keynes City Council**

Respondents : **Leaseholders of 1139 properties**

Property : **Various affected addresses**

Tribunal : **Judge Shepherd**

Date of decision : **31st July 2024**

DETERMINATION

Decision: Dispensation is granted unconditionally.

Reasons

1. In this case the Applicant seeks dispensation from the consultation requirements provided for by section 20 of the Landlord and Tenant Act 1985. The Applicant is Milton Keynes City Council (“The Applicant”). The necessary Respondents to the application are the leaseholders of the premises affected by the application.
2. The Applicant has applied for dispensation from the statutory consultation requirements in respect of the supply of communal gas and electricity supplies. There are 836 leaseholders in the Applicant’s region that rely on a communal boiler to supply their gas and electricity.

3. The contracts with gas and electricity providers are Qualifying Long Term Agreements (QLTAs). The Applicants are part of a framework agreement for supplying gas and electricity called LASER (Local Authority South East Region). This is a body run by Kent County Council on behalf of a number of authorities. The current LASER contract comes to an end on 30th September 2024. The Applicant wants to renew the LASER contract for the period from 1st October 2024 to 30th September 2028.
4. Ordinarily a landlord would have to consult before entering into a QLTA. The Applicant explains that the procurement of gas and electricity supplies is not conducive with ordinary consultation pursuant to s 20 Landlord and Tenant Act 1985. This is because of the volatility of the market for fuel supplies currently for reasons including the war in Ukraine and the resultant effect on Russian supplies as well as the increasing move to renewables, carbon reduction measures and taxation. Under the LASER framework local authorities work together and procure energy on the wholesale market. It is financially prudent to accept offers of good deals on chunks of energy over longer periods of time rather than purchasing on a single day basis. Significant financial savings are made by LASER. There is necessarily a requirement to move quickly when deals are offered. In these circumstances consultation would not be practically possible.
5. Detailed witness statements of Neil Allen the Head of Regulatory Services for the Applicant have been prepared explaining the need for dispensation. These are supported by documentary evidence. Although proper consultation has not been possible all affected leaseholders have been written to explain the need for dispensation and meetings were held. In addition, leaseholders were invited to put forward any substantive objections to the application. In the event the objections were minimal and the content does not affect the decision I am making because no objection relates to the question of prejudice which is explained below.

The law on dispensation

Landlord and Tenant Act 1985, s.20ZA

20ZA Consultation requirements: supplementary

(1) *Where an application is made to [the appropriate tribunal for a determination to dispense with all or any of the consultation requirements in relation to any qualifying works or qualifying long term agreement, the tribunal may make the determination if satisfied that it is reasonable to dispense with the requirements.*

(2) *In section 20 and this section—*

“qualifying works” means works on a building or any other premises, and “qualifying long term agreement” means (subject to subsection (3)) an agreement entered into, by or on behalf of the landlord or a superior landlord, for a term of more than twelve months.

(3) *The Secretary of State may by regulations provide that an agreement is not a qualifying long term agreement—*

(a) *if it is an agreement of a description prescribed by the regulations, or*

(b) *in any circumstances so prescribed.*

(4) *In section 20 and this section “the consultation requirements” means requirements prescribed by regulations made by the Secretary of State.*

(5) *Regulations under subsection (4) may in particular include provision requiring the landlord—*

(a) *to provide details of proposed works or agreements to tenants or the recognised tenants' association representing them,*

(b) *to obtain estimates for proposed works or agreements,*

(c) *to invite tenants or the recognised tenants' association to propose the names of persons from whom the landlord should try to obtain other estimates,*

(d) *to have regard to observations made by tenants or the recognised tenants' association in relation to proposed works or agreements and estimates, and*

(e) *to give reasons in prescribed circumstances for carrying out works or entering into agreements.*

(6) *Regulations under section 20 or this section—*

(a) *may make provision generally or only in relation to specific cases, and*

(b) *may make different provision for different purposes.*

(7) *Regulations under section 20 or this section shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.*

Daejan

6. In *Daejan Investments v Benson* [2013] UKSC 14, the landlord was the freehold owner of a building comprised of shops and seven flats, five of which were held by the tenants under long leases which provided for the payment of service charges. The landlord gave the tenants notice of its intention to carry out major works to the building. It obtained four priced tenders for the work, each in excess of £400,000, but then proceeded to award the work to one of the

tenderers without having given tenants a summary of the observations it had received in relation to the proposed works or having made the estimates available for inspection. The tenants applied to a leasehold valuation tribunal under section 27A of the Landlord and Tenant Act 1985 , as inserted, for a determination as to the amount of service charge which was payable, contending inter alia that the failure of the landlord to provide a summary of the observations or to make the estimates available for inspection was in breach of the statutory consultation requirements in paragraph 4(5) of Schedule 4 to the Service Charges (Consultation Requirements) (England) Regulations 2003 so as to limit recovery from the tenants to £250 per tenant, as specified in section 20 of the 1985 Act and regulation 6 of the 2003 Regulations in cases where a landlord had neither met, nor been exempted from, the statutory consultation requirements. The landlord applied to the tribunal under section 20(1) of the Act for an order that the paragraph 4(5) consultation requirements be dispensed with, and proposed a deduction of £50,000 from the cost of the works as compensation for any prejudice suffered by the tenants, which offer they refused. The tribunal held that the breach of the consultation requirements had caused significant prejudice to the tenants, that the proposed deduction did not alter the existence of that prejudice, and that it was not reasonable within section 20ZA(1) of the Act, as inserted, to dispense with the consultation requirements. The Upper Tribunal (Lands Chamber) dismissed the landlord's appeal and the Court of Appeal upheld the Upper Tribunal's decision.

7. The Supreme Court , allowing the appeal (Lord Hope of Craighead DPSC and Lord Wilson JSC dissenting), held that the purpose of a landlord's obligation to consult tenants in advance of qualifying works, set out in the Landlord and Tenant Act 1985 (as amended) and the Service Charges (Consultation Requirements) (England) Regulations 2003 , was to ensure that tenants were protected from paying for inappropriate works or from paying more than would be appropriate; that adherence to those requirements was not an end in itself, nor was the dispensing jurisdiction under section 20ZA(1) of the 1985 Act a punitive or exemplary exercise; that, therefore, on a landlord's application for dispensation under section 20ZA(1) the question for the leasehold valuation tribunal was the extent, if any, to which the tenants had been prejudiced in

either of those respects by the landlord's failure to comply; that neither the gravity of the landlord's failure to comply nor the degree of its culpability nor its nature nor the financial consequences for the landlord of failure to obtain dispensation was a relevant consideration for the tribunal; that the tribunal could grant a dispensation on such terms as it thought fit, provided that they were appropriate in their nature and effect, including terms as to costs; that the factual burden lay on the tenants to identify any prejudice which they claimed they would not have suffered had the consultation requirements been fully complied with but would suffer if an unconditional dispensation were granted; that once a credible case for prejudice had been shown the tribunal would look to the landlord to rebut it, failing which it should, in the absence of good reason to the contrary, require the landlord to reduce the amount claimed as service charges to compensate the tenants fully for that prejudice; and that, accordingly, since the landlord's offer had exceeded any possible prejudice which, on such evidence as had been before the tribunal, the tenants would have suffered were an unqualified dispensation to have been granted, the tribunal should have granted a dispensation on terms that the cost of the works be reduced by the amount of the offer and that the landlord pay the tenants' reasonable costs, and dispensation would now be granted on such terms. Per Lord Neuberger of Abbotsbury PSC, Lord Clarke of Stone-cum-Ebony and Lord Sumption JJSC. (i) Where the extent, quality and cost of the works were unaffected by the landlord's failure to comply with the consultation requirements an unconditional dispensation should normally be granted (post, para 45). (ii) Any concern that a landlord could buy its way out of having failed to comply with the consultation requirements is answered by the significant disadvantages which it would face if it fails to comply with the requirements. The landlord would have to pay its own costs of an application to the leasehold valuation tribunal for a dispensation, to pay the tenants' reasonable costs in connection of investigating and challenging that application, and to accord the tenants a reduction to compensate fully for any relevant prejudice, knowing that the tribunal would adopt a sympathetic (albeit not unrealistically sympathetic) attitude to the tenants on that issue (post, para 73).

8. Lord Neuberger giving the leading judgment stated *inter alia* the following:

56. More detailed consideration of the circumstances in which the jurisdiction can be invoked confirms this conclusion. It is clear that a landlord may ask for a dispensation in advance. The most obvious cases would be where it was necessary to carry out some works very urgently, or where it only became apparent that it was necessary to carry out some works while contractors were already on site carrying out other work. In such cases, it would be odd if, for instance, the LVT could not dispense with the requirements on terms which required the landlord, for instance, (i) to convene a meeting of the tenants at short notice to explain and discuss the necessary works, or (ii) to comply with stage 1 and/or stage 3, but with (for example) five days instead of 30 days for the tenants to reply.

Determination

- 9.** On its face the application has considerable merit. The flexibility required for large scale procurement of fuel does not fit well with the consultation process. Indeed, the need for the Applicant to act quickly when offered a good deal which benefits leaseholders overall is akin to urgent works of the type envisaged in *Daejan*. Accordingly, the tribunal agrees to give dispensation. There is no evidence of any prejudice suffered by residents therefore the dispensation is given unconditionally. It is emphasized that the dispensation does not affect the leaseholders' ability to challenge the service charges pursuant to s.27A Landlord and Tenant Act 1985.

Judge Shepherd

31st July 2024

Rights of appeal

By rule 36(2) of the Tribunal Procedure (First-tier Tribunal) (Property Chamber) Rules 2013, the Tribunal is required to notify the parties about any right of appeal they may have.

If a party wishes to appeal this decision to the Upper Tribunal (Lands Chamber), then a written application for permission must be made to the First-tier Tribunal at the Regional Office which has been dealing with the case. The application should be made on Form RP PTA available at <https://www.gov.uk/government/publications/form-rp-pta-application-for-permission-to-appeal-a-decision-to-the-upper-tribunal-lands-chamber>

The application for permission to appeal must arrive at the Regional Office within 28 days after the Tribunal sends written reasons for the decision to the person making the application.

If the application is not made within the 28-day time limit, such application must include a request for an extension of time and the reason for not complying with the 28-day time limit; the Tribunal will then look at such reason(s) and decide whether to allow the application for permission to appeal to proceed, despite not being within the time limit.

The application for permission to appeal must identify the decision of the Tribunal to which it relates (i.e. give the date, the property and the case number), state the grounds of appeal and state the result the party making the application is seeking.

If the Tribunal refuses to grant permission to appeal, a further application for permission may be made to the Upper Tribunal (Lands Chamber).