



## **DIRECTORS' UPDATE MARCH 2021**

### LAYING IT BARE

Dear Fellow Leaseholders,

Welcome to the March 2021 Directors' Newsletter for Royal Quay's Leaseholders.

Much of the information contained herein makes for stark reading, but it is important that you do read this newsletter as the future of Royal Quay may depend on this.

### **CASHFLOW AND SERVICE CHARGE COLLECTIONS**

Firstly, a huge thank you to the 119 leaseholders who **have** paid the 2021 first quarter's service charge in full. This leaves 81 apartments with a balance outstanding as follows:

<i>Debt as at 8th March 2021</i>	No. of apartments
More than £5,000 but less than £6,000	1
More than £4,000 but less than £5,000	5
More than £3,000 but less than £4,000	2
More than £2,000 but less than £3,000	6
More than £1,000 but less than £2,000	33
Less than £1,000	34
	<hr/>
	81

**Outstanding service charge arrears are £100,892 for Q1 and earlier** as at 8<sup>th</sup> March 2021 compared to £126,870 on 25<sup>th</sup> February 2021 and £139,660 on 17<sup>th</sup> February 2021.

**Royal Quay has struggled to pay its liabilities over recent weeks** due to a lack of available cashflow. This has been caused by a) some leaseholders withholding payment of the full service charge and b) some leaseholders just paying the 2019 levels of service charge but not paying the increase.

To be clear, the extra charges cover **only** the massively increased buildings' insurance premium, Waking Watch costs and necessary funding for fire alarms as well as some professional fees for forward planning of remediation and smoke extraction system rectifications.

**If service charge monies are not paid in full, the following is very possible:**

- If we are unable to pay Waking Watch costs and insurance premiums going forward, Royal Quay will have to be shut down through the issue of a Prohibition Notice by Merseyside Fire & Rescue Service.
- Everyone will have to leave the site. Leaseholders with tenants will have to find their tenants alternative accommodation at their own cost. Leaseholders who are resident will either have to live with family or rent elsewhere.
- Loss of services may become apparent, for example: routine maintenance and lift maintenance, site cleaning, window cleaning and gardening, and even estate manager services.
- Moreover, service charges will **STILL HAVE TO BE PAID** at Royal Quay.
- Non-payment of the Service Charge is a breach of the Lease. If you do not pay you may be responsible for the closure of Royal Quay and eventually forfeit your lease and your apartment.

## **COMMUNICATIONS**

We have been trying to assist communications in general by posting certain files on the Royal Quay Facebook group (e.g. barrister's reports on the lease structures and the fire reports) but we are aware not all leaseholders are comfortable with such technology. Whilst the Directors will impress upon Mainstay the need to improve speed and quality of communications, please do bear in mind the pressures and strains within their teams (including their accounts' team), as they are managing many other properties experiencing the same serious problems as Royal Quay.

We would also encourage leaseholders to sign up for electronic communications from Mainstay. To do so, please contact Natalie at Mainstay advising her of your name and apartment number to [nataliemitchell@mainstaygroup.co.uk](mailto:nataliemitchell@mainstaygroup.co.uk)

## **PAYMENT TERMS**

In line with the terms of the lease, service charges are due for payment immediately following the date of demand. For the second quarter, as the demands were issued early, the Q2 service charge is due on **4<sup>th</sup> April 2021**.

If you have genuine concerns that you are unable to pay your service charge then please contact the accounts team at Mainstay and discuss options on a case-by-case basis.

### **THE ROYAL QUAY FACEBOOK GROUP**

The Royal Quay Facebook group is a private group and was set up by Mainstay and the Directors to offer another means of communication to leaseholders (and tenants).

We want to provide updates to you in the group and to provide a forum for you to share and discuss ideas with fellow stakeholders at Royal Quay. The group has had some success and is now up to around 100 members.

We would like all leaseholders and residents to join if possible as it's a convenient way for us to communicate with each other but we do appreciate not everyone has a Facebook account.

We do wish to remind all members of the group that continually posting gloomy and negative comments/criticisms is not helpful and detracts from what we are trying to achieve. We are open to hear ideas and suggestions and we hope the group provides some reassurances that you are not going through this alone. Please try to stay positive and consider the impact of your comments on fellow group members.

### **THE SERVICE CHARGE INCREASE**

The "waterfall" chart set out at the end of this newsletter, which was prepared for the Leaseholder meeting in February, sets out the reasons why the service charge in 2021 has increased significantly. Please remember that it is the budgeted cost for the calendar year which determines the level of required service charge recovery.

The green bar on the left of the chart represents a "normal" service charge year where the service charge is approximately £270,000 per annum (whole site). This is a normal charge, on average, of £1,350 for the year per apartment. Obviously, the actual charge varies from this depending on an apartment's square footage.

You can see that the beige/orange bars represent the real cost increases that have had to go into the 2021 budget, by expense type.

These costs uplift the total service charge needing to be recovered (compared to a "normal" year) by £687,000 – with a total estimated cost of £957,000 for 2021 – and again, remember, this is before any actual

cladding remediation costs at all. This uplifts the average apartment's service charge from £1,350 to £4,785 per year.

The figures are eye-watering but they are real costs.

We therefore decided that the only realistic approach was to include in the budget those costs which we are required to pay to keep the site operational and prevent it being closed down.

## **UPDATES ON VARIOUS MATTERS**

Volunteer Waking Watch	This is a continued success with now approximately 30 volunteers having saved us around £28,000 by the end of February 2021. Please do come forward and volunteer!
Fire Alarm / WW Relief Fund	Quotations received from 5 contractors. Waking Watch Relief Fund applied for (blocks 5 & 6 only as they are more than 18 metres in height) on Monday 1 <sup>st</sup> March. We believe we are near the front of the queue (it is first come, first served) – we now await feedback. Further work in hand to determine if remaining blocks lower than 18 metres can have a more cost-effective alarm option.
AirBnB / short term lets	Despite the country being in national lockdown and it being against the provisions of the lease, we are still experiencing attempts from certain leaseholders to market their properties on short-term letting sites such as AirBnB. This needs to stop immediately.
Fire breaks / compartmentation	A full survey has been commissioned and we await feedback in due course.
Smoke Extraction Systems (for which the site is under Enforcement Notices from Merseyside Fire & Rescue)	Good progress has been made across all blocks and the issue in locating the fan in block 6 has also made some progress. Further work currently being undertaken to ascertain if it can be made operational. The other blocks are operational.
Bins	The site was visited by Liverpool City Council Street Scene team to assess our current situation with bins and recycling. Councillors now engaged and working with us to improve the situation.
LED light installation	Successful LED light install with sensors on block 1 which we believe will save significant money from the service charge demand in future years.
Gates	Pedestrian gate (Jury's Inn) is now repaired and the intermittent fault on far car park gate is now fixed.
Directors	There are currently 6 directors at Royal Quay. LQM: John, Arthur, Jon and Laith. KWMC: Colin and Chris. If you are interested in becoming a director, please let Mainstay know.

### Extra Costs in 2021 Royal Quay Budgeted Service Charge

