

NEWSLETTER

Once again, I thought it would be useful to kick off the new year with an update on what's been happening over the last 12 months and what is upcoming.

| Budgeting

This time last year I opened our newsletter with costs, due to the recessionary pressures of Covid and concerns about job security and survival of small businesses. Now we have the new dynamic of inflation and sharp rises in costs due to supply chain disruption. More than most other sectors, this has hit building costs in terms of scarcity of supplies and components, not least electronic chips. By far the most dramatic increase has been in the price of energy which has doubled and redoubled on commercial markets in recent months. This presented a major challenge for Canary



Riverside which was wired up in such a way that the residential towers, the hotel, health club and all commercial offices and eateries are dependent on one source of electricity supply, for which we need to contract in October of each year. In 2020, I carried out a tender exercise using two energy brokers. I was able to secure an exceptionally keen rate which equated to an overall cost of £1.2m for the year.

This past October, 2021, using the same two energy brokers the tendering process was chaotic, as no price survived more than 24 hours before being withdrawn and revised to catch up with rocketing global markets. It was not just the electricity price – it was also the credit risk. Faced with so many bankruptcies under Covid, steep security deposits were being demanded by most suppliers. But we were also seeing energy firms like Bulb collapse under the strain – nearly 30 firms have gone to the wall in this crisis – so, who to trust with a deposit?

In the end, the cheapest deal we were able to negotiate in October was with the giant SSE at £2.4m – and subject to lodging a security deposit of £350,000 equating to around 8 weeks' supply at the new rate. We are very fortunate to have locked that deal up, as the rates increased literally within 24 hours and doubled again by Christmas to four times what we paid in 2020.

You may have read in the media about the OFGEM price cap. This applies to domestic supplies whose customers are 'out of contract' with their suppliers. This does not apply to Canary Riverside flats because the central source of supply is through the estate's meters which are designated 'commercial' and priced at the contract rate tendered for each October. Even if it were feasible to run independent supplies to each individual flat (which it is not) each one would have to sign up an initial contract and only be eligible for the OFGEM cap at the end of the 12 month period, being out-of-contract. Such an exercise, even if feasible, would make no sense since the cap is due to be raised in April anyway.

Another major cost increase has been insurance of your buildings and car park for which we are charged in April of each year by the landlord. Aside from a 22% increase in the renewal premium, the water claims excess was

increased from £1,000 to £25,000 per claim. This meant that the service charge fund had to effectively self-insure for water damages, meaning that we would need to allow for a given number of annual claims as a future budget contingency.

These two factors alone would normally have forced us to raise an emergency levy to shore up the service charge fund. Fortunately, the savings I achieved in running costs since taking over at the end of 2019 have enabled me to largely absorb those shocks, without so far needing to send you extra bills.

However, there are always unforeseen contingencies. The big one last year was the gas leak in Belgrave which, without sufficient isolation valves having been designed into the building, necessitated a long and costly process of elimination by the M&E contractors before the building could safely be reconnected by Cadent. Fortunately, most apartments on the estate have electric cookers but – given the lack of isolation valves and the likelihood of this happening again – we would strongly recommend anyone refurbishing their kitchens to switch to electric.

| Externals & Cladding

We got off to an early start on our application for state funding of our cladding remediation needs, securing £1.1m in pre-tender support in record time.

This enabled the professional team of fire engineers and surveyors to prepare the works and cost plans for the government's Building Safety Fund. We won an early challenge to the eligibility of Hanover House as falling below the 18m height limit. We then faced a new setback when the BSF excluded cladding components in some buildings which they had approved identically on other towers.

Our project team appealed that ruling and have waited months for the BSF to respond. Two days before Christmas we received their reply, conceding eligibility on most of the items in question but still short of full approval. That appeal response is currently being evaluated by the professional team and their recommendations will be reported to you all in the next in my series of Cladding Updates.

My plan was to marry up the long-awaited external cleaning and refurbishment of the tower facias with the cladding works, whereby we would pay just for the extra hire of scaffolding after the cladding works are completed, instead of the normally separate installation and removal of scaffolding at major cost to the service charge fund.

However, while the surveyors finalised a specification and invited tenders from a raft of contracting firms, there have been few takers, as firms are citing conflicts, insurance and



liability issues for example in the use of scaffolding installed by others.

In an ideal world, all the external works would be done by the same remediation contractors. However, we cannot mingle state-funded works with our own projects and there must be very clear dividing lines. Moreover, as the non-BSF component needs to be funded by service charge/reserve funds, that requires a different protocol of tendering and statutory notices under the Section 20 legislation.

These are the logistical issues we are currently grappling with as we await the final verdict on the extent of BSF funding.

| Car Entry Access

Last year we issued Section 20 notices for the upgrading of the card-entry access system which controls all entry points to the estate, buildings, car park and plantrooms.



Following the publication of the tenders, we instructed Stanley Security to commence the installation.

After some initial enabling work, they fell victim to the 'supply chain' problem which has badly affected computer chip supplies on which this installation depends.

As you will have seen in the news, the global shortage of computer chips has devastated the motor industry more than most.

I hope the situation will soon ease and enable the project to resume, thereby enhancing the security of your buildings and the estate as a whole.

My office will shortly be writing to everyone regarding the issuance of new digital entry fobs, whilst the old system will continue running in parallel until we have optimum circulation of the new fobs.



| Charging of Electric Vehicles

A much bigger project is the preparation of your car park for the charging of electric vehicles. With the government committed to end sales of fossil-fuelled vehicles by 2030, the 500-space car park needs to be prepared with the infrastructure and power resources to meet charging demand.

As with cladding, we have got off to a head start in consultation with EV specialists and our electrical engineers, HVSS, who have been maintaining our electrical plantrooms and safety compliance.

Whilst I am expecting their feasibility study this month, the indications are that two new substations will need to be installed by arrangement with UK Power Networks.

As all these public utilities have an exceptionally long lead time, we need to get started soon and I will prepare a consultation document in due course. While we have little choice but to move with the government's EV timetable, there may be a silver lining for the tenants of Canary Riverside.

I am told that a possible by-product of the substation installation could finally enable me to switch the hotel and other commercial parts onto their own electrical supply. As they count for half the electricity usage, the prospect of offloading over a million pounds of annual cashflow is very attractive indeed, and would secure a more stable financial future for the residential towers.

| Planned Re-furbishment

I am currently looking at partial refurbishment of your entrance lobbies by replacing the suspended ceilings and installing new energy-saving LED lighting as I have already done in many other parts of the estate. As the lobby lights are on 24 hours a day, the LED option to save 80% of a now quadrupled electricity cost is a clear winner. This follows our installation of LED lighting and microwave sensors in the car park which are yielding important savings in energy use.

I have also looked at refurbishing or replacing some of the lobby furniture, subject to consultation with RACR, and options to secure the concierge desks (and parcels) with a screen or grille when they are unattended on break or called away. Indoor plants and floral displays are also under review.

Other management initiatives include the refurbishment of the entrance signage on the pillar next to Café Brera. You may have noticed some missing letters, which have been taken off for trial treatment by specialist firms. Internally, several of the most worn landings and corridors have been repainted and I am currently awaiting proposals for the recarpeting of the common parts throughout, again subject to consultation with RACR.

| Tribunal Matters

Of necessity, actioning such projects will have to be carefully balanced with financial resources and reserves.

Much depends on the outcome of current proceedings in the Property Tribunal which, apart from extending the term of my Section 24 management appointment, will soon be ruling on the landlord's liability to make good the bad debts of commercial tenants, such as Virgin's health club, which have gone into administration owing substantial arrears of service charges and utility bills.



These and other pending claims in the court system will determine whether I will have the cash resources necessary to achieve the objectives I have set.

| You Can Help...

All flat owners can do a great deal to save money and improve the quality of living and safety on your estate. First and foremost is care and maintenance of your flat.

Make sure that your plumbing connections and overflow pipes are checked, and your shower and bath seals are regularly renewed to prevent water damage to flats below. Failure to do this may leave you liable for damages in those flats, especially with the new water claims threshold. Make sure that your householders' insurance (normally covering contents and jewellery etc.) also covers third-party liability for such accidental damage to other premises.

Make sure that you have at least one smoke alarm in your flat and check the test button once a month. If you rent out your flat, use a reputable agent regulated by ARLA so that you have the assurance of proper reference-checking and some recourse against rogue tenants. Do not rent for periods of less than 6 months or in multiple occupation, against the terms of the lease.

Remember that all lettings need to be registered with the landlord within 28 days of being signed up (see RACR website). If your flat is unoccupied for long periods, it is important to inform the insurers as they may not cover claims for damage that went unnoticed if a flat was left unchecked.

Water and gas should be isolated at source and it is wise to disconnect any electrical appliances which display a red standby light.

And, finally, please report any suspicious or anti-social behaviour to the concierge or the security office which is manned 24/7/365 at your service. Together we can make Canary Riverside a better and safer place for all its residents.

Best New Year wishes.

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