Admiral House, Cardiff
(Newport Road Maintenance Ltd)

24.06.2022

All leaseholders

Admiral House (Newport Road Maintenance Limited - "NRML")

Dear Member,

Below is the latest of our regular communications on the property. There are a number of activities currently being undertaken and so we have split this update up into the following sections:

- Service Charge
    - Year End 2021 Service Charge & Financial Statements for NRML
    - 2022 Service Charge - Current Status & 2nd half yearly invoice
- Building Work (section 20):
- Render Project
- Fire Safety Compliance Work
- Governance
- Next Steps

Please take the time to read this information carefully. If you have any questions on any of the information provided, please contact WPP who will be able to assist you.

Kind regards

Emrys, Matt, Nasir, Susan, Phil.

The Board of Directors of NRML

Year End 2021 Service Charge & Financial Statements for NRML

The financial statements for 2021 have now been uploaded on the Admiral House portal http://admiralhousecardiff.com/

These show that:

We spent £30,918 more running and maintaining the building than we collected via the service charge (page 2). This overspend was expected and communicated in our last update.

We covered this additional spend by using some of the existing reserve / sinking fund to leave a surplus / deficit for the year of £0 (page 4). We took this decision to provide some short-term relief to leaseholders after the recent section 20 payments for the render project. However, please note that the reserve fund will need to be topped up at some future point to cover both building work projects in their entirety (see building work section below).

The additional spend above our budgeted service charge related to (page 9 & 10):

- An increased buildings insurance premium - Premiums have increased globally across all property types, especially apartment towers. We tested the market to ensure the Ground Landlord (which places the insurance cover) obtains best value for money possible with the current premium and it is confirmed as such.

- Higher than planned staff wages & expenses - this mainly relates to the increase in minimum wage during the year.

- Several initial fire safety cost assessments and inspections were charged to the main service charge budget before the decision was made to cover these directly from the reserve fund.

- Significant repairs required for the car lifts to keep them operational.

We collected a significant portion of the section 20 monies originally required to undertake the render project and have begun to spend this on the technical specifications and tendering process (page 11).

2022 Service Charge - Current Status & 2nd half yearly invoice

At mid-year, our actual spend is roughly in line with budget and no new issues have arisen. As a result, the second half annual service charge invoices enclosed remain at the same level as for the first half of the year.

One additional item that we hope to fix in the second half of the year is the faulty lock on the front entry doors. Replacement parts and a company with the relevant know how have been identified and engaged.

Building Work (section 20)

As you will be aware from our last communication earlier in the year, over the last few years we have been planning for significant repairs to the façade of the building's existing render.

As a reminder, this work is necessary as the current render is old and was not initially well maintained. As a result of this, the property suffers from new leaks each year that continue to damage the internal fabric of the building as well as individual leaseholder apartments. Whilst the render issues are not currently dangerous structurally, the longer that the work is left, the more it will continue to damage the building, the more it will cost to eventually repair, and the more it will make the building unappealing to future renters and buyers, reducing ongoing rents and apartment values when selling.

Planning for this project was complicated by two issues:

1. The company selected to undertake the work in summer 2022 withdrew their tender advising the contract was no longer viable for them.

2. The South Wales Fire Authority placed an enforcement order on Admiral House, requiring a significant number of new fire safety improvements to be made to the building immediately.

This enforcement order relates to ever increasing regulation and new requirements on apartment blocks since the Grenfell Tower fire, which has impacted many hundreds, if not thousands, of properties across the UK. Admiral House has passed all annual fire safety risk assessments to date but does not meet a number of the new requirements due to the way that it was originally converted from an office building into apartments. The enforcement order requires resolution of issues relating to smoke seals, fire door distancing, compartmentalisation issues between floors, ducts for smoke to pass through and more.

Due to the significant cost and unfortunate timings involved, these issues were discussed with leaseholders during the special meeting that was held in November 2021.

Having already organised and commenced the mandatory fire safety works, the Directors recommended:

(i) delay of the render project until summer 2023 to allow time to re-tender the project, find a new contractor and collect the further funds that are likely to be required, and

(ii) Reallocation of some of the render project section 20 funds that had already been collected to pay for the fire safety work to give the leaseholders some short-term relief from further extraordinary service charges. The fire safety work is expected to cost in the region of £250,000.

These recommendations were accepted by majority vote.

As a result of this, the fire safety improvement work has continued to progress, starting with the top floors, and working down the building. We are pleased to report that this work is going well and that we hope that it will be completed by the end of October 2022.

We have also continued to collect the original section 20 charges from leaseholders. This has enabled us to fund the fire safety work and build up our reserves for the eventual render project. It also means that all leaseholders are in the same position, having contributed the first round of funding for the work.

Our consulting engineers for the render project, Curtins, have re-tendered for the work to assess the next best option. To date, we have received tenders from the 3 original unsuccessful companies. These indicate that the work will now cost in excess of £1 million to undertake (previous winning tender was £650,000). We continue to look for further companies who may be interested in contracting for the work and are working to firm up the existing tenders received.

Governance

During the November 2021 meeting with all leaseholders, we agreed to organise a further meeting for all leaseholders later in the year to discuss progress and updates. At the time, this was proposed for June. However, given the timing of the updates on the render project, we now aim to hold this in August 2022 (see next steps below).

Further, we have begun to release the minutes of directors' meetings in draft form much earlier on the Admiral House portal to provide more timely updates for interested parties and we have also produced this update to keep leaseholders informed.

During the meeting, the issue of board composition was also raised. To minimise disruption during the two major projects being undertaken, we asked that anyone interested in joining the Board of Directors indicate their interest to WPP by completing a brief biography/resume. This can then be used to consider individuals' experience and to determine how best to rotate Directors on and off the Board.

As a reminder, the Board of Directors for Admiral House are all leaseholders themselves, serve on a voluntary and unpaid basis and are charged with the duty to manage the property in the best interests of all leaseholders as equitably as possible under company law.

Next steps

Our planned timetable for the coming months is as follows:

July 2022: Firm up existing tenders to quantify new render cost. Continue fire safety work and firm up final cost.

August 2022: Hold update meeting with leaseholders to discuss tenders, costs and timings for the render work.

September 2022: Issue further formal section 20 notifications and leaseholder invoices to collect balance of funds required to complete both fire safety and render work.

December 2022: Final deadline for collections from leaseholders.

January 2023: Sign formal agreement with winning contractor. Note: under provisions of the Landlords & Tenants Act 1985, the agreement cannot be signed unless the residents' management company (NRML) has sufficient funds to pay the contract value.

April/May 2023: Commence building render patch and repair work when weather becomes suitable. This will involve scaffolding around all four sides of the building and will cause disruption for tenants for the duration of the work (expected to last 30 weeks).

September 2023: Expected completion of render work.