St. Ann's Quay Management Limited ("SAQML")

Minutes of the 2021 Annual General Meeting

The Annual General Meeting of the above Company was held on 7 September 2021, at 7pm at the Malmaison Hotel, Newcastle upon Tyne.

Link to private You Tube link for the recording of the meeting: https://youtu.be/5vH_ha4ZwrM

Present:

Directors:

L Richley (50) – Chair
P Bate (73)
T Stafford (12)

Members:

D Charlton (9)
G Slater & S Slater (19)
M Knight & H Knight (20)
P Duff (21)
M Hill (25)
J Harrison (28)
H Ferriman & P Cresswell (32)
D Rutherford (33)
M Mackie (38)
M Whitehouse (39)
V Brockley & G Brockley (52)
R Wardrobe & L Wardrobe (56)
E McKeith (57)
K Armstrong (58)
M Allchorne & C Allchorne (62)
S Facer & A Facer (65 & 88)
T Steanson (67)
K Hall (70)
R Lightfoot (71)
A Thompson (74)
M MacDonald (75)
B Curry & S Malhotra (79)
P Thompson (80)
M Nuernberg (91)

In Attendance: L Williams & M Davison (Kingston Property Services "KPS"),

Apologies:

R Ford (23)
R Irving (43)
B Anderson & E Anderson (46)
N Cook (51)
C Silver (72)
J Ratcliffe (84)
A Petty (85)

Introductions

Louise Richley (Director/Chair) welcomed everyone to the meeting and introduced herself along with her Co-Directors Paul Bate and Tony Stafford, representatives from Kingston Property Services ("KPS"), Marie Davison and Lloyd Williams.

Louise read the confidentiality notice that was contained in the Power Point presentation and explained that the contents of the meeting and all documentation surrounding it were for the shareholders of St Ann's Quay Management Limited ("SAQML") only. Details should not be shared with any third party including the freeholder.

Louise explained that notes were being taken and that the meeting was being recorded for the benefit of those members who were not able to attend. The camera was facing the front and would not record the faces of members. The recording would be shared by a private You Tube link and the notes would be available to members on the website once completed.

SAQML

Before beginning the presentation, Louise set out the purposes of SAQML. It was here to decide how the block is managed and to fight for its members.

Louise listed examples of how SAQML had fought for its members and these included the Plot 12 application, the legal battle in relation to the plumbing, the cladding situation and recovering £100k from past agents due to their mismanagement.

It takes a vast amount of the Directors' time to fight for SAQML leaseholders and this had taken its toll.

Louise explained that SAQML had re-appointed Kingston Property Services Limited to provide full management services from 1 September 2021 and the point of contact would be Marie Davison.

Louise noted that SAQML leaseholders had to resolve issues as a team and we worked better when we are all aligned.

Louise discussed the new freeholder, Adderstone who had adopted an aggressive approach to SAQML.

She noted that she had initially approached Adderstone for a meeting so as to strike the right tone with them.

There were concerns with Adderstone on other developments. They had previously applied for planning permission for Plot 12 and appeared to be aggrieved when their funders pulled out due in part to the objections raised by SAQML.

Recent letters from Adderstone had been confrontational and misrepresentative.

Louise explained that she wanted to focus on the facts.

With regard to buildings insurance, Adderstone had recently issued a letter to leaseholders individually and not SAQML. There was a 400% increase in the premium which they later clarified was a miscalculation.

In relation to contractors, their contractors recently caused a full evacuation of the building because they were not working to the risk assessment by using equipment inside that should only be used outside.

Louise stated that SAQML had to question what the objectives of the freeholder were.

She thanked members for their support over the years, especially on the day of the Plot 12 victory. She noted that it was outside of the Directors' duties to put the amount of work that they had on this. In addition, she lived in the Central Block and it was properties in the East Block that would have been overlooked and affected by the Plot 12 development had it gone ahead.

Louise noted that she was aware of unhappy people in the room. There had been allegations against the Directors of fraud and benefitting from contractor appointments.

These people had gone to the freeholder with information to aid the freeholder in attacking SAQML.

She had received an e-mail from the freeholder containing details of those leaseholders that were disgruntled. Based on the information given by the leaseholders to the freeholder, the freeholder had requested fully audited accounts for SAQML and details regarding the status of the legal claim which was a class action in Louise's own name. The latter was legally privileged and members had been notified in the meetings relating to the legal action that they were confidential meetings.

It was utterly inappropriate for the freeholder to request the information.

Louise explained that one leaseholder got in touch before the meeting with pages and pages of criticism of the Directors and that one member had put a letter through doors today trying to stir up feelings against the Directors.

Louise stated that we need to get this resolved tonight. She could not fight on two fronts. She could not carry out the action needed on things like Plot 12 and also deal with the internal issues with the members that are disgruntled.

She stated that she, Paul and Tony were willing to resign tonight if necessary.

She wanted SAQML to be a strong company. She had seen it run with no direction such as in the days of Town & City where matters ran out of control.

At this point in the meeting, Tricia Cresswell from No. 32 put herself forward to chair the meeting to specifically discuss SAQML and its future direction.

This was checked with members and there were no objections to her chairing this part of the meeting. It was noted that there were no prior discussions about Tricia taking over as chair; she had put herself forward to do this having seen the emotions that had been raised in the discussions so far.

Tricia proposed taking a vote from members on whether they agree with the approach with SAQML ie/ that SAQML should be involved in taking decisions in relation to matters relating to the management and benefit of St Ann's Quay. She noted that decisions could not be taken tonight as not all members were here. Votes taken would be indicative only.

The question was posed as: do we collectively agree with the SAQML approach?

Members were asked to raise their hands and Marie went around the room counting the votes.

28 members voted in favour of the SAQML approach with 0 against.

Tricia noted the members had voted for a principled position in that they agreed with the SAQML approach.

Tricia then proposed second vote on whether to keep the current 3 Directors in post.

The question was posed as: should we retain the current 3 Directors in post?

19 members voted in favour with 1 against. There were 6 abstentions.

Following this, Tricia opened the floor to a discussion about the relationship with the freeholder which was noted to be calamitously bad. She requested suggestions as to how to improve the relationship.

A member noted that the Directors had done an excellent job and they wanted them to continue to fight on their behalf.

Another member suggested that the solution was conciliation and that we need a person who could sit down with Adderstone to work with them.

Louise noted that Kingston were now in place for communication with Adderstone.

A member asked whether Kingston had an arbitrator that we could use. Lloyd noted that we do not have a specific arbitrator as such. We do have a relationship with Adderstone and manage other schemes in the region for them.

A member noted that SAQML had not really been in this position before as the previously freeholders were not as visible as Adderstone.

It was suggested that the Directors should make a formal approach to Adderstone for a meeting where the Directors of SAQML and Kingston were present and there would be no legal representatives.

It was suggested that the terms of reference for the meeting should be agreed prior to it in a written document.

It was noted by the Directors that the terms of the relationship were set out in the lease. However, the Head Lease was not clear in law about the responsibilities of SAQML and the freeholder.

Adderstone had claimed that SAQML was not responsible for certain aspects when we were. It was noted that Vicki Lowrie, Partner at Square One Law was instructed on this specific point and was in discussions with Adderstone's in-house solicitor about agreeing responsibilities.

Tricia suggested a holding letter from the Directors to Adderstone stating that the AGM had been held and that we are trying to agree a positive way forward.

A member thought that members should agree a position statement prior to potential mediation and that a professional mediator should control the process.

It was hoped that members would feel engaged in the process. The discussion was concluded with members noting that it was in our interests to have a good relationship with the freeholder, particularly in relation to cladding.

Louise then resumed her position as Chair of the meeting and returned to the Power Point presentation.

Review of Stakeholders

Louise explained the history of previous freeholders of the development.

Louise then explained the history of the managing agents of the site and noted as above the ambiguity in the Head Lease was still an issue which SAQML's legal representatives were in touch with Adderstone about.

Apleona are appointed to manage the full East Quayside Estate, including the private road, car park, security cover & Quayside area.

Louise then outlined the structure of St Ann's by way of a flowchart within the presentation.

Communication is mainly via the website. All of the information about St Ann's is there, including details of Director's meetings, policies and an e-mail for Directors. Further documentation and any information for inspection by members is contained in the blue file situated at the front of the room and can be freely accessed during or following the AGM.

There are 2 concierges who deal with day to day issues.

Resident Charges

Louise began this section by outlining the full charging mechanism for owners.

Apartment owners are required to pay a service charge to SAQML in relation to the residential parts, which is collected by KPS. This includes a wide variety of things which are summarised within the presentation.

In relation to water charges, each property has an individual water meter which there is no access to.

The water meter readings are recorded by the concierges both annually and monthly as double check to ensure readings are monitored. As SAQML have to prepare an annual budget in advance of the year end, an adjustment is made in the service charge following the year end. Owners receive an adjustment for their actual water consumption based on meter readings to the individual apartment.

The Annual East Quayside Charge includes the cost of private roads, maintenance costs, security and management fees. While the Directors do meet with Apleona, SAQML has no real input in relation to these costs.

The freeholder charges are split 61% for residential units & 39% commercial units and are based on the square footage of the property.

Service charge is proportioned based on the square footage of the property.

Ground Rent of £250 per annum is now collected by Adderstone on a half-yearly basis.

Car parking charges are now payable quarterly direct to Adderstone and SAQML has no control over this.

Building insurance is now paid directly to Adderstone.

The invoicing structure is set out in the slide within the presentation.

SAQML Directors

There are currently 3 owner Directors who are motivated to manage costs, to keep St Ann's Quay as a high quality, prestigious building and to safeguard the long term future of the building.

It was noted that the Directors will not be taking any further fees following Kingston's appointment.

Accounts year end 2020

A copy of the 2020 actual accounts was sent with the AGM notice.

Louise set out the 2020 figures which showed an income of £371,960 and an expenditure of £370,576. This provided a small surplus of £1,384.

The 2020 balance sheet showed a debtor balance of £45,023 and a creditor balance of £112,477.

The cash balances were £22,197 for the current account, £252,771 in the reserve fund and a leak contingency fund of £45,000. Louise confirmed that these balances are held in separate Barclays bank accounts.

Louise went through the break down of the debtor balance as this was requested by a member prior to the meeting.

There was £30,820 which was disputed with CBRE of which £13,944.60 related to duplicated costs with Blue Cube for the concierge

£11,615 was paid in advance for the building insurance for 2021. £88 was Directors' insurance paid in advance and there was £2,500 paid in advance for lift maintenance.

Louise then moved onto the reserve fund balance which was £252,771.

The service charge accounts are verified by independent accountants and no audit is required. Invoices can be inspected via Kingston.

Exceptional Spend

Louise explained the definition of major works which was in excess of £250 for any one contributing leaseholder.

She made members aware of the situation that arose in November 2019 when the fire brigade attended the building with senior crew members to raised serious concerns about the unsafe cladding on the building.

This resulted in Fire Safety Orders being placed on CBRE and the Directors personally.

An intrusive investigation of the fire resistance compartments revealed that the lift shafts did not have a burn time of 120 minutes as they should have.

This was very concerning as the fire brigade had not been contacted Robertsons when the building was completed to "hand over" to them for inspections to begin in 2003. It came to light that the lift shafts had never been inspected by the fire brigade.

A member asked if anyone had inspected them previously and whether it would have been brought up in a fire risk assessment.

Paul noted that this was an intrusive investigation and that fire risk assessments were based on a visual inspection. He further noted that all actions that had been raised on previous fire risk assessments had been taken and that the Directors had worked extremely closely with the fire brigade in relation to this.

A member asked if the recommended actions from the March 2020 fire risk assessment had completed. It was noted that the Directors were still working with the fire brigade on this.

A member asked about the timescale for the remedial works in relation to the lift shafts.

Louise explained that £36,000 had been spent with Isoler Ltd in relation to consultancy and investigation work. They have carried out fire boarding and proofing works and works to the electric cupboards.

Unfortunately, this came back to the quality of the build from Robertsons.

Louise took the opportunity to remind members that a full evacuation plan was in place currently in the case of a fire. It appeared likely that the fire brigade wanted to move back to a stay put policy once remediation works had been completed.

Louise explained to members that the works with Isoler Ltd needed to be done in the middle of the Covid lockdown. The Directors took the view that the works were required urgently at the time. There was no financial benefit to the Directors.

As the works were done outside of the section 20 procedure, members had the option of a tribunal claim and they should contact Kingston in this case.

Budget 2021

Louise noted that a recent letter set out the detailed budget for 2021 and this answered the majority of the questions members had raised in advance of the AGM. She confirmed with members that everyone had received this letter and asked that anyone who had not to get in contact for a copy. The budget was £322,158 and the breakdown was as follows:

- £64k East Quayside/CBRE
- £22,750 Ground Rent
- £24k Buildings Insurance
- £41k Concierges, (inc. cleaning/maintenance)
- £34k Utilities
- £40k Reserve Fund Contribution
- £7k Plumbing Contingency

There was 1 property sale at St Ann's Quay in 2020.

In terms of lettings, the Directors estimate that 70% of properties at the development are let.

In terms of insurance cover, the building insurance is the responsibility of Adderstone.

Leaseholders should arrange their own contents insurance and landlords should have an additional landlord policy including public liability.

Plot 12 Campaign

Louise noted that this involved a huge amount of work and gave thanks to Andrew Thompson, Bradford Anderson, Elaine McKeith, Gareth Kane, Stephen Howse and Alistair Chisholm for all their help.

There were 66 objections from St Ann's Quay out of 91 leaseholders and most had voted against the initial proposal in early 2020 and again in November when the revised plans were submitted by the Developer. There were 25 apartments in the East Block that would have been affected with 11 that would have been completely overlooked.

Moving forward, the planning department have said that it would have to be a completely different application for Plot 12 to be considered but it is possible that another application could be made in the future.

Louise noted that it would not be within Kingston's remit to carry out the type of work involved in fighting planning applications.

Leaks/Plumbing

Louise showed members video clips demonstrating leaks at St Ann's Quay and photographs showing the poor standard of workmanship in relation to the plumbing.

She then explained the background to the insurance claim. This was a class action in her name which meant that she had personal liability for any adverse costs that may be awarded.

She emphasised that this is a legally privileged case which is completely confidential.

The case was funded by 28 supporters from October 2019 who contributed roughly £1,107 each. A fund of roughly £30k was raised on behalf of all leaseholders to achieve a mediation.

Up to that point, service charge funds had been used to fund the claim. Both Ward Hadaway and Brethertons were comfortable that service charge was appropriately charged to that point. No service charge funds have been used since October 2019.

A member asked if the £30k has been spent and Louise confirmed that it had.

In relation to settlement monies, any funds received would be first allocated to the 28 leaseholders that participated and any remaining funds would be paid into the leak contingency fund.

Louise then set out the background to the insurance claim by way of the timeline shown on the Power Point presentation.

Between 2003 and 2013, Robertsons attended the site regularly to patch up problems when they arose.

A report was commissioned by Storeys Edward Symmons in July 2013 which first alerted Kingston to a substantial building wide problem. After 2013, Robertsons indicated that they would no longer carry out remedial works.

In August 2013, SAQML acted to register a warranty claim within the 10-year period. Zurich accepted that the claim was within the 10-year period, that the claim was behalf of all leaseholders and that SAQML was the channel of communication.

In September 2013, loss adjustors from Cunningham Lindsey visited the site. In December 2013, the claim was rejected.

Ward Hadaway were instructed in February 2014. The issue was raised in the May 2014 AGM and at every AGM since.

In June 2014, Zurich confirmed that they were chasing Robertsons for information directly.

In January 2015, Zurich offered £20,705 in full and final settlement towards the necessary remedial works. This was rejected.

In June 2015, Zurich increased the offer to £30k offer. This was not sufficient and was rejected.

In March 2016, there was a second loss adjustor visit with Troup Bywaters and Anders Engineers. This confirmed that there was an original building design specification error with Roberstons incorrectly specifying to the installation company.

In May 2016, Zurich indicated that they were prepared to carry out additional investigations but, despite chasing, there was no response from them.

In March 2018, Brethertons Solicitors in Leeds were appointed in the case. Ward Hadaway did not appear to be willing to push matters to the next level and were not going to issue proceedings.

On 30th August 2018, a letter before action was issued with a 28-day deadline for response. This was re-issued in March 2019 after no response.

The matter was discussed in detail at the May 2019 AGM. Leaseholders requested a legal opinion on ongoing costs against the likelihood of settling.

On 17th September 2019, a leaseholder meeting with the legal team at Brethertons and the barrister was held. It was agreed that funding would be from private leaseholders from that point.

On 20th September 2019, there was an informal visit from a mechanical building services engineer from WSP. Louise read out the exact wording of the report as follows:

“In respect to instructing a specialist contractor to carry out a full building report, the risers do not have enough space to carry out a full inspection. Further, if rectification work was undertaken to replace the pipework, it would be a challenge to keep leaseholders in situ.

With respect to litigation, it would be seem sensible to carry out remedial works instead of instigating a massive works schedule when installing a new pipe system could cause problems in itself. If a major works schedule was instigated, it would need an initial valuation, a large contractor would be appointed and they would need to value the cost of ripping out the drainage system.

To even ascertain a true cost for the works associated with installing a new mains cold water and drainage system, detailed drawings and calculations would have to be made available or it’s pure guesswork.

A very high level comparison are works to replace the hot water system in a similar building that cost £250k. A high level estimate for a realistic fund at St Ann’s Quay would be £500k.

In summary, it would prove very difficult to provide a detailed building report and regardless, it would not provide much value. A lot of the content would be guesswork because of concealed areas. It is unlikely to provide a clear idea on exactly the required works. The cost of a report would be unacceptable versus the costs over the years of repair.”

There were 3 major leaks in the period between March and December 2019 which resulted in £17,500 in remediation works.

In October 2019, Zurich transferred all liabilities to East West Insurance Company (“EWIC”).

In January 2020, we received EWIC’s defence and a Part 18 request for further information.

In June 2020, a mediation date was agreed for 8 October 2020.

On 6th October, EWIC cancelled the mediation and on 12th October, EWIC entered administration with Ernst & Young appointed as mediators.

The current position is that the only route is the Financial Services Compensation Fund.

Louise asked if any members have photos of rising dampness or damp penetration into the interior of their home except through windows, doors and frames for them to send these to her as this would assist with the claim.

A member asked whether they had enough evidence already. It was noted that internal pipework did not qualify for the fund and that the additional evidence would be useful in progressing the claim.

Louise concluded this section by making a reference to the Leak Contingency Fund. This was a separate fund which is there purely to remedy leaks. This would assist in property sales as buyers should be comforted to know that there is separate provision for leaks.

The fund is held in a separate bank account and is topped up annually so that it is never lower than £45k.

Cladding

Louise set out the cladding that was present at St Anns Quay as per slide 34 of the Power Point presentation. This included aluminium composite fibreboard panels, cavity barriers, masonry and balcony timbers.

She noted that it was a freeholder issue. CBRE obtained their own report in July 2019.

In November 2019, the fire brigade carried out inspections as referred to above and BRE produced a report.

Further testing took place in March 2020 as described previously.

The report indicated that the cladding did not achieve the requirements for material of limited combustibility but it did have some flame retardant properties.

However, it had been established that the aluminium composite fibreboard panels would not have been compliant even at the time of construction.

The fire brigade recommended upgrading the fire alarm to include new detector heads.

Funding of £90,845 has been secured under the Waking Watch Relief Fund. There is also a link to the commercial area which the freeholder is responsible for.

SAQML could not apply for funding as it is the freeholder as building owner that has to do this.

SAQML has run a cladding campaign in local and national media and Louise drew members attention to the examples of this on the presentation. The local MP, Nick Brown has also been involved in writing to the Secretary of State for Housing.

Louise outlined the next steps in relation to cladding. Adderstone have applied for government funding and appear confident that it is secured.

It was noted that balcony timber is not covered by government funding.

A member noted that under the lease, Adderstone was responsible for parts of the balcony that related to the structure. Leaseholders were responsible for patio areas.

A member asked for a rough figure for replacement cladding. On CBRE's figures, this was estimated to be £2.5M which worked out as roughly £25k to £30k per apartment.

We were hopeful that the government funding will cover the overall costs but it was likely that individual apartment owners would cover the balcony timber. Adderstone had suggested this.

A member asked what was wrong with the timber. It was noted that it was not fire retardant.

Louise concluded this section by referring members to the picture of the tilt and turn windows on the picture in the presentation. These windows should not be fully opened and the restrictors should remain in place.

Any other business

Louise opened the floor for any further questions.

A member asked what a potential buyer needed to get a mortgage for a property at St Ann's Quay.

Paul indicated that this was an EWS1 certificate. This could not be issued at the current time as the building would fail as a B2 rating.

Once the cladding has been replaced, a surveyor should be in a position to issue the EWS1 certificate.

It was noted that it was Adderstone's responsibility as freeholder to deal with the EWS1 form as part of its responsibilities in relation to the cladding.

A member expressed concern that leaseholders could be responsible for the costs of replacement cladding.

It was noted that this was dependent on how much government funding could be obtained. It was a very complex scheme and application process. It appeared likely that Adderstone would secure funding but nobody is sure how much this would be.

A member expressed a view that the commercial reputation of Adderstone was exceptionally poor and that it also has a 20% stake in East Quay Management. Their tactic seemed to be to try and divide the leaseholders.

It was noted that we needed the buffer of SAQML and to have the meeting with Adderstone to thrash out the differences about the obligations in the Head Lease.

A member raised an issue about legal disputes and noted that there was quite a bit of spending on legal fees. They asked if these would drop out of the budget in the next 1-2 years.

Louise referred to the dispute with Apleona during which they had threatened to stop access to the car park for all leaseholders. The Directors took the view that money had to be spent on legal advice quickly in this case.

In relation to Plot 12, specialist legal advice was needed in order to oppose the development application.

The member asked if we are in for a £14k legal bill every time there was an application at Plot 12.

Members discussed whether they should be consulted before legal costs were incurred with one member expressing that they would be in favour of this. Another member noted that £14k was very little in the grand scheme of things and worked out as £140 per apartment. The member said that this was a bargain considering Plot 12 did not get built and he did not want the Directors to be tied to having to consult in this situation.

Louise suggested that Directors could consult if legal fees go above the budgeted amount and this was generally agreed.

There were no further questions from the floor.

Louise thanked Living Spaces and George F White for sponsoring the buffet and noted that they were the approved letting agents for St Ann's Quay.

The meeting closed at 9.12pm.

A buffet and informal gathering followed to close the evening.