

Pavilion Court



External Insulation.

Introduction

Those leaseholders who have read the minutes of the last General Meeting will be aware that there is an urgent need for the Energy Performance Certificates (EPCs) of most flats to be enhanced. If we do not take action then many flats will be unlettable by April 2018 and many more by 2020, eventually it will be illegal to let most of the flats.

The only solution which will work for all the flats is external insulation, a costly enhancement but one with the advantage that, as well as enhancing the look of the block, it also solves the damp problem suffered by many flats on the ground floor and above.

Budgetary prices were obtained in 2011 when LHL surveyed the building and these have proved to be remarkably accurate. Please have a read of the [full report](#) and the associated [LVT adjudication](#) for an indication of the future work required on Pavilion Court, as well as the anticipated costs.

Funding for the insulation

By the end of this financial year (September 2017) we will have an anticipated £150,000 in a reserve fund and an additional £90,000 from the roof fund that we will seek permission from the courts to use towards the insulation of the flats. This will leave a requirement for an estimated additional £1000 - £2000 per flat to fund the project. Note that this is over and above the £75,000 a year needed for the day-to-day maintenance and running of the block, which in turn is set to increase due to the recent rises in buildings insurance.

Any additional funds for the insulation will have to be funded by the leaseholders.

The roofs are due for replacement by 2030, at an estimated cost of £500,000, and as such we need to rebuild the roof fund. As the only source of funding for the company is from the leaseholders, this will need to be put on the service charges, spread over the next 10 years.

It should be appreciated that the insulation is not the only maintenance which will be undertaken in the next few years and provision must be made for additional expenditure. This was not discussed at the general meeting as the directors wished to concentrate on the one major item. Currently underway are two new banisters, legally required to meet fire regulations, replacement of the south block porch, which was falling down, and a roof over the external staircase in the north block to protect the electricity distribution room. The directors had planned to build the new perimeter wall to its former Victorian State but in order to spread the cost, have split the work into two phases, building a plain wall to improve site security, with the ability to finish it at a later date in the second phase.

Costing

An up to date indication of the costs for insulation has been obtained to get a better idea of what funds will be needed. It is likely that the insulation and associated works will cost in the region of £400,000. To conform with the law this work needs to be completed by April 2018 which means we will have to collect an additional £150,000 in the next year. Service charges will have to double to collect this sum.

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Further estimates will be obtained and application made to the First Tier Tribunal to use the roof fund for insulation, with the proviso that it is speedily replaced. Permission will also be sought to increase the service charge to cover the additional costs.

In due course a section 20 notice will be issued inviting all leaseholders to comment on the estimates and suggest contractors who might provide better value for money.

Replacing the roof fund

Based on former costs, assuming the old insulation can be reused and that the roof will last for five to ten years beyond its expected lifetime, we need to budget for £500,000 by 2030. The current £10,000 annual contribution will fall well short, so from 2019 this will increase to £50,000 a year, five times the present rate.

Conclusion

In order to meet legal minimum housing standards, it is necessary to raise the service charges to around £3,000 for the next year, and possibly for two years. The subsequent years will offer some relief but it is unlikely that the charges will drop below £2000 per year for at least the next ten years. We can spare no quarter in the collection of service charges – this work must be done, for if it is not, none of us will have any investment.

These are exceptional times so some exceptional action is necessary but it is important to see the end game which is a better standard of accommodation for the home owners and an improved investment for the landlords.

References

The recommendations are on page 8 of the LHL report, followed by pages 11-28 for the costings, particularly 2.6.1 at the foot of page 17. Note that the costings do not include VAT. A copy of the report "2011-01-20, Survey Report by LHL Group," can be downloaded from <http://pavilion-court.co.uk/index.php?id=71>

The resultant service charges are indicated on page 6 (of 250) of the application to the LVT, "2011-05-30, CHI-29UL-LSC-2011-0071, document bundle," which can be downloaded from <http://pavilion-court.co.uk/index.php?id=69>

I am indebted to Nick Strange for providing much of the wording in this newsletter.

David Price, April 2017