



Dear Resident,

**Re: UPDATE ON Conversion to a Community Interest Company
Channels Site Wide management – Budget for 2021/22 and Historic accounts**

Conversion to a Community Interest Company

We are very pleased to confirm that we have now applied to convert Channels Management Company Ltd into a Community Interest Company (“CIC”) which is designed to give all residents a voice.

All resident home-owners are entitled to become a member of the company. Being a member doesn’t carry any liabilities but means that as a member you have a voice and can help direct the management of the site wide areas.

The way the CIC will operates can be summarised as follows:

- 1 membership is open to all resident home-owners
those who are in rented or shared ownership homes may also attend meetings and have a voice
 - a. members will meet at least once a year at a formal annual meeting to review the companies annual report and accounts
 - b. other less formal meetings will be held every so often – how often is up to the members but perhaps we would suggest once a quarter
- 2 the members will elect directors of the company to represent them
 - a. We expect initially that there will be at least one director representing each developer area
 - b. The directors will meet regularly, perhaps monthly but at least quarterly, to receive reports from the managing agents, and review performance and expenditure, as well as deal with any decisions that need to be made

If you would like to become a member of the company please email residents@channelscic.co.uk giving your full name and address and we will arrange it.

Please also indicate if you would like to put yourself or another resident forward to become a director representing your developer area

We will choose suitable members to be directors initially until we are able to have the first annual general meeting when we will put those directors’ appointments to a vote of all members.

We look forward to working with all the members to further build our community



Site Wide Management Accounts

We are pleased to be able to report on the proposed site wide Service Charge budget for next year, and the historic accounts for the Site Wide Management at Channels.

We held a residents meeting was conducted on Thursday 28th January where we explained that we only took over the site wide management function in November, but we now have a good grasp of what is required and the management is already in much better shape.

Please let us know if you would like a copy of the notes of that meeting or the earlier newsletter from November by email at residents@channelscic.co.uk

We now have control of costs, and the budgeting process, enabling us to report properly.

Some the comments we make below are subject to everyone paying their service charges up to date.

The amount each resident owes depends upon how your service charges are paid:

- Bellway residents pay through their Residents Management Company (CCMC)
- Croudace and Home Group residents pay directly to us
- Marden pay the service charges for their parcels pending their sales

Attached to this report you will find the site wide service charge statement for your property along with how it should be paid. Please make sure to pay your site wide service charges up to date.

CHANNELS SITE WIDE MANAGEMENT – REPORT ON HISTORIC COSTS

We have now been able to complete our investigations on the history of the Site Management and the historic costs. The history has not been a happy one and neither DJC (the original managing agents who were nominated by Bellway) nor POD (who took over on the recommendation of the Bellway residents company) performed well.

The figures are shown below but we also provide the following notes:

Service Charges - Historic

- The Service Charges shown are those which were raised by DJC and POD in their tenure as Managing Agents. All those charges should have been paid, although there are some parties in arrears.
- Having taken control of costs we do not intend to raise any further site wide service charges for this year – so this year will be “half price”

However, please see your service charge statement and settle the outstanding balance

Costs

- The majority of historic costs are factual and have been settled.
- We have taken strict control of costs since we took over and now have a very clear picture of what is required, and we have adopted reasonable estimates for the work required to finish this year

We are pleased to confirm that if everyone properly settles their service charges there will be a carried forward surplus this year, and a reasonable sum in the sinking fund.

As some people have paid their service charges to date and some have not, the only fair way to deal with the surplus is to require everyone to pay their service charges to date and apply that surplus to future costs.



Proposed Budget for 2021/2022

The Budget for 2021/22 is largely driven by what level of management we all want for the site wide areas. The Budget we have provided is based on the current Site Wide Maintenance Schedule which is included in this report.

It covers all of the land currently available to residents, although we don't expect the budget to materially increase as the remaining areas become available.

Please note that residents only pay for maintenance of the land that has been handed over – no money is spent on land which has not yet been handed over – that is the responsibility of the developers until they hand the land over.

The Site Wide Maintenance budget was originally estimated at around £135/home/year in 2014 which would be around £160/per home/year with inflation, but we intend to do our best to keep it well under the original £135 estimate so we trust that this will be welcome news for everyone.

Because we understand that this is the first time that a budget has been properly consulted on we have included some notes on the next page to help everyone understand the background and how we have arrived at these numbers.

The budget for next year, 01/07/2021 to 30/06/2022 is proposed at **£93,800 for the year, or £125.74/home**

We commend the budget to the company as being appropriate for the upcoming year.

Sinking Fund

There was supposed to be a sinking fund but it has been poorly managed.

We propose setting a sinking fund of £20,000. This will be confirmed by the CIC

Service Charge for 2021/22

The Budget is not the same as the Service Charge, which takes into account any surplus carried forward.

We do have a surplus carried forward and ALSO we have agreed to pursue the developers for the ecology costs previously incurred.

This means that the service charge for the year 2021/222 could be set at £ nil

(This is conditional upon all the historic service charges being paid).

This will be confirmed by the CIC



CHANNELS SITE WIDE MANAGEMENT – PROPOSED BUDGET FOR THE YEAR 1 July 2021 to 30 June 2022

NOTES

- 1 Estate Work
this comes in three parts
 - a. On site Estate Manager
it would not normally be economic to have an estate manager on site but because Olly Stubbings is on site anyway to carry out the estate management he has kindly agreed to spend some of his time carrying out this role. Many of you will have met him already but do contact him if you have anything you want to raise with him
 - b. Regular scheduled work
this is as set out in the schedule below
 - c. One off works
there will always be other work to do on the estate so we include a healthy budget for this kind of work based on what has been spent in previous years. We keep strict control of the costs for this work and hope to make a saving, which would be carried forward to next year and reflected in the service charge for that year.

- 2 Managing Agent
Over the last two years we have interviewed several possible managing agents and so we have a good idea of what they charge. For example:
POD charged £36,000 per year, plus extra costs for accounts work and other things.
The Land Trust quoted over £40,000

We are charging a lot less at £24,000 per year.
This is based on the efficiency from charging the residents management company, and there is an additional admin charge of £15 per invoice if we invoice residents directly.
There will also be additional charges levied for late payment or enforcement action.

At present that level of charge does not cover the amount of work we are putting in, but we are hoping that things will settle down once more residents become involved through the CIC.

We will be reviewing the management charge next year to see if we can reduce it further.

- 3 Administration & Professional costs
this is mainly insurance and the cost of an audit, if it is decided that one is required.

Budget per home per year

£125.74



ACCOUNTS FOR THE SITE WIDE SERVICE CHARGE

| CMC Site Wide Management | | Historic Accounts -----> | | | | BUDGET |
|---|--|--------------------------|----------------|----------------|----------------|----------------|
| | | | | | DRAFT | |
| | | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| 1 | Estate Work | | | | | |
| | On Site Estate Manager (<i>Comment: Introduced in November 2020</i>) | | | | £7,000 | £12,000 |
| | Estate Management | £16,513 | £49,419 | £11,029 | £39,361 | £40,000 |
| | Contingency for unexpected costs not budgetted for | | | | £3,500 | £10,000 |
| | <i>Note: if not spent will be put into the sinking fund or carried forard as a surplus</i> | | | | | |
| 2 | Ecology costs | £36,840 | £33,780 | £1,080 | £0 | £0 |
| 3 | Managing Agent | £540 | £1,740 | £28,715 | £28,350 | £28,800 |
| 4 | Administrative & Professional | | | | | |
| | Insurance | £3,132 | £1,975 | £0 | £1,691 | £2,000 |
| | Contingency for audit fee | | | | £1,000 | £1,000 |
| | Accounts work | £0 | £540 | | £10,000 | |
| | <i>Comment: There was a considerable amount of accounts work to resolve the issues created by DJC and POD. This is a one off cost which will not be repeated</i> | | | | | |
| | Bank Charges | £32 | £79 | £34 | £0 | £0 |
| TOTAL ALL COSTS | | £57,057 | £87,533 | £40,858 | £90,902 | £93,800 |
| Costs per home/unit | | £76.48 | £117.34 | £54.77 | £121.85 | £125.74 |
| Sinking Fund | | £3,358 | £7,858 | £8,784 | £0 | £0 |
| Proposed Cost Recovery from developers | | | | | | £71,700 |
| Service charges charged out | | £92,974 | £90,137 | £90,420 | £49,393 | |
| Service charge proposed for 2021/2 | | | | | | £0 |
| Surplus/(deficit) carried forward | | £32,559 | £27,305 | £68,083 | £26,574 | £4,474 |
| Balance in sinking fund | | £3,358 | £11,216 | £20,000 | £20,000 | £20,000 |
| Issued on a provisional basis for confirmation by the Board. E & O E | | | | | | |

2021/2022 Service charge provisionally set at £ nil



Channels Site Wide Open Space Maintenance Schedule

Weekly Tasks

(M W F = Monday, Wednesday, Friday)

| Check Fishing Lake levels and drains Daily | Village Green | The Park (inc. Play Area & Skate Park) | RDR | Western Mitigation Area |
|--|---------------|--|-----|-------------------------|
| Litter Pick | M W F | M W F | M F | M W F |
| Bin Collection | M W F | M W F | | M W F |
| Check for debris on road | | | M F | |
| Health & Safety Check and Walkaround | M F | M F | M F | M F |

SEASONAL & OTHER TASKS

| | Green | Park | RDR | WMA |
|--|-------|------|-----|-----|
| Strimming and cutting March to November * | Y | Y | Y | Y |
| Hedgerow cutting once in March & September | | Y | Y | Y |
| Spraying hard and soft surfaces when necessary | Y | Y | | Y |
| Wildflower & Long grass cut once in September * | Y | Y | | Y |
| Beds weeded (Skate Park & Play Area) April/July/November | | Y | | |

* *Weather dependent*

Other Works

- Barking of Bedding areas once per year in February
- Pumping of ponds if overflowing (as required)
- Watering of trees in times of drought
- Covid-19 related issues

NOTE: Grass cutting - unless otherwise specified:

- The Green will be cut to a long lawn standard (grass length up to 75mm)
- Wildflower areas only cut once a year
- Other areas to a paddock standard (grass length generally allowed to grow up to 200mm, in places up to 300mm, with individual wildflower clumps and tufts allowed to grow higher)



INFORMATION – THE BASIS FOR THE SERVICE CHARGE

The Service Charge

As part of their planning consents both Channels and Beaulieu are required to manage their open space through a Residents Service Charge. This is common for large developments.

The Service Charge year runs from 1st July to 30th June each year.

At Channels the open space has been and is being delivered by the developers at no cost to the residents.

The residents are only charged for areas which are open to them, up to that time it is a developer's cost.

Open Space comes in two parts:

- Local Open Space Managed by each Developer's Resident Management Company
- Site Wide Open Space Managed by the Site Wide Management Company

Local Open Space is relatively small areas of Open Space within a developers Lot, and Site Wide Open Space is the larger elements and elements which fall outside of the developer Lots. The plans below show the developer lots and the Site Wide areas.

The original hope was that all of the Open Space at Channels would be managed by one management company and delivered through one service charge, and that remains possible if the residents wish it to happen.

For the moment though the management is separate – your own Residents Management company looks after your Local Open Space and we look after the Site Wide Open Space.

The legal obligation to pay the Service Charge is contained in the Deeds of every home at Channels and there are serious consequences for non payment. This Service Charge system was explained by all the Developers at the time that homes were sold and would have been explained by the solicitors handling the purchase.

Currently the Site Wide Service Charge is charged by us to your own Residents Management Company who are responsible for collecting it from you and passing it on to us, so you will probably receive just one service bill combining the Local Open Space and the Site Wide Open Space service charge bills.

In some cases your Residents Management Company has asked us to invoice you directly and in this instance there is a small extra charge of £15 to cover the additional administration. There may also be other charges in the event of late payment or enforcement.

We are currently converting the Management Company into a Community Interest Company, where Residents can become members and share the decision making on the services to be provided and the level of the service charge.

We expect that the level of the 2021/22 spend will be decided by the Community Interest Company involving all the Residents who wish to have a voice.

Site Management Plan showing the site wide areas in blue tint



As can be seen there are four main areas and a number of much smaller infill areas.

The main areas each have their own characters as shown above.

The wildlife and some other areas are kept informal and only cut back occasionally, whilst the Country Park and Village Green are maintained in a more formal state

Channels Estate showing the Developer areas

