
ANNUAL GENERAL MEETING
MONDAY, 6th SEPTEMBER 2021
DIRECTORS REPORT

1. WELCOME & INTRODUCTION

Welcome to the Annual General Meeting of Channels (Chelmsford) Management Company Limited and directors appreciate your efforts as members in attending.

By way of context, and for the benefit of new members, the Channels development was granted planning permission for circa 750 homes in 2012 and since that time has expanded through several phases by different developers. Bellway at Channels consists of the initial two phases of development; Eagle Rise & Aqua Verde and many residents have been on the site since 2016.

Channels (Chelmsford) Management Company Ltd is an organisation that has been set up as part of planning conditions, tasked with management of the Bellway at Channels Phase 1/2 estate. The objectives of the organisation, often referred to as the Residents Management Company ("RMC"), are stated in its Articles of Association.

The company is responsible for communal areas and services within the development which do not belong to an individual and which must be maintained for the benefit of all. This may include communal open spaces, paving, parking spaces, water features, lakes, play equipment and so on. It is also responsible for ensuring that restrictive covenants are adhered to in line with property transfer agreements.

Legal ownership of the aforementioned land passes to the RMC and on the basis residents (private owners and tenants via their Housing Associations) are members of the RMC, the land effectively belongs to everyone that lives on the development. It is therefore the responsibility of residents to ensure the land is appropriately used and maintained in accordance with planning conditions.

The current directors will be resigning (some of which may stand again) as part of tonight's proceedings in line with the company constitution, and Remus Management are present in their role acting as Company Secretary.

The key constitution items for consideration at the AGM are the last set of financial statements (including Service Charge Accounts) and election of new directors.

2. KEY EVENTS SINCE THE LAST AGM

The Director's Report is supposed to cover the period of the last financial year, highlighting any 'real world happenings' that are responsible for the figures being discussed which in turn provides assurance to members about company performance.

However, since this is the first AGM since January 2020 and as we have had another change in managing agent since that time, we intend to highlight key events that will demonstrate robust oversight and governance over the last 18 months. Remus Management will draw your attention to any specific issues with the financial statements as part of the relevant agenda item.

a. New Managing Agent

A key event that has occurred over the last 18 months is a change in Managing Agent. The RMC Managing Agent is an expert 3rd party that is appointed to support RMC Directors in discharging their legal obligations.

The RMC Managing Agent also supports administration of the RMC (as it is a limited company) including acting as Company Secretary, arranging AGMs or EGMs, maintaining company records, preparation of accounts and the filing of all necessary statutory returns.

POD Management, who began delivering services from 1st August 2019 had not been fulfilling their duties as described in the contractual Service Specification and following escalation meetings with their Managing Director at the beginning of September 2020, directors began working with POD on a remedial action plan.

During October 2020, it became apparent that the site-wide management company (who had secured POD to undertake site-wide management in January 2020) was also extremely unhappy with the level of performance, so much so that they immediately took management 'in-house' and parted company with POD with effect from 9th November 2020.

As directors were not happy with either the proposed remedial action plan or other solutions proposed by POD, the decision was taken by directors to explore contingency options.

POD later informed directors that due to the loss of site-wide work, they did not believe it was viable for them to continue delivering services for our RMC alone and as we did not have full assurance that POD would be able to meet their obligations anyway, there was mutual agreement to part company on 31st December 2020.

Directors continued to explore contingency options and as a result secured the services of Remus. Remus are a national company with a local presence and were interviewed in 2019, narrowly losing out to POD. Remus were already 'bid compliant' and as such directors deemed them suitable to be appointed as a 'step-in' provider for an initial period of 6 months to 30th June 2021 which aligned with the end of the Service Charge Year.

An ordinary resolution to confirm Remus as Managing Agent for a further 12 months was passed at an Extra Ordinary General Meeting held on May 25th, 2021 on the basis:

- Remus had worked closely with directors to resolve many of the long-standing issues left by previous managing agents (POD and DJC).
- Remus had performed in a commendable manner and have been proactive in a number of areas (e.g. chasing aged-debt) which deserves recognition.
- Remus had demonstrated that they have the best interest of residents at heart by continually seeking cost optimisation options whilst still maintaining high standards.

Whilst appointment of another Managing Agent in less than 2 years has created additional work, it demonstrates that directors were not prepared to accept poor performance and that gaining best value for members was a key outcome.

Directors are confident that Remus will continue to deliver robust and effective support to both residents and the RMC during the coming year.

b. Grounds Maintenance Contractor

An ordinary resolution to award a new grounds maintenance contract to Clifford's Group for a period of one year was passed at an Extra Ordinary General Meeting held on May 25th, 2021 on the basis:

- The current contractor, Clifford's Group, has been successfully managing the site for three years and comes with historical knowledge of the site, including specifics of what planting has been successful or otherwise, and the actual extent of maintenance required.
- Over the last 3 years, Clifford's Group have worked well with RMC directors and more recently with Remus Management Ltd.
- The quotation provided by Clifford's Group was only marginally more expensive than the cheapest quote tendered, and approximately half that of the most expensive. Four companies tendered in total.

We can be proud of our communal land and directors, Remus & Clifford's Group work together to quickly resolve issues that are within their remit and within their control to manage. Indeed Eagle Rise & Aqua Verde are by far the best kept areas of the wider Channels estate and other surrounding areas.

Clifford's Group is keen to work with directors over the coming months to review the current service specification on the basis that most of the grass & planting is now well established such that a more cost-effective approach to land management can be explored.

c. Parking

Due to several reasons, including complaints formally raised by residents, safety concerns and breaches of legal covenants, directors progressed the introduction of a parking management scheme which was due to go live in April 2021. The scheme was based on a permit parking system however this proved to be unpopular and despite the scheme being constructed based on advice received, directors halted its implementation and considered different approaches.

A Parking Regulation, which was based on a simpler set of common-sense rules, and which focussed primarily on safety, was passed at an Extra Ordinary General Meeting held on May 25th, 2021 and which is binding on all residents.

The issue of parking has always been a contentious one and directors must act when complaints are received. A great deal of time was spent in finding a solution that was fair to all and whilst it is acknowledged that the approach to consultation could have been better, the intention was only ever to ensure that the development remained safe and accessible.

Directors took the decision to maintain a 'soft' approach to management of the Parking Regulation by reviewing general adherence to it in the hope there would not be the need to install signage across the development.

Whilst the position is generally better, there remain many instances of cars parked on, and blocking, raised pavements and cars parked on double yellow lines which is in direct contravention of the regulation. Directors have received explicit permission from Bellway that signage can be installed (subject to agreement of plans) prior to the roads being formally adopted in late 2022 and this will be progressed if the situation does not improve.

Directors believe that introducing the Parking Regulation was the right course of action to ensure the safety of the local community and as it was passed by an ordinary resolution of members, clearly it is a view that was held by the majority of residents that live across Eagle Rise & Aqua Verde.

d. Communication & Social Media

The RMC launched its own website in November 2019 *specifically for Bellway at Channels residents*. The website contains key information and provides updates on everything to do with the Bellway part of the wider Channels development so that residents have assurance and oversight as to how the RMC is managing the Phase 1/2 estate.

There is also a Facebook Group dedicated to Eagle Rise & Aqua Verde and a Twitter account has also been set up to ensure that residents have several ways to keep in touch.

It is important to note that directors are mandated to conduct RMC business as set out by its constitution and as such not every decision can or should be put to members. Directors have however tried to find the right balance of information provision via the website and Facebook group to ensure there is openness and transparency of actions.

In general, it is felt that the combination of the website and Facebook group has worked well, giving residents access to key information and updates on issues that are being dealt with on their behalf.

Residents are however asked to carefully consider responses that are posted via social media as there have been instances where information has been factually incorrect or where posts have caused confusion. Whilst it is good to hold a healthy debate, if it has been made clear that directors are following advice received (legal or otherwise), direct communication with the RMC or Remus may be more appropriate to ensure individual concerns can be appropriately addressed.

Directors will continue to use the website as the key communication channel for information provision and as such it is important that residents sign up to receive e-mail updates. Links to website updates will also be posted to the Facebook group however interaction from directors via social media will continue to be limited to announcements and clarification of facts.

e. 2019/20 Service Charge Accounts (Phase 1/2)

In line with The Association of Residential Managing Agents (“ARMA”) best practice, the 2019/20 Service Charge Accounts should have been completed no later than 31st December 2020. POD had responsibility for producing the Service Charge accounts however when draft figures were received in December 2020, directors had queries across most expenditure lines.

It took almost 3 months of investigation, query & challenge before expenditure was deemed to be correct except for three areas where a dispute remained:

- Company Secretary Fees
- Accountancy Fees
- Electricity Costs

POD was challenged and have been chased repeatedly as directors believed the charges for the above areas were incorrect and represented unauthorised levels of spend against the budget that was set. The 2019/20 accounts were finally received in mid-August and yet POD have prepared and signed them off with the disputed levels of spend included.

As the 2019/20 Service Charge accounts are currently presented, each unit holder would be required to fund an additional £11 to that already collected via service charge demands for the 2019/20 Service Charge year. However, directors believe that the accounts should reflect a surplus position meaning a refund would in fact be due to members for the 2019/20 Service Charge year.

From an accounting perspective, and following a prudent approach, the current position reflects a worst-case scenario however a formal challenge will now be made via the industry ombudsman. The complaint will additionally raise the broader issue of poor financial management during the tenure of POD.

Directors have agreed that Remus will produce the 2020/21 accounts (which will include 6 months of information from POD and therefore likely to require similar levels of query) at the earliest opportunity in order that a net position for the two years can be determined prior to any further demands in relation to 2019/20 being made. The outcome of the ongoing dispute with POD will be considered when calculating the position for the two-year period to 30th June 2021.

Until such time that the position for the two-year period to 30th June 2021 is finalised and signed off by directors no further adjustments in respect of either the 2019/20 or 2020/21 Service Charge years will be made.

f. Site-Wide Governance & Service Charges

One of the key concerns reported at the last AGM was a lack of governance surrounding site-wide management and the costs that all residents are all expected to pay as part of their overall service charge.

Whilst the deeds of sale for every home at Channels include a requirement to contribute towards the maintenance of site wide open space, there has never been any clarity about how the site-wide budget is set, how decisions are made and who can challenge those decisions.

The site-wide budget has represented up to 50% of the overall Service Charge in previous years and currently represents 30% so this has been considered an important area of spend to fully understand.

Following several discussions that have taken place over the last year, directors are now adequately assured that there are no material inconsistencies in prior year site-wide accounts, which have been validated and re-stated. Directors have agreed to pay outstanding arrears for the site-wide element of the Service Charge as monies had been withheld until such time appropriate assurances were received. This issue can finally be considered as closed.

A key milestone is that the site-wide management company has converted to a Community Interest Company ("CIC"), which is a business with primary social objectives whose surpluses must be reinvested for the benefit of the community. The CIC will consist of *resident members* and a board of directors will be appointed from those members.

The key point to note is that there will be, at last, much greater transparency in relation to site-wide governance and this is something that directors have pushed strongly for on behalf of residents.

3. KEY RISKS IDENTIFIED

a. Channels Park & Funding of Public Facilities

Notwithstanding the progress made in relation to site-wide management & service charges as noted in Section 2f, there remains an issue as to future costs for Channels Park and the fact that residents are being asked to recurrently maintain and fund a public facility that is available for anyone to use.

Directors do not believe that residents should be expected to pay full council tax and additionally fund *public* facilities. The wording in owners transfer agreements implies the contribution to shared areas of communal green space/verges etc for residents, not fully funded visitor destinations.

Directors are aware that the issue has been raised via Little Waltham Parish Council with a view to exploring whether any additional support in the way of funding can be obtained from the City Council; however, it has been flagged as an identified risk due to the unquantifiable level of future costs that residents may be required to bear in maintaining the park, play area and skate park.

b. Outstanding Service Charge Fees/Aged Debt

Remus have worked with directors since their appointment on 1st January 2021 to reduce the level of aged Service Charge debt that had been accumulating under the management of the previous agents (DJC & POD) including pursuing litigation options where necessary. On 1st January 2021, the largest debt represented almost three years of Service Charge and many members owed over 18 months' which is not sustainable.

Service Charge demands for the period 1st July 2021 to 31st December 2021 were due by Friday 16th July. As of the date of this report, the total value of outstanding debt is £30k of which approximately £8k is for Service Charge demands relating to periods *prior* to 1st July 2021.

Management of cash has been a little easier during the last 18 months on the basis that some site-wide monies had been withheld (see Section 2f), however, as these outstanding monies are in the process of being paid, cash management will be more difficult unless all members are fully up to date with their accounts.

It is important that Service Charge demands are paid without undue delay as this income is used to pay contractors, which in turn ensures directors can deliver the legal obligations of the RMC. On the basis that there remains a significant level of aged debt, both for current and prior periods, this has been flagged as a key risk to effective cash management and the ability to comply with obligations as set out in the RMC Articles of Association.

4. CONCLUSION

Over the course of the last 18 months significant improvements have again been made in the way the RMC supports residents of Eagle Rise & Aqua Verde and to ensure that stakeholders can be held to account where appropriate.

Directors (past and present) have worked hard to ensure that the development is a safe, smart and pleasant place to live, and a lot of work goes on behind the scenes to ensure this is the case.

Whilst the last 18 months have been successful in relation to the RMC delivering against its legal obligations, it has without question been a challenging time due to the issues with POD Management and it has become clear that decisions made by the board won't always be received well by some residents.

Directors will never be able to keep everyone happy all of the time however residents can be assured that all actions taken by the board are progressed with the best intentions and for nothing other than the betterment of Eagle Rise & Aqua Verde.

Directors ask that everyone contributes and work together to ensure Eagle Rise & Aqua Verde continues to be a thriving local neighbourhood that identifies as part of the wider Channels Chelmsford development.

Andrew Wright, Director (Acting Chair)
Channels (Chelmsford) Management Company Ltd
1st September 2021