



**ANNUAL GENERAL MEETING
THURSDAY, 26th JANUARY 2023
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. The entire Channels development now falls within the new Chelmsford Garden Community area for which a new local council will be constituted on 1st April 2023.

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.

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

This Director's Report covers the period since the last AGM (which was September 2021) and includes the Service Charge Accounts to 30th June 2021. The accounts are covered in more detail in 2d below.

Remus Management will draw your attention to any specific issues with the financial statements as part of the relevant agenda item.

a. Managing Agent

Remus Management took over from POD in January 2021 on a short-term basis as a 'step-in' solution and were retained through an EGM decision in May 2021. Remus are contracted to deliver the managing agent service to the end of the current Service Charge year (30th June 2023) and directors have no plans at the time of writing to secure the services of another agent, subject to continued good performance. There may however be other options to consider for the future which could lead to economies of scale and other efficiencies as the new Chelmsford Garden Community develops.

b. Grounds Maintenance Contractor

We should 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 still the best kept areas of the wider Channels estate and other surrounding areas.

Clifford's Group continues to work with directors to ensure the most cost-effective approach to land management and the current annual contract was renewed in June 2022 and runs until the end of the current Service Charge year. Currently there is no compelling reason to change contractor however all options will be considered once the 2023/24 proposal is received from Clifford's Group.

c. Communication & Social Media

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

Directors will continue to use the website as the key communication channel for information provision and as such it is important that new 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.

d. 2020/21 Service Charge Accounts (Phase 1/2)

In line with The Association of Residential Managing Agents (“ARMA”) best practice, the 2020/21 Service Charge Accounts should have been completed no later than 31st December 2021. Remus had responsibility for producing the Service Charge accounts however they were reliant on POD Management (the previous managing agent) for providing figures for the period 1st July 2020 - 31st December 2020. Remus formally took over management from POD on 1st January 2021.

Unfortunately, it took many months of chasing to receive all the information required for Remus to be able to produce even a draft set of accounts. Once the information was received, it became clear that there were a multitude of queries that would require challenge.

There are a few areas, that following discussion with Remus, directors feel should be challenged with a view to recovering monies paid to POD. This includes unapproved spend (by POD), fees incurred due to PODs mismanagement and income that should have been recovered by POD which was never chased.

As the 2020/21 Service Charge accounts are currently presented, each unit holder would be required to fund an additional £121 to that already collected via service charge demands for the 2020/21 Service Charge year.

From an accounting perspective, auditors have agreed that the disputed items can be shown as recoverable on the balance sheet and whilst this represents a risk, we believe we have a strong case to challenge and recover the disputed monies.

As such, and until such time that the cumulative position for the period to 30th June 2021 is finalised and signed off by directors following challenge with POD, no further adjustments in respect of the 2020/21 Service Charge year will be made.

If it becomes clear that the time and resource of continuing to pursue POD is likely to be disproportionate, residents will be asked to vote as to their preferred course of action, which will either be to write off the disputed sums from reserves or to collect the additional sum as noted above from each unit holder.

e. Site-Wide Governance & Service Charges

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

During 2021, the site-wide management company was 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 full name of the organisation is Channels Community Stewardship C.I.C. and since our last AGM a board of directors was appointed from *resident members*. Two directors from CCMC Ltd are also directors of the CIC and where necessary formally represent views of the Bellway part of the development although there are also two other CIC directors from the Bellway development on the board.

This should provide assurance that residents contributions to the CIC via the service charge are being utilised appropriately and that there will be transparency of decision making moving forward.

f. Fountain

The large display fountain ceased to operate just over a year ago and following electrical and pump checks, the advice was that it could not be fixed. The fountain was originally installed by Bellway, was extremely powerful and would have been very expensive to replace like for like. Given the amount of energy it used, the cost would have also been prohibitive considering the rising electricity costs over the past year. Nevertheless, the fountain was a much-loved feature.

Directors were advised that a fountain would help keep the pond properly aerated (healthy) and as residents expressed a preference for retaining one, a smaller, more efficient fountain was purchased and installed during late Spring of 2022.

Unfortunately, due to the extreme temperatures and lack of rain during the Summer of 2022, the water level in the pond fell significantly and weed took over meaning the fountain could not function.

The pond has now been fully dredged and cleared of weed, meaning the new fountain can be re-installed imminently. The fountain also has a timer to ensure that it does not need to run continuously all day, every day.

3. KEY RISKS IDENTIFIED

a. Channels Park & Funding of Public Facilities

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.

The communal open space was never intended to be a 'destination park' however this is effectively what it has become. Directors do not believe that residents should be expected to pay full council tax and additionally fund what are essentially *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.

At the time of writing there has been no support offered from the City Council however with the advent of a new Parish Council being formed on 1st April 2023 which will cover the entire Chelmsford Garden Community area, there may be options for discussion with that new organisation.

b. Outstanding Service Charge Fees/Aged Debt

Remus have worked with directors since their appointment at the start of 2021 to reduce the level of aged Service Charge debt including pursuing litigation options where necessary to ensure that cash can be appropriately managed and commitments for outgoing costs honoured.

Service Charge demands for the period 1st January 2023 to 30th June 2023 were due by 1st January 2023 and notices were sent to residents at the end of November 2022. As of 13th January 2023, the total value of outstanding debt was £19k with over 50% of residents having not paid their second half year service charge which was due by 1st January 2023 and there remains approximately £7k for Service Charge demands relating to periods *prior* to 1st July 2022 i.e. previous Service Charge years. Overall this has meant that we had to delay payment of our contribution to the CIC to cover site-wide costs.

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. Although levels of aged debt are far lower than in previous years, this remains as a key risk to effective cash management and the ability to comply with obligations as set out in the RMC Articles of Association.

c. Covenants & Planning Conditions (Resident Risk)

Members are reminded about the restrictive covenants in the TP1s they signed as part of their property purchase. They include the construction or external alteration to any building or other structure whatsoever whether temporary or permanent on the Property without the prior consent of the Transferor and to pay the Transferor's reasonable fees; and in the event of such consent being granted not to carry out such work except in accordance with the plans elevations sections specifications and detailed drawings previously approved in writing by the Transferor provided that no such consent shall be required for the initial development of the Property in accordance with the Planning Consent;

Some covenants are bound by a specific time period (e.g., 5 years), but it is important that they are adhered to so as to prevent a covenant breach. If an owner breaches a covenant, it could impact the sale of the property at a later stage, and this could involve being forced to obtain retrospective permission (probably at a cost) before the sale can go ahead. This could delay or even prevent a future sale from going ahead. The full list of restrictions can be found in the 'Schedule 3' section of the TP1 document.

In addition, there are special planning conditions attached to the Channels development which require that the approved parking areas (garage and driveway) be retained for parking. The development was designed so that residents have allocated parking within their properties without the need to permanently park on the adjacent highway.

Condition 30 Vehicle Parking:

No dwelling or commercial floorspace, community or educational facility shall be brought into use until such time as the approved parking areas have been made available for use. The spaces shall not thereafter be used for any purpose other than the parking of motor vehicles ancillary to the use which they serve.

Reason:

To ensure that parking provision is acceptably integrated within the development avoiding car dominated spaces and to prevent on-street parking in the interests of highway safety and the amenities of the area.

Members are also reminded that the Residents Parking Regulation that was passed in May 2021 (by EGM) remains in force and can be found at:

<https://ccmc-ltd.uk/parking/>

Essex Highways have confirmed, through the consultation for a recent Traffic Regulation Order, that there is no legal right to park on a highway (that is road, footway, or verge areas). Whist parking may be permitted on the highway, drivers should not park in places where it causes any unnecessary obstruction to the free flow of traffic. The Residents Parking Regulation supports both this and the relevant restrictive covenant.

Where clarification is needed in relation to covenants, or the Parking Regulation, members are encouraged to reach out to Remus for guidance.

4. CONCLUSION

Over the months since the last AGM directors have continued to work hard to ensure that the development is a safe, smart and pleasant place to live.

Directors will never be able to keep everyone happy all 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 and from 1st April part of the new Chelmsford Garden Community.

Andrew Wright, Director (Chair)

Channels (Chelmsford) Management Company Ltd

20th January 2023