



**CHANNELS (CHELMSFORD)
MANAGEMENT COMPANY**

For Residents of Bellway at Channels

GENERAL MEETING OF MEMBERS

Tuesday 25th May 2021, 6.00pm



PROPOSAL FOR ORDINARY RESOLUTION OF MEMBERS

APPROVAL OF 2021/22 SERVICE CHARGE BUDGET

AGENDA ITEM 4

WRITTEN/PRESENTED BY:

Andrew Wright, Director CCMC Ltd



Company Number: 09514880

PRIVATE COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL

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1. Purpose

To agree the 2021/22 Service Charge Budget for Eagle Rise & Aqua Verde.

2. Background

Residents are obligated, as stated in their deeds, to pay an appropriate fee for upkeep of the Phase 1/2 'managed estate' (see Appendix 3) in perpetuity whilst they remain the owners of their properties. The council do not take on any responsibility for such communal managed areas.

There is also an obligation for residents, as part of planning conditions and as detailed in their transfer agreements, to contribute to the upkeep of "strategic" or site-wide estate areas (see Appendix 4).

All owners are therefore obligated to contribute to the cost of maintaining communal land within the overall site-wide boundary, whether it be that owned directly by CCMC Ltd (Bellway Residents Management Company) or that owned by CMC CIC (Site-wide Management Company).

Each year the resident directors of Channels (Chelmsford) Management Company Limited agree a budget to maintain and manage the estate in accordance with best practice and legislative or statutory requirements. The budget for the managed areas of the estate covers expenditure as follows:

- **Maintenance:** Costs associated with reactive or proactive repairs on the estate, as well as grounds maintenance;
- **Reserves:** Each year a contribution is made to the reserve fund for the estate;
- **Utilities:** The cost of the utilities (electricity), required to operate the fountain, lighting on the central communal area and lighting on private roads;
- **Insurance:** Public Liability Insurance for the estate;
- **Administration:** The cost of managing agent fees, audit and accountancy, Company Secretary input and other running costs for the administration of Channels (Chelmsford) Management Company Limited;
- **Site Wide Estate Costs:** The cost towards the upkeep of the wider estate to which all properties across the entire Channels development contribute.

The financial year end for Channels (Chelmsford) Management Company Limited is 30th June. The budget, once set, will determine the value of service charge demands which are sent to owners half yearly in advance, normally during the months of June and December. Following the completion of the accounts a 'year-end adjustment' will be issued and this will cover the collection or distribution of any overspend (deficit) or underspend (surplus).

The figures shown on the Schedule of Costs (Appendix 1) are estimated budgetary values however actual costs could be higher or lower depending on events that occur throughout the year. It is the responsibility of the directors, assisted by Remus acting as Managing Agent, to review allocation of costs where necessary and to ensure there is robust and appropriate management of the budget in order to deliver against statutory requirements.

At the point that control of the management company was handed over to resident directors in 2019, it became apparent that the historic budget for grounds maintenance was not sufficient to deliver the requirements as set out in the grounds maintenance specification.

The specification was explicitly drafted to ensure that the strict ecological planning conditions for the development would be adhered to and as such directors were obliged to review the budget to ensure it reflected the costs of delivering the requirements of the service specification. This is the primary reason for the Service Charge Budget increase last year and this should be considered as the appropriate baseline level to enable directors to comply with their legal obligations.

The proposed Service Charge Budget for 2021/22 is included as Appendix 1 and additional notes about cost allocation are included as Appendix 2.

3. Key Points to Note

The overall Service Charge Budget has remained in line with that set for 2020/21.

The two largest elements of spend, Grounds Maintenance & Management Fees, account for circa 70% of the overall budget and estimated costs for 2021/22 have remained at 2020/21 budgeted levels.

There have been a number of small variations to other budget lines based on historic spending patterns however due to a number of outstanding queries with POD Management, a full reconciliation of 2020/21 spend has not yet been undertaken. As such the budget presented represents the best estimate of likely spend during 2021/22 however actual costs could be higher or lower depending on events that occur throughout the year.

For example, following investigation by Remus into electricity charges, it transpires that the cost of running the fountain is higher than previously budgeted. Mitigating action has been taken by switching to a different energy supplier and fitting a timer to the fountain so that it does not run continuously overnight.

The contribution to Site Wide Estate Costs is per the correspondence circulated in early April by Channels Management Company Ltd however the figures are subject to potential review once the conversion to a Community Interest Company is complete and directors have been appointed.

Note for Housing Association Tenants

It is important to note that Housing Association tenants will receive budget information and demands directly from those respective organisations, not from Remus, and that there may well be separately agreed approaches which govern how funds are collected and the contributions that are made.

4. Recommendation

- a) Approval of the proposed CCMC Ltd 2021/22 Service Charge Budget of £80,067 which will be used to determine the value of service charge demands sent to owners half yearly in advance.**
- b) Accept the proposed 2021/22 Site Wide Estate Costs Budget of £34,955 which will be collected by Remus on behalf of Channels Management Company CIC half yearly in advance.**
- c) Note that the Site Wide Estate Costs Budget may be subject to change once the conversion to a Community Interest Company is complete and directors have been appointed.**



5. Appendices

1. 2021/22 Proposed Service Charge Budget (Schedule of Costs)
2. Cost Allocation Notes
3. CCMC Ltd (Bellway) Managed Areas
4. CMC CIC (Site Wide) Managed Areas



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Appendix 1
2021/22 Proposed Service Charge Budget

	2021-22 BUDGET	ESTATE CHARGE	PRIVATE ROAD AREA COSTS	APARTMENT AREA COSTS	RETAIL UNIT AREA COSTS
Maintenance					
General Grounds Maintenance	£30,156	£29,856	£300	£0	£0
Courtyard Maintenance	£4,100	£0	£0	£4,000	£100
Dog Waste Collection	£1,500	£1,500	£0	£0	£0
External Repairs & Maintenance	£1,500	£1,500	£0	£0	£0
Fixed Wire Testing	£600	£600	£0	£0	£0
Reserves					
General Improvement Fund	£3,000	£2,350	£75	£500	£75
Road Maintenance Reserve Fund	£3,000	£2,350	£75	£500	£75
Mandatory External Sinking Fund	£3,000	£2,350	£75	£500	£75
Utilities					
Estate Lighting & Communal Electricity	£2,000	£1,700	£50	£200	£50
Insurance					
Public Liability Insurance	£2,060	£1,960	£0	£0	£0
Administration					
Management Fees	£25,171	£25,171	£0	£0	£0
Management Company Expenses	£2,000	£2,000	£0	£0	£0
Health & Safety Risk Assessment	£0	£0	£0	£0	£0
Accountancy Fee	£1,600	£1,600	£0	£0	£0
Director & Officers Insurance	£480	£480	£0	£0	£0
CCMC Sub-Total	£80,067	£73,417	£575	£5,700	£375
Site Wide Estate Costs	£34,955	£34,955	£0	£0	£0
Total Service Charge	£115,022	£108,372	£575	£5,700	£375

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Channels Site-Wide Budget Year End 30th June 2022

PG Property
Management

	2021-22 SITE-WIDE BUDGET	BELLWAY PHASE 1/2 SHARE
Site Management		
Grounds Maintenance (Including Site Manager)	£52,000	£19,378
External Repairs & Maintenance	£10,000	£3,727
Administration		
Management Fees	£28,800	£10,732
Public Liability, Directors & Officers Insurance	£2,000	£745
Accountancy Fee	£1,000	£373
Total Site-Wide Estate Costs	£93,800	£34,955
Bellway Phase 1/2 Share per Unit (Included in Service Charge)		£125.74
<i>Number of Bellway Phase 1/2 Units</i>	278	
<i>Number of Channels development Units (tbc)</i>	746	
<i>As notified by PG Property Management 8th April 2021</i>		

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Appendix 2 **Cost Allocation Notes**

The Service Charge that residents are required to pay is comprised of a Core Estate Charge and additional charges that pertain to specific units, as outlined below:

Core Estate Charge

The sum of £108,372 covers both Phase 1/2 specific & Site-Wide costs and represents the core charge that every resident will contribute towards. There are 278 units on the Bellway phases and the Core Estate Charge has been split equally across that number of units.

All units have a budget of £390 allocated to them and each half year demand will be £195.

Private Road Area Costs

The sum of £575 covers Phase 1/2 specific costs however pertains only to a small number of properties which have responsibility for the upkeep of private roads. The budget has been split equally across the 5 units for which these costs apply and as such represents an addition to the Core Estate Charge.

These units have an additional budget of £115 allocated to them for which the half year demand charges will be £57.50.

Apartment Area Costs

The sum of £5,700 covers Phase 1/2 specific costs however pertains only to the Brassie Wood apartments. The budget has been split across the 29 units for which these costs apply and as such represents an addition to the Core Estate Charge.

These units have an additional budget of £197 allocated to them for which the half year demand charges will be £98.50.

Retail Unit Area Costs

The sum of £375 covers Phase 1/2 specific costs however pertains only to the retail unit/office which forms part of the Brassie Wood apartment complex. The budget has been directly allocated to the unit for which these costs apply and as such represents an addition to the Core Estate Charge.

This unit has an additional charge of £375 allocated to it for which the half year demand charges will be £187.50



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Appendix 3 CCMC Ltd Managed Areas

The image below defines the 'managed areas' of land that fall under the remit of Channels (Chelmsford) Management Company Ltd:



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Appendix 4 Site Wide Managed Areas

The outer red line in the image below defines the area known as the “Channels Estate” or “Wider Estate” and is detailed in each *owners* transfer document. It also shows the shared areas of the wider Channels estate that are managed by Channels Management Company CIC (to which residents contribute) and which will be available for communal use:



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