

March 12th 2021

CC Caroline Ansell MP

Dear Mr Collins and Mr Leney

We are disappointed that despite our requests for greater transparency -our letter of April 2020 and subsequent emails in April, October and November- no changes have been made to this year's rentcharge invoice.

As in previous years, the invoice remains in the same opaque format. We also note from your previous replies that you have promised on several occasions to improve the information on the CIC and Sovereign Harbour Trust websites but we cannot see any obvious changes.

The Sovereign Harbour residents are stakeholders in the CIC, and we find it difficult to understand how the CIC can justify ignoring repeated requests from them for the invoice to be made much more transparent.

1. In previous correspondence, we notified you of the concerns from our residents about high administrative costs— around 20% each year. It is puzzling as to why the cost is so high given the administrative work and legal advice is mainly for a simple rent collection service. The CIC does not perform any challenging new activities year on year requiring new complex legal advice. We request that the CIC does all it can to reduce these excessive administrative costs including insuring that the contract for the administration and legal services is subject to competitive tender.
2. Related to the above, we note that within Premier Marinas' costs there is also a fee for "administration". What is the justification for this? Premier only receives monies and any expenditure related to this should be absorbed as overheads in the normal way. Can you inform us what steps you will take to correct the matter?
3. We note that the rentcharge invoice is not laid out in a way that would enable residents to see the main beneficiaries of the charge as we previously requested. To inform residents we have attempted to lay out the charge in a more meaningful way in our newsletter (see attached). We believe the CIC needs to provide details about how the money is divided, and Premier Marinas needs to clearly show how their expenditure, covered by the rentcharge is worked out, and what works and services it specifically covers.
4. In order for us to provide accurate information to residents about monies for beneficiaries, please provide the following with each invoice:
 - How many properties pay the SW Charge ?
 - How many non-payers were recorded as such in relevant year, and how many part-payers were there ?
 - How many were already in arrears as of September in the previous year ?

5. Last year we requested that CIC accounts be laid out in way that accurately reflected the CIC activities. This has not happened. The template used seems inappropriate as the CIC is not a manufacturer of a product with a profit on loss account. It is a rent collection agency which sets the level of rent according to a legal formula and distributes the monies to beneficiaries accordingly. We would like to see this reflected in the CIC accounts.

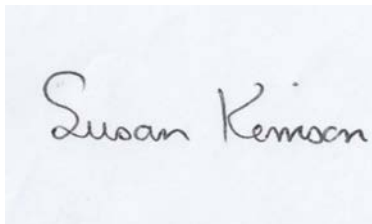
- Under 'assets', please confirm whether 'debtors' consist solely of rent charge arrears (or otherwise) and explain any other category of debt.
- Under 'assets', please contextualise, explain and provide a breakdown of 'prepayments and accrued income'.
- Under 'liabilities', please contextualise, explain and provide a breakdown of 'trade creditors'.

We believe that open and transparent invoices with full details of all expenditure paid for by the rentcharge is a not fundamental right for the payees but also required for the compliance with CIC standards. Transparency will also benefit the CIC and Premier Marinas as it will quash current misunderstandings, suspicions and resentment.

In previous correspondence we offered to meet you to see if we could assist making the invoice more transparent. We repeat that offer.

This letter is addressed jointly to Mr Collins and Mr Leney because we believe that as Company Secretary Mr Leney is responsible for addressing some of the issues raised.

Your sincerely

A photograph of a handwritten signature in blue ink on a white background. The signature reads "Susan Kemson" in a cursive, slightly slanted script.

Chair, Sovereign Harbour Residents Association

From SHRA Spring Newsletter 2021

RENTCHARGE – Where the money goes

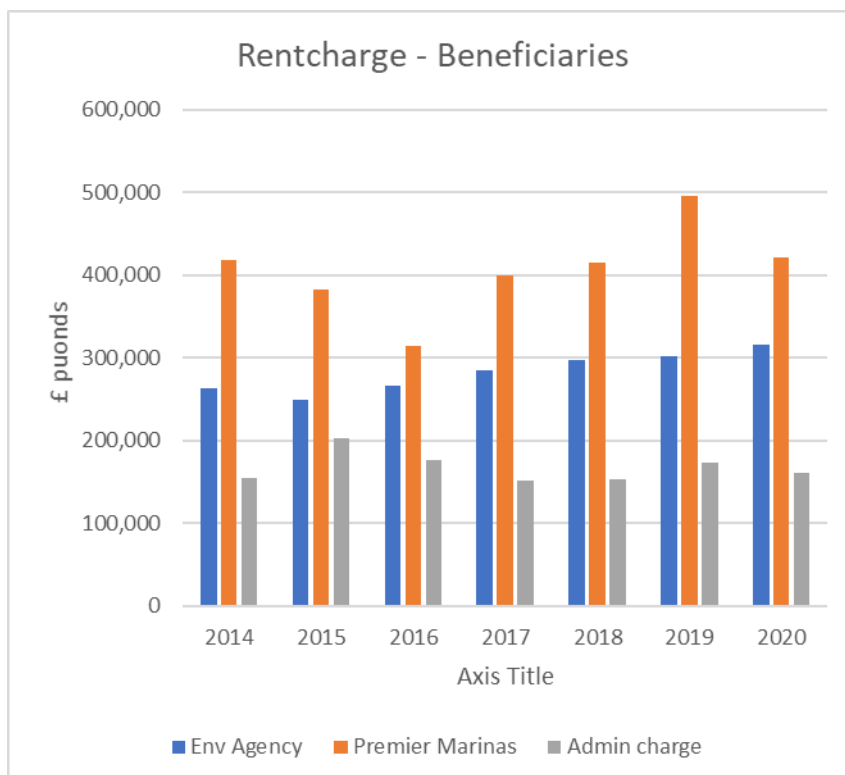
This year's invoice for the Annual Estate Rentcharge has recently dropped through residents' letterboxes, prompting a flurry of posts on Facebook. Understanding who gets the monies collected and what it is for is not helped by the opaque way the invoice is set out.

Who Are The beneficiaries?

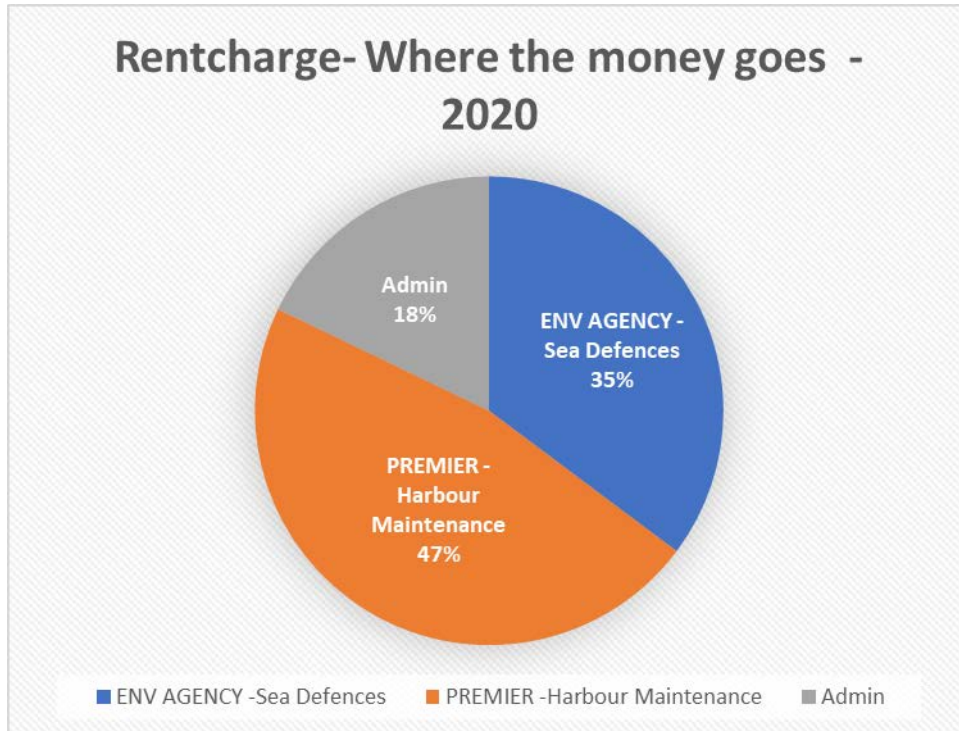
Put simply, there are two main beneficiaries - Premier Marinas who use the monies for maintenance of the harbour, and the Environment Agency where the money contributes towards sea defences. Sovereign Harbour (Sea Defences) Community Interest Company Ltd (CIC) and its agents Cripps, Greenish and Pemberton have no role other than collecting and distributing the monies. We have been pressing the CIC all year to produce an invoice that sets out more clearly where the money goes but they have not done so, so we have set it out below.

Who gets what?

The graph below shows how the monies have been distributed over the last few years. For this year, £316,574 goes to the Environment Agency, £421,425 for Premier Marinas and £160,490 in administration fees. Taking a typical bill of some £261.80, this means roughly that £92 (35 %) is for the Environment Agency, £120 (46%) goes to Premier and £50 (19%) is for admin charges.



Rentcharge- Where the money goes - 2020



How is it decided who gets how much monies?

The CIC has the legal obligation to collect the monies according to a complex formula set in legal concrete. Details of this formula can be found on the SHRA website <https://www.shra.co.uk/rentcharge.html> (Rentcharge chart).

What is the money for?

Many residents believe that the bulk of the Rentcharge monies are for sea defences, but it is not clear that this is the case. Premier can legally charge for harbour maintenance; that is the cost of dredging including survey costs, waterways cleaning, repairs and maintenance, lock and bridge control systems. Premier's costs are not fixed, capped or related to RPI, so vary from year to year. They usually constitute about half the bill.

The monies collected by the Environment Agency – roughly a third of Rentcharge - go towards contracting Pevensey Coastal Defence Ltd (PCDL) for sea defences. These monies represent only a proportion of the contract for sea defences for this part of the coast. The amount that the EA can collect is linked to Retail Price Index.

The CIC also has considerable admin costs for legal advice and collecting the monies.

The future

As the fundamentals of these arrangements are set in legal concrete they cannot easily be changed without bringing a legal case. However, there are a number of areas which we are pursuing

- Transparency of invoice. Despite endless emails to the CIC over the last year nothing has changed. The invoice still does not clearly state where the money goes. We have offered the CIC help to produce a more transparent invoice but they have not

responded. The CIC still presents its invoices as though it were a company manufacturing and selling widgets.

- The admin costs are considered excessive and the SHRA has made many representation about this.
- The contract for sea defences is up for renewal – we have already contacted the EA and will continue to press them to start discussions. As you can see from below, University of Southampton is undertaking a project looking the movement of shingle in Pevensy Bay to inform the new contract.

Finally, as we all know sea levels are rising therefore the costs of sea defences are increasing. The fact that the Environment Agency fees are legally pegged to RPI could be of long term benefit.