

Sovereign Harbour Trust
Wallside House
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Tunbridge Wells
Kent TN1 1EG

11 March 2011

Mrs J Weeks
Chairman
Sovereign Harbour Residents Association
PO Box 124
EASTBOURNE
East Sussex
BN24 9AW

Dear Mrs Weeks

Sovereign Harbour Trust and Sovereign Harbour (Sea Defences) CIC

Thank you for your letter of 1 March.

I will seek to deal with the points you raised in expectation that, should you decide to publish the contents of this letter in any way, you will do so in full.

~~Please bear in mind that the amount payable under the Rent Charge is fixed so far as the SW charge element is concerned, and thus the level of administration costs is actually irrelevant to residents. What is relevant to them is that the process is as efficient as possible and that the collected funds are used for their covenanted purposes.~~

Your letter essentially repeats a question which was aired at a meeting between the Sovereign Harbour Trustees and your Board, last year. The explanation then, as now, of the increase, is that it has nothing to do with the introduction of the CIC structure, and actually arose as a result of withdrawal of the subsidy which had been provided by Sovereign Harbour Marina Limited until its sale. Until that point the Marina company had the conduct of the collections and treasury functions, which it undertook at nominal cost. The removal of that subsidy had, in fact, been under consideration by the Marina company for about two years before sale, and the Trust had been given notice of increase in management costs, although the amount had not been quantified before sale.

Following the sale of the Marina company, the arrangements for management of the Trust were reviewed and the collections activities were put out to tender. New management took over in July 2008. Since 2008 there has been no change in the tender rates, but there has been an increase in cost, attributable primarily to increased collections activities.

The cost of establishment of the CIC, and the cost of dealing with complaints made to the CIC regulator and to the Charity Commission have not been borne by the Trust, and therefore no part of the cost has fallen on residents.

Dealing with your specific questions:

- i. The charges cover:
 - An annual collection charge at the rate of £22 per property
 - Collections enforcement charges
 - Secretarial and governance charges

- Website hosting
- Treasury management
- Application of collected funds
- Record keeping
- Legal services in connection with unpaid rent charges
- Postages and stationery
- IT services
- Computer software
- Bookkeeping
- Accountancy and audit costs
- VAT on services, where relevant.

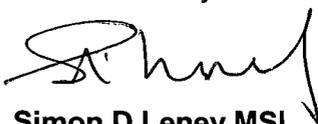
Under the heading of the Marina Charge, Premier Marinas (Eastbourne) Limited undertake significant levels of activity under the heading of harbour maintenance. It incurs costs of contractors, as well as accountancy and audit costs. Those costs are recharged in arrear, upon the terms of the rent charge deed, and form part of the Marina Charge.

- ii. Currently 3418 residential properties are subject to the rent charge. 364 of them are not subject to the Marina Charge element. These figures relate to residential properties which have been sold and therefore were subject to the charge, as at January 2011. We have identified that about 80 further properties appear on the Council tax register which for one reason or another are not subject to a rent charge.
- iii. Residents have no liability over and above that contained in the rent charge deed. If they pay the amounts due under the terms of that deed, they have the benefit of the covenant on the part of the Trust, which is contained in that deed. Conversely, the Marina company would have a responsibility to reinstate damage to the harbour structure and/or lock gates.

A major factor in the level of costs is the additional collections activity due to failure to pay the amounts due under the rent charge deeds when those amounts fall due. Unfortunately, the amounts involved are not always such as allow courts to impose costs orders on debtors. It is very much in the interests of residents for there to be a clear message to everyone that the covenanted payments should be paid on receipt of invoice, accompanied by provision of the requisite information, in accordance with the rent charge deeds. This year, approximately 87% of residents have paid the amount due under the January invoice as at the date of this letter. In other words, 13% of residents still owe money due from January. There are some residents with debts relating to earlier years. In all these cases, it is necessary to negotiate special arrangements for payment, or to undertake collection proceedings, or a combination of both. In a small number of cases residents have sought to argue that the rent charge regime should not apply to them; including one or two who have tried to assert they did not sign rent charge deeds that plainly do bear their signatures and which were registered against their Land Register title when they bought! Those activities have cost implications. The best way of cutting the cost will be to continue to encourage all residents to accept that the funds that are collected benefit the development as a whole and therefore need to be paid on time. I believe that developers do make clear in their sales literature that the rent charge applies, but if you come across any examples where the message could be improved, please tell me and the Trust will do what it can to get it changed.

Kind regards

Yours sincerely



Simon D Leney MSI
Secretary for Sovereign Harbour Trust