

Netherne Management Limited
Company Number: 04026814
Registered Office: One Jubilee Street, Brighton, BN1 1GE

Directors Report for the year ending 31 December 2013

When taking responsibility for Netherne Management Limited (NML) in January 2011, elected resident Directors set the following objectives:

- Recover the debt
- Get the reserves healthy
- Maximise cost efficiency (with view to reducing service charges whilst not reducing services).

This report for the year to December 2013 outlines our continued progress in these areas in the past 12 months. We also discuss what has been happening with our facilities (the Village Hall and the Leisure Centre), and look ahead to the future.

Summary

In summary, the Board believe that the issues the Village faced prior to 2011 are becoming a distant memory. Our new Managing Agents (SHW) have been in place since mid 2012 and helping us to run the Village efficiently. The Village's reputation with local estate agents has improved considerably over the last couple of years.

Our financial position is strong, with debt reducing. Service charges have continued to reduce, and there is ever increasing use of the Village Hall. The Netherne Community Bus is becoming a great success story.

Our challenges are to continue clamping down on a small number of "hardcore" debtors, to introduce a new security system for the Leisure Centre, and to begin implementation of various maintenance works to NML's assets.

Debtors

Throughout 2013, the Board have again had to devote an inordinate amount of time chasing debts from those who enjoy the benefits of living in our community but continue not to pay the service charges that maintain it. We are pleased to report that NML's debt position has continued to improve during the course of 2013, as we have chased down many of our debtors. The following table summarises our progress:

End of Year	Amount of service charge debt
2010	£449,000
2011	£396,000
2012	£307,000
2013	£183,000

Our debt figure is still a significant amount in the context of our overall finances. Whilst much of the debt is under management, there is still a small hardcore of debtors who, despite concerted efforts to get them to settle their debts, including offers of payment plans over a period of time, refuse to pay either their historic service charges or ongoing service charges.

Around two-thirds of the total debt figure of £183,000 relates to only 28 debtors, and this is the group where to date we have focused most of our attention. We have secured charging orders on many properties, with further legal action then being taken to enforce the judgments. Debtors are also being told that they cannot hire the Village Hall, and we have suspended Leisure Centre access to hardcore debtors.

In the case of debt where a payment plan is in place, the Board will be reviewing these plans to ensure they remain appropriate.

The goal for 2014 is to continue to manage the debt down, and we would hope to be below £100,000 by year end.

Cash position

With the recovery of debt, our cash position has been improving. This has been accompanied by an increase in our total reserves, as we have managed to keep tight control of our expenditure and also as other income such as exit fees have been received.

End of Year	Amount of cash at bank	Total reserves (including debt)
2010	£9,000	£485,000
2011 *	£301,000	£613,000
2012	£381,000	£680,000
2013	£523,000	£708,000

* The improvement from 2010 to 2011 reflected the settlement reached with Gleesons.

Overall, therefore, our finances look relatively healthy, with both cash and total reserves building up. We need such reserves to be able to deal with unexpected expenditure as and when it arises. Indeed, during 2013 we needed to spend £65,000 on a number of maintenance works, such as replacement boilers for the Leisure Centre, some decorating works, Village Hall lighting and blinds, tennis courts.

In addition, over the next few years we will need to spend a considerable further sum on the maintenance of the estate and facilities that may use up much of the reserves that our accounts show. We discuss this further under "10 Year Plan".

Service charges

Like many companies we have been facing inflationary pressures on a number of fronts, such as utility costs. However, we have also continued to take initiatives to reduce or maintain several of our costs. For example, Nuffield have agreed to continue to run the Leisure Centre for the same cost as last year, and we agreed with Reigate and Banstead Council that significantly reduced rates are now payable in respect of the Leisure Centre and Village Hall.

The net result of our efforts for the 2014 service charge budget is that (compared to the 2013 budget) we have managed to achieve another reduction. This has continued the trend from when resident Directors took over responsibility for running NML, with charges having reduced by nearly 25%, as highlighted below:

Year	Total service charge budget
2011	£449,000
2012	£382,000
2013	£351,000
2014	£345,000

Village Hall

During 2013 we installed new lighting in the Village Hall, along with roller blinds for the windows. We received a substantial grant from Sport England for this work. The new lighting and blinds have enabled more groups to use the Village Hall – for instance there is now a vibrant Table Tennis group that meets every Wednesday.

There are also numerous other groups who make use of the facilities, including the Scouts, Banstead Children's Centre, Parents and Toddlers Group, Ballet and Ballroom dance classes. The Netherne Residents' Association also uses the Hall for various events throughout the year.

Whilst footfall to the Village Hall has increased, there remains scope to have better utilization of the facilities. The key is usually trying to find someone willing to organize an activity. We are currently exploring allowing a preschool music group to use the Hall, and would welcome approaches from other users who would like to set up a group.

The Hall comes with a cost, including significant maintenance costs. We have recently become aware of damp issues that need attention. You will also have noticed the scaffolding around the Village Hall, as it has been necessary to conduct repairs to the roof following storm damage. Those repairs have highlighted other issues (rot) that now need to be put right.

Further, there is only limited Village Hall parking, which can cause issues when users park in residents' bays, and there can be some noise disruption.

As a result of these and other difficulties with the Village Hall, we have begun to consider whether a new purpose built hall would serve our community better, for lower cost. We will seek the views of residents who attend the AGM on this possibility.

Leisure Centre

During the peak summer months, the Leisure Centre was seeing up to 1,650 visits per month. This was helped by the hot summer weather, when pool usage increased significantly.

We suspect that non-residents of the village have been registered as members using friends and colleagues addresses. Such people are then using the Leisure Centre facilities when they are not entitled to do so. The Board are clamping down on this behaviour and have resolved to undertake a review of all existing Leisure Centre passes, and introduce a new pass system with some form of turnstile access.

There have been instances of vandalism at the Leisure Centre, with the stained glass windows being deliberately broken. Each repair costs about £1,000, and we will have no hesitation to prosecute anyone who is found to have damaged our property. To try to mitigate the vandalism risk, we decided to relocate the log seats away from the Leisure Centre. Further, we are introducing new security cameras for both the Leisure Centre and Village Hall.

Like the Village Hall, the Leisure Centre also comes with a number of maintenance costs. During 2013, we needed to replace the Boilers. More recently, we have just approved the works to improve the hot water supply to the showers. Such costs are not budgeted for in the annual service charges (as they are not expected to occur annually) and need to be met from our reserves. Fortunately our cash position is such that we are able to meet such costs without asking members for higher service charges.

10 Year Plan

The Board have received a report from SHW regarding a schedule of Planned and Preventative Maintenance work expected over the next 10 years. This is a report on expected maintenance costs of our assets (such as the Estate, Leisure Centre and Village Hall) to enable us to plan and budget prudently over the next decade.

The report has estimated that, over the next 10 years, we may have to spend over **£1.1 million** on maintenance and improvements to the village assets. Some of these would be one off costs, not expected to recur again whilst others will be regular maintenance costs that will recur, such as decorating.

Some of the largest items of expenditure estimates over the next 2-3 years are as follows:

Footpath to Hooley

- Removal / replacement / lighting = £216,000
- New handrails = £42,000

Village Hall

- External works – brickwork, stonework, roof, decorating = £48,000
- Internal works – decorating = £35,000
- Remedial damp works to basement = £26,000

Leisure Centre

- External works – brickwork, stonework, roof, steeple = £60,000
- Internal works – redecoration, cubicles, flooring and ceiling = £43,000
- Plant room = £28,000

The sum of the above works alone amounts to just under £500,000 of the total spend, equivalent to our current cash position. We are therefore acutely aware that whilst our current financial position appears healthy, we do have significant expenditure to consider in the years ahead. We therefore need to continue to manage our finances prudently. In particular, we have no current plans to return any cash to shareholders, given the future expenditure requirements.

In terms of how we may go about meeting the various costs, there are several sources of funding available. Some works may simply have to be met from our current reserves. Other costs (in particular the footpath to Hooley) might be met by Surrey County Council. In addition, over time we would expect to continue to build up our reserves as we receive income (in addition to ongoing service charge income) from other sources, such as exit fees, rental income from the telephone mast and Village Hall hire fees.

With our existing reserves, income streams and assistance from other bodies, we are hopeful that we will not need to seek any additional charges from members for at least the next five years to cover the items of expenditure identified in the report. Some of the works will begin to be undertaken during 2014. For example, we have instructed SHW to go to tender on the exterior decorating work for the Village Hall and Leisure Centre.

Cemetery

In addition to the Leisure Centre, Village Hall and wider estate, NML also owns extensive areas of land. This includes a cemetery containing the remains of about 1,350 people, in unmarked graves, including patients of the former Netherne hospital and soldiers who fought in the First World War. Gleesons attracted much criticism for allowing the graveyard to become overgrown and neglected.

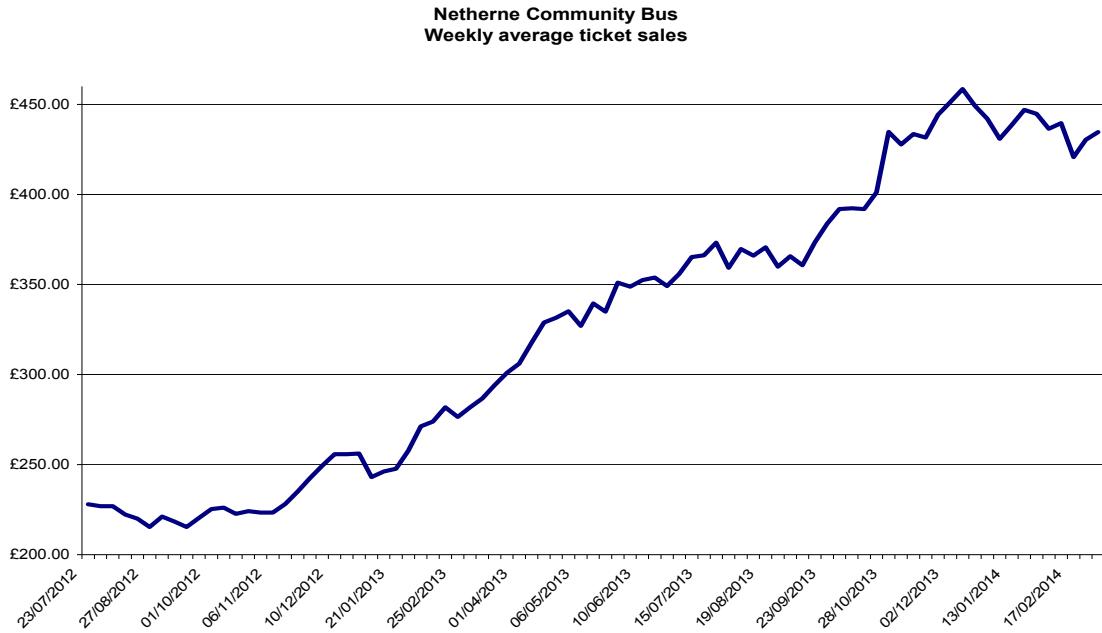
The NML Board determined that it was appropriate to clear the cemetery of the extensive brambles and these works were undertaken in 2013. Going forward, the plan is to introduce some form of meadow grass seed to the grounds, and erect a simple memorial at the entrance to the cemetery.

Netherne Community Bus Company

The Netherne Bus began operations in April 2012, offering a peak time service to and from Coulsdon South station. The Bus was initially financed by funding received from Gleesons as part of their exit settlement, together with a small grant from Surrey County Council.

The only other funding for the Netherne Bus is fare income; in particular it does not form part of the NML service charges. This effectively means that we have to try and cover the operating costs of the Bus from ticket sales, to avoid eroding the Bus Company assets.

More and more people have been using this valuable service. Ticket sales have been on the increase, as shown in the chart below:



However, we have still not quite achieved break-even status for the Netherne Bus, but expect to do so during 2014. We are aware that the existence of the Bus service has enhanced the attractiveness of the Village, as a key question for many prospective residents is having an economical and reliable travel service to the train station. As a result, we believe the Bus has been a contributory factor in the recent rise of Netherne property prices.

Looking ahead

Your Directors remain committed to managing our village properly in a cost effective manner. Our priorities for 2014 are:

- To continue the debt recovery process, including firm action with the small group of hardcore debtors
- To carry out some of the maintenance work identified in the 10 Year Plan
- To implement a new security pass and entry system in the Leisure Centre
- To consider the future of the Village Hall.

The Directors of Netherne Management Limited:

Steven Buczek

Lisa Lightfoot

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