

Directors Report for the year ending 31 December 2016

Summary

We start by thanking our Managing Agents (SHW) and in particular Michele Gallagher for all the work that she has put in to running the Village as efficiently as possible. We also convey our thanks to our two ground staff (Dave Brant and Sean Howley) and the Nuffield Health team. It is a good sign that Estate Agents are independently saying the village is well managed, a fact which (along with the Netherne Bus) makes Netherne a very attractive place to live.

Our financial position remains strong, with debt having again reduced significantly over the year. We are no longer having to spend large amounts of time managing our debt, as it has reached very low levels. Instead we are able to focus our time and energies to managing the village and various projects and initiatives.

We incurred significant expenditure during 2016 to deal with various improvements, repairs and works. This included the flooring works to the hall, the footpath lighting project, an upgrade to the hall CCTV system, the poolside columns and a new weights area in the gym. Despite these costs, of over £70,000, our reserves only fell by £2,000 due to the income streams which support our reserves. We have also commenced work to deal with a significant damp problem in the village hall; this is ongoing and we expect it to lead to a drain on our reserves during 2017.

Service charges for 2017 have had to increase marginally due to inflationary pressures.

The Netherne Bus had a difficult 2016 having to cope with the strike problems at Southern Rail. Those problems seem to have receded for now but our passenger numbers (and hence revenues) were lower than we hoped. As we mentioned last year, we need to start planning for the eventual replacement of our existing bus. With this in mind we have had to implement another ticket price increase from April 2017.

An item that had been on our wish list for some time was lighting on the footpath to Hooley. This project began in May 2016 but was beset by a number of delays and setbacks. We persevered with our original contractor throughout 2016 but when he failed to meet a final ultimatum to complete the project we took the difficult decision to suspend his services. We were lucky to find a new contractor to take on this half finished project, and he was appointed in March 2017. He made rapid progress and exceeded all expectations by completing the project within only 27 days of starting.

Looking ahead

Your Directors remain committed to managing our village properly in a cost effective manner. There will no doubt be new issues arising during the course of the year, but at the moment our immediate priorities are:

- To sort the damp issues at the village hall
- To further improve the security we have in the village as we continue to investigate a CCTV system at the three entrance points to the village and other vulnerable areas.

We expect that, just like every other year, 2017 will prove to be another busy year for the NML directors. Running NML is something that we do voluntarily and in our own time, because we want to make Netherne an even better place to live than it already is. We are human and not infallible, but we always have the good of the village at the centre of all our decisions. We have produced a job description for the role of NML director. Anyone who believes they can also contribute positively to the Board should approach Michele Gallagher in the first instance so that a meeting can be arranged.

The Directors of Netherne Management Limited:

Steven Buczek Robert Murdoch Alex Rodell Rajen Shah Lee Sheldon Gary Smith

Debtors

We noted at the April 2016 AGM that the amount of debt (unpaid service charges) had reached a “manageable” level compared to the extraordinary levels we inherited when resident directors took responsibility for NML in January 2011.

The following table summarises our continued progress in managing our debt down:

End of year	Total debt
2010	£449,000
2011	£396,000
2012	£307,000
2013	£183,000
2014	£74,000
2015	£31,000
2016	£15,000

We note that over half of the £15,000 debt at the end of 2016 arose in respect of 2016 charges; so we have reached a turning point and are now largely dealing with *new* debt.

All of the residual debt is under management and is being closely monitored by the Board. People who renege on agreed repayment plans are immediately referred to our solicitors for full debt recovery. Often, this process involves pursuing mortgage lenders to settle debts, and this is an expensive way for members to settle their service charge arrears as they have also had to pay all of NML’s legal costs, plus interest for late payment. We are finding that many people who used to be perennial debtors are now paying their service charges on time. Unfortunately, there remain a few debtors who, even after having their debt added to their mortgage, continue not to pay their ongoing service charges as and when they arise. Such members are finding that we are continually taking legal action against them. Leisure Centre memberships are being suspended for any members who do not pay. Other members have realised that they cannot afford to live in Netherne and have sold up.

We have 3 individuals accountable for over half the debt. Following a court order, our biggest debtor is finally reducing their arrears. Most debtors owe relatively small amounts:

We implore all members to please settle their accounts, however small, so that we do not have to continue to chase them for these sums. We also recommend that all members set up direct debit mandates to settle their ongoing service charges, so that the situation of inadvertently forgetting to pay on time does not arise.

The goal for 2017 is to continue to manage the debt down. We have already made good progress during the start of 2017, breaking below £10,000 for the first time. While we do hope to see a further reduction in this figure, we are also realistic and expect further inroads into our debt will only occur when some of our perennial debtors start to pay their service charges on time (or leave the village).

Reserves position

During 2016, we incurred significant expenditure for various improvements, repairs and works (not covered by the service charge budget). This included the flooring works to the hall, the footpath lighting project, an upgrade to the hall CCTV system, the poolside columns and a new weights area in the gym. We have also commenced work to deal with a significant damp problem in the village hall; this is ongoing and we expect it to lead to a further drain on our reserves during 2017. The total major works expenditure for the year was £71,000.

We also had an overrun on our service charge budget for 2016, of £10,000, as actual costs were higher than budgeted for on a number of items - the main ones being general repair costs, insurances and rates.

Such major works costs and budget overruns have been met from our reserves, which at the start of the year were £541,000. We have not had to ask members for increased service charges to meet these costs. The major works expenditure has led to a drain on our reserves, but this has been largely offset by the non-service charge income that we receive, such as exit fees, interest and the telephone mast rent.

End of year	Total reserves
2013	£708,000
2014	£666,000
2015	£541,000
2016	£539,000

For reference, the main sources of ***non service charge income*** in 2016 were as follows:

▪ Exit Fees	£43,000
▪ Annual Estate Rent charges	£11,000
▪ Telephone mast rent	£9,000
▪ Village hall and pool hire	£9,000
▪ Interest	£4,000

As a result of such income streams in 2016, our reserves only declined by £2,000 during the year, despite the £71,000 of major works expenditure and £10,000 budget overrun.

Overall, therefore, our finances look relatively healthy. We need such reserves to be able to deal with unexpected expenditure as and when it arises, as has been the case in recent years. We note the progression of our reserves has been downwards and we expect this to continue as 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. An example of such costs is tackling the village hall damp. If we get member approval to implement a CCTV system in the village, this will also use up some of our reserves.

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 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. In addition, over time we would expect to continue to build up our reserves as we receive non service charge income (in addition to ongoing service charge income) from other sources.

Service charges

By taking tight control of our expenditure, we had been successful in reducing service charges for each year from 2012 to 2014.

However, like many companies we have been facing inflationary pressures on a number of fronts. The main provisions that we have had to increase include the costs for utilities, insurances, Nuffield, SHW and general repairs. We also have some new costs in this year's budget, including costs for the pavilion and intruder alarms for all our buildings. Another provision that we increased at the time of setting the budget was the amount paid to Reigate & Banstead council for rates, as we were expecting to lose the discretionary relief we had enjoyed in previous years. However, we were subsequently successful in an application to be granted discretionary rate relief on both properties.

The result of these cost pressures is that the 2017 service charge budget is 3.8% higher than the 2016 budget. Service charges for 2017 have therefore had to increase marginally. This has meant service charge increases of the order of 50 pence a week.

Year	Total service charge budget
2011	£449,000
2012	£382,000
2013	£351,000
2014	£345,000
2015	£356,000
2016	£366,000
2017	£380,000

Village Hall

Last year, work began to improve the hard standing areas outside the village hall. However, these works uncovered a number of issues, including damp. Many of the problems seem to stem from the ground levels outside the hall having been raised too high by Gleesons. Other workmanship has been found to be defective and in some cases not adhering to Building Control standards. We have engaged a specialist to advise on remedial actions. Unfortunately there is no quick fix to the problems with multiple issues afflicting the building. Without going into too much detail, this is a summary of the current position:

- The existing drainage in the area needs to be investigated as it is unclear where some pipes drain to. A first ground penetrating radar survey was undertaken on 6 March and a second took place on 14 March. Following these surveys an engineer has visited to assess the site
- A new below ground drainage system will need to be connected to existing manholes and down pipes.
- The ground levels will need to be lowered by 2 brick courses.
- A new drainage channel needs to be dug further away from the building to take water away
- Some of the foulwater drainage pipes have been found to be at odd angles and taped over; these will need to be made good.
- The rainwater down pipes will need to be replaced with new and more appropriately sized pipes to ensure water is shed properly from the roof.
- There is currently no cross ventilation below the stage area. The below stage vents will need to be unblocked.
- Various brickwork and even some stonework will need to be replaced.

Just prior to the quiz night, one of the two banks of lights in the village hall failed. The issue has now been investigated and largely resolved; with just one light still out. This year, we are looking to reconfigure the lights to allow us to switch on individual rows, moving away from the current set up that only permits either half or all of the lights to be on.

A new intruder alarm has been installed at the hall, along with a fire alarm. Users of the hall will be provided with instructions on how to turn the intruder alarm off (and on) when they collect the hall keys.

We undertook a deep clean of the hall flooring in April 2016, at which time new badminton courts were also marked out. It is great to see the new badminton club operational on Thursday nights.

The hall is being well utilised on most other days. A new dancefit class started on Monday nights (hosted by a professional dancer!) and Kung Fu classes for children are underway on Tuesday evenings. Thanks also to the Residents Association for organising a number of events, including the Casino Royale night and Quiz night.

We were sad to hear that the scouts, cubs and beavers groups decided to move their base from Netherne to Chipstead. We met the leaders to understand their needs, and offered them use of the cricket pavilion and agreed to a number of other requests. However, it became apparent that they wanted more of a "home", accessible 24/7 and with scope to develop/build bespoke buildings for their use. We understand the new base they have found in Chipstead ticks more of their boxes, with a bespoke scout hall available. They are however keen to continue to involve Netherne in scouting, and we/the Residents Association will work with them to involve them in activities that help them to gain badges.

In September, the hall was the venue for a reunion of former Netherne hospital staff. Our thanks go to the wonderful bakers in the village, who helped to make the event extra special.

Leisure Centre

On 12th July, the plant room in the Leisure Centre suffered extensive flood damage, and the fire brigade had to attend. This was due to a failure of a coupling on the water inlet which resulted in the sump pump failing, hence the build up of water. This was a major incident, but thanks to the efforts of the Nuffield team, and numerous contractors who were called to attend to various works caused by this incident, the gym was able to reopen on 15th July. Much more work was required to get the pool re-opened, and this was achieved on 12th September. Whilst the pool was closed arrangements were made with the Nuffield Croydon facility to permit NML members use of the swimming pool there. Fortunately, most of the works, costing around £30,000, have been covered by our insurances.

We used the downtime with the pool to attend to a number of other repairs and improvements. We resolved the recurring issue of corrosion to the poolside columns (with a fibreglass solution, costing £9,000), the men's changing room door was replaced, the broken ceiling tile was fixed and we remedied a recurring damp/moisture damage to the pool side area.

The other improvements to the leisure centre included a weights area upgrade and installation of an advertising screen in the reception area, to promote activities and events, and local businesses.

Further improvements underway include an upgrade to the hair dryers, replacement of the poolside benches and new security locks. There is also to be a review of the equipment and changing rooms. The village hall has been a successful alternative for some gym classes. Further hall availability will be secured where possible and we will also look at the option of using the cricket pavilion.

Hooley footpath

Although the ground works to install lighting on the footpath to Hooley started in May, the project was beset by a number of delays and setbacks, including vandalism, theft and an arson attack. The contractor was also extremely slow to progress the project and we kept being given new completion dates. When he failed to meet a final ultimatum to complete the project at the end of 2016, we took the decision to suspend his services.

It was very difficult to find an alternative contractor to take on this half-finished project and complete the work, at a price that was feasible for us to proceed. However, after many weeks of searching, we did find a new contractor who came with glowing references.

One benefit that arose from the frustrating delays this project experienced is that we were able to reassess with the new contractor exactly what lights we needed. We also took into account concerns about more vandalism. As a result the style of lighting planned for the uphill part of the footpath changed (from bollards to lighting posts) and then on the top half of the footpath we installed bollards which are concreted below ground to ensure extra stability. Additionally we were able to increase the 'reach' of the lighting by continuing the bollards further along the top half of the footpath, reaching nearer to Gawton Crescent.

The new contractor began work at the end of March and made rapid progress, completing the project within only 27 days of starting. This was a great milestone for the village, on a project that started last year but which has been talked about for a decade. It has been a challenging project, but very satisfying to see it complete. The NML Board hopes that all residents who have to walk up/down the footpath in the dark feel much safer now. Netherne is a better place with the footpath lighting in place.

Cricket pavilion

Following the handover of the cricket pavilion from Netherne Cricket Club, we have engaged a contractor to deal with both interior and exterior works that need to be done. This has progressed well, and the main item of work still to be addressed is the pavilion flooring and the replacement of the wooden decking outside the front of the building.

We have had enquiries from a couple of people considering using the pavilion as a coffee / sandwich shop. However we feel that sub-letting the pavilion is not a practical commercial venture, plus it would mean some limitations on residents being able to hire the facility for private events.

We are instead talking with a team from the nearby St. Margarets Church to explore opening the Pavilion to offer a community cafe service several days a week. This would be staffed by volunteers and provide a range of teas, coffees and snacks to residents. More details on this will follow in the coming weeks and we hope, if all goes to plan, to commence such a service over the summer.

As mentioned, the pavilion would also be an alternative (to the village hall) for people looking for a venue for meetings / events. We envisage the Pavilion being ready for hire by end May so please contact SHW if you are interested in hiring it. The person to contact there is now Laura Ritchie (Tel – 0207 389 1514) Email - lritchie@shw.co.uk

Tree works

In 2016 we commissioned a full survey of the trees on the estate by an arboricultural consultant. At the time they reported on a number of trees (circa 100) that would require maintenance. Earlier this year we decided to obtain further expert advice and quotations from two companies.

As a result of this process we appointed a company called Arbortech to firstly review the 2016 survey and determine if the recommended advice was still relevant and, subsequently, to start work on the maintenance work required.

This work includes, amongst other things, pruning dead branches and wood, removing ivy at the base of trees and reducing a few trees in height. In addition, some new trees will also be planted in vacant sites (such as along the bottom of Netherne Drive).

It is always regrettable when trees need to be felled but we will always take the advice of expert tree surgeons on the best course of action to take. Normally when a tree's condition is described as having a biological system of significantly reduced vitality for the species and/or age or the tree's structure is described as having significant defects, then either substantial works or removal of the tree is required.

Unfortunately the experts have recommended that a total of six trees across the whole estate have either died (and are therefore in danger of falling down) or are in an advance stage of disease (such as being afflicted with bacterial canker) and are realistically beyond saving.

We are of course committed to replacing every one of these trees with the appropriate tree type, once the ground has been made ready and the best time of year for the planting of new trees has been identified.

We have placed on the NML website details of the tree work that is currently underway which lists the trees along with a brief description of what kind of work is being done to them. Some of the trees are located within the conservation area that exists in part of the village. With these trees the arboricultural consultant has to make an application (known as a TPO on our behalf to the borough council to get their approval for this work to proceed). No work will be carried out on these trees until this has been received.

Dog walking

It was mentioned at last year's AGM that there is an inconsistency between the number of dogs a resident is currently allowed to walk in the village and the number allowed to be walked by a commercial dog walker, which is 4 dogs. We also know that there are safety concerns from many residents about packs of 5 or 6 dogs being walked in the village. We sought opinion from the Residents' Association on this issue, and they agreed with us that it would be sensible to have consistency on the number of dogs allowed to be walked by residents and commercial dog walkers alike, that is 4.

In October we undertook a village wide consultation which consisted of a vote on two options, one that would restrict the number of dogs being walked (by one person) to 4 at a time, whilst the other would keep the current status quo. A total of 114 votes were cast with 102 (89%) choosing the option to limit any individual dog walker to 4 dogs.

There were however very strong views held by a number of people on all sides of the debate and we have met with individuals who expressed a desire to meet with the Board about this issue. We are endeavouring to listen to the views of villagers regarding this matter. We have decided not to take any further action at this time although we will continue to keep this matter under review.

CCTV project

At last year's AGM, we explained we were carrying out a feasibility study to introduce more CCTV in the village. Following the AGM, we met the crime prevention officer at Surrey Police, who advised that much due diligence is required in advance of implementing any system.

We were unable to take that project forward last year, but have resurrected it this year. There is still a lot of due diligence to undertake, and a site visit by a potential supplier has taken place. This was to identify the best locations for cameras and a discussion on capability (quality during night and day time, ease of operation, ongoing maintenance, security).

Quotes will also follow from other potential suppliers. Once all of the site visits are completed and quotes are received, we will review the requirement for CCTV in our village and then look to start delivery of this project after convening an Extra Ordinary Meeting of our members. Timeframes are difficult to gauge at this time but we hope to update members with firmer timeframes by the date of the AGM.

Netherne Community Bus Company

The Bus Company is a separate company from NML, but has the same Board of Directors. 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 means that we have to try and cover the operating costs of the Bus from ticket sales, to avoid eroding the Bus Company assets.

We know many Netherne commuters rely on this valuable service. Without the Bus, many residents would not have moved to Netherne and it has undoubtedly contributed towards the rise in Netherne property values.

One of our passengers wrote to us recently: *"I have been using the Netherne bus for the past couple of years and I must congratulate you on a first class service. Not only does the bus run on time, the drivers are always very friendly and go out of their way to be helpful, especially when train services are disrupted. If only the same could be said of Southern Rail! Please pass on a big thank you to all involved. Keep up the great work".*

2016 was a difficult year for our passengers, due to the strike problems at Southern rail. Those problems appear to have receded for now, but we suffered from reduced passenger numbers (and revenues). The chart below shows how our revenues declined during the year (as the Southern strikes took hold after April). The revenue decline was despite a ticket price increase effective from April 2016.

Managing the bus service has been a large voluntary time commitment for the directors. During 2016 this included weekly monitoring of the strike affected trains and updates to the bus timetable to accommodate drop offs to both Coulsdon South and Coulsdon Town stations. We took the decision in 2016 to start paying ESRT to carry out some of the administrative duties involved with running the bus service. This meant increased costs. Other costs have also continued to increase, such as servicing and maintenance.

The Bus reached its five-year anniversary in April 2017. It was purchased (second hand) and has served us well but now has nearly 150,000 miles on the clock. We are looking to purchase a replacement bus in the next year or two, and we need to build up the Bus Company funds in order to be able to afford to do so. With this in mind, we took the decision to increase ticket prices again from 3rd April 2017. Child fares and cash fares also went up.

