

Directors Report for the year ending 31 December 2019

Summary

- Whilst 2019 was a fairly “normal” year for NML, 2020 is going to be anything but normal, as we remain in lockdown and the world deals with the coronavirus pandemic.
- Debt (unpaid service charges) has fallen further in 2019, but we are braced for a deterioration in NML’s debt position in 2020.
- There was a small improvement in our reserves position during 2019. For 2020, we have included a “contribution to reserves” in service charge budgets, as we try to stabilise our reserves position. However, the lockdown situation has meant several income streams supporting our reserves have dried up. We are trying to defer projects wherever possible, until we are clearer how long the current circumstances may be with us.
- 2019 was a relatively peaceful year for the Village Hall.
- 2019 saw several repairs and enhancements for the Leisure Centre. However, this has been closed since 23 March 2020 and three of our four Nuffield staff have been furloughed. We have committed to give a rebate in Q3 2020 service charge bills in respect of any savings arising from the closure.
- New Estate Manager, Jonno Hart, in place following Dave Brant’s retirement in 2019.
- Following a tree survey, tree works across the estate will be commencing very soon.
- During 2019, the Pavilion Café went from strength to strength. Pavilion also used for Yoga classes, The Netherne Supper Club, and private hire. Benjamin’s Buddies nursery also started to use the Pavilion prior to the lockdown.
- Following the EGM and members’ vote in March 2019, the CCTV project will not be proceeding.
- The financial position of the Netherne Bus has become perilous and we fear for its ongoing future.

We know that communication with members is important, and have several channels available. There is the NML Member Facebook group. You can also sign up for our regular email updates, which are issued by bcc from nmlupdates@gmail.com. We have good communication coverage of our membership with these channels (nearly 75%), but unfortunately 108 (out of 417) members still have not signed up for either channel. We continue to promote email and Facebook as faster (and cheaper!) communication channels and hope that we reduce the number of people not using one of these methods in 2020.

We advised in the end 2019 newsletter that, following continued poor attendances at the AGMs, and the amount of work required in preparation for these meetings, that going forward we would only have a slimmed down AGM. This would focus on a Q&A session between members and the Board, based on the annual Directors Report, and any other matters that members wished to raise.

With the current lockdown situation and the 2020 AGM having to be conducted via a Zoom meeting, we did wonder whether a few more people might register to participate in this year’s AGM, from the comfort of their homes. Sadly, at the date of this report, only 36 people have actually emailed us to say they wish to join the Zoom AGM (out of a total of 417 members eligible to participate). Those 36 people include 6 Directors, Michele Gallagher, Jonno Hart, the Leisure Centre Manager (Travis) and the Chair of NOTHRA. We are of course disappointed that so few members are currently intending to join the virtual NML AGM. Nonetheless, we will continue to dedicate our time to keeping the village a great place to live.

The Directors of Netherne Management Limited:
Steven Buczek, Alex Rodell, Lee Ronan, Rajen Shah, Lee Sheldon, Gary Smith

24 April 2020

Debtors

At the end of 2018, the level of debt (unpaid service charges/costs) was under close management and control, and stood at £18,600.

Draft accounts for the year ending 31 December 2019 indicate that our total debt had fallen to £12,000.

We appreciate that many residents have been impacted by the economic shutdown caused by the coronavirus outbreak, and that some may temporarily struggle to pay their service charges on time. We are therefore braced for a deterioration in our debt position. Naturally we will be as understanding and supportive as we can be for any member who finds themselves in financial difficulties. In such cases, we ask that you contact Michele Gallagher at SHW who will act on our behalf in these matters.

Finances: Reserves and Service Charges

In our paper dated 15 February 2019, entitled “EGM paper on proposal for CCTV in Netherne” we included a detailed explanation of our current and projected reserves position, and the impact this would have on future service charges. In particular, we noted that NML reserves have been falling, with the trend as follows:

End of Year	Reserves
2013	£708,000
2014	£666,000
2015	£541,000
2016	£539,000
2017	£355,000
2018	£319,000

Draft accounts for 2019 indicate that our reserves position stood at about £340,000 at year end. This is as the result of non service charge income (such as exit fees, hall and pavilion hire, telephone mast rent and estate rents) for the year exceeding reserve expenditure, something that has not happened in the previous five years.

When we came to set the 2020 service charge budget, we tried to project what our future reserves position might be in 5 years time, allowing for projected reserve expenditure and allowing for non-service charge income streams continuing at the level of £75,000 per annum. That projection indicated our reserves position in 5 years time could have declined to around £225,000. We considered that to be a dangerously low level, especially in the knowledge that we can have sometimes high, sudden (and unexpected) costs – such as the hall damp works of 2018.

Given this projection, the Board determined that we would have to ask members for increased service charges, from 2020 onwards, with the addition of a new line item in the service charge budget for “contribution to reserves”. The aim of such additional contributions would be to stabilise our reserves and try to maintain them at current levels. The first such “contribution to reserves” was set at £20,000 for 2020. By itself, and with normal inflationary increases elsewhere, this could have significantly increased members’ service charges. However, as a result of savings on utility costs and insurance costs, we were able to limit the overall increase in members’ 2020 charges to about £1 a week.

We have committed to review the “contribution to reserves” each year, taking into account our reserves at the end of the year, the level of expected non service charge income streams (if these increase, we could reduce the contribution) and the level of projected reserve expenditure. If we believe we can safely reduce the contribution to reserves in future years then we will aim to do so. But what we don’t want to happen is to have a sudden (and possibly unanticipated) expenditure requirement, and not have the money to carry out the works.

The current lockdown situation in 2020 has meant that several non service charge income streams have dried up. Revenue from hall hire and pavilion hire has obviously fallen to zero. Even exit fees are on hold, as it is very difficult for people to move house. Alas, lower income streams to support our reserves is a concern, as all the projects and work that we expected our reserves to be used for do not go away as a result of Covid-19. Where possible, we have deferred projects, until we are clearer how long the current

circumstances will be with us. As an example, we have now "parked" the project to retarmac some of the footpath in the park, which would have been a major cost met by our reserves.

The lockdown has also meant a temporary closure of the Leisure Centre, and this will obviously mean lower costs, certainly for Q2 and possibly future quarters also. In our paper entitled "Impact of Covid-19 on NML", we committed to giving a service charge rebate in respect of any savings arising from such closure. This approach to service charges means that, as always, NML will only collect the service charges that are needed for the ongoing running, upkeep and maintenance of the village and our facilities. Any savings due to the gym closure will be passed back to members.

Village Hall

2019 was a relatively peaceful year for the Village Hall, following the significant damp/drainage works carried out in 2018. The bell tower was discovered to have rotting timber within, which was quickly rectified with renovation completed to a high standard. A few roof tiles have also been replaced before any lasting rainwater damage could occur.

During 2019 the hall remained a popular hire venue. Regular hirers of the hall included health and fitness groups, children's martial art clubs, dance lessons (of all types), sports clubs and mother/toddler groups. In addition, the hall is a great venue to hire for private events. Our new Estate Manager, Jonno Hart, conducted extensive research in relation to community hall hire charges in the local area. This research showed that hire charges for the Village Hall are very competitive when compared to other regional community halls, if not better. See attached appendix for further details.

Issues raised by Members about previous private-hire events causing excess disruption have been addressed. We have revised our private-hire agreement for evening events and have a reasonable music cut-off time so as not to affect the neighbouring properties. We have also increased the evening event deposit, which is fully refundable as long as hire terms are followed. For further details about renting the Village Hall (once the lockdown ends!) please email Laura Ritchie at SHW via Lritchie@SHW.co.uk.

Leisure Centre

Although 2019 was a quieter year for the leisure centre maintenance wise, there were still several notable projects completed including:

- Lighting enhancements poolside
- Replacement of the showers
- Painting poolside
- Roof repairs
- Repair to the sauna heater (Please don't put water on it!)
- Cleaning of the Tennis courts

The Government's instruction to close all gyms and leisure centres sadly meant that the Netherne Leisure Centre has had to close (from 23 March 2020) until further notice. We do not know how long such enforced closures will be in place. There is a view that we could end up re-opening, and then closing again, every few months based on government advice; at the moment we still don't know how things will map out. Nuffield have furloughed three of the four staff who worked for us. Travis remains employed, and is continuing to undertake essential maintenance work during the closure. As mentioned above, the leisure centre closure and Nuffield staff situation will mean a temporary cost reduction for the leisure centre. Once we have quantified that saving, we will give a rebate with the Q3 service charge bills.

Cricket Pavilion

During 2019, the Pavilion Café went from strength to strength, with all the volunteers doing an amazing job every Friday and Saturday to create such a warm and inviting environment for residents in the Village to meet and enjoy a brew and a slice of cake. We congratulate everyone involved in the running of the Pavilion Café, and look forward to it re-opening once the coronavirus lockdown ends.

A yoga group was also regularly hiring the Pavilion, and the pavilion has also played host to two wonderful "Netherne Supper Club" events in the past year – well done to Lisa Taylor for putting on such events! The

Pavilion can also be used for private hire (again, once the lockdown ends!) - please email Laura Ritchie at SHW via lritchie@SHW.co.uk.

In early 2020, we saw the trial opening of a nursery at the Pavilion (Monday to Thursday, 07:30 until 17:30), exclusively available to residents of Netherne. Benjamin's Buddies at Netherne is operated by one of our own residents, Laura Spokes, who used to run a smaller nursery provision within the village from her own home. The lockdown meant it wasn't feasible for Laura to continue the nursery provision in the pavilion, but we hope she returns when this is all over.

We have been in discussion with a local cricket club (Salfords) to come and play some of their games at Netherne. Whether this actually happens depends on how much they are willing to pay us for the use of our ground and facilities. If we can reach agreement, ultimately cricket at Netherne this year will be dependent on whether the season actually gets off the ground.

The only other thing to mention about the Pavilion in 2019 was the addition of two portable ramps that help with access for our visitors who are wheelchair users or those with prams.

Estate

Perhaps the most significant change in 2019 was the 'passing of the torch' from Dave Brant to Jonno Hart. Dave retired after providing Netherne with many years of loyal service. Dave's love for the Village and his role in making Netherne the wonderful place it is, is undeniable. We wish him well and hope he is enjoying his early months of retirement, as he continues to explore Africa!

We are delighted that Jonno Hart has made such a positive start in the Village. The new Estate Manager role was devised to take a proactive approach to improving the Village, from reducing our costs and reliance on external contractors, to promoting new working practices across the Estate and helping us to enhance communications to residents.

Jonno has already made his presence felt and we are excited to see the further value he will add to the Estate and life at Netherne.

On 14 December 2019 a tree in Gawton Crescent (but on NML land) fell down in high winds. The tree fell onto the car bays and significantly damaged the car of one of our fellow residents. No-one was injured, but we appreciate how distressing this was for the resident concerned. A tree surgeon was asked to remove the tree, and also to investigate and provide its expert opinion on the condition of the tree, why it had fallen, etc. His conclusion was that *"the tree failed as a result of an extreme weather event on the morning of the event (14th December 2019) which was the cause of catastrophic wind loading on the tree. I believe that the incident would not have been reasonably foreseeable, even from an expert point of view."*

It had been NML's intention to reinspect all of the trees on NML land in the Spring of 2020. We asked SHW to put this in place immediately and the survey was carried out earlier this year. We have now appointed a company called AshSure to carry out all the works identified in the tree survey. They will be starting this work soon.

Estate Security

The main thing to note on Security during 2019 was the proposal to install a CCTV system in Netherne. This was described in a detailed paper issued to all NML members on 15 February 2019, prior to the Extraordinary General Meeting (EGM) on 20th March. We still get asked by some members *"what happened to the CCTV project?"*, so the following is a summary of the EGM outcome:

As noted in the 15 February paper, the Board were concerned that this significant decision (involving a spend of £90,000) could be taken by only a small % of members who bothered to vote. We also wanted to ensure that there was a clear majority in favour of the proposal, before taking forward a project that had service charge implications for all our members.

In order for the proposal to be passed, the Board therefore required that at least 33% of our private members voted, and that at least 60% of all votes cast (weighted by 2019 service charge) were in favour. We considered these to be reasonable thresholds, and were very clear that if these thresholds were not achieved, then the proposal would be rejected.

Only 110 out of 417 members voted (either online or in person at the EGM). This was far below the 33% threshold we required in order for the vote to stand. The CCTV project will therefore not be proceeding.

Although obviously unknown at the time of the 2019 EGM, the ongoing financial impact of the current lockdown means that, had we gone ahead with the CCTV project, our financial position today would have been even more challenging as we head into a likely period of increased debt.

Netherne Community Bus Company

The Bus Company is a separate company from NML. It began operations in April 2012, offering a peak time service to and from Coulsdon South station. The only 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.

Ticket prices were last reviewed in 2018, with a book of adult tickets costing £20. In 2019, we introduced a card or contactless payment option for buying your bus tickets on the Netherne Bus. Unfortunately, there is a small cost in using the card reader, which we will need to cover for anyone who wishes to pay by card or contactless. Accordingly, the cost of an adult book if paid by card is £20.35.

In the 2018 Directors Report, we noted that there seemed to have been a drop off in passenger numbers, and therefore fare income. We speculated at the time that with more home working the bus service just wasn't used/needed as much as in previous years. During 2019, we didn't see any real pick up in passenger numbers, and the Bus Company assets have continued to fall, down to only £8,000 or so. Prior to the coronavirus outbreak, our revenue was about £37,000 p.a. but our operating costs were £41,000 p.a.

On 23 March 2020, with strict new curbs on life in the UK to tackle the spread of the coronavirus, the Netherne Bus was suspended until further notice. ESRT have furloughed our drivers.

We still have some ongoing costs for the Netherne Bus – in particular monthly lease costs and also insurances. These are only going to eat into the residual Bus Company assets, whilst the service is suspended. The financial position of the Netherne Bus was not great before Covid-19 and it is steadily getting worse.

Once the lockdown ends and the Netherne Bus resumes operations, it is hard to see passenger numbers immediately returning to the levels we had previously. Some people may not have jobs to go back to. Other companies may realise that it is quite possible for staff to work from home for long periods (and do away with expensive London office space). It is unfortunately a very grim outlook for the Netherne Bus ☹

In efforts to assist the Bus Company finances, we have tried to get sponsorship for the Netherne Bus. Jonno had a couple of promising meetings with local car dealerships, prior to the lockdown. Sadly, nothing has so far materialised from those meetings. We keep our fingers crossed, although we expect car dealerships are probably tightening their belts like most people right now.

We are also keen to see the bus used for private hire. However, there are limitations on what can be done here, due to the terms of our bus operator's license. Transporting community groups is fine, and we were able to help the Chair of NOTHRA when she had a group transport need in Hammersmith. Similarly we could, for example, take children from their school to a local swimming pool. However, we are not able to take people on a shopping trip to Coulsdon, or to a restaurant in London.

We anticipate that the third Quarter of 2020 (July to September) will be crucial in terms of understanding what passenger demand there is for the bus service and what level of service we might be able to provide based on the (expected) lower numbers of commuters. We commit to providing regular updates to our members via email and Facebook channels, whilst we work through the very difficult issues concerning the bus service.

	Netherne-on-the-Hill, Beckett Road	Hillcrest Hall, The Mount, Coulsdon	Chipstead Community Centre, Chipstead Valley Road	Woodmansterne Village Hall, Carshalton Road	Chaldon Village Hall	Warlingham Church Hall, Limpsfield Road	Hooley Village Hall
Weekday Hourly charges	£20 per hour	£15 per hour or £30 per session	£25 per hour, minimum 4 hour hire £10p	£21 before 6pm £24 after 6pm	Residents £20 per hour. Non residents £30 per hour	£20 per hour	£15 per hour Weekdays Evenings 7pm - 11pm (Mon to Thur) £170 - hire charge (not per hour)
Weekend Hourly charges	As above	Day time: Kids under 10 years = £65 Kids over 10 years = £75 Evening 6pm to 10pm = £25 ph 10pm to midnight = £35 ph	Same as above	As above	As above. Friday and Saturday minimum 4 hour hire	As above	Weekends £170 - hire charge (not per hour) 7pm to 1am (Sat)
Deposits	£50 for events for 7pm £100 for events post 7pm Cancellation - 20% of charge if Hall not rebooked by someone else	£60 kids parties up to £300 for all other parties	£300 kids parties, £200 other hire	£25 to secure date. £50 for a Saturday night, non refundable. Balance due 4 weeks before due date. Additional £200 security deposit for Saturday night functions		Unknown	Deposit £200 at all times
Other notes	Activities cease by 23:00 No music after 22:00 Vacated by 23:30		Cancellation - 75% back 3 weeks or more. Less than 3 weeks no refund	Music off at 23:00. Hall vacated by 00:00		No teenage parties. No hall parking and limited parking nearby	No 18th or 21st birthday parties Contact - Richard Dunning