

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

Directors Report for the year ending 31 December 2015

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).

In 2014, we also explained that we expect to incur significant expenditure over the coming years for the maintenance of our facilities (the Village Hall, the Leisure Centre and the Estate), and that we need to continue to manage our finances prudently to meet these costs.

This report for the year to December 2015 outlines our progress in these areas in the past 12 months. We also discuss what has been happening with our facilities, and look ahead to the future.

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) has helped Netherne property prices to increase by around 15% in the last two years.

Our financial position remains strong, with debt having again reduced significantly over the year (by over £40,000). However, we incurred significant expenditure during 2015 to deal with various improvements, repairs and works, which meant that our reserves fell during the course of the year. A large proportion of these works were the exterior decorating and repairs required for the Village Hall and Leisure Centre, as envisaged in our ten year plan.

Service charges for 2016 have had to increase marginally due to inflationary pressures.

The Netherne Bus continued its success story, with more passengers using this service during 2015. Many of our new passengers are new residents who have said they would not have moved to Netherne had the Netherne Bus not existed. Looking ahead, we need to start planning for the eventual replacement of our existing bus, and partly to help fund that ticket prices will increase from April 2016.

An item that had been on our wish list for some time was lighting on the footpath to Hooley. Having received a small grant from one of our county councillors to help fund this, and following detailed consideration of proposals submitted by several contractors, this project is underway.

Our immediate challenges are to continue to reduce the debt, to continue implementation of various maintenance works to NML's assets, and to further improve the security we have in the village. In particular, we have received initial advice about implementing a CCTV system at the three entrance points to the village and other areas experiencing anti-social behaviour. The scale and cost of such a project will require member approval, and we will call an Extraordinary General Meeting later in 2016 when final proposals are ready.

We expect that, just like every other year, 2016 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 keep Netherne a great place to live. 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.

Debtors

Throughout 2015, the Board has again had to devote a large 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.

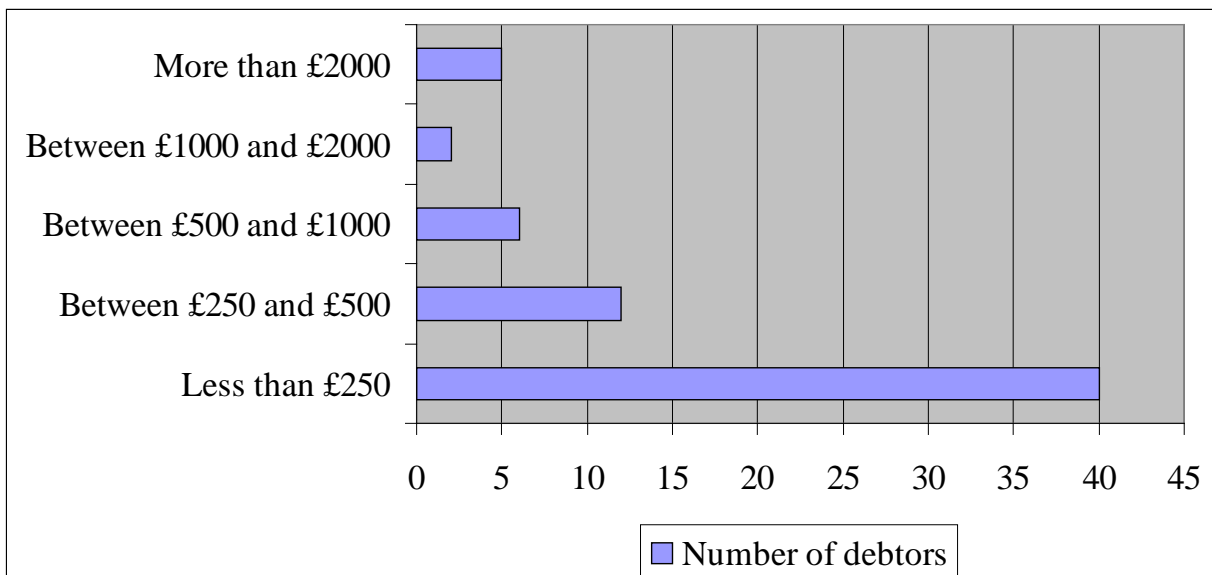
We are pleased to report that NML's debt position has again improved significantly during 2015, as we have chased down many of our debtors. That process included your directors spending two days in court with individual debtors. With further inroads at the start of 2016, debt levels (and the number of debtors) have reached a level that is "manageable". The following table summarises our progress:

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

We note that over half of the £31,000 debt at the end of 2015 arose in respect of 2015 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.

To put things into context, at the end of 2015, our top 7 debtors accounted for 65% or £20,000 of the £31,000 residual debt. Those 7 debtors are our priority for 2016. At the date of writing, four of the seven had already settled up in full. The following chart illustrates how most other debtors owed 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 2016 is to continue to manage the debt down. As noted above, we have already made good progress during the start of 2016, and we have set ourselves a target debt of £15,000 by year end. We expect that most of that target debt figure will be in respect of 2016 charges.

Cash and reserves position

During 2015, we incurred significant expenditure for various improvements, repairs and works (not covered by the service charge budget). This included the exterior works to the village hall and leisure centre, village hall window protection, pool lighting, tree strimming, resurfacing village green footpath and stepping stone path. The total major works expenditure for the year was just over £171,000. Two thirds of the major works expenditure was for the exterior works.

Such costs have been met from our reserves, which at the start of the year were £666,000. 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 partially offset by the non-service charge income that we receive, such as exit fees, interest and the telephone mast rent.

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
2014	£615,000	£666,000
2015	£523,000	£541,000

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

For reference, the main sources of **non service charge income** in 2015 were as follows:

▪ Exit Fees	£25,000
▪ Annual Estate Rent charges	£11,000
▪ Telephone mast rent	£9,000
▪ Village hall and pool hire	£6,000
▪ Bank interest	£5,000

As a result of such income streams in 2015, our reserves only declined by £125,000 during the year, despite the £171,000+ of major works expenditure.

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.

As mentioned previously, 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 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. 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. In particular, insurance costs for the village hall and leisure centre have doubled, adding £11,000 to our costs.

The result of these cost pressures is that the 2016 service charge budget is 3% higher than the 2015 budget. Service charges for 2016 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

We highlight that had service charges remained at the level we inherited in 2011, members would have had to pay an extra £445,000 over the last five years. Under resident director control, NML has therefore saved every member over £1,000.

Village Hall and Leisure Centre

Both of our major facilities have had repairs, maintenance and improvements during 2015. Specifically, the exterior works to the Hall and Leisure Centre were completed. This included masonry, roofing, brick works, timber repairs and decorating works.

In the leisure centre, the new multi-gym equipment was installed in June. New and more appropriate pool lighting was also installed. This year, the weights area is to be upgraded.

In the village hall, we fitted window protection to the hall windows to prevent further damage arising from vandalism.

This year, we will be dealing with the basement damp issue in the village hall. We have also just had a deep clean of the hall flooring, at which time new badminton courts were also marked out.

Estate

An item that has been on our wish list for some time is the lighting for the footpath to Hooley. Having received a small grant from one of our county councillors to help fund this, and following detailed consideration of proposals submitted by several contractors, we commissioned this project in 2015. As at the date of this report, the expected completion of this project is end April.

The mal-functioning street lights on Upper Lodge Way were repaired. (The Upper Lodge Way lights are the only ones in the village that are the responsibility of NML; most other street lighting is the responsibility of Surrey County Council).

We trialled security patrols around the village on a random basis for three evenings a week. However, we discovered that the firm we employed did not seem to be providing the service we expected, and had to sack them. It has not been possible to find an alternative firm to provide such a service, and so we have decided not to continue those patrols for the time being.

The footpath around the Green / Chapel Walk was resurfaced. A contractor was employed to deal with the extensive goats rue. Two more litter bins were also positioned in the village.

We also laid a stepping stone path on the green, but have found during the winter that this became muddy and some of the stones sank with poor drainage. This has had to be revisited and we have accepted a quotation to replace the stepping stones with a solution that will allow for better drainage.

New chestnut trees will be planted on Netherne Drive to replace the ones that have died.

In an attempt to prevent horses getting on to NML land, we commissioned works for a kissing gate and new fence at Bowen Way. However, the contractor employed to deal with these works did not deliver what was expected, and the works had to be abandoned following feedback received. The previous fencing has now been restored. This was an exercise we undertook with good intentions, but we acknowledge a learning that we should have consulted with local residents before, rather than after, the event.

The subject of commercial dog walking on NML land was one of the most difficult issues that the directors of NML have had to deal with, with polarized opinion across the village. Following issues raised by a number of residents concerning the initial ban on commercial dog walking, we conducted a full consultation exercise to seek views across the whole village.

There were a large number of responses to the consultation. 40% of residents who voted wanted us to enforce a total ban, and a small minority (8%) wanted unrestricted dog walking with no terms and conditions. This highlighted the polarized opinion on this matter.

Our recommended option (voted for by 52% of residents) to allow commercial dog walking subject to a licence balanced the concerns of those that wanted a total ban with the concerns of dog owners and dog walkers who felt that a total ban would be unreasonable. We were pleased that our recommended view was supported by a majority of those residents who responded. The licensing scheme for commercial dog walking on NML land has now been implemented. Two license applications have been approved, and a third person has enquired about getting a license. We endorse all of these licensed dog walkers, who have been vetted to ensure they have proper insurance, first aid and accident reporting procedures, and who have agreed to abide by the license rules. All our licensed commercial dog walkers' details are available on the NML website.

Cricket Pavilion

Netherne Cricket Club folded in 2015. The cricket pavilion had been leased to Netherne Cricket Club, and they were responsible for its use, insurance and all maintenance. With Netherne Cricket Club having folded, NML is in the process of taking back the pavilion.

We would still like to see cricket being played in the village, and are glad that the team which has ground shared with Netherne Cricket Club is still interested in playing at Netherne. Their games take place on Sundays. We can therefore expect to still hear the sound of leather on willow in Netherne.

We are considering a proposal from a resident wishing to use the pavilion facilities to run a coffee shop on certain days.

We also hope that the pavilion can be made available for private hire, for meetings, children's parties etc.

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 Gleasons 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, which are held in a separate company from NML.

During 2015, more and more people have been using this valuable service, to the point where we have now achieved "break-even" status. The Bus is now seeing around 450 passenger journeys every week to and from Coulsdon South Station. The chart at the end of this report shows how weekly ticket sales have been gradually increasing in the last few years. Such ticket sales mean a considerable reduction in Netherne's

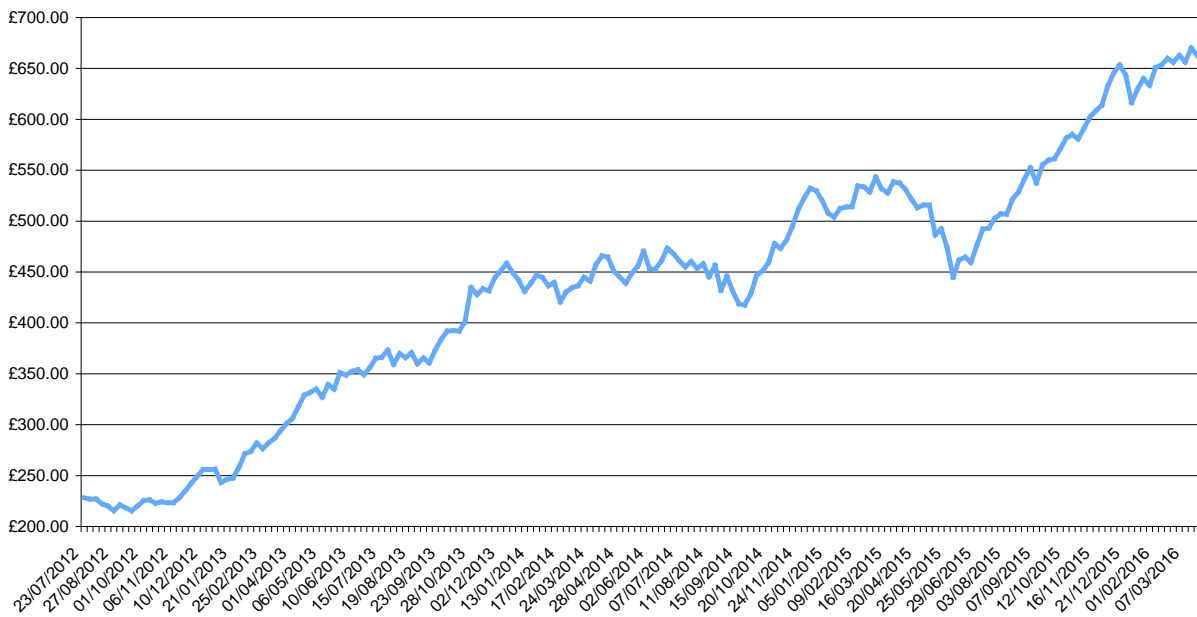
carbon footprint. The Netherne Bus was a beneficiary of the closure of the Lion Green car park, and despite the partial reopening of the car park demand for the Netherne Bus has remained high; an indication that most commuters have not returned to their cars.

Demand for some of the peak morning services is particularly high, and we are considering how we might address some of the over-capacity issues that are occasionally observed.

Servicing and maintenance costs have been increasing over the years, and we are grateful for the services of a Netherne resident who has been assisting with minor repairs and issues. However, we will eventually need to buy a replacement bus as the existing vehicle has 130,000 miles on the clock. To help fund the purchase of a replacement bus, the cost of a book of ten adult tickets increased from £15 to £16 from 4th April 2016. This was the first time we have had to increase ticket prices after four years of running the service.

We receive many enquiries from prospective Netherne residents about the Bus service; it seems that if the Bus did not operate then they would not consider moving to Netherne. Estate Agents have pointed to the Netherne Bus service as one of the reasons for the rise in Netherne property prices.

**Netherne Community Bus
Weekly average ticket sales**



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 priorities for 2016 are:

- To continue the debt recovery process.
- To carry out more of the maintenance work identified in the 10 Year Plan (including addressing the damp issues in the village hall).
- To investigate a village wide CCTV system at the access points to the village and areas experiencing anti-social behaviour. This is discussed further in the Appendix of this report.

The Directors of Netherne Management Limited:

Steven Buczek Jo Robins Robert Murdoch Rajen Shah Nikki Le Cluse Lee Sheldon

APPENDIX: Village CCTV Project

A number of incidents in the village have prompted the Board to investigate measures to reduce / deter crime and anti-social behaviour. We met Surrey Police, who advised that the best thing we could do was install CCTV cameras in areas experiencing these issues, as the best evidence to enable prosecutions is CCTV footage. They specifically mentioned ANPR (Automatic Number Plate Recognition) cameras at the access points to the village.

Benefits

The benefits of a village wide CCTV system would be many, including:

- Increased deterrent.
- Increased detection / prosecution rates.
- Feeling safer with reduced fear of crime.
- Further increases in property values.

CCTV aims to increase the perceived risk of capture, a factor which (assuming potential offenders are behaving rationally and know they are being watched) de-motivates such potential offenders. In particular, once criminals realise that property is protected by a CCTV system, they invariably choose to go somewhere else.

Advances in technology mean that CCTV systems have developed into simple, easy to use systems that are easy to configure, easy to maintain and reasonably priced. High Definition and Infra Red mean that very good quality images can be captured, even in the night. Wireless technology means cameras can be monitored across the internet, wherever you are in the world.

Advice sought

We have sought advice from security firms, to understand what may be feasible for a village wide CCTV system. We also visited a development (in Worcester Park, similar to Netherne) where a village wide CCTV system has already been installed. The evidence from the Worcester Park development points to a reduction in crime following CCTV installation, with a number of cases being brought to prosecution as a result of the CCTV system being in place.

There have been many independent studies on the effects of CCTV on crime. Conclusions from the College of Policing "What Works Briefing" were that "CCTV has a modest but significant desirable effect on crime", and "CCTV schemes have been found to be most effective with high coverage and when other interventions are used such as improved lighting and/or increased security guards".

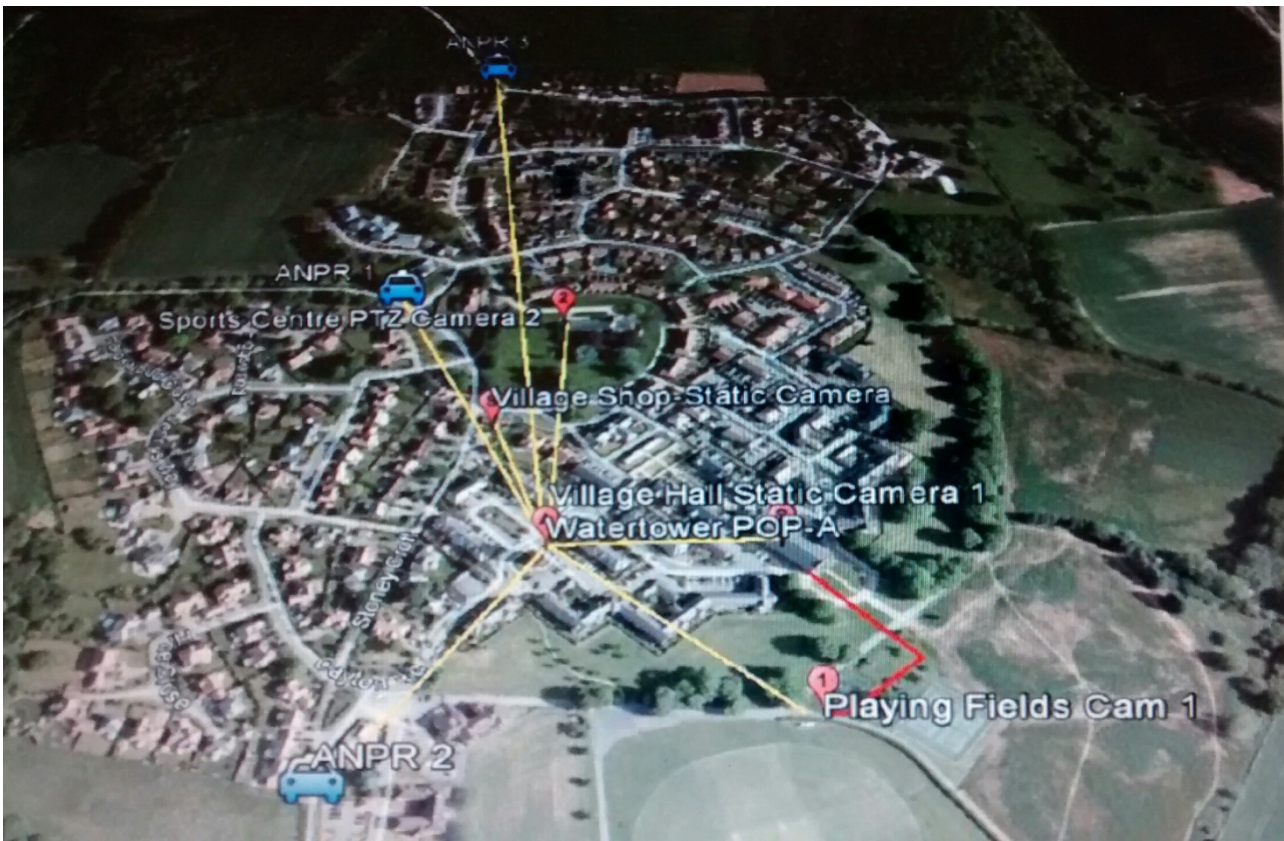
Following our research, we provided a brief to four companies to quote for a system.

Any system that is initially implemented may be further developed over time. Our initial goal is to tackle the most vulnerable areas of the village, during a first phase. We can consider adding to that system in subsequent phases after the infrastructure has been established.

The brief was as follows:

- ANPR camera on Netherne Drive (near the junction with Rookery Mead).
- ANPR camera on Woodplace Lane (at the junction with Blue Leaves Avenue).
- ANPR camera at the exit from Netherne Lane (leading to Dean Lane).
- A camera at the children's playpark.
- A camera at the cricket pavilion.
- A camera positioned by the Leisure Centre overlooking the Green.
- A camera looking out over the back of the shop car park.

A graphic showing the approximate locations of the cameras is shown below.



Requirements

For such a system to work, a key requirement is for the cameras to be connected and in particular to have a line of sight to a central point in the village. The one central point that has been identified as being suitable for this purpose is the top of The Water Tower, which would be the location of four small “antennae” or sensors. These would be unobtrusive and barely visible to the naked eye.

We would also need a server located somewhere, and it is believed a secure location would be in the village hall. We will need to get broadband installed in the hall.

Finally, we would need access to power supplies from appropriate sources, such as street lighting.

At the date of this report, all of these requirements are still under investigation.

Indicative quotes

Indicative quotes from three firms for the specification given are as follows:

- Securus UK Ltd: £47,000 + VAT
- Interphone Ltd: £49,000 + VAT
- IDIS: £59,500 + VAT

With each of these quotes, there will be other costs, such as ground works.

As expected, the cost of implementing a village wide CCTV system is high, but within our means. Given the benefits summarized above, the Board’s view is that we should go ahead with implementing such a system. The cost would be met from our reserves, which at end 2015 were £541,000. As highlighted earlier in this report, the cost is approximately equal to a year’s non service charge income.

Our preferred supplier is currently Securus UK Ltd, who we have met and discussed this project at length with. We would need member approval to proceed with such a spend, and propose to seek that approval during an Extraordinary General Meeting later in 2016 when final proposals are ready.