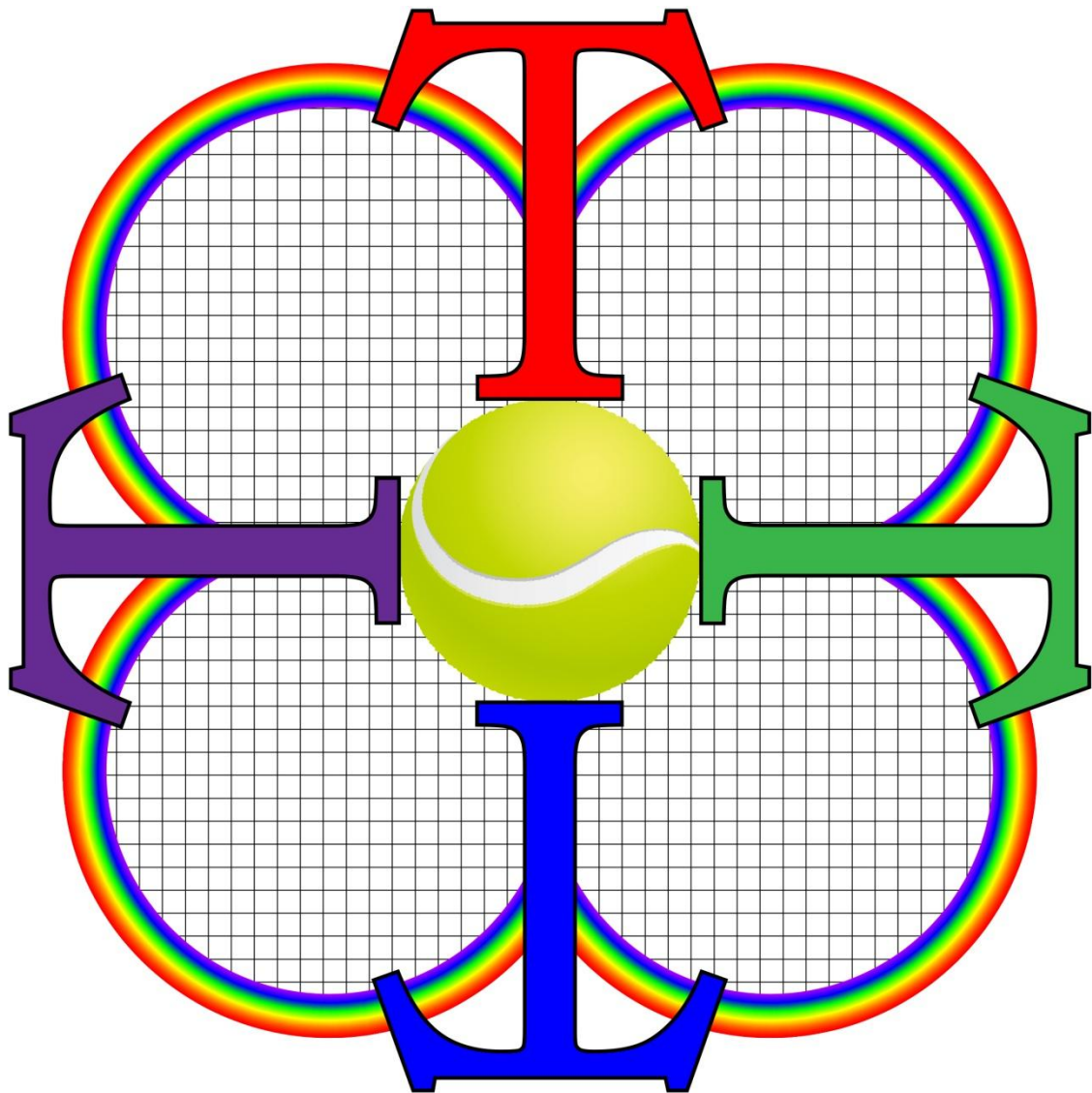


# Tin Temple Tennis Two

## Report 3: Draft Financial Appraisal



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## **I. Introduction**

This report is in skeletal draft form. It is produced as an emergency interim measure to show the best estimate currently made on revenues and costs of an indoor tennis facility/sports hall at the Grange: Tin Temple Tennis Two.

It is produced now as an indication of what the findings might be in order to provide background information against which to judge an alternative scheme/other options.

## II Revenue

See other two reports

**Report 1** Indoor Football 5-a-side £42,120

**Report 2** Indoor Tennis £81,062

**Table 11: Overall Annual Revenue (Report 2 part VII)**

		Number	Hours/wk	Price	Total/ wk	Weeks	Year
New Members		60		£303			£18,180
Winter Season	Members peak court 1		23.2	£16	£371.20	25	£9,280
	Members peak court 2		23.2	£16	£37.20	25	£9,280
	Members off peak court 1		23.2	£10	£232	25	£5,800
	Members off peak court 2		23.2	£10	£232	25	£5,800
	Coaching		38	£16	£608	17	£10,336
Summer Season	Members court 1		19.3	£10	£193	25	£4,825
	Members court 2		19.3	£10	£193	25	£4,825
	Coaching		38	£16		17	£10,336
Camps			120	£16			£1,920
Summer School			30	£16			£480
Indoor Tennis							£81,062
Indoor football							£42,120
Total	Before adjustment (#)						£123,182
Overall Total	After adjustment (#)						£122,270

An adjustment for football use on Monday and Tuesday evening amounts to 20/196 hours or 10.2% of peak usage or £912 (#) for two courts.

### III Annual Running Costs

#### i) Lighting

The court lighting power used is 15kw/hr for two courts and at 13.5p incl.vat/hr the current cost is £4,176 for two courts pa, say £4,200. The other costs are a provisional sum, say £1,000 pa for other lighting and electric power.

#### ii) Heating

Football (Report 1) is unheated. No provision is made at least initially for space heating: Indoor summer sport will certainly not need it; winter 'indoor' sports will be appreciably better/warmer than 'outdoors.' Lights will provide some background heat as will the sports. A provisional sum is estimated for localised heating, say £2,000 pa.

#### iii) Insurance

Insurance costs are unresearched. A provisional cost of £1,500 pa is provided, based on commercial buildings locally.

Public and other contingent liabilities are estimated at £1,500.

#### iv) Cleaning

The 'grass' surfaces should need little cleaning. The remainder is a few hours per week. A provisional cost of £2,500 pa is provided.

#### v) Maintenance

Surveyors estimate £0.50/ft<sup>2</sup>/yr for offices. 'Industrial' buildings will be lower, say £0.25/ft<sup>2</sup>. A provisional sum of £4,000 pa is provided.

The "grass" surface will required to be renewed periodically. An allowance of £2,500 is made.

#### vi) Administration

The 'booking' system is expected to be 'electronic' and payment by credit card system. A provisional sum of £4,000 pa is provided, pricing for 'credit' card charges. The Grange

Squash club is operated using an online system. The Grange sports hall/tennis facility could adopt a similar system.

vii) Groundsman

Reconfiguration of the facility will be required as necessary, particularly for Monday football and after Tuesday's football; say 5 hours per week, a provisional sum of £3,000 pa is provided.

viii) Miscellaneous

A provisional sum of £2,000 pa provided.

ix) Contingency

A provisional sum of £2,500 is provided

x) Summary

In Summary the provisional sums are:-

i)	Lighting	a) Court	£4,200
		b) Other	£1,000
ii)	Heating		£2,000
iii)	Insurance	a) Building	£1,500
		b) PL	£1,500
iv)	Cleaning		£2,500
v)	Maintenance	a) Building	£4,000
		b) "Grass"	£2,500
vi)	Administration		£4,000
vii)	Groundsman		£3,000
viii)	Miscellaneous		£2,000
ix)	Contingency		<u>£2,500</u>
	<b>Total</b>		<b>£30,700</b>

## IV Capital Interest Costs and Returns

The cash requirements per £100,000 to recover interest and capital is shown in the table below

Annual payment per year £'000

Interest rate \ Years	2%	5%	7%	10%	12%
10 years	£11.0	£12.6	£13.8	£15.5	£16.7
15 years	£7.7	£9.4	£10.6	£12.5	£13.9
20 years	£6.1	£7.8	£9.1	£11.2	£12.6

### Example

If interest/returns are 7% and the life of the investment is 15 years (or the required time of return) then £10,600 pa pays 7% on that of £100,000 investment and returns the capital

One estimate of cost and appropriate return might be 7% for £500,000. If so the capital and interest cost would be £53,000 pa.

In the budget summary below capital cost can be substituted as appropriate.

No good estimate is yet available of the whole capital cost including VAT and fees and services. The range is wide, but a useful illustration is £500,000.

## V Budget, including 'capital'

The budget may be summarised, but almost certainly before considerable revision, as:-

	a)	b)
	Interest only	Interest and capital
Revenue (i)	£122,270	£122,270
Running costs (ii)	£30,700	£30,700
Gross Margin	£91,570	£91,570
Interest 7%	£35,000 (interest only)	£53,000 (interest and 15yr repayment)
"Surplus"	£56,570	£38,570



## **VI Budget, excluding 'capital'**

The Grange does not charge depreciation on its fixed buildings and does not operate entirely as a commercial operation. Thus, no return may be required<sup>1</sup> on capital assets and interest only charged. If so then the cash return is £56,570

If the funds are raised for development it may be considered inappropriate to charge interest. If that view is taken then the appropriate margin to the Grange is the 'Gross Margin' (V.a,b) above of £91,570.

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<sup>1</sup> When Douglas Lowe received this draft report he asked me to say that he believes both capital and interest should be fully costed

## **VII Ancillary Benefits**

No account has been taken off various ancillary benefits. The club will get extra 60 social members budgeted at £72 [x60] each or £4,320.

The indoor tennis facility/sports hall will also provide facilities for indoor hockey, cricket nets and other indoor sports.

The club house and facilities will get increased social usage.

The Dyvours will become more of a year round club with full coaching and development facilities.

The club will offer more and better facilities and be more attractive for most constituent clubs.

The club will have a large reception hall for functions, parties etc in conjunction with other activities e.g. dinners, lunches, matches etc.

## **VII Conclusion**

The proposal prime facie is very attractive. The ongoing study should be completed and the premises tested as far as possible before further consideration.