

## RAYNES PARK AND WEST BARNES RESIDENTS' ASSOCIATION

### ASSESSMENT OF FINANCIAL RESERVES NECESSARY FOR ONGOING UPKEEP OF THE PREMISES AT 129 GRAND DRIVE, SW20 9LY.

UPDATED 09/03/2022

#### 1. Background

1.1 The premises consist of a single storey pavilion, principally of prefabricated wooden construction, thought to date from around the 1970's, three hard tennis courts and areas of garden, approximately as follows:

	sq metres
Pavilion	130
Tennis Courts	1,470
Garden, grass, paths, etc	<u>800</u>
Total Surface Area	2,400

1.2 The premises are totally surrounded by houses and rear gardens, apart from two pedestrian accesses. There is no vehicular access onto the site.

1.3 The two pedestrian accesses have shared access with various neighbours but are part of the RPWBRA premises and thus, the Association has the responsibility for their maintenance. These give access to Crossway and Grand Drive have hard surfaces and are approximately 70 and 90 square metres, respectively.

1.4 Two of the tennis courts have floodlighting and there are various other external lights for illumination of pathways.

1.5 The Pavilion is comprised of the following approximate gross floor areas:

	sq metres
Main Room	55
Entrance Lobby	25
Kitchen	12
Toilet (WC & WHB)	7
DDA Toilet (WC & WHB)	7
Storage Spaces	<u>25</u>
Total	130

1.6 The Pavilion has soak-away drains for surface water and a connection to the TW sewer in Crossway for foul drainage. The length of the private sewer is approximately 90 metres.

1.7 The Pavilion is connected to the TW water main in Grand Drive. The underground water supply is approximately 100 metres long. It is of unknown age and condition.

1.8 The Pavilion is connected to the UKPN power network in Grand Drive and electricity is used for internal and external illumination, space heating, water heating, all appliances and power outlets. The underground electrical mains connection is approximately 100 metres long. It is of unknown age and condition.

1.9 There is no gas supply, it being disconnected in 2018.

1.10 The Association has occupied the premises since 1 May 2013. The RPWBRA occupies the premises under a long-term lease from the freeholder, which passes down all repair and maintenance responsibilities to the Association. The lease is on the basis of an annual ground rent of £30.

1.11 Before 1 May 2013, the premises were leased to the Raynes Park Residents' Lawn Tennis Club, which has moved elsewhere. At the commencement of the Association's lease, all assets that were left behind by the tennis club at that date were passed to the responsibility of the Association. The premises were taken over by the Association on the basis that any dilapidations were to be assessed and put right at the Association's expense.

## 2. Effect of the Global Pandemic and Economic Outlook

2.1 Starting on 20 March 2020, the Pavilion was subject to the "Lockdown" restrictions in England, imposed by HM Government. Initially, this necessitated the complete closure of the premises and the return of payments made in advance by hirers who had made bookings that had to be cancelled. These refunds totalled £1,031.

2.2 Whilst later in 2020, the restrictions were gradually eased, this easing initially only allowed outdoor activities and later, when indoor activities were permitted, there was a severe restriction on capacity, with a maximum of 9 occupants.

2.4 In 2020 and 2021, various government restrictions and lockdowns continued, such as limitations on the types of indoor activities that were permitted. This final set of restrictions were lifted on 24 February 2022.

2.5 The consequence has been reduction in income, as follows:

Financial y/e	29/02/2020	28/02/2021	28/02/2022
Income	<b>£11,250</b>	<b>(£157)</b>	<b>£3,949</b>

2.6 Whilst, most Covid-Restrictions in England are now lifted, there continues to be a reluctance amongst the general public to return to the same kinds of social activities in the same numbers. Several of our previous regular hirers have discontinued their activities or moved their activities on line. There are only a two regular hirers who have resumed their bookings to the same level as pre-pandemic. The likelihood is that this situation will have a long term impact in income.

2.7 Whilst the Premises Management Group endeavoured to keep running costs down over the last two years, there are inevitably ongoing costs, such as grounds maintenance and background heating. The opportunity was also taken carry out both internal and external painting and repairs during periods when occupancy was curtailed.

Financial y/e	29/02/2020	28/02/2021	28/02/2022
Operating Costs	<b>£4,923</b>	<b>£3,393</b>	<b>£3,463</b>

2.8 Fortunately, in 2020, we secured a government small business grant of £10,000, which was awarded to small businesses that were subject to government Covid-19 restrictions. From the above it can be seen that for y/e 28/02/2021, the Pavilion had a shortfall of £3,550, whilst y/e 28/02/2022 was just £486 above "break-even". Thus a balance of £6,450 of the government grant remains available.

2.9 Bearing in mind that the risk of further Covid surges in the future, which may continue to depress income, and the current inflationary pressures on operating costs, (especially electricity, which has already risen by 50% in the last 12 months and is expected to continue), it is recommended that the balance of the grant, £6,450. is kept in reserve, in the event that income remains depressed and/or costs continue to rise.

### **3. Capital Expenditure and Asset Values.**

- 3.1 Since 29 February 2020, the Association has not expended any further funds on refurbishment. Thus the cumulative expenditure on refurbishment remains at approximately £43,640.
- 3.2 As reported previously, the expected lives of these types of assets would normally be between ten and twenty years. Allowing for inflation, a sinking fund of approximately £3,400 per annum would be necessary to fund their eventual replacement. This is shown in Table 1.
- 3.3 The total insured value for the premises is £190,000 (May 2021), so the refurbishment represents about 23% of this valuation. The balance of £146,360 is mainly comprised of the current asset values for the pavilion structure (incl. foundations, walls, floor, roof, ceilings and internal partitions), mechanical and electrical services, external drainage, water and electrical mains, tennis courts and flood lighting.
- 3.4 Some of these components date from at least the 1970's, whilst others, such as the underground sewers, water and electrical connections may even date from the 1930's.
- 3.5 The tennis court surfaces and floodlighting are of a more recent date.
- 3.6 It is reasonable to assume that one or more of these may require significant repairs or even total replacement within the next twenty years. Whilst this is difficult to assess at all accurately, Table 2 shows the kind of costs which might arise, together with a calculation of a separate annual sinking fund of approximately £4,400. Most of these components are critical to maintaining the Pavilion in an operational state.

### **4. Conclusions**

- 4.1 Due to the current cost and income uncertainties, the £6,450 balance of the small business grant should be retained in reserve.
- 4.2 The premises are comprised of some very new assets and the rest of a significant age. Two sinking funds of £3,400 and approximately £4,400 per year would be necessary to enable sufficient reserves to be built up to ensure the long-term replacement of the premises' assets.
- 4.3 Whilst a surplus of annual income over current expenditure was achieved every year to 29/02/2020, this has not been achieved since, due to the combined effects of the global pandemic and cost inflation. Consequently, the Association continues to be at the long-term risk of incurring costs which would seriously deplete all the retained funds.

Jerry Cuthbert, Chair of Premises Management Group, 09/03/2022

**Table 1**

	<b>Estimated Replacement Cost (2022)</b>	<b>Life in Years</b>	<b>Annual Percent</b>	<b>Annual Sinking Fund £</b>
<b>Replacement of refurbished assets</b>				
Replacement Glazing and Entrance Lobby	20,000	20	5%	1,000
Toilet refurbishment	8,000	15	7%	533
Kitchen refurbishment	6,000	15	7%	400
General Fit-out and redecoration	10,000	10	10%	1,000
Replacement Fixtures & Fittings	2,500	10	10%	250
Relaying of paths, fencing etc	5,000	20	5%	250
	<b>£ 36,994</b>			<b>£ 3,433</b>

**Table 2**

<b>Cost Estimates for Major Repair Risks</b>	<b>Estimated Cost</b>	<b>Annual likeli- hood</b>	<b>Annual Sinking Fund £</b>
Drainage Repairs	£ 5,500	5%	£ 275
Water Main Replacement	£ 7,700	20%	£ 1,540
Electrical Supply Replacement	£ 11,000	5%	£ 550
Roof Waterproof Membrane Replacement	£ 5,500	15%	£ 825
Floor Structural Refurbishment	£ 11,000	5%	£ 550
Tennis Court Perimeter Fencing	£ 2,200	25%	£ 550
Flood Lights	£ 1,100	10%	£ 110
	<b>£ 44,000</b>		<b>£ 4,400</b>