

Longparish Community Pub Ltd

Financial Report for the Annual Members' Meeting on 24 November 2021

Introduction

1. In this report I will look at the accounts for the year to 30 April 2021 and also bring you up-to-date on our finances and look forward.
2. The accounts have been available to members on our website. I hope you have had a chance to look at them.
3. They are fairly dull but behind them there is an exciting story.
4. Briefly, the parish council now owns The Plough. We have a 99 year lease. After a huge amount of work, much of it by people at this meeting, we opened for drinks sales in mid-September and for food towards the end of October.
5. The pub is warm and welcoming and we are building a good reputation. But there's a lot more to do so we can reach our full potential both as a business and as a community hub.
6. And we have spent all the money raised to get to where we are now. So we'll need more to complete the project.

History

7. I'll begin with a bit of history. Many of you will be familiar with much of it but it won't hurt to go through it again.
8. Longparish really is a long parish. We have about 700 people in about 300 houses. We have a school, village hall, church, shop, public transport, two lovely pubs and an active parish council
9. We're an active village. We have a Village Design Statement and a Village Handbook. We've completed significant projects to upgrade our school and village hall
10. We have a Village Plan which led to increased community involvement and the formation of our Longparish Community Association
11. The Plough has served Longparish since 1721. That's 300 years.
12. After Mrs Thatcher forced breweries to sell their pubs it was bought by Enterprise Inns. In recent times a series of tenants ran the pub for some years but had to give up because Enterprise Inns charged such high rents.
13. In November 2016 Enterprise Inns advertised The Plough for sale. The village didn't realise it was not being sold as a pub and it was bought by a property developer.

14. We were waiting for it to re-open but nothing happened until May 2018 when there was a planning application for conversion to residential. At that point the village became aware of what was happening to our pub
15. In June 2018 the Parish Council objected – a 4 page blockbuster. The Community Association registered The Plough as an Asset of Community Value (ACV).
16. Over 50 local residents objected and the Community Association formed a pressure group called Plough Ahead to coordinate community response. Our company, Longparish Community Pub Ltd, is the successor to Plough ahead.
17. In July 2018 the Test Valley Borough Council refused the application. The Plough was officially a closed pub and not a development site.
18. Would a new landlord come to run the Plough? Would it come up for sale?
19. But nothing happened – would there be an appeal?
20. Jan 2019 The owner appealed (just in time) against the TVBC planning refusal. He was not interested in selling to us as we couldn't demonstrate that we had the money
21. Over the next few months we
 - Developed a Business Plan and Share Offer
<https://www.ploughahead.co.uk/share-offer>
 - Worked with the Parish Council to build a case to take to appeal
 - Worked with the Parish Council to consider how best to fund the project
22. In June 2019 we organised a Community survey
<https://www.ploughahead.co.uk/community-survey>
 - 1/3 of households responded. And they were overwhelmingly in favour of saving The Plough
23. September 2019 saw the Appeal Hearing conducted by an Inspector from the Planning Inspectorate. The TVBC planners did a great job and the parish council and many supporters spoke up.
24. In October 2019 the appeal was comprehensively dismissed. The Plough was a closed pub and not a development site.
25. Negotiations continued and in December 2019 The Plough was put up for sale triggering the 6 month ACV period when the community can bid.
26. Then, in March 2019 along came Covid – but no extension to the ACV six months.

27. LCPL and PC worked together on funding and an ownership model. The Parish Council would buy The Plough. They would borrow £300K from the Public Works Loans Board. LCPL would raise 230K from shares plus 50K grant from the Plunkett Foundation and a £50K Keyfund loan to fund the rest of the price and refurbishment.
28. In May 2020 the Parish Council consulted the community on borrowing. There were 121 individual responses, a substantial majority in favour
29. June 2020 Share offer opened and the Parish Council officially resolved to borrow £300K.
30. We offered £395K which was at the low end of the range of values provided by a specialist surveyor. Bearing in mind the pandemic we thought this was a fair offer. The offer was rejected. The Community Right to Bid is not a lot help because there is no mechanism to make the owner accept a fair bid.
31. Negotiations continued. An offer of 450K was rejected.
32. In November 2020 an offer of 500K was accepted. The share offer was re-opened to raise another 100K.
33. So in February this year the Parish Council bought The Plough for £500K and leased it to us for 99 years. They used £300K borrowed from the Public Works Loans Board and we paid a premium of £200K for the lease to make up the £500K purchase price. We also paid the stamp duty and all the parish council's costs relating to the purchase.
34. There were some complicated arrangements to deal with £90,000 VAT payable by the Parish Council on the purchase price and another £36,000 VAT on the lease premium payable by us. Both we and the Parish Council registered for VAT and all the VAT was eventually repaid but after substantial delays at HMRC caused by Covid.
35. The rent we pay under the lease covers the Parish Council's loan repayments so there is no net cost to the Parish Council.

The accounts to 30 April 2021

36. That brings me to the accounts.
37. The accounts have been approved by your committee and independently examined by Cadwallader & Co, our accountants so this meeting simply needs to note them and a vote is not required.
38. The balance sheet shows the cost of the lease as a bit over £227K. That represents the premium of 200K plus stamp duty on the purchase price of £500K and the lease premium plus Land Registry fees and the fee for the professional valuation.
39. There are debtors, that is amounts owing to us, of nearly £100K. That represents £54K owed to us by the Parish Council because we covered their

VAT and their repayment had not yet arrived plus 6K insurance because we paid a year's premium and most of it relates to the period after 30 April plus £39K which we were owed by the VATman.

40. In creditors you will see Other Creditors of £49K. That is the Plunkett grant of 50K. It is legally intertwined with the Keyfund loan of 50K and is technically repayable if we go bust in the first 84 months. 30 April is 2 months into the loan period so our accountant has recognised 2/84 as income and the rest as a creditor. Fear not; so far as we are aware no community benefit society has ever had to give back their grant.
41. The Keyfund loan appears in two places in the balance sheet. This is because we legally have to split creditors between amounts due in the year after the accounting date which is the £7,143 and amounts due after that which is the £41,667.
42. Now on to the detailed profit and loss account. It is pretty well self explanatory but I'd like to talk about some figures.
43. Insurance 3,872 is higher than we expected. That is because a closed pub which is also a building site is one of the most expensive things to insure.
44. Repairs and maintenance £5,583 is low. That because a lot of work was done by volunteers, to whom many thanks, and because much of the work done before 30 April was preparatory work such as stripping out the old ceilings, plumbing and electricity. We have spent a lot more since. I'll come on the that.
45. Legal and professional is high. That's because we paid all the Parish Council's legal and professional fees as well as our own. The way in which the purchase was financed is unusual which resulted in high professional fees. That is entirely understandable as the Parish Council is funding the purchase with public money and needed to be sure that arrangement was in accordance the rules they are governed by. Despite the high fees we have a good deal because our rent is fixed at £787.50 per month for 50 years and then drops to a peppercorn for the rest of the lease period.
46. Donations of £17,657 are thank to some generous supporters. Donations are our best source of funding and we are hugely grateful to our donors.
47. I pause to ask if anyone has any questions about the accounts.
48. Now over to Andy's report which will include an explanation of what we've done. Then I'll come back to look ahead.

The period after 30 April 21

49. I think the best way to explain is to bring to right up to date on how your committee has used your money.

50. The figures which follow are rounded and they don't include VAT. They go to the end of October.

51. The figure for repairs and maintenance does not include the value of volunteers' contributions which is huge.

Members' share subscriptions		330,400
Plunkett Grant		50,000
Keyfund loan		50,000
Donations		23,000
Grants		2,000
Total funds		455,400
Used for		
Purchase of lease	200,000	
Legal, professional and stamp duty	40,000	
Rent deposit	14,000	
Costs to get started	254,000	254,000
Amount left for overheads and refurbishment		201,400
Overheads		
Rent	7,700	
Loan repayments	6,300	
Insurance	10,800	
Other overhead expenses	10,300	
Costs to keep going to end October	35,100	35,100
Available for refurbishment		166,300
Repairs and maintenance	126,500	
Equipment	54,200	
Total spent on refurbishment	180,700	180,700
Overspent by		-14,400
Plus VAT (recoverable next month)		-13,000
Plus gross profit on trading less salaries		-9,000
Total deficit		-36,400
Add loans from members		60,000
In the bank		23,600

Trading

- 52. We opened for wet sales in mid-September
- 53. We began serving food at the end of October
- 54. Feedback has been very good
- 55. Takings have been over the target in our budget
- 56. The business is building up nicely
- 57. But, as expected, we aren't making a profit yet
- 58. And our potential is limited by two main factors
 - Parking, and
 - The electricity supply

Looking ahead

- 59. You have heard from Andy what we've done and that there's lots more to do.
- 60. First I should explain that we don't expect our trading to become profitable until the Spring. Winter is the worst period for a country pub. We have loans pledged to cover the projected trading deficit.
- 61. But we need funds to finish our refurbishment and enable The Plough to realise its full potential as a pub and community hub.
- 62. The main priorities are getting the electric supply upgraded and extending the car park.
- 63. Here's a rough list

Car park work including fencing, light, patio and Electric Vehicle charging points	98,000
Electricity supply	50,000
Refurbish walk-in fridge	4,000
Room next to beer store to be converted to store room to free off the ground floor community room	5,000
Garden	2,000
End store	5,000
New shed for logs, mower, etc	4,000
Flat roof	5,000
Other smaller works	3,000
Roof - not urgent - better figure available soon	40,000
Contingency	20,000
Total	236,000

64. We have recently received a donation of £5,000 and we'll be very grateful if anyone else is able to help.
65. The next best source is grants. We are exploring various sources and are confident that some will come good. We can't confirm numbers and dates yet.
66. But it is clear that we'll need more from shareholders to enable us to complete the refurbishment of The Plough. We are working on the prospectus for a new share offer and hope to publish it before Christmas.
67. We've come a huge way. The pub and the manager's flat are in excellent condition and ready for the future. But our trading potential is limited by the factors we have explained and we now need a final surge of investment so The Plough can achieve its full potential.

Jeremy Barber
Treasurer