

Bladon Community Benefit Society

Treasurer's Report to the Annual Members' Meeting, 23rd February 2021

This report is supplementary to, and should be read in conjunction with, the Annual Accounts prepared for BCBS by our accountants The Woodstock Accountancy Practice Ltd covering the financial year 2nd December 2019 to 31st December 2020.

The Society's finances at the end of our first financial year are in a strong position.

Financial Highlights

Funding the Purchase

- The share offer raised a total of **£359,800** against a minimum target of **£335,000**. We have 468 shareholders.
- Financial calculations in our Share Offer Document were based on a purchase price of £405,000 (+vat) for the White House. This offer was refused, and we entered a revised offer of **£430,000** (+vat) on the condition that the overage clause be removed. This revised offer was accepted by Greene King and the purchase was agreed without overage.
- Blenheim Palace agreed to provide the Society with a private loan at very advantageous terms compared to the commercial loan that our Share Offer Document had been based on. Terms are over 20 years, with interest rates fixed at 0% for the first 12 months, 1% for the 2nd year and 2% thereafter, with no capital repayment for the first 10 years. This allowed us to borrow £45,000 under these terms, £17,500 more than the commercial loan amount initially planned for in the Share Offer Document. This, along with the extra share capital raised, allowed us to fund the increased offer for the property.
- As we are VAT registered, we were able to claim a refund of the **£77,400** VAT paid on the purchase of the pub, as well as all VAT spent on repairs and maintenance to the building post purchase. Blenheim Palace provided us with a 0% interest bridging loan to cover the VAT on the purchase for the short period until the VAT refund was received. This loan has now been cleared.
- We applied for and were awarded a £50,000 grant from the 'More than A Pub' programme (managed by the Plunkett Foundation and funded by the Department of Communities & Local Government, Power to Change, and Cooperative and Community Finance). This came as a package with a loan for an equal amount from the Co-operative and Community Finance bank. The terms of this loan are according to our Share Offer Document, over a term of 7 years at 8% interest.
- Our initial Share Offer Document planned for £50,000 of grant monies to fund refurbishment works, to be applied for once we owned the White House. To date no grants have been applied for as many funds have stopped paying out during the Covid pandemic. However our increased share offer funds allowed the essential refurbishment works to happen and we have now agreed with Blenheim Palace that they will fund the refurbishment of the toilets to include disabled facilities, baby changing, new ladies and gents toilets and relocation of the cellar. The Society will therefore only need to fund the relocation of the cellar equipment, estimated to be around £6,000.

IN SUMMARY:

Funding Sources

	Actuals (£)	Business Plan (£)	Variance (£)
Share Offer	359,800	335,000	24,800
More than a Pub Grant	50,000	50,000	0
More than a Pub Loan	50,000	50,000	0
Grants for refurbishment works (post purchase)	0	50,000	(50,000)
More than a Pub Bursary for set up costs	2,500	2,500	0
Commercial Mortgage	45000	27,500	17,500
TOTAL	507,300	515,000	(7,700)

Balance Sheet

Our Balance Sheet stands at **£324,163**. This is the value of the property (£392,481 – we cannot include the value of the grant in the balance sheet value of the property), plus £28,419 cash in the bank, less our liabilities (£94,420 of loans). Please see the Final Accounts for a detailed breakdown.

Profit & Loss Account

This financial year saw a total revenue of **£9,296** which is the total of rental income, sale of fixtures and fittings, and donations and grants received to cover expenses). After taking allowable expenses etc into account we made a loss for the year of **£35,894**. This is significantly greater loss than the £11,906 predicted in the Business Plan, and can be attributed to the following factors:

- In the original business plan we anticipated receiving rental revenue from July whereas we actually only received rent payments for the month of October due to completion on the White House not taking place until late July and then the Covid pandemic meaning we have given the tenant a rent break since November.
- We have spent significantly more (£22,125) on essential repairs and maintenance of the property than originally planned (£5000). The cash flow in our Business Plan allowed for a great part of the refurbishment works to be offset against grant monies received however as those grants have not been forthcoming we have been forced to bear the costs as a Society and include them in the P&L.

Please see the Final Accounts for a detailed breakdown.

Cashflow

The Business Plan we prepared in December 2019 forecast a positive cashflow for the year of £34,310. We have ended the 2020 financial year with a positive balance in the account of **£24,669**. This is lower than anticipated, mainly due to the same mitigating factors as already discussed for the Profit and Loss account, however still leaves us in a strong financial position. The table on the following page shows the cashflow breakdown for the year. Please note that the cashflow analysis is for information only and does not form part of the final accounts.

BCBS Cashflow 2020				
	Actuals (£)	Business Plan (£)	Variance (£)	Notes
Income (net of VAT)				
Share Offer	359,800	337,500	22,300	
MTAP Loan	50,000	50,000	0	
Sale of Fixtures/Fittings/etc	600	0	600	
Grants & Donations	57,446	102,500	(45,054)	
Loan from local business	45,000	27,500	17,500	
Rent	1,250	15,000	(13,750)	
Total Income	514,096	532,500	(18,427)	
Expenditure (net of VAT)				
Purchase Price	444,870	418,850	26,020	Includes Stamp Duty
Loan Repayments & Interest	1,456	11,712	(10,256)	We were given 6 months capital payment holiday by CCF
Property Repairs & Maintenance	22,125	51,000	(28,875)	
Legal & Professional Fees (purchase & tenancy agreement)	7,136	5000	2,136	
Valuation & Surveys (purchase)	2,195	2,000	195	
Financing Fees / bank charges	991	4,000	(3,009)	
Insurance	1013	1,200	(187)	
Rates / utilities	503	0	440	Business rates
Accountancy fees	550	0	550	
Publicity (general overheads in BP)	3557	1,000	2391	Website, printing, advertising for tenant, postage.
Other expenditure (contingency in BP)	3,275	3,600	(375)	Plunkett membership, council tax, decorative touches, gas bottles, firesafe certification
Total Expenditure	487,671	498,362	(10,691)	
Cashflow for 2020	26,402	34,138	(7,736)	

Interest payment to shareholders

Our share offer prospectus stated that we will start paying interest to members holding 'A' shares as soon as we have sufficient surplus funds available, ie enough to cover our overheads and retain adequate reserves to meet unexpected maintenance costs on the property. We anticipated at the time that this would be three years after the share offer.

Our end of year cash balance is £24,669 (+ a vat refund due, taking us to £26,681). Given the costs that will need to be borne by the Society for the refitting of the new cellar due to the toilet refurbishment works, the committee feel it is prudent not to make any payment of interest this year.

Repairs and maintenance

Apart from purchasing the pub itself, the £22,125 spent on repairs and maintenance was the largest item of expenditure. This can be split into £8,038 spent for the redecoration of the inside of the front of house and the garden, and the remaining £14,087 on repairs and maintenance to the fabric of the building. This is including a significant expense (although greatly discounted) to the builders

Mark Archer of £4,380 for essential works to the roof of the building, the chimney stack and the bay window in the tenant's accommodation. The other large item expenditure was £2,544 to Nicholsons for the removal of the trees to the rear of the property.

Financial Projections

Our three year projections show the BCBS ending the financial year 2023 with a positive cash balance of **£24,655**. This allows for paying all A shareholders 2% interest in 2022, as per our Business Plan. Whilst this is significantly less than the Business Plan figure of £48,093, our income has been significantly impacted by the Covid 19 pandemic.

The challenges facing the hospitality industry remain many and we are therefore not projecting to take any income from rental until July of this year. We have allowed for two months without any income over the coming winter in case of further lockdowns, and we have allowed for a three month break in tenancy at the end of the current tenant's contract.

BLADON COMMUNITY BENEFIT SOCIETY - CASH FLOW PROJECTION 2021											
	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	OCT	NOV	DEC
Opening Balance in Unity Trust Account	28773.7										
INCOME											
Rent							1250	1250	1250	2167	2167
Payment for fixtures and fittings							250	250	250	250	250
VAT refund	1200										
Total income	1200	0	0	0	0	0	1500	1500	1500	2417	2417
EXPENDITURE											
MTAP Loan repayments	339.73	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56
Private Loan repayments							37	37	37	37	37
Cellar re-fit after relocation following disabled toilet build						6000					
Garden works after disabled toilet build						4000					
business rates - have appealed but may end up needing to pay		1885.28									
Accountancy fees for end of year		550									
General repair / admin expenses	50	50	50	50	50	50	50	50	50	50	50
Bank charges	20	20	20	20	20	20	20	20	20	20	20
Total expenditure	409.73	3331.84	896.56	896.56	10896.56	933.56	933.56	933.56	933.56	933.56	933.56
NET CASH FLOW FOR MONTH	790.27	-3331.84	-896.56	-896.56	-10896.56	566.44	566.44	566.44	1483.44	1483.44	-683.56
Balance in Bank Account	29563.97	26232.13	25335.57	24439.01	13542.45	14108.89	14675.33	15241.77	16725.21	18208.65	17525.09
Tenant's Deposit	3750	3750	3750	3750	3750	3750	3750	3750	3750	3750	3750
AVAILABLE CASH	25814	22482	21586	20689	9792	10359	10925	11492	12975	14459	13775

BLADON COMMUNITY BENEFIT SOCIETY - CASH FLOW PROJECTION 2022												
	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	OCT	NOV	DEC
Opening Balance in Unity Trust Account	17525.09											
INCOME												
Rent			2167	2167	2167	2167	2167	2167	2167	2167	2583	2583
Payment for fixtures and fittings	250	250	450	450	450	450	450	450	450	450	450	450
Total income	250	250	2617	2617	2617	2617	2617	2617	2617	2617	3033	3033
EXPENDITURE												
MTAP Loan repayments	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56
Private Loan repayments	37	37	37	37	37	37	75	75	75	75	75	75
Accountancy fees for end of year		550										
General repair / admin expenses	100	100	100	100	100	100	100	100	100	100	100	100
Bank charges	20	20	20	20	20	20	20	20	20	20	20	20
Interest to shareholders												6596
Total expenditure	983.56	1533.56	983.56	983.56	983.56	983.56	1021.56	1021.56	1021.56	1021.56	1021.56	7617.56
NET CASH FLOW FOR MONTH	-733.56	-1283.56	1633.44	1633.44	1633.44	1633.44	1595.44	1595.44	1595.44	2011.44	2011.44	-4584.56
Balance in Bank Account	16791.53	15507.97	17141.41	18774.85	20408.29	22041.73	23637.17	25232.61	26828.05	28839.49	30850.93	26266.37
Tenant's Deposit	3750	3750	3750	3750	3750	3750	3750	3750	3750	3750	3750	3750
AVAILABLE CASH	13042	11758	13391	15025	16658	18292	19887	21483	23078	25089	27101	22516

BLADON COMMUNITY BENEFIT SOCIETY - CASH FLOW PROJECTION 2023												
	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	OCT	NOV	DEC
Opening Balance in Unity Trust Account	26266.37											
INCOME												
Rent	2583	2583	2583	2583	2583	2583	2583	2583	2583	2583		
Payment for fixtures and fittings	450	450										
Total income	3033	3033	2583	2583	2583	2583	2583	2583	2583	0	0	0
EXPENDITURE												
MTAP Loan repayments	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56	826.56
Private Loan repayments	75	75	75	75	75	75	75	75	75	75	75	75
Accountancy fees for end of year		550										
General repair / admin expenses	200	200	200	200	200	200	200	200	200	200	200	200
Bank charges	20	20	20	20	20	20	20	20	20	20	20	20
Return of tenant deposit										3750		
Buy-back of Fixtures and Fittings										8000		
Total expenditure	1121.56	1671.56	1121.56	1121.56	1121.56	1121.56	1121.56	1121.56	1121.56	12871.56	1121.56	1121.56
NET CASH FLOW FOR MONTH	1911.44	1361.44	1461.44	1461.44	1461.44	1461.44	1461.44	1461.44	1461.44	-12871.56	-1121.56	-1121.56
Balance in Bank Account	28177.81	29539.25	31000.69	32462.13	33923.57	35385.01	36846.45	38307.89	39769.33	26897.77	25776.21	24654.65
Tenant's Deposit	3750	3750	3750	3750	3750	3750	3750	3750	3750			
AVAILABLE CASH	24428	25789	27251	28712	30174	31635	33096	34558	36019	26898	25776	24655

We believe that these projections have been produced with caution and should represent the worst case scenario for the coming years. It is worth noting that should the current tenant make more than his projected net profit within his first financial year, he will repay some or all of the rent break that he has been given, according to by how much he exceeds his net profit projection.

Annual audit exemption

Because the Society has assets of less than £5.6m and turnover below £2.8m we are not legally required to undertake a full annual audit, and can instead submit an **unaudited financial report** to the Financial Conduct Authority – subject to approval by the Members. The cost of a full audit would be at least £3,500, whereas the annual financial report prepared by our accountants cost us £550 so the financial saving is considerable. The committee therefore puts forward the recommendation that the accounts for the 2020 financial year do not undergo a full audit.

A copy of the end of year accounts as prepared by the Woodstock Accountancy Practice are available on request from the treasurer.

Julie Bignone

Treasurer, Bladon Community Benefit Society Ltd, February 2021