

Chair's Report – Annual Members' Meeting (AMM) 28th October 2020

The twelve months since our last AMM have been something of a rollercoaster for shareholders, lenders, the management committee and, of course, customers, residents and volunteers.

Firstly, October 2019 saw the early departure of our tenants, and the end of our first experience in the world of pub ownership. At the first AMM, on 27th September last year, many shareholders voiced very strong opinions on that experience. The overwhelming majority focused on the need for a quality food offering, supported by good and professional service, consistent opening times and a sense of community integration.

We then entered a void period, and, as in 2018, we again faced a cold, dark and expensive winter and the challenge of searching for new tenants at the worst possible time of year! But Yarpole and all the supporters from further afield rose to the challenge and a series of one-off events were run by volunteers. Individuals donated their skills and time to preparing food, running the bar, keeping on top of the stocks, playing music and doing the accounting for these events. Generous gifts of Christmas decorations, wood for the fire, crockery, cutlery and photography, not to mention the willing hands who cleared up in the cold light of 'the morning after', all contributed to the sense of pulling together in adversity, and demonstrated that support for the pub was still strong. Equally important, the money raised from the events enabled the Society to pay its bills during this period without eroding reserves.

Some shareholders had suggested that the pub should be open and run by volunteers on a part-time basis pending a new tenancy, however, the majority of the committee felt that, apart from the logistical challenges of this, committee resources would be best directed towards the recruitment effort and everything that supported it.

Recruitment in the pub sector is notoriously challenging: we lacked detailed accounts from the outgoing tenants and, without these, prospective operators are understandably cautious, particularly as the previous tenancy had only lasted eight months. Taking on a closed pub requires skill and capital and a publican with these qualities is usually well-situated, successful and not anxious to move to a small, unknown and closed venue.

So, where to look? There are numerous online sites that handle, for free, thousands of job-seekers and situations, but the hit rate resembles the proverbial needle and haystack. At the opposite end of the scale are the bespoke head-hunters – and whose eye-watering charges still do not guarantee success, only a big bill payable upfront. The committee also identified a mid-range online agency, who, on receipt of a small deposit, would charge the balance only on successful signature of a contract, and this seemed the right level of result-dependent risk.

Social media is widely used in the hospitality sector and is free, and so, with professional help from a shareholder, an appropriate advertisement was circulated. This was indeed noticed by many hopefuls and produced a number of applications including, eventually, the successful candidates.

But how to portray The Bell in the best possible light? The paint on the window frames was peeling. Winter weather does not make for sunny shots of flowery beer-gardens. And what, exactly were we looking for anyway?

This question led to a session with a Pub business adviser, funded through membership of the Plunkett Foundation. The key takeaways were the harsh facts concerning previous turnover, and it became clear that the level at which the pub had been trading under the preceding three or four tenancies

was simply not enough, given the margins, to be sustainable. The evidence for this has been so repeatedly demonstrated.

And so an initiative to define a style of business that would be capable of reaching the necessary turnover began. An article published in The Telegraph entitled “What Makes the Perfect Pub?” seemed to embody most of the opinions voiced by shareholders as well as describing the type of offering that would be likely to draw in customers from a wider catchment than our own small community. With permission from the author, excerpts from the article formed a verbal framework on which to hang some visuals that would convey our aspirations clearly and quickly to applicants. It also served as a guide and an aid to filtering candidates – something which was not easy as the weeks ticked by and the pub remained empty! It took strong nerves for the committee to reject keen, but ultimately not quite right, applicants. I can say that helping to select a pub tenant on behalf of personal shareholders is one of the hardest things I have ever been involved with.

Equally testing for all the committee was the difficulty of reconciling the range of strongly argued and genuinely held views on the best way to move forward, exacerbated by the pressures of available time and finance. This contributed to the entirely understandable decision by some committee members to step down during the course of the year. It is by no means an uncommon occurrence in projects of this nature given the volunteer status of the group, the significant challenges faced and the constraints of governance-by-committee.

However that may be, the present committee of five, with help from a volunteer Minute Secretary, regrouped and carried on, and finally, Social Media and Fortune smiled on their efforts. And then, wham: Covid restrictions and the great Lockdown meant that Nick and Dom could not begin the tenancy we had just offered them.

Many a cloud has a silver lining though; the enforced closure gave our new tenants an unprecedented length of time in which to make improvements and get themselves set up. It enabled the front façade to be re-painted. It also revealed some shortcomings in the pub’s structure and equipment, and re-focused attention on the Society’s financial position.

Two years had passed since the initial Steering Group first drew up a Business Plan – before the launch of the share offer, before the incorporation of the Society, before the successful purchase of the pub, and before the experience of losing a tenant. It was time for a new one. Putting their heads together, the committee worked to make a five-year-plan based on knowledge hard-won since the start of the project. The result is available to view on the Society’s website (www.themortimerCBS.org).

A grave consideration accompanied this work on the Second Business Plan: that of debt and reserves. Lockdown had prevented the committee from holding any more fundraising events after March, and had also prevented the tenancy from starting – thus putting back the date at which rent would begin to be received. Inevitably, the Society’s reserves were impacted by this, as well as by the need to replace some equipment and to begin repayments of the private loans that dated from September 2018. After much thought, it was decided to repay most of the private loans by taking out a commercial loan. The acceptance of our loan application, based as it is on forecasts and the Second Business Plan, validates the committee’s belief that the project is entering on a sound and sustainable phase.

And what of the future? The threat of business interruption due to the virus pandemic has not gone away. However, recent availability of figures for infection rates per region show that Herefordshire has one of the lowest levels in the UK. Coupled with this, the government’s current more granular approach to restrictions, the fact that seating density in The Bell makes social distancing manageable,

and the tenants' own insurance, mean that the threat to the Society's income from rent is seen as moderate.

Nick and Dom are widely praised both in the community, on review sites and on Social Media. Their running of the pub is professional, creative and spotlessly clean. The food is exquisitely presented, imaginative and attracts repeat custom. The beers and ciders are well-chosen and well-kept. At the time of writing they have only been open for ten weeks but look to be on course for success in the long term, despite the present challenges posed by Coronavirus.

Although the prospects for future income are seen as cautiously positive, the past interruption to our rental income (between October 2019 and September 2020) has created a need to strengthen the Society's financial position and it is therefore now proposed to hold a Second Share Offer.

The book value of the pub is subject to depreciation on the balance sheet. However, the physical condition and presentation of the asset has greatly improved, as has its trading status, with the current figures indicating that the business should achieve a level of turnover nearly double that of the red-line base. This means that, on a re-valuation of the asset, the level of capitalisation represented by the present shareholdings leaves scope for the issue of more shares.

The first share offer was conducted under the cosh of a desperately tight timetable and against Enterprise Inns' challenge to the protection afforded by the ACV, or 'Asset of Community Value' listing. In addition, some inevitable natural wastage (by death of shareholder/s or other withdrawals) needs to be replaced by new shareholdings, as provided for in the Membership Strategy that is required by the Rules of the Society.

And so now, as we see renewed potential for The Bell, we can run a share offer on a more relaxed timetable and free from the threat of an Auction date. The committee plans to announce details of this offer in early November.

I would like to take this opportunity to thank my colleagues, both past and present, on the management committee, for their efforts in supporting this project. Particular thanks go to Alex, Sam, Jim and Jeff for the significant skills and good humour they have unstintingly given, and to Wendy for agreeing to minute our meetings, informed as she is by her service as a member of the first committee.

Our aim and belief is that our village pub will come out of a difficult year being stronger and even more highly valued by its shareholders and the community.

Best wishes and stay safe,

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