

**The Cabinet, Reed, Herts SG8 8AH**

**Further Representations prepared by Anthony Miller**

**26th June 2017**

**1. Instruction.**

1.1. As a supplement to my Viability Report dated 2<sup>nd</sup> June 2017, I have been asked by my client, 'Save the Cabinet at Reed Campaign' to provide comments on two documents that have just been released, namely:

A: A Viability Report for The Cabinet prepared by Stephen G. Culverhouse dated 22<sup>nd</sup> November 2016, and

B: A review of the S. G. Culverhouse Public House Viability Report prepared by Michael Lawton of Trinity Solutions Consultancy Ltd dated 12<sup>th</sup> December 2016

**2. Experience and Qualification.**

2.1. This remains as set out in my original Viability Report dated 2<sup>nd</sup> June 2017.

**3. VIABILITY REPORT BY S. G. CULVERHOUSE**

**Method of Compilation (CH page 2)**

3.1. It is stated that "this is an independent assessment of the viability of the Cabinet public house based on actual business achieved". This is demonstrably not true. Firstly, Mr Culverhouse is following the directions of the Local Planning Authority in an e mail dated 19<sup>th</sup> October 2016 (**CH page 13**) to provide an assessment based on the public house operating on a "wet trade" alone or as a "gastro/food offering" pub. Thus he was precluded from considering any other concept for the future operation of the pub. It is difficult therefore to see how his report gives a true picture of the Viability of the Cabinet. He should have (as the CAMRA Public House Viability Test – see **Appendix 1 to this Report**) requires, been given an open brief to report on his opinion of the Viability of the Cabinet, given he is supposed to be providing an independent opinion. I have taken the view that The Cabinet will be a traditional local pub selling a range of real ales and national lagers and offering a printed food menu of locally sourced pub food. This is a similar concept to most of the local competition and has been proved to work well in the immediate area.

## **Important Confidentiality Statement (CH page 2)**

3.2. I am unclear why this statement can be accepted. There is nothing in this Report that is remotely confidential to Mr Newman and any trade details that are referred to, are in the public domain anyway. Vis Fleurets sales particulars containing historic turnover details. It is hard to see how disclosure of the Report could affect Mr Newman's possible disposal of the property should he decide to do so in the future. Nonetheless, the Applicant insisted on the document being kept confidential, meaning that interested parties and their professional advisers could not examine it until mid-June, following a lengthy process under the Environmental Information Regulations which was taken to the Information Commissioner's Office.

## **Property Description and The Proposal (CH page 6-7)**

3.3. This highlights quite correctly the fact that the property is Grade II listed. Elsewhere at **CH page 7** there is reference to Mr Newman having a personal licence with experience in the operation of licensed premises, and having acted as a property and pub developer in other locations particularly in the south of England. As an experienced property developer Mr Newman will have been familiar with the requirements of the planning system to seek permission before carrying out controlled works and change of use. He will also know that it is good practice to undertake a building condition or structural survey before purchase to identify any dilapidations which would need addressing. If he did not do so, one could only ask why. Or was he all along intending to live in the pub as a private house, as he told Malcolm Chapman at the auction- see **AJM Appendix 8**.

3.4. Secondly, under The Proposal (**CH page 7**) it is stated that "Mr Newman originally planned on re-opening the building as a pub". It goes on to say "However, upon closer inspection, the Grade II listed building was judged as requiring a capex considerably higher than that which was first evident." Rather an extraordinary statement after an alleged expenditure on the property of £700,000 by Paul Bloxham in 2005. **AJM Appendix 9**.

3.5. However, with all the evidence we now have, I consider that Albanwise deliberately kept the property closed as they could see a higher value being achieved by a sale for residential user even though no planning consent existed for a change of use. Please note the issues that Ivan Titmuss had in his negotiations with Albanwise when he was unable to conclude a deal to lease the pub. (**AJM Appendix 3**.)

3.6. This is further supported by comment made by Mr Lawton of Trinity Solutions in his Report where he says **at TS page 8** "the sale price appears high at £375,000"..... and he gives 7 reasons in support together with two valuations on a pub basis **at TS 1b e ix and x** under different scenarios of from £150,000 to £300,000.

It appears likely that the true reason Mr Newman did not want the viability assessments shared is because the Trinity Solutions report put such a low value on the site.

3.7. I think there is sufficient evidence to say Mr Newman always intended to occupy the property as a private house.

#### **The Proposal (CH page 7)**

3.8. Reference is made to the large amount of “unwanted material” that Mr Newman removed from the property. I am not clear what this was, as no description of the “material” has been provided. We know from Mr Martin’s Statement **AJM Appendix 13 para. 26** that “the property was left clean and tidy with a full trading inventory including unsold drinks”. Mr Martin was the last tenant at The Cabinet. It has been reported to me by Mr Howes and Mr Stuart that much of the trade kitchen equipment was removed from the property and initially deposited in the car park. Perhaps this, together with the trade inventory, is what Mr Culverhouse is referring to. If so this would finally confirm that Mr Newman had no intention of ever re-opening the pub.

#### **Cabinet Public House Status and Ownership (CH page 7-9)**

3.9. Under the description of the property reference is made to “subsequent extensions including a large dining room” and “to the recent significant investment particularly in the kitchen and with the dining room extension....”. It would appear that these improvements enabled management to build a business to have a turnover c£500,000 by 2007 despite the fact as Mr Culverhouse states that “there are 38 pubs within a 10km radius of Reed” (**CH Page 8**).

3.10. Albanwise did not directly manage the business but operated the property on a lease finally to Angus Martin and Tracey Hale at a rent that eventually rose to over £40,000. **AJM Appendix 13(7)**.

#### **Viability Assessment (CH para 9 onwards)**

3.11. In the Morning Advertiser article referred to it is right to say and quoting from the article that “turnover per week rose to £15,000”. This turnover net of VAT would equate to c£600,000 per annum, the gross profit margin was 65% with a split of 50/50 between wet and dry all after a spend on the property of £700,000. **AJM Appendix 9**.

3.12. The definition of Fair Maintainable Trade has already been dealt with correctly by Mr Lawton in his Report at **TS Para.3(c)**. I have nothing further to add.

3.13. In the reconstituted Profit and Loss Account for y/e 30/4/2007 an adjustment to the Gross Profit line to 65%, as set out in the Morning Advertiser Article, increases the surplus before rent from £86,371 to £115,484. Since the property is owned freehold there is no rent to pay. Add back Depreciation of £7764 gives a net profit/EBITDA of £123,248.

3.14. I am a valuer, not an accountant. The correct way to carry out a valuation of a pub such as The Cabinet is to first calculate the EBITDA and then to apply a multiplier to that figure to arrive at an Open Market Value of the property to include a full trading inventory.

### **Sequence of Viability Assessment (CH page 13 onwards)**

3.15. I have already dealt with the basis of Mr Culverhouse's directions under It is stated that "this is an independent assessment of the viability of the Cabinet public house based on actual business achieved". This is demonstrably not true. Firstly, Mr Culverhouse is following the directions of the Local Planning Authority in an e mail dated 19th October 2016 (CH page 13) to provide an assessment based on the public house operating on a "wet trade" alone or as a "gastro/food offering" pub. Thus he was precluded from considering any other concept for the future operation of the pub. It is difficult therefore to see how his report gives a true picture of the Viability of the Cabinet. He should have (as the CAMRA Public House Viability Test – see Appendix 1 to this Report) requires, been given an open brief to report on his opinion of the Viability of the Cabinet, given he is supposed to be providing an independent opinion. I have taken the view that The Cabinet will be a traditional local pub selling a range of real ales and national lagers and offering a printed food menu of locally sourced pub food. This is a similar concept to most of the local competition and has been proved to work well in the immediate area. above, which leads me to the conclusion that he has acted only in accordance with his directions from the Local Planning Authority. If he had acted independently, and followed the guidance in the CAMRA Viability Test, he could have considered any trading concept that might be appropriate for The Cabinet.

#### (i) The "Gastro/Fine Dining Pub" scenario

3.16. Dealing first with the Gastro/Fine Dining Pub Scenario and to a weekly Profit and Loss Account proforma for a pub doing c£10,000 turnover per week: this proforma is taken from a Guide prepared by the British Beer and Pub Association (BBPA) headed "**Running a Pub. A guide to costs for tied tenants and lessees 2016.**"

3.17. The BBPA is a trade body that speaks for Breweries and Pub Companies in matters that relate to the operation of pubs and on issues that affect the whole industry such as the Rating Revaluation. Largely

its membership is comprised of the Pub Companies which operate large tied pub estates but own no brewing or distilling capability, and breweries (such as Marstons and Heineken) which brew and own large tied and managed pub estates. In the case of a TIED pub the tenant will be in occupation of a pub that is owned by a brewery or a Pub Company. In the majority of tenancy agreements or leases, the tenant is required to purchase all his beers, lagers and cider from the brewery, where brewery owned, or from the pub company itself or their nominated suppliers at prices that are higher than the licensee could buy the products if the pub was a Free House where the occupier can buy his liquor products from whoever he chooses. The premium paid by a tied tenant or lessee is typically 50-100% or more than a wholesale price achievable buying directly from the brewery or from, for example, a cash-and-carry wholesaler. This is an important point, as the fact that the tenant pays more than a Free House operator for his liquor products means that both his gross profit and net profit before rent will be lower than would be the case if he was a Free House.

- 3.18. Thus the proforma does not reflect the situation at The Cabinet. What we have at Reed is a Free House where the licensee would be free to buy his beers, lagers, wines & spirits from wherever he chooses and at the best prices he can achieve so as to maximise the Gross Profit.
- 3.19. In the proforma the Turnover is c£600,000 and for a tied pub the Gross Profit is shown as 59%. We know from the Morning Advertiser Article, **AJM Appendix 9**, that the GP% in 2005 for the Cabinet trading as a Free House was 65%. Thus the Divisible Balance would be significantly better than £98,852.
- 3.20. It should be noted that the proforma figures are only averages which have been gathered from across a whole range of different pubs in different geographical locations around the country. Thus the figures are merely a guide and can be adjusted to reflect the particular circumstances at any pub.
- 3.21. On Mr Culverhouse's approach, **the cross check** confirms his estimated turnover of £607,280 which would produce a Divisible Balance of c£100,000 with an ability to pay a rent of £45,000. I believe there are a number of inconsistencies in this accountancy approach.
- 3.22. We then move to "How would the Business have traded in 2015". As a starting point Mr Culverhouse looks at three supposedly similar unnamed pubs in geographical areas across the country with similar sized communities and with turnovers ranging from £238,000 to £285,000. These he deems to be comparable to the Cabinet. This cannot possibly be the turnover that could be achieved if the pub was operating in the hands of a competent operator. It is not realistic to believe that a turnover in 2005 of £485,229, which he deemed to be the FMT, adjusted for inflation to 2016, to £607,280, could actually fall to £286,000. I believe the whole exercise is flawed because there is insufficient evidence upon which to

make any judgement. AND to suggest as shown in the proforma that the rent for the pub turning over £286,000 should be £47,000 or 16.4% of turnover when he himself has adopted 8-9% of turnover (**CH page 12**). This demonstrates that Mr Culverhouse's mathematical approach is unsupportable.

(ii) The Wet trade only scenario

3.23. And now there is **the Wet Trade only scenario** to consider. Again, the example proforma quoted is from the BBPA. It is for a Tied Pub turning over £218,000 with no food sales. This is a ridiculous situation to have to consider, as no pub in the location of The Cabinet could possibly hope to survive without offering food – particularly having recently spent £700,000 on a refurbishment that included a Dining Room and a significant trade kitchen (See the Morning Advertiser article **AJM Appendix 9**). Look at the local competition. Without disclosing the names, tenure, location and history of each pub deemed comparable it is impossible to draw any useful information from the data. It could well be that the owners of the three properties ran the trade down, kept the pub closed, knowing that there was a higher alternative residential value to be achieved through a sale. The information provided is immaterial and irrelevant since it does not constitute evidence which can be objectively verified and tested.

3.24. I do not regard Mr Culverhouse's approach to be of any help whatsoever. A wet trade only pub is a totally unrealistic trading concept for The Cabinet and would certainly fail.

**Overall Financial Summary (CH page 23 onwards)**

3.25. Mr Culverhouse has failed to consider any other possible trading concepts for The Cabinet other than the two proposed by the Planning Officer. The background to his mathematical assumptions are based on unproven evidence of three pubs for each of his two concepts. There is a lack of historic background, a lack of past trading evidence and tenure details, and he takes no account of the local circumstances and immediate competition round The Cabinet. We do not know where the comparable pubs are, whether they are tied or Free Houses. There are many more questions which would have to be answered for the evidence to be of any assistance.

3.26. What I find surprising is that there has been no attempt by him to consider any local evidence around The Cabinet. There is no mention of any of the local pubs by name.

3.27. In my Report dated 2 June 2017 I examined evidence of local rural village pubs and then drew conclusions from the evidence provided in the Rating Assessments. Each Rating Assessment has been arrived at, by the Valuation Officer, to be effective from the same date, on a similar basis using actual trade figures of each property, and in similar market conditions. The Schedule submitted previously at

AJM Appendix 2 ranks the rateable values of other pubs in the area to enable a comparison. It is clear that since all the other pubs locally are viable on the basis of their rating assessments that The Cabinet is likewise. The RICS Guide to the Valuation of Public Houses instructs surveyors to assume that the premises is in a fit state to trade when considering the valuation, as it was at the time Angus Martin vacated the property in 2011 AJM Appendix 13.

- 3.28. One other interesting matter is the auction details prepared by Auction House at **CH page 26** of Mr Culverhouse's Report where the guide price was £350,000. I realise Mr Newman paid £375,000 for lot 11 which presumably was the reserve price. However a price at this level for a pub that had been closed for some 4 years and apparently in need of attention does at the time seem a high figure for a closed pub where any personal goodwill would have disappeared. This is confirmed by the valuation offered by Mr Lawton at TS page 10. I believe the eventual price achieved reflects some hope value in the site for residential use.
- 3.29. It is interesting also to look at Mr Culverhouse's **CH Appendix 5**. Here he includes Mullucks Wells sales particulars. In the details there is an Agents' Note which states:
- 3.30. The auction particular (**CH Appendix 5**) state, "There is an overage clause on the grounds **and the building**. If there is an enhancement in value as a result of residential development in the grounds, or the pub increasing in value through a change of use to a freehold dwelling, for a period of 20 years, the current owners will benefit from 35% of the uplift in value." Clearly, Albanwise thought there was an additional value in the site.

#### 4. **TRINITY SOLUTIONS CONSULTANCY LTD REPORT DATED 12<sup>TH</sup> DECEMBER 2016**

- 4.1. A copy of this Report has now been made available to me. The background to the Report is based on a paper prepared by CAMRA under the title "Public House Viability Test". I attach a copy of that paper for information. I can confirm in reaching my own conclusions I have followed the guidance set out in this paper.
- 4.2. It is interesting to note how critical Mr Lawton is of Mr Culverhouse's Report.

#### **Instruction (TS page 2)**

- 4.3. The instruction from the Council to Trinity Solutions said this:

“Does the Report (by Mr Culverhouse) adequately deal with the relevant matters regarding options for viability as typically set out in the CAMRA Public House Viability Test?”

And

“Is the Applicant’s conclusion supported by evidence and/or fair and reasonable expert opinion regarding what the business could achieve given a management dedicated to it, with full discretion over stocking policy and type of operation?”

- 4.4. I pause there to consider the instructions. Mr Culverhouse fails on the first point because he has not considered ALL the options open to using different concepts in the pub, i.e. types of operation. He was limited to two options in accordance with his instructions.
- 4.5. And secondly Mr Culverhouse has failed to provide evidence that can be tested to support his conclusions which to an extent are backed up by proforma valuations prepared for TIED pubs and produced by the BBPA. Again he is required to consider all the different concepts if his Report is to be of value. This he has failed to do.
- 4.6. And thirdly he has failed to assess the local competition.
- 4.7. As part of the Trinity Report their surveyor has visited and reviewed three of the local competition, yet there is nothing in the Report to say what conclusions Mr Lawton reached and how this may have affected his thinking.

#### **The Executive Summary (TS page 5)**

- 4.8. I think the conclusions reached under 1, 2 and 3 are flawed because Mr Culverhouse has failed to follow the advice given in the CAMRA paper:
  - 1. Review Findings**
    - 1.a The question to be addressed: I agree with the conclusions. I am surprised to note that Mr Culverhouse has not even attended the property in connection with the instruction. The RICS Red Book on Valuation requires surveyors to inspect the premises if any report is to be compliant with the RICS Standards.
    - 1.b Assessing Trade Potential. I agree with the conclusions. In particular the lack of research into the local competition.



1.c Competition Studies. I agree with the conclusions. Surely there should be reference by name to some of the local competition.

1.d The Business at Present. Factually correct. I will address The Rating Argument below.

1.e The Sale. I agree with i-vii. Reference is then made under viii at 6 that there were no usable fixtures and fittings or furniture and equipment. It appears that Mr Lawton inspected the property with Mr Newman. If there was no trading inventory on site it perhaps just adds to my conclusion that Mr Newman never had any intention of re-opening the pub again.

At ix it is unclear on the valuation assumptions used to reach this conclusion. In my opinion, the figures are too low.

At x I would agree with the conclusions that a range of values is relevant dependent on the assumed condition of the property.

### **The Rating argument**

4.9. At **TS1(d)vi** Mr Lawton says this: "The 2010 Rateable Value of £22,750(after appeal) would suggest Fair Maintainable Trade at the time was assessed as in the order of £200,000-£250,000".

4.10. This would assume a percentage of c11% applied to the Fair Maintainable Trade (FMT) to arrive at the rateable value.

4.11. The original entry in the 2010 Valuation List was £35,000RV reduced on appeal to £22,750RV. This agreement would have been based on the FMT that the Valuation Officer considered to be appropriate based on trading information he had on his file in the 3 year period leading up to the antecedent valuation date of 1<sup>st</sup> April 2008. We do not know in detail what figures he had on his file but it is reasonable to assume he might at least have been aware of the actual turnover disclosed in the Fleurets details of £485,229 for the year ending 30<sup>th</sup> April 2007.

4.12. The Valuation Officer would also have known that the assessment at the end of the previous valuation list commencing 1 April 2005 was agreed at £34,000 RV. This figure would almost certainly have reflected the benefit of the alterations and improvements carried out by Paul Bloxham.

4.13. I expect that the negotiations with the Valuation Officer for the 2010 assessment revolved around agreeing an FMT for the property as at 1<sup>st</sup> April 2008 in the hands of an averagely competent hypothetical operator ignoring the benefit of any personal goodwill attaching to Paul Bloxham.

4.14. The percentages to be applied to the FMT under the Valuation Office Scheme for 2010 vary according to the level of turnover and concept. For wet sales the percentages vary from 5%-7.5% for a wet turnover between £100,000 and £200,000 and for a food turnover of between £100,000 and £200,000 the percentages vary from 5-7%.

4.15. Whilst I do not have access to the actual workings, if I adopt a mean percentage of 6.5% to both the wet and dry turnover it would give an **FMT of £350,000** at the antecedent valuation date of 1<sup>st</sup> April 2008. This would arrive at an assessment of £22,750RV. With the limited information available this would appear to be a fair analysis and lends support to my own valuation approach where I adopted an FMT of £325,000.

**“The Applicant’s (The Report) conclusion that the public house is no longer viable is fair and reasonable” (TS page 11)**

4.16. I do not accept the conclusions and the trading history does not support the conclusions. I have already answered the items listed and which were set out originally in the report to the Planning Committee by Anne Macdonald. I gave my comments at **AJM11.3** of my Report.

4.17. **TS para xi**. Here Mr Lawton undertakes an appraisal based on a pub with food and a turnover of £283,071 in year 2 on a 70/30 split food to wet. His GP margins are 65% food and 60% wet. His total working expenses are high at 54% of turnover and his net profit pre-mortgage and loan repayment is £28,000. Post these two items there is a loss of £17,145. This demonstrates that the turnover on this model is much too low and the business is unsustainable with the mortgage and loan outgoings.

4.18. However, communities are prepared to buy their pub and providing the business can cover its costs and show a small profit the community will keep the pub open and trading. If as is the case at Reed the pub is the last or only pub in the village its social importance to the village is immense, for the pub acts as a social hub for the village and in particular helps the elderly in the village overcome matters such as social isolation. A purchase of the pub through a Public Works Loan by the Parish Council can be sustained as demonstrated below with the pub let to a tenant on a rent that is sufficient to pay the interest on the loan which at a fixed rate of 2.8% over 50 years is workable. Hence it is also important to consider Social Viability as well as Economic Viability.

4.19. I have not received the Investment valuation so cannot comment.

4.20. My own valuation off a turnover of £325,000 and a sales mix of 65/35 Wet/Food shows a net profit of £55,875 and after interest on tenant’s capital a divisible balance of £52,600 which on a 50/50 bid enables

a tenant to pay an annual rent of £26,500. This would cover the interest charges under a Public Works Loan. No interest is payable in the first year of the loan. The PWLB route could easily create a workable business model – see **Appendix 2 to this report**. The annual repayment (capital plus interest) on a £375k loan repayable over 25 years is about £20k. This assumes purchase of freehold at £200- 250k plus the cost of significant conservation grade repairs and refitting and professional fees of £125- 175k. The annual rental of £26k would then provide the Parish Council with a modest income after loan repayment costs, to apply to other projects in the Parish – church fabric repairs perhaps.

4.21. In the case of The *Cabinet* the site has sufficient land to enable development of ancillary or compatible other uses such as a farm or convenience shop which the Planning Authority specifically recognises is important and missing from the village.

**“The Applicant’s (The Report) conclusion is supported by evidence and/or fair and reasonable expert opinion regarding what the business could achieve given a management dedicated to it, and with full discretion over stocking policy and type of operation” (TS page 13)**

- a. Agreed.
- b. Agreed. Please note however that the pub has continued to trade well over many years. The pub clearly traded well under Paul Bloxham but I do not accept he was that exceptional. Fortunately, the licensed trade has a number of charismatic operators.
- c. Agreed.
- d. Agreed and the calculations take no account of potential changes in the market both locally and nationally.
- e. I believe the turnover figure for a gastro Pub scenario is too low. The loss of £67,256 is based on wrong assumptions which I will explain below. The gross profit margins discussed are too low. Both the rent and utilities figures are too high and the rental figure is anyway not relevant as the pub is held freehold. See Trinity Solutions calculations where there is no rental figure included. Clearly I disagree with the adjusted figures.
- f. Clearly I disagree with the conclusions.

## Trinity Solutions Financial Appraisal (TS Appendices)

- 4.22. I have seen a separate spreadsheet prepared by Mr Lawton for a pub with good food. The spreadsheet sets out a calculation for the first two years of operation, for a pub that has been closed for a number of years and would have lost any personal goodwill. Clearly from a standing start the pub will take time to build a business again. I believe by year 3 the business should have reached a maturity. My sales mix is different from Mr Lawton but his approach to turnover could be close to my own figure of £325,000 by the end of Year 3. The site has catered for weddings in the past and some adjustment to his events figures will help his turnover. His working expenses are high particularly wages.
- 4.23. Where I do take issue is on his approach to funding the purchase on a combination of a 25year mortgage and a 10 year Loan both at 8%.
- 4.24. Where viability assessments generally break down is that they assess the business based only on commercial business models and make no allowance for other ownership and operation models. Alternative models include:
- the White Knight purchaser, a wealthy individual or group of people who are willing to acquire the freehold on behalf of the community under perhaps an Enterprise Investment Scheme with no expectation of a commercial return on their investment at least in the short term.
  - The Parish Council purchase discussed below
  - A Community Interest Company purchase funded by grants, soft loans and community share issue
- 4.25. In my work for Pub is The Hub in helping communities to buy their pub, I am familiar with these alternatives. I give a brief description of each below.

## 5. PUBLIC WORKS LOAN

- 5.1. A brief paper was included as **AJM Appendix 14** to my Report. The scheme works when the Parish Council buys the pub with a Loan from the Public Works Loan Board. The Parish Council would be acting in the interests of their parishioners in saving the only pub in the village. They would if necessary refurbish the pub and let it to a tenant as a Free House on a tenancy/lease at a rent which more than covers the interest charge on the loan. By way of example, I am familiar with one such scheme at the

Dolphin Bishampton which has been successful. Based on information provided by Pub is the Hub, Reed Parish Council are due shortly to discuss the possibility making an application for funding to buy The Cabinet.

- 5.2. So if there was a similar arrangement at Reed, £77,500 can be added back to the bottom line of Trinity Solutions Appraisal converting what is currently a loss of £29,791 into a healthy profit of £47,708.
- 5.3. Pub is The Hub has been working with a community "Save The Pub" campaign in a rural village conveniently situated close to the Thames Valley economic centres such as Newbury. Like The Cabinet it is the last pub in the village. The planning application there for conversion to a dwelling was refused and is due to be heard at appeal imminently. In early June the Department of Communities and Local Government have formally approved an application by the Parish Council for a Public Works Loan to cover the purchase of the freehold and a programme of repair to enable the premises to reopen. An offer has been made to the freeholder. There is no reason why a similar initiative should not prove successful at The Cabinet.

## **6. MORE THAN A PUB**

- 6.1. This has been set up by Power to Change, Plunkett and the Department of Communities and Local Government with a £3.6m grant to help save pubs where there is a viable business such as at Reed. There are loans and grants available of up to £150,000 under a Community Benefit Scheme. The Plan is to help up to 80 communities to buy their local pub. So far, we understand 5 pubs have completed. There are many more schemes in the pipeline.

## **7. ENTERPRISE INVESTMENT SCHEME**

- 7.1. I am one of the five individuals who purchased a pub in London – The White Swan at Twickenham – that trades as a Free House under this scheme. We borrowed money from the bank and also invested our own capital under the scheme where 30% of our investment was subject to a tax rebate. Thus for every £1000 invested, the actual cost was £700. We have owned the pub for 7 years and it continues to thrive. Such a scheme is good if a few wealthy individuals club together to buy the pub and take advantage of the tax break available. I am aware of a number of such schemes.

## **8. CONCLUSION**

- 8.1. I am not persuaded by Mr Culverhouse's Report that The Cabinet is unviable. I believe he has failed to provide any realistic and pertinent evidence to prove his case.

- 8.2. Mr Lawton supports my conclusions in many respects and is critical of the Culverhouse Report which fails to follow the CAMRA Viability Test . With some adjustments to Mr Lawton’s approach it can be seen that the business can be viable in the hands of a competent operator under a number of different concepts including the Public Works Loan Board, the Enterprise Investment scheme and the Co-operative Route under More Than a Pub.
- 8.3. To demonstrate how the Public Works Loan Board works, in my approach I have adopted an FMT at maturity for The Cabinet of £325,000. This would provide a Divisible Balance of £52,600 out of which the tenant of the pub could afford to pay to the Parish Council a rent of £26,500. This would be more than enough to cover the interest charges on the loan that the Parish Council would have to pay after year 1 (no interest is payable in year 1) on a loan from the Public Works Loan Board.

Anthony Miller

26<sup>th</sup> June 2017

## **APPENDICES**

**Appendix 1:** CAMRA Public House Viability Test

**Appendix 2:** Public Works Loan Board Estimated Repayment Costs