



Muker Community Benefit Society Limited

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ANNUAL REPORT AND SOCIETY PERFORMANCE - 2024

THE SOCIETY

Muker Community Benefit Society Limited ("the CBS" or "the Society") was established as a mutual society with the Financial Conduct Authority ("FCA") on 1 February 2024.

PURPOSE OF THE SOCIETY

The Society exists in order to carry on business for the benefit of the community. The Society's Objects shall be to secure and operate the Farmers Arms Public House for the benefit of the community of Muker Parish and the wider community of Upper Swaledale.

OBJECTS OF THE SOCIETY

In carrying out its business, the Society aims to assist in:

- Ensuring that there's a year-round, accessible, community hub.
- Re-enforcing community ties.
- Promoting social, mental and physical well-being.
- Supporting the provision of community services.
- Supporting community initiatives.
- Providing local employment opportunities.
- Supporting local suppliers and the local economy.
- Supporting the local tourism industry through promoting Upper Swaledale.
- Ensuring a welcoming environment for all residents and visitors.

The Society may use surplus funds for the benefit of the local community in line with the above objects. Any such surpluses will be determined after taking account of the business needs of the Society and reasonable returns that may be payable to members.

OVERVIEW OF RULES OF THE SOCIETY

The Society is a limited liability organisation registered with the Financial Conduct Authority ("FCA") under the Co-operative and Community Benefit Societies Act 2014. Registration with the FCA was obtained on 1 February 2024 with number 9228 on the mutual register. Investment protection is not provided to members under the FCA's Financial Services Compensation Scheme.

The rules of the Society are in a standard format using templates provided by Plunkett UK organisation.

Shares in the Society are in denominations of £1, with a minimum holding of 250 shares and multiples of 250 shares thereafter, up to a maximum holding of 50,000 shares. Shares are withdrawable subject to conditions being met. Capital gains cannot be made by shareholders - on any withdrawal they are repaid just the nominal value of their shares redeemed.

Every member is entitled to one vote at the Annual Members' Meeting irrespective of the number of shares they hold.

Returns to investors may be made after two years, subject to conditions being met. These payments are in the form of interest, not dividends.

SHARE CAPITAL AND MEMBERSHIP

There were 535 initial shareholders of the CBS who subscribed in total £501,500. The whole amount of the share capital in issue at 31 October 2024 was raised in the nine-month period ended on that date. No share capital was withdrawn, cancelled or donated back to the Society.

Two members of the Society died during the period and left their shares to beneficiaries. In total, there were three beneficiaries, two of whom were existing members. Accordingly, there were 534 members on the register at 31 October 2024.

Per the Society's rules, no interest can be paid out in the initial periods of operation.

The distribution of shares between members at 31 October 2024 is:

<u>Shares held</u>	<u>Number of shareholders</u>
250	251
500 to 1500	230
1750 to 5000	42
5250 to 9750	4
10,000 and above	7
Total	534

MANAGEMENT COMMITTEE

The initial members of the committee, all formally appointed on 1 February 2024, are:

- Christine Clarkson
- Ian Evans - Treasurer
- Christopher Hopwood
- Justin Jupp - Secretary
- Louise Metcalfe
- Philip Metcalfe
- Professor, Sir Mike Richards - Chairman
- Richard Walls – Vice Chairman

Under the rules of the Society, membership of this committee must be rotated. All its members are required to stand down at the first annual members' meeting but will be eligible for election for a term of one year or more.

POLICIES AND PROCEDURES

The Society is a member of Plunkett UK which supports the establishment and running of community benefit societies across the country. The Management Committee is grateful to this organisation for introducing a mentor who assisted in establishing the Society and its approach to funding opportunities, and for providing templates that were used in producing the Society's policies and procedures.

REVIEW OF OPERATIONS

Prior to registration with the FCA, some preliminary activities were carried out by a steering group, including holding public hall meetings, issuing and analysing opinion surveys, and raising funds in the form of donations.

The period of operations up to 31 October 2024 has been an intense one for the members of the Management Committee and the other volunteers who have assisted. There have been several distinct phases in the initial period of operations:

- Pre-incorporation viability review
- Fundraising phase 1
- Fundraising phase 2
- Acquisition of the Farmers Arms
- Activities prior to appointment of tenants
- Operations following appointment of tenants.

Pre-incorporation viability review

A steering group was established, and public meetings held in Muker and Keld during November 2023 attended by 85 local residents. This consultation established widespread support for the concept of a community ownership of the Farmers Arms. A questionnaire was published to gauge current and future use of the pub, ideas, opinions and offers of support. There were 228 completed questionnaires which enabled the project to develop.

Donations of approximately £7,000 were obtained from over 20 residents and North Yorkshire Council. This initial funding was vital in enabling the establishment of the Society, funding the public meetings, obtaining a valuation for the property purchase and establishing a communications programme. A Facebook page was launched in November alongside leaflets, one-to-one meetings and an e-mail distribution list that all enabled information to be shared and community support to expand.

In January 2024 an event was held in Muker Public Hall, attended by over 50 local residents, with the support of our MP, Rishi Sunak. The widespread publicity in the press and social media provided ongoing momentum for the project.

In February the organisation was incorporated as a Community Benefit Society and provided the governance to develop a community share offer and construct the business case for Government funding.

Fundraising phase 1

In early March another local meeting was held to present the results of the questionnaire, the pub proposition and launch a share pledge in advance of the formal share offer. By this stage the Facebook page had over 500 followers and 9,000 visits. The website was launched in

March and within the month had over 3,000 visitors and 7,000 views from 42 different countries.

Local, regional and national media coverage continued during this period and local support was reflected with the receipt of 50 letters of support from individuals, activity groups, committees, charities and businesses. Although not ultimately needed for the project application this represented a clear demonstration of support from the community and something that would influence committee thinking in phase 2 of fundraising.

Based on an independent valuation of the Farmers Arms of £495,000 (including £15,000 for fixtures), a range of fundraising targets was set. The Society issued an initial share offer in April 2024 seeking an optimum funding amount of £570,000 of which £250,000 was to be sought from the Government's Community Ownership Fund ("COF"). As the share offer was coming to a close the Management Committee was informed that the COF programme was suspended owing to the calling of an early General Election. At this stage applications had been received from 465 subscribers amounting to £340,000.

A pre-requisite in applying for COF support was the production of a suite of governance documents and community engagement materials which will have enduring benefits for the organisation.

Fundraising phase 2

The Management Committee decided to pursue additional funding rather than scrap the project or wait for the outcome of the General Election. The decision was supported by the offer from a benefactor of an unsecured, 10-year loan of up to £120,000, carrying a rate of interest of 3%. This paved the way for a supplementary share offer which was issued on 10 June seeking optimum additional funding of £230,000.

The two share offers yielded £501,500 in the form of community shares which meant that not all the loan facility had to be called upon. With £80,000 from the loan facility, the total of funds raised amounted to £581,500.

Acquisition of the Pub

The acquisition of the Pub was completed on 23 August 2024, taking just a short period of time during the peak summer holiday season during which all standard legal processes were undertaken.

Activities prior to appointment of tenants

Having acquired the Farmers Arms, the Management Committee had several short-term priorities:

- Setting up a tenancy agreement
- Finding suitable tenants, and
- Operating the Pub in the interim period.

These activities took place in a relatively short period of time between 23 August 2024 and 22 September 2024 when the selected tenants, Craig and Claire Morris, took over the reins.

The decision to operate the Pub in the interim period was taken to ensure a service was provided on Muker Show day (4 September 2024), on darts evenings and during weekends. A huge effort was put in by a team of enthusiastic volunteers operating under experienced guidance. The Management Committee received positive feedback in support of the decision.

Operations following appointment of tenants

The tenants began providing a drinks-only service on 22 September 2024 followed by a full service, including food, on 29 September 2024. They are operating under a tenancy agreement, the essence of which is that they pay the CBS a rental of 7.5% of turnover (net of VAT) plus costs of property insurance put in place by the Society.

During the period of interim operating by the CBS and in the initial stages of the tenancy, several areas for expenditure were identified in relation to safety and security matters, maintenance, new equipment and property improvements. These have been, and are being, carried out at the cost to the Society to ensure that the tenants enjoy a working and living environment fit for purpose.

In the five weeks prior to 31 October 2024, the tenants endeavoured tirelessly to provide a food and drink service, 7 days per week, at a time when they were wrestling with faulty equipment and the challenges of establishing a complement of support staff. The Management Committee worked with them, and continues to do so, to ensure that the full potential of the Farmers Arms is realised once again.

The Management Committee's commitment to attracting tenants included an initial rent-free period of 3 months. Accordingly, no income arose to the CBS in the period to 31 December 2024. Rent is payable monthly, based on the prior month's turnover. Rent has been received in January 2025 based on December 2024 turnover, in February 2025 in respect of January 2025 turnover and in March in respect of February turnover.

The rent-free period up to 31 December 2024 yielded turnover approaching £70,000 with a consequent benefit to the tenants of just over £5,000. Rent received in the quarter to 31 March 2025 amounted to just over £2,900 based on the turnover in the three months to 28 February 2025 of £38,900. In addition, the tenants have reimbursed the CBS £237 in each of these months in respect of the property insurance policy arranged by the Society.

Support for the community ownership of the pub and the tenant operations continues to grow. The Society Facebook page has over 1,000 followers and 40,000 visitors during the year to 31 October 2024. Similarly, the website had 48,000 interactions by 8,500 visitors from 62 different countries. Ten newsletters were circulated in the year to 31 October 2024 and there are 645 people on the e-mail distribution list.

FINANCIAL POSITION OF THE CBS

In overall terms the financial position of the CBS at 31 October 2024 is more positive than that shown in the financial projections that were issued with the supplementary share prospectus on 10 June 2024.

The net assets at 31 October 2024 are £494,600 compared to £433,835 per the optimum projections. The difference is mainly attributable to having raised £51,500 more in share capital than the £450,000 that was assumed in the projections. This meant that the drawdown from

the maximum loan facility of £120,000 could be limited to £80,000.

The cash figure in the balance sheet is £60,853 of which £5,000 relates to a refundable tenancy deposit. The unrestricted funds are £14,018 more than was projected.

The deficit is £6,900 compared to £16,165 per the projections. This figure includes the effect of pub operations in the period from 3 September 2024 to 22 September 2024 which produced a deficit of £451. The very positive feedback received indicates that the goodwill generated from opening the pub for the Muker Show, and up to the tenancy commencing, far outweighed the marginal financial cost and made the considerable efforts of the volunteers who were involved worthwhile.

During this period, expenditure on the pub was mainly in the form of replacement and new assets rather than repairs. So, although there were negative reserves of £6,900 at 31 October 2024, the amount is £9,265 less than the projected deficit of £16,165 in the business plans.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (31 OCTOBER 2024)

The flurry of activity through September and October continued into November and December. The reduced business levels following the autumn half-term break allowed time to progress with most of the remaining equipment, plumbing, boiler and electrical repairs and replacements. The replacements include an oil tank and new kitchen equipment including an oven, dishwasher, warming cabinet, freezer and coffee machine.

In addition, plans to extend the bar and the much-needed upgrade to the cellar were implemented. The costs of undertaking the latter project have been minimised through Claire obtaining financial support from a drinks supplier, and through Craig undertaking the bar extension himself without need to rely on outside contractors.

During this period the kitchen has been reconfigured to allow a preparation area for desserts, a much sought-after expansion of the menu which now also includes a light bites menu, in addition to the main menu, for early afternoon.

SUMMARY OF ACHIEVEMENTS AND POTENTIAL

During the nine-month period to 31 October 2024 the formal framework for the Society was established, a communications strategy was implemented, funding targets were met, the property was acquired, tenants were appointed, and the Farmers Arms began to be run as a pub for the benefit of the community.

Given that so much has been achieved in a relatively short period of time, there is every reason to be confident that the pub operations will be successful, and the Society will be able to generate surpluses to be applied in due course in improving facilities, rewarding members, and in generating surpluses that can be applied for the benefit of the community of Muker Parish and the wider community of Upper Swaledale.