

## **Loan to Drayton Community Venture**

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### **Purpose of the Report**

To request that full Council approves a loan of £130,000 to Drayton Community Pub Ltd (an industrial and Provident society for the benefit of the community) to purchase Drayton Arms public house.

### **Recommendation**

That Members approve a loan of £130,000 to Drayton Community Pub Ltd, to be repaid over 20 years, from the available capital balances subject to a first charge being made on the property.

### **Background**

The Drayton Arms is the one remaining public house in the village of Drayton. It is listed on our list of Community Assets by the group with the assistance of the Parish Council. The public house is now up for sale and the residents have until the 24<sup>th</sup> January to purchase the building or it will return to the open market.

### **SSDC's Loan Policy**

SSDC agreed a loans policy in 2003 to provide short to medium term loans at manageable interest rates to enable community groups to achieve their and the Council's objectives. Loans can be agreed by District Executive where they are made under the policy's criteria. If the loan is outside of the criteria then full Council must approve the loan. The loan falls out of the policy because of the following:-

- In this case the loan is for 20 years (the policy states 10)
- The capital payments are deferred for 6 months (the policy does not allow deferral)

### **Report**

The Drayton Arms is the only public house in Drayton. It is currently open for business and is currently for sale. An open sale has been delayed to allow the Group to raise the funds required to purchase it as a community asset. Local residents have set up an Industrial and Provident Society named Drayton Community Pub Ltd to raise the funds to purchase the pub and to run it for the benefit of the local community. The Group have until the 24<sup>th</sup> January to purchase the property and this is why this report has not been considered by District Executive before being submitted to full Council.

The Group's aim is to purchase the freehold of the building and run it as a traditional tenanted village pub providing a venue for traditional pub sports and pastimes, local events, and celebrations. The Group are also assessing how best to meet community needs including possible space for a children's playground.

A Management Committee of between four and twelve members will manage the society. The society currently has pledges from private shareholders of £145,000.

## **Financial Implications**

The loan agreement will be charged as a first charge on the property. SSDC's Valuer will check by the time of full Council that the property is of sufficient value to repay the loan. The selling price is £260,000.

The loan of £130,000 will be found from capital resources. There will be no impact on revenue as the interest will be repaid as part of the loan. The capital sum will be returned to capital balances over the 20 year period of the loan.

This loan requires Council approval as the Group wish to defer the first 6 months capital repayments to give them time to ensure the pub is up and running sufficiently to repay the loan. The interest will be payable from beginning of the loan. The loan will be fixed at an interest rate of approximately 3.05% (the same rate as the cost of Public Works Loans Board borrowing for 20 years). The annual payments would be approximately £330 per month rising to around £721.50 per month once the deferred period has ceased. The final rate will attract a fixed rate of interest for the duration of the loan period, being the PWLB rate at the time the grant is awarded.

The business case is currently being updated as the original request to SSDC was to take a shareholding in the company. The plan is now being updated to reflect the loan and also we requested that a building survey was carried out and expected repairs to be reflected in the business plan. The Group are also checking that all "goods and chattels" are included within the selling price. An updated Business Plan will be available for members as soon as it is available and will be distributed before the full Council meeting.

Funds of £145,000 have been pledged from prospective shareholders in the business.

The current business plan shows that the Group will need to defer initial capital payments for six months to give it time to get established. I have assessed that the annual payments of £8,658 are manageable for the business by year 2. However, this will have an impact on the amounts that can be distributed to other shareholders and the updated business plan needs to reflect this.

There are no previous accounts for this Group as it is a new venture and therefore I cannot give assurance to members regarding past performance and financial stability. In effect the main risk mitigation will be the first charge over the property.

## **Background Papers**

None

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