

## Updated Business Case for Letting the Antwerp Arms as a Tenancy

### Background

The Antwerp Arms Association (AAA) pub has been managed by a pub manager and committee since it was bought in 2015. This model relies on significant effort and expertise from committee members. Since then, it has been increasingly difficult to attract and retain committee members to undertake operational roles. There are currently seven committee members. A former member was co-opted to undertake the Secretary role following three successive committee member resignations.

In 2018, shareholders at the the AGM were shown a presentation on the benefits of letting the pub as a tenancy. Following a question and answer session, a motion was passed to let the Antwerp on a lease. This was on condition that the final decision would be ratified by a special shareholder meeting. Unfortunately, before work could get underway to seek a suitable tenant, the financial outlook for the pub changed. Spurs encountered delays to their stadium build which impacted upon the pub income for many months. It was decided to delay the tenancy until the pub was in a more favourable financial position.

The financial position picked up briefly following re-opening of the stadium. Unfortunately, this has now reversed as the current COVID crisis severely impacts upon the amount of trade the pub can undertake. The pandemic is expected to last for at least another 12 months.

### Is a Tenancy Still Viable ?

The effort to re-open the pub after lockdown in a way to keep customers and staff safe was enormous. We felt it was essential to re-open and keep the Antwerp on the map as a community hub. The committee continues to play an active role in operations, with increased attention to the food offer, hygiene, health and safety, financial management and publicity to bring customers through the door. Overheads have remained more or less the same, but potential income is limited due to shorter opening hours and the need to have more staff on the rota to segregate duties.

A number of community projects commenced in September, and will continue for at least a further six months. These will require use of the kitchen, the pub and the pub garden one day of the week.

It is still possible to attract a tenant managing other pubs, who has fixed overheads for professional services and expertise in the business. Such a tenant would be able to keep the pub running and could provide us sufficient revenue to allow the Antwerp to continue with its community projects. However, as many pubs and businesses are closing their doors permanently and reducing in size, it may be a riskier venture for a prospective tenant than in the time before COVID.

Committee members would still be needed to oversee community activities and maintaining an online presence. Contract management of the tenancy will also be required, to ensure the tenancy operates as expected. The Committee is investigating structuring the community side of the pub as a stand alone charity whose trustees would be the Committee members.

### Income Required from the Tenancy

The following costs will still need to be paid by the AAA

- Community volunteer co-ordinator top up
- Other community project spend £5000

- Building insurance £1200
- Website hosting and marketing £400
- Sinking fund for repairs and maintenance Assuming 3% of 300k £9,000
- Fixtures and fittings replacement - 20% of 100k £2,000
- Shareholder dividends, if deemed appropriate, and share buy back (5% of 170k = £8500)
- Bounce back loan repayments £4000

Total c. £30,000 per annum.

### **Current potential surplus for community projects, dividends and share buy back**

Pub turnover has been affected by Coronavirus and current forecasts are for a loss in 2020/21 financial year. The scale of this loss will depend on when live football and events resume at the Tottenham stadium and factors like whether there is a spike and a local lockdown occurs. At the present time it is difficult to predict a likely outturn. In a normal trading environment we can envisage a successful pub turning over more than £360,000 a year. For 2019/20 turnover was just over £300,000.

### **Conditions**

- Keeping the ethos of the inclusive Community Pub
- Minimum wage levels for staff
- Local sourcing
- Freedom to use the pub for non-commercial purposes at times
- Compliance with the Rules and grant-givers' requirements
- A short lease

### **Costs**

- Redundancies (Only member of staff who has completed 2 years and would be eligible if staff members are not transferred to the new tenant).
- Legal fees
- Procurement costs - advice, opportunity publications

### **Timeline**

The current projects are due to end in Spring 2021.

Procurement processes usually takes at least 12 weeks (3 weeks to prepare and publish opportunity, 3 weeks for applicants to respond, 2 weeks for presentations and evaluation, 2 week for due diligence checks, 2 weeks for contract negotiation and award. Then there will be a Handover/ transition period.

### **Impact Analysis**

Whilst the committee has navigated the pub through two successive financial downturns, it is becoming increasingly difficult to maintain. An expert in the field will be able to do all the heavy lifting and share some of the financial risk. Even in the times of COVID, a pub like the Antwerp should attract customers working from home, the elderly who need a safe environment to socialise and

teaching staff from nearby schools. Our regulars should also feel welcome to continue to come to the Antwerp.

Research tells us that there is a risk that a tenant may not comply with our conditions to provide space for community activities. This can be mitigated by writing specific requirements into the procurement opportunity and contract, and managing the contract strictly.

### **Conclusions and Recommendations**

Providing interest is not restricted by the current COVID situation, we have nothing to lose by proceeding with a procurement as soon as possible. If we are unable to appoint a tenant who is able to meet the requirements, we have lost nothing. If we are successful, the committee can focus on community activities and an expert can turn the fortunes of the pub around.