

Questions & Answers – H&DVSA

1) Legal Structure: What exactly is the legal structure of the Association - IPS, company limited by guarantee, or some other?

This is key, as being an IPS is more relaxed and may allow a more informal prospectus.

- The Association is incorporated with Limited Liability, registered under the Independent and Provident Societies Act 1965-1978. I will attach a scanned copy of the Rules of the Association.
- The Association now falls under the Co-operative and Community Benefits Societies Act of 2014 – an amalgamation of several types of ‘Community’ based businesses/organisations. The only change being various accounting rules e.g. updated valuations of the properties.

2) Annual Accounts: Are the Association's accounts available publicly?

- Yes, in that they are available at the AGM and lodged with the FCA.

3) Prospectus: Is there a copy of the Harting prospectus (I realise we are going back over 2 decades) we could have a look at?

- A Prospectus does not exist, but the Rules of Association maps out the aims and operation of the Association.

4) How much money did you raise from how many households?

- The attached Background document maps out the financial path of the Association.

5) Loan: Did the Harting Assoc take out a commercial loan towards the purchase, how much, from whom, and on roughly what terms?

- Yes. The Ecology Building Society. A straight Repayment Variable Interest Mortgage over 25 years, ends 2022.
- The latest valuation from a surveyor, 2017, is that the properties are now worth £300K.

6) Set up costs: Albeit 18 years ago, can you give us an idea of the breakdown of your set up costs of the Association - legal, accountancy etc?

- Lost in the mists of time I am afraid. Most activities were carried out on a pro bono terms. Though Antrobus has been the accountants throughout the initial 20 years on a commercial basis, the accountant is now Sheen Stickland.

7) Management Committee: How many people sit on this under its legal constitution?

- Reference the Association Rules.

8) Tenancy: What is the length of the Shopkeeper's tenancy and with what break clauses on either side?

- In terms of length, there was no term per se and is based on ongoing renewal of the Lease.
- Now there is a 10 year tenancy agreement to ensure the Shopkeeper has security in order to satisfy lenders.

9) Plunkett membership: Does Harting Stores benefit from being a member of Plunkett (buying group etc) and, if so, is it just the shopkeeper's business, the Association, or both?

- Plunkett, was VIRSA, were involved in the set-up, but since not really involved. The shopkeeper and the Association stay in contact to be aware of grants etc.. that may become available. It must be said that VIRSA were very helpful in setting up the Association.

10) Revenue costs: We look beyond what is in the statutory accounts to insurance of the building, maintenance costs, audit and legal fees ...

- The Association is responsible for the insurance on the property, though not the goods etc.. in the shop that is the shopkeeper's responsibility.
- The Association pays the FCA charge and Corporation Tax. The Accounts are reviewed on commercial terms by Sheen Stickland, this is not a full audit, just a review to keep the costs down.

11) Taxation: Does the Assoc pay corporation tax on its profits or is it able to register as a charity?

- We pay Corporation Tax at normal rates.
- The Association is a Limited Liability company so cannot be a charity.

12) Pitfalls: Any advice to starter village associations? Anything you would have done differently?

- There were problems early on when there was joint ownership between the Shopkeeper and the Association. There was an acrimonious breakup and involved a legal dispute over a variety of things – notably the value of goodwill on change of ownership.
- Now the model is working and gives the Shopkeeper the ability to manage the shop in the manner they wish. There is always things to improve in terms of the building as it is an old property.
- Would like a bigger shop to do what you have in terms of a tea room, but such is the building that we are constrained.