

Beckley & Area Community Benefit Society Limited



Business Plan

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This business plan is authorised by the Management Committee.

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1. EXECUTIVE SUMMARY



1.1 Introduction

This business plan presents a proposal from the Beckley & Area Community Benefit Society for the purchase and lease to a tenant of the Abingdon Arms, Beckley, as a community-owned pub.

1.2 Current Situation

The Abingdon Arms has been a thriving pub in the past, attracting custom from Beckley and more widely across Oxfordshire, with a deserved reputation for well-priced good food. However due to a lack of ambition and investment from its owners Brakspear Ltd and their tenants over recent years its reputation and consequently its turnover have decreased.

In anticipation of a possible sale, residents of Beckley and the Parish Council secured South Oxfordshire District Council's listing of the pub as an Asset of Community Value (ACV) in March 2016.

Brakspear put the Abingdon Arms on the market in May this year and, under the ACV rules, a six-month moratorium period was triggered by local residents during which time the pub can only be sold to a community group. The moratorium period ends on November 17th 2016, at which time Brakspear will be free to sell it to whoever they wish.

1.3 Business Proposal

The Beckley & Area Community Benefit Society's proposal is to buy the Abingdon Arms from Brakspear and appoint a professional tenant with the experience and skills to run the pub as a profitable and successful business for the benefit of the community and other users.

Our objective is to have a friendly and welcoming village pub that serves local beers and sensibly priced freshly prepared food. As support for a community pub has grown, we can see that the Abingdon Arms could be more than a pub, and we propose to introduce a range of community amenities including, for example, coffee and lunch clubs for older and less mobile people, possibly a small shop and cafe, and potentially more (see Section 3).

We will set a fair rent and agree a lease with the tenant who will run the pub as a free house selling food and drink. The rent will be set at a level that gives the tenant the opportunity and incentive to run a profitable pub business, and which will provide the revenue for us to maintain the building, to repay any loans we take out, and in due course if cash reserves permit, to pay a modest interest to share-holders, and to fund the withdrawal of shares from time to time.

We firmly believe that the business will be profitable, but in the unlikely event it is not BACBS will own a valuable asset – the building and land associated with it – which if necessary could be sold in

order to return funds to investors. Our investment is in the building and land – the bricks and mortar – not the licensed business.

1.4 Financials

There is wide support for a community purchase, not just in Beckley but in the surrounding villages and further afield. To date 82 people have pledged to invest in the pub, with pledges totalling approximately £333,000. Encouragingly, this is over 75% of the asking price of £440,000. Of course there will be other costs (surveys, legal fees, stamp duty, etc) and possibly some essential repairs and refurbishments, so we are looking for additional funding too.

Based on the asking price for the pub of £440,000 we estimate that we need to raise approximately £560,000 to purchase the pub and cover the associated costs, in order to be 'tenant-ready'.

Our intention is to finance the purchase as far as possible through a community share offer, so our target for the share offer is to raise the full £560,000. At a minimum we need to raise the asking price of £440,000, and if necessary we will take out a commercial mortgage to meet any funding shortfall.

We will be launching the community share offer at the start of October 2016 to raise capital. Shares will be priced at £50 each, and the minimum shareholding will be five shares (i.e. £250 minimum investment). The legal maximum shareholding for community benefit societies is £100,000 per investor.

The financial model underpinning this business plan is realistic and robust. It will evolve as we run the Share Offer and negotiate purchase of the pub, obtain a loan, and appoint a tenant, and also as we achieve success with any grant applications.

1.5 Beckley & Area Community Benefit Society

Beckley & Area Community Benefit Society Limited (BACBS) is a community benefit society that has been formed to purchase the Abingdon Arms and secure its future for the benefit of the community. It is registered with the Financial Conduct Authority (registration number 7404).

Purchase of the minimum number of shares will confer membership of the Society, giving members control over the business through the annual election of a Management Committee and voting rights on significant issues at regular meetings. Community benefit societies are by law intended to be democratic organisations, and all members will have an equal vote, regardless of the size of their shareholding, and will have the protection of limited liability.

The Society's rules contain a statutory **asset lock**. This is a constitutional device that prevents the distribution of residual assets to members. The purpose of the asset lock is to ensure that the community benefit of any retained surplus or residual value cannot be appropriated for the private benefit of members after all members' share capital has been refunded according to the rules of the Society.

2. PROJECT DEVELOPMENT

2.1 Market Background

Freehold pub values increased ten-fold from 1975 to a peak in 2007 (source: Christie & Co). During much of this period large pub estates were built up by pub owning companies (PubCos) using cheap debt. However, in 2007 the market ground to a halt and in recent years there has been a dramatic reversal with values falling. Much of the fall was due to the impact of the financial crisis on the PubCos who consequently have been selling assets to pay down their debt. The decline has been accentuated by competitive pressures on drink sales and changing patterns of leisure time usage which together have put a significant strain on the traditional tied pub tenancy model. This model has become increasingly uneconomic, particularly in rural locations.

As a result of these pressures the nature of pub ownership is changing. There were 51,000 pubs in the UK (in 2010) but the large estates are now being broken up and numerous properties are either being closed or are passing into the hands of individuals or small groups. It has also become clear that the traditional tied pub owning model has become inflexible and increasingly uncompetitive.

This is confirmed by a recent Campaign for Real Ale (CAMRA) report (August 2016) that pubs are being forced out of business by cheap supermarket prices, high beer taxes, and the high rents and wholesale beer prices charged by pub owning property companies. Hearteningly, however, the rate of closure has started to come down, in part due to the use of ACV listings, and now stands at an average of 21 pub closures per week compared with 28 per week in 2013.

The traditional model separates the pub owner from the pub operator. The pub owner has charged high rents and generally been slow to invest capital in the property. The pub operator has struggled with weak sales, high tied beer costs, an unaffordable rent and insufficient capital to invest in the asset. This is a vicious circle, which leads to a loss of incentive and subsequent poor management of the pub, resulting in poor performance and declining sales.

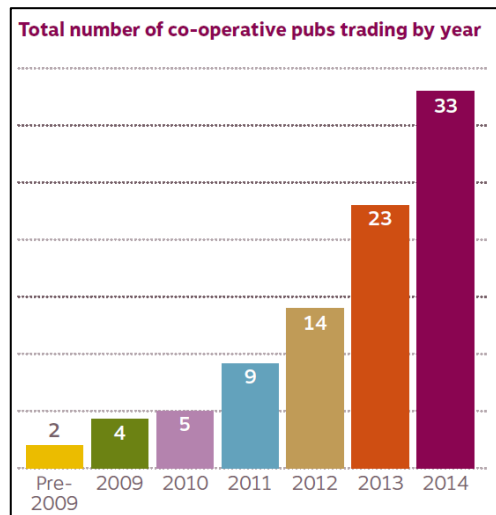
Smaller, newer and better managed independent groups are now emerging to acquire and invest in pubs using a more integrated model.

Similarly, communities are increasingly mobilising and buying these under-performing assets, operating them through tenancies for the benefit of the local community.

Community Pubs

The first co-operative pub opened in 1988 (Tafarn y Fic in Llithfaen, Gwynedd). By 2010 there were still only five community pubs in the UK. Legislation in 2011 (The Localism Act) introduced the designation of an Asset of Community Value (under which community groups have a six-month moratorium period in which to bid), and The Plunkett Foundation, working with others in the industry, developed the co-operative pub model. Since then the number of community pubs has grown steadily.

By the end of 2014 there were 33 community-owned pubs. There are now 42 up and running, and a further 144 are in the pipeline across the UK.



Source: Co-operative Pubs: A better form of business 2014 (Plunkett Foundation)

Resilience

Although still a relatively young sector, to date there have been no co-operative pub closures in the UK, therefore maintaining a survival rate of 100%. This compares extremely positively with estimations for UK businesses which have an estimated 5-year survival rate of 41% (Office for National Statistics) and is one of the best business survival rates anywhere in the world.

Local community pubs

A number of community pubs have opened in Oxfordshire in the last three years, including The Seven Stars (Marsh Baldon), The Red Lion (Northmoor), The Plough (Great Haseley), and The Bull (Great Milton), all of which have appointed tenants and are operating successfully. We have been liaising closely and have received valuable support from these (and other) pubs, and we encourage everyone to visit one (or all!) of these pubs to see a community pub in action.

The Bull – Great Milton



The Seven Stars - Marsh Baldon



The Red Lion - Northmoor



2.2 Project Background

In May 2016 the Abingdon Arms, owned by the Brakspear pub company, was put on the market for £440,000 (freehold). This followed an extended period during which Brakspear showed itself unable to retain tenants who could sustain a viable business (although some have performed better than others).

Anticipating that at some point Brakspear would try to sell the Abingdon Arms, in March 2016 a number of concerned Beckley residents successfully applied to South Oxfordshire District Council, with the support of Beckley & Stowood Parish Council, for the pub to be listed as an Asset of Community Value (ACV).

On learning in May that the pub was on the market, we formed a Company Limited by Guarantee in order to register our intent under the ACV rules to make a bid to Brakspear for a community purchase. This company has since been converted into Beckley & Area Community Benefit Society Ltd, registered with the Financial Conduct Authority.

The six-month moratorium by law prevents Brakspear from selling the pub to anyone other than a community organisation during this period. The moratorium lasts until 17th November 2016 at which point Brakspear will be free to sell the pub to whoever they wish. **The ACV moratorium gives us a right to bid, but not a guaranteed right to purchase.**

With the intention of establishing a dialogue and smoothing the way to a community purchase we met with Brakspear's Chief Executive in August, and had a constructive if open-ended discussion. Although Brakspear will not favour our bid over other bids they might receive, they are not opposed to a community purchase and will evaluate all bids equally. Indeed, we hope Brakspear may warm to this prospect because of the good publicity it could provide as they move to sell off a number of other small country pubs.

Early and regular engagement with the community through leafleting, a public meeting and numerous conversations has shown that there is a strong level of support for a community purchase. We have been working hard to determine if this is viable, and now plan to make it a reality.

2.3 Community and Consultation

We have seen locally the impact on communities that pub closures can have. Pub closure not only threatens the social cohesion of a community, but also exacerbates the impact of rural isolation. Furthermore, the closure of a local pub can reduce the value of domestic properties, both in the village and surrounding villages, typically by 5-10%. We believe this is sufficient reason for residents of Beckley and the surrounding area to invest in the Abingdon Arms, although our hope is that all will wish also to frequent the pub and its extended amenities.

Consultation undertaken within the community via a survey and the public meeting has established an excellent body of support for the community pub project, with a high level of participation. Highlights of our programme of community engagement include the following:

- In May, after the Abingdon Arms was put up for sale, we circulated information about our plan for a community purchase.
- In June, we carried out a survey in Beckley and four adjacent villages (Horton-cum-Studley, Noke, Elsfield, Woodeaton) which have no pub to establish whether there was support for a community purchase.
 - 111 people responded to an on-line and paper questionnaire
 - 106 (95%) indicated support for a community purchase
 - 91 (86%) said that they would consider investing in the pub.
- Also in June we held an open public meeting to consult directly with the community and to engage potential shareholders
 - Approximately 70 residents from the four villages attended and received a presentation about the project to date, following which there was a robust question and answer session and discussion.
 - A show of hands confirmed almost unanimous support for a community purchase
 - Those present were asked to indicate on the back of a beer mat how much they might invest in the community pub: on the night over 30 individuals and couples pledged approximately £110,000.

- Subsequently we have circulated by email and by door-to-door deliveries in Beckley and five adjacent villages a further newsletter and project proposal linked to an on-line investment pledge.
- To date a total of 82 individuals and couples have pledged to invest in the pub, with pledges ranging from £50 to £25,000, and totalling approximately £333,000. This amounts to just over 75% of the asking price of £440,000.
- The experience of other community pubs in Oxfordshire and further afield is that the conversion rate from pledge to actual investment is extremely high, over 95% in each case, and that other investors come forward when the share offer is opened.
- We have visited and consulted with a number of established community pubs (four in Oxfordshire, and one in Dorset) and with other successful local pub and restaurant operators.
- In line with our wider community model, we have also consulted with a nearby village shop, three local microbreweries, an accommodation provider, architects, builders / developers, solicitors, craftsmen and other professionals in our community.
- Last, but by no means least, we have drawn on local interest and offers of help to recruit a willing force of volunteers who have delivered newsletters, canvassed opinion and encouraged pledges of investment, and who will assist practically with the numerous tasks (eg painting and decorating, gardening) which will be required following community purchase of the Abingdon Arms.

These actions have demonstrated an impressive and extremely encouraging level of community engagement.

In the first three months of the campaign then, members of the community have pledged up to £333,000 as personal investment in the community purchase. This outstanding response has given us the confidence and belief that the community stands solidly behind the proposal.

3. VISION AND COMMUNITY BENEFITS

3.1 Overview

The Society proposes to raise funds in order to purchase, maintain and improve the Abingdon Arms, Beckley, for the benefit of the community. It will lease the pub to an experienced professional tenant who will be responsible for the operation of the public house. We will actively promote additional uses of the pub for the benefit of the community.

3.2 Our Vision

Our vision is to buy The Abingdon Arms for the benefit of the community and to secure its future as a thriving community pub.

Our aim is to secure the future of the Abingdon Arms for the benefit of Beckley and the wider community as a flourishing friendly and welcoming village pub. The pub will be a free house that serves local beers and sensibly priced, freshly cooked, good food prepared using locally sourced ingredients. It will be the heart of the village as a place for social gathering, cultural activities, somewhere to meet people and exchange information, and it will promote a cohesive and friendly community in the area. It is our intention that the pub will work closely with and in support of the other community facilities and clubs in the area, including in particular the new Beckley village hall.

The key factors that will contribute to our success are:

- Purchasing the freehold of the Abingdon Arms from Brakspear
- Setting an affordable rent and operating the pub as a free house
- Re-establishing a successful restaurant with a distinctive offer. The pub can only succeed with a 'destination' restaurant.
- Agreeing a lease with a professional and experienced tenant who knows how to run a successful pub business, and who is supportive of our ambitions to offer other amenities for the community
- Community involvement in the society to manage, maintain and improve the property, and to ensure community support for, and input into, the future success of the pub
- Investing any surplus profits in improving the pub and its facilities for the benefit of the community, and paying a modest level of interest to all shareholders.

Of course, in order to do this, we need to raise sufficient capital in the first place.

3.3 Benefiting The Community

Our belief is that the pub is an important amenity for Beckley and nearby villages and that the best interests of the wider community will be served by acquiring the pub through a limited liability Community Benefit Society. This legal structure is explained in detail later in this document.

A community purchase will enable the village to secure and safeguard the pub for the foreseeable future.

This represents a fantastic opportunity for Beckley and nearby villages to strengthen the vibrancy and sustainability of our community. Community purchase would have many benefits, including:

- Maintaining a place to meet friends and neighbours and improving the sense of community
- Providing a central point for information on community events and local issues
- Improvements to the fabric of the building

- Creating opportunities for local employment
- Injecting money into the local economy
- Providing a hospitality venue for local groups, tourists, weddings and funerals
- Helping to sustain local property prices
- Potentially providing additional community services

The community-owned Abingdon Arms will continue to offer employment to local people (eg kitchen and waiting staff), including valuable learning opportunities for young people who take on short-term employment in school and college holidays. We expect the number of paid posts and learning opportunities to increase as additional amenities (eg shop, cafe: see below) are added and as the new tenant grows the core pub business, and there will be scope for volunteer contributions from residents of Beckley and the surrounding area. In time we intend to create openings for people with disabilities, especially those who cannot realistically travel far for employment or voluntary positions.

A community purchase will enable the Abingdon Arms to be 'More than a Pub' for Beckley and the surrounding area.

There has been significant interest from local people in the proposal, which is in line with government and district council policy, to extend the range of amenities offered by the community pub. By investing in the following potential developments, services could be provided to the community which will enable fuller use to be made of the community-owned pub building and garden, to reduce journeys to Oxford, and thereby to improve local resources, offset the recent cuts in local bus services, and support environmental sustainability.

We recognise however that these potential developments require further consultation and would need to be staged over time. The first and essential step is to secure the Abingdon Arms as a community pub.

Potential added amenities:

1. **Shop:** many people have expressed interest in having a local shop facility within the pub to sell daily essentials such as bread, milk, butter, eggs, tea, coffee, etc. Initially this could be provided by installing a small cold cabinet and shelving, with a limited range of items sold over the bar during pub hours. Because we do not want to compete with or undermine other local resources, we have discussed with the tenants of the village shop in Stanton St John the possibility that they operate and supply the amenity as a branch shop. At a later stage it might be possible to extend the shop facility alongside a café, offering a wider range of goods, newspapers, cash point etc.
2. **Café:** There has long been interest from local residents and passers-by (especially walkers, cyclists, and visitors to the Otmoor bird reserve) in a more extensive café facility at the pub. A specific request has been made by parents of pupils at Beckley Primary School for a café after school, especially on Fridays, and possibly after dropping off their children in the morning. A morning coffee club and / or afternoon tea club (with or without knitting or other activities) could provide an inclusive amenity for people who live locally and are restricted by lack of transport or reduced mobility. Initially the pub could make coffee, tea and cakes available in normal pub hours, with an internet facility. At a later stage with further investment a café (and extended shop) could operate within the current restaurant area, especially if extended restaurant facilities were provided in a new extension on the back of the existing building. Although this extended facility would require a part-time manager, there would be attractive work for local volunteers and valuable training experience for young people and others interested in a retail or leisure industry career.
3. **Additional amenities:** A community pub can offer simple but valuable amenities such as a collection and delivery point for a range of retailers, pub sports such as darts and dominoes,

a book exchange, and occasional wine, ale and food tastings. Local residents have offered to organise regular folk and jazz evenings, and a bike repair and hire station.

4. **Aspirational future amenities:** Although clearly for the future, and only when the core pub business and extended amenities are established successfully, interest has been expressed in providing facilities on site for a microbrewery, an 'artisan' bakery, coffee roasting, and possibly bed & breakfast accommodation. Each of these would enhance the attraction and business of the community pub.

Note

A new village hall is currently under construction in Beckley. If successful in our purchase of the Abingdon Arms, we will work closely with the Village Hall Management Committee to ensure that its ongoing development as a community amenity will not be undertaken in competition with, or at the expense of, activities planned for the village hall. For example, the pub kitchen may be able to assist by providing catering for large-scale events at the village hall.

We are already liaising with the BVH committee to ensure that we understand their plans and intentions, and to keep them informed about this project. Our belief is that the two amenities can and should complement one another to the overall benefit of the community.

4. OUR PROPOSAL IN DETAIL

4.1 Purchasing The Abingdon Arms

The Abingdon Arms is being sold by Brakspear pub company and is on the market for £440,000. As described above the pub has been registered as an Asset of Community Value (ACV) and a moratorium period is now in place during which Brakspear cannot sell the pub to anyone other than a community organisation. The moratorium lasts until **17th November 2016** at which point Brakspear will be free to sell the pub to whoever they wish.

We intend to make a firm offer to Brakspear before the ACV moratorium ends.

If we are successful in purchasing the pub we will appoint a tenant and enter into a rental agreement with him/her to run the licensed business selling food and drink in our premises, and to pay an affordable but realistic rent to the Society. The rent will be set at a level that gives the tenant the opportunity and incentive to run a thriving pub business.

We will use the rental income to maintain the building, repay any loans, meet other outgoings, facilitate the withdrawal by members of their shares from time to time, invest in additional social amenities, and if affordable pay interest to members.

We firmly believe that the business will be profitable, but in the unlikely event that it is not, the Society will own a valuable asset – i.e. the building and land associated with it – which could be sold in order to return funds to investors¹. Your investment is in the building and land – the bricks and mortar – not the licensed business.

This is a great opportunity to invest in a worthwhile community enterprise that will provide a valuable service to its members, users and future generations.

The business plan will evolve as we move through the process and negotiate to acquire the pub and appoint a tenant, and as we achieve success with any grant applications.

4.2 Funding Model

Based on the asking price of £440,000 we estimate that we need to raise in total approximately £560,000 to purchase the pub and cover associated costs (including some contingency).

Our intention is to finance the purchase of the Abingdon Arms through a community share offer and if necessary a commercial mortgage. We aim to maximise the capital raised through the community share offer and have set ourselves the ambitious target of raising the full amount of £560,000 from the share offer. Given that we have received pledges of nearly £330,000 before launching the share offer, and the experience of other community pubs that the conversion rate from pledge to investment is high, we are confident that this target is achievable.

Importantly any funds that we raise over and above the target will reduce our dependence on loan funding. Other sources of funding such as grants and donations are being pursued but as these cannot be guaranteed we have not relied on them for our financial modelling. Any grants awarded will allow us to reduce the loan capital required or enhance the facilities of the premises.

It is proposed that this is funded as follows:

- **Community Share Offer**
Our target is to raise the full funding requirement of £560,000 from a community share offer, with a minimum raise of £440,000. Importantly the larger the community take-up of

¹ Brakspear propose to include a 'development uplift' or 'overage' clause on the sale of the Abingdon Arms. This means that they would be entitled to some or all (dependent on what we agree) of any increase in value arising from a future change of use to residential usage.

shares the less we will be dependent on commercial loan funding. The concept of community shares has been explored in depth and promoted through community research, meetings, and regular newsletters (both online and in print). Marketing for the share offer will exploit all of these methods in addition to posters, local leaflet drops, direct mail and focussed communication with local businesses and organisations, eg RSPB Otmoor, CAMRA, etc.

There will be two classes of share:

1. **'A' Shares: Interest-bearing withdrawable shares**

These shares are for investors who would like to earn interest on their investment in due course, and to retain the option of withdrawing their investment at some future time.

2. **'B' Shares: Non-interest bearing shares that are not withdrawable**

These shares are aimed at investors who consider their contribution to be a donation and do not require to recoup their investment, nor are they concerned about earning interest on their shares.

Investors may, if they wish, purchase a mix of 'A' and 'B' shares. Regardless of share class, all investors will be members of the Society and entitled to vote on matters affecting the Society.

The price for each share will be £50, and the minimum permitted investment will be £250 (ie five shares) although we hope that most investors will invest considerably more than the minimum. The maximum permitted individual investment will be £100,000 (the legal maximum for an individual investment in a community benefit society).

Shares are not transferable (ie members cannot sell them to anyone else), except in the case of death or bankruptcy of a member.

If we are unsuccessful in our bid to purchase the Abingdon Arms, then all investment monies (for both 'A' and 'B' shares) will be returned promptly.

- **Commercial Mortgage**

Any shortfall in funds raised from the community share offer will be met by taking out a commercial mortgage. Our business case is based on the assumption that we may need a mortgage of up to £120,000 repayable over 20 years. Preliminary discussions have taken place with ethical lenders including Triodos Bank and Charity Bank, both of which have given strong indications that they would be willing to lend this amount, and we are also exploring possibilities with other lenders.

Note: Commercial mortgages typically attract a high interest rate (currently around 5% - 6%), so this is another big incentive to maximise the level of community share investments.

- **Grants**

Up to £150,000 (combined grant and loan) is potentially available under the government's "More Than A Pub" programme which is managed by the Plunkett Foundation. We have already received a bursary award of £2,500 to help with initial expenditure under this programme, and have applied for the full £150,000. However, because the outcome of this application may not be known until mid to late October, our financial modelling has for now excluded grant funding as the success of our application cannot be guaranteed. Any such funding that we are awarded will reduce our dependence on debt and will thus enhance the business case.

- **Donations**

We will of course welcome donations from individuals or organisations. Donations will not form part of our share capital and will not be refundable (although in the event that we are unsuccessful in purchasing the Abingdon Arms we will as far as possible return any donations received).

- **Value Added Tax**

We are informed that the Abingdon Arms sale will have VAT applied at 20%. The Society will therefore become VAT registered in order that we can reclaim VAT on the purchase and on any subsequent improvement work. We may need to obtain an additional short term bridging loan specifically to cover the temporary cash flow impact (pending reclaim) of VAT on the purchase price, depending on timing of sale completion and VAT periods.

- **Contingencies**

We have made allowances in our plans for a number of funding contingencies:

- If insufficient share capital is generated in the required timescale we will (a) negotiate with Brakspear for an extension beyond the end of the formal moratorium period, (b) extend the share offer period, and (c) consider taking a higher proportion of debt financing. We have modelled various funding scenarios and have established the maximum amount of debt that is commercially viable. Under no circumstances will we take on debt in excess of this limit, even if that means we cannot proceed with the purchase.
- Grant funding has not been included in the financial plan, therefore any success in this will be beneficial to our business case.
- Share withdrawal by members has been budgeted for at what we believe is a prudent level from Year 5 onwards. The Society's Rules permit withdrawals from Year 3, but we do not anticipate being in a position to be able to fund withdrawals that early in the life of the venture. The management committee has the right to refuse a request to withdraw funds if it would endanger the business. It is our intention not to deny withdrawals unless absolutely necessary, but of course we need to have sufficient funds.
- Share interest payments to members have been assumed from Year 4, but in any event payment will be determined by the Management Committee, and will be dependent on the business achieving the requisite levels of profitability. Interest will be paid gross and depending on members' tax rates may be taxable. It will be the member's responsibility to declare any such earnings to HMRC if applicable.
- We have assumed there will be an initial three-month period without rental payments to allow for works to be completed or delays in appointing a tenant, and likewise we have budgeted in case there is a tenant void at the end of Year 3.
- £5,000 pa has been budgeted to allow for a level of ongoing repairs and maintenance.
- A substantial amount (£50,000) has been allowed for any initial maintenance and improvement work that may be needed, although we hope that in practice members of the community will be willing to undertake on a voluntary basis work such as decorating, gardening and minor works.
- In addition to the above we have budgeted a contingency of £30,000 to cover unanticipated expenditure in the first few years of operation.

4.3 Affordable Rent

A key factor that frequently prevents pubs from flourishing is the often excessive rent that the owners charge their tenants.

We will set an affordable but realistic rent that gives the tenant the opportunity and incentive to run a profitable pub business. This will be set at 10% of turnover which is a level we have seen used successfully by a number of community pubs – and which has been shown to be at the right level to attract serious applications from experienced tenants. We will however agree a fixed rent for the first two years to give the new tenant a level of certainty while they establish and grow the business. Once we move to the 10% rental model we will also set a minimum rent that will be payable, so that the Society can meet its obligations (in particular any mortgage payments). We have made what we believe is a realistic forecast of future turnover in our financial plans, but to some extent this will be a matter for discussion with potential tenants.

We will operate the pub as a free house so the tenant will not be tied to buying beer, wine, spirits and soft drink supplies from a single brewery or pub company at non-competitive prices.

These factors taken together mean that the tenant should be able to achieve significantly higher profits than in a tied pub, contributing to a financially stable business and a less frequent turnover of tenants.

Based on the split of turnover between food and drink sales currently being achieved at the Abingdon Arms, and using the British Beer & Pub Association's (BBPA) published industry metrics, Morgan & Clarke have calculated that an annual turnover of £275,000 (which they have stated is readily achievable – see Business Viability below) would typically support a rent of approximately £37,000 (ie 13.4% of turnover). On the expectation that food sales (which have a higher gross margin than wet sales) will make up a higher proportion of sales than at present, our proposed rent of 10% of turnover can therefore be seen to be very reasonable.

4.4 Experienced Tenant

We have ruled out operating models such as the community directly running the pub on either a volunteer rota basis or by employing a manager. We believe that these models are impracticable and unlikely to be sustainable in the longer term due to the high level of day-to-day operational involvement they would require from the community. Based on our research, and advice received from other community pubs, we have taken the view that a tenant model is the operating model that is most likely to be successful and which will expose the community to the least risk.

If we are successful in purchasing the Abingdon Arms we will therefore appoint a tenant with the necessary experience and business ability to make a success of running the pub.

As part of the selection process we will closely examine each prospective tenant's business plan, their view of what the pub will offer its customers, and their plans for its marketing. In particular, we will want to ensure ourselves that their plans take into account and reflect our vision for the Abingdon Arms as set out in this plan. Whoever we appoint will need to have the energy and enthusiasm to buy into our vision, and to contribute to its ongoing development.

Selecting the right tenant will be absolutely critical in ensuring the success and long term future of the pub.

We have received much useful advice and offers of assistance with the recruitment process from existing community pubs and other professionals in the area, and will use a thorough and objective process to recruit the best tenant we can.

From the positive experience of community pubs that we have spoken with in this area, we strongly believe that we will be able to appoint an experienced tenant who can market and build the business, resulting in a thriving and sustainable community pub.

4.5 Business Viability

We firmly believe that under community ownership the Abingdon Arms will be a viable business with the potential to thrive.

In recent years Brakspear have, in our view, been unable to sustain a successful tenancy model largely because of the high rent and full supply-tie on drinks that they have imposed. This has been a real disincentive to experienced prospective tenants who are well aware that it is an uphill struggle to make a living through running the pub under these constraints. Consequently, Brakspear have tended to attract relatively inexperienced tenants who then discover they are unable to trade profitably.

By virtue of the fact that we will set an affordable rent, and will let the pub as a free house, the tenancy will be significantly more attractive to experienced and capable tenants.

This view was confirmed in the professional valuation and commercial feasibility study that we commissioned in August from David Morgan of specialist pub surveyors Morgan & Clarke Chartered Surveyors. The report stated that:

“It is entirely possible to envisage first year trading of a new [tenant] at approximately £275,000 ex VAT [note: current turnover is approximately £215,000 per year ex VAT]. The probability that the trade could be substantially higher in future years is perfectly reasonable... **It is self-evident that the property is both financially viable and highly desirable as a food-led trading operation**”.

They have formed this opinion based on factors including:

- The size and location of the Abingdon Arms
- The lack of direct similar competition to the Abingdon Arms in the immediate area
- Levels of turnover that have been achieved by previous tenants
- The turnover, and split between food and drink, being achieved by the present tenant
- Beer, wine and spirits supply volumes over the last few years (data provided by Brakspear)
- Licensed industry metrics published by the BBPA
- The success of other community pubs in the area – eg The Seven Stars in Marsh Baldon, which in its first six months of operation exceeded its projected turnover for the whole of the first year.

Taking these factors into account, Morgan & Clarke’s valuation states:

“[Our] valuation...is representative of a food-led business which, in view of the established trading profile, is appropriate on the understanding of there being no brewery tie and that the location merits a higher level of pricing structure than standard pub grub. It is entirely feasible that the reputation of the Abingdon Arms could be subsequently viewed as far more of a destination restaurant than a straightforward public house per se. It is expected, however, that the capability of the property to operate as a warm and welcoming public house offering an array of locally sourced, cask-conditioned ales would continue and add considerably to the current trading status.”

Future profitability

Morgan & Clarke’s detailed analysis shows that the Abingdon Arms is perfectly capable of generating good profit margins:

“Operating as a free house, it is quite possible to achieve a gross profit level of 66%. Indeed, this might be an under-estimate if the level of wines sales was of significance which should occur in a food-led establishment. The determinant for the overall gross profit levels is interlinked with the price point, both of drink and food. Wine sales should attract a gross profit margin of approximately 70% and spirit sales circa 80%. The matrix between local and national suppliers for draught products is capable of great variation. For example, branded national lagers, such as Fosters, Carling and Heineken can achieve gross profit margins of over 70%. However, locally sourced real ales, being

produced by small breweries could attract minimal discount with gross profit levels being approximately 52-55%.

The assumption is reasonably made that the blend between draught product availability would be made by an experienced tenant and, accordingly, an overall wet gross profit margin of 66% should be easily achieved.

On the understanding that the future tenant is either a hands-on, skilled chef or capable of recruiting a sufficient level of kitchen skills, it is quite possible to achieve a gross profit margin of 68% given the setting and location of the Abingdon Arms and the spend power [of] future clientele.”

4.6 Community Ownership

The pub will be owned and let by the Beckley & Area Community Benefit Society (see Section 6 of this document for more details about the Society). This means that we the community will have control over how the property is managed and improved. It will also enable us to have constructive communications with the tenant about the community’s wishes, and one of the criteria for selection of a tenant will be their willingness to provide for community needs.

However, our intention is not to micro-manage the tenants. They will be appointed to market and run the pub, which is their job not ours – although we will of course provide whatever support and assistance we can.

The society will not be directly involved in the day-to-day management and operation of the pub – that responsibility and the associated business risk belongs to the tenant.

We of course hope that many members of the community, whether members of the Society or not, will support the pub by offering voluntary help, joining or assisting the management committee, and most importantly by coming to eat, drink and be merry at the Abingdon Arms!

The widest possible community ownership will be encouraged. To that end the minimum investment has been set at a level that our community research has shown to be realistic for local people when they were asked to indicate their willingness to invest and likely level of contribution. We will extensively promote the community share offer through the methods outlined in the previous section.

A community approach will make a significant difference to the future potential of the Abingdon Arms:

- People care enormously about their local pubs and are willing to invest their money, time, skills and energy to save them.
- A wide membership provides a large pool of people to draw on for support and custom and generates great commitment to a well-run enterprise.
- In the Plunkett Foundation’s experience, the community model is resilient. To date no community owned pubs have failed, as their strong local identity sets them apart from traditional competition.
- Business infrastructure: our membership of the Plunkett Foundation opens up access and preferential rates for the pub business to a range of benefits including energy supplies, insurance, accountancy, telephony, food, newspaper, fixtures and fittings, and other supplies.

4.7 The Property



Brief Description

The Abingdon Arms is a traditional Cotswold stone public house that we believe was built c.1700. It is in the centre of Beckley – a popular village about three miles north east of Oxford, just off the B4027. The garden has stunning views over Otmoor.

The pub has dining space for approximately 50 people indoors, and a further 24 on the terrace.

In addition to the public spaces – ie the bar and restaurant – there is spacious first floor residential accommodation available for the tenant.

Current Condition

The current condition of the pub has been assessed by a number of knowledgeable experts including a RICS chartered surveyor specialising in the licensed trade sector of the property market, an experienced publican and chef, a local builder, and other professionals with relevant knowledge and experience.

We understand that no urgent immediate maintenance will be required at the point of purchase, although we are aware of a number of items that may require some attention. However, we have budgeted a reasonable amount for modest improvements and initial repairs should any be identified, and our offer to purchase will be subject to the satisfactory outcome of a full structural survey.

Future Plans

We intend to undertake some minor works to improve both the public areas and the living accommodation, such as decorating throughout, lighting in the bar, improved upstairs bathroom, and of course we will want to replace the external pub signage to make it clear that the pub is a free house and is a community amenity. Our plan is to do this work as soon as the purchase has been completed.

These works have been allowed for in our financial model – although where possible we hope to avoid expenditure through community hands-on involvement in activities such as decorating. As the pub is a listed building in a conservation area, planning consent is required for most changes, however minor, and we will be seeking the relevant consents in parallel with the purchase. Contact has been made already with SODC's planning team.

We also intend to make substantial improvements to the toilets to modernise them as soon as funds permit, and importantly to improve access for customers with disabilities.

Longer term aspirations include the possibility of relocating the dining area to exploit the views over Otmoor, and to free up the current dining room for other community amenities such as café and shop facilities. This would clearly be a significant and expensive improvement that will only be

possible when the pub is generating adequate rental payments, and which may well require a further share offer. We have no plans to pursue this idea in the near future, and have yet to investigate its practicability.

4.8 Risks

We believe the key risks, together with our proposed mitigations are as follows:

Risk Analysis	
<p><u>Risk</u> We are unable to appoint and keep good tenants.</p> <p><u>Impact</u> Appointing the right tenant is absolutely critical to the success of this venture. The tenant needs to be experienced, motivated to develop the business, capable of marketing the pub effectively, able to create a welcoming atmosphere, and crucially in sympathy with the community and our aims.</p> <p>If we cannot appoint such a tenant the venture will not succeed.</p>	<p><u>Proposed mitigation</u></p> <ol style="list-style-type: none"> 1. Thorough selection process. Prospective tenants will be required to demonstrate their experience and plans for the Abingdon Arms backed up with a sound business and marketing plan. 2. External support. We have been offered hands-on support with the selection process from other community pubs and commercial pub operators.
<p><u>Risk</u> Void periods between tenants.</p> <p><u>Impact</u> Any closure of the pub between tenants will mean we are not receiving rental payments, which will have a negative impact on our cash flow (with the attendant risk of not being able to meet loan repayments). Additionally, this is likely to drive customers away, some of whom may not return.</p>	<p><u>Proposed mitigation</u></p> <ol style="list-style-type: none"> 1. Ensure tenant is incentivised and motivated to stay. In part addressed through fair rent and free house status that improve profitability. 2. Support tenant. We will assist the tenant where possible with marketing, voluntary help (eg stop-gap cover for bar staff, garden maintenance, etc). 3. Business Case. We have allowed for an initial period of three months without rent, and a further three-month period in Year 4 in case we have to find a new tenant.
<p><u>Risk</u> Pub fails to operate at forecast level of turnover.</p> <p><u>Impact</u> Rent is based on a percentage of turnover, therefore poor trading may impact our ability to generate a sufficient surplus to make improvements to the property and pay interest to members, and in the worst case could jeopardise our ability to service any debt.</p>	<p><u>Proposed mitigation</u></p> <ol style="list-style-type: none"> 1. Business case based on realistic assumptions. 2. Appointment of high quality tenants. See Risk 1 above. 3. Rent 'collar'. We will set a minimum rent that ensures we can meet our known expenditure (principally mortgage payments). 4. Regular reviews with tenant. We will work closely with the tenant to anticipate any problems early and identify/support action plans to maintain business levels.
<p><u>Risk</u> Higher than anticipated outgoings.</p> <p><u>Impact</u> The main outgoing over which we will have limited control is unexpected property maintenance and improvement costs.</p>	<p><u>Proposed mitigation</u></p> <ol style="list-style-type: none"> 1. Survey and valuations prior to purchase. Any purchase offer will be subject to the findings of a structural survey, which will ensure we have visibility of likely maintenance issues (and may be a topic for price negotiation). 2. Estimates prior to purchase. We anticipate that some improvement work will be needed sooner or later (eg interior decor, disabled toilet access), so we have had informal discussions with local architects and builders to obtain indicative costings. 3. Contingency. We have included a significant sum for unexpected expenditure in the first few years.
<p><u>Risk</u> The pub cannot sustainably trade profitably.</p> <p><u>Impact</u> The pub may be forced to close.</p>	<p><u>Proposed mitigation</u></p> <p>Our whole business plan has been developed to avoid this occurrence, which we believe to be a highly unlikely scenario.</p> <p>In the extreme situation that the pub cannot be run successfully (or sold) as a going concern and is forced to close then the value of the property for residential use will almost certainly be significantly higher than the purchase price. In this scenario the Society would be able to pay off</p>

	its debts and refund the members and, by virtue of the Asset Lock, should be in a position to make a substantial contribution to other local community enterprises.
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5. FINANCIALS

The Society will own the Abingdon Arms and will let it to a tenant who will run the pub business. The core economics of our business as a property owner, therefore, revolve around the primary source of income (rent payments) vs. outgoings (building maintenance, mortgage payments, shareholder interest, and other overheads). In addition, we need to build a reserve over time in case members need to withdraw their shares, and to provide for property improvements to support business growth.

The operating economics of the pub as a licensed business are important because the rental income we will receive to cover our outgoings will be linked to the overall turnover of the pub, and these have been analysed in depth in Morgan & Clarke's business feasibility study (as discussed above).

Our financial forecasts for Years 1 to 8 are set out in some detail below in the Profit and Loss, Cash Flow, and Balance Sheet projections. These forecasts are our best estimates at the current time on the basis of a set of conservative assumptions.

Key Assumptions

- Purchase price will be £440,000
- Total initial capital required will be approximately £560,000 to cover the purchase cost, associated expenses, and to provide sufficient initial working capital
- Minimum community share capital raised will be £440,000
- Commercial mortgage of approximately £120,000 over 20 years may be required (depending on amount raised through share capital and grant funding)
- Grant funding will be zero (being sought, but not included in financial model)
- Short term loan will be required to cover VAT on purchase, pending reclaim
- Rent is fixed for Years 1 & 2, thereafter charged at 10% of actual turnover
- Three months without rental income on completion of the purchase to allow for appointment of tenant and completion of minor works
- Three months without rental income at the start of Year 4, in case we need to find a new tenant
- Interest will not be payable to shareholders until Year 4, however if our performance permits we will of course start paying interest earlier
- The Society will be VAT registered and able to reclaim VAT

5.1 Income

Other than any one-off grants and donations that we may receive, the Society's sole source of income will be the rent paid by the tenant. For the pub to thrive and be sustainable the tenant needs to make a living and have a real incentive to grow the business. To this end, we don't want to impose too high a rent. On the other hand, we have to pay the outgoings explained below.

We have carefully modelled what we think are reasonable assumptions of the pub's likely turnover based on its trading history over the last few years, and on the expectation that the right tenant will be able to grow the business significantly from its current levels of trade, and taking into account Morgan & Clarke's feasibility report findings. In addition, we have consulted with a number of experienced and successful local pub operators who have confirmed that our turnover forecasts are conservative and with the right tenant should be readily achieved (and indeed exceeded).

We are therefore conservatively forecasting that turnover in Year 1 will exceed current trading levels at the Abingdon Arms (which we know is under-performing) but will be less than the potential Year 1 turnover identified in the feasibility study prepared for us by Morgan & Clarke.

We will of course review our forecasts with prospective tenants as part of the selection process to confirm that our respective business plans are aligned, but on the basis of our detailed research and many discussions with successful operators in the licensed trade we are confident that our assumptions at this stage are realistic.

Annualised forecast turnover and rent (£,000's)

Year	Forecast Turnover	Rent	Rent as %age of T/O
1	250	23 (fixed) *	9%
2	300	25 (fixed)	8%
3	345	34.5	10%
4	385	38.5 **	10%
5	400	40.0	10%
6	410	41.0	10%
7	420	42.0	10%
8	430	43.0	10%
<p>* Actual rental income in Year 1 will be £17.3k on the assumption that we will only receive 9 month's rent, to allow for the time taken to appoint a tenant and carry out initial repairs and refurbishments.</p> <p>** Actual rental income in Year 4 forecast to be £28.9k, to allow for three-month period in the event we need to find a new tenant.</p>			

The business plan and cash flow figures assume that we will receive only nine month's rent in the first year to allow for immediate refurbishments and potential delays in appointing the tenant.

We have assumed the pub will achieve a reasonable year-on-year increase in turnover until Year 5 at which point the pub will then be at a sustainable 'steady-state' level of trade once the tenant has rebuilt its reputation and developed its customer base. Subsequent increases in turnover have been modelled using the Office of Budget Responsibility's forecast rate of inflation. As with our forecast for turnover in Year 1, our growth projections are based on Morgan & Clarke's feasibility report and knowledge of trading levels previously seen at the Abingdon Arms under more successful tenants than recently, and also on the views expressed by local independent commercial pub operators.

Rental levels typically vary from 10% to 14% of turnover in the pub sector. We aim to set our rent at the lower end of this range to promote a sustainable business for the tenant and the community.

For the first two years we will set a fixed rent to provide the tenant with a degree of certainty on their outgoings as they establish themselves and develop the business. From Year 3 onwards rent will be set at 10% of turnover. Rent will be payable quarterly in advance, with an annual 'true-up' payment to reflect actual turnover achieved (based on certified accounts).

5.2 Outgoings

Mortgage Payments

Our preferred position is to avoid the need for a loan as this will represent an ongoing risk to the enterprise, but if we are unable to raise sufficient funds through the community share offer then we will make up the shortfall through a commercial mortgage. In the event that we do need to take out a mortgage, this will be for the smallest amount necessary that allows us to purchase and re-tenant the pub.

For the purposes of this business plan, we have assumed a scenario in which we need to take out a loan that will be repaid over a 20-year period.

Property Upkeep

As owners of the Abingdon Arms we will need to maintain the assets (land and buildings) to uphold their value and ensure that the pub can operate. Although the tenant will have clearly defined obligations for the upkeep of the pub (these will be specified in the tenancy agreement) it is reasonable to assume that the Society will incur costs for some level of ongoing maintenance. We have budgeted £5,000 pa for this. As a community initiative we hope and expect that members will want to help minimise maintenance costs by volunteering to undertake as much minor maintenance as is practicable.

Other Overheads

Recurring costs will include professional fees (eg accountancy costs, annual FCA fee, and Plunkett Foundation membership), building insurance, indemnity insurance etc.

In addition, there will be a number of one-off start-up costs including stamp duty, legal fees, surveys, etc. that have been allowed for in the financial plan. To date we have incurred expenses on a valuation and feasibility survey, Community Benefit Society registration, membership of the Plunkett Foundation, website development and hosting, and other minor items such as printing. We have been helped in meeting some of these costs by the £2,500 bursary that we have been awarded by the Plunkett Foundation under the 'More Than A Pub' programme.

Interest Payments to Shareholders

We expect to be in a position to pay a modest interest to members from Year 4 onwards and we have developed our financial modelling on this basis. If financial performance permits, the Society will look to start making interest payments before Year 4, but our modelling assumes this will not be the case.

In practice any interest payments will depend on sufficient surplus being generated to sustain and effectively manage the business (and we have, being prudent, allowed for a three-month period at the start of Year 4 in case we need to appoint a new tenant, and in that event we would be unlikely to generate sufficient profits to allow interest to be paid in Year 4).

Interest payments will be considered each year as part of the annual review process, and any interest payment proposals from the Management Committee will be put to the Annual Members Meeting. Levels of interest payments will be set in accordance with the Society's rules which specify the maximum interest that we are allowed to pay (ie not more than Bank of England Base Rate plus 2%, and in any event not more than 5%).

Share Withdrawals

Subject to surplus funds being available, we have allowed for an element of share withdrawal by members from Year 5 onwards (other than in certain exceptional circumstances such as death and bankruptcy).

As set out in the Society's rules, it should be noted that withdrawals will only be permitted if sufficient surplus funds exist, and then only at the Management Committee's discretion. This is consistent with the expectation that investing in the Abingdon Arms is a long term investment in the community rather than for personal gain.

5.3 Profit & Loss Forecast

Putting together these income and expenditure figures we have prepared a profit and loss forecast for the first eight years of the Society's operation:

Profit and Loss Forecast £,000's

P&L (£,000s)	Year	1	2	3	4	5	6	7	8
Forecast turnover of Abingdon Arms:		250	300	345	385	400	410	420	431
<u>Income (net of VAT)</u>									
Rental income receivable		17.3	25.0	34.5	28.9	40.0	41.0	42.0	43.1
Sale of ingoings to tenant		11.0							
Total income		28.3	25.0	34.5	28.9	40.0	41.0	42.0	43.1
<u>Expenditure (net of VAT)</u>									
Mortgage (interest)		6.0	5.8	5.7	5.5	5.3	5.1	4.9	4.7
Repairs & Maintenance		0.0	5.0	5.1	5.2	5.3	5.5	5.6	5.7
Professional Fees		0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8
Insurances		1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4
Start-Up Costs (expensed)		15.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Expenses		1.0	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Shareholder Interest		0.0	0.0	0.0	5.0	9.0	9.0	9.0	10.0
Total expenditure		24.4	13.0	13.0	18.0	22.0	22.0	21.9	22.9
Profit before tax		3.9	12.0	21.5	10.9	18.0	19.0	20.1	20.2
Corporation Tax (20%)		0.8	2.4	7.5	2.2	3.6	3.8	4.0	4.0
Profit after tax		3.1	9.6	14.0	8.7	14.4	15.2	16.1	16.1

Our financial modelling is based on the following key assumptions:

1.	Purchase price of Abingdon Arms is £440,000
2.	Share offer will raise a minimum of £440,000
3.	Rent is fixed for Years 1 & 2, thereafter charged at 10% of turnover
4.	Mortgage payment calculations have used PMT formula and are based on 5% lender's interest rate
5.	Interest will not be payable to shareholders until Year 4
6.	Interest, if paid, will not exceed Bank of England Base Rate + 2%
7.	Base Rate as per OBR forecast to 2021
8.	All shares will be interest bearing and are withdrawable
9.	All figures are exclusive of VAT
10.	BACBS will be VAT registered and able to reclaim VAT
11.	Grants and donations assumed to be zero (other than £2.5k already received from Plunkett)
12.	Start-up costs will be approx. £76k (including £50k for refurbishments), of which £74k will be capitalised
13.	Ingoings (ie fixtures and fittings) will be purchased from Brakspear and sold on to the new tenant at cost
14.	Rental void for three months in Y4 – to allow for change of tenant

5.4 Cash Flow Forecast

Cash Flow Forecast £,000s

Cash Flow (£,000s)	Year	1	2	3	4	5	6	7	8
Income (net of VAT)									
Opening Balance		0.0							
Community Shares		440.0							
Mortgage		119.8							
Tenant's Ingoings		11.0							
Grants & Donations (incl Bursary)		0.0							
Rent		17.3	25.0	34.5	28.9	40.0	41.0	42.0	43.1
Total Income		588.0	25.0	34.5	28.9	40.0	41.0	42.0	43.1
Outgoings (net of VAT)									
Purchase Price		440.0							
Mortgage Repayments & Interest		9.0	9.1	9.2	9.2	9.5	9.5	9.6	9.8
Repairs & Maintenance		50.0	5.0	5.1	5.2	5.3	5.5	5.6	5.7
Legal & Professional Fees		2.2	0.7	0.7	0.7	0.7	0.8	0.8	0.8
Valuation & Surveys		3.4							
Stamp Duty		14.1							
Financing Fees		3.8							
Ingoings purchased from Brakspear		11.0							
Insurances		1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4
Members' Interest		0.0	0.0	0.0	5.0	9.0	9.0	9.0	10.0
Corporation Tax		0.5	2.2	4.1	2.0	3.4	3.6	3.9	3.9
Share Withdrawals		0.0	0.0	0.0	0.0	5.0	5.0	5.0	5.0
Miscellaneous		1.3	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Outgoings		536.5	19.1	21.2	24.3	35.1	35.6	36.0	37.4
Cash Flow for Period		51.5	5.9	13.3	4.6	4.9	5.4	6.0	5.7
Closing Balance		51.5	57.4	70.8	75.4	80.2	85.7	91.7	97.3

Our projections show a healthy positive cash-flow in all years.

We expect to spend most of the capital raised during Year 1. This comprises the purchase price and stamp duty, various other start-up expenses, mortgage payments, and any initial maintenance and improvements.

Although we have applied for a grant under the 'More Than A Pub programme', for the purposes of this business plan we have not included any grant or loan that we may be awarded.

5.5 Balance Sheet Forecast

The balance sheet forecast shows a snapshot of the forecast assets and liabilities at the end of each financial year for the first eight years.

Balance Sheet (£'000s)	Year	1	2	3	4	5	6	7	8
Fixed Assets (net of VAT)									
Value of freehold ex VAT		440.0	440.0	440.0	440.0	440.0	440.0	440.0	440.0
Purchase costs (capitalised)		74.3	74.3	74.3	74.3	74.3	74.3	74.3	74.3
Improvements		50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Depreciation		(5.0)	(10.0)	(15.0)	(20.0)	(25.0)	(30.0)	(35.0)	(40.0)
Net Fixed Assets		559.3	554.3	549.3	544.3	539.3	534.3	529.3	524.3
Current Assets									
Bank account		2.0	15.0	35.6	40.4	52.1	63.1	74.7	73.2
Current Liabilities (less than 1 year)									
Sundry Creditors		(0.7)	(0.7)	(0.7)	(0.7)	(0.7)	(0.8)	(0.8)	(0.8)
Corporation Tax		(0.8)	(2.4)	(7.5)	(2.2)	(3.6)	(3.8)	(4.0)	(4.0)
Net Current Assets		3.5	18.1	43.8	43.3	56.4	67.7	79.5	78.0
Long Term Liabilities (1 yr+)									
Mortgage Principal		(116.8)	(113.5)	(110.0)	(106.3)	(102.2)	(97.8)	(93.1)	(88.0)
NET ASSETS		443.1	452.7	466.7	475.4	484.8	495.1	506.1	504.7
Financed by:									
Share holding		440.0	440.0	440.0	440.0	435.0	430.0	425.0	407.4
Reserves		3.1	12.7	26.7	35.4	49.8	65.1	81.1	97.3
TOTAL FUNDS		443.1	452.7	466.7	475.4	484.8	495.1	506.1	504.7

6. BECKLEY & AREA COMMUNITY BENEFIT SOCIETY

The Beckley & Area Community Benefit Society Limited is an incorporated enterprise established by the 'Save The Abingdon Arms' project team who are its founding members.

The purpose of the Society is to enable the community of Beckley and nearby villages, and other supporters, to secure and safeguard the future of the Abingdon Arms public house and promote it as an amenity of prime importance to the community.

The Society is a limited liability community benefit society registered with the Financial Conduct Authority (FCA) using a set of pre-approved model rules developed by The Plunkett Foundation (a charity that has been helping communities to set up and run community-owned enterprises since 1919).

Our rules include a statutory Asset Lock which ensures that should the Society achieve a surplus beyond that required to meet its liabilities, improve the facilities and ensure the future of the business, this surplus may be made available for distribution to other community or charitable projects. Specifically, any such surplus cannot be used to benefit the members as individuals (other than for modest payments of interest to investors).

A copy of the Rules of the Society can be found on our website www.savetheabingdonarms.org or can be requested from a member of the Management Committee.

The Society is a democratic organisation that operates on the principle of one member one vote regardless of the amount each member has invested.

6.1 Limited Liability

The Society is a limited liability entity. This means that the most a member can lose is the amount originally invested (though we believe that this is highly unlikely). Investors will not be liable for any activities of the tenant – for example, if they run up huge bills and then disappear.

6.2 Management Structure

The first members of the Society are those who signed the application for FCA registration, and these members will appoint the first Management Committee that will then serve until the first Annual Members Meeting, which will be held as soon as is practicable after completion of the purchase, probably early in 2017.

Our start up provisions require that at all members of the first Management Committee will retire at the first Annual Members Meeting, although they are eligible to stand for re-election. The newly elected Management Committee will take office immediately after the conclusion of that meeting, and the following provisions will apply to them:

- One third of those so elected, who obtained the highest number of votes, shall serve until the conclusion of the fourth Annual Members Meeting.
- One third who obtained the next highest number of votes shall serve until the conclusion of the third Annual Members Meeting.
- The remainder of those elected shall serve until the conclusion of the second Annual Members Meeting.

Thereafter, elected members of the Management Committee hold office for a period of three years commencing immediately after the Annual Members Meeting at which their election is declared, and ending at the conclusion of the third Annual Members Meeting after that.

The Management Committee is responsible for managing the affairs of the Society in exactly the same way as the board of directors is responsible for managing the affairs of a limited company. The Management Committee will:

- Organise and supervise the purchase of the pub and any refurbishment works
- Appoint the tenant
- Monitor and manage the Society's financial affairs for the benefit of the community
- Oversee the lease and manage the relationship between the Society and the tenant
- Appoint new tenants should that be necessary
- Ensure that the Society complies with all applicable regulations

We will lease the pub business to a tenant who will run the pub and pay rent to the Society. The Management Committee will set the broad policy direction for the business and agree specific standards with the tenant, including certain aspects which community feedback has shown to be important. These will include, for example, an obligation to provide locally brewed beers, to maintain the character and ambience of the Abingdon Arms as a traditional village pub, and to promote additional amenities that are beneficial to the community. Beyond that, however, the tenant will be left to manage and operate the business as they see fit. The Management Committee will not get involved in or interfere with the day to day running of the business, or attempt to micro-manage the pub.

The members of the Management Committee are equally responsible in law for committee actions and decisions. They are collectively responsible and accountable for ensuring that the organisation is performing well, is solvent and complies with all its obligations.

In order to protect the Society we will take out 'Director & Officer' liability insurance for the Management Committee and Secretary.

The Management Committee will provide all members with an annual report which will set out the key financial statements together with a report of the society's activities during the previous financial year, and any plans for the following year.

Management Committee members

The initial Committee is as follows:

- **Mike Hobbs (Chairman & Secretary)** lives in Beckley, is a retired medical consultant and Executive Medical Director with the Oxford Health NHS Foundation Trust, and now works with the Oxfordshire Youth Justice Service and as a cycling coach.
- **Gabriel Brodetsky (Treasurer)** has lived in Beckley for 21 years. He previously worked for a global management consulting firm, and is now an independent IT sourcing adviser. He's a keen cyclist, and when not out on his bike he can often be seen at the recreation ground waiting for Molly the lurcher to come back from 'doing a runner'.
- **Georgina Matthews** lives in Beckley and is a mum and marketing and communications professional, specialising in the social enterprise and charity sector.
- **Susy Jepson** qualified as a solicitor in London after gaining a law degree from Cambridge. During the course of her career, as well as working in private practice she has been head of legal for Somerfield Stores (now subsumed into the Co-op), worked abroad, and now works part time for Vodafone Group, negotiating large scale multinational contracts. Susy moved to Beckley at the end of July 2016.
- **Nin Kelay** (aka Narinder) is an experienced IT Project Manager for Atos. Having worked overseas in the education sector for over 10 years, he returned to work in independent education in the UK, and most recently for Oxford University Press. When he isn't glued to a computer screen or managing teams, Nin spends time working in the garden (it's never

finished...), cycling (sponsorship welcomed for his next challenge which is the Palace to Palace ride for the Prince's Trust). He's known in the family as the one who gets things done, and he brings the same approach to the team.

- **Phil Partington** joined the Army as an apprentice chef at age 16, and achieved a City and Guilds qualification in catering. After leaving the Army, he worked as a chef in the catering industry and went on to work in hotels and restaurants. Later Phil took the exams required to hold a pub license, and with his wife Sue, took on a pub tenancy in Kent with Shepherd Neame. He worked in the licensed trade as publican/chef for about 20 years, and now works as a catering manager for a national contract catering company.
- **Tom Smith** is an inventor-entrepreneur and Technical Director of Thermofluidics Ltd based on the Begbroke Science Park, Oxford. He lives in Beckley and is a keen amateur brewer. He is excited by the many possibilities that owning our own pub could open up for the village.
- **John Stradling** is a semi-retired consultant chest physician who has worked for the last thirty years at the Churchill Hospital in Oxford. Although retired from hospital practice, he continues to do research with the University. John and his wife Helen (a retired GP) live two doors away from The Abingdon Arms and have always appreciated its presence and offerings. Thus John would like to play some part in achieving community status for the pub and to help ensure its continued success.
- **Mike Baker** is an engineering consultant who specialises in designing building services for hotels. Mike has lived in the neighbouring village of Horton-cum-Studley for 15 years. Having lost his 'local' some years ago, he is determined not to lose the next closest pub that he can still walk to.

6.3 Members

The community benefit society structure means that any person who buys the minimum number of shares becomes a member of the Society. Each member then has one vote to exercise at the Annual Members Meeting regardless of how many shares they hold.

Members can be elected onto the Management Committee. All members will be provided with an Annual Report, which will set out details of the operation of the Society and how it has developed its activities over the previous year and which will include a report of the accounts. The Rules also provide for a number of other ways in which the membership may hold the Management Committee accountable for the running of the Society, including calling a special general meeting if required. Corporate bodies can also be members.

7. APPENDICES

7.1 SWOT Analysis

Strengths

- Excellent location at the centre of the village and wider community with commanding views over Otmoor, and with good access onto nearby bridleways and footpaths including the Oxfordshire Way
- An attractive spacious building with a good-sized bar and restaurant area
- A good reputation in the past for good quality food
- A wide base of regular local customers who we anticipate will quickly return to a well-run and welcoming pub
- The commitment of the wide membership base to use what will be their business and who will encourage their friends and family to use the pub
- The business will own the freehold and will not be tied to any particular brewery or supplier and therefore the tenant will be free to negotiate the best deals for supply of food and drink
- Proximity to Oxford – with access to a large potential customer base including residents and tourists
- Lack of competition in nearby villages for the same offer of a traditional pub offering good quality reasonably priced food (eg The Talkhouse in nearby Stanton St John has a focus on more up-market dining)
- The Society will appoint an experienced licensee as the tenant to run the business and take all the business risk
- The Society will have the secure income of rent from the tenant

Weaknesses

- The pub has lacked continuity of tenants under Brakspear's ownership and has lost customers to other venues
- Reputation has fallen over recent years
- The turnover and profitability of the pub has declined over recent years

Opportunities

- To rebuild its reputation with a new tenant and staff team
- To develop new customer bases including tourists, walkers, cyclists, people in search of locally produced beers and locally sourced, good quality food
- The property has sufficient space available for the dining and kitchen areas to be improved, as funds permit
- To provide additional community amenities

Threats

- Inability to obtain the necessary financing to conclude the purchase or rejection by Brakspear of a community bid
- Inability to find and /or retain good tenants
- Unexpected repair costs
- Interest rate increases
- Wider economic environment – reductions in disposable income from the customer base

Meeting the Weaknesses and Threats

Attracting lost business

Once the pub is owned by the community (and we hope at least 100 members will be local residents), the commitment to use the pub and to encourage family and friends to use it will be considerable. This has proven to be the case in many instances of community owned pubs.

We also plan to conduct a marketing/PR campaign aimed at residents of surrounding villages and Oxford, and will require that the new tenant's business plan addresses marketing the pub with a well thought out and achievable marketing plan.

Consistent provision of competitively priced good local beer, wine and freshly prepared food using local ingredients, together with reliable opening hours will provide a good basis for re-establishing the reputation of the pub, which should then attract a steady flow of referrals by word of mouth, good TripAdvisor reviews, local newspaper restaurant reviews, etc.

The introduction of events such as regular live events (eg folk, jazz, poetry readings, etc), pub sports (eg Aunt Sally), lunchtime clubs, shop, café etc.

Profitability

A fair rent and free house will give the tenant considerable scope to run a profitable business.

Unexpected Repair Costs

Any offer that the Society makes to purchase the pub will be subject to a structural survey that should identify any serious problems. The financial impact of unanticipated repairs can to some extent be mitigated by using volunteers from the community together with the possibility of grants.

Shareholder withdrawal

We plan to sell shares and attract loan financing that will lead to a sum being raised to adequately provide for all the budgeted costs of the acquisition and any initial maintenance. The Society's rules provide that members cannot withdraw their shares in the first three years of the operation of the business, to allow it to establish itself. After that members will be required to give notice as per the Rules if they wish to withdraw shares, and approval will be subject to funds being available and Management Committee approval.

Cash reserves will be built up where possible to enable withdrawal of shares subject to the requirements of the business. Ideally, new or existing shareholders will be willing to invest to replace shares being withdrawn. If they cannot be replaced, then the reserve fund would be utilised.

Whilst the Society Rules require that every member commits their investment for at least three years, there are certain circumstances in which the Management Committee is authorised to allow early withdrawal (eg death and bankruptcy).

In practice we do not anticipate that the Society will be in a position to fund any withdrawals before Year 5.

Interest rate increases

Interest rates are currently at an all-time low. The risk of higher interest rates, which would increase our mortgage payments, can be reduced by maximising the community shareholding, and if funds permit reducing the debt through early capital repayment. We will also evaluate the option of a fixed-rate mortgage.

The business is unviable

If despite a sound business plan, vigorous and sustained marketing, and the support of members and other customers, the business does not develop as anticipated, then the Management Committee would be forced to close the pub, sell the assets and repay the original investors, with any residual assets to be used for the benefit of the community. This is clearly not an outcome that we seek, nor one that we think is likely, but this possible course of action should give investors

some security that in the event of the enterprise being unsuccessful they will recover some or all of their investment.

7.2 Marketing Strategy – Share Offer

The Share Offer will be marketed vigorously, and will include the following:

- Public meeting to launch the share offer, with external speakers to support the business case
- House-to-house calls to ensure that as far as possible everyone knows about the share offer and to answer any questions people may have
- 'Drop-in' sessions throughout the share offer period to answer queries from potential investors
- Posters will be put up around the area
- Extensive leafletting of Beckley, Horton-cum-Studley, Elsfeld, Noke and Woodeaton
- Some leafletting in Stanton St. John
- New website (www.savetheabingdonarms.org) and Facebook page. These will be kept up-to-date with information on the level of share applications and other news
- Local press coverage
- Email notifications

7.3 Marketing Strategy – Abingdon Arms

As there is no other pub in the village there is no immediate direct competition to the Abingdon Arms. However, there are pubs in some of the neighbouring villages, which, whilst they are some distance away, are competitors for the market. They do however address market segments that are differentiated from the offer that we intend to promote for the Abingdon Arms.

Whilst marketing the Abingdon Arms will primarily be the tenant's responsibility, the Management Committee will assist as far as possible in pursuing the following marketing strategy:

Advertising: There are numerous residents in Beckley and the surrounding area who have expertise and / or personal connections which could be helpful to the tenants in marketing the pub. Help could be provided to the tenant for example in devising and developing the pub's website and branding, publicising the pub's facilities and menus (food and drinks) in the wider area, and drawing in media coverage.

Core pub offer: feedback from numerous local people has emphasised the potential value of these basic offerings:

- Good and consistent quality food using fresh ingredients at reasonable prices
- Menu to offer a range of pub classics plus a small, changing range of specials including for example local game (in season), fish and vegetarian dishes
- Provision of local craft beers, locally sourced food
- Pub games: eg darts, chess, dominoes, Aunt Sally

'More than a Pub' offer: central to the aims for the Abingdon Arms is to attract people who may not otherwise use the pub, to provide for and engage a wider community, for example:

- Socially inclusive functions, eg coffee and lunch clubs for older / less mobile / disabled people
- RSPB members / visitors to Otmoor bird reserve
- CAMRA members who will be attracted by good local beers in an attractive country pub
- Cycling & walking groups, people who pass the pub but may not currently be attracted to use it

- Folk, jazz clubs (we have offers to organise, and will seek sponsors)
- Literary groups, eg poetry reading, book groups: the area has a rich literary heritage associated, for example, with the writers John Buchan (39 Steps), Lewis Carroll (Alice in Wonderland), Evelyn Waugh (Decline and Fall), Susan Hill (The Woman in Black).

In addition the pub can provide for:

- Gallery facilities to display the work of local artists in conjunction with the Beckley Art Group and the Beckley Art Box
- Facility development: café (this will be attractive to local people, passers-by, parents and children after school etc), small shop providing essentials and operated in conjunction with the village shop in Stanton St John, collection / delivery point, taxi link
- For future consideration: microbrewery, artisan bakery.

7.4 Data Protection Act

The Society adheres to the principles of the Data Protection Act, even though it is exempt from registration with the Information Commissioner as a not-for-profit organisation, and will use and process personal data only for the purposes of the Society.

We will keep personal information that we hold secure and up to date, and will:

- only use it for the purposes for which it was gathered, and
- not keep it longer than necessary

Personal data will be used solely for the purpose of maintaining a register of members and potential members as required by the rules of the Society, and for communicating with members. We will not share any members' personal information (names, addresses, phone numbers, etc.) with third parties.

Members' financial information, such as amounts invested, share classes purchased, and interest paid will be treated as strictly confidential, and will not be shared even within the Management Committee except as necessary for managing the Society (eg when making decisions about whether withdrawal requests can be funded).