

The Auctioneers Arms

'So much more than a pub'



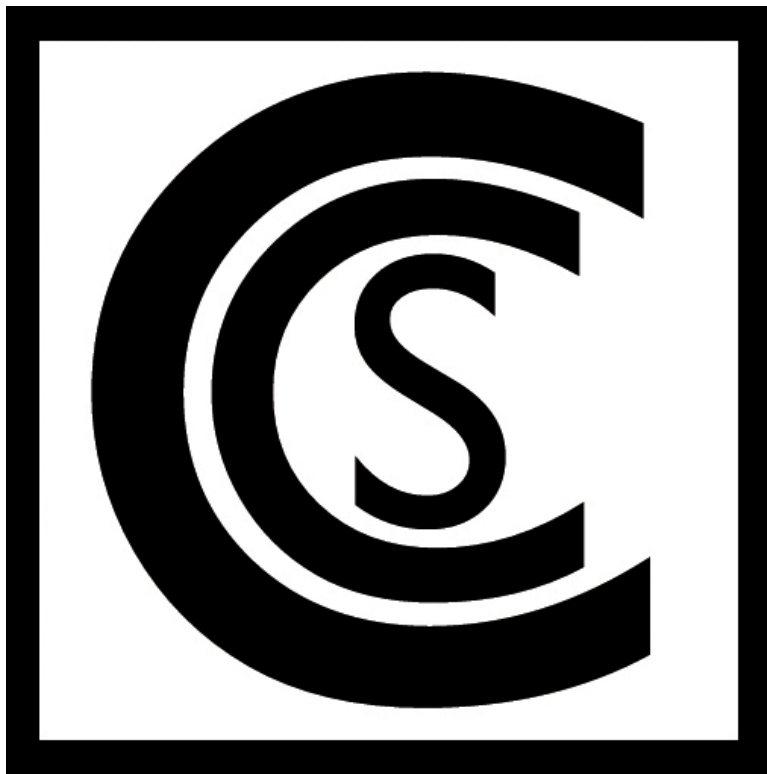
BUSINESS PLAN

Prepared by

CAVERSWALL COMMUNITY SOCIETY

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I. EXECUTIVE SUMMARY

This business plan presents a proposal for the operation of the Auctioneers Arms in Cookshill as a community owned pub. The past existing pub activities will be diversified to create a mixed facility for the community.

Our vision is to create a central focal point in the village of Cookshill, which will act as a catalyst to reignite the economy and sense of community in Cookshill/Caverswall. We want to bring back the tradition of real ales and wholesome local sourced foods and have a base for community activities.

The Auctioneers Arms has been in previous years a vibrant thriving pub. However over the last decade it has declined under the ownership of a large pub operating company that has not invested in the building, marketing or in the business development. Bringing the Auctioneers Arms into community ownership will ensure its success and sustainability of the business by enabling the community to develop the facilities to meet local community need rather than serving the financial demands of disinterested and distant owners. Community ownership will work well with existing village businesses rather than competing directly with them.

To enable the purchase and operation of the facility the community has formed a society known as Caverswall Community Society (FCA registration number 7506), which is a form of co-operative. Capital to purchase the building (freehold) and update the premises will be raised through a community share offer combined with a small co-operative back loan. Shares will be nominally a £1, and the minimum share holding will be £250, the maximum investment is £30,000. The purchasing of shares would confirm “membership” of the cooperative giving members control over the business through the election (annually) of a board of members and voting rights on significant issues at regular meetings. All members will have an equal vote regardless of the size of their shareholding. The shareholders would have the protection of limited liability.

The aim is to open the Auctioneers Arms as soon as possible on taking possession only carrying out essential refurbishment and redecoration of the bar area initially. Medium to longer terms work would be paid from the trading surplus, grant funding and volunteer input as appropriate.

A marketing strategy is presented which will increase usage by local people, visitors in the surrounding areas and day trippers.

A risk analysis has been conducted: the high impact risks would be failure to raise the requisite capital for the purchase, insufficient usage, or increase in operating costs.

2. INTRODUCTION

Business Plan Purpose

The business plan has been developed to support development of a community pub for Cookshill/ Caverswall village together with the surrounding areas. The community pub is intended to house local facilities including a public house with guest ales, coffee shop/cafe, and internet facilities. The community pub is intended to safeguard these facilities by retaining a vibrant, economic heart to the village.

Document Structure

This business plan sets out the proposals for the realisation of this community facility. The plan is divided into the following sections:

Section 1 – Executive Summary	Provides a one page summary of the business plan
Section 2 – Introduction	Sets out the purpose and structure of the business plan
Section 3 – Project Development	Gives more detail about the context for the project including the history and development of the project to date, background to the local area, community consultations and need for the project.
Section 4 – The Vision, Aims & Objectives For The Project	States the overall vision for a new Community Pub and explains the underlying aims and objectives and how these support the local needs identified in Section three.
Section 5 – The Project Proposals	Explains the plans for the new Community Pub in more detail, including capital costs and implementation plans.
Section 6 – Building and Renovation	Looks at the main costs for repair, renovation and conversion.
Section 7 – Marketing plan	Outlines key activities to encourage use of the facilities.
Section 8 – Management and Operation	Describes the ongoing management and operating plans for the facility following opening.
Section 9 – Financial Forecasts	Summary five year revenue forecasts for the operation of the Community Pub.
Section 10 – Risk Analysis	Identifies the key risks associated with the project, with avoidance and mitigation strategies designed to prevent and minimise each risk assessed to be a significant threat to the project.

3. PROJECT DEVELOPMENT

This section explores the local history and context for the project, it details the local census area statistics, which gives an idea of the composition of the area.

3.1 The background project of the Auctioneers Arms

Despite being the only pub in the village of Cookshill, the Auctioneers Arms previously owned by Enterprise Inns has struggled to retain tenants. The Auctioneers Arms was once a thriving pub with good facilities for bar food and private functions. There then followed a long period of under investment which meant the pub has deteriorated and was no longer an attractive venue to either passing trade or the majority of the local community. This inevitable knock on effect of it losing custom and failing to make profit, led to only Enterprise Inns profiting from the business.

Over the years the Auctioneers Arms has been run by a number of different tenants/managers and in August 2016 the pub closed its doors after the tenants/manager were forced to move on due to increased rental cost imposed by the brewery. The pub was sold to a property developer who immediately informed the local residents of his intentions to demolish the pub and apply for planning to build houses upon the site. As a result of the closure an initial group of concerned residents began discussions on how to prevent the permanent loss of the pub that has been in the village for over 140 years. A number of residents attended an initial local parish meeting held on Monday 5th September 2016. On 15th November 2016 a further meeting was arranged; open to the community to voice their concerns about losing their local community pub. This meeting was attended by 60+ residents who were all interested in saving the pub. A 'Keep the Auctioneers Arms a Pub' Facebook group was created where there are currently over 1200+ keen supporters. The formed steering group explored the options which resulted in the submission to Staffordshire Moorlands District Council for the nomination of the Auctioneers Arms to be registered as an Asset of Community Value (ACV). Contact was made by email to the current owner, an out of area property developer, who initially agreed in principle to sell the pub. Further meetings with the community plus social networking have shown an increase in support to form a cooperative to purchase and run the pub according to the needs of the local community.

The current owner was asking for offers in excess of £300K for the pub which includes the associated land/car park. The Society had an independent valuation carried out on the pub and on 14th March 2017, and through their business advisor made an offer of £245,000 to purchase the pub (including the car park). The offer was not accepted on the principle that: it was not an acceptable level, there was no proof of funding, there was no timescale for completion and there was no nominated solicitor. The society intends to achieve all of these criteria by raising enough capital to buy the pub, purchase sufficient stock to begin trading and to cover the legal fees and initial refurbishment costs. We can achieve this through a combination of share offers, grants and business loans.

Although the owner has recently informed the Society that the pub is now off the market, (albeit remains as an ACV,) the Society is determined to press ahead with their campaign and launch the share offer to establish the level of genuine interest amongst potential investors. They will then be in a stronger position to provide the owner with a robust offer which will fulfil his selling criteria.

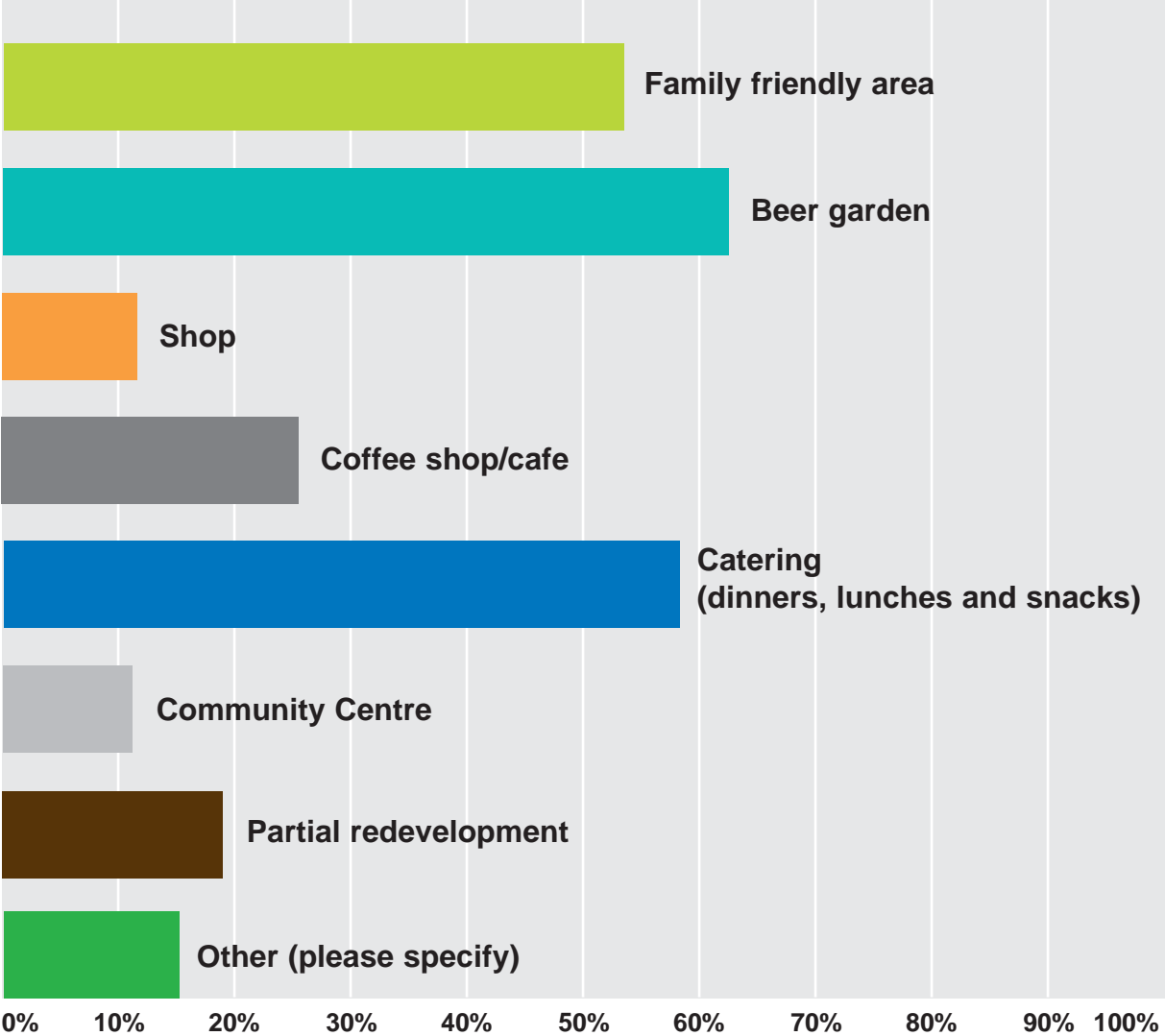
3.2 Local Consultation

At the meeting with local residents on the 15th of November 2016, villagers were given the opportunity to have their say as to what they would like the pub to be able to provide. Information regarding the Auctioneers Arms, including a survey, was posted to residents that were not aware via social media. A number of suggestions were put forward with the vast majority of returns indicating that many residents were in favour of a traditional pub, coffee shop/ café, parcel drop off pick up point, meeting point for local clubs, possibly a post office. Local clubs such as football, darts, pool, cards, crib club etc. were also favoured.

These suggestions could be provided through the community purchase of the Auctioneers Arms.

Results From Public survey carried out in October 2016

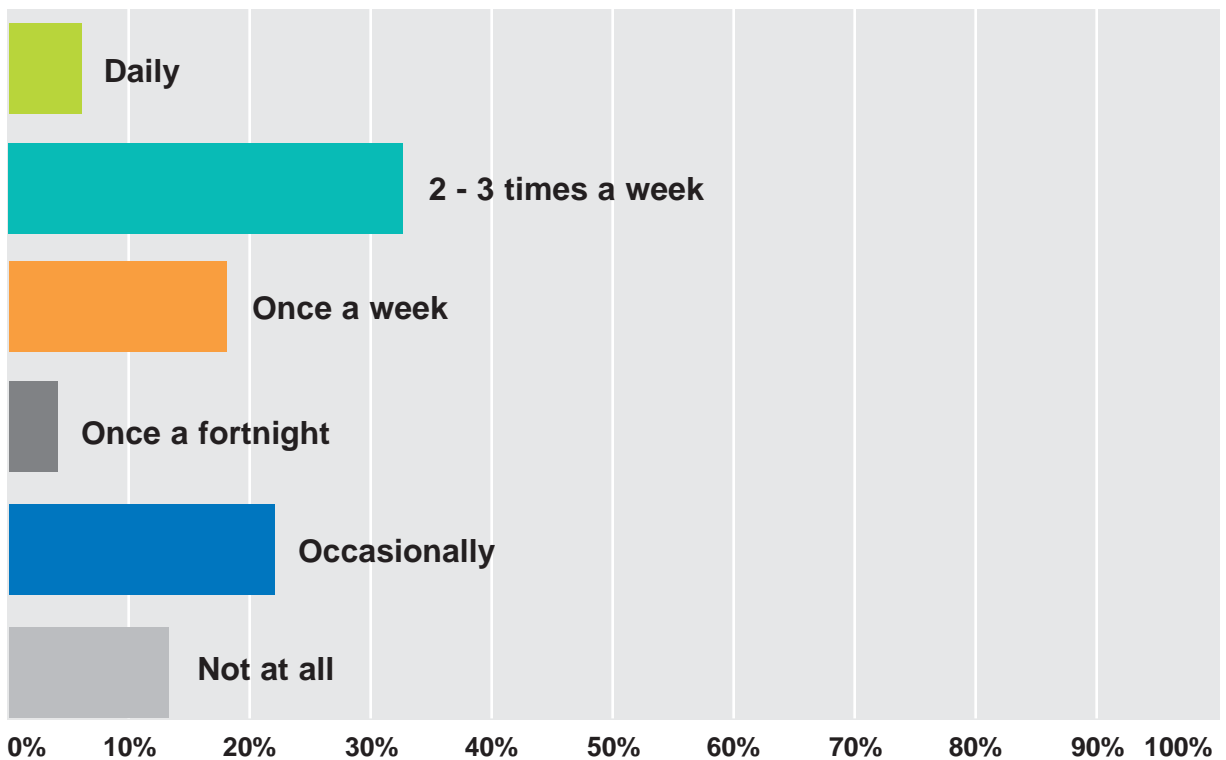
What additional services would you most like to see the pub offer?



Would you or anyone in your household be interested in helping a co-operative pub in anyway by;



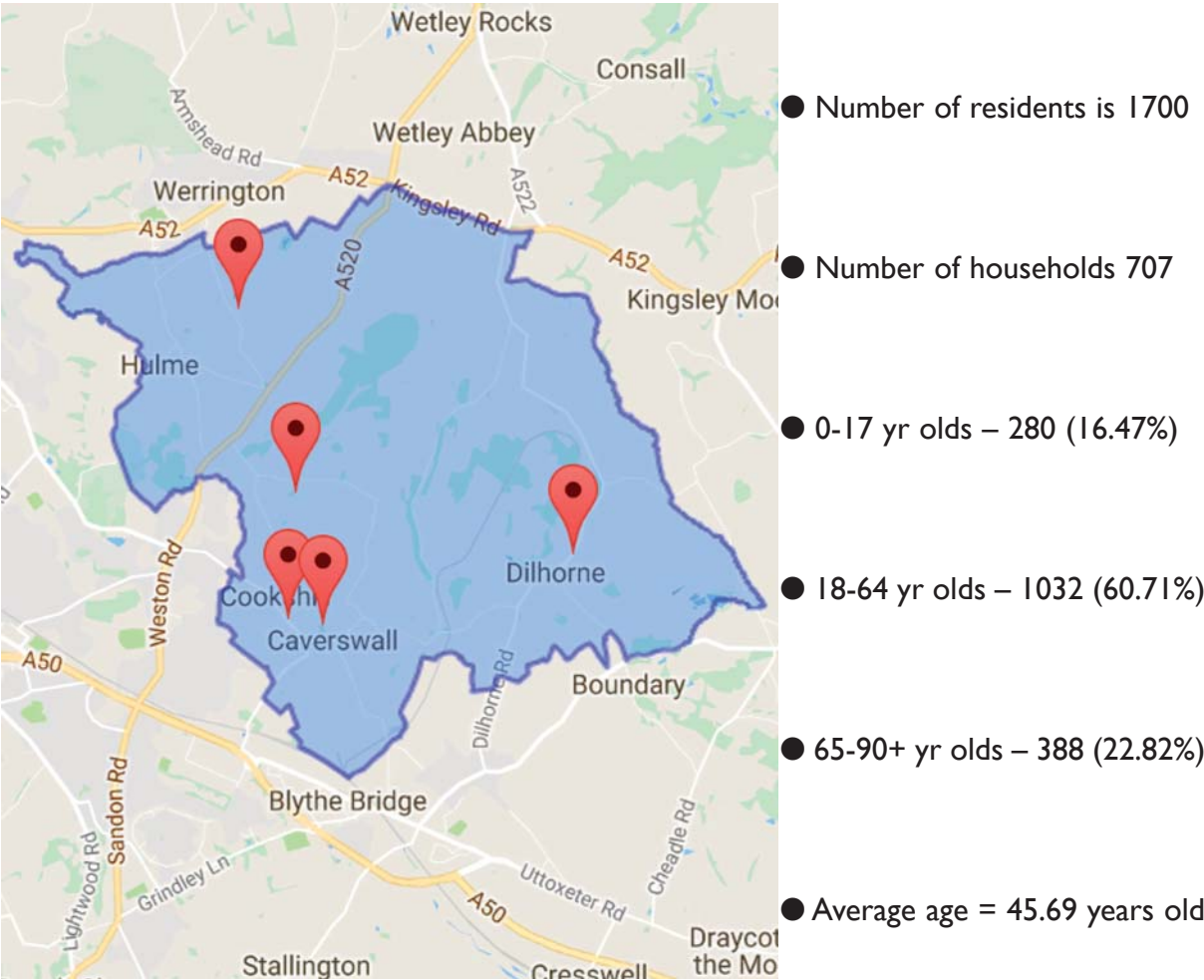
If the Auctioneera Arms was to re-open would you or any member of your household use it?



3.3 Local Community

Cookshill/ Caverswall are traditional hamlets located within the rural area of the Staffordshire moorlands. Listed in the Domesday Book, 1086, it has its very own moated medieval castle that dates back to 1275AD and is just a short walk away from the Auctioneers Arms pub. It has its own set of stocks in the heart of the village which evidence times gone by. Our village has views over the Staffordshire countryside, plenty of meandering public footpaths nearby villages and it is very popular with ramblers and there's interesting lanes for cyclists. It is also close to the theme park of Alton Towers and even closer to the stunning Trentham Gardens originally owned by the Duke of Sutherland.

The red markers locate the centre of the five areas the census is broken into:-



This data is for the Parish of Caverswall as defined in the 2011 census.

Caverswall / Cookshill are steeped in history, ideal for exploring the sites and attractions of the Staffordshire moorlands and the various fabulous pottery museums and ‘pot banks of Stoke on Trent’, affectionately known as ‘The Potteries’. The Foxfield railway which is also close by was built in 1892-1893 to provide the link to national railway network to the now closed Foxfield Colliery. The railway, to this day, has steam engines running at weekends and this is a very popular tourist attraction.

3.4 Developing a sustainable business

Whilst Cookshill/Caverswall has a thriving community of many groups, it's clear that its businesses and services are under threat. It is challenging for any business to survive in a rural location, it's clear that co location of businesses under one roof, with shared overhead costs, offers an innovative solution to the threat of business closure. The community pub would support the local economy, providing local employment, as well as purchasing local produce, goods and services, supporting local food producers and other service providers.

In order to progress this proposal, the original steering group which was formed following the immediate closure of the pub back in August 2016 have achieved the following:-

- Nominated The Auctioneers Arms as an Asset of Community Value (ACV), to protect it through the localism acts right to bid legislation
- Formed of a legal entity, known as the Caverswall Community Society
- Formally Registered the Society with the Financial Conduct Authority (Reg no. 7506)
- Started negotiations with White Acres estates to purchase the pub as a community.
- Seeking information from HMRC that investors will be eligible for tax relief under the (SEED) enterprise investment scheme,
- The steering group has full support from the local Parish Council, Staffordshire Moorlands District Council, Plunkett Foundation and the Campaign for Real Ale Group (CAMRA)

3.5 The Future

There are over 40 examples of communities who have saved their local pub by taking it into community ownership and offering a different business model, involving either voluntary or professional management. In all these models the income generated can be put back into the pub, for the shareholders there is confidence that their investment is being put to a worthwhile cause as well as offering some small financial reward through a dividend (or interest.)

Community ownership of the pub would offer a solution of housing a cafe/coffee shop and other services within the village, benefitting the social development of otherwise isolated residents. The project could be a real catalyst for the economic and social development of the village, achieving transformative community-led service delivery under one roof.

The members (share owners) will own the business and each member has one vote. The members not only have a say in the running of the business but may also share in its fortunes. The members don't get a say how the pub is run day to day, but they are in control of the strategic direction of the Society. The members choose a team of Directors to oversee the management and the Directors will appoint a general manager.

The Society will use a variety of methods to communicate with the members seeking their views. This will be achieved by Annual AGMs, regular newsletters, quarterly members meetings, a Facebook page and dedicated website. We want to know what the members think about how the pub is being run and about any new initiatives that may assist in developing the business. The views of the members are paramount as the strength of the community pub model is that it is continually shaped by the community it serves so that its services are always fresh and relevant.

4. Vision, Aims and Objectives

4.1 Introduction

This section sets out the overall vision for the new community pub; it explains the primary aims and objectives for the project. These are linked to, and directly support the local needs and demands identified in section three above.

4.2 The Vision of the Project

The Vision of the Project is:

“To develop a sustainable community pub, that is inclusive and contributes to a vibrant and thriving village, with a reputation for good customer service.”

4.3 Project, Primary Aim

The project aims and underlying objectives which underpin this vision have been developed based upon local needs identified in section three above and are as follows:-

Our aim is to encourage more local people and visitors to use the Auctioneers Arms by providing a high quality service at an affordable price, creating loyalty by providing an experience customers want to repeat.

4.4 Project Objectives:-

- a. To provide a community facility in the village offering somewhere to go and something to do.
- b. To provide a flexible venue that can be used for various activities and by more than one user group at a time.
- c. To facilitate access to essential services, especially for older our residents and those who are less mobile.
- d. To provide economies of scale by locating several services under one roof.

Apart from our main aim, we also aim to protect other essential services for the village including health services such as the housing of the village defibrillator on the pub wall, and the recycling banks (clothing) and parcel drop/collection point.

We also want to support local producers in the area to help maintain a vibrant local economy and generate jobs.

5. Business Proposals

5.1 Introduction

This section explores the plans for the new community pub in more detail. It also provides a breakdown of capital costs of the project.

5.2 The Business Proposal

The vision we have for the Auctioneers Arms is for it to become the heart of the Cookshill and Caverswall Community through the provision of various services which are;

As a traditional local village pub:

Serving real ales and sensibly priced local sourced food. We want the pub to embrace the whole community, therefore providing food and facilities for the whole family.

Coffee Shop/ Cafe:

In the lounge area to attract a wide and diverse target market.

Team Building:

Re engage with the pub sports teams especially football and darts and provide pub games such as dominoes, skittles and crib.

Themed Evenings:

The pub would host; themed nights, live music, quiz nights and local talent evenings.

As a place to meet/daytime venue:

For village residents who currently do not have anywhere within easy walking distance to meet, hold events and chat.

As a resource for visitors:

Who want the building, not only to meet the need of local people, but also travellers who currently pass through the area. The pub is situated within easy reach of Alton Towers, one of the biggest theme parks in Europe. We would hope that by offering good quality, reasonably priced local sourced food and providing a welcoming venue, the pub would be an attractive venue for walkers and cyclists.

Car Parking:

The pub also owns the largest parking space in the village. This could be used by local residents who don't have their own off street parking facilities which would improve road safety through the village. The car park could also be used as somewhere walkers, cyclists and visitors can safely leave their vehicles for the day in return for custom.

Employment Opportunities:

As a resource for regeneration of the village, attracting more visitors to the village can only be a good thing as it will provide more income and employment for the community.

5.3 Business Model

We believe the best way of achieving our aims for the Auctioneers Arms is to buy it and operate it as a community pub. We have formed a society which is able through a share offer, to purchase the pub for the village and members of the society. The society (CCS - Caverswall Community Society LTD) has already been recognised and registered by the Financial Conduct Authority.

The benefits of this are:

- The local community would own the building
- People will feel more committed to the facilities offered by the pub
- Setting up a society will aid in seeking grants and funding
- Purchasing shares may provide a modest annual return by way of interest payable to members
- This approach is based on a model which has been replicated and implemented over 40 times around the country.

Future Options

As the building will be purchased as a freehold, the community will have the option to develop the range of services to meet their needs. Later, services such as the following may be introduced:

- Extending opening times
- Bed and breakfast
- Parcel pick up/drop off point
- Post Office (dependent upon success of the current business)
- Car boot sales
- Tourist information point.

Share offer to buy the Auctioneers Arms.

As a means of raising the required capital, shares in the project will be issued by Caverswall Community Society and will be made available via the CCS website. Unlike shares on the stock market these shares cannot increase in value so trading in the shares is solely between the Auctioneers Arms public house and the individual investor. It should be noted that shares can decrease in value if the Auctioneers Arms were to dissolve but this is mitigated by the majority of the investment being locked into the capital of the building itself.

It is also intended to apply for Social Investment Tax Relief (SITR) which is a government scheme to give investors a financial incentive to invest in social ventures. This works by giving a series of tax reliefs; the most notable in this instance is that an individual whose shareholding qualifies can expect to claim income tax relief at a rate of 30% provided Shares are held for over 3 years from the start of trading. There are various qualifying criteria for both the relevant entity (in this case Caverswall Community Society) and the individual. We have already applied to HMRC for SITR tax relief advanced assurance and all pubs that are using this model have been granted the advanced assurance.

The cost of each share is a £1 but for practical purposes, the minimum amount which can be invested is to be set at £250. There will be a maximum investment of £30,000 per member.

Owning a share automatically entitles a member to have a say in how the community society is managed. Being a co-operative, each member would retain one vote no matter how many shares they own.

The membership will elect a board of directors that will, amongst other things, advise the members of what they think the annual level of interest should be.

There is a tie in period associated with the shares of at least three years in order to maintain the level of capital. After that there will be a period of notice required prior to any withdrawal. The directors will have discretion in exceptional circumstances to allow shares to be withdrawn sooner than the requisite time.

6. Building and Renovation

An independent survey of the building was undertaken by MJD Hughes Ltd of on 14th March 2017 and a full report has been provided to the society. The findings concluded that the Auctioneers Arms appears on initial inspection to be a sound property. This is beneficial for the future trading possibilities of the site but at present it is not a public house that could be immediately opened for business without some refurbishment. In addition to any refurbishment there is a need to invest in the inventory of fixtures, fittings and equipment to achieve an operational pub. The public house is therefore presented to the market as a closed business.

The property has been closed for a number of months and will need to be cleaned to bring it up to an acceptable standard for customers. The beer taps for the bar servery and cellar equipment will require servicing. The pub does provide a high degree of potential for initial trade and has a healthy level of interest from the local community. There will be a period of uncertainty as to the trade performance for an initial period after the opening and this should be constantly analysed. The pub would provide an excellent facility for community groups, meetings, and other visitors.

From the surveyors projection as to the fair maintainable trade of any future operation this reflects the property and trade level/potentials with a basic level of investment. In terms of the buildings condition, there are no immediate major items necessary other than items of routine maintenance (e.g. gutters) but in the medium to long term, allowances for major repairs must be included.

The Auctioneers Arms is a large property to refurbish but it has an inventory of fixtures fittings and equipment to commence operation if retained together with the purchase of the property. This inventory will need to be added to and as such a budget cost put against this. Any additional refurbishment proposals should take into account the need for the costs of the work not to exceed a level that will fail to provide a commercial return to the business. The independent valuer is of the opinion that the best commercial use of this property is as a public house.

General Condition

Internal

The interior of the property is in reasonable condition; however the trade areas require refurbishment. The private accommodation on the first floor requires full refurbishment before it can be occupied.

External

The exterior appears to be in reasonable condition but in need of routine maintenance.

Overall

Overall the property appears to be in reasonable condition. The surveyors consider the building should have a useful economic life of at least 10 years provided a routine maintenance schedule is introduced and this schedule continues to maintain the property to a reasonable standard.

The full survey estimates the cost of the immediate works needed at around £50K

The work that is required prior to opening is minimal but includes:-

Proposed immediate work

- Bar Area; some minor building work , decor, flooring
- Toilets {especially the gents}. Minor work, decor
- Kitchen; although the kitchen was once very workable and quite adequate, shelving and repositioning of the sink would allow a smoother organised running to the kitchen complying with current hygiene standards.
- Exterior decor: painting to woodwork, porch area to make the pub more appealing and inviting to passing customers.

The following are areas of work which would be addressed as soon as funds were available, potentially including grant funding or via volunteer input:-:

Short Term

- Possible full rewiring
- Lounge area, create different areas within the large lounge, café, library/book club area

Long Term after at least three years of trading

- Upstairs has the potential to be transformed into a bed and breakfast, two family rooms/en suite, plus three twin rooms/en suite

7. Marketing Plan

The marketing plan for the Auctioneers Arms is based upon the following principles:-

- To increase the number of customers that visited before closure
- To get custom back to how it used to be but encourage a more diverse section of customers, young people, older people, families, school parents.
- To increase the frequency of returning customers by offering more services in the community pub / hub.
- To target passing trade and visitors to the area by having an appealing pub on first impressions.

For the committee to gain a full understanding of what facilities the community want in a local public house an internet survey monkey was set up in November 2016 combined with a leaflet drop to local residents.

The results of the survey can be seen in section 3.2 above

These proposals were sorted by most popular and it is these most popular ideas that will be considered for viability and sustainability during the initial months of opening. Ideas not considered suitable or viable at the initial stage may be considered for inclusion at a later date.

Proposed methods for achieving the marketing objectives in the early days of operation of the business are outlined below. The marketing plan will be updated regularly in conjunction with the management team as the business grows and develops.

Increasing the number of customers

The first part of the marketing strategy relies on raising awareness of the new Community

facility and the services on offer. This will be done through an extensive outward facing marketing campaign incorporating all forms of media including:

Print Media

Regular advertising in the local newspaper, The Sentinel, Leek Post & Times, and Cheadle Leek Post and Times. Local volunteers have and will continue to carry out periodic leaflet drops.

Social Media

Regular updates on our new website linking to the Caverswall parish website. The website is designed to be easily navigated for whatever service or activity the user is interested in. Facebook, regular updates creating awareness to a younger diverse audience designed to tell a running story keeping stakeholders up to date with events / activities and promotions

- Specific detail and photographs will be used to describe each activity, be that a daily menu offer or a guest ale offer,
- An enquiry contact page/link will be monitored regularly to enable all enquires to be dealt with efficiently.

Local Businesses, groups and clubs

We will seek to work with local businesses, groups and clubs to raise awareness of the project amongst their customers, users and visitors. This will be done through the attendance of business network events, leaflets/ posters within local businesses, and through giving talks to local groups. The two local primary schools both less than half a mile away from the Auctioneers Arms, offer an important marketing channel to engage parents picking up or dropping off children and opening hours have been set to reflect this. There are over 200 children in the combined schools, and there are a small number of holiday lets within the village which will also be an important area from which to generate business.

Creating a welcoming and attractive atmosphere

Having initially attracted custom through the door, our main marketing tool will be to create a great impression and build a positive reputation to encourage repeat visits. To do this we will offer favourable terms and conditions to staff and ongoing training to enable them to provide excellent customer service. We will invest in the fabric of the building on an ongoing basis to provide the kind of environment that customers come to expect. We will serve customers promptly, with a friendly manner. And complaints, if any, will be dealt with to reach a satisfactory outcome for the customer. A regular change of menu and ales offers using local sourced food and local breweries will retain customer interest, attracting repeated visits.

Events and Activities

A series of events and activities aimed at engaging all sections of the local community, as well as visitors will be developed, including regular day and evening events; e.g. family days on bank holidays, beer festivals, fetes, themed nights, book club, luncheons for the elderly, quiz nights, competitions, auctions, bonfire nights, Christmas carol evening, future options include parcel pick up/drop off, all these events will offer a wider range of customer base.

Trip Advisor

Maintain a watching brief on review websites will enable the management to respond to any positive/negative views promptly and directly, we will be committed to making continuous improvements and services. We will aim to achieve a rate of 4/5 within the first year of trade.

Increasing the facilities available under one roof

Prior to its closure in August 2016 the Auctioneers Arms only existed as a pub business with an off and on food menu. This limits the revenue generation opportunities, as well as the audience that's likely to come through the door. By co-locating a number of services and facilities under one roof, this will increase a wider audience to the pub increasing revenue generated by each visitor. We will be able to offer a different service than initially the customer expected, a customer for one service may return knowing there are several services that suits his/her needs.

Increasing the time spent in the community pub/hub

One way to increase the value of each visit made by customers is to increase the amount of time spent in the facility; people calling in for a drink may be persuaded to stay for a meal or snack by prominently displaying an eye catching tempting menu, good Wi-Fi will encourage customers to stay longer; comfortable appealing decor creating a pleasant environment will increase prolonged visits.

8. Management and operations

8.1 Introduction

This section describes the ongoing management and operating plans for the community pub following opening.

8.2 Management and operation of the community pub

The community asset will be owned by the Caverswall Community Society Ltd. We have chosen this legal model because it emphasises the social benefit of the project, whilst giving the directors the protection of limited liability. It guarantees an "asset lock" that ensures the asset of the society will be used for the benefit of the community and cannot be disposed of for the private profit. The society rules have been approved by the Financial Conduct Authority and are available separately.

The strategic management of the venue will be overseen by the elected board which has been set up specifically for this purpose. Our intention is to establish a board membership drawn from across the local community through the purchase of community shares. The shareholders will elect a board of directors at its Annual General Meeting.

8.2 Day to day operation

The pub would also incorporate a café/coffee shop facility which would open from 9am until 5 pm Monday until Saturday and 10-4 on a Sunday. The café would sell breakfasts, light lunches and tea time meals and a variety of cakes and healthy snacks. The meals will also be provided in the lounge area of the pub. Both the café and the bar facility would be managed by a salaried manager appointed by the Board of Directors.

The appointment of the manager will be made following a robust application process where the applicant must convince the board that they will be committed to providing a warm, welcoming and friendly atmosphere in the pub and that they are fully committed to the boards

vision, aims and objectives. The applicant must have experience of working successfully in the licenced trade and they will need to convince the Society they are suitable for the position.

The successful manager will be responsible for the day-to-day organisation of both the cafe and bar facilities. There will be additional staff employed on a part time basis; i.e. cleaning staff, a chef, waiting-on staff and kitchen staff for the cafe. The aim is that the café and the bar would complement each other rather than compete with one another. The café would provide breakfast and coffee before the pub's opening hours and the cafe would close just as evening trade for the lounge meals picked up. The café would provide light lunches and teatime meals: soups, sandwiches, toasties, toast, tea cakes, pastries and cakes. It is expected that the restaurant would provide good quality, locally sourced and competitively priced hot meals.

8.3 Systems and Processes

Up to date ICT systems such as laptops, PC desktops, card payment systems and Wi-Fi will be utilised to assist with the smooth running of the business. The manager will be responsible for the initial book-keeping, i.e; receipt of goods, income/expenditure, payroll, utilities and stock taking and a registered accountant will be commissioned to provide a statement of audited accounts on an annual basis.

Advice will be sought from other successful community owned pubs to identify suitable IT systems that can be utilised to assist with the management of human resources, contracts of employment, Health and Safety and Fire Safety precautions.

9. Financial Forecasts

This section outlines the anticipated achievable income and expenditure forecasts for a five year period following opening. This is consistent with industry standard revenues for a rural aspect pub plus forecasts for café/coffee shop revenues based on equivalent actuals (see table opposite).

9.1 Financial Summary

The forecast summary (on page 19) is an extract from a more detailed cash flow analysis for the first five years which can be found in Appendix 2 (separate doc). This also includes a breakdown of staffing costs along with a daily schematic of staffing cover levels based on various levels of increasing turnover in order to maintain service levels as sales increase over time.

The forecast detailed above and in Appendix 2 (separate doc) is based on the following assumptions;

For the purpose of this forecast it has been assumed that an offer price of £245,000 is accepted by the current owner. This assumption is based on the independently assessed valuation of the property carried out by MJD Hughes on 14th March 2017. This figure can be adjusted as circumstances change and will be amended through either the share offer expectation or any loan facility that may be required. Please note that this forecast includes for an initial outlay of £49,000 for VAT which will be recoverable and is included in Year 2 income.

Included in the initial outlay is a further £400 for initial marketing, £3,000 for stamp duty (if required), £3,100 for surveyor and legal costs, £1,000 to obtain a licence for the manager, £5,000 for sales stock and £1,000 as an initial cash float.

APPENDIX 3 - Business Plan

The following amendments (in red text) are to be included in version two of the Caverswall Community Society Business plan dated April 2017

Page 13 - Future options

As the building will be purchased as a freehold, the community will have the option to develop the range of services to meet their needs. Later services such as the following may be introduced:

- *Extending opening times*
- *Bed and breakfast (After year three)*
- *Parcel pick up/drop off point*
- *Car boot sales*
- *Tourist information point.*

Rationale – The Bed and Breakfast accommodation on the first floor is a medium term ambition to be achieved over three years. The original business plan text states the correct position. It is anticipated that Caverswall Community Society currently will not have the resources or detailed plans to develop Bed and Breakfast accommodation in the pub before year four therefore this is a medium term proposal which is to be delivered after year three of trading.

Page 19. – Financial Forecasts

The Auctioneers Arms will have a room for local people to use for celebrations, events and meetings. Caverswall Community Society expects that in most cases, people will want refreshments (teas, coffees, a buffet) as part of their use of the room, therefore will not charge for hire of the room, but will charge for the provision of refreshments or other services.

The Financial Forecast figures on page 19 of the original Business plan have been amended to reflect the potential income from the B&B and room hire from year four and beyond.

Caverswall Community Society

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Income						
Plunkett Grant	£2,500	£0	£0	£0	£0	£2,500
Shares	£200,000	£0	£0	£0	£0	£200,000
Donations	£0	£0	£0	£0	£0	£0
Loan	£150,000	£0	£0	£0	£0	£150,000
Bridging Loan (VAT)	£0	£49,000	£0	£0	£0	£49,000
Wet Sales	£174,199	£211,999	£251,299	£260,000	£260,000	£1,157,497
Dry Sales	£9,000	£7,800	£7,800	£7,800	£7,800	£40,200
Café Sales	£7,200	£10,400	£11,900	£10,400	£10,400	£47,800
Room Hire	£0	£0	£0	£2,340	£2,340	£10,740
Food	£12,100	£30,000	£35,400	£46,800	£46,800	£171,100
Bed and Breakfast	£0	£0	£0	£12,480	£12,480	£44,800
Total Income	£554,999	£309,199	£306,399	£339,820	£339,820	£1,873,637
Expenditure						
Media	£5,700	£5,200	£5,200	£5,200	£5,200	£26,500
Leaflets	£250	£0	£0	£0	£0	£250
Purchase Price (Inc VAT)	£294,000	£0	£0	£0	£0	£294,000
Stamp Duty?	£3,000	£0	£0	£0	£0	£3,000
Surveyor	£600	£0	£0	£0	£0	£600
Legal Fees	£2,500	£0	£0	£0	£0	£2,500
Refurbishment (start)	£45,000	£0	£0	£0	£0	£45,000
Cash Float	£1,000	£0	£0	£0	£0	£1,000
Licensee	£1,000	£0	£0	£0	£0	£1,000
Wet Stock	£83,390	£95,400	£113,085	£117,000	£117,000	£525,874
Dry Stock	£9,100	£16,067	£17,867	£21,667	£21,667	£86,367
Manager Salary	£24,263	£24,919	£25,799	£26,005	£26,005	£126,992
Bar Staff/Chef/Waiting	£32,626	£45,556	£55,966	£62,249	£62,249	£258,646
Cleaner	£2,080	£3,250	£4,160	£4,160	£4,160	£17,810
Business Rates	£1,000	£2,000	£3,000	£4,000	£4,000	£14,000
Services	£3,250	£3,250	£3,250	£3,250	£3,250	£16,250
Phone/Wifi	£780	£780	£780	£780	£780	£3,900
Insurance	£1,209	£1,209	£1,209	£1,209	£1,209	£6,045
General Upkeep	£2,600	£2,600	£2,600	£2,600	£2,600	£13,000
Loan Repayments	£13,000	£13,000	£13,000	£13,000	£13,000	£65,000
Waste Disposal	£600	£600	£600	£600	£600	£3,000
PPL Licence	£130	£130	£130	£130	£130	£650
PRS Licence	£250	£250	£250	£250	£250	£1,250
Entertainment	£6,500	£6,500	£6,500	£6,500	£6,500	£32,500
Sky TV	£0	£0	£0	£0	£0	£0
Pool/Jukebox	£0	£0	£0	£0	£0	£0
Risk	£5,000	£5,000	£5,000	£5,000	£5,000	£25,000
Accountant	£2,500	£2,500	£2,500	£2,500	£2,500	£12,500
3% return to shareholders	£0	£0	£0	£6,000	£6,000	£12,000
Refurbishment	£10,000	£20,000	£20,000	£20,000	£20,000	£90,000
Total Expenditure	£551,327	£248,210	£280,895	£302,100	£302,100	£1,684,633
Net Position	£4,052	£70,689	£38,824	£37,720	£37,720	£189,004

Caverswall Community Society

Cash in Hand	£1,000	£1,000	£1,000	£1,000	£1,000
Cash in Bank	£3,672	£64,831	£100,245	£151,284	£189,004

Following an initial survey the pub was found to be in reasonable condition internally and we have allowed a lump sum of £45,000 for refurbishment, a POS terminal and general remedial works and furnishing. A detailed breakdown will be provided once the building is purchased.

As defined by the British Beer and Pub Association the Auctioneers Arms best fits the model of a 'Community Wet-led' establishment with wet turnover of around £5,000 per week. We have assumed that our initial turnover, excluding the first month, will be at 60% (£3,000 per week) of this expectation initially, rising to 80% (£4,000 per week) by the middle of Year 2, eventually plateauing at the anticipated £5,000 per week by the middle of Year 3. This is an achievable incremental rate of growth based on a growing reputation, marketing, entertainment and quality of service. The forecast does not exceed the £5,000 a week turnover target, however anecdotal evidence suggests that approximately 18 months before the pub previously closed a weekly turnover of £5,800 was being achieved.

All wet sales costs are based on 45% of sales values which is in line with industry standards for a 'Community Wet-led' establishment which can expect costs between 40-50% of turnover.

Dry sales of snacks, crisps, cold sandwiches etc., are forecast at around £200 initially dropping to £150 a week as the café facility opens in Year 1, Week 13, slightly impacting this potential market.

At the end of year 1 a reinvestment of £10,000 is included to cover the costs of refurbishing the upper floor of the public house to accommodate two bed and breakfast facilities. The forecast assumes only 4 nights usage a month initially rising to 8 nights after year 2, 12 nights after Year 3. These are deliberately low as this market is currently an unknown but with relative proximity to Alton Towers and capacity issues at other local hotels this is a market with significant further potential.

A comprehensive staffing plan is included in Appendix 3 (separate doc available) including a daily schematic of cover levels for 4 different business scenarios;

- 1. Wet sales up to £14K Turnover
- 2. Wet sales up to £14K Turnover with £3.3K dry sales
- 3. Wet sales up to £16K Turnover with £3.8K dry sales
- 4. Wet sales up to £20K Turnover with £4.4K dry sales

Please note dry sales consist of cooked meals, café sales and bar snacks.

Staffing levels are based on previous experience and anticipated sales patterns weighted towards weekend sales.

The business plan assumes this will be a managed public house and will pay £24,000 pa to a manager along with a 5% performance related bonus of net sales after any refurbishment costs and shareholder remuneration.

Bar staff will be paid the living wage and this plan assumed there will be 4 part time bar staff to support the manager who will be expected to work 28 hours a week. There is also a small allowance for a cleaner. Once hot food sales commence there is an allowance of £10 per hour for a chef and during busier periods waiting staff will also be employed to support this function. Due to the relatively small expectation of sales from a café it is anticipated that this will be included in the bar staffing hours.

The detailed cash flow forecast included in Appendix 2 (separate doc available) also demonstrates cognisance of numerous cost centres that require inclusion. These are business

rates, although these are expected to be zero rated as suggested in the MJD Hughes survey and by SMDC, gas, electric and water services, telephone and Wi-Fi facilities, insurance, waste disposal and PRS/PPL licences for music and entertainment. Financial assumptions in relation to cash flow requirements have been produced in relation to the first three years of trading to ensure that the Society has sufficient cash to carry out initial refurbishment and stocking. (separate doc available)

The plan also assumes a monthly interest charge of £1,000 per month to service any loan facility. Please note that these payments are consistent throughout the five year plan but may be reduced or even removed as capital repayments are made on the overall balance of any loan facility. This model would allow for full repayment of any outstanding loan by the end of year 4 should the management committee choose to take this course of action.

A £200 a month allowance is included for general upkeep and maintenance.

Although this business plan is believed to be comprehensive in nature it has a £5,000 contingency or risk pot to allow for any unforeseen costs. Should this not be required it will simply be added to the net cash position accruing as £385 per month.

Finally, the business plan recognises the need to continually maintain and improve the condition of the public house and its surroundings and therefore allows for £10,000 in year one rising to £20,000 per annum for ongoing redevelopment. This provides a substantial reinvestment into the facility of £90,000 over the initial five year period.

This is a sustainable business model that allows a 3% return on investment after Year 3 and demonstrates that this pub and community hub has the potential for a long-term future based on achievable targets and will also produce a return for investment in other community projects benefitting the entire community and its surroundings.

Trading Potential

The independent valuer has over 30 years of experience in the licensed trade, and reported that there is an opportunity for a sustainable business for the pub. The initial catchment would include the 1,000 or so residents of Caverswall, Cookshill and from further afield. In essence however the core market would derive from the high concentration of private residences in the immediate area of the pub. For the business to be sustainable and encourage an experienced manager or tenant to take over the running of the operation, The Auctioneers Arms will need to attract visitors not just from the immediate locality. The layout of the trade areas, together with the potential to use the outside areas can provide confidence that the turnover can gradually be increased to a level that is sustainable.

The business at The Auctioneers Arms will need to achieve net sales of about £2,000 to £3,000 a week with a gross profit of between 55% and 60%. Regular visits and use from locals is paramount but to be attractive to a broader range of potential customers, food, teas, coffees and sweet snacks (cakes and biscuits) will be important to the business. This may well mean that the operation does not adhere to conventional pub opening times. Morning coffee, a popular lunch menu and afternoon tea will not only be important to turnover but also as a form of advertisement for the pub. Cyclists, walkers and lunch visitors can be encouraged to return in the evenings if the correct offering is provided.

The fact that the number 50 bus service operates right past the front door, bringing potential customers to and from Stoke on Trent, should not be overlooked. Working from a nil base therefore, an annual net turnover of about £130,000 should be targeted within the first year of the community taking over the operation. As important as this level of net turnover

however is the control of costs. The total cost of operating the business, including staff wages should not exceed 30% of turnover and it is critical that the cash-flow of the business is carefully controlled.

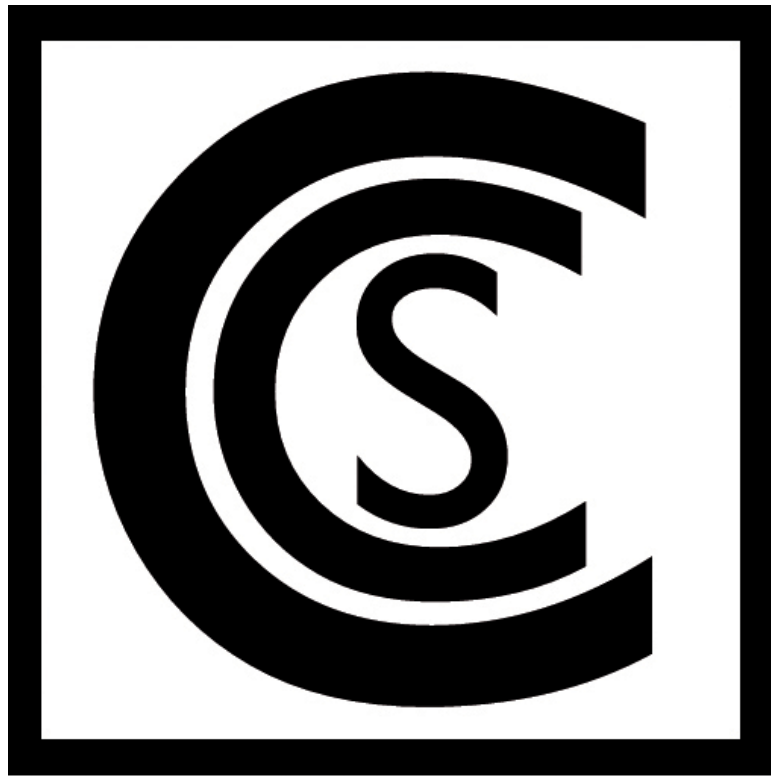
The Auctioneers Arms has the potential to achieve this with the correct operator.

The value of properties and businesses of this type is closely related to trading results and potential. In view of the importance which the market for such properties attaches to trading figures actually achieved, in the event of a future change in the trading potential or actual level of business from that indicated by the information and assumptions made herein (possibly as a result of the conduct of the trade by the operator/tenant), the value reported could vary and in the case of such a meteoric rise in turnover this may be beneficial to the community.

10. Risk Analysis

We have considered the key risks for the proposed community purchase of the Auctioneers Arms pub, these being:-

- The capital is not raised. The community purchase does not go ahead and all monies are returned in full to people who have bought shares.
- A catastrophic failure of the business. The Auctioneers Arms would be sold and the money from the sale used to refund shareholders as far as possible. Assuming people have claimed EIS tax relief, so long as the pub was sold for at least £240k people should get all their money back. However, we cannot hide from the fact that this is an 'at risk' investment and people might lose some or all of their money
- 'Wet' sales are lower than anticipated. We think we have been conservative in our assumptions. But if bar sales were lower than anticipated, then we would seek to promote The Auctioneers Arms more strongly through leafleting the village, the Facebook page, the website and local media. We would try to encourage more events on the quietest evenings. If necessary we would close on the quietest evening to save money. We would look at using more volunteer bar staff.
- The manager does not work out. We would replace the manager.
- The manager leaves with little or no notice. We intend that one of the committee will hold a personal license to be able to cover such a situation for a short period of time. Where this is not the case, we will identify a personal license holder who would be willing to step in at short notice.
- When we introduce food sales, they don't work. We would assess whether this was due to the chef and if this seemed to be the case, we would find another chef. However, we could go back down to basic bar snacks.
- Demand for the café/ coffee shop is low. We would consider alternative marketing options or possibly consider closing this element of the business if it was deemed unsustainable.
- A major repair not picked up in the survey becomes apparent in a few years time. We would then have a trading track record on which to raise finance. If the repair was unaffordable, then we would close the business and seek to sell the building.



Appendix I

The Auctioneers Arms

A. Marketing and Promotion Strategy

This document aims to cover activity across 5 main areas:

1. Formation of Caverswall Community Society (CCS) Ltd: tell people about the new society and why it has been formed.
2. Community Share Offer: explain why and what, and how people can be involved. Maintain interest.
3. Other fundraising and volunteer opportunities: encourage and promote opportunities for 'in kind' contributions.
4. Property Purchase & Commissioning: celebrate when funds are secured to purchase and refurbish the pub.
5. Community Development: ongoing opportunity through Community Action Plan, to determine how the pub can be used to benefit the community.

B. Planned Activities

1. Formation of Caverswall Community Society (CCS)

Activity	Purpose(s)	Audience
Press Articles in the:- (i) Leek Post and times, (ii) Cheadle Post and times and the (iii)Stoke Evening Sentinel Article in the CAMRA magazine	i) Explain the process, reason, and objectives of new society ii) How the society will operate: governance, membership and shares offer and our Action plan to achieve our purpose. iii) how you can become a member of CCS and the share offer iv) Celebrate its launch	The residents of Cookshill and Caverswall Wider community who may be interested in the share offer
Set up new dedicated website for CCS	To establish SCR as a separate entity and maximise publicity and promotional opportunities for the hydro scheme and SCR's community share offer	Community of Cookshill and Caverswall All potential share holders Public

2. Community Share Offer

Activity	Purpose(s)	Audience
Facebook updates	Maintain profile and extend awareness of the offer across social media	We have over 800 group members following the "Keep the auctioneers Arms a Pub" FaceBook group

ns Marketing Strategy

s been formed, its objectives and as a vehicle for longer term community benefit

contributions from the community including volunteer labour, specialist skills to reduce costs
 property and regularly report on progress; celebrate commissioning
 proceeds from the project will be reinvested into the pub and for other community services.

When	Dependencies	Lead
October 2016 March 2017 April 2017 March 2017 Edition	Plunkett foundation Model Rules agreed by CSS including founding members New society registered (No. 7506)	Brian Griffiths – for approval by CCS Steering Group Brian Griffiths
By March 2017	Cost of website domain Availability of web designer, Photos and written content	Rich Warner (with input from CCS steering Group committee)

When	Dependencies	Lead
Weekly from Feb 2017	CCS steering group approval	Clare (with input and approval from CCS steering Group) The FaceBook group needs to post regularly. A Facebook page where the last post is weeks old does more harm than good.

2. Community Share Offer (continued)

Activity	Purpose(s)	Audience
Further Press releases	Maintain profile and extend awareness of the campaign to purchase the pub and the share offer	Local community and the neighbouring villages
Flyer/Leaflet drop and Banners	Maintain profile and extend awareness of the offer to those who do not have internet access the villages of Cookshill and Caverswall	Communities of Cookshill and Caverswall
Dedicated Website caverswallcommunitysociety.co.uk	To explain and promote the community share offer in order to encourage people to buy shares	Local, regional, national and international
Community Share Offer document	To explain and promote the community share offer in order to encourage people to buy shares	Local households/residents Everyone else who might be interested in supporting a community renewables project
Launch event	To maximise the awareness of the share offer; to enhance interest (and understanding) in the community share offer	Local households and the wider community
Crowd Funder	To professionally promote and market our community share offer: to give potential shareholders reassurance that their money is held securely; to provide regular updates on the campaign progress; to provide a visual indicator of progress	The whole community; to the wider audience local, regional, national and international
Handling questions	People will have all sorts of questions ranging from the straightforward to the highly technical to the downright peculiar	Immediately the person asking the question. But if convincing answers cannot be given, this can get out into the community and undermine confidence
Maintaining momentum	To build confidence in the community that this is going to happen. To encourage those who hang back to come forward	The whole community

When	Dependencies	Lead
Monthly – from March 2017	CCS steering group approval	Clare (with input and approval from CCS steering Group)
March 2017 April 2017	Printing materials; Availability of volunteers to post leaflets.	Paul Hulme
March 2017, regular updates	Registration of domain and availability of webmaster	Stef Giblin
April 21st 2017	Business plan and financial modelling approval. Standard Mark approval Design and printing costs Support of Community	Brian Griffiths (with approval CCS Steering group) Advice and support from Dave Hollings
April 21st 2017	Date identified around the availability of key speaker e.g. Dave Hollins, ross Ward, Sally Soady; availability of Venue	CCS Steering Group
21st April 2017 to 2nd June 2017	Completion of Share offer and business plan to Standard Mark criteria; the Development of project plan; production of media images (videos and stills)	Brian Griffiths/Stef Giblin
Various dates	Straightforward – members of CCS committee. Technical or peculiar – needs experts to check answers with	CCS; Plunkett Foundation; community owned pubs Peer Group
From March 2017 – Dec 2017	Announce any achievements or targets reached. Have some way of showing growing investment – this can be an updated running total or something visual like a thermometer	CCS steering group

3. Other fundraising and volunteer opportunities: encourage and promote opportunities for ‘in

Activity	Purpose(s)	Audience
Fundraising events e.g. auctions, charity Karaoke events, discos	To raise the profile of project To raise additional funds for the project	Cookshill and Caverswall Community and the wider Community members
Provide information to parents from the two primary Schools located in the village	To raise the profile of the community share offer and to identify other opportunities to raise additional funds for the project	Parents of local school children

4. Property Purchase & Commissioning: celebrate when funds are secured to purchase and re

Activity	Purpose(s)	Audience
Articles in local press	Positive message for investors, lenders and local community who will benefit from community run pub	Residents of Cookshill and Caverswall; Media; Shareholders; Other funders
Event to Celebrate trading	To celebrate and thank those who supported the project and to share success with the Cookshill/Caverswall Community	Residents of Cookshill and Caverswall; Media Shareholders; volunteers; Other funders Contractors

5. Community Development: ongoing opportunity through Community Action Plan, to determine

Activity	Purpose(s)	Audience
Articles in local press	Keep local people informed and motivated to ensure that the project is sustainable	Residents of Cookshill and Caverswall; share holders
Community impact appraisal	To establish if the CCS vision, purpose and objectives a have been met: To measure the impact upon the local community: to gauge if positive outcomes have been achieved	Residents of Cookshill and Caverswall; share holders

kind' contributions from the community including volunteer labour, specialist skills to reduce costs

When	Dependencies	Lead
To be decided	CCS committee approval and local organisation	Rich Warner
March 2017 – Dec 2017	Permission of School governor's, participation of parents	Debbie Mountford

refurbish the property and regularly report on progress; celebrate commissioning!

When	Dependencies	Lead
When sufficient finance is available and the offer has been excepted	CCS Committee approval	Clare Griffiths
July-August 2017	Project is completed and commissioned by deadline	CCS committee

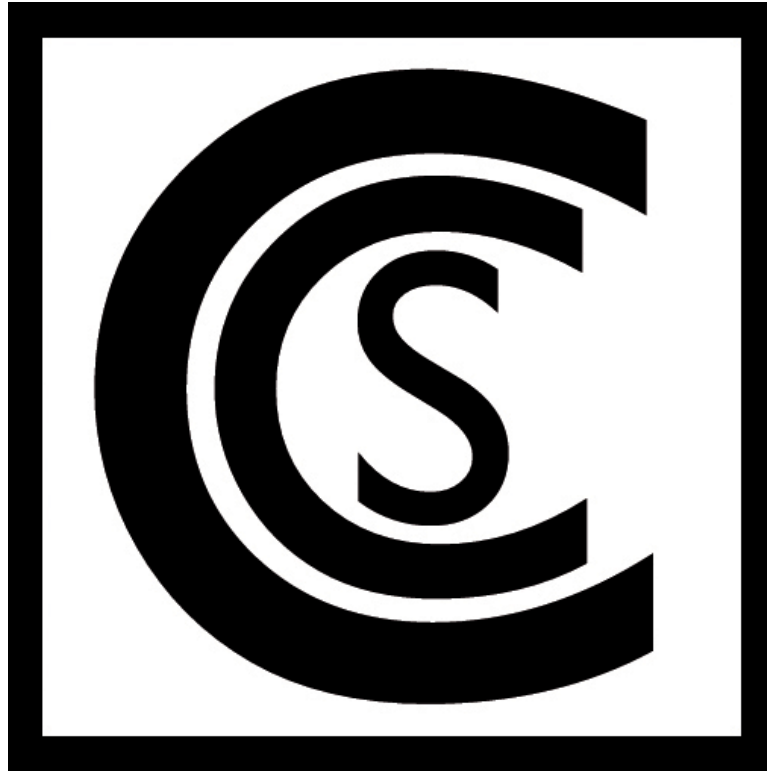
how the proceeds from the project will be reinvested into the pub and for other community services.

When	Dependencies	Lead
Monthly – from commencement of trading	CCS Committee approval	CCS committee
Approx 3 months after commencement of trading	Sufficient funds are raised; offer to purchase excepted; trading commenced	Ross Ward – and support of CCS steering group

Timeline for Marketing and Promotion Plan

2017
1. Formation of Caverswall Community society
Press Articles
Agree a set of model rules
Set up new dedicated website for CCS
Branding
2. Community Share Offer
Press releases
Facebook
Promotional literature
Share offer document
Launch event
3. Other financial and volunteering opportunities
Articles in local papers
Fundraising events
Opportunities to offer 'in kind' support
Opportunities for other financial support: donations and loans
4. Purchasing, Refurbishment and Commissioning
Articles in local papers
Commissioning celebration event
5 Community Development
Articles in local papers
Communication to all households in Cookshill and Caverswall about the results and future plans
Community impact Assessment

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Yellow	Yellow										
	Yellow	Yellow									
	Yellow	Yellow									
		Yellow									
		Yellow									
Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
	Teal	Teal	Teal	Teal	Teal						
	Teal	Teal	Teal	Teal	Teal	Teal	Teal	Teal	Teal	Teal	Teal
		Teal	Teal	Teal	Teal						
			Teal	Teal	Teal						
			Teal	Teal	Teal						
Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
		Light Green	Light Green	Light Green	Light Green	Light Green	Light Green				
			Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green
		Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green
						Teal	Teal	Teal	Teal	Teal	Teal
Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
						Orange	Orange	Orange	Orange	Orange	Orange
						Orange	Orange				
Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey	Grey
						Purple	Purple				
								Purple	Purple	Purple	Purple
									Purple	Purple	



CAVERSWALL COMMUNITY SOCIETY

Caverswall Community Society Ltd
Registered Office: 1A The Green, Caverswall ST11 9EQ. Tel: 01782 385200
Email: secretary@caverswallcommunitysociety.co.uk



The Community Shares Standard Mark is Awarded by the Community Shares Unit to offers that meet national standards of good practice. For more information about the shares, the Community Shares Standard Mark and the Community Shares Unit go to www.communityshares.org.uk.