



THE SPOTTED COW

"So much more than a pub"

HOLBROOK COMMUNITY SOCIETY LTD.

BUSINESS PLAN 2017

www.holbrookcommunitysociety.co.uk

Holbrook Community Society Ltd
Registered Office: 12 Mellors Lane, Holbrook, DE56 0SY Tel: 07971419899
email: holbrookcommunitysociety@gmail.com



Introduction

Business Plan Purpose

This business plan has been developed to support development of a Community Hub for Holbrook Village, together with the surrounding area in Derbyshire. The Community Hub is intended to house local facilities including a public house, restaurant and cafe, as well as offering bed and breakfast accommodation for visitors to this part of Derbyshire. The Community Hub is intended to safeguard these facilities by retaining a vibrant, economic heart to the village.

Structure of the document

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 summary of the business plan

Section 2 – 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 3 – The Vision, Aims & Objectives for the Project

States the overall vision for a new Community Hub, explains the underlying aims and objectives and how these support the local needs identified in section three.

Section 4 – The Project Proposals

Explains the plans for the new Community Hub in more detail, including capital costs and implementation plans.

Section 5 – Building and Renovation

Looks at the main costs for repair, renovation and conversion.

Section 6 – Marketing plan

Outlines key activities to encourage use of the facilities.

Section 7 – Management and Operation

Describes the ongoing management and operating plans for the facility following opening.

Section 8– Financial Forecasts

Summary of five year revenue forecasts for the operation of the Community Hub.

Section 9 – 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.

1. Executive Summary

This business plan presents a proposal for the operation of The Spotted Cow, Holbrook, as a community owned hub. The pub's activities will be diversified to create a mixed use facility additionally including a café, accommodation and post office

Our vision is to create a central focal point for village life which will act as a catalyst to reignite the economy and sense of community in Holbrook.

The Spotted Cow has been a thriving pub in the past. However, over the last five years it has declined under an owner who has not invested in the building, in marketing, or in business development. In October 2014 the owner was issued with a Prohibition Order by Amber Valley Borough Council Environmental health, preventing them from participating in the management of a food business and the pub was closed.

Bringing The Spotted Cow into community ownership will ensure the success and sustainability of the business by enabling the community to develop the facilities to meet their needs, rather than serving the financial demands of disinterested owners. Community ownership will also ensure the business works alongside existing village businesses rather than competing directly with them. To enable the purchase and operation of this facility a Community Benefit Society (CBS) has been formed. Holbrook Community Society is a form of co-operative.

Capital to purchase the building (freehold will be raised through a community share offer. Shares will be nominally £1, and the minimum shareholding will be £250. There will be a maximum individual investment of £25,000. Purchase of shares would confer 'membership' of the co-operative, giving members control over the business through the election (annually) of a Board of Directors and voting rights on significant issues at regular meetings. All members will have an equal vote, regardless of the size of their shareholding. Directors (and shareholders) would have the protection of "limited liability".

It is estimated that the essential works needed to the pub would cost in the region of £100,000. These costs will be taken up with repairing the damage caused by a small fire upstairs, refitting the kitchen and remodelling the downstairs.

The aim will be to open The Spotted Cow after carrying out essential refurbishment and redecoration of a café and relocated village Post Office, bar area, restaurant. Works will be paid for from grant funding and volunteer input and money raised through the share offer in excess of the purchase price, however the Society may need to raise a loan to complete the renovations. We have approached high-street lenders and are confident that we would be able to secure a loan of £125,000 if this was necessary. The whole site was bought for £370,000 in February 2016. We know that another experienced pub operator was willing to pay the same price therefore a value for The Spotted Cow site has been established. The land at the back of the pub has been valued at £200,000- £250,000 by a local agent but this is dependent on planning and the estimated value of the finished houses. We are exploring a joint project with a local developer, which would reduce the funds needed by the Community Society to buy the site. This will involve two independent bids being offered to the owner. We have set the minimum target of our share offer as £200,000 in order to raise a competitive bid for the pub and car park and pay fees.

A marketing strategy is presented which will increase usage by local people, visitors staying in the area, 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 increases in operating costs.

2. Project Development

Introduction

This section explores the local history and context for the project. It details the local census area statistics, which give a flavour of the composition of the area. It goes on to outline the current difficulties associated with operating a business within the village at present and explains the various consultations and community involvement in the development of plans for a new facility

The Spotted Cow was a vibrant and intensely popular 'local' in recent past. Here, for example, the "Spotted Cow Cricket Club" was formed and celebrated, the local football team ("The Michaels") convened. The annual November the Fifth bonfire and fireworks displays began then and drew the villagers and crowds from far and wide to "The Spotted". There was Morris dancing, a separate and popular dining extension near the rear garden, and open mike music festivals were organised on a makeshift stage in the car park.

Changes in landlords and, crucially, the remodelling of the "Spotted", exploiting its popularity and location into a fashionable, open plan carvery, shifted the business model in the late 1990s.

In 2003 the leasehold for the pub was bought by the most recent licensees. The pub gained a reputation as a destination dining pub. The emphasis was on homemade food - a mix of English and Continental - but the carvery continued to be the mainstay. The owners purchased the freehold from Punch Taverns in 2009. Initially the business continued to be successful; in Oct 2012 it was rated in the top 5 of British Roast Dinner Week's list of the best roasts in Britain.

However, the pub's fortunes went into swift decline as the carvery model became less fashionable and from lack of investment in the premises. On Saturday 29 March 2014, a routine food safety inspection was undertaken by an Amber Valley Borough Environmental Health Officer. The Council's officer found a number of breaches of food safety law; the owner's solicitor cited 'personal circumstances' as a mitigating factor.

Whilst the premises was initially reopened after staff had undertaken cleaning, subsequent visits by officers in the following weeks found standards deteriorating and further enforcement by officers were required. It was officially closed at the end of October 2014.

The pub was initially marketed as leasehold by the owner but the loss of reputation was a probable factor in the lack of interest to take on the pub under the terms of the lease. There was a small fire upstairs in the living accommodation in the pub, thus leading to further damage to the value of the property.

The pub was repossessed by Unity Bank and marketed with GVA Manchester in April 2015. There were a number of enquiries to buy the pub and retain it as a pub/restaurant. GVA asked for best and final offers by July 2015 and the pub was under offer from July until December and not being marketed. The pub went back to the market briefly in December 2015. A sale went through in February 2016 to the current owner for £370,000, we know that there was at least another offer very close to this sale price. The new owner had stated his intention to build one or two houses on the back portion of the pub car park

and use the revenue to pay off a £100,000 loan needed to refurbish the pub. However, in May 2016 an “option to buy” was agreed with another developer who submitted a planning application to build eight houses and turn the pub into a residential dwelling in August 2016. This option agreement was to buy the site for £500,000. This business model rested on planning approval for nine residential dwellings; planning was refused by Amber Valley Borough Council planning board following our campaign to take the pub into community ownership. In September 2016 The Spotted Cow was listed as an Asset of Community Value, giving the community the chance to bid on the pub. The owner invoked the six month moratorium period on September 18th 2016, which ends on March 18th, until this date the pub can only be sold to a community group. Holbrook Community Society would like to be in a position to bid on the premises of The Spotted Cow by the end of February 2017. A price agreement will not be made with the vendors until after the community share offer is completed. The owner has stated that he will consider any fully funded offer. The owner has submitted his own planning application for two houses on the plots at the back of the pub, accessed through the pub car park. He values these plots at £150,000 each; however the value of the plots would be relative to the value of a five bedroom house with access through a pub car park. The owner has said that he would consider a joint bid from the community and a builder if the community would find a builder to bid with. We are in the process of securing a builder to enter in a joint bid for the site with us.

Local Consultation

At the Parish Council open meeting held in August 2016, residents overwhelmingly opposed the planning application citing a variety of reasons, including support for the ACV nomination. A follow up meeting was held in September 2016 after The Spotted Cow had been listed as an ACV. The aim of this was to inform people about the ‘right to bid’, assess the appetite for a community pub and to gather information on what people would want from The Spotted Cow if it could be retained as a community facility. Pub and café were the top answers. Other suggestions were a village car park, an ice cream kiosk, a chip shop, village hall and alternative premises for the post office. The Post Office business is up for sale and can only be relocated into another local business premises. Bids for The Post Office Contract need to be submitted by March 31st. It is likely that Holbrook village will lose their post office in the next couple of years if this project does not succeed as there are no other businesses able to take on this facility. The village will lose the post office in the near future without a credible plan.

After this initial fact finding mission we sent a questionnaire to every household in the village to gather a clear mandate for the direction of the business.

Holbrook Community Society Questionnaire Analysis:

Do you want the Spotted Cow to reopen as a community facility?

Yes 91%	No 5 %	N/P 4%
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What facilities would you want to see at The Spotted Cow in future?

	Yes	No	No preference
Post Office	62%	6%	32%
Pub	90%	4%	6%
Restaurant	79%	6%	15%
Tea room/Coffee Shop	83%	2%	15%

Would you consider investing any of the following in The Spotted Cow?

	✓	For example...
Time	58	Working in the pub/café? Cleaning? Writing a pub quiz?
Skills	52	Re fitting the kitchen? Decorating? Ordering the beer?
Money	80	To buy the property

The Local Community

Holbrook is a hilltop village lying close to the edge of the Peak District National Park. It has lovely views over the Derbyshire countryside. The village history is steeped in Roman times, as is evidenced by the finding of two Roman kilns discovered in the village in the 1960's, and the ancient Roman Portway which runs through Holbrook. Holbrook is ideal for exploring the wider Derbyshire area; it has a heritage of stocking manufacture. The Spotted Cow lies in the conservation area of Holbrook.

According to the most recent census (2011)

Total resident population: 1,538

0-4 years 69
 5-15 years 176
 16-24 years 102
 25-64 years 782
 65 and over 409

in households: 1,482

in communal establishments: 56

Total number of households: 651

The total number of households deprived in any dimensions: 298

Significant pockets of deprivation - 46% of households are deprived in at least one dimension (economic, social, environmental etc), which, whilst less than the national average of 57%, is still a significant proportion of households.

28% of the population are over 65.

Holbrook village is made up of two distinct areas, which once were separate villages. It was the building of the Moorfield Road estate in the 1960s that linked Holbrook and Holbrook Moor. The two pubs and shop that are located in the village are located in the Holbrook Moor area of Holbrook, which can only be accessed from the old village via a steep hill.

There is a need to provide local services at a reasonable cost to cater for the significant numbers of older people and households facing deprivation (both of whom may be less mobile, more reliant on public transport and living on minimal incomes and therefore unable to travel large distances), as well as to provide greater choice for all residents..

The Current Position

Developing a Sustainable Business:

Whilst Holbrook has a thriving community scene of groups and active volunteers, it is challenging for any business to survive in a semi-rural location with a limited market and it has become clear during the development of this business plan that co-location of businesses under one roof, with shared overhead costs, offers a solution to the threat of the post office closure.

Furthermore, if the accommodation could be community owned and operated, the chances of them being run for the benefit of local needs would be so much greater. The Community

Hub 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. To progress this proposal, a steering group has been set up in the wake of the ACV meeting in September 2016.

- We have registered The Spotted Cow as a community asset
- We have been given support from The Plunkett Foundation through their government funded “more than a pub” scheme. This includes a £2,500 bursary for marketing and legal costs and advisory support from Sally Soady who is on the board of directors at another community owned pub. The Plunkett Foundation has also allocated support in developing the business plan and share offer with advisory support from Dave Hollings of Cooperative and Mutual Solutions Ltd.
- We have contacted the Heritage Lottery Fund about the possibilities of grant funding for renovation works to the building once the building has been acquired.
- We have applied for a loan of £125,000 from Co-operative and Community Finance.
- Sought pledges of investment from 94 people, totalling over £130,000
- Have been given pre assurance from HMRC that investors will be eligible for 30% tax-relief under the Social Investment Tax Relief scheme.
- Have contacted local builders interested in the building plots and are in discussions to secure a joint bid

The Future

There are now many examples of villages that 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 of these models the income from the business can be invested back into the pub or other facilities or activities in the locality. For community shareholders, it provides a social reward knowing that the investment is being put to worthwhile causes as well as offering some small financial reward in the form of an annual dividend (or interest). Community ownership of the pub could also offer a solution to housing the Post Office within the centre of the village so that 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.

Rather than competing with local businesses we aim to support the provision and expansion of tourist and visitor facilities by offering bed and breakfast, thus attracting more people to the area. We aim to provide walking and cycling guides that encourage use of the other amenities at the other side of the village to The Spotted Cow. This vision is shared by people right across the community.

3. Vision, Aims & Objectives

Introduction

This section sets out the overall vision for the new Community Hub and explains the underlying aims and objectives for the project. These are linked to, and directly support, the local needs and demand identified in section three.

The vision for the project is: To develop a community hub for Holbrook that will be a central focal point for village life and act as a catalyst to reignite the economy and sense of community in Holbrook.

Project aims and objectives

The project aims and underlying objectives which underpin this vision have been developed based on the local needs identified in section 3.

They are as follows:

Aim One: To provide a flexible, multi-purpose community facility that enables participation in social, cultural and leisure activities by the whole community

Objectives:

- a. To provide a community facility in the village to offer somewhere to go and something to do, especially in the day time, which is something lacking in the village
- b. To facilitate access to essential services, especially for older people and those who may be less mobile.
- c. To provide economies of scale by locating several services under one roof

Aim Two: To protect essential services for the village

Objectives:

- a. To provide a location for the development of other services which have been lost or risk being lost to the village, for example the post office.
- b. To support local producers in the area to help maintain a vibrant local economy and generate jobs.
- c. To provide a car park in the centre of the village that can be used for the benefit of the village facilities, provide potential income from long stay car parking and provide a space for special events including markets and fairs

Aim Three: To provide a flexible, multi-purpose community facility that is sustainable for the future.

Objectives:

- a. To provide a flexible venue that can be used for various activities, and by more than one user group at a time, to enable a diverse range of income generating activities
- b. To provide an attractive space that local residents, groups and businesses are keen to access, increasing the earned income potential of the building
- c. To share overhead costs between service types to further improve financial viability

The next section considers the most appropriate way to meet the vision, aims and objectives.

4. Proposals

Introduction

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

The Project Proposals

The vision we have for The Spotted Cow is for it to become a focal point of the community through the provision of various services which are:

- As a traditional local village pub serving real ale and sensibly priced wholesome food.
- To use local produce wherever possible. A new microbrewery has opened up in Holbrook and could provide some of the beer.
- We want the pub to embrace the community and therefore provide food and facilities for the whole family.
- Themed nights would help to harness the talents in the village including music and folk nights, book nights, poetry evenings, themed food nights and guest speakers.
- Re-engaging with pub sports teams, sponsoring local sporting events and having a regular quiz night would also help engage the community.
- The pub would serve the local community and passing visitor trade as well as supporting other local businesses (e.g. The Village Store, holiday lets) by providing added reasons to stay and enjoy Holbrook.
- As a place to meet / daytime café for village residents who currently do not have anywhere within easy walking distance to meet and chat. This is particularly

important for the older residents who do not have access to a car and so cannot access the other relatively local cafes.

- It could also offer internet access for people who do not have a provision at home.
- The facility would help to connect people such as parents dropping off and picking up children from Holbrook primary/pre-school. This would help bring the community together again.
- The rental of the Bed and Breakfast accommodation would offer regular income to the business as well as providing affordable accommodation.
- As a resource for visitors, we want the building, not only to meet the needs of local people, but also embrace the multitude of travellers who currently pass through the village. The pub is situated in a beautiful part of Derbyshire, close to Belper, which is a world heritage site.
- Holbrook is only a short diversion from the “Derwent Valley Heritage Way”, a national walking route that explores the beauty and heritage of the river Derwent. It starts at Heatherdene on the banks of Ladybower Reservoir and follows the River Derwent to meet the River Trent near Shardlow. En route Matlock, Belper and Derby are traversed keeping close to the river; The Spotted Cow could be advertised as a stop off point or a place to stay.
- There are also stables nearby and renowned cycling routes.
- We would hope that by offering good quality but reasonably priced food and providing a welcoming and attractive venue for walkers, horse riders and cyclists we can build up a good outdoor clientele by word of mouth which would not be as dependant on the seasonal tourist trade as these pursuits are carried on very much year round.
- We could capitalise on this by offering secure bike friendly parking.
- The Pub also owns the largest parking space in the village which we could capitalise on as somewhere walkers can safely leave their vehicles for the day in return for custom
- 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 customers for the existing village shop.
- We are conscious that villages such as Holbrook require a ‘critical mass’ of businesses that can feed off and support each other. If the facilities go below that level, a downward spiral can develop.
- We are confident that The Spotted Cow will provide a means for retaining village centre facilities that the other, existing businesses can benefit from.

Business Model

We believe that the best way of achieving our aims for The Spotted Cow is to buy it and operate it as a community hub. We believe that the best way of doing this is to form a Community Benefit Society and through a share issue, purchase the pub for the village and members of the society.

The benefits of this are:

- The local community would own the building in perpetuity
- People will feel more committed to the facilities offered by the hub
- Setting up a Community Benefit Society will allow us to attract grant aid
- Purchasing shares may provide a modest annual return by way of interest payable to members

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. Given that proposed business is viable within its current form additional services could be added later at low risk.

Suggestions include:

- First responder point to redress the lack of a doctor's surgery
- Open exhibitions for local artists
- Farmers markets and craft markets on the car park
- Development of a micro-brewery
- Luncheon club / meals on wheels service
- Dry cleaning collection and drop off point
- Tourist Information Point

These opportunities are limited only by the space available and demand for the service and will continue to be explored by the management team.

Shares issues

As a means of raising the required capital shares in the project will be issued by a Community Benefit Society. Unlike shares on the stock market these shares cannot increase in value so trading in the shares is solely between the CBS and the individual investor. It should be noted that shares can decrease in value if the CBS were to dissolve but this is mitigated by the majority of the investment being locked into the capital of the building itself. The cost of each share is £1 but, for practical purposes, the minimum amount which can be invested is proposed to be set at £250. There is a maximum investment per member of £50,000. Owning a share automatically entitles the member to having a say in how the community society is managed. Being a CBS, 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 on what they think the annual level of interest to return to the members should be set at. There is a tie-in period associated with the shares of 3 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. As a CBS the facility would be run for the benefit of the community not for its members.

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. The views of members will be sought at regular meetings timetabled four times throughout the year. The Board of Directors would be directly elected by the members of the CBS and any member would be eligible to stand for election. Members and the wider community would also be encouraged to make their suggestions via email or post cards that would be posted through a comments box located in the post office/ café area. These would be addressed by the Board of Directors at regular management meetings. This would ensure that the views of the whole community can be fed into the business and would help to make sure that provisions evolve with changing needs of the village.

Marketing our Share issues

The share offer will be aimed at all members of the community in Holbrook and to the wider Belper community. We will send leaflets to every house in the village with details of where to find the full share brochure and the application form. Copies of the share brochure will be available in the village post office. We will advertise widely on social media via Facebook and Twitter. We will aim to target people from the wider Derbyshire area by requesting retweets from CAMRA, local broadcasters and local celebrities. We will make sure many independent shops in Belper have a supply of the share brochure and that the independent cinema in Belper is also an outlet for the share offer. There will be banners around the village advertising the share offer and a large fibreglass spotted cow will be moved around the village advertising the days until the end of the share offer and reminding people to invest. The cow will also be part of the social media campaign #spotthepottedcow, to generate interest. We will also use a short film to advertise the aims of Holbrook Community Society on social media and this will also be used on Crowdfunder. We are also exploring the option of the Ritz cinema in Belper showing our film as a trailer.

5. Building & Renovation

Introduction

This section sets out some of the key areas for repair, renovation and conversion costs. This information is limited because we have not had access to the premises as yet; however, Home2Sell have been consulted as they were involved in exploring options for Unity Bank before they decided to market the property with GVA Manchester. We have also consulted individuals who offered on the pub whilst it was marketed by GVA. The following are areas of work which would be addressed as soon as possible: funds will potentially include grant funding and volunteer input. We will applying to the heritage Lottery Fund and The Plunkett Foundation who offer up to £50,000 in grant aid:

- Kitchen. The kitchen needs completely refitting, including a high quality extraction unit. An excellent kitchen fitter has volunteered his time so the cost is limited to parts.
- There is some structural work needed internally due to fire damage.
- Cafe area. To refurbish part of the pub and partition it off for use as an all-day cafe with a post office counter.
- Post Office investment: In the region of £12,000 is available to help create this new facility.
- Bar and restaurant area: The bar and restaurant will be configured so that there is a snug for drinkers and a restaurant area. .
- Repairs: General routine maintenance work (e.g. gutters to be cleared). New doors fitted.
- The exterior will need painting.
- The windows will need repairing and painting. Some will need replacing at a later date as funds allow.
- The gardens will need landscaping.
- The whole building will need furnishing and decorating.
- The bed and breakfast accommodation will need updating, but this is not a priority and will either be funded by grant aid or through revenue from the business as funds allow.

6. Marketing Plan

Introduction

The marketing plan for The Spotted Cow is based on three fundamental aims:

1. To increase the number of customers using the facilities (building the customer base)
2. To increase the frequency with which customers use the facilities (building customer loyalty)
3. To increase the value of each visit made (building customer value)

The target market segments that we hope to attract through the marketing proposals are:

Local people, including families, young people and older people – both from Holbrook and the wider Amber Valley and Derby area; tourists, including those staying in holiday accommodation locally; day visitors to the area, particularly walkers and cyclists.

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 and the local community 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 Hub and the facilities on offer. This will be done through an extensive outward facing marketing campaign incorporating all forms of media including:

Print media

Articles in the run up to the launch of the new facility will be placed in local print media, for example, the Holbrook Village Magazine, All things Local, Belper News, Derby Telegraph, Ripley and Heanor News, Ilkeston Advertiser plus others to ensure good coverage across Amber Valley and Erewash. The aim of the marketing campaign will be to create awareness and interest in the facilities, by emphasising the community aspect of the project and our belief that this is the first project of its kind within the Amber Valley area. The ultimate goal of the activities will be to convert readers from a general awareness to active interest in visiting.

Other opportunities to be explored will include running articles in special interest publications, particularly those for walkers and cyclists, two key target markets who are likely to be interested in using the facilities. We could also explore a series of walks or bike rides as leaflets or booklets which take in The Spotted Cow en route (as well as potentially other local facilities). We could approach AVBC to see if The Spotted Cow could be listed as an attraction on The Derwent Valley Heritage Way, which already has worldwide recognition.

Social media

Mirroring the print media campaign, the social media campaign will help raise awareness amongst potentially a different demographic to the printed word, generating awareness and interest amongst a younger, and more geographically diverse audience. Website articles will be used, along with twitter feed, facebook group, specific marketing to special interest groups such as cyclists and walkers, and marketing emails directly to those who have expressed an interest in being kept informed about the project.

TripAdvisor and other online travel forums

We will get in touch with Trip Advisor to make it clear that the pub and cafe are a completely new business venture. Maintaining a watching brief on review websites such as TripAdvisor will enable the Hub management to respond to any negative reviews / comments quickly and directly, showing the wider potential customer base that we are engaged and committed to improving services.

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 leaflets / posters within local businesses, and through giving talks and presentations to local groups. The local school offers an important marketing channel to engage parents picking up and dropping off children. Local tourism businesses, particularly holiday lets, will also be important in advocating with their own customers to raise awareness of the facilities, and one way of achieving this may be to offer discounts / promotions as an incentive.

Increasing the frequency of visits

Creating a welcoming atmosphere, having attracted customers initially through the door, our main marketing tool will be to create a lasting 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 a great customer experience. We will invest in the fabric of the building on an ongoing basis to provide the kind of environment that our customers will expect. We will serve customers promptly, with a friendly manner and any complaints will be dealt with to reach a satisfactory outcome for the customer.

- A regularly changing food menu and drinks offer will also help to retain customer interest, attracting repeat visits on an ongoing basis.
- Events & Activities: A series of activities and events aimed at engaging all sections of the local community, as well as visitors will be developed, including regular day and evening events (e.g. book clubs, darts / pool competitions, quizzes, music nights) as well as larger one-off events such as seasonal markets, film showings, speciality food evenings and beer festivals. The events will complement other local events to benefit from the promotions and marketing carried out for those events, such as The village fete, St Michael's Christmas Carol Service, The school Christmas fayre etc.

- Promotions / Loyalty Cards /One off promotions will be used to generate interest, especially at off-peak / traditionally quiet times. These will be developed in conjunction with the Hub staff / management to gain their feedback and knowledge on the most appropriate form of promotion.
- Loyalty cards offering discounts or freebies may also be offered to entice users to return on a regular basis.

Increasing the value of each visit

Increasing the facilities available under one roof; by co-locating a number of services and facilities under one roof we aim to attract a wider audience to the facility, increasing the value of revenue generated from each visitor. For example, those that may not otherwise visit the pub may be encouraged to do so by first visiting as a customer of the cafe, converting into a customer of the pub through a better understanding of the facilities on offer.

Increasing the time spent in The Spotted Cow

One way to increase the value of each visit made by customers is to increase the amount of time spent in the facility; people popping in for a drink may be persuaded to stay for a meal or snack by prominently displaying an eye catching and tempting menu, whilst those visiting for a coffee may be enticed to stay for a bite to eat after seeing a display of delicious cakes and snacks.

Newspapers and second hand books can be used to encourage longer dwell times, and games and toys can help to create a child- friendly environment, retaining family visitors for longer. Good Wi-Fi connections can also encourage visitors to stay longer, particularly those who do not have access to this elsewhere e.g. tourist visitors. Ultimately, creating a comfortable and pleasant environment, that meets the needs of the customer, will encourage longer, more valuable visits.

7. Management & Operation

Introduction

This section describes the ongoing management and operating plans for the Community Hub following opening.

The Community Benefit Society

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

Management & Operation of the Community Hub

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

Day to day operation:

The business will have to be divided, with the cafe, post office and bed and breakfast run as a separate entity to the pub and restaurant. Community consultation has revealed that there is demand in the village for a day time facility, which is family friendly and provides services for older members of the community. The post office is also under threat. The Community

hub would provide a café with post office facility. The café would open from 9 until 5 pm Monday until Saturday and 10-4 on a Sunday. The post office hours would remain the same as the current provisions. The café would sell breakfasts, light lunches and tea time meals and a variety of cakes and healthy snacks. The bed and breakfast accommodation would be affordable and would include breakfast in the café or facilities in the bedroom for people who wish to make an early start.

The café, post office and bed and breakfast facility would be managed by a salaried manager appointed by the Board of Directors. The manager will be responsible for the post office facility and for the day-to-day organisation of the café. There will be a pool of volunteers to provide cover and relief and also part time employees including: cleaners for changeovers at the bed and breakfast facility; waiting staff and kitchen staff for the café during busy periods. Bookings for the bed and breakfast would be taken through an agency.

The aim is that the café and restaurant 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 café would close just as evening trade for the restaurant 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.

Management of the pub/restaurant

Looking at our capacity as an organisation we don't think we can directly manage the pub/restaurant on top of all the work in managing the above aspects of the business. We will therefore contract out the pub and restaurant to a tenant. We intend to look for a sympathetic tenant for day-to-day management of this side of the business. The attraction for the tenant is that we would support them by initially keeping the lease payments as low as possible and they will benefit directly the more profitable the business is. Therefore they will have every incentive to ensure that this part of the business thrives and grows. We would invite tenants who wish to run this side of the business to submit their business proposals to us and we will select the tenant who best meets the following criteria:

1. They must demonstrate how they will provide a venue for village events and support local cultural and sporting activities.
2. They must demonstrate how they intend to build up the business and in particular how they will provide good quality, competitively priced food that will eventually provide at least 50% of the sales income.
3. They will need to embrace the fact that The Spotted Cow is a Freehouse and provide good quality, local beers.
4. They will need to convince us that they that they will provide a warm, welcoming and family friendly atmosphere in the pub.
5. They will need to provide evidence of their marketing plan.
6. They should preferably have at least five years' experience in the licensed trade, and in particular in a village setting.
7. They will need to convince us that they will work harmoniously with the Board and listen to our advice and suggestions.

We will agree a 3-year rolling lease with our tenant. The Society will monitor the tenant's financial performance. We will ensure that there is an "open book" policy in place, run through an accountant that we mutually appoint. This will enable us to have full confidence in the financial reports with which we are provided and the lease agreement will also allow for the level of rent to be increased if the business is more profitable than expected, or reduced if it is less so. If their business were to fail there would be no legal access to the Society's assets.

8. Financial Forecasts

Introduction

This section outlines the anticipated income and expenditure forecasts following opening. The pub had capacity to seat 75 under the previous owner, but there was a large area of space dedicated to the carvery. The removal of the bulky carvery unit has freed up space. Under a new business model the downstairs could be split into two, a cafe seating 20+ with space for a post office counter and a separate restaurant seating 30+ with a separate room for drinkers.

Previous owner: The business had been operated by the previous owner for 11 years. Sales for Y/E March 2013 show £454,396 inc. vat on a split of 32% Wet 61% Dry and 7% Guest letting. Since this project is completely new business model estimations are based on the experience of other community pub settings with a similar business model and customer profile. Standard industry figures have been applied.

Estimated accommodation income: A standard double bedroom with en-suite is on average £37.50 per person per night. Based on 50% occupancy, the income would be £16,000 per annum.

Estimated Post Office income: In the current location post office sales are in the range of £7,200 - £8,100 per annum. This is for Post Office transactions only - postage, home shopping returns, Local Collect (parcel collection), travel money, easy bill payments, e top-ups.

Café: We have assumed the cafe will provide an average spend of £3.50 ex VAT. This is based on comparator venues in the nearby market town of Belper.

Staffing: Staff costs are based on employing one full time member of staff to manage the post office café and bed and breakfast facility and using a pool of volunteers to run the café during busy periods and to cover breaks. NI & pension costs for staffing are assumed to be 13%.

Rent: It is the Board's intention that the rent is agreed in advance for the first three years in order to give the tenant both security and an opportunity to reap the benefit from increased sales, thereby giving them every incentive to develop the business. Following the end of year three, a formula for reviewing the rent will be agreed with the tenant prior to their entering into a further tenancy agreement. This formula will ensure that the tenant has sufficient incentive to grow the business. Tenants are typically expected to pay rents that are equivalent to 15% of the turnover of the business. It is our intention to set a rent level which provides sufficient income to allow the Society to return interest to our members and low enough to attract an experienced tenant to start up a new business. This will give the Society sufficient funds to build up some reserves.

Capital requirements: We aim to raise the capital to buy the pub and car park on a joint bid with a local builder through our share offer. Our bid would be presented as part of a package to the owner, but would be independent from the builder's bid for the plots at the back of the pub.

The pub, as a closed down business, without the buildings plots is estimated to be worth no more than £250,000 in its current condition.

It is assumed that the initial start-up costs will be in the region of £100,000. We have had a quote from an experienced pub refitter who has estimated that to redesign the ground floor we would need £90,000 plus VAT. The post office would provide a grant of up to £12,000 to relocate the service into the ground floor. The first floor would be renovated as funds

allowed, however we would apply for grant funding from the Heritage Lottery which could be used to refurbish the guest accommodation without using profits for reinvestment.

The following is a breakdown of costs:

Café and post office area- total budget £30,000:

Repairs and Joinery costs, including creating a partition wall: £5,000

Post office Counter £12,000

Decoration including flooring £2,000

Furniture £3,000

Equipment £5000

Pub and Restaurant area including kitchen- total budget £60,000

Repairs and Joinery including partition wall: £5,000

Furniture £8,000

Decoration £2,000

Kitchen equipment £40,000

General repairs and exterior decoration £10,000

We are hoping to use volunteer labour and skills as much as possible to stay within budget.

This would provide working capital of £11,250 for the café to open and begin trading. As the pub and restaurant will be operated by a tenant no working capital is needed to open up the bar and kitchen.

The following projections are based on £250,000 of shares and a loan of £125,000 at a rate of 6% for 20 years. For a café setting cost of sales is estimated to be £75% (based on wet: 85% and dry 65%)

The Spotted Cow:

Basic Profit and Loss Account

Cafe sales: 50,000

Cost of sales	12,500
Wages	20,000
Rates	1,000
Water	300
Light & Heat	2,500
Phone	480
Insurance	600
Depreciation	1,000
Bookkeeping/accounting	720
Advertising	1,000
Bank interest	10740

Total expenses: £53,340

B&B:	16,000
Post Office income:	8,000
Rent for the pub and restaurant:	20,000

Total business profit: £24,660

Interest to investors at 3% based on £250k shares
Payable by year 2 : £7,500

Profits would be used for reinvestment in the fabric or the building, if the B&B facility is not up and running by year one the upstairs will be renovated first.

Cash Flow Forecasts

This first year cash flow forecast is based on the most likely scenario of buying the freehold of the pub for £225,000, raising a loan of £125,000 and community shares of £200,000 to purchase the property. If we are able to raise more money through the community share offer we would be able to begin renovating the upstairs. If we raised significantly more money through the community share offer we would not need to borrow money from a bank.

The café would include seating for 30 covers. Month one is based on café sales of 24 covers per day increasing gradually to 48 per day by month 7. This would be due to publicity, word of mouth and building a good customer base. We would hope to host events in or from the café which would also attract customers, like mother and baby sessions, pensioners' luncheon clubs, book clubs and walking groups.

Salaries are based on one full time member of staff. The café will provide counter service so that staff may serve on the Post Office counter along with serving food and drink. The small food preparation area will be located directly behind the counter. Volunteer staff will be used for one hour a day to provide breaks.

We have based our financial projections on sales in the café and Post Office in the first year with the bed and breakfast starting in the second year. The Society is projected to make a profit from the first year and our cash position is expected to be secure.

CASH FLOW FORECAST - FIRST YEAR TRADING															
			MONTHS												Year 1
		Pre Start	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Revenue															
	Community shares	200000													
	Plunett Grant	2500													
	Post Office Grant	12000													
	Bank Loan	125000													
	Café Sales		2500	2500	3000	3500	4000	4500	5000	5000	5000	5000	5000	5000	50000
	Post Office Sales		667	667	667	667	667	667	667	667	667	667	667	667	8000
	B&B sales														
	Pub/restaurant rent		1663	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	20000
	Total Income	339500	4830	4834	5334	5834	6334	6834	7334	7334	7334	7334	7334	7330	78000
Expenditure															
	Property Cost	225,000													
	Stamp duty	2,250													
	Legal fees	1,000													
	Costs of sales	0	750	750	900	1050	1200	1350	1500	1500	1500	1500	1500	1500	15000
	Salaries	0	1663	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	20000
	Rates	0	83	83	83	83	83	83	83	83	83	83	83	87	1000
	Water	0	25	25	25	25	25	25	25	25	25	25	25	25	300
	Light and heat	0	208	208	208	208	208	208	208	208	208	208	210	210	2500
	Phone	0	40	40	40	40	40	40	40	40	40	40	40	40	480
	Insurance	0	50	50	50	50	50	50	50	50	50	50	50	50	600
	Repair and renewals	0	83	83	83	83	83	83	83	83	83	83	83	87	1000
	Bookkeeping	0	60	60	60	60	60	60	60	60	60	60	60	60	720
	Advertising	0	83	83	83	83	83	83	83	83	83	83	83	87	1000
	loan repayments	0	895	895	895	895	895	895	895	895	895	895	895	895	10740
	Refurbishing café	25000													
	Reburshing pub and	75000													
	Total Expenses	328,250	3,940	3,944	4,094	4,244	4,394	4,544	4,694	4,694	4,694	4,694	4,696	4,708	53,340
	Net Cash Flow	11,250	890	890	1240	1590	1940	2290	2640	2640	2640	2640	2638	2622	24,660
	Opening Bank		11,250	12,140	13030	14270	15860	17800	20090	22730	25370	28,010	30650	33288	
	Cash Position		12,140	13030	14270	15860	17800	20090	22730	25370	28010	30650	33288	35910	35910

The first of these two year cash flow forecasts is based on reinvesting the profits from year one into renovating one bedroom to be used as bed and breakfast accommodation by year two.

CASH FLOW FORECAST			B&B from Y2		B&B from year 1	
		Pre Start	Year 1	Year 2	Year 1	Year 2
<u>Revenue</u>						
	Community Shares	200000				
	Plunkett Grant	2500				
	Post Office Grant	12000				
	Bank Loan	125000				
	Café sales		50000	55000	50000	55000
	Post Office sales		8000	8160	8000	8160
	Bed and Breakfast			6,750	16000	17600
	Pub/restaurant rent		20,000	20,000	20000	20000
	Total Income	339500	78000	89910	94000	100760
<u>Expenditure</u>						
	Property Purchase	225000				
	Stamp duty	2250				
	Legal fees	1000				
	Costs of sales		15000	16500	15000	16500
	Salaries		20000	20400	20000	20400
	Rates		1000	1020	1000	1020
	Water		300	306	300	306
	Light and heat		2500	2550	2500	2550
	Phone		480	490	480	490
	Insurance		600	510	600	612
	Repairs/ renewals		1000	1020	1000	1020
	Bookkeeping		720	734	720	734
	Advertising		1000	1020	1000	1020
	Loan repayments		10740	10740	10740	10740
	Interest to investors					
	Refurbishing café	25000				
	refurbishing pub/res	75000				
	Total Expenses	328250	53340	55290	53340	55392
	Cash Flow	11250	24660	34620	40660	45368
	Cash position		35910	45,870	51,910	56,618

Income and Expenditure Forecasts

These tables include trading income only and not income from grants. We have already secured £14500 of grant aid in year one and will be applying for other grants which we have already identified and which we would expect to bring in additional income, based on experience and advice from other similar community owned projects.

According to these tables we would be able to provide share liquidity to members by the end of year three. By this point all of the B&B rooms would be renovated and there would be sufficient liquidity in the business. In year three we also aim to issue a second share offer to attract new investors

The first two five year income and expenditure forecasts are based on £200,000 of shares, interest paid at 3% by year 2 and a loan of £125,000 with an interest rate of 6%. All are based on the business growing at a rate of 10% between years one and two; two and three; and then with inflation for years four and five.

Table 1 Assumes profits from the business are reinvested to renovate one bedroom a year for the B&B side of the business.

	Year 1	Year 2	Year 3	Year 4	Year 5
Café	50000	55000	60500	61710	62944
B&B		6750	13500	19360	19747
Post office	8000	8160	8323	8490	8659
Pub rent	20000	20000	20000	20000	20000
Total expenses	53340	58674	64541	65832	67149
Total business profit	24660	31236	37782	43727	44202
Interest 3%	0	6000	6000	6000	6000
Profit to reinvest	24660	25236	31782	37727	38202

Table 2 Assumes B&B accommodation would be refurbished by year two through grant aid from the Plunkett Foundation and Heritage Lottery Fund.

	Year 1	Year 2	Year 3	Year 4	Year 5
Café	50000	55000	60500	61710	62944
B&B		16000	17600	19360	19747
Post office	8000	8160	8323	8490	8659
Pub rent	20000	20000	20000	20000	20000
Total expenses	53340	58674	64541	65832	67149
Total business profit	24660	40486	41882	43727	44202
Interest 3%	0	6000	6000	6000	6000
Profit to reinvest	24660	34486	35882	37727	38202

Table 3 Assumes that the share offer raises the fund to buy the property funds the whole project; the B&B rooms are refurbished ready in year one. No additional lending is needed. Interest is paid on £400,000 of community shares

	Year 1	Year 2	Year 3	Year 4	Year 5
Café	50000	55000	60500	61710	62944
B&B		16000	17600	19360	19747
Post office	8000	8160	8323	8490	8659
Pub rent	20000	20000	20000	20000	20000
Total expenses	53340	58674	64541	65832	67149
Total business profit	24660	40486	41882	43727	44202
Interest 3%	12000	12000	12000	12000	12000
Profit to reinvest	12660	28486	29882	31727	32202

9. Risk Analysis

Introduction

This section identifies the key risks associated with the project.

The key risks to this venture are:

- Lower than expected share capital raised
- Failure to attract sufficient customers to cover operational costs
- Failure to offer a wide enough range of activities to attract users from across all sections of the community
- Departure of directors / key skills within the Society Steering Group
- Unforeseen operating costs or increases in costs
- The sudden departure of a tenant could leave the pub unmanaged and no rent coming in.
- The sudden departure of the café and post office manager leaving the café/Post office without a manager.

Meeting these risks:

- If lower than expected share capital is raised the venture will not go ahead as the projections contained in this business plan are based on the minimum share offer target.
- The Community Benefit Society model means that we will have support from the community and will mitigate the risk of failing to attract sufficient customers.
- Many of HCS members will be members of the community and consultation with the potential HCS users has been and will continue to be undertaken.
- There is significant further expertise in the village community presently coming forward should key skills depart from the Steering Group
- Unforeseen increases in operating costs could occur in the medium -long term, however as the business builds a customer base revenues should improve and we are able to review the rent of the pub/restaurant in year 3 if that side of the business is thriving.
- Should there be a sudden departure of the tenant the rent we charge is competitively low and we should find a replacement quickly. In the interim a wide membership of HCS would be able to manage the pub side of the business
- In the event of a sudden departure of the manager of the café and Post office there would be a pool of part time staff and volunteers. We would ensure that at least one

other member of café staff was sufficiently trained to continue running the post office counter in the absence of a manager.

The Spotted Cow SWOT analysis

Strengths

- Excellent location at the centre of the village
- The commitment of the wide membership base (we expect over 100 members to be local residents) to use the pub and to encourage family and friends to use it will be considerable.
- The business will own the freehold and will not be tied to any particular brewery and is therefore free to negotiate the best deals for supply of food and drink
- The Society could appoint an experienced licensee as tenant to run the pub/ restaurant which would give the Society secure income of rent from the tenant

Weaknesses

- The pub lost its reputation in 2014
- There are two pubs on the other side of the village who have a strong customer base

Opportunities

- To build up a reputation starting from scratch with a new tenant and management team
- To develop new customer bases including walkers, cyclists, people in search of locally produced beers and locally sourced, good quality food
- To provide economies of scale by locating several services under one roof
- The property has sufficient space available and kitchen areas for dining, a separate drinking area and a café.
- As the business will be established as a community enterprise, run for the benefit of the residents of Holbrook, it will be able to access grant aid to assist with development plans
- The wide membership base will be able to continually feed ideas for improvements into the business, through quarterly whole members' meetings.
- The community bub will be continually shaped by the community by a comments box been made available in the café and questionnaires being sent to the whole village on a regular basis. ideas will ne

Threats

- Failure to attract sufficient customers to cover operational costs
- Failure to offer a wide enough range of activities to attract users from across all sections of the community
- Unforeseen operating costs or increases in costs
- Inability to obtain the necessary financing to conclude the purchase or development
- Unexpectedly high refurbishment costs
- Once the business is established several shareholders could withdraw their shares at the same time, though the proposed rules would make this unlikely
- If the total share capital raised does not significantly exceed the minimum needed the business would be left with a high proportion of loan financing, that would require higher minimum levels of trading to cover interest payments.

Conclusion

The essential capital expenditure relates to the works necessary to refit the premises and create the cafe. However, until the project manager has been appointed and detailed estimates prepared, this remains an estimate. Any capital expenditure beyond the necessary to begin trading can be programmed to take place as resources permit which is, in turn, dependant on trading conditions.

Should Society members wish to leave and withdraw their community shares after the end of the three-year moratorium period, the experience of other community pub schemes has been that these withdrawals have been made-good by new member share investments. It is the intention to launch a second share offer after three years to allow new members of the community to join the Society, continue our refurbishment program upstairs and pay back any investors who wish to withdraw their shares.