



# SAVE the DUKE

Duke of Marlborough, Somersham

[www.savetheduke.net](http://www.savetheduke.net)

## Business Plan

Produced and published by Somersham Community Pub Ltd,  
a Community Benefit Society registered with the FCA



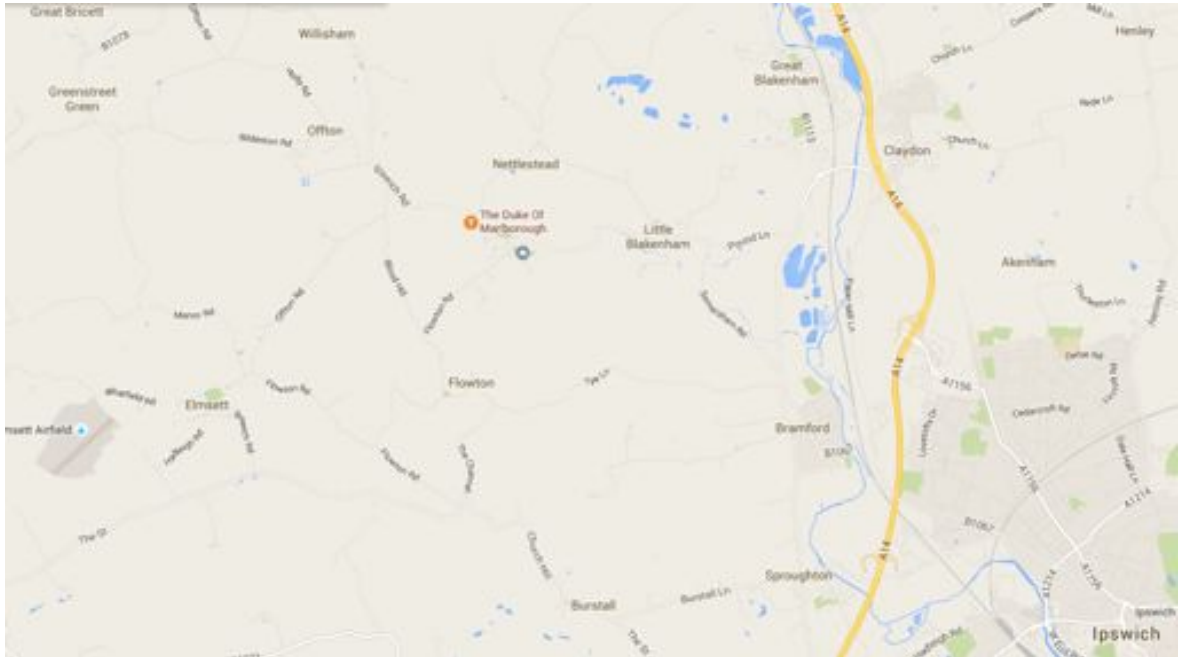
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# 1 Background – Introduction to the Duke of Marlborough

- 1.1 The Duke of Marlborough is a Free house located in the attractive Suffolk village of Somersham some 5½ miles NW of the Suffolk county town of Ipswich. It is in a rural area but with good communication links via the nearby A14 and A12 and there are several local villages. Areas of larger population include Bramford (4 miles away), Claydon (5 miles), Great Blakenham (5 miles), Needham Market (5 miles) and Hadleigh (7 miles).



Courtesy of Google Maps

- 1.2 The village parish envelope contains some 316 properties with a population of 733 (2011 census). There are five adjacent villages - Flowton, Offton, Willisham, Nettlestead and Little Blakenham, bringing the total population of the immediate area to 1570.
- 1.3 The village has a thriving Community Shop, Primary School, Garage, Church, Baptist Chapel, Village Hall, Communal Playing Field, and until recently, the Duke of Marlborough Public House.
- 1.4 The pub is thought to have originally been built circa 1250, and enlarged in 1600 and again in 2000. It has retained the look and feel of a quintessential English pub with its open fire and exposed beams. It is one of the oldest complete buildings in Somersham and its position on the crossroads makes it probable that it has always been an Inn. The main building and associated out-buildings are Grade II listed.
- 1.5 On December 24th 2014 The Duke of Marlborough, the only pub left in Somersham, closed its doors. The pub was still operating successfully and has always been profitable, but its owners wanted to retire and sell the business. There is an opportunity for the pub to be acquired by the community and run for the benefit of local people.
- 1.6 The pub served a limited range of cask beers and lager, wines, spirits and soft drinks but the main emphasis was on dining, with the well equipped kitchen offering a selection of chef-prepared meals for lunch and (mainly) evening customers.
- 1.7 With the wooden floors, pine tables and tasteful decoration the bar and restaurant were ideal for a busy food trade, but felt cold and bare when the pub was less busy. Some redesign and refurbishment could easily enhance the rustic, welcoming nature of the pub, making it feel cosier and warmer.

- 1.8 To the side of the main pub building and accessible from the main road is a car park for some 20 vehicles. There is additional parking at the front, some of which could also be utilised for more outdoor seating, tables and to make the exterior more appealing. At the rear of the building is a small outside eating/drinking area with tables. We hope to acquire some additional land to extend the garden with a children's play area.
- 1.9 The timber framed main building has a large drinking/eating area although the bar itself is a little on the small side. There is another dining area or function room adjoining the main room via a small lobby with seating.
- 1.10 The first floor accommodation has three bedrooms plus a living room and bathroom. There is no kitchen, but the small bedroom could potentially be converted into one.
- 1.11 There are four local examples of successful community pubs: the Punchbowl in Battisford, the Sorrel Horse at Shottisham, the Brook at Washbrook and the Case is Altered at Bentley. They are going from strength to strength and each has provided valuable advice to help us in our mission to re-open the doors of the Duke.

## 2 Executive Summary

### **Vision**

- 2.1 *Our vision is to buy and re-open the Duke of Marlborough and to transform it into a thriving, viable, sustainable village pub. It will be a flourishing business owned by local shareholders and run for the benefit of the communities it serves.*
- 2.2 *As its custodians, the shareholders are buying into a community asset, and the job of the directors and the team they employ will be to create a vibrant hub, a real asset to people who live here now, and one that can be passed on to future generations of the region's inhabitants.*

### **The Pub as the Social Hub**

- 2.3 *Pubs are great levellers: they bring together people of all ages, of all socio-economic backgrounds, from around the area – and further afield. They encourage social cohesion and communal activity, ranging from quizzes and music events to fundraising and participation in games and sports leagues. They provide social environments for people to eat or drink on their own, in couples, with friends or family – or with other pub users.*
- 2.4 *Pubs are not just providers of safe, supervised drinking environments; they are also hubs for social interaction. The Duke of Marlborough is keenly missed by its previous regular users and has the potential to play an important role in the lives of many more local people than it used to serve. The positive impact on the community of a fully operational, thriving local pub can be substantial.*

### **Community Commitment and Engagement**

- 2.5 *An initial public meeting about the closure of the Duke of Marlborough demonstrated widespread consternation at the loss of our most important local amenity. It heralded the start of the "Save the Duke" campaign, which has been vigorously embraced and supported by local people. A committee with a wide range of experience and expertise was set up to direct and run the campaign. A host of additional volunteers is also prepared to be involved in activities ranging from leafleting and fund-raising to event management, gardening, refurbishment and DIY.*
- 2.6 *Subsequent public meetings and events have demonstrated continued and sustained support for the project. Questionnaires delivered to households in our immediate communities have provided extremely valuable insight into what people want from the pub.*
- 2.7 *Two 'Save The Duke' pop-up pub events have taken place to raise initial funding, attracting the 250 people and raising a total of £4400. £600 from the last event was donated to the disaster appeal following the earthquake in Nepal. Other events are planned.*

### **The Market**

- 2.8 *Although the principal aim is to serve communities within a few miles, the Duke of Marlborough will need to attract trade from a wider catchment in order to survive and flourish.*
- 2.9 *In the past the pub's success in attracting trade from Ipswich, Needham Market and other centres of population was down to the quality of the food. We cannot afford to lose this potential clientele and therefore need to provide a 'destination food and experience offer' i.e. one that justifies up to half an hour's travelling time for individuals, organisations and businesses.*

- 2.10 *The Duke of Marlborough aimed principally at diners under the current owners, and we will need to regain the loyalty of this market of couples, pairs, groups and organisations that are looking for quality, freshly cooked food.*
- 2.11 *We will be more welcoming to drinking regulars in an effort to boost that side of the trade. Our market will include those who come in for a drink and may or may not choose to buy a snack or a meal while they are there. One person drinking two pints four times a week, 48 weeks of the year is worth around £1,200 a year to the pub.*

## **Market Research**

- 2.12 *Extensive information about what the local population wants to see in their local has been gathered and analysed. This is forming the backbone of the plans for the project.*

## **Legal Structure**

- 2.13 *Having established the need, desire for, and commitment to the reinstatement of the local pub, Somersham Community Pub Ltd was registered with the Financial Conduct Authority (FCA) as a Community Benefit Society (CBS). The Society exists in order to carry on business for the benefit of the community. Assets owned by the Society are locked in the CBS, and must be used solely for community benefit.*

## **Finances**

- 2.14 *The market value of the property has been professionally independently valued at £275,000 – £315,000. The actual price will be subject to negotiation with the owners.*
- 2.15 *The aim is to raise a sum of money equivalent to the value of the assets through a share issue (£350,000). This will be open to the public who will be entitled to tax relief through the Enterprise Investment Scheme (EIS). There are also potential inheritance tax benefits. Various grants will be sought to fund the remaining requirements – refurbishment, restocking, etc.*
- 2.16 *As for any new business, significant working capital will be required at the beginning. We expect to break even in about 2 years, after which we expect to be in a position to pay interest, annually, to investors.*

## **Financial Returns**

- 2.17 *The pub will become an asset, owned by local shareholders, and run for the benefit of the community. Profits will be used to invest in and improve the business, pay interest to shareholders, and contribute towards activities or facilities that benefit the community. In the unexpected event of the business failing, proceeds from the sale of the premises and any other net assets would be used to reimburse investors. Any other remaining funds would then be used for the benefit of the community or transferred to another asset-locked body for the benefit of the community. However it is in the interest of the community to make a success of the business and we are absolutely committed to delivering on our vision.*

## ***Pub Positioning***

- 2.18 *In positioning the pub's offer, we will take the best from the traditional pub model, and add in elements that are relevant to our population, our region and our aspirations.*
- 2.19 *The Duke of Marlborough will be a hub for the inhabitants of Somersham and the surrounding villages, and a magnet for people living further afield. It will welcome those stopping by for drinks and a chat as well as those coming in for freshly cooked food. It will provide bar snacks for incidental eaters as well as a menu of quality dishes for those looking to make more of an occasion of their visit. It will be a meeting place, a social hub, a bar with a soul – and a destination for lunchtime and evening meals, or even coffee and cakes.*
- 2.20 *We will investigate the possibilities of attracting the after-work market as well as full evening trade.*
- 2.21 *The chef will be tasked with making the pub renowned for something – whether a particular dish or style of dishes. Food sourcing will play a key role in building up the reputation of the food offer – and differentiating the outlet from those run by national pub chains.*
- 2.22 *The Marlborough will cater for groups and organisations within and beyond the community, hiring out one of the rooms for functions, business meetings etc. It will host events and activities, some as ends in themselves, others as vehicles to build regular trade.*
- 2.23 *The historic building is full of charm and character – and by tapping into the wealth of creative, commercial and entrepreneurial skills that surround us, we will turn it into a thriving pub at the heart of our local community.*

## ***Marketing and Communications***

- 2.24 *Our marketing campaign started with public meetings, leafleting, surveys, creation of this business plan and fundraising events. Once we have raised the necessary funds and are in the process of purchasing, we will be creating a marketing and communications strategy and activity plan for the business. This will be adopted, developed and executed by the Management Committee and incoming front of house manager, chef and staff.*
- 2.25 *The plan will cover everything from the food and drink offer to pricing, promotions, signage, leafleting, events, seasonal activities, website, e-shots and social media. It will take into account target markets and data capture. It will also cover the use of voluntary support and keeping shareholders and the local communities motivated and engaged.*
- 2.26 *The appointments of key personnel will take into consideration experience and expertise in this area.*



## 3 Our Vision

- 3.1 Our vision is to buy and re-open the Duke of Marlborough and to transform it into a thriving, viable, sustainable village pub.
- 3.2 It will continue to be a flourishing business owned by local shareholders and run for the benefit of the communities it serves. We aim to make it into a great place to relax and socialise for those visiting alone, in pairs or couples, with friends, family, work associates or special interest groups. The idea is to make it somewhere that people from different parts of the community feel welcome; where they come regularly and frequently to meet, eat and drink.
- 3.3 As its custodians, the shareholders are buying into a community asset. The job of the directors and the team they employ will be to create a vibrant hub, a real asset to people who live here now, and one that can be passed on to future generations of the region's inhabitants.

## 4 Objectives

- 4.1 The objectives are:
  - To buy the Duke of Marlborough and its grounds, via a share issue aimed at members of the community.
  - To conduct a fast, efficient refurbishment in order to reposition the pub, and enhance the offer so that it provides a warm welcome to drinkers as well as diners.
  - To check the building in respect of energy efficiency and carry out any remedial work that will reduce its carbon footprint and keep bills as low as possible.
  - To make improvements to the grounds to provide a larger trading area and to help attract passing trade.
  - To run a viable, thriving and sustainable pub business with a friendly, welcoming, community focus, and a food and drink offer that is of good enough quality to attract people from a 10 mile radius.
  - To be in a position to pay annual interest to investors after 2 years and to invest in further improvements in the pub, especially any that helps to build community engagement.

## 5 Management Structure

- 5.1 The Shareholders will own the pub. The Management Committee will run it on their behalf.
- 5.2 All shareholders will be members of the Society, providing them with access to information, a voice in the society and the opportunity to be elected to the Management Committee.
- 5.3 The Management Committee will be 5-7 individuals who will be collectively responsible for establishing the strategy for the business and overseeing performance. One or two members of the Committee will undertake closer supervision of the business, initially on a daily basis until trade is established.
- 5.4 All members of the Management Committee will be democratically elected by members of the Society, with one vote per member regardless of investment size.
- 5.5 The current working party will appoint an interim Management Committee to serve until the first Annual General Meeting. At this meeting all members of the committee will stand down and elections will be held for the new Management Committee.
- 5.6 One third of this first Management Committee will serve a two year term, one third will serve a three year term and one third will serve a four year term. Subsequently all terms will be three

years. This provides continuity as it prevents all members of the committee retiring at the same time and new members of the committee will serve alongside those with more experience.

- 5.7 Any shareholder is eligible to be on the Management Committee having been properly nominated under the rules of the Memorandum & Articles.
- 5.8 The Management Committee will appoint a Chairman, Vice Chairman and Treasurer from amongst themselves. They will appoint a Company Secretary and a firm of accountants and other professionals as required.
- 5.9 The Management Committee will appoint the manager of the pub, who will have responsibility for the day to day running of the pub and the delivery of annual financial targets set by the Management Committee. He or she will be answerable to the Committee. The Committee will also, together with the manager, appoint the chef who will have responsibility for the profitable operation of the kitchen and for the required food and safety standards. Other staff will be appointed by the manager with the agreement of the Management Committee.
- 5.10 Kitchen and bar staff will also be employed, but the bulk of the work will be carried out by the front of house manager and chef.
- 5.11 The success of the venture will be largely dependent upon:-
  - Finding commercially astute, experienced, operations committee members who have time to devote to the project and are prepared to do so in a volunteer capacity.
  - Recruiting an experienced, entrepreneurial, reliable, commercially astute and socially skilled front of house manager along with a talented and dependable chef. Both must have high standards in all aspects of the business, and be motivated by the desire to create a really special pub that is treasured by the community and attractive to those from further afield.

## 6 The Market

### The Pub Market

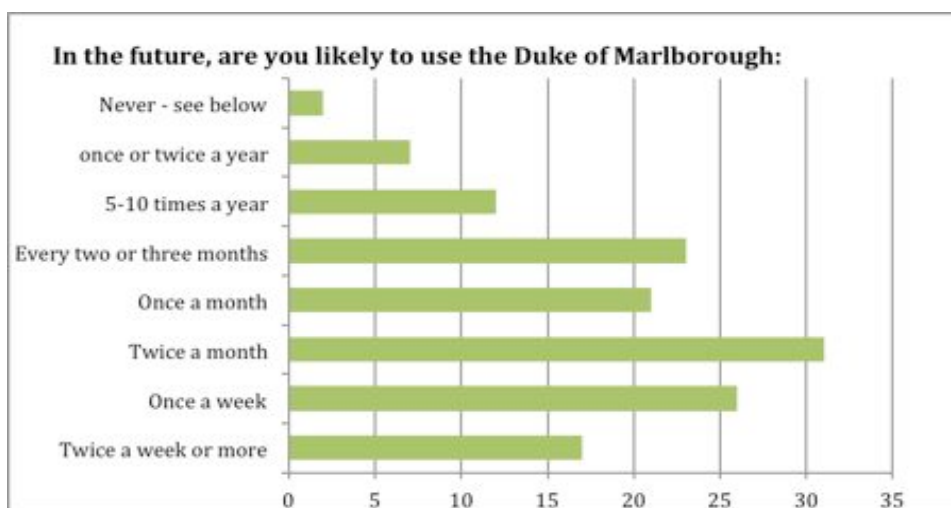
- 6.1 There are around 55,600 pubs in the UK. This is made up of 9,800 managed pubs, 24,600 non-managed (tenanted and leased) pubs and 21,200 independent free pubs.
- 6.2 Combined turnover is around £21 billion giving an average across the country of £378,000 per establishment, but this average is driven up significantly by the managed pub sector. For example, Greene King's managed pub average turnover is £933,000 per pub and Young's £1.1million per pub. The independent sector averages £260,000 per pub. Our business plan aims for a turnover of around £225,000 a year for the Duke of Marlborough to break even, and £250,000+ in order to provide enough profit for reinvestment and a return for the investors. The independent sector is generally outperforming the non-managed, and showing greater resilience in terms of closure rates. Attention to high standards and a spirit of entrepreneurship abound among the independents.
- 6.3 We do not underestimate the scale of the challenge, not just to buy and re-open the Duke of Marlborough, but to keep it open in the long term. Pubs are still closing – at the net rate of around 29 per week according to the Campaign for Real Ale. These closures are driven by a number of factors, the principal ones being:
- realizing asset value (with properties being of higher value when designated as residences rather than public houses)
  - over-saturation of the market (too many pubs for prevailing demand)
  - changing lifestyles and patterns of food and drink consumption (connected with a whole host of socio-economic factors)
  - competition for the leisure pound (so much choice in respect of eating, drinking and being entertained).
- 6.4 In 2014, for the first time in our history, UK sales of beer in the off-trade overtook those in the on-trade. People are choosing more often to drink at home. Significantly, the take-away and fast food market has grown to a colossal £17 billion. While the cost of eating and drinking in the on-trade is without a doubt a key factor in the changing balance, the loss of pubs within communities also plays an important part in the overall decline in pub drinking. If you don't have a pub within easy walking distance, you're less likely to use pubs as often.
- 6.5 It's not just off-trade that is taking the leisure pound. There are now 16,500 coffee shops in the UK – and their numbers, which rose at over 5% during the recession, are expected to grow at an accelerated rate over the next few years. Restaurant chains are also performing well, with over half the small restaurant brands planning to open 5 or more new outlets over the next year.
- 6.6 The number of meals eaten out of home in the UK is 9.2 per month according to Allegra Foodservice. Findings from our own research show that people are keen to use the Duke of Marlborough for at least some of these occasions. Growth nationwide is driven largely by breakfast and lunch – suggesting these opportunities are worthwhile exploring, even though the local community has not necessarily identified this as the most important demand.
- 6.7 The good news is that many pubs are thriving. According to new data from Barclays, average pub turnover has increased 23% in the three years since March 2012, with growth being driven by younger operators entering the trade. The number of pub operators of 25 to 34 years old has increased by nearly 25%. According to research carried out by The Publican's Morning Advertiser, over 50% of licensees saw turnover increase over the past year and just under half are expecting growth during this year. Beer, food and events are the biggest drivers of growth.

## **Our Market Opportunities**

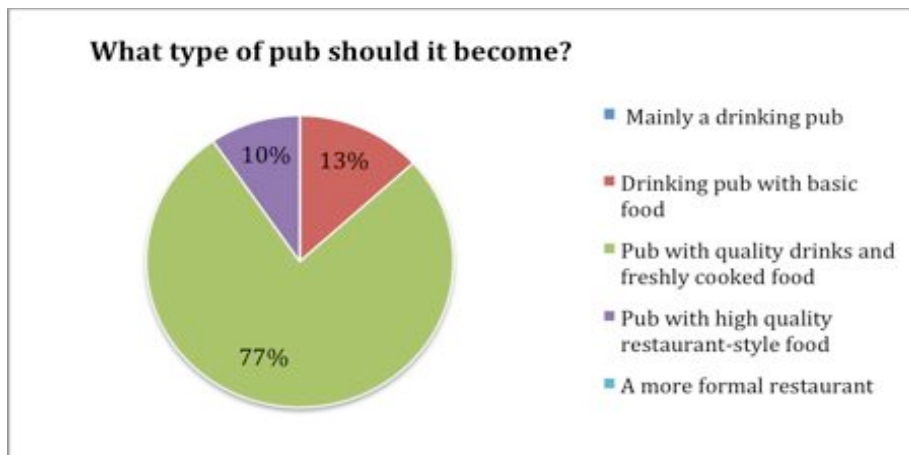
- 6.8 We understand the risks, and will be taking every possible step to mitigate these, but we also see many opportunities, and will be taking every possible step to exploit them.
- 6.9 We enter this process with the advantages of:-
- A fantastic historic, character building situated in the picturesque Suffolk countryside within easy distance of several main centres of population
  - A local community inspired by, and committed to, the reopening and successful running of the pub
  - Access to a wide range of industry data and analysis – including operational and financial specifics from other community-acquired and run pubs
  - A range of pub and beer industry and other commercial and managerial experience and expertise.
- 6.10 The opportunities include:
- Interest in craft beer, especially cask ale, has grown in the past few years. Three new breweries a week are opening. There is a genuine opportunity to establish the Duke as the local real ale/craft beer haven.
  - The interest in wine is also key to success – and we will look to stock a good selection, across a wide range of tastes and prices.
  - Without the buying power of the pub chains we may not be able to compete on price across the whole menu, but we will ensure there are special offers that provide great value for money, and we will offer freshly cooked food that differentiates us from the vast majority of managed pubs. Food-wise, we will aim to make the pub renowned for something.
  - Spirit choice and cocktail knowledge will help ensure that the occasion-led and younger ends of the market are well catered for.
  - Premium soft drinks and excellent quality coffee and tea will be key to embracing the whole of the community. We expect customers who are drivers, non-drinkers or only occasional drinkers to be just as well catered for as those who are choosing an alcoholic drink. Speciality coffees, teas and soft drinks will also help to increase the number of occasions on which people use the pub.
  - Events will be critical to the building of custom, the bringing together of the community and the driving of sales. Tutored wine tastings, master classes in beer tastings, Cask Ale Week, Halloween parties, Mother's Day, British Food Fortnight: there are endless opportunities to do something special that marks the Marlborough out as the place to be where there is fun to be had.
  - There are opportunities associated with providing an off licence and food take-away service

## Market Survey Summary

- 6.11 During February 2015 a community survey was distributed to around 700 households in Somersham, Willisham, Flowton and Offton, Lt. Blakenham and Nettlestead, as well as being made available online. This catchment only represents a part of the area from which potential pub customers could come. A response rate of around 20% was obtained, which is fairly high by the standard of surveys.
- 6.12 The survey first sought to look at visiting patterns of the pub in recent years. It showed the proportion of people using the pub once a month or more was less than 20%. The biggest group (32%) reported visiting only once or twice a year. This shows that the pub may not have been meeting the needs of local people and there is scope to increase the frequency of people's visits if given reason to do so.
- 6.13 Why was the pub not used more regularly? Reasons given included a lack of a friendly atmosphere, it was not family oriented, and dissatisfaction with the style - 'Not a proper village pub' - was one comment. Those who did visit more regularly went mainly for a meal out as a treat, and/or with friends or family, rather than as a casual place to socialise or get a bite to eat. Only 12.7% of visitors reported using the pub just to have a drink.
- 6.14 However, happily, with a renewed pub, the most popular option for predicted visit frequency was two per month. Indeed, 68% said they would visit once a month or more and 31% stated they would use the pub once a week or more. This is a very positive indicator that a revamped Marlborough could be much better supported than it has been recent years.



- 6.15 The questionnaire sought to explore the kind of pub that people want. The pie chart below shows a very strong preference for a dining-based business with the majority of people opting for a quality offer in terms of drinks and food, a model similar to what has been on offer in recent years.



- 6.16 Meeting friends and family for drinks and meals continued to be the most popular reason for likely future visits. Having a coffee, drink or bite to eat alone were also popular. Respondents didn't cite much of a desire for work-related uses - this indicates an area of business which could be explored in the future. Nobody selected a 'drinking only' establishment, however, the need to accommodate more drinkers at the bar was deemed important - 83% of respondents agreed with this.
- 6.17 Suggestions were requested for encouraging more regular visits in the future. The top 5 answers accounted for over half the responses and were:
- Good quality food offer / same standard food as before
  - Good range of ales / well-kept real ales
  - Include a food offer that is good value / affordable
  - Relaxed / good atmosphere
  - Provision of a drinker friendly-area
- 6.18 When given choices about future facilities, people's views were pretty clear. An enhanced garden with children's play area was popular. When asked what they did not want feelings were strongest relating to fruit machines, TV and a juke box.
- 6.19 The final question was open and asked what three things would make people visit the pub in the future. Here are a selection of answers which are representative of the overwhelmingly supportive nature of the comments received.

*"We very much hope the pub survives. If the right proposal succeeded we would make sure that we supported as much as possible".*

*"Need to make a pub for everyone with a welcoming and attractive interior. A place one wants to be".*

*"The Marlborough is a lovely pub. Villages without pubs die. We should try to keep a pub for our younger people to be able to enjoy drinks and socialise without having to drive. Live music would be a good custom puller at weekends".*

*"If it is child friendly and offers value for money then it will have our support!"*

## **Competitors**

- 6.20 There are several villages in the immediate locality but most of these - e.g. Flowton, Nettlestead, Little Blakenham and Willisham - do not have a pub. The nearest pub, the Offton Limeburners (1 mile distant), is mainly a drinking pub although it does have an in-house fish and chip shop with tables and seating. Further afield there is a vegetarian pub at Gt. Bricett (2 miles). In a 3-5 mile radius of Somersham there are pubs in Claydon/Barham (3), Bramford, Sproughton and Elmsett, all of which are enjoying varying degrees of support but are not generally frequented by our targeted local customers. We would, however, hope to attract visits from their own clientele who might want the occasional change. There is another (successful) community pub at Battisford (5 miles). None of these pubs, with the possible exception of The Offton Limeburners (1 mile away along a dark country lane), is within easy walking distance of Somersham, a population of some 700.

## **Our Marketing Strategy for the Pub**

- 6.21 The Duke of Marlborough carried out very little marketing in the past. Much more active marketing will be needed to attract new customers and increase the footfall. The marketing plan will be developed by the Management Committee.
- 6.22 The plan will cover everything from the food and drink offer to pricing, promotions, signage, leafleting, events, seasonal activities, website, e-shots and social media. It will take into account target markets and data capture. It will also cover the use of voluntary support and keeping shareholders and the local communities motivated and engaged.

## 7 Reasons to be Cheerful

7.1 There are a number of reasons why the Duke of Marlborough has the potential to succeed where others have failed.

- Somersham is an attractive, popular village close to Ipswich with other villages nearby.
- The local catchment population is over 1570.
- The Marlborough has been well supported by local people in Somersham and the surrounding villages in the distant past.
- It had a reputation for good food which we will build upon.
- It has potential for improvement on the present facilities, especially the outdoor areas.
- It has essentially been a restaurant so there is significant potential to develop the 'cask ale' and 'drinks' side of the business.
- It has always run at a profit.
- Having a community pub will create a local atmosphere as well as creating the loyalty factor from the 'community shareholders'
- We hope to have regular social events.
- We hope to attract customers from other establishments further afield who want a change from their own 'local' which might not be offering everything they want or might just want the occasional change.
- There is a good opportunity to attract passing trade including walkers and cyclists
- There are several business parks in a 5 mile radius to whom we can offer a function room for day time meetings or just as a venue for business over a coffee, drink or meal (with Wi-Fi access)
- The function room (small restaurant room) could be hired for exclusive use for family parties etc.
- We hope to attract holidaymakers from nearby B&Bs
- There is potential for 'Off Licence' trade.

7.2 Taking these factors into account and with steady development, there is a great opportunity to grow the turnover to make the pub commercially secure.



## 8 The Property

### Overview

- 8.1 The property consists of the bar/eating area and an additional restaurant room, small lobby, the kitchen, toilets and cellar. The upstairs residential accommodation currently occupied by the owners, consists of two large bedrooms, one small bedroom, living area and bathroom. There is no kitchen, although there is the scope to covert the small bedroom (2.5m x 4m) into a kitchen.
- 8.2 There is the possibility that we might be able to buy/lease a strip of land adjoining the property to extend the beer garden.



## **Key Structural Survey Findings**

8.3 A detailed structural survey has been carried out by Oswick Ltd. A brief summary is as follows.

- Generally the building was found to be maintained to a reasonable standard, although a number of small defects were noted both internally and externally.
- Structurally no significant subsidence, or settlement was noted and the roof appears to be free from distortion. Damp was noted to the rear extension at low level on the right hand side and this is believed to be emanating from the high ground levels of the adjoining property. Reducing the ground levels to ensure 150mm clearance should rectify the problem. It is understood that damp remedial repairs have been carried out previously.
- Building services were generally found to be in fair condition although it was recommended that the services be tested to determine their age, efficiency and safety. The drainage appeared to be free from defect.
- Oswick Ltd. did suggest various areas where possible remedial work might be advisable but, with the possible exception of replacing some deteriorating roof tiles and roof repairs, most of the suggestions are of a minor nature.

## **Refurbishment and Repairs**

8.4 A sum of £50,000 has been included in the financial analysis for refurbishment and repairs. Apart from some essential repairs and service testing, some remodeling is required to improve the interior and grounds in order to create the right sort of ambience for both drinking and eating. A detailed plan will be drawn up by the Management Committee.

## 9 Company Summary

- 9.1 We have formed a company, the Somersham Community Pub Ltd, which is a Community Benefit Society. The company will be accountable not only to shareholders but to the community as a whole. The company will be run in a way that listens to the wishes and concerns of local people irrespective of whether they are shareholders. Major decisions on investment and development will be widely consulted on.
- 9.2 It is proposed to use a standard Memorandum and Articles, setting out the constitution of the Company including the election of the Management Committee and the holding of shareholder meetings.

### **Ownership**

- 9.3 The company will be owned by a broad range of investors, hopefully with over half living locally. No individual shareholder can own more than £100,000 worth of shares under the CBS scheme. In order to qualify for EIS they can only own 30% of the total share value (also approximately £100,000). The pub will be run so as to make a profit. The profits will be reinvested in the pub itself, shared with the hired staff in the form of preset achievement bonuses and distributed to shareholders via interest payments. The company will hold an annual general meeting for all shareholders and have further meetings during the year to discuss plans and progress.

### **Assets**

- 9.4 The Company will own the freehold of the pub. The purchase price will include the furniture and fittings. Trading stock will be purchased separately. Over time the growing reputation and profitability will become further assets.

## Work completed to date

- After the open meeting in November 2014 several volunteers came forward to form a working party
- In December the Save the Duke Committee became an unincorporated association.
- Later that month we were awarded £1000 by Somersham Parish Council to set up the project.
- The Duke of Marlborough closed down on Christmas Day 2014
- Early in January we applied to the Plunkett Foundation, a charity set up to aid community projects. We were accepted as members, and have received free support from a Business Advisor, Community Advisor and mentoring from The Green Man community pub in Toppesfield.
- On January 26<sup>th</sup> 2015 The Somersham Community Pub Ltd became a Community Benefit Society (CBS) registered with the FCA.
- We commissioned a property surveyor with a special interest in licensed premises, who undertook a detailed building survey and valuation of the property. The report is available on request.
- In February we received a grant of £1550 from the Locality Budget operated by Suffolk County Councillor Julia Truelove
- In March 2015 we set up a bank account with the Co-Operative Bank.
- On March 7<sup>th</sup> 2015 we held our first fundraising event the Bash In The Barn. Around 250 people attended, and we raised £2,800.
- Our second event on May 2<sup>nd</sup> 2015 was a pop up pub and pub quiz. We raised a total of £1450, but the committee voted in advance to donate the proceeds of the raffle (£600) to help victims of the earthquake in Nepal.
- Our campaign has been covered by the East Anglian Daily Times, In Touch magazine, Inapub trade magazine and the Parish Magazine. We have been interviewed for BBC Radio Suffolk. We also have a website, Facebook page and Twitter account.
- A detailed community survey has been carried out, with a questionnaire distributed to every household in Somersham, Flowton, Offton, Willisham, Nettlestead and Little Blakenham. We received over 140 responses, which have informed our business plan.
- During April and May we consulted widely with businessmen and women, accountants, lawyers and those working in the pub trade in order to formulate our business plan. It has been reviewed and amended by our Business Advisor from the Plunkett Foundation.
- We have been granted Advance Approval from HMRC that we will qualify for 30% tax relief under the Enterprise Investment Scheme.
- We have been awarded £2000 by the Suffolk Empowering Communities Fund, to help set up and launch the share offer.
- We have received a further £2000 grant from the Esmee Fairbairn Trust through the Plunkett Foundation.
- In July we applied for funding from the Big Lottery, and are awaiting the outcome of our application.

## 10 Financials

- 10.1 This section sets out the projected costs of acquiring the freehold of the Duke of Marlborough and running it as a community pub. Figures have been taken from the existing accounts of the pub, as well as cross-referencing the accounts of other community run public houses.

### Capital Costs

Acquisition costs	
Purchase price	£275,000
VAT	£55,000
Valuation survey	£1,175
Statutory testing	£2,000
Solicitor	£4,000
Stamp duty	£9,735
Prospectus	£1,000
Village Survey	£500
<b>Total</b>	<b>£348,410</b>

Start up costs	
Refurbishment	£50,000
Initial stock	£7,500
Working capital*	£25,000
Glasses	£500
Cutlery/crockery	£1,500
Publicity	£1,000
Opening party	£1,000
Staff recruitment	£750
IT	£2,000
Menus	£250
<b>Total</b>	<b>£89,500</b>

\*Note: the VAT on the building purchase is reclaimable. This will be used to increase the initial working capital to ~£80,000

- 10.2 The total sum that needs to be raised is therefore **£437,910**. This will be raised by:

Share Issue	£350,000
Grants/Loans	£87,910

## Profit & Loss Account

### Under previous ownership

10.3 According to the valuation by Oswick Ltd:

“Company accounts for the financial years ending 30th June 2011, 2012 and 2013 have been provided and the vendor advised that these are available for review. In summary, Net profit for each financial year is recorded as follows:

2010 = £22,085

2011 = £12,857

2012 = £8,547

2013 = £1,057

10.4 The reduction in profit is principally attributed to a decrease in sales; from £192,585 in 2010 to £148,614 in 2013. Reflected in a reduction in Gross Profit from £65,891 to £27,511”

10.5 It would appear therefore that the Marlborough has always run at a profit even though the owner has been gradually running the business down since he first put the pub on the market 2 - 3 years ago.

10.6 Using comparable figures from the Sorrel Horse, Shottisham, in 2011 which were:

Turnover	£ 168,300
Purchases	£ 63,900
Gross Profit	£ 104,400
Staff	£ 59,800
Rates	£ 1,900
Utilities	£ 13,100
Insurance	£ 2,000
Repairs & renewals	£ 5,000
Marketing/events	£ 5,100
Books/accounts	£ 5,100
Bank/credit card	£2,200
Other	£ 2,400
Profit pre tax	£ 7,800

These figures are not dissimilar to those achieved at the Duke of Marlborough

## Cash Flow Forecast

- 10.7 The trading model at time of closure was almost entirely food based and profit levels were dangerously low. Looking at the menu pricing versus the food quality, this would have to change to enable a higher gross margin. An overall gross margin of 60% has to be achieved in order to sustain viability.
- 10.8 An increase in turnover is anticipated based on the proposed changes and there will be some increased costs due to having more paid staff.

<b>Sales</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Drink only sales	£31,133	£40,878	£56,285
Meals (food plus drink) sales	£124,531	£163,510	£225,141
<b>Total turnover</b>	<b>£155,664</b>	<b>£204,388</b>	<b>£281,426</b>
% of break even turnover	67%	85%	113%
Customers per week	244	309	411

### ***Customer breakdown, per week***

Coffee customers/spend per head	37/£3	47/£3	62/£3
Lunch customers/sph	44/£10	56/£10	75/£10
Sunday lunch/sph	30/£14	38/£14	51/£14
Evening meal customers/sph	80/£19	101/£20	134/£20.5
Drinks customers/sph	53/£10	67/£10.5	89/£11
Gross margin	60%	60%	60%

### **Expenses**

Staffing costs	£84,938	£88,335	£91,733
Establishment costs	£49,957	£47,405	£50,092
Food and drink costs	£62,265	£81,755	£112,571
<b>Total expenses</b>	<b>£197,160</b>	<b>£217,495</b>	<b>£254,396</b>
<b>Profit</b>	<b>-£41,496</b>	<b>-£13,107</b>	<b>£27,030</b>

## Running Costs

- 10.9 The major fixed running cost is the staffing - (~£90,000)
- 10.10 The business model assumes employing a bar manager and a chef. In addition there will be a part time sous chef, and 1 or 2 serving staff (depending on the expected business of the pub). There will also be cleaning and gardening costs. Allowance has been made for sickness and holiday cover.
- 10.11 The model is based on the pub being open lunchtimes and evenings from Tuesday to Saturday, and then Sunday lunchtime only. It will not be open on Mondays.

## Establishment costs

- 10.12 The following have been included in the establishment running costs - (~£50,000)

Water rates	Web site	Flowers
Liability, buildings and	Broadband +phone	Menus
Contents insurance	IT equipment	Transport
General maintenance	Advertising	Deliveries
Manager bonus – (when	Consumables	Kitchen basics
the pub is in profit)	Marketing	Food waste disposal
Cask Marque	Security	Customer relationship
Staff training	Accounts	management system
Recruitment	Bank charges	Laundry
PPL Licence	Correspondence	Kitchen - tea towels etc
Electricity	Window cleaning	Cleaning materials
Gas	Breakages	Firewood

- 10.13 It has been assumed that the 100% small business rate relief will continue.

## Grants

- 10.14 There are numerous grant opportunities for capital and refurbishment projects for community projects in this area. We have contacted organisations such as SITA (a major recycling organisation) who support communities through the 'Landfill Community Fund', who have given us a positive response. We are confident that we will be able to obtain some grants from them and other organisations to help us upgrade the building fabric of the Duke of Marlborough (a Grade II listed building).



## 11 Share Offer & Ownership

- 11.1 The Company is seeking to raise up to £350,000 by the issue of 7000 shares with a value of £50 each. In addition, we are looking to obtain £87,910 by way of grants etc. Taken together these will cover the purchase price of the pub, the acquisition costs, refurbishment, initial stock, and provide working capital, not least to fund any shortfall while the pub is re-establishing itself and building up additional clientele.

### Share Offer

- 11.2 The share offer will run for three months and is designed to give investors the opportunity to contribute financially, on a long-term basis, to the business of Somersham Community Pub Ltd. We expect most shareholders to come from the local community but welcome contributors from further afield.
- The value of each share is £50, with a minimum subscription of 5 shares (£250) up to a maximum of 30% of the total shareholding.
  - To qualify for EIS tax relief shares must be held for a minimum of 3 years.
  - The amount we wish to raise from this share offer is £350,000.
  - The minimum amount we need to raise through shares and/or grants is £275,000. If we have reached this figure on 16th October, the money will be taken from your account within 7 working days and held by our Solicitors until the sale goes through. We reserve the right to extend the share offer by a further 4 weeks but will keep investors fully informed.
  - If, within a reasonable time frame we cannot raise the money or agree a price with the owners the scheme will be deemed unsuccessful. At this point any money collected from investors will be returned in full.
  - Shares will be allocated on a first-come-first-served basis.
- 11.3 We have applied to HMRC and been granted Advance Approval that our business will qualify for the EIS (Enterprise Investment Scheme). This allows investors to reduce their tax liability by 30% of their investment, provided the shares are held for three years. For example, if you invest £2,000 you will be able to claim back £600 from the taxman, so your investment will only cost you £1400. However you do need to hold your investment for 3 years to qualify.
- 11.4 Recent changes to HMRC rules in the 2015 budget may mean that we are eligible for SEIS tax relief which is 50% - we are in the process of applying for this additional benefit.
- 11.5 Furthermore this investment is deemed to be outside of your estate for Inheritance tax purposes, (subject to a minimum share holding period of 2 years).
- 11.6 HMRC will monitor the activities of the group over the course of three years, to ensure we are carrying out allowed activities. Following an application by Somersham Community Pub Ltd, HMRC has issued advance authorisation for our share issue to qualify for EIS status. Once we are trading, we will be assessed four months after opening to ensure that we are meeting the HMRC rules.
- 11.7 Note that pre-approval is not a guarantee of approval – although it is a strong guideline. If we fall outside the rules at any time during the first three years of trading, HMRC may reclaim any tax rebate paid to individuals.

## **Interest Policy**

- 11.8 The Society is obliged to re-invest part of its profits for the benefit of the community, but is also allowed to pay interest to its investors based on the amount invested.
- 11.9 The interest rate will be proposed by the Management Committee to the Membership at the AGM and voted on.
- 11.10 The target interest rate is 2% above the Bank of England base rate.
- 11.11 We have assumed that no interest will be paid in the first two years and that no more than 50% of net profit is paid as interest in any year.

## **Benefits of Ownership**

- 11.12 The following benefits
- You will own a part of a beautiful pub which is at the heart of the local community.
  - You will be playing your part in ensuring the long term survival of the pub.
  - You will receive interest on your investment (with a target interest rate of 5%).
  - You will receive EIS tax benefits (subject to a 3 year holding period).
  - Your investment will not be counted as part of your estate for inheritance tax purposes
  - You will have the right to vote on the election of the directors and on all resolutions put to the shareholders. (One vote per qualifying shareholder)
  - You will earn rewards by being a shareholder. A shareholders card will be issued which will confer rewards such as discounts and special offers from time to time. Rewards are also offered at the time of investing, depending on the amount you invest. For example, if you invest £1000 or more, you are eligible to have your name on a wall of fame in the pub!

## Share Liquidity

### ***What if I want to sell my shares?***

- 11.13 We hope that you will buy shares in the Duke of Marlborough as a long term investment, keeping the pub safe for future generations. However it is possible that your financial circumstances might change and you may wish to withdraw your money from the company.
- 11.14 Under the rules of the Community Benefit Society you will not be able to withdraw your capital in the first three years. This is to ensure that the company has time to make a profit and build up some financial reserves. After the first three years you can apply to the Management Committee (who are elected by the shareholders) to withdraw your money.
- 11.15 The Committee will consider all such requests, but they are obliged to consider the financial security of the company. If there is enough money in the bank, you may be able to withdraw your money. However if withdrawing your money would leave the pub unable to meet its financial commitments, and result in an inadequate level of financial reserves, the Committee will not be able to buy back your shares. This does not preclude the possibility of a future application succeeding, if more cash has become available.
- 11.16 We hope that we will be in the same position as the Sorrel Horse in Shottisham, where the share issue was oversubscribed and there is a waiting list for people who want to own shares. In this situation, the company would facilitate the buying and selling of shares.

### ***What if the pub fails?***

- 11.17 In the unlikely event of the pub failing as a viable business, then it will be put up for sale. Investors will get their original investment back in full, as long as the (net) sale price is sufficient to cover this. Any shortfall will mean the amount returned to each shareholder will be scaled down pro rata to match the selling price. If the selling price exceeds the share capital value, then the excess has to be used for the benefit of the community as a whole under the CBS rules.

## 12 Risks

- 12.1 Anyone considering investment should think carefully about the risks involved. Furthermore, as this document is not being presented by a qualified financial adviser and has not been independently audited, potential investors should discuss the risks with their own advisers.
- 12.2 Risks could come from a number of areas. The identification of key risk areas enables the Company to take actions to minimise the risk or their impact. The following areas have been identified as potential areas of risk, with comments in italics as to how these have been, or could, be mitigated:
- **The property:** If the building has serious structural faults or other major defects requiring high levels of investment --- *Professional surveyors report secured*
  - **The land:** In case title to the land is challenged or unidentified restrictions arise --- *Professional legal advice and searches completed*
  - **The market:** If turnover declines to a level which causes losses --- *Community engagement to drive new initiatives and secure increased business*
  - **Pub Manager:** The individual or couple appointed to manage the business will be crucial. Poor business skills, lack of experience of the Pub trade or personal friction with the management board could jeopardise the whole project. --- *This will be addressed through a rigorous selection process with the necessary skills already present on the management board.*
  - **Staff:** Loss of key employees - *-Incentive schemes will be proposed to reward performance. However some staff turnover is inevitable and efficient replacement schemes need to be put in place.*
  - **Cash control:** Lack of management control causes losses --- *Modern till reconciliations and external accountancy oversight*
  - **Failure to raise sufficient funds:** --- *The business and the share Issue will be structured to take advantage of the EIS. If the purchase cannot go ahead then all funds deposited will be returned in full.*

## 13 In Conclusion

- 13.1 This is a rare opportunity to invest in a community pub alongside many others who value the traditional village pub atmosphere and like to spend time with people who enjoy the food and drink and chat that helps hold a community together.
- 13.2 29 pubs are closing a week, and community ownership is a way to buck the trend and save our historic, grade II listed Inn from being permanently lost.
- 13.3 The future Duke of Marlborough will be a thriving, friendly community pub. It will welcome everyone whether dropping in for a coffee and cake, a simple pub meal or a special occasion with friends and family. You can pop in for a quiet pint after work, or with a group of friends for a fun Saturday night listening to live music. Children and well behaved dogs will be welcome. Regular events will be held and clubs and societies will have a new venue for their meetings. Most importantly, the business will be responsive to what we, as the customers, want.
- 13.4 Becoming a shareholder will give you a voice in the Society and a say in the pub's future. The minimum investment is £250, and if you are a taxpayer you can expect to reclaim at least 30% of your investment back in tax relief. Interest will be paid to all shareholders as long as profits allow.
- 13.5 As with any financial investment there may be risks, but they are low and will be mitigated where possible. We believe this to be a safe and ethical way to invest your money in the long term.
- 13.6 Our thanks go to all who have helped supported the project so far. These include Somersham Parish Council, Councillor Julia Truelove (Suffolk C.C) and Mid Suffolk District Council. The Plunkett Foundation have provided invaluable support, along with Communityshares.org and Crowdfunder.co.uk. Thanks to the teams from other Community pubs who have given us advice – The Sorrel Horse Shottisham, The Punchbowl Battisford, The Case is Altered Bentley and The Brook Inn Washbrook. But most of all thank you to the local community for their support!

## Contacts

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**Facebook:** www.facebook.com/Marlboroughsomersham

**Crowdfunder:** www.crowdfunder.co.uk/savetheduke

## Addendums & Links

Here are some useful links if you want more information:

- Our campaign website: [www.savetheduke.net/](http://www.savetheduke.net/) contains lots of useful documents and links, including:
  - The Model Rules governing the Society
  - The full report from the community survey
- Our facebook page: <https://www.facebook.com/marlboroughsomersham>
- Invaluable support has been provide by The Plunkett Foundation [www.plunkett.co.uk](http://www.plunkett.co.uk)
- The Plunkett document 'A Better Form of Business' explains the principles of community ownership: <http://www.plunkett.co.uk/resources/publications.cfm>
- Community Benefit Societies are regulated by the FCA – details of the Co-operative and Community Benefit Societies Act 2014 can be found at [www.fca.org.uk](http://www.fca.org.uk)
- Guidance from the HMRC about the Enterprise Investment Scheme can be accessed at <https://www.gov.uk/government/publications/the-enterprise-investment-scheme-introduction>
- CAMRA is working to protect pubs from closure: [www.camra.org.uk/](http://www.camra.org.uk/)
- Pub is the Hub helps pubs to diversify: [www.pubisthehub.org.uk](http://www.pubisthehub.org.uk)
- For lots of information about community shares, go to [www.communityshares.org](http://www.communityshares.org)
- Our funding platform is [www.crowdfunder.co.uk](http://www.crowdfunder.co.uk)