



# The Bartons Community Benefit Society Limited

## Business Plan



October 15, 2023

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# **EXECUTIVE SUMMARY**

## **1.1 Introduction**

This Business Plan presents a proposal from The Bartons Community Benefit Society Ltd (The Bartons CBS) for the purchase and lease to a tenant of the Fox Inn, 27 Enstone Road, Middle Barton, as a community-owned pub.

This is a very difficult time for pubs. At the moment, they are closing at the rate of two per week. They need to change the way they operate and the way they are used if they are to survive. This plan explains how we will change the fortunes of the Fox Inn.

The financial model underpinning this business plan is realistic and robust. We have sought expert advice and proudly present this once-in-a-lifetime opportunity to invest in a truly worthwhile community enterprise that will provide a valuable service to its members, users and future generations.

Richard C Brown MBE

The Bartons Community Benefit Society Ltd

## 1.2 History and Current Situation

The Fox has been a village pub since at least 1809 and is a building of historical significance dating from the early 1700s, a Grade II listed building, which used to host the local assizes justice courts and the village stocks. It is now the last pub left in the Bartons.

The Fox Inn has been a thriving pub in the past, attracting custom from the Bartons and more widely across Oxfordshire, with a deserved reputation for well-priced good food. However, due to a lack of ambition and investment from its owners, together with poor support for a succession of tenants, over recent years the pub's reputation and consequently its turnover have decreased.

In anticipation of a possible sale, residents of Middle Barton secured West Oxfordshire District Council's listing of the pub as an Asset of Community Value (ACV) in March 2022

Stonegate Group put the Fox Inn on the market in June this year and, under the ACV rules, a six-month moratorium period was triggered by local residents, during which time the pub can only be sold to a community group. The moratorium period ends on December 27<sup>th</sup> 2023, at which time Stonegate will be free to sell it to whoever they wish.

The Fox is now closed and vacant, leaving Middle Barton without a pub. The final set of tenants felt unable to make a success of the business given the uncertainty of the situation and their lack of secure tenure.

The closure of the pub has led to many local residents travelling elsewhere for social gatherings and dining out. This has meant otherwise unnecessary car journeys with the attendant increase in emissions and accident risk. Some previously popular activities have ceased – such as the regular 'Crop Swap' – or been curtailed – such as the weekly pub quiz. Since the Fox closed altogether in July, opportunities for regular social interaction have been noticeably limited; the pub garden in the summer months used to be an ideal place for, in particular, families with small children to meet and socialise. If the Fox were to stay closed permanently, our village would be left with no easy way for newcomers to the Bartons, particularly those without children, to socialise with other residents.

## 1.3 Our Vision

***“Our vision is to create an independent, community-owned pub that is a welcoming village hub offering exceptional food, vibrant community events and genuine connections, while complementing other local spaces within our village”***

Responses to our community wide survey for July and August 2023 helped us form this vision.

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

The key factors that will contribute to our vision are:

- Purchasing the freehold of the Fox Inn from Stonegate
- Setting an affordable rent and operating the pub as a free house
- Re-establishing a successful restaurant offering reasonably priced food appealing to both residents and passing visitors. The pub can only succeed with a restaurant to complement its 'wet trade'
- Agreeing a lease with a professional and experienced tenant who knows how to run a successful pub business, and who is supportive of our ambitions
- Community involvement in the society to manage, maintain and improve the property, and to ensure community support for, and input into, the future success of the pub
- Investing any surplus profits in improving the pub and its facilities for the benefit of the community, and paying a modest level of interest to all shareholders.
- Refurbishing the outbuilding to create a community café and community hub
- Making the property and garden more sustainable

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

#### **1.4 Business Proposal**

We have formed The Bartons Community Benefit Society (the Bartons CBS) to purchase the Fox Inn. We will then appoint a professional tenant with the experience and skills to run the pub as a profitable and successful business for the benefit of the community and other users.

Our objective is to have a friendly and welcoming village pub that serves local beers and sensibly priced, freshly prepared food. As support for a community pub has grown, we can see that the Fox Inn could be 'more than a pub' and we propose to introduce a range of community amenities revolving around a community café and garden, run in tandem with the pub business. This would open up the Fox to a broader range of people and act as a hub for many different community activities and volunteering opportunities to boost the health and mental wellbeing of local people (see Section 3).

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

We firmly believe that the business will be profitable, but in the unlikely event it is not The Bartons CBS will own a valuable asset – the building and land associated with it – which if necessary could be sold in order to return funds to investors. Our investment is in the building and land – the bricks and mortar – not the licensed business.

## 2. HOW WE WILL MAKE THE FOX SUCCEED

### 2.1 Project Background

In July 2023 the Fox Inn, owned by the Stonegate Group, was put on the market for £495,000 (freehold), following a high turnover of tenants.

Anticipating that at some point Stonegate would try to sell the Fox Inn, in March 2022 a number of concerned Middle Barton residents successfully applied to West Oxfordshire District Council for the pub to be listed as an Asset of Community Value (ACV). On learning in May that the pub was on the market, we formed a Community Interest Company in order to register our intent under the ACV rules to make a bid to Stonegate for a community purchase. This company has since been converted into The Bartons Community Benefit Society Ltd, registered with the Financial Conduct Authority.

The six-month moratorium by law prevents Stonegate from selling the pub to anyone other than a community organisation during this period. The moratorium lasts until 27<sup>th</sup> December 2023. **We intend to make a firm offer before the close of this moratorium period.** After this point, Stonegate will be free to sell the pub to whoever they wish. It is by remembering that The ACV moratorium gives us a right to bid, but not a guaranteed right to purchase.

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

### 2.2 Market Background

Average freehold pub values (trading pubs with accounts) have increased fairly steadily since 2011, apart from a dip in 2020/21, in 2022 the average price stood at over £800k (source: Fleurets). However, the impact of the financial crisis on the Pubcos with large estates has meant that they are selling assets to pay down their debt. There are also competitive pressures on drink sales and changing patterns of leisure time usage which together have put a significant strain on the traditional tied pub tenancy model. This model has become increasingly uneconomic, particularly in rural locations.

As a result of these pressures the nature of pub ownership is changing. There were 46,000 pubs in the UK (in 2020) but the large estates are now being broken up and numerous properties are either being closed or are passing into the hands of individuals or small groups. It has also become clear that the traditional tied pub owning model has become inflexible and increasingly uncompetitive.

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

Smaller, newer and better managed independent groups are now emerging to acquire and invest in pubs using a more integrated model. Similarly, communities are increasingly mobilising and buying these under-performing assets, operating them through tenancies for the benefit of the local community.

### Community Pubs

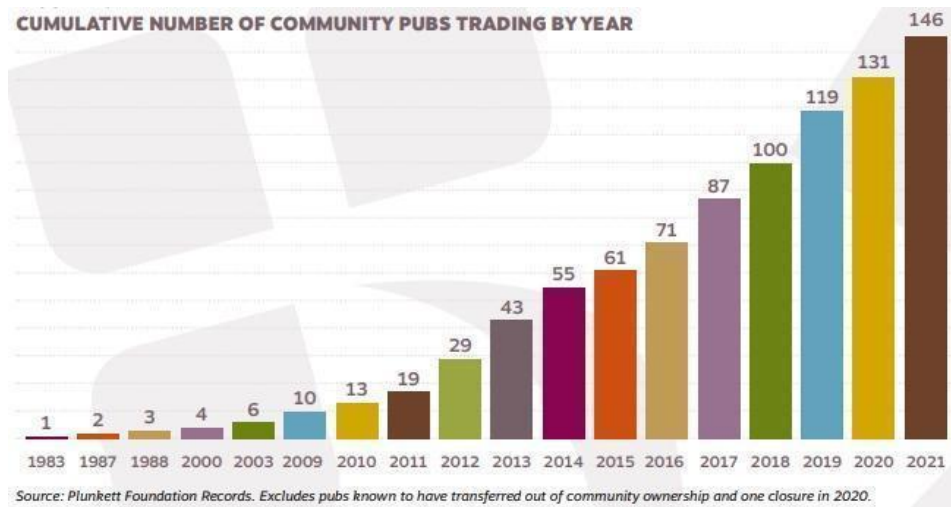
The first co-operative pub opened in 1988 (Tafarn y Fic in Llithfaen, Gwynedd). By 2010 there were still only five community pubs in the UK. Legislation in 2011 (The Localism Act) introduced the designation of an Asset of Community Value (under which community groups have a six-month moratorium period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

steadily.

There are now 179 community owned or run pubs, and more than 70 active community ownership campaigns currently underway across the UK (2022 figures).

## Resilience

Although still a relatively young sector, to date there have been very few cooperative pub closures in



the UK, maintaining a survival rate of 99%. This compares extremely positively with estimations for UK businesses, which have an estimated 5-year survival rate of 41% (Office for National Statistics) and is one of the best business survival rates anywhere in the world.

## Local community pubs

A number of community pubs have opened in Oxfordshire in the last few years, our closest are the Abingdon Arms (Beckley) and The White House (Bladon), both of which are operating successfully. We have been liaising closely with them, and have received valuable support, particularly from the Abingdon Arms; we encourage everyone to visit these pubs to see a community pub in action. Recently the residents of Stonesfield, after a long struggle, managed to buy their pub, the White Horse, and we wish them all the best.

## Business Feasibility Study

In August, we commissioned a professional valuation and commercial feasibility study from specialist pub surveyors Morgan & Clarke Chartered Surveyors. The surveyors took the condition of the building, existing fittings, trading history and extensive industry knowledge to confirm that if well run and supported by the local community, the Fox Inn could flourish as a community owned pub.

## Future profitability

Morgan & Clarke's detailed analysis shows that the Fox Inn is perfectly capable of generating good profit margins:

“... taking into account the specific product range and pricing structure anticipated ... it is reasonable to expect a wet gross profit margin of at least 68%”

“The dry gross profit margin adopted is 65%, which is deemed reasonable to achieve with proper portion control measures in place and an appropriate level of wastage. ... 65% is

realistic and in keeping with industry expectations.”

### **2.3 Community Consultation**

We have seen locally the impact on communities that pub closures can have. Pub closure not only threatens the social cohesion of a community, but also exacerbates the impact of rural isolation.

Consultation undertaken within the community via a survey and public meetings has established an excellent body of support for the community pub project, with a high level of participation.

In June 2023, after the Fox Inn was put up for sale, we circulated information about our plan for a community purchase and organised an initial public meeting.

In July/August 2023, we carried out a survey in The Bartons to establish whether there was support for a community purchase.

- 159 people responded to an on-line questionnaire
- 93% said the pub was important or very important
- 80% said they would use the pub at least once a month if community owned
- 63% said that they would consider investing in the pub.

Subsequently we have circulated by email and by door-to-door deliveries in The Bartons a leaflet outlining the proposal and inviting people to a Public Meeting on September 8<sup>th</sup> at the School. This Meeting (the ‘Pop-up Fox event’) was very well attended, with over 120 (adult) residents enjoying the late summer weather and the selection of ales and wines on offer.

The evening resulted in pledges to the total of £40,000 being made, and that has subsequently reached over £80,000 from around 130 people – not nearly enough yet, of course, but enormously encouraging.

The experience of other community pubs in Oxfordshire and further afield is that the conversion rate from pledge to actual investment is extremely high, over 95% in each case, and that other investors come forward when the share offer is opened.

We have visited and consulted with a number of established community pubs and with other successful local pub and restaurant operators. In particular, we have carried out market research on typical food prices around the area.

In line with our wider community model, we have also consulted with the village shop, the Sports & Social Club, the Steeple Barton Parish Council and Westcote Barton Parish Meeting, Our District Councillor, the School, local microbreweries, architects, builders/developers, solicitors, craftspeople and other professionals in our community. We have also been liaising with other social enterprises and charities that have offered to help us with our plans for the community hub and garden.

Last, but by no means least, we have drawn on local interest and offers of help to recruit a willing force of volunteers who have delivered newsletters, canvassed opinion and encouraged pledges of investment, and who will assist practically with the numerous tasks (painting and decorating, gardening etc.) which will be required following community purchase of the Fox Inn.

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

### **2.4 Structural Survey**

Before making detailed plans, we commissioned John Brown MSc MRICS of Ridge & Partners LLP to conduct a Structural Survey on the buildings



## Brief Description

The Fox Inn is a traditional stone-built public house that we believe was originally built c.1700-1750. It is in the parish of Westcote Barton – about eight miles east of Chipping Norton, the “gateway to the Cotswolds”, on the B4030. The garden has stunning views over the Dorn valley.

The pub has dining space for approximately 24 people in the restaurant, seating for 34 in the bar, 8 in the ‘snug’, and there is further outdoor seating/dining space on the terrace in front of the pub and in the garden to the rear.

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

## Current Condition

The current condition of the pub has been assessed by John Brown from Ridge and Partners. He highlights a number of matters requiring attention, but only three of these are “critical ... requiring urgent resolution” and these are costed at £4,800. The remainder, designated “important issues for ongoing management or action” include some roofing and guttering work, minor stonework repairs, and window repairs or replacements.

Even though some of this work is not immediately necessary, we have allowed in our budget to carry it all out in Year 1. The report goes on to say:

**“Provided due consideration is given to the items raised in this report, then from a technical perspective there is nothing to prevent the prospective purchaser from proceeding with the acquisition.”**

We will also want to replace the external pub signage to make it clear that the pub is a free house and is a community amenity.

As the pub is a listed building in a conservation area, planning consent is required for most changes, however minor, and we will be seeking the relevant consents in parallel with the purchase. Contact has been made already with WODC’s planning team.

## Future Plans

We also intend to make substantial improvements to the toilets to modernise them as soon as funds permit, and importantly to improve access for customers with disabilities. Our surveyor made some useful comments on these plans and also on the idea suggested by many in the village of enlarging the dining area and swapping over the kitchen and dining-room spaces. That, however, is not part of our current financial planning. As detailed above, we also intend to refurbish the outbuilding and turn it into a café and community hub, although this is phase 2 of our project and will have to be funded through separate revenue streams such as grant applications and additional share issues.

## 2.5 What Will It Cost?

The Fox has been put on the market at an asking price of £495,000, but we understand that this is very considerably overpriced. We expect, therefore, that Stonegate will have to accept a lower bid, particularly in view of the fact that the pub is, to all intents and purposes, empty – the previous tenants having removed all items owned by them, including most of the kitchen equipment. Of course, there will be other costs (surveys, legal fees, stamp duty, etc.) and some essential repairs and refurbishments, so we have set ourselves the target of raising the £495,000 asking price to

purchase the pub and cover the associated costs, in order to be 'tenant-ready'.

### 3. HOW WE WILL WE PAY FOR IT

Our intention is to finance the purchase as far as possible through a community share offer, so our target for the share offer is to raise the full £495,000. However, we will also be exploring what grant funding and social enterprise loans might be available, though this will almost certainly require us to match any grant with the amount raised by us. If need be, we will also look at taking out a commercial mortgage.

Until we are in a position to negotiate with the owners, we have set ourselves the target of raising the asking price of £495,000. We are very conscious of the need to allow for replacing the fixtures and fittings (F&F) in the pub, particularly the kitchen equipment. We will also need to cover costs associated with the purchase, such as surveys, legal fees, land tax etc.

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

It is proposed that this is funded as follows:

#### Community Share Offer

**Our target is to raise the full funding requirement of £520,000 from a community share offer, with a minimum raise of £420,000.** The concept of community shares has been explored in depth and promoted through community research, meetings, and regular newsletters (both online and in print). Marketing for the share offer will exploit all of these methods in addition to posters, local leaflet drops, direct mail and focused communication with local businesses and organisations.

The shares will potentially be interest-bearing (subject to the Rules of the Society). All investors will be members of the Society and entitled to vote on matters affecting the Society.

The price for each share will be £1, and the minimum permitted investment is 100 shares although we hope that most investors will invest considerably more than the minimum. The maximum permitted individual investment will be £100,000 (the legal maximum for an individual investment in a community benefit society).

Shares are not transferable (i.e., members cannot sell them to anyone else), except in the case of death or bankruptcy of a member. They will be withdrawable, subject to the necessary funds being available at the time.

**If we are unsuccessful in our bid to purchase the Fox Inn, then all investment monies will be returned promptly. Any costs incurred to that point will be borne by the Management Committee – we are indeed committed to this project!**

#### Grants and Social Enterprise Loans

We intend to explore sources of grant and social enterprise loan funding for community projects, any such funding that we are awarded will reduce our dependence on commercial debt and will thus enhance the business case. However, owing to the uncertainty of obtaining grant money we have at this stage planned our budget without such funding.

#### Commercial Mortgage

Any shortfall in funds raised from the community share offer (and possible grant funding) will be met by taking out a commercial mortgage. Our business case assumes that we may need a mortgage of up to £100,000 repayable over 20 years.

Note: Commercial mortgages typically attract a high interest rate (currently around 7-8%), so this is another big incentive to maximise the level of community share investments.

### **Donations**

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

### **Value Added Tax**

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

### **Contingencies**

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

If insufficient share capital is generated in the required timescale we will (a) negotiate with Stonegate for an extension beyond the end of the formal moratorium period, (b) extend the share offer period, and (c) consider taking a higher proportion of debt financing. We have modelled various funding scenarios and have established the maximum amount of debt that is commercially viable. Under no circumstances will we take on debt in excess of this limit, even if that means we cannot proceed with the purchase.

Grant funding has not been included in the financial plan, therefore any success in this will be beneficial to our business case.

Share withdrawal by members has been budgeted for at what we believe is a prudent level from Year 6 onwards. The Society's Rules permit withdrawals from Year 3, but we do not anticipate being in a position to be able to fund withdrawals that early in the life of the venture. The management committee has the right to refuse a request to withdraw funds if it would endanger the business. It is our intention not to deny withdrawals unless absolutely necessary, but of course we need to have sufficient funds.

Share interest payments to members have been assumed from Year 5, but in any event, payment will be determined by the Management Committee, and will be dependent on the business achieving the requisite levels of profitability. Interest will be paid gross and depending on members' tax rates may be taxable. It will be the member's responsibility to declare any such earnings to HMRC if applicable.

We have assumed there will be an initial three-month period without rental payments to allow for works to be completed or delays in appointing a tenant, and likewise we have budgeted in case there is a tenant void at the end of Year 3.

£60,000 has been budgeted for initial repairs, as costed by our structural surveyor, and a further £5,000 rising to £8,000 pa to allow for a level of ongoing repairs and maintenance. We hope that in practice members of the community will be willing to undertake on a voluntary basis work such as decorating, gardening and minor works, which will strengthen our financial position.

### 3.1 Community Ownership

The pub will be owned and let by The Bartons CBS. This means that we, the community, will have control over how the property is managed and improved. It will also enable us to have constructive communications with the tenant about the community's wishes, and one of the criteria for selection of a tenant will be their willingness to provide for community needs.

Morgan and Clarke note that “... **it is advisable to draft and finalise a profile detailing the anticipated style of operation before deciding on a Tenant. This profile will serve as a guide for recruiting a Tenant operator who shares the community's vision.**”

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

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

We of course hope that many members of the community, whether members of the Society or not, will support the pub by offering voluntary help, joining or assisting the management committee, and most importantly by coming to eat, drink and be merry at the Fox Inn! Owning a share in the pub should make local people more likely to get involved and visit the Fox.

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

A community approach will make a significant difference to the future potential of the Fox Inn:

- People care enormously about their local pubs and are willing to invest their money, time, skills and energy to save them.
- A wide membership provides a large pool of people to draw on for support and custom and generates great commitment to a well-run enterprise.
- In the Plunkett Foundation's experience, the community model is resilient. To date 99% of community owned pubs are still trading, as their strong local identity sets them apart from traditional competition.
- Business infrastructure: Our membership of the Plunkett Foundation opens up access and preferential rates for the pub business to a range of benefits including energy supplies, insurance, accountancy, telephony, food, newspaper, fixtures and fittings, and other supplies.

### 3.2 The Bartons Community Benefit Society

The Bartons Community Benefit Society Limited is an incorporated enterprise established by the 'Protect our Fox' project team who are its founding members and was formed to purchase the Fox Inn and secure its future for the benefit of the community. It is registered with the Financial Conduct Authority (registration pending).

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

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

1919). The Society is a democratic organisation that operates on the principle of one member one vote regardless of the amount each member has invested.

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

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

In this document the terms "Middle Barton" and "The Bartons" are used, interchangeably, to denote the two parishes of Steeple Barton and Westcote Barton.

A copy of the Rules of the Society can be found on our website <https://ourfox.org/> or can be requested from a member of the Management Committee.

### **Limited Liability**

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

### **Management Structure**

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

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

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

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

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

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

- Ensure that the Society complies with all applicable regulations

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

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

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

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

### **Management Committee members**

The initial Committee is:

Clare Bramley

Richard Brown MBE (Chair)

Helen Christie

Andy Clarke

Jed Dale

Steve Ferrelly

Jill Kavanagh

John Madden

Sue West

We have benefited greatly from having the help and support from many other people, both in the village and elsewhere, in preparing this Business Plan, and we are extremely grateful to all of them. In particular we have had invaluable support from several community members with experience in the pub trade.

## **Members**

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

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

Corporate bodies can also be members.

### **3.3 An Affordable Rent and an Experienced Tenant**

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

We will set an affordable but realistic rent that gives the tenant the opportunity and incentive to run a profitable pub business, and which will be set at the right level to attract serious applications from experienced tenants. A lower rent builds added resilience to a business. The rent will be subject to annual review. We will however agree a fixed rent for the first 2 years to give the new tenant a level of certainty while they establish and grow the business. We will need to set a minimum rent that will be payable, so that the Society can meet its obligations (in particular any mortgage payments). We have made what we believe is a realistic forecast of future turnover in our financial plans, but to some extent this will be a matter for discussion with potential tenants.

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

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

Based on the split of turnover between food and drink sales which have in the past been achieved at the Fox Inn and using the British Beer & Pub Association's (BBPA) published industry metrics, Morgan & Clarke have calculated that an annual turnover of £259,000 (which they have stated is readily achievable – see Business Viability below) would typically support a rent of approximately £28,000 at current values.

#### **An Experienced Tenant**

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

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

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



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

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

From the positive experience of community pubs that we have spoken with in this area, we strongly believe that we will be able to appoint an experienced tenant who can market and build the business, resulting in a thriving and sustainable community pub.<sup>4.5 Business Viability</sup>

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

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

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

This view was confirmed in the professional valuation and commercial feasibility study that we commissioned in August, from specialist pub surveyors Morgan & Clarke Chartered Surveyors. The report stated that a rent of ca. £28, 000 **“represents 11% of total sales, which sits comfortably within the hierarchy of general expectations. Free-of-tie leases with residential availability for the Tenant fall generally between a market expectation of 11-15%.”**

In view of the inability, or unwillingness, of Stonegate to provide any past trading figures, or even barrelage, David Morgan has had to rely on a lifetime’s experience, his practical knowledge gained from owning and operating his own pub for some years, and

- The size and location of the Fox Inn
- The lack of direct similar competition to the Fox Inn in the immediate area
- Licensed industry metrics published by the BBPA
- The success of other community pubs in the area.

His starting point for the assessment of Fair Maintainable Trade (FMT) is **“a conservative estimate of potential covers and turns by day”** with an average of 178 meals per week at £19.58 making a total dry sales of £181K p.a. He also estimates the ratio of wet to dry sales to be 30:70 (which, again, is quite conservative), so arriving at a wet sales figure of £78K p.a.

The report goes on to comment:

**“The prospective Tenant would have the freedom to source products from any supplier of their choice, enabling them to negotiate freely in the open market. It is anticipated that the gross profit margin for wet sales would not be lower than 68%”**

and:

**“the dry gross profit margin adopted is 65% which is ... realistic and in keeping with industry expectations.”**

It also points out that:

**“it is important to highlight that in a Tenanted operation model, the tenant bears the associated property costs (assuming internal repair obligations only) and the operational expenses. The landlord’s responsibility includes the [external] repair obligations and procuring the building insurance policy ... it is customary for the Landlord to recover the policy costs from the tenant.”**

## 4. HOW THE COMMUNITY WILL BENEFIT

We started this process with the belief that we needed to purchase the pub. Through applying for grants and speaking to the owners, we quickly realised that our community needs to be at the very heart of the initiative. We decided our approach would have two distinct phases. Phase 1 is the purchase of the pub and getting it ready for tenants. Phase 2 is the critical development that will make the Fox Inn *more than a pub*. Both phases benefit our community.

### 4.1 Phase 1 - A Community Purchase

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

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

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

- Maintaining a place to meet friends and neighbours and improving the sense of community
- Providing a central point for information on community events and local issues
- Improvements to the fabric of the building
- Creating opportunities for local employment
- Injecting money into the local economy
- Providing a hospitality venue for local groups, tourists, weddings and funerals
- Helping to sustain local property prices
- Providing additional community services

The community-owned Fox Inn will continue to offer employment to local people (e.g. kitchen, waiting and bar staff), including valuable learning opportunities for young people who take on short-term employment in school and college holidays. We expect the number of paid posts and learning opportunities to increase as the new tenant grows the core pub business, and there will be scope for volunteer contributions from residents of Middle Barton and the surrounding area. In time we intend to create inclusive opportunities for people, especially those who cannot realistically travel far for employment or voluntary positions.

Feedback from our questionnaire has emphasised that local people value these basic offerings:

- Good and consistent quality food using fresh ingredients at reasonable prices
- Menu to offer a range of pub classics plus a small, changing range of specials including for example local game (in season), fish and vegetarian dishes
- Provision of local cask beers, locally sourced food
- A weekly pub quiz
- Pub games: e.g. darts, chess, dominoes, Aunt Sally
- Live music
- An attractive beer garden with activities for children
- Facilities for events such as birthdays, weddings etc.

There may be improvements to the glazing and roof insulation that we can make in this phase that would improve the thermal performance of the building using natural materials.

### Access & Sustainability

We want the Fox to be accessible to all in the community regardless of faith, gender, sexual orientation, disability, age and race. We will aim to make the space safe, welcoming and inclusive by

requesting that tenants undertake diversity training and providing quiet spaces and non-alcoholic options. We would also aim to provide full disabled access including toilets as soon as soon as this is feasible.

In terms of the day-to-day running of the pub, our supply chain would include local produce wherever possible to reduce carbon production through transport and use produce from the pub garden.

#### **4.2 Phase 2: 'More than a Pub'**

This is the exciting bit! We recognise however that these potential developments require further consultation and would need to be staged over time.

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

##### **Potential Improvements to Sustainability:**

We would prioritise investing surplus income into environmentally sustainable and green measures, upgrading the lighting with LED lighting and installing solar panels on parts of the property not visible from the road. We would also investigate the feasibility of a solar pergola over part of the south-facing pub garden.

We would also consider at some point in the future adding a ground source heat pump and underfloor heating, although this would potentially require separate fundraising. We intend for the pub to be plastic-free from the outset of operations and would look at ensuring that waste from the kitchen was either composted or bio-digested.

##### **Community Café (the Foxhole)**

There has been interest from local residents and passers-by (especially walkers and cyclists) in a café facility at the pub. A morning coffee club and / or afternoon tea club could provide an inclusive amenity and warm space for people who live locally and are restricted by lack of transport or reduced mobility and would facilitate the reduction of loneliness and social isolation. This could be synergised with transport from OurBus Bartons (our local community run voluntary bus service) to deliver customers and take them home again as part of their timetable. Initially the pub could make coffee, tea and cakes available in normal pub hours, with an improved internet facility. This would also be attractive to local families with preschool children and people who work from home. Phase two of this project would be to develop the outbuilding in the car park into a separate café and community hub at an estimated cost of £75,000. This could be financed through separate grant applications and fundraising. Although this extended facility may require a part-time manager, there would be attractive work for local volunteers and valuable training experience for young people and others interested in a retail or leisure industry career. We have been liaising with a local social enterprise café based in Witney, Yellow Submarine, who have offered to support us in this venture, including making the project more accessible to those with special educational needs and disabilities. The café could also be used as a space for many other community groups to meet, such as youth groups, book clubs and sessions aimed at boosting local employability such as CV clinics.

We would initiate building work to extend the pub in compliance with all regulations on thermal efficiency and insulation and would be carried out using reclaimed materials, wherever possible, to reduce the carbon

footprint. We intend to explore the possibility of making the cafe a "passive" building which would not require an external heat source. We would in any construction involving extra plumbing look to install a grey water recycling system and a rainwater collection tank.

Additional features that could easily be installed include electric vehicle charging points in the extensive pub car park and recycling facilities not available elsewhere in the village. We would also integrate an electric bike hire down the line for the benefit of visitors and locals, which could benefit from the ground source heating.

### **Sustainability hub**

We would aim to make the Fox a hub for local sustainability and environmental projects by restarting the 'Sustainable Bartons' Community Action Group that used to meet there before Covid. This could start off with simpler initiatives such as crop swaps and working parties to improve the garden. We would then aim for more ambitious projects such as making the whole site much more sustainable in terms of energy use and recycling and building around the heritage apple trees to create a fully functioning community garden run by volunteers. This could then supply the pub with fresh produce and be managed to maximise biodiversity. Several members of our committee are very experienced in this field and have been coordinating the plans. We would also like to set up a repair centre for fixing bikes and other household items and a 'lending library of things', thereby reducing waste. We have asked local businesses such as Alpine to sponsor this venture. Again, this would provide wonderful opportunities for local people to volunteer and socialise, especially young people involved with such initiatives as the Duke of Edinburgh Scheme and would be extremely beneficial to overall community health and wellbeing.

### **Music Venue**

We would like the pub to return to hosting live music events on a regular basis. As well as evening gigs and open mic nights encompassing a range of different genres and promoting local bands and musicians, the Fox could host outdoor music festivals and other community events involving live music. In particular, we would seek to promote our local traditional folk music heritage through regular jam sessions and performance. Once the Community Hub is up and running, we would also be looking to run projects for youth groups and other community members who are interested in music production. Again, several of our committee members are keen musicians and we have asked a local charity 'Community Albums' to assist us with this project.

### **Working with Other Local Amenities**

Our belief is that local amenities must work together for the overall benefit of the community. On our purchase of the Fox Inn, we will ensure that its ongoing development as a community amenity will complement activities planned for the Alice Marshall Hall and the Sports & Social Club. The pub kitchen may even be able to assist by providing catering for large-scale events.

## 5. FINANCIALS

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

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

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

### Key Assumptions

- Purchase price will be c. £360,000
- Total initial capital required will be approximately £520,000 to cover the purchase cost, associated expenses, and to provide sufficient initial working capital
- Minimum community share capital raised will be £420,000
- Commercial mortgage of approximately £100,000 over 20 years may be required (depending on amount raised through share capital and grant funding)
- Grant funding will be £5,000 in Year 1 and £5,000 in Year 2
- Short term loan will be required to cover VAT on purchase, pending reclaim
- Rent is fixed for Years 1 & 2, thereafter charged at a fair amount
- Three months without rental income on completion of the purchase to allow for appointment of tenant and completion of minor works
- Three months without rental income at the start of Year 4, in case we need to find a new tenant
- Interest will not be payable to shareholders until Year 5, however if our performance permits we will of course start paying interest earlier
- The Society will be VAT registered and able to reclaim VAT

### 5.1 Income

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

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

We are therefore conservatively forecasting that turnover in Year 1 will exceed recent trading levels at the Fox Inn (which we know has been under-performing) but will be less than the potential turnover identified in the feasibility study prepared for us by Morgan & Clarke. We will review our forecasts with prospective tenants as part of the selection process to confirm that our respective business plans are aligned, but on the basis of our detailed research and many discussions with successful operators in the licensed trade we are confident that our assumptions at this stage are realistic.

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

Year	Forecast Turnover	Rent	Rent as %age of T/O
1	£225K *	£21K (fixed) *	9%
2	£260K	£24K (fixed)	9%
3	£280K	£31K	11%
4	£300K	£33K **	11%
5	£310K	£34K	11%
6	£316K	£35K	11%
7	£323K	£36K	11%
8	£329K	£36K	11%

\* Actual Y1 T/O calculated @ 39 weeks x £4.5K/wk = £169K, and rental income @ £15.75K on the assumption that we will only receive 9 month's rent, to allow for the time taken to appoint a tenant and carry out initial repairs and refurbishments.

\*\* Actual Y4 T/O 39 x £6K/wk = £225K, and rental income £24.8K, to allow for three-month period in the event we need to find a new tenant.

The business plan and cash flow figures assume that we will receive only nine month's rent in the first year to allow for immediate refurbishments and potential delays in appointing the tenant. We have also budgeted for a 3 month gap in Year 4 to allow for a possible change of tenant, although we would hope to avoid such a scenario.

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

Rental levels typically vary from 10% to 14% of turnover in the pub sector. We aim to set our rent at the lower end of this range, 11%, to promote a sustainable business for the tenant and the community.

For the first two years we will set a fixed rent to provide the tenant with a degree of certainty on their outgoings as they establish themselves and develop the business. From Year 3 onwards rent will be reviewed annually on the basis of the tenant's declared turnover and will be payable monthly in advance.

## 5.2 Outgoings

### Mortgage Payments

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

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

### Property Upkeep

As owners of the Fox Inn, we will need to maintain the assets (land and buildings) to uphold their

value and ensure that the pub can operate. Although the tenant will have clearly defined obligations for the upkeep of the pub (these will be specified in the tenancy agreement) it is reasonable to assume that the Society will incur costs for some level of ongoing maintenance. We have budgeted £10,000 in Year 1 and £5,000 pa (indexed) thereafter for this. As a community initiative we hope and expect that members will want to help minimise maintenance costs by volunteering to undertake as much minor maintenance as is practicable.

### **Other Overheads**

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

In addition, there will be a number of one-off start-up costs including stamp duty land tax (SDLT), legal fees, surveys, etc. that have been allowed for in the financial plan. We will register for VAT in order to reclaim the VAT on both the purchase price and the initial outgoings, but may have to take out a short-term loan to cover for timing differences. To date we have incurred expenses on a valuation and feasibility survey, a structural survey, Community Benefit Society registration, membership of the Plunkett Foundation, website development and hosting, and other minor items such as printing.

### **Interest Payments to Shareholders**

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

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

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

### **Share Withdrawals**

Subject to surplus funds being available, we have allowed for an element of share withdrawal by members from Year 6 onwards (other than in certain exceptional circumstances such as death and bankruptcy).

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

### 5.3 Profit & Loss Forecast

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

#### The Bartons Community Benefit Society Ltd - BUSINESS PLAN

##### Profit and Loss Forecast

P & L (000's)	Year:	1	2	3	4	5	6	7	8
<b>Forecast Turnover of tenanted Our Fox:</b>		168.8	260.0	280.0	225.0	310.0	316.0	323.0	329.0
<b>Income</b>									
	Rental income	15.8	24.0	31.0	24.8	34.1	34.8	35.5	36.2
	<b>Total Income</b>	<b>15.8</b>	<b>24.0</b>	<b>31.0</b>	<b>24.8</b>	<b>34.1</b>	<b>34.8</b>	<b>35.5</b>	<b>36.2</b>
<b>Income as a percentage of Turnover</b>		9%	9%	11%	11%	11%	11%	11%	11%
<b>Expense</b>									
	Repairs & Maintenance	10.0	5.0	5.5	6.0	6.5	7.0	7.5	8.0
	Professional Fees	1.5	1.6	1.7	1.7	1.8	1.9	2.0	2.1
	Insurances	1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.4
	Mortgage interest @7.5%	7.4	7.3	7.1	6.9	6.7	6.4	6.2	5.9
	Other Expenses	1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.4
	<b>Total Expenses</b>	<b>20.9</b>	<b>16.1</b>	<b>16.5</b>	<b>17.0</b>	<b>17.4</b>	<b>17.9</b>	<b>18.3</b>	<b>18.8</b>
<b>EBITDA</b>		<b>(5.2)</b>	<b>7.9</b>	<b>14.5</b>	<b>7.8</b>	<b>16.7</b>	<b>16.9</b>	<b>17.2</b>	<b>17.4</b>
	Depreciation	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
	Shareholder Interest	0.0	0.0	0.0	0.0	8.4	8.4	8.4	8.4
<b>Net Profit</b>		<b>(10.5)</b>	<b>2.6</b>	<b>9.2</b>	<b>2.4</b>	<b>3.0</b>	<b>3.1</b>	<b>3.5</b>	<b>3.7</b>
<b>Corporation Tax (19%)</b>		<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>
<b>Profit (loss) after Tax</b>		<b>(10.5)</b>	<b>2.6</b>	<b>8.9</b>	<b>2.0</b>	<b>2.4</b>	<b>2.5</b>	<b>2.8</b>	<b>3.0</b>

Our financial modelling is based on the following key assumptions:

1.	Purchase price of Fox Inn is £360,000
2.	Share offer will raise a minimum of £420,000
3.	Rent is fixed for Years 1 & 2
4.	Mortgage payment calculations have used PMT formula and are based on 7.5% lender's interest rate
5.	Mortgage interest calculations have used IPMT formula
6.	Interest will not be payable to shareholders until Year 5
7.	Interest, if paid, will not exceed Bank of England Base Rate + 2%
8.	The Bartons CBS will be VAT registered and able to reclaim VAT



9.	Grants and donations assumed to be £5k in Year 1 and £5k in Year 2
10.	Start-up costs will be approx. £80K F&F, £60K repairs (of which £50K capitalised), and £23K purchase costs
11.	F&F estimated at cost new – some items may be available second-hand
12.	Initial repairs assume partial contributions from local tradespeople
13.	Rental void for three months in Y4 – to allow for any change of tenant
14.	Depreciation applies to the Fixtures & Fittings

## 5.4 Cash Flow Forecast

### The Bartons Community Benefit Society Ltd - BUSINESS PLAN

#### Cash Flow Forecast

Cash Flow Forecast (£000's)	Year:	2024	2025	2026	2027	2028	2029	2030	2031
<b>Receipts</b>									
Community Shares		420.0							
Mortgage		100.0							
Grant's		0.0	5.0	5.0					
Donations		0.0							
Rent		15.8	24.0	31.0	24.8	34.1	34.8	35.5	36.2
<b>Total Income</b>		<b>535.8</b>	<b>29.0</b>	<b>36.0</b>	<b>24.8</b>	<b>34.1</b>	<b>34.8</b>	<b>35.5</b>	<b>36.2</b>
<b>Payments</b>									
Purchase price		360.0		10.0	10.0	10.0			
<b>Fixtures and Fittings</b>		40.0	40.0						
Initial Repairs Capitalized		25.0	25.0						
SDLT (Stamp Duty)		9.0							
Repairs & Maintenance		10.0	5.0	5.5	6.0	6.5	7.0	7.5	8.0
Mortgage Principal and Interest		9.7	9.7	9.7	9.7	9.7	9.7	9.7	9.7
Legal & Professional Fees		14.5	1.6	1.7	1.7	1.8	1.9	2	2.1
Insurances		1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.4
Other Expenses		1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.4
Members' Interest		0.0	0.0	0.0	0.0	8.4	8.4	8.4	8.4
Share Withdrawals		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporation Tax		0.0	0.0	0.0	0.2	0.5	0.6	0.6	0.7
<b>Total Expenditure</b>		<b>470.2</b>	<b>83.5</b>	<b>29.1</b>	<b>30.0</b>	<b>39.3</b>	<b>30.2</b>	<b>30.8</b>	<b>31.7</b>
<b>Opening Cash</b>		<b>0.0</b>	<b>65.6</b>	<b>11.1</b>	<b>18.0</b>	<b>12.7</b>	<b>7.5</b>	<b>12.1</b>	<b>16.8</b>
<b>Closing Cash</b>		<b>65.6</b>	<b>11.1</b>	<b>18.0</b>	<b>12.7</b>	<b>7.5</b>	<b>12.1</b>	<b>16.8</b>	<b>21.4</b>

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

We expect to spend most of the capital raised during Year 1. This comprises the purchase price and stamp duty land tax, various other start-up expenses, replacement of the Fixtures & Fittings, mortgage payments, and the initial works recommended by our surveyor.

For the purposes of this business plan, we have not included any grant or loan that we may be awarded.

## 6. APPENDICES

### 6.1 SWOT Analysis Strengths

- Excellent location on the main route through the village with commanding views over the Dorn Valley, and with good access onto nearby bridleways and footpaths
- An attractive traditional stone building with a good-sized bar and restaurant area
- A good reputation in the past for food and live music
- A wide base of regular local customers who we anticipate will quickly return to a well-run and welcoming pub
- The commitment of the wide membership base to use what will be their business and who will encourage their friends and family to use the pub
- The business will own the freehold and will not be tied to any particular brewery or supplier and therefore, the tenant will be free to negotiate the best deals for supply of food and drink
- Proximity to the Cotswolds – with access to a large potential customer base including residents and tourists
- Lack of competition in nearby villages for the same offer of a traditional pub offering good quality reasonably priced food
- The Society will appoint an experienced licensee as the tenant to run the business and take all the business risk
- The Society will have the secure income of rent from the tenant

#### **Weaknesses**

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

#### **Opportunities**

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

#### **Threats**

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

## **Meeting the Weaknesses and Threats**

### **Attracting lost business**

Once the pub is owned by the community the commitment to use the pub and to encourage family and friends to use it will be considerable. This has proven to be the case in many instances of community owned pubs.

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

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

The introduction of events such as regular live events (e.g., music, poetry readings, etc), pub sports (e.g., Aunt Sally), lunchtime clubs, café etc.

### **Profitability**

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

### **Unexpected Repair Costs**

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

### **Shareholder withdrawal**

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

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

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

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

## Interest rate increases

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

## The business is unviable

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

## 6.2 Risk Management

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

<b>Risk Analysis</b>	
<p><b><u>Risk</u></b> We are unable to appoint and keep good tenants.</p> <p><b><u>Impact</u></b> Appointing the right tenant is absolutely critical to the success of this venture. The tenant needs to be experienced, motivated to develop the business, capable of marketing the pub effectively, able to create a welcoming atmosphere, and crucially in sympathy with the community and our aims.</p> <p>If we cannot appoint such a tenant the venture will not succeed.</p>	<p><b><u>Proposed mitigation</u></b></p> <ol style="list-style-type: none"> <li><b>Thorough selection process.</b> Prospective tenants will be required to demonstrate their experience and plans for the Fox Inn backed up with a sound business and marketing plan.</li> <li><b>External support.</b> We have been offered hands-on support with the selection process from other community pubs and commercial pub operators.</li> <li>In addition, we believe the Fox Inn as a free house will be an attractive proposition to prospective tenants</li> </ol>
<p><b><u>Risk</u></b> Void periods between tenants.</p> <p><b><u>Impact</u></b> Any closure of the pub between tenants will mean we are not receiving rental payments, which will have a negative impact on our cash flow (with the attendant risk of not being able to meet loan repayments). Additionally, this is likely to drive customers away, some of whom may not return.</p>	<p><b><u>Proposed mitigation</u></b></p> <ol style="list-style-type: none"> <li><b>Ensure tenant is incentivised and motivated to stay.</b> In part addressed through fair rent and free house status that improve profitability.</li> <li><b>Support tenant.</b> We will assist the tenant where possible with marketing, voluntary help (e.g., stop-gap cover for bar staff, garden maintenance, etc).</li> <li><b>Business Case.</b> We have allowed for an initial period of three months without rent, and a further three-month period in Year 4 in case we have to find a new tenant.</li> </ol>
<p><b><u>Risk</u></b> Pub fails to operate at forecast level of turnover.</p> <p><b><u>Impact</u></b> Rent is based on a percentage of turnover, therefore poor trading may impact our ability to generate a sufficient surplus to make improvements to the property and pay interest to members, and in the worst case could jeopardise our ability to service any debt.</p>	<p><b><u>Proposed mitigation</u></b></p> <ol style="list-style-type: none"> <li><b>Business case based on realistic assumptions.</b></li> <li><b>Appointment of high quality tenants.</b> See Risk 1 above.</li> <li><b>Rent 'collar'.</b> We will set a minimum rent that ensures we can meet our known expenditure (principally mortgage payments).</li> <li><b>Regular reviews with tenant.</b> We will work closely with the tenant to anticipate any problems early and identify/support action plans to maintain business levels.</li> </ol>

<p><b><u>Risk</u></b> Higher than anticipated outgoings.</p> <p><b><u>Impact</u></b> The main outgoing over which we will have limited control is unexpected property maintenance and improvement costs.</p>	<p><b><u>Proposed mitigation</u></b></p> <ol style="list-style-type: none"> <li><b>Survey and valuations prior to purchase.</b> Any purchase offer will be subject to the findings of a structural survey, which will ensure we have visibility of likely maintenance issues (and may be a topic for price negotiation).</li> <li><b>Estimates prior to purchase.</b> We anticipate that some improvement work will be needed sooner or later (e.g. interior decor, disabled toilet access), so we have had informal discussions with local architects and builders to obtain indicative costings.</li> <li><b>Contingency.</b> We have included a significant sum for unexpected expenditure in the first few years.</li> </ol>
<p><b><u>Risk</u></b> The pub cannot sustainably trade profitably.</p> <p><b><u>Impact</u></b> The pub may be forced to close.</p>	<p><b><u>Proposed mitigation</u></b></p> <p>Our whole business plan has been developed to avoid this occurrence, which we believe to be a highly unlikely scenario.</p> <p>In the extreme situation that the pub cannot be run successfully (or sold as a going concern) and is forced to close then the value of the property for residential use will almost certainly be significantly higher than the purchase price. In this scenario the Society would be able to pay off its debts and refund the members and, by virtue of the Asset Lock, should be in a position to make a substantial contribution to other local community enterprises.</p>

## 6.3 Marketing Strategies

### Community Purchase

We have held 3 Public Meetings and leafleted throughout the village twice. Our questionnaire and Pledge Form have been available on our website and social media. We put posters up to advertise events. To support those who are not online, we distribute pledge forms and questionnaires to local groups and have arranged for those returns to be collected from the village shop. We have had some local media coverage. We have reached out to local businesses and celebrities that live locally.

The Share Offer will be marketed vigorously.

### Going Forward

Intensive marketing will be a significant factor in the success of the Fox and we will be expecting these skills from our tenants. There is no other traditional pub in the village. However, there is the Cinnamon Stick restaurant and the Sports & Social Club and there are pubs in some of the neighbouring villages. They do however address market segments that are differentiated from the offer that we intend to promote for the Fox Inn.

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

### Advertising

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

## 6.4 Data Protection Act

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

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

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

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

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