

# ***Covenham Plough Community Hub Business Plan 2019***

*For the acquisition of*

***The Plough Inn,***

*Covenham St Bartholomew*

*LN11 0PF*

***Community pub, café, shop and function suite.***

***Your Community, Your Pub, Your Choice!***



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The Covenham Plough Community Hub Limited is a Community Benefits Society which is registered with the Financial Conduct Authority. Registered Number 7453. Due care has been taken in preparing this document which has been overseen and approved by the Directors and the Plunkett Foundation to ensure it contains the facts and that there are no omissions likely to affect its importance.

Covenham Plough Community Hub Limited - Ashtree House, Main Road, Covenham Saint Bartholomew, LN11 0PF

## Introduction and Disclaimer

The purpose of this Business Plan (Document) is to explain how the Covenham Plough Community Hub Ltd. (CPCH) will work with investors from the community to purchase The Plough building from its current owner and reopen it so that it once again becomes a focus for social life in Covenham, adding additional vibrancy to the village that has been missing since the business closed in January 2015.

This document has been produced for Covenham Plough Community Hub Ltd. (CPCH), which is a group of volunteers, supported by various bodies, seeking to protect Covenham's only Asset of Community Value (ACV) for the benefit of the whole village.

This Business Plan contains detailed financial forecasts for the next 5 years. These projections have been reviewed by our expert advisers and a chartered accountant but have not been verified or audited by an external, independent organisation.

Any investment in CPCH should be made with care. This document is not produced to meet the criteria of the Financial Conduct Authority (FCA) for a share issue. Any share issue in the pub would not carry any protection by the FCA.

The initial members of Covenham Plough Community Hub's Management Committee are members of CPCH. All members of CPCH and those that have helped to produce the Business Plan are listed in the Members and Supporters section of this document.

Members of the Covenham Plough Community Hub form the initial Management Committee of CPCH.

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## Executive Summary

- We can save The Plough!
- Buying the pub on behalf of the community will not only mean it is reopened, but that its future will be secured for future generations.
- The Plough was an important social hub for the village for centuries prior to its closure in 2015. That is why it is designated as Covenham's only Asset of Community Value (ACV) and why it has been sorely missed.
- The Pub was closed by Batemans Brewery in January 2015 and sold to a developer (Mr Julian Bland). He subsequently submitted a planning application for change of use from a pub to residential dwellings. After a protracted planning battle lasting nearly two years, in July 2017 the Planning Inspectorate dismissed the application for change of use and confirmed the Pub's status as a public house.
- In November 2016, our steering group of volunteers incorporated Covenham Plough Community Hub Ltd. (CPCH) as a Community Benefit Society registered with the FCA.
- CPCH's vision is for the community to buy The Plough building to safeguard the Pub's long-term future. The Plough would return to its role as a community hub, offering a broader range of community-based facilities and services than ever before. As such it would enhance the social cohesion of the whole village, as well as providing greater employment opportunities and addressing growing issues of loneliness and social isolation.
- In August 2017 the owner put the property on the market at an asking price of £250,000. However, the asking price was £100,000 over value. After the initial bids were rejected CPCH submitted a bid of £180,000 which has now been accepted some two years later.
- CPCH has commissioned a building survey and it is agreed that much work needs to be done prior to it being in a fully habitable condition. To have the whole building renovated and refurbished would possibly cost £145,000 but as the building is so large, CPCH are going to carry the work out in stages, reducing the initial costs and allowing for CPCH to get the community hub operating much earlier. These costs have been confirmed as realistic by a local tradesman.
- This Business Plan assumes an initial cost for purchase and stage one refurbishment of £215,000, with a further £15,000 required for legal expenses, Stamp Duty and working capital. In total, therefore we need to raise **£230,000** to enable us to purchase and open for business.
- The business model for the Pub would be as a free house with strong support from its widespread local shareholder base. CPCH would lease the pub element to an experienced tenant who shares the community ethos and who would live onsite in the newly refurbished building.
- A Village Survey in late 2016 indicated widespread support for reopening the Plough. The services and facilities that are most required are complementary to the restaurant that is situated on the edge of Covenham (Mill House). The reopened Plough would specifically avoid direct competition, focusing instead on the services that the restaurant is unable to provide, such as inter-village team games such as darts and dominoes, film nights, theme nights, daytime café and the large, family-friendly play park and beer garden.

- CPCH is seeking to raise a minimum of £80,000 in share capital from the community. Prior to submitting this successful bid, CPCH received pledges of £30,000 and at that point the owner still had an unrealistic price advertised.
- If CPCH raises more share capital than the minimum £80,000 this will allow for more renovations to be completed earlier than planned. Any shortfall in funding would be covered by a loan as CPCH intend to reopen the west facing room of the Plough almost immediately supporting the furnishing of a loan.
- In 2016 CPCH commissioned pub property agent Sidney Phillips to assess the sales potential for the reopened pub. They estimate the pub is capable of generating turnover in excess of £200,000 or more per annum. To be prudent, the Business Plan will assume a lower sustainable turnover of £3,800 per week, or £197,600 pa. This would be split equally between wet sales, food, teas and coffees. Based on national average margins and costs, we believe the tenant would comfortably afford the current proposed rent of £24,000 pa.
- The Business Plan assumes that the pub will not achieve its full potential revenue in the first year. The rent will be discounted by 20% to £19,200 pa for the first 12 months (hopefully starting in the Autumn of 2019). The rent would be adjusted for inflation every three years.
- The rental income would cover the loan interest and running costs of CPCH from the start of the tenancy. In the first three years, the priority would be to pay off loans and CPCH will not pay interest on share capital during this period. Thereafter, the Business Plan assumes CPCH will be able to pay interest on share capital during this period. This is not guaranteed and will depend on the financial position and performance of CPCH at the time.

## History

The Plough has been the heart of the village of Covenham (Covenham St Mary and Covenham St Bartholomew) since C17. And although it has been extended and renovated over time the building has served its patrons for over two centuries.

The Plough has played a central role in village life for generations. It acted as the meeting place for all; for sporting, cultural and social groups and it was where the locals could meet up for a drink, a meal or a quiz. The Plough also hosted a number of well attended community events and seasonal festivities. It was of course where old friendships were cemented, new ones forged and loneliness was not an option.

The Plough was a thriving, privately owned pub, prior to being purchased by Batemans Brewery in 2001. There were a variety of tenants at The Plough in the years Batemans owned the building. Some generating a fantastic community and trade but due to lack of investment in the fabric of the building and increasing rents good tenants were hard to keep. Numerous managers came and went too. Batemans decided to sell The Plough to a developer (without consultation with the village or any of the patrons that used and booked the building on a regular basis) who then proceeded to carry out building works immediately.

As soon as the residents of Covenham became aware of the situation a steering group was formed and an ACV was sought and achieved. An application was put into Village SOS for some funding and LCVS were approached for business advice and guidance. In November 2016, with support from the Plunkett Foundation, Covenham Plough Community Hub Ltd was formed (CPCH) and is registered with the FCA as a Community Benefit Society with asset lock.

The Plough's new owner then applied for change of use which was strongly refused by East Lindsey District Council (ELDC) and the majority of the village. This decision was appealed and taken to tribunal, the Planning Inspectorate dismissed the owner's appeal and refused the application for change of use - The Plough was the only pub in the village and needed to remain a designated public house.

CPCH carried out a full village survey in December 2016. The results of this survey you can see in Appendix 3. These results demonstrate the local support and interest for the Plough not just to reopen as a pub but to offer many additional community-based facilities too. Using this feedback CPCH, with the support of Plunkett Foundation, created a business plan which received the Community Shared Standard mark of approval.

CPCH raised funds and commissioned pub property agent Sidney Phillips. Working with evidence of this report then made a bid for The Plough, which was refused, increasing the bid value to £180,000 in 2017, which has now, two years later, been accepted. Batemans did extend the kitchen while they had ownership, however this building has since been gutted in readiness for the change of use which was not granted. CPCH see this as an opportunity to build now exactly what the community want.

Despite this five-year duration, local support for and interest in the reopening of the Plough has remained strong and constant throughout the current period of its closure.

With the support of the village it is now time for The Plough to begin a new phase under community ownership to secure its future serving the village for years to come.

## Vision and Benefits to the Community

Our vision is to secure the long-term future of The Plough as a flourishing, disabled friendly, community hub for the benefit of Covenham and surrounding areas. We will do this by vesting ownership in a Community Benefit Society (CBS) controlled by the community and by running the hub profitably. Our aspiration is to have an attractive hub at the heart of the village with a warm and welcoming atmosphere and a strong community ethos.

We envisage a reopened and revitalised Plough building as the 'go to' place for all sections of the community to socialise. It will be a vibrant hub of conviviality which, in being so, will increase social cohesion and decrease social isolation within the village. We also expect that the hub will develop its own strong identity that will help to attract visitors, be they day trippers, cyclists or walkers. It will be a haven of hospitality for one and all.

We intend to:

- *Be caring custodians and ensure the long-term sustainable future of The Plough as a community hub.*
- *Sympathetically refurbish this iconic building at the heart of the village and restore it to a traditional village pub, café, shop, play park with a garden and outdoor seating. In doing so we will employ local trades' people or use the help of volunteers where appropriate.*
- *Appoint a tenant with a clear vision of the future business of the Pub and who shares the community values and aims of the members. Other members of staff will be recruited locally.*
- *Provide good quality seasonal food sourced from local suppliers where possible and serve a selection of local craft ales, real ales, traditional ciders and wines as well as lagers, spirits et cetera.*
- *Provide facilities and services that complement rather than compete with those of the Mill House Restaurant.*
- *Reach out to everyone in the village, so that they all see The Plough as "the community's" hub, and develop an exciting calendar of social and cultural events driven by popular demand.*

The Plough cannot be all things to all people, but we will ensure there is something for everyone.

## Covenham Plough Community Hub Ltd

CPCH is a Community Benefit Society (CBS) registered with the FCA (No. 7453) on 23<sup>rd</sup> November 2016 as the legal structure to procure and operate The Plough. The FCA registration document Appendix 01.

Initial pledges indicate sufficient interest to proceed with acquisition of the pub, but it is recognised that capital funding will be required to acquire the premises and to renovate and refurbish it to an acceptable level. CPCH have set a five stage renovation plan. Once Stage 1 is complete, the pub section will be leased out to a suitable tenant ensuring long-term success can be achieved. This approach is supported by The Pub is the Hub and the Plunkett Foundation - both of which seek to preserve community assets, and both have contributed to the development of this Business Plan.

## Tenant, Tenancy and all things integral



As stated CPCH is a group of volunteers: we understand running a business, know what a good pub is, know what a good pint tastes like and what quality home cooked food reasonably priced is. However; our speciality and profession is not running a pub therefore we voted that working with a tenant would give the village the best of everything. We have agreed a job description (appendix 6) including the KPIs that will be set for this role. We have set a reasonable, achievable rent and as we are all professional people the expectation is that the successful tenant will run the pub in a professional manner too.

Once the building is in community ownership CPCH will advertise the tenancy on the internet (Morning Advertiser, Facebook, Gumtree) as well as locally (radio and newspapers). We will run this advertising campaign for a month, until we find the right candidate. During this month we will be cleaning, clearing, decorating and installing toilets and electrics so as soon as the selected tenant is ready, we will have a functioning pub space for them to establish themselves in our community pub.

A select panel from CPCH will run the interviews to offer consistency and transparency. This panel will also be in daily contact with the successful tenant and support them while they settle to running a community pub and ensure the tenant meets the villages needs.

CPCH will maintain the ownership of the large function room where they will run weekly events which will be in line with the requests selected during the full village survey. These events will be set up and run by CPCH however it will be anticipated that the successful tenant will provide all refreshments at an agreed rate for these events.

CPCH currently hold monthly meetings and it is expected that these will continue; and the tenant will become a permanent participant. It is anticipated that these meetings have a fixed agenda that as a minimum will include: village feedback and requests, customer service, community cohesion, shareholders points of view among other current trends, marketing and events, outcomes from board member drop in sessions.

## Community Benefit Societies

The Co-operative and Community Benefit Societies Act came into force on 1<sup>st</sup> August 2014. It replaced the 'Industrial and Provident Society' legal form with the Cooperative Society and the Community Benefit Society.

The main difference between a co-operative and a CBS is that a CBS operates for the benefit both of its members and of the wider community and can use profits to reinvest in the business or distribute to good causes. By contrast, a co-operative society operates primarily for the benefit of its members and, as well as being able to reinvest in the business, it allows the co-operative to distribute dividends to shareholders.

### Key points of a CBS are:

- *Governance is democratic. Anyone who buys the minimum number of shares becomes a member of the CBS. Each member then has one vote to exercise at the Members' General Meetings regardless of how many shares they hold.*
- *The members elect a Management Committee to oversee strategic operations and the business's finances.*
- *There is open membership where new members are encouraged to join and become involved as part of the widest possible community ownership.*
- *Investment may be in the buildings and land and exclude the licensed business, which would be operated by a tenant (this is the proposed model of CPCH).*
- *It is possible for the CBS to pay interest to members on share capital or on loans, but any interest paid shall be modest and in accordance with the Rules.*
- *Profits or assets must not be distributed to the members, but used to further the objects of the CBS.*
- *Assets in excess of the original capital may not be distributed to its members on dissolution but must be transferred, for example, to another body with similar objectives.*
- *Withdrawals of share capital can only be funded from trading profits or the proceeds of a fresh issue of shares and are payable at the sole discretion of the Management Committee.*

Membership of the Plunkett Foundation facilitates access to grant funding. It also enables access to loan finance from ethical lenders including Triodos Bank, Ecology Building Society and Co-operative and Community Finance, all of which have in-depth experience of communities owning and running their own businesses. The Plunkett Foundation provides a service of incorporation which includes model rules, which have been approved by the Mutual Societies Association and the FCA. CPCH has adopted these rules without modification. The model rules can be found on our website:

<https://www.covcom.co.uk>

For details of the Management Committee of CPCH please see page 28.

## Pub Market

Despite the overall number of pubs declining in the last 40 years, the freehold values of pubs increased ten-fold from 1975 to a peak in 2007 (*source: Christie & Co*). This was a result of wider trends in the property sector but in addition, during much of this period large pub estates were built up by pub owning companies (pubcos) using cheap debt, hence increasing demand. However, in 2007 the market faltered and there has been a dramatic reversal with values falling before plateauing in recent years. Much of the fall was due to the impact of the financial crisis on the pubcos which consequently have been selling assets to pay down their debt.

The decline in the value of pubs has also been accentuated by competitive pressures on drink sales and changing patterns of leisure time usage. This was confirmed by a recent Campaign for Real Ale (CAMRA) report in August 2016 that pubs are being forced out of business by cheap supermarket prices, high beer taxes, and the high rents and wholesale beer prices charged by pub owning property companies, 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. The large estates of the pubcos are being broken up and numerous properties are either being closed or are passing into the hands of individuals or small groups. Hearteningly, the rate of closure has started to attenuate and in 2016 stood at an average of 10 pub closures per week (*Source: BBPA*) compared with 28 per week in 2013 (*Source: CAMRA*).

It has 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, declining sales and a deteriorating property. Increasingly, smaller 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 ownership of pubs used to be very rare but has increased significantly in recent years. At end 2016, the Plunkett Foundation reported 100 pubs were now co-operatively owned by communities in the UK, with the sector growing quickly. In addition, there are many more community groups actively seeking reacquisition of their local pubs. The recent growth of community ownership has in part been due to the changes of the 2011 Communities Act which gave communities the power to list pubs as ACVs.

Although still a relatively young sector, to date there have been no co-operative pub closures in the UK, therefore maintaining a survival rate of 100%. Regardless of the age of the sector, this is still a remarkable achievement, considering the survival rate beyond five years of UK small businesses is only 41% (*Source: Office for National Statistics*).

(Source: Co-operative pubs, A better form of business. Plunkett 2017)

## Village Survey Results

### Survey of Individuals

In the summer 2016, CPCH sent a survey sheet to every household in the community of Covenham. The Survey questionnaire and final results are shown in Appendix 03.

There are approximately 150 houses within the community with a total population of 450 persons of which the estimated adult population, aged over 20, is approximately 400.

At the close of the survey 141 households had returned their questionnaires.

There was strong support for The Plough, with 86% agreeing or strongly agreeing that the Pub should be saved.

The survey highlighted the community's need for a traditional pub serving food and open during the day. When asked what use they would make of the reopened Plough the highest five responses were:

- Traditional Pub Food 83%
- Café Tea Rooms 77%
- Events 86%
- Shop & Newspapers 83%
- Groups/clubs 62%

While the most common use was expected in the evening at 81%, there was also a large support to use the Pub as a café during the day and lunches 52%. With a few also wanting breakfast. There is also keen interest in providing financial support to enable the Plough to reopen as we achieve in excess of £30,000 in donations and pledges before we could even get a price agreed.

### Group Activities

As Covenham currently has no suitable function room we asked if people would use the main room within the Plough for private functions and darts, dominoes, parties, mums and toddlers etc. 86% said they would like this. For this reason CPCH will manage this part of the building and an events manager will be "employed" to take the bookings and put on whole village events and raise the profile of the Plough to set up groups, such as Guides, Scouts, youth council, WI, knitters & natters, play group, history talks, as well as monthly events such as quiz nights, live bands, dinner dances, car boot sales, plant sales, and make it available for private hire.

### Businesses Activities

We had a request for support for those that work from home, which we can do with such a large building. We can offer room hire and corporate meeting facilities.

## Sources of Advice

In the preparation of this Business Plan we have been assisted and guided by the following people and organisations:

### *Plunkett Foundation*

The Plunkett Foundation supports people, predominantly in rural areas, to set up and run community co-operatives; enterprises that are owned and run democratically by large numbers of people in their community. They currently represent a network of over 500 rural community co-operatives, including shops, cafes and pubs that are trading across all parts of the UK. The Foundation has provided CPCH with advice on business planning, engaging with the community, marketing, financial management, governance, legal structures and raising finance. The Plunkett Foundation has also provided financial support by way of a bursary to cover professional fees and other initial costs.

### *LCVS*

LCVS and Marie Chapman were pivotal in supporting some keen volunteers into a steering group and guiding them to apply for an ACV. Marie also continued her support for the group through the Change of Use planning application and appeal to help CPCH be established and become a CBS.

### *Campaign for Real Ale (CAMRA)*

Support from their specialist planning consultant and general tenant advice.

### *More than a Pub: The Community Pub Business Support Programme*

This is a three-year Government funded programme worth £3.62m established to help support community ownership of pubs in England. The Plunkett Foundation is leading this programme and delivering it in collaboration with Co-operative & Community Finance, Key Fund, CAMRA, Co-operative Mutual Solutions, Pub is the Hub and Locality. As part of the programme, The Plunkett Foundation has allocated £100,000 in a grant and unsecured loan package to support the community bid for The Plough. In addition, they have funded the services of an expert adviser to support the preparation of this Business Plan, the share issue and will support CPCH with the contract of the successful tenant.

### *Pub is the Hub*

A regional consultant attended a visit to the Plough to advise on viability, a closer working relationship will hopefully result from a successful bid.

**We are grateful and indebted to all of the above for their expertise, support and, above all, their encouragement.**

## Local Demographics

Covenham St Bartholomew is a rural village in East Lindsey, Lincolnshire. The following data is taken from Parishes KS Merged East Lindsey

[http://www.research-lincs.org.uk/lro/documents\\_lro/Site\\_Text/2001\\_Census/Parish\\_Profiles/PDF/32UC034.pdf](http://www.research-lincs.org.uk/lro/documents_lro/Site_Text/2001_Census/Parish_Profiles/PDF/32UC034.pdf)

- *Covenham St Bartholomew has a population of about 315 (2011 census) in its 130 dwellings. There is Restaurant on the north edge of the village – The Mill House. There is a luxury holiday accommodation enterprise provision for sufferers and families with autism and learning difficulties.*
- *The Old Methodist Chapel is now the Parish Rooms, whilst this is small and compact it is suffering from neglect and the deeds forbid the sale of alcohol.*
- *The closest shop and post office is in neighbouring village of North Thoresby, a five mile journey north, or Louth, a six mile journey south.*
- *Covenham Reservoir has a very active sailing club and is situated North East of the village.*
- *The parish of Covenham has a medieval redundant church of St Bartholomew with an active group of voluntary workers and the active Church of St Mary.*
- *Covenham has an Eleemosynary Charity to serve the church and the poor of Covenham.*
- *Covenham is a growing village with 18 plots of land for development some of which are now occupied.*
- *Covenham had a distinctive age profile, typical of many rural parishes although slightly higher than average age range.*
- *The parishes have a lower than average proportions of school age children, and higher than average proportion over retirement age. However, there are two significant features to the profile.*
- *87% of properties in Covenham are owner occupied. This is much higher than East Lindsey 68.9% but, again, not untypical of a rural community in the county. Social rented and shared ownership accommodation is not available. However, private rented accommodation is available but scarce in supply.*
- *Approximately nine in ten properties in Covenham are detached or semidetached. The remainder are largely terraced houses. This profile is again fairly typical of a wealthy rural community in Lincolnshire.*

ELDC has recently approved 20 planning applications for new dwellings which will expand the housing population by 15% once built and inhabited. All these new residents need facilities. From the data and the results of the survey given above, it is concluded that there is, and will increasingly be, a higher demand among the local community for facilities providing good quality food and drink and a particular requirement for such a hub to be within walking distance of home.

Looking wider afield, a demographic report for a pub in nearby Swinhope, the Click'em Inn, is an extremely rural pub that does excellent food and hand pulled ale, twelve miles from the Plough, and you need to book a table, this confirms our belief that people will travel a reasonable distant for quality. The closest property to the (Click'em Inn) pub is some 400 metres away and the pub has built a significant trade whereas pubs within Binbrook, the nearest village of significant population, have struggled or closed over the years.

## Competition from Other Pubs

The Plough has served the locals for at least the last two century's, excepting the last five years. We have many self-employed and work from home residents who would like to have access for somewhere to take guests, staff and visitors. Currently there is only the Mill House Restaurant which is only open Thursday to Saturday evenings and Sunday day time.

The following are the main alternatives and the distance you would need to travel:

<b>Livesy Arms,</b>	<b>Ludborough</b>	<b>4.5 miles (not open Mondays &amp; closed 2- 6pm each day)</b>
<b>Cross Keys,</b>	<b>Fulstow</b>	<b>1.7 miles</b>
<b>Halfway House,</b>	<b>North Thoresby</b>	<b>5.5 miles</b>
<b>Brackenborough Hotel,</b>	<b>Brackenborough</b>	<b>4.5 miles.</b>

Covenham is therefore a village without facilities which are easily accessible, and to get to the nearest pub, you would most certainly need a car as we don't have suitable public transport.

CPCH's plan to open the Plough as soon as toilets are installed and the large room (function suite) is clean and decorated. Lite bites will be served as soon as the kitchen permits. This will enable Covenham to have a functioning facility almost immediately. This mini service will be open by CPCH to allow for people to meet up and see the renovation program, get involved and support the project. Functions and events will be scheduled and CPCH will appoint a tenant at this point. It is planned that the Plough will be open 7 days and evenings a week.

## Financial Viability

### Introduction

CPCH Management Committee has decided that the long-term success of The Plough is best served by appointing a suitable tenant as soon as Stage One of the refurbishments is complete. The pub trade is complex and requires specialist knowledge and experience which we will source. The local community may have huge enthusiasm for reopening the pub, but it does not have the necessary skills, experience or time to manage the business effectively.

Against this background, this Business Plan assesses the financial viability of the pub from two perspectives. First, it considers whether the pub would be viable for the tenant after paying rent to CPCH. Second, it considers the level of rent required to enable CPCH both to cover its administration and funding costs and to build up prudent financial reserves over time.

The two issues are considered separately but they are related. If the tenant is able to generate a higher level of turnover, the business will be able to sustain a higher level of rental income for CPCH. Similarly, if CPCH needs to set a higher rental income to be financially sustainable, it will only be possible to find a suitable tenant if the potential operating profit of the pub is sufficiently high to justify this.

The financial forecasts below are uncertain. The Plough has been closed for over four years, so we have based our revenue forecasts on other village pubs where data is available. Similarly, the funding costs of CPCH are not clear given we do not yet know the financing mix between share capital, loans and grants. The forecasts below are intended to be both realistic and prudent.

Before considering the viability of the pub in future, however, we need to address the issue of why it closed in 2015.

### Why was The Plough closed in 2015?

The decision by Batemans Brewery to sell the Plough reflected the company's business strategy; they decided to sell off their destination pubs and concentrate on wet sales and larger population centres, after all they are a brewer!

The business model of village pubs under brewery ownership has been challenging for many years. The brewery tie requires a tenant to pay a higher than market price for beer and other brewery products, which puts them at a cost disadvantage relative to free houses. If the tenant was successful despite the cost disadvantage, the brewery would often raise the rent significantly at the next rent review. As a result, a tenant has little incentive and often little capital to invest in the property.

Neither Batemans nor successive tenants had invested to maintain the fabric of the Plough over the years, although Batemans did extend and upgrade the kitchen at their acquisition of the building but this was the only significant investment under their ownership. The Plough suffered under the brewery ownership model, but if reopened it would be a free house with a much more competitive cost structure. It would also have the support of the community as owners and be newly refurbished, so it would have a far more robust business case.

This would make it more attractive both to customers and to a potential tenant.



## Financial Viability for the Tenant

It is not easy to define accurately the revenue potential for the Plough in Covenham. The pub has been closed for over 4 years and was previously operating under the constraints of the brewery tie. The economic environment in the years preceding the pub's closure was also very different from today.

The financial forecasts in this Business Plan are conservative and based on the turnover achieved by other pubs in the locality of the Plough, to the extent that such information is available. In particular, we have considered village pubs with similar facilities – notably offering food and a beer garden, however we have a large function room too which CPCH will manage and put on functions and events and work with the tenant to bring them trade too.

We have been advised by Sidney Phillips, a commercial property agent specialising in pubs, that The Plough is capable of generating annual turnover in excess of £200,000, net of VAT, although it may take a few years to achieve this.

We have based our forecasts on a sustainable turnover of £3,800 per week. This is consistent with the business model for a similar local community's pub the Heanage Arms. This is a community run pub that is only open two evenings a week, plus private function hire. Their annual profit last year was £18,000. This demonstrates to us that community pubs work.

The financial assumptions used for determining the potential profitability for the tenant are based on the latest national average cost data for tied lease pubs published by the British Beer & Pub Association (*source: British Beer & Pub Association 'Running a Pub' July 2017*). We have used the category 'rural character £5,000 per week'.

Our general assumption is that once fully refurbished and operational the Plough will achieve sales of £5,000 per week, or £260,000 pa. It is expected that food will comprise roughly half of sales. BBPA data indicates an average gross margin of 55% on wet sales and 62% on food. The Business Plan assumes the average gross margin on wet sales for a free house will be 5% higher, at 60%, reflecting the ability of a free house to source beer and other drinks at market rates. The gross margin on food is assumed to be in line with the national average at 62%.

We have also shown the impact of revenue being either materially lower (£4,000 per week) or materially higher (£6,000 per week). It is worth noting for comparison that Batemans Brewery are offering smaller sized public houses to tenants with a turnover forecast of £260,000 where their food and wet sales are 50/50.

Research of rents paid by tied pubs, suggests this is typically between 8% and 12% of turnover with annual adjustments for Retail Price Inflation (*source: Greene King and Charles Wells websites of available leases*). In addition, a tenant in a tied pub would be required to pay a premium for the brewery's products – this is often referred to as an additional 'wet rent'. The Business Plan assumes that the rent payable to CPCH would be £24,000pa, or around 12% of expected turnover, with no wet rent. We would review the rent every three years, with an expectation this would rise in line with the Retail Price Index, which we think is a sensible long-term trend for the growth in the pub's turnover. The rent would include the tenant's living accommodation above the pub, which would be made habitable as part of the refurbishment of the building.

## Tenant Profitability

Sales achieved	Low case	Central case	High case
	£4,000 week	£5,000 week	£6,000 week
<b>Turnover</b>	£pa	£pa	£pa
<i>Drink sales</i>	104,000	130,000	156,000
<i>Food sales</i>	104,000	130,000	156,000
<b>Total sales</b>	<b>208,000</b>	<b>260,000</b>	<b>312,000</b>
<b>Cost of sales</b>			
Drink	41,600	52,000	62,400
Food	39,520	49,400	59,280
<b>Total cost of sales</b>	<b>81,120</b>	<b>101,400</b>	<b>121,680</b>
<b>Gross profit</b>	<b>126,880</b>	<b>158,600</b>	<b>190,320</b>
<b>Operating costs</b>			
Wages & salaries	41,600	52,000	62,400
Premises costs	16,640	20,800	24,960
Insurance	1,456	1,820	2,184
Marketing/promotion	2,080	2,600	3,120
Consumables	1,248	1,560	1,872
Waste disposal/hygiene	2,080	2,600	3,120
Professional fees	2,080	2,600	3,120
Bank charges	1,040	1,300	1,560
Equipment hire	1,040	1,300	1,560
Other	2,912	3,640	4,368
<b>Total operating costs</b>	<b>72,176</b>	<b>90,220</b>	<b>108,264</b>
<b>Operating profit</b>	<b>54,704</b>	<b>68,380</b>	<b>82,056</b>
<b>Rent paid to CPCH</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>
<b>Tenant income after</b>			
<b>CPCH rent</b>	<b>34,704</b>	<b>44,380</b>	<b>58,056</b>

## Comparisons with Other Pubs

The table below details the turnover and rents proposed for a range of pubs within 40 miles of The Plough advertised recently as available to lease. Each pub listed varies in location, size, character and facilities. We have excluded pubs which rely mostly or entirely on wet sales or which have no parking or garden. The number of covers for dining is a rough guide to the size of each pub. Most of these leases are offered with a brewery tie requiring the tenant to source beer and other drinks from the brewery.

It is clear from the table that the rent proposed in the Business Plan will be attractive for a prospective tenant, particularly given the lease would not have a brewery tie. It is also clear that the turnover projections used to justify the rent are prudent relative to the turnover achieved by or expected from similar sized pubs elsewhere.

Pub	Location	Brewery/agent	Covers	Turnover £000 pa	Rent £000 pa
<b>Business Plan for The Plough</b>	<b>Covenham</b>		<b>50</b>	<b>260</b>	<b>24</b>
Royal Oak	Mareham le Fen	Batemans Brewery	32	239	22
Castle Inn	Freiston	Batemans Brewery	60	376	39
Green Tree Inn	Messingham			Not trading	23.5
White Horse	Marshchapel				15.7
New Inn	North Thoresby		50		21.5
Crown Inn	Saltfleet		30		14
Wheatsheaf	Brigg				57
Kings Head	Keelby		40		19

## Financial Viability for CPCH – Key Assumptions

The financial forecasts for CPCH are subject to a significant degree of uncertainty. While the acquisition cost is agreed subject to contract at £180,000, many other important financial variables are not known. The most significant are:

- Refurbishment cost
- Amount raised from the community through shares and loans
- Access to grants and loans

### Refurbishment Cost

CPCH has carried out a detailed physical survey from a local tradesman. There are certain necessary refurbishments that need to be complete prior to reopening, along with additional works that are required to make the living accommodation habitable and longer-term projects that would enhance the pub's facilities and improve rental potential.

*A sensible budget for getting this property back into a usable and habitable condition would be £146,000.* This includes estimated costs of materials and labour, however we know that many residents have offered labour so this is possibly an over estimated cost.

### Amount Raised in the Share Offer

The target for the issue of share capital is £80,000. This Business Plan is based on an optimistic but achievable share subscription of £80,000. This would enable the community to buy the Pub, fund expenses and subsequent refurbishment costs through a combination of share capital, short-term loans and grants.

If the Share Offer raises less than £80,000, CPCH would need to borrow more to complete the refurbishment, which would restrict the reserves to be built up due to higher loan repayments and interest charges.

The Management Committee believes that more local residents will want to invest in the hub now that we have a purchase price to achieve. We believe it is realistic to raise £80,000.

### Access to Grants and Loans

CPCH has applied for the maximum grant and loan facility of £100,000 from the More Than A Pub Programme administered by the Plunkett Foundation.

The Plunkett Foundation funding package comprises a combination of a grant from the Foundation and an unsecured loan from Cooperative and Community Finance (CCF). The loan would be repayable over 7 years at an interest rate of 8% pa and would sit alongside a grant up to the same value. While the loan has a higher interest rate than other sources of funding, the combination with the grant means that the aggregate cost in interest and capital repayments is only 65% of the capital provided.

CPCH has also applied for state aid from the Key Fund, up to £100,000. This fund will support the total kitchen refurbishment costs that are required along with the installation of toilets and disabled facilities.

Once CPCH has bought the pub, they will also apply for grants from other bodies supporting either heritage or community projects as we would like to improve not only the carbon footprint of the hub, but its insulation and eco efficiency too. For the purpose of the Business Plan we have only included funding from the Plunkett Foundation and the Key Fund.

This Business Plan indicates CPCH may also need to secure a further grant or matched funding from the Heritage Fund or a mortgage from a bank to complete the refurbishment programme. The size of this

loan will depend on the amount raised in share capital. The Management Committee has established that loans for community pubs can be obtained from banks specialising in community-based projects, such as CAF or Triodos Bank.

Investigation has shown the terms currently offered by a community specialist bank are for a Loan-to-Value (LTV) of up to 65% of the property acquisition cost, an interest rate of 6% pa and a 20-year repayment term would be available. We believe these are conservative assumptions and that it may be possible to improve on these terms, particularly if sufficient share capital is raised to reduce the proportion required from debt finance.

## Viability for CPCH – Financial Forecasts

A five-year annual cash flow forecast for CPCH is shown below, together with forecasts for the profit & loss account and the balance sheet. The forecasts are based on our central assumptions that the cost of acquiring the pub will be around £195,000 (including stamp duty and expenses) and that CPCH raises minimum £80,000 in share capital.

We have based our projections on the initial and essential refurbishment taking up to two months. We would expect a tenant to take the lease from autumn 2019 onwards. We recognise that it will take a while for the business to achieve its full potential, so we have projected a rental level that is discounted by 20% for the first 12 months, rising to £24,000 pa in 2020. The rent would be adjusted for Retail Price Inflation every three years, so it would rise to say £24,700 pa in 2022 and to £25,440 pa in 2025. These expectations are based on RPI averaging 3% pa.

We believe it is important to incentivise the tenant to grow the business without fear of having the rent increased at each review. The rent required is also deliberately set at a competitive level. CPCH will retain ownership and management of the function suite as they wish to run their own program of events as per the community's preferences, results shown in Appendices 3, this decision essentially ensures the community gets exactly what the community has asked for.

It would be normal for a tenant to make a payment at the start of a tenancy to cover the value of fixtures and fittings, stock, furniture, glassware, crockery, etc. This Business Plan has not included any such entry payments because it is not yet clear what would be required. Initial payments would be included in any negotiation with a prospective tenant and may reduce the level of borrowings required.

The cash flow forecast shows that CPCH would maintain a sensible cash reserve throughout the next five years. Each year the Management Committee of CPCH would determine whether the financial performance of the business could support the payment of interest on capital. The Business Plan assumes that the Management Committee would not authorise any interest payments for the first three years, but that thereafter it would be possible to pay interest on share capital at a minimum of 2% over the base rate, maximum of 10%.

Our longer-term projections indicate loans from the bank and the Plunkett Foundation would be maintained at low Loan to Value (LTV) ratios although they will inevitably be higher in the event that the share offer achieves lower amounts than hoped for.

Assumptions in the financial projections:

- *Bank loan based on terms offered by CAF – 6% pa over 20 years*
- *Completion of the purchase in September 2019 with refurbishment continuing into January of 2020 – the tenant will start paying rent at a reduced level in Autumn 2019 and at a full rate from September 2020*
- *Rent is set at £24,000 pa and adjusted in line with the retail price index (RPI) every three years – this would be discounted by 20% for the first 12 months in recognition of the need to build the business over time*
- *No interest is paid on share capital until 2023 and thereafter it is paid at a rate subject to a minimum of 2% pa over the base rate (investors should note that interest payments are not guaranteed) up to a maximum interest of 10%*
- *No share capital withdrawals will be allowed until 2023 and thereafter they would be permitted only if the Management Committee judges this will not conflict with the long-term financial viability of the CBS.*

## Covenham Plough Community Hub Limited

### Summary Cash Flow

#### Forecast

	2019	2020	2021	2022	2023
<b>Working Capital</b>	<b>£8,500</b>				
<b>Inflow</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Share Capital					
Building Purchase any deficit would need to be covered by a CAF/Tridos Bank loan.	<b>80,000</b>				
Plunkett Foundation – More Than a Pub	<b>100,000</b>				
Key Fund – Renovations and equipment	<b>100,000</b>				
<i>Reaching Communities – National Lottery Community Fund – Renovations and equipment To be applied from post purchase.</i>	<b>50,000</b>				
Tenant deposit – Amount to be confirmed					
Rental Income		<b>19,200</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>
CPCH Events and Room Hire		<b>2,500</b>	<b>5,000</b>	<b>10,000</b>	<b>10,000</b>
<b>Total</b>	<b>330,000</b>	<b>21,700</b>	<b>29,000</b>	<b>34,000</b>	<b>34,000</b>

	2019	2020	2021	2022	2023
<b>Outflows</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Property Purchase	<b>180,000</b>				
Stamp Duty	<b>600</b>				
Legal fees	<b>10,000</b>				
Refurbishment Staged cost over 5 years	<b>85,000</b>	<b>40,000</b>	<b>20,000</b>		
Insurance	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>
Maintenance This is to include all building and grounds maintenance on a continuous program.	<b>0</b>	<b>20,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>
Shareholder Interest	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,000</b>	<b>8,000</b>
Plunkett Loan Repayments (8%)		<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>

Corporation Tax (19%)	0	0			
<b>Total</b>	<b>278,600</b>	<b>66,000</b>	<b>36,000</b>	<b>24,000</b>	<b>24,000</b>

Gross Inflows	330,000	21,700	29,000	34,000	34,000
Gross Outflows	278,600	66,000	36,000	24,000	24,000
c/fwd	0	51,400	7,100	100	10,100
<b>Closing Balance</b>	<b>51,400</b>	<b>7,100</b>	<b>100</b>	<b>10,100</b>	<b>20,100</b>

### Covenham Plough Community Hub Limited

#### Summary of Forecast Balance Sheet

	2019	2020	2021	2022	2023
	£	£	£	£	£
<b>Fixed Asset</b>	<b>175,000</b>	<b>230,000</b>	<b>280,000</b>	<b>280,000</b>	<b>280,000</b>
Freehold Investment property					
<b>Current Assets</b>					
Bank Balance	59,400	7,100	100	10,100	20,100
<b>Total Current Assets</b>	<b>234,400</b>	<b>237,100</b>	<b>280,100</b>	<b>280,100</b>	<b>280,100</b>
<b>Current Liabilities</b>					
Plunkett Loan					
Short Term Loan/Mortgage					
Corporation Tax					
<b>Total Current Assets</b>					
<b>Capital &amp; Reserves</b>					
Share Capital	80,000	80,000	80,000	80,000	80,000
Retailed Surplus income (for maintenance)		23,500	32,000	31,000	31,000
<b>Total Capital &amp; Reserves</b>	<b>80,000</b>	<b>103,500</b>	<b>112,000</b>	<b>111,000</b>	<b>111,000</b>



## Implications for Investors of the CBS Structure

- The Share Offer will seek to raise a minimum of £80,000. If the minimum is not raised the share issue and the purchase of the Pub by the community will not proceed and any monies raised will be returned to investors after settlement of any debts.
- The main implications of the CBS structure for investors are: *A CBS is governed on the principle of one member one vote A CBS is a corporate entity with limited liability*
- *The minimum investment in CPCH is £25 and the maximum investment by any individual is prescribed by legislation - currently 30% of the share capital or £100,000, whichever is lower. In the case of CPCH there will be a maximum investment limit of £15,000.*
- *Minimum age for investors is 16 years of age.*
- *There is no scope for individuals to make a capital profit; the share price cannot exceed its nominal value, but it can fall in value if the financial performance of the business is poor*
- *There is an asset lock; if a CBS's assets are sold, the most an individual investor can receive back is the nominal value of their original investment and accrued interest - any surplus would be distributed to other community bodies or charities*
- *Financial returns through interest payments on share capital have to be modest and are constrained by the Rules governing a CBS.*
- *Shares cannot be sold except back to CPCH; investors have to give three months' notice of an intention to withdraw.*
- *Neither interest payments nor share withdrawals are guaranteed and are at the absolute discretion of CPCH's Management Committee, which is required by the Society's Rules to ensure the long-term financial sustainability of the business*

## Conclusion

The financial forecasts demonstrate that The Plough would be viable as a community owned pub. From a tenant's perspective, the rent is attractive relative to other pubs available within 40 miles and is based on prudent turnover projections.

The proposed rent is sufficient to cover the expected funding costs of CPCH and to allow the business to establish a suitable financial reserve. In due course, it should also enable CPCH to pay interest on share capital to investors, although any such payments will be entirely at the discretion of the Management Committee at the time; investors should not assume this is guaranteed.

## Key Risks Associated with the Business Case

The key risks associated with the business case are set out below together with the proposed mitigating actions to be taken to address these risks.

### Risk 01: The owner does not proceed with the sale at the agreed price

#### Description

The community bid is below the asking price. The owner may be approached by other bidders offering more or simply choose not to sell at this time.

#### Mitigating Action

CPOCH has a low cost of capital and considerable community support. CPOCH believes the agreed price is full and fair and that other potential buyers would be reluctant to stand in the way of a community purchase of an ACV. The planning history and ACV status of the property also suggest that there would be few buyers willing to risk seeking change of use.

#### Resolution Status

Ongoing.

### Risk 02: Lenders will not accept security in The Plough

#### Description

Financial Institutions may apply lending criteria to support purchase and refurbishment costs. These institutions might not be prepared to take the risk.

#### Mitigating Action

LTV requirements from loan providers will be within lenders' usual limits. CAF is already familiar with the Business Plan through its unsecured loan provision and has indicated that it would consider providing mortgage finance as well, subject to a successful share issue.

#### Resolution Status

Outstanding - partially satisfied by the production of this Business Plan.

### Risk 03: We are unable to find a suitable tenant

#### Description

A professional, motivated, tenant with a clear vision as to the future business potential of the pub is important to the success of the venture.

#### Mitigating Action

None as yet, other than to highlight and be aware of this as a risk in the business case. Advice is available from Pub is the Hub and the Plunkett Foundation and will be sought when a realistic reopening date can be identified.

#### Resolution status

Outstanding.

### Risk 04: Revenue or rental forecasts are too high

#### Description

If the pub is unable to generate sufficient turnover, the tenants may not be able to afford the rent assumed.

#### Mitigating Action

Many other similar village pubs in the local area generate sales significantly greater than forecast in this document.

#### **Resolution Status**

The Business Plan is based on prudent assumptions.

#### **Risk 05: Community funding is not sufficient**

##### **Description**

The Business Plan requires at least £80,000 and preferably closer to £120,000 to be raised in share capital.

##### **Mitigating Action**

We already have received pledges to invest £30,000 in shares. Other community pubs have found that share offers usually raise more than the pledged amount as new investors are willing to back a bid when it is more likely to proceed and existing pledgers increase their investment.

##### **Resolution Status**

The pledge process has provided a solid basis on which to assess the potential size of the share issue.

#### **Risk 06: Interest rate rises impact profitability and cash flow**

##### **Description**

Interest rates have been at historic lows for a prolonged period and may start to increase soon.

##### **Mitigating Action**

We will seek to secure fixed rate terms for loans, or at least terms that would require materially higher base rates before interest costs rise. However, it is possible that an increase in base rates prior to completion would increase borrowing costs. There is little that can be done to mitigate this risk. The more that is raised in share capital the less the impact of higher interest rates on the financial forecasts.

##### **Resolution Status**

We are seeking to raise as much share capital as possible.

#### **Risk 07: Tenancy is terminated/withdrawn.**

##### **Description**

There is always a chance that the tenant may not be fit the community needs and either leave or the tenancy be terminated, how does CPCH intend to manage this event.

##### **Mitigating Action**

In the first instance the tenant will have a set of KPIs to work within and fulfil. The interview process and references will need to evidence the ability to meet these but on the occasion where this particular tenancy is not working as expected it will be terminated and members of the CPCH working group will step in and manage the pub and café to keep these open. The menu would be reduced to meet skills and abilities of the group and the tenancy will be advertised immediately to ensure minimum disruption to the hub as possible.


##### **Resolution Status**

The interview and application process will aim to engage a tenant that is both professional and experienced. It will also require the applicant to evidence their community spirit and vision for a community pub along with their business plan to deliver this.

# Management Committee and Supporters


## Management Committee

Nicky Gulley (Chair)



My work as a self-employed bookkeeper and part time work-based trainer involves long and busy days which would definitely benefit from having a pub in the village where we could have a stroll to at the end of the day and grab a drink and a meal. My husband and I moved into the village 4 years ago and were really looking forward to visiting the Plough and meeting our new neighbours. Unfortunately, the Plough closed its doors as we exchanged contracts. As our day jobs keep us very busy, we feel we have not really met everyone in the village yet, and it is for this reason I have got involved in Covenham Plough Community Hub. This is a lovely village to live in, but we really need a venue to meet, eat and greet. I hope I am bringing my business skills and funding knowledge to the group to help make sure that the Plough opens as a sustainable Community Hub which has something for everyone, so eventually I will meet everyone from this lovely village that we chose live.


Laura Clark (Secretary)



I moved to the village 5 years ago with my husband and 2 children. I am the director of operations for a digital accessibility company and spend much of my time working from home. With teenage children getting on the school bus and working remotely I'd love to have a village pub where I can go and meet people and talk to someone other than the dogs and cats!

Whilst there is a decline in pubs across the UK there is growth with community pubs, and if we can purchase the Plough we'll be adding so much more than just a pub to the village, but a social space for neighbours to meet. I hope that my mixture of working for a large charity and running my own small business allows me to bring my knowledge of bring to market and growing a new service through online marketing.

Ali Fazakerley (Treasurer)



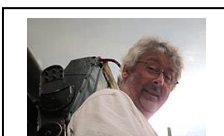
I was born in Cleethorpes but have lived in Norwich and Oxfordshire. From aged 8 to 18 I was active in the guide and scout movement attaining the Queens Guide Award, I learnt many practical skills. My work has been mainly in clerical roles; Hotel Banqueting Secretary, School Secretary, Warehouse Manager, in various trades, and for several years I ran my own small online business selling fishing flies and fly-tying materials by post.

We settled in Covenham 20 years ago, one of the deciding factors was that it had a pub and it was through the Plough that we met our neighbours and made new friends, I joined the darts team and met many more people around the area, which helped us feel we belonged.

Since the Plough shut we don't see people as often, the sense of community is diminishing, and I strongly feel that without the heavy restrictions and overheads a brewery imposes, the Plough could be a busy and vibrant destination pub/cafe selling well kept beer and good home cooked food at reasonable prices. Using the back room as a community hall we could hold all sorts of events in a warm and comfortable space; bring a sense of belonging and community spirit back to the village and bring people in from neighbouring villages and further afield.

Community owned pubs are thriving with a 100% success rate.

Ian Fazakerley (Communications)



I have been lucky enough to live and work all over the UK and further afield both during my time in the Royal Air Force and beyond. For the last twenty years I have lived in Covenham and I enjoy it.

Since we lost our pub the social side and engagement with other locals has taken a hit, we have nowhere to meet up and chat over a pint or a coffee. Younger members of our community no longer have the opportunity to get a taste of working life in the pub or affiliated events.

The pub is an important part of any village and a community hub to go with it adds vibrancy to any community and, hopefully, a modest financial return to those that invest. Most importantly though it becomes so much more than just a pub and that is why I am involved in trying to save it and develop it to meet the needs of those that want it whether it's for the gardeners, silver surfers or the knitters amongst us, it will be their community space. If you don't believe it can work I can tell you there are well over 150 such community hubs throughout the country now and they are adding to property values in their locality, such is the recognised benefit of this modern approach to hubs.

Colin Gulley (Project Coordinator)

I am a self-employed heating engineer, plumber and electrician. And have spent a great portion of my working life on building sites. I have a very keen interest in eating and drinking out, so when we looked for a new home out of town, Covenham was an ideal choice. Unfortunately, with the pub now being closed we need to travel out of town for a pint of local beer. We have many friends and family visit so it would be great to have the Plough re open, and it is for this reason that I am getting involved in bringing this great building into community ownership. I have visited many community pubs and hubs through the Plunkett Foundation and of our own choice and these are sustainable businesses all bringing and giving back to the community.


Paul Burd (Vice Chair)

My wife, Alexis, born in Cleethorpes, was also a life term teacher. Her grandmother, Beatrice Fell, was born (1899) in the house opposite Marcus Motley's current farm buildings near the Mill House and moved (when a young girl) with her family to a smallholding known as 'The Gout' at the other end of the village (St. Mary's) (behind the present dwelling of the same name) but sadly of which little trace remains. Alexis has great uncles who fought in both world wars. One, William (Bill) Fell, is named on both the war memorial and on a plaque in St. Mary's Church and is buried in St. Bart's cemetery and another, Ernest Fell, died at Dunkirk. Alexis and I celebrated our wedding at the Mill House (1977).

Our ties with Covenham remain strong despite moving to Salmonby (near Tetford) in August 2018 and we just couldn't refuse (we tried) to support the most committed group of community-minded villagers in trying to buy and develop the Plough for the benefit of the Covenham villages.


A community pub / hub / cafe is a tremendous asset for any community (see elsewhere for the almost endless possibilities). Every village should have one and every Covenham villager should support the development of one.

Gareth Smith (Shares Secretary)



I moved to the village around 18 months ago with my partner and 2 (late teenage) children from Calderdale. Both my partner and I work from home - I am a Lead Security Architect for a multi-national IT company, and my partner is a Medical Artist. We would both love to be able to use a facility such as the pub to meet with clients, or just to get out of the house and meet friends and neighbours. A venue such as the pub would allow the people within the village (and surrounding areas) to meet and grow new friendships, to participate in activities that would benefit themselves and others, and to bring a real sense of community to the village. That is why I volunteered to be part of the group that aims to bring the pub back to life as a community hub.

Paul Clark (Without Portfolio)



I am the owner of PCR, A commercial vehicle body shop, repairing and painting commercial vehicles. We moved to Covenham 5 years ago from Cambridge to be closer to the workshop in Horncastle, which has just celebrated its 10th year of business. It's been hard work building a good reputation, starting the business from just myself and growing now to have our own workshop, office and offer employment opportunities. As well as offering business advice on premises as an engineer I'll be looking forward to the renovation period of The Plough, the first week we lived here I had one pint before The Plough closed its doors. I enjoyed the village fetes and hope the purchase of The Plough allows for much such events and drinks with neighbours.

## Supporters

CPCH is very grateful to all those in the community who wrote to ELDC and attended the planning meetings to support our project for the change of use and to those who attended the public hearings.

It is especially grateful to Marie Chapman and Joe Blissett of LCVS (Lincolnshire Community and Voluntary Service). Additionally East Lindsey District Council's Asset Management and Planning Department have provided much help and guidance.

Village SOS helped us get started with a bursary and marketing support and their support was vital initially.

CPCH is extremely grateful to the Plunkett Foundation for its continued support throughout the recent arduous periods in getting this project off the ground, and continued support now we have an agreed price and a remodelled business plan.

We must also mention those nameless volunteers in and around the area that have (amongst many things) served coffees, baked cakes, played music, delivered leaflets and manned stalls. Thanks to every one of you!

## Conclusion

The Plough has played an important role in the social life of Covenham for generations and its closure since 2015 has been keenly felt. The owner's decision to sell the property to the community provides a once in a lifetime opportunity for the village to acquire the pub and secure its long-term future. This Business Plan demonstrates how this can be achieved. The assumptions used are prudent, both in terms of the costs of buying and reopening the pub and in the level of turnover and rent it would generate. Nonetheless the Business Plan shows that the pub would be viable and that the loans required could be repaid from the income generated.

Our vision is to create more than a pub to add to the social fabric of the village, enabling new residents to integrate more quickly and addressing isolation and loneliness. The Plough would be a key community hub offering services and facilities that the village does not have at present. At the same time, we would be careful to avoid direct competition with the village's existing restaurant, The Mill House. The focus would be on a daytime café, food and the pub garden with events and clubs.

This vision will only be achieved if village residents are willing to provide financial support initially through pledges to invest and subsequently through the Share Offer. Raising share capital is critical to our ability to secure grants and loans.

The opportunity is now.



Contact centre: 0300 500 0597  
Email: [mutual.societies@fca.org.uk](mailto:mutual.societies@fca.org.uk)



The Secretary  
Covenham Plough Community Hub Limited  
Ashtree House  
Main Road  
Covenham St Bartholomew, Louth  
LN11 0PF

Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS

Tel: +44(0)20 7066 1000  
Fax: +44(0)20 7066 1099  
[www.fca.org.uk](http://www.fca.org.uk)

Our ref: 7453/Mutuals/LP

23 November 2016

Dear Secretary

**Registration of Covenham Plough Community Hub Limited**

Please find enclosed a certificate of registration attached to the society's registered rules.

The society's register number is **7453**. Please quote this number when contacting us.

**Annual Return**

Your society will be required to submit an annual return (AR30) and accounts every year. The first annual return should cover the period from **23 November 2016** to **30 October 2017**.

The annual return and accounts must be submitted within 7 months of the end of the society's financial year.

**Fees**

Your society must pay an annual fee to us. The amount you pay is based on the total assets of the society (as disclosed in the annual return for the preceding year). Invoices are usually sent out in September.

**More information**

Visit <http://www.fca.org.uk/mutuals>. Or if you have any queries please email [mutual.societies@fca.org.uk](mailto:mutual.societies@fca.org.uk) or phone 0300 500 0597.

Yours faithfully

A handwritten signature in black ink, appearing to read 'LP', is written over a horizontal line.

Lucinda Puls  
**Mutuals Team**

## Appendix 02: Statements of Support

As a previous tenant of the New Plough with Batemans Brewery we ran the pub for a year.

During that year the pub was well supported by the village and attracted custom from the surrounding area along with visitors from further afield.

We enjoyed a subsidised rent from Batemans during this period and the pubs takings averaged at £3000 per week net of VAT.

With the subsidised rent, business rates, utilities and general expenses of running a village pub the turnover

generated, offered a tenant a reasonable living. Business rates in recent years have been reviewed due to the general economic pressures on village pubs and this is a great help today.

During our time at the New Plough we did not enjoy these benefits and with the prospect of a rent increase

which Batemans wished to impose after a year, we did not feel that the business model could sustain those costs.

We believe that with the support that we enjoyed from the village and the business rates valuation that are now in place and a realistic rent package along with tight budget controls particularly on utilities, the New Plough would be able to trade well in today's market.

William Hay

\*\*\*\*\*

The New Plough, Covenham.

In March 2011 we were given the opportunity to acquire a 3 year tenancy with Batemans Brewery.

We successfully ran the pub/restaurant for three years.

During this time we built up a very good trade and The New Plough became the hub of the community. Alongside selling quality beers and food we also made the pub available for community use. Various events were held including a weekend of events during the Queens Jubilee year. Community meetings took place each month, wine tastings, coffee mornings, local craft sales, a play was produced for villagers, live entertainment, Christmas parties for local children etc.

The pub created a sustainable income for us, we employed 4 additional staff, one of which was a full time chef.

If the community were to purchase The New Plough, we are confident that the pub could, once again, be a valuable asset to the village of Covenham and surrounding villages.

If further information is required please do not hesitate to contact us.

Yours sincerely

David and Jackie Bell

***“We remember the Plough from its hey-day, with its excellent atmosphere, real ale and honest pub grub. Sadly, changes in stewardship, followed by poor management led to its demise but we are delighted to hear that the embers of the building will be re-lit to the benefit of all. A community hub of this nature will do the village a power of good and we wish the Group every success in its endeavours.***

***Richard and Jan Crean, Westfield, Covenham St Bartholomew.”***

\*\*\*\*\*

I would just like to say a few words to support the new business plan of the Plough Inn in Covenham.

The Plough to be up and running again I am sure would be a great asset to the village even though maybe in a different shape or form. Most of the locals know that I worked there for many years in fact it was bought and sold a couple of times with me as fixtures and fittings. In the 80`s and 90`s (and before you all say times change I realise this) there were nine dart teams, two pool teams and two domino teams, it was a very busy thriving pub, I will admit that majority of the custom and the people in the teams came from neighbouring villages but there were several in the Covenham village that also supported the pub. I personally played in many of these teams and also ran some of the leagues, it was also the place to keep in touch with many people such as friends and acquaintances. Unfortunately it was sold to Batemans in the early 2000`s and although eventually when Sharon and Chris took it over it did extremely well with food the general drinking trade died quite a bit, Sharon and Chris were more interested in the food side of things hence that they are now at the Windmill, Burgh le Marsh, having said that , we still managed to keep several darts teams and a domino team going and a good old get together for a chat and a laugh especially on a Friday night. These teams were still going when unbeknown to me even after several phone calls to Batemans the pub was sold, I rang several times being as I ran most of the leagues and was assured we would still be able to play there as a new manager was going in when the winter season of games would be re starting, hence all our trophies , dominoes and boards etc were still in the pub when sold as we thought we would still be going back in to play. In my opinion a village needs a pub...a pub needs its teams...teams need the members and it is a no brainer to keep everyone in contact with each other in a village pub with or without teams. I was fortunate that the Cross Keys in Fulstow were able to accommodate many of the teams at short notice. Not all the teams are still functioning as with the sign of the times this is happening all over the country, putting that aside I do believe that such a great pub with so many great and sad memories could bring the village together, whether this be as a pub, a community area, a shop, tea rooms or any other facility. I wish the village and the Plough all the best, Good luck. Regards ET.

Eileen Taylor, Fulstow

\*\*\*\*\*

I was born in Covenham in 1985 when my parents moved into the village.

At the age of 17 I began one of my first jobs at The Plough, working for a family who had just moved to the village and were looking for a nanny, whilst they worked in the pub. Fresh out of college studying

childcare this was the perfect opportunity to put my qualifications into practice. As time went by and the children grew up I progressed into bar work and waitressing, quickly becoming assistant manager. So I gained a large range of skills, which help me now in my current career.

Having this opportunity in a village so close to where I live, allowed me to work hard and save up the money to buy my first car and later on get together a deposit for my first property, independently, so not relying on my parents to taxi me here and there.

Another benefit of working in the community was knowing my customers but also meeting new people. Both of these aspects are important as it enabled me to meet people's needs, on a work level and form new friendships. I have always relied on my community for support and recognized when others are in need of support.

I am now 34 years old and engaged to my partner, who I met in The Plough. If I was not a part of this special community, I, along with many others wouldn't be where I am today.

Looking to the future I see this 'hub' in a rural community important, as it will give new generations of villagers skills like the ones I have acquired and developed. Not forgetting existing villagers who need support and a chance to form new friendships.

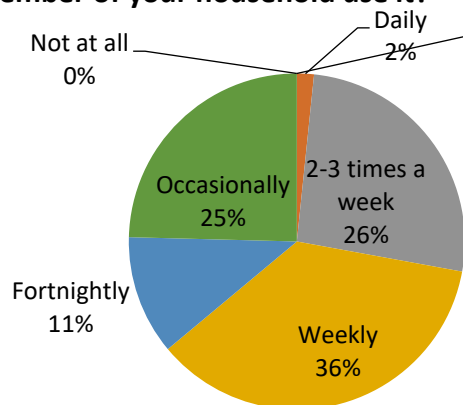
Louise Lidgard, Fulstow

\*\*\*\*\*

## Appendix 03: Individual Survey Responses

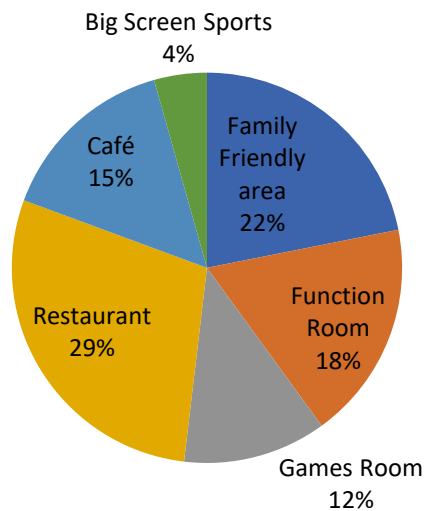
The results of the full village survey and returned questionnaires are set out below:

### 1. If a village pub was opened in Covenham Saint Bartholomew would you or any member of your household use it?

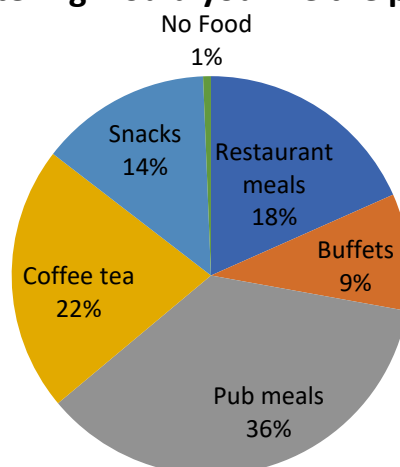


1. If a village pub was opened in Covenham Saint Bartholomew would you or any member of your household use it?  
0%

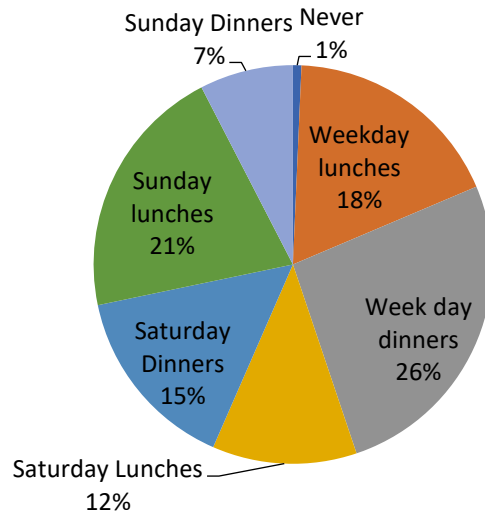
### 2. What services would you most like to see from a village pub?



### 3. What catering would you like the pub to offer?

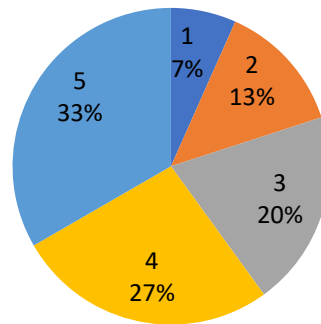


**4. When would you be mostly likely to want to eat at the pub?**

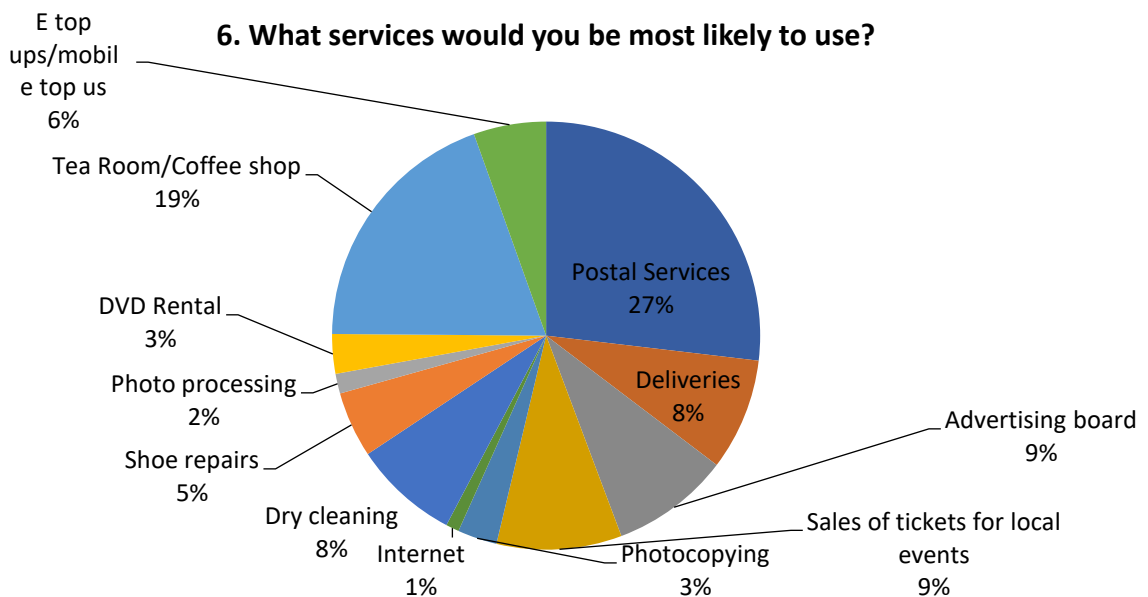


**5. On the scale of 1-5 below please show how important you think it is to have a pub in The Community Hub in Covenham?**

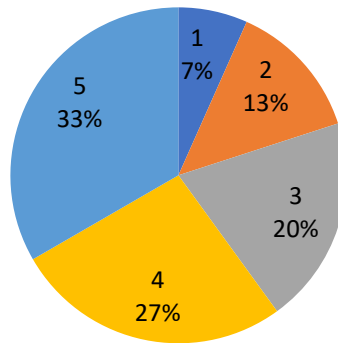
**1 - Not very important, 5 - Very Important**



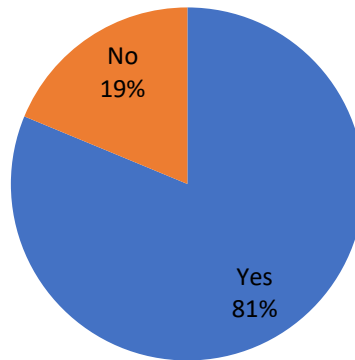
**6. What services would you be most likely to use?**



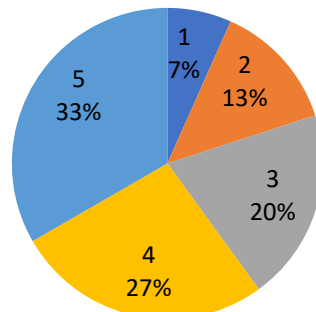
**7. On the scale of 1-5 below please show how important you think it is to have a village shop in Covenham Saint Bartholomew?  
1 - Not very important, 5 - Very important**



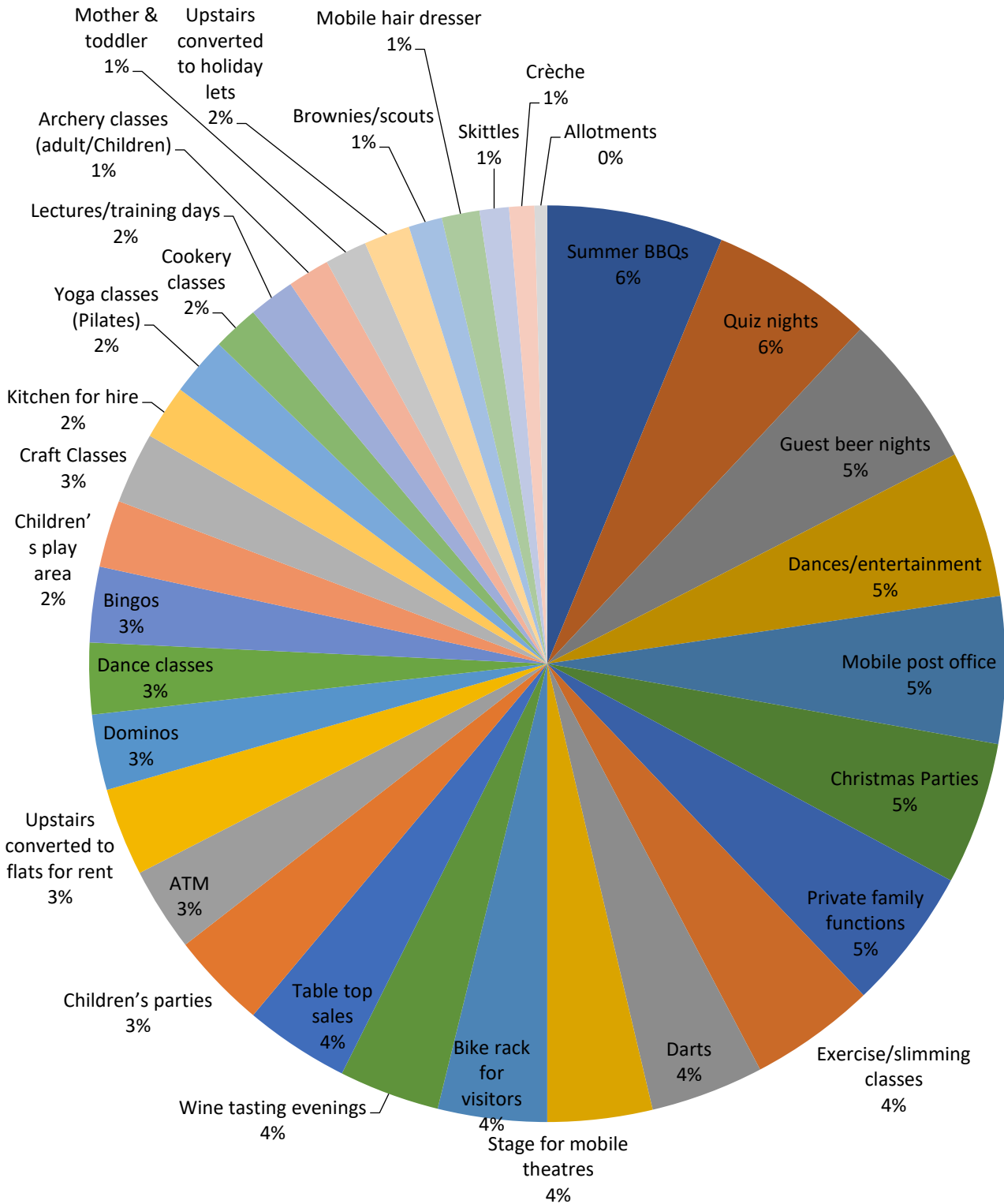
**8. Would you or anyone in your household be interested in helping a community project in any way?**



**9. On the scale of 1-5 below please show how important you think it is to have function/village rooms in Covenham Saint Bartholomew?  
1 - Not very important, 5 - Very important**

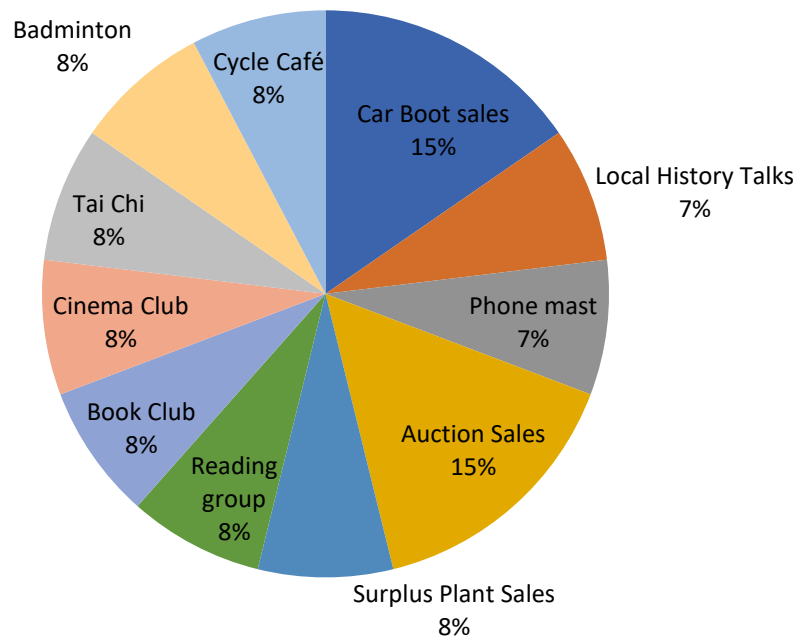


## Please select all that apply:





**Please add any further ideas of what you would like to use our function/village rooms for:**



## Appendix 4 : SWOT Analysis and Mitigations

The **Strengths**, **Weaknesses**, **Opportunities** and **Threats** regarding the reopening of The Plough are summarised below.

### Strengths

The Plough is on the East side of the Lincolnshire Wolds, not only close to the east coast but on route providing services for passing trade.

The building is larger than your average village pub (4,845 sq ft(450 sq m) and the current building dates back to 19<sup>th</sup> century with some modern day additions and alterations. It is situated on a very large plot with potential for children's activity park as well as a landscaped beer garden, and large car park area for some forty vehicles .

In addition to a large number of previously regular local customers, whom it is anticipated will quickly return to a well-run and welcoming pub, the Plough also had a very good reputation where booking was required for meals prior to Batemans becoming owners, it is anticipated these clients will return once we are fully functioning.

The Plough is situated not far from the A16 which is a main road from Louth to Grimsby so would be an ideal route home for families and workers. The Plough also attracted many visitors; walkers and cyclists who still pass daily and weekly, there is no reason why this should not be repeated when the pub is reopened. Indeed, such passing trade in particular may be attracted by the provision of morning coffee and afternoon tea in addition to the usual pub lunch, healthy snacks and lite bites which will find their way to the menu.

The CBS will own the freehold and the tenant will not be tied to any particular brewery or supplier and therefore will be free to negotiate the best deals for supply of food and drink. The CBS will appoint a suitable tenant to run the business who will take all the business risk. The CBS will have the secure income of rent from the tenant to support CPCH's needs for the upkeep of the pub.

Other community hubs around the country have made those localities more desirable places to live and this has had a positive impact on property prices.

### Weaknesses

Considerable refurbishment will be required, which adds uncertainty to the cost and will delay reopening. The pub will have been closed for nearly five years and the current owner has embarked on some building works which although this will increase the cost of the renovations as the building is currently "a blank canvas" it is also an opportunity to create the ideal village community building to suit the community's needs. The cost of refurbishment does need to be determined, although works have been estimated for this plan.

### Opportunities

The closure of the pub for such a long period has, if anything, increased the desire of village residents for it to reopen. Community share ownership in the pub will increase its attraction both to residents and to visitors – walkers, cyclists and tourists as well as those in neighbouring villages and passing through.

A new tenant offering good locally sourced food and beers in an attractive village location has every chance of re-establishing the business quickly. We would also expect strong support for the hub to offer additional community amenities, offering regular events and private hire for the function room as well as local employment where appropriate and opportunities for local businesses to promote their goods and services.

### Threats

The main short-term threats are the need for the current owner to sell the building to CPCH Ltd at the agreed price of £180,000 and for CPCH Ltd to raise the share capital to finance the purchase. Once these

issues have been addressed CPCH will need to find and retain a suitable tenant who is attuned to the needs of the local community. This will be an important decision for the long-term success of the business. On an ongoing basis, the threats are those facing all pubs – generating revenue in a competitive market. The Plough will need to ensure that it lives up to its status as a community owned pub serving the whole community. Community hubs and pubs have currently a 100% success rate.

### Mitigating the Weaknesses and Threats

The level of support within the village is a key mitigating factor for all of the threats listed above. We are expecting approximately between 150 and 200 investors, with much interest and individuals already enquired and promised to invest. Widespread community ownership will ensure that local residents have a vested interest in using the pub and encouraging their friends to do so. It will provide both consistent demand and will keep the cost of capital down, enabling the pub to thrive in all economic environments. Gaining access to the property to undertake a survey will mitigate the risks associated with the refurbishment. We would commission a structural survey and schedule of works prior to commencement of purchase. We would also seek additional grants from heritage bodies to minimise the potential cost to CPCH. Ultimately, investors can take comfort in the asset base underlying the business. The Plough stands on a large plot in an attractive village. While we firmly believe the pub has an attractive future as a pub, if it did fail the asset value of the site would be considerable, which would limit the potential loss for investors. It is worth remembering, though, that as a CBS, investors are not able to make capital profits and any surplus would have to be applied to other community or charitable purposes.

## Appendix 5: GDPR (Data Protection)

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

It will keep personal information that it holds 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 CBS, and for communicating with members.

It will not share any members' personal information nor information that could lead to identification with third parties.

Members' financial information, such as amounts invested, shares purchased and interest paid, will be treated as confidential.

## Appendix 6: The Plough Tenant Job Description

The Plough Inn was a successful village pub prior to being owned by Batemans Brewery or the current developer. It has been closed since 2015 and is now undergoing an extensive renovation program and it is expected to be ready to re-open within a month of community purchase. There is strong support for the pub throughout the village, as per the village survey carried out and the number of investors, most of whom live within walking distance.

Covenham Community have bought The Plough to secure its long-term future as a family-friendly, disabled friendly and accessible to all community hub for the benefit of Covenham and surrounding villages. We want a good pub with quality home cooked food that also is the base for community activities and services.

The successful applicants will share our vision for the pub to become a community hub again and will wish to embed themselves at the heart of village life. This is a business opportunity that would suit entrepreneurs – ideally a couple – with the ambition and ability to create a thriving business free from the restrictions of any brewery tie. A passion for good quality food and drink and a clear vision for making the pub work for the whole community will be vital.

### Key features

- 'Free of tie' – no wet rent
- Tenancy agreement of between 3 and 5 years
- £24,000 pa rent to include a fully renovated 3-bedroom accommodation with a private access (heavily discounted in year 1)
- Rent to increase with inflation not turnover – you will not be penalised for your success
- Self-employed opportunity and freedom to develop your business.
- Catering opportunities for CPCH Function suite onsite.

### What we are looking for from you

- Community-minded – ability and personality to reach out to everyone in the village and develop an exciting calendar of social events
- Welcoming, positive 'can-do' attitude
- A passion for quality home cooked food and drink
- Hard-working with strong organisational, financial and interpersonal skills
- You will be a commercially astute individual or couple who will enjoy being part of the local community and will be looking for a long-term commitment to this pub, its business and its community.
- A desire to use local produce and employ locally where possible
- Proven ability to manage, train and motivate staff
- Willingness and ability to promote the pub across multiple media platforms
- Advocate for quality customer service with excellent people skills, a talent for driving sales, a passion for fine ales and food plus the ability to control the business in order to maximise your profits. It is vital that you have and can demonstrate the necessary skills to run an effective food operation.

- You will also need to be 'hands on' and able to provide a strong and visible presence within the business. Living in will assist you in quickly becoming a part of our community.

## OUR VISION

We want the pub to be the hub of our community offering quality food and beer at realistic prices alongside community focused activities. We seek a tenant who will be part of the community and who will work with us to develop community activities e.g parcel drop, coffee + Cake and WiFi in addition to running the pub to provide themselves with a first-rate livelihood. We see this as a working partnership between the community and the tenant.

## Additional information

- Stanley Phillips has advised CPCH that The Plough is capable of generating an annual turnover of £200,000 net of VAT
- There will be an ongoing-cost to be decided plus a cost for kitchen equipment to be agreed with the tenant
- There will also be insurance rent - insurance for the building and loss of income if the license is lost will be purchased by CPCH but paid for by the tenant
- The renovation of the building will be a 5 staged program which will be completed over the next 3 years, so the successful tenant will be forward thinking and see this as an opportunity to be involved in the design and implementations of the improvements and renovations

## Application process

Please contact us initially by email outlining your reasons for applying, enclosing a copy of your CV and contact details for references (which will only be taken up after the interview stage). [contact@covcom.co.uk](mailto:contact@covcom.co.uk)

Successful candidates reaching the initial selection stage will be invited to an informal presentation by members of the CPCH Management Committee.

## Appendix 7: Marketing Strategy

### Our communications tools

#### Website

[www.covcom.co.uk](http://www.covcom.co.uk)

The website will contain all key documents and be the central place for all information.

This includes the business plan, share offer prospectus, the CPCH board team, links to social media and Crowdfunding.

#### From the Furrow:

*Printed newsletter delivered to every house in Covenham St Bartholomew & St Mary*

Purpose:

For those not on Facebook this is more of a summary of key information for The Plough but also a village newsletter.

Updates on progress and fundraising target, combined with St Marys Beneficiary news and other events hosted by St Barts, Parish Council

Where any key messages can be suggested.

This will continue even after The Plough is purchased to build on the village community.

#### Leaflets

A series of shorter documents will be produced include a share prospective and a leaflet with the benefits of a community pub (these messages will be replicated on Facebook) These will be hand delivered by volunteers.

The share prospective will be professionally printed alongside posters we will ask supporters to display in their windows. A visual reminder and a show of support to encourage others to back the project.

There will also be signs printed which people can display on their grass verge in key locations for a visual reminder for all entering and driving through the village.

#### Crowdfunder

[www.crowdfunder.co.uk/covenham-plough](http://www.crowdfunder.co.uk/covenham-plough)

This will be used to share our project with a wider audience and regular updates to backers, answering questions and showing the amount of money raised against our target.

#### Facebook

[www.facebook.co.uk/fromthefurrow](http://www.facebook.co.uk/fromthefurrow)

Purpose:

Used daily to engage with the community, discuss ideas and put forward ideas.

Share success stories of other community hubs and reach people outside the village.

It will be used for regular updates and key posts will be boosted to reach a wider audience.

Proposal of posts in the build up to launch April - June has included:

- Motivation Monday - examples of other community hubs
- Tuesday thought - a question for the community  
Covering key aspects like the shop, bar and events
- Wishful Wednesday - What do residents want  
This could be kicked off with what people want.
- Throwback Thursday - Old photos and events, messages from past landlords
- Feelgood Friday - Update on fundraising targets weekly achievements
- Social Saturday - update from cafe, other events in the village
- Giveback Sunday - drop in Q&A sessions and tidy up of an area/ drinks provided. Perhaps even current churchyard

The Facebook schedule will continue with the focus being on the marketing material that is going out in leaflets, when project milestones have been launched, thank you to fundraisers and backers as well as updating on events.

## External communication

- Newspapers
- Television
- Radio
- Local Supporters

Gordon Newton will head up the external communications following his experience and key contacts with Lincolnshire Wolds Railway.

Additionally we will share progress with our previous local supports and ask them to share on their own marketing platforms.

## Budget

Total marketing budget agreed at £500

£150 Printing of glossy leaflet for overview of Plough Hub project

£60 Signage for Plough support

£240 Facebook (£40 per week for 6 weeks)

£50 contingency fund