

The Bell Inn at Yarpole

Business Plan



Issued by
The Mortimer CBS Limited
a Community Benefit Society
Registration number: 7793



power to
change

business in
community
hands



The Mortimer Community Benefit Society Ltd is Registered with the Financial Conduct Authority under The Co-operative and Community Benefit Societies Act 2014 as a Community Benefit Society. (Registration number: 7793)

We are facing a once-in-a-lifetime opportunity. Not only to save our pub, but to make it a community hub in the parish, complementing the Community Shop and Post Office, the Gallery Café and the Parish Hall.

WITH YOUR SUPPORT WE CAN MAKE IT HAPPEN.

Our aim is to make the Bell Inn a pub providing facilities and services that bring the community together. The Society proposes to raise funds to acquire and refurbish the Bell Inn for an appointed professional tenant to run as a profitable and successful business.

THE MORTIMER CBS LIMITED

Community Benefit Society Registration Number 7793

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Disclaimer

This document contains forward-looking statements, including forecasts relating to the financial position of the Society. The Management Committee believes that the forecasts reflected in these statements are reasonable but will involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Society, to be materially different from any future results, performance or achievements expressed or implied by those forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in section 13 (Risks) set out in this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on those forward-looking statements. The forward-looking statements contained in this document are made on the date of this document, and the Society and the Management Committee is not under any obligation to update those forward-looking statements in this document to reflect actual future events or developments.

1. Executive Summary

1.1. Vision

Our aim is to make the Bell Inn a hub of the village; a pub providing facilities and services that bring the community together. A warm and welcoming venue for Yarpole and surrounding villages, serving local beers and well-priced, freshly prepared food. The Society proposes to raise funds to acquire the pub, carry out initial remedial works and provide a favourable environment for an appointed professional tenant to run the Bell Inn as a profitable and successful business.

1.2. Legal

The Mortimer CBS Limited was formed as a limited-liability Community Benefit Society in June 2018. It is registered with the Financial Conduct Authority, registration number 7793. A Community Benefit Society is an organisation owned by the community, trading for the benefit of the community rather than for anyone's private benefit. The Society was set up with the aim of purchasing the Bell Inn in Yarpole and reviving it for the benefit of the people that live or work in the area and the visitors that pass through.

The Rules of the Society set out the way in which the Society is owned, organised and governed. They can be viewed on the Society's website www.themortimercbs.org or requested from a Member of the Management Committee.

Membership is open to anyone over the age of 16 purchasing at least the minimum number of shares specified by the Rules, currently £250. The Society is a democratic organisation governed by a Management Committee elected by and from the Members and operating on the principle of 'one Member one vote' regardless of how many shares they own.

The Society aims to generate a trading surplus. Any surplus, beyond that required to meet its liabilities, improve the facilities and ensure the future of the business, must go to other community or charitable projects. The assets of the Society are protected through an asset lock provision in the Rules requiring that in the event of the Society being wound up, any residual value (after paying creditors and repaying share capital and interest) must be used to benefit the community.

1.3. Property

Purchasing the freehold of the Bell Inn has been identified as the best option to save the pub from those who would seek to change its use and provides the platform for it to be a successful sustainable business that can serve the needs of the entire community. An independent survey of the property has highlighted some required remedial works and this will be taken into account in the negotiations with the vendors. It is proposed that, once the business is trading profitably and based upon demand, further works could be carried out to provide improved access and visitor accommodation.

1.4. Investment

An initial steering group was formed to develop this proposal and, following the formation of the Mortimer CBS, we are now seeking investors who wish to become Members of the Society to help us reach our target of raising £450,000. This figure is based on the target purchase price and allows for a short term loan to cover the VAT which is payable on purchase, until that can be reclaimed. The Management Committee believe that this amount will give sufficient capital to purchase the pub, carry out initial works which will allow the pub to re-open, cover set up costs, provide sufficient working capital for the Society and establish an appropriate contingency to meet unforeseen costs. The Society is therefore seeking to raise £350,000 by community share issue and a further £100,000 in short- and long-term loans.

1.5. Financial

The financial headlines of years 1 to 4 (year-end June basis) of the Business Plan are set out below:

Yr. end June		2019	2020	2021	2022
Income					
	Rental	2,500	14,600	21,700	23,700
	Other	10,000	200	200	200
	Total	12,500	14,800	21,900	23,900
Expenditure					
	Society direct costs (see 9.4)	3,250	3,328	3,408	3,490
	Building maintenance	2,000	5,632	5,767	5,906
	Other costs	7,000			
	Loan servicing	4,344	4,344	4,344	4,344
	Share interest				8,750
	Total	16,594	13,304	13,519	22,490
Profit					
	Before tax	(4,094)	1,496	8,381	1,410
	After tax	(4,094)	1,197	6,705	1,129

1.6. The Pub as a Social Hub

In addition to its role as a village pub it is proposed that the Bell Inn should provide a number of facilities to local residents, the wider rural community, and visitors of all ages. Other initiatives are under consideration which will be driven by the wants and needs of the local community for example: lunch clubs for older and less mobile residents, a meeting venue for a variety of local groups, a children's play area incorporated within the extensive outside space and a regular music venue for local artists.

2. Introduction

The Bell Inn at Yarpole has been the village pub for hundreds of years. It is the only pub in the village with the nearest alternatives located in Luston and Orleton, both two or more miles away. The safeguarding of the Bell has been highlighted as a priority in previous Parish Plans and the recently adopted Neighbourhood Development Plan. Through community ownership of the pub we will have control over its future, giving us the best chance to keep a pub in the village for the foreseeable future.

Within memory there have been landlords who have known how to run a small village pub and who have built up a reputation for its convivial atmosphere, its setting and food that brought people in to the pub from the village and beyond. They operated the Bell profitably and successfully for years.

Competitive pressures on drink sales and changing leisure patterns have put a strain on the traditional 'tied tenant' pub model, which separates the pub owner from the pub operator and has become increasingly uneconomic, particularly in rural locations. The pub owner has charged high rents and generally been slow to invest capital in the property. The pub operator has struggled with weak sales, high tied beer costs, an unaffordable rent and insufficient capital to invest in the asset. This is a vicious circle, which leads to a loss of incentive and subsequent poor management of the pub, resulting in poor performance and declining sales.

The current owner Enterprise Inns have in recent times been progressively disposing of the non-core assets within their portfolio that have not performed adequately against their standard 'tied tenant' business model. The experience of recent tenant appointments, hampered in part by the business model imposed on them, has been mixed and generally not worked for them or the local community. The Bell Inn was put on the market in February 2018 and has been closed since the middle of May 2018. The Bell is a listed 'Asset of Community Value', which means the pub should not be sold before 28 August 2018 except to the community itself.

One definition of an English village is a group of houses and facilities, the key ones being the village shop, post office, church, a village community centre, local groups and clubs and a village pub. So without the Bell Inn, Yarpole will lose some of its core identity and character. All the components need to be maintained and cared for if the village identity is to be kept and nurtured.

Loss of the pub could also potentially impact property values within the village and experience elsewhere indicates that this could be in the order of -5%. A thriving pub will also bring income into the village and ultimately part of that income will provide additional revenue for community-based projects.

This is a once-in-a-lifetime opportunity to secure such a key facility for both the current village residents and for future generations and if we fail there will most likely never be another pub in Yarpole.

3. Objectives and Key Success Factors

3.1. The aim of the project is to re-establish a thriving community pub that establishes a reputation for the value and quality of its service, food and drink and other offerings that support the local community.

3.2. The primary focus of the Bell Inn will be the creation of an entity that will flourish and invest in the well-being of its community. Its success will have its foundations based on the provision of food and drink that is reasonably priced, supported by a friendly environment and welcoming staff. The food must be of good quality, using locally sourced ingredients as far as possible. The drinks should include a range of real ales sourced, in part, from local breweries with an ambition of the Bell Inn being listed in the CAMRA Good Beer Guide.

3.3. Investment of any surplus profits to improve the pub and provide additional facilities for the benefit of the community, and in due course paying a modest level of interest to all shareholders.

3.4. Previous experience has shown that to prosper the Bell Inn must get a significant proportion of its revenue from customers living outside the village and to achieve this it must have a reputation for good quality and value for money food and drinks, delivered with excellent service. This will require us to support the tenant in actively marketing the pub in a much more dynamic way than has been the case in recent years to ensure that it becomes well known both locally and across the wider county.

3.5. Other services and offerings will be explored, driven by the consensus of the local community. The pub can be used as a community hub and may include such things as a children's play area, meeting venue, wedding and funeral hosting, book exchange, regular music and lunch clubs for older and less mobile people and potentially more.

3.6. To attract and serve visitors, walkers and cyclists to the area the pub could provide facilities such as a tourist information point, cycle racks and access to public conveniences, supporting its revenues by its food and drink offerings to them.

3.7. In the medium term the provision of other facilities within the overall site, including accommodation, will create additional revenue streams, provide further offerings to its patrons and extend its appeal to a wider group.

3.8. The critical role will be that of the tenant and it is vital that we carefully select and secure the right person to run the pub. We intend to ensure by means of the framing of the lease terms and conditions and by careful consideration of other supporting activities on the part of the community that a profitable and attractive business opportunity is available to the right tenant to run the pub as a free house.

3.9. Continuing community involvement in the Society will be needed to manage, maintain and improve the property, and to ensure local support for, and input into, the future success of the pub.

4. The Management Committee

The Management Committee Members who have established the project come from a variety of backgrounds and have a range of relevant experience, skills and reasons for volunteering. Brief summaries of these are provided below:

MIKE BENDING

Treasurer

My Day Job: Managing Director/Owner of IB Stamps Ltd (The world's only revenue stamp dealer).

My reason for getting involved: Having lived for over forty years next to a pub or very near one, I appreciate the unique contribution a pub makes to a community. A village that loses its pub, loses far more than bricks and mortar, it loses its soul and ultimately its connection to the past.

WENDY CLARE

Management Committee Member

My Day Job: Counsellor and Waitress

My reason for getting involved: This is a warm and friendly community and I'd like to keep it that way; the pub is an historic way of life which brings everyone together. I especially want to include young adults and ensure the pub is for everyone.

KATE DARBY

Chair

My Day Job: Architect

My reason for getting involved: I would like the village to have a thriving pub with a community atmosphere. I would also like to protect the site for community use.

MARTIN FLAHERTY

Management Committee member

My Day Job: Managing Director of a Membership Association

My reason for getting involved: I believe passionately that a village needs a thriving Pub and given the true sense of community in Yarpole it seems only right that our pub should belong to the community. That will enable us to ensure it is a welcoming venue for everyone, whether they want a simple beer, a decent meal or a chance to socialise with other villagers.

PAUL HUMPHREY

Management Committee Member

My Day Job: Managing Director of a children's publishing company

My reason for getting involved: One of the reasons we moved to Yarpole was because it had a pub. It is vital that this amenity is preserved for the community and not allowed to die like so many pubs in the area. I want to do whatever I can to make sure it is preserved as a community asset.

ALEX JENKINS

Management Committee Member

My Day Job: Retired IT Systems Designer

My reason for getting involved: I want to keep our village pub as a place I can choose to stroll to for a drink with friends or a handy meal without worrying about having to drive elsewhere. Right now the choice is ours to make, the possibilities are available to us now but once the pub is gone so is that choice.

NANCY MORGAN

Secretary

My Day Job: Residential property management and voluntary work

My reason for getting involved: I have lived here for more than 30 years and I am determined that we ensure our village keeps a good pub, a vital and traditional village institution for everyone to enjoy and which helps support a rich community life alongside other village institutions.

REBECCA STANNERS

Management Committee Member

My Day Job: Healthcare professional for 30 years in the NHS / Public Health

My reason for getting involved: I recognise the importance of community cohesion and social contact for health and wellbeing. Yarpole is a thriving, active and engaged community. I wanted to support the community's efforts to protect and enhance this valuable resource and to work together as a team for everyone's benefit.

MARIANNE TAYLOR

Management Committee Member - Plunkett Foundation liaison

My Day Job: Designer, retired

My reason for getting involved: For me and the family, a pub within walking distance, where one is sure of a welcome and is likely to see friends and acquaintances, where one can enjoy a drink without having to worry about taxis, and where one can call in with the dog for a beer and a sandwich, book a dinner with friends, or celebrate events with Members of activity groups to which one belongs, is such a fantastic part of living in a place like this that I feel passionate about doing everything possible to keep the pub.

5. Community Owned Pubs

In recent years there has been a growth in the numbers of community owned pubs. The Bell Inn will not be the first, or the last, to go along this route. There are approximately 140 such pubs currently operating in the UK and each one has been set up in a manner that best suits its community and situation (to see where they are located go to CAMRA website - www.camra.org.uk). Of these, about 70 are organised as Community Benefit Societies and although still a relatively young sector, to date there have been no pub closures within this group, maintaining a survival rate of 100%. Here are some of their stories:

5.1. The Harrow, Stockbury, Kent www.theharrowstockbury.co.uk

The Harrow is a small, traditional pub in a small rural parish of about 700 people in the North Downs in Kent. Stockbury has a predominantly older population tending to want and need village-based services and activities. Until a few years ago, The Harrow was an excellent place for locals to meet and socialise, and it served a good range of drinks and excellent food. However, after a succession of short-term tenancies and a lack of investment, there was a decline in its use. When it came on the market in 2016 local residents got together to buy it and revive its fortunes. They turned The Harrow into a thriving community hub, so much so that in 2017 The Harrow won CAMRA's prestigious Pub Saving Award, which recognises communities that save their local pub from closure.

5.2. The Fleece Inn, Hillesley, Gloucestershire www.thefleecehillesley.com

The company that owned the Fleece and many other pubs went into administration in October 2011. The pub then struggled under a series of temporary managers and closed after Easter 2012. Local people got together and formed Hillesley Community Pub Ltd to acquire the freehold to the Fleece Inn and to manage the operation of the pub business, to ensure that the Fleece continued to be a vital social hub for the village and surrounding area. The pub was bought for the community on 21st June 2012. The local community by its own efforts assured its ability to own and shape this important social hub in perpetuity. Issues with the initial managed operation format resulted in a decision to lease the business to a tenant in 2016. The pub is now thriving and won CAMRA Gloucestershire's 2018 Pub of the Year award.

5.3. The New Inn, Norton Lindsey, Warwickshire thenewinn.pub

In December 2016 the New Inn became the first community owned pub in Warwickshire when the freehold was collectively purchased from Enterprise Inns by over 220 people. It is now run for the benefit of the community. A survey was circulated to all residents to understand interest in investment and get feedback on what facilities should be on offer in the pub. With this information the Business Plan and legal share structure was created. The Chairman of the Steering Group, said:

"Our vision is to not only save our historic pub, but to turn it into a hub for the community with additional facilities, which the community feels is appropriate. We only have a limited amount of time to get our act together, for us to stand a chance at purchasing the New Inn, and whilst the community are committed to this action, we are not a big village with approximately 139 households, so we need to extend our reach and would be looking to have both a community share offer and a crowd funding option, for people further afield who want to help us to be the salvation of The New Inn."

A mixture of local village residents, friends, family and colleagues became shareholders through direct funding or online crowd-funding. Having gone through various remedial and renovation work, both internally and externally, recruiting a pub manager and chef, the doors opened in April 2017.

5.4. The Pheasant, Neenton, Shropshire www.pheasantatneenton.co.uk

Without a village pub since 2006, the rural community had nowhere left to meet and socialize, celebrate or commiserate. The keen desire among the people of Neenton to see the Pheasant Inn reopen was the real catalyst for the formation of Neenton Community Society (NCS), which purchased the pub just before Christmas 2013. The vision for the Pheasant is for it to be a thriving classic country inn with a touch of style, owned by the community and run for the community, while offering the very best Shropshire food and warm Shropshire hospitality for visitors from near and far.

5.5. The Hollybush, Seighford, Staffordshire www.thehollybushinseighford.co.uk

The Hollybush was bought by the villagers of Seighford in 2012, to provide a community facility for those interested in good beer, delicious food and a friendly atmosphere. They now have over 70 shareholders, who have helped the project by giving their money, skills and time to the local community.

5.6. The Old Crown, Hesketh, Newmarket, Cumbria www.theoldcrownpub.co.uk

The Old Crown became famous in 2003 when it became Britain's first registered co-operatively owned pub. It is owned by a collective of around 150 local, national and even international customers and supporters. It thrives and today it serves the very best of real ales, most brewed by Hesketh Newmarket Brewery which stands at the rear of the pub, and a range of appetising and wholesome home-cooked meals and snacks.

5.7. The Anglers Rest, Bamford, Derbyshire anglers.rest

The Anglers Rest is owned by 300 community shareholders and was one of the first pubs to be listed as an Asset of Community Value. Sarah Bawden at Bamford Community Society which runs the Angler's Rest pub and much more says:

"In 2012, when our pub was at risk of permanent closure, someone suggested that we buy it ourselves. It was a pipe dream, but something that day took hold, and the Bamford Community Society was born. We were a group of different people, with different ideas and strengths, but united in our belief that the pub was the heart of the village, and that with care and thought, the Angler's Rest could be a real community hub."

6. Local Market

6.1. Local Demographics

Figures from 2011 census

Usual Residents and Households from 2011 census

	Residents	Households
Croft and Yarpole Parish	552	248
Lucton Parish	*161	62
Total	713	310

*excluding communal residents e.g. Lucton School

The distribution of the Parishioner magazine is to 335 households suggesting an increase in households since 2011

Usual Residents over 16 – living arrangements

	Couples	Other (single, widowed etc)	Total
Croft and Yarpole Parish	326	152	(80%) 478
Lucton Parish	94	29	(20%) 123
Total	(70%) 420	(30%) 181	(100%) 601

Household Residents – Age Structure

	*Lucton	Croft & Yarpole	Total	%
16 and under	29	74	103	14.4%
17 – 25	21	47	68	9.5%
26 – 45	35	76	111	15.6%
46 – 65	53	184	237	33.2%
65+	23	171	194	27.2%
Total	161	552	713	100%

*estimated excluding communal residents e.g. Lucton School

6.2. The 2018 Pub Questionnaire

A questionnaire survey of local households was undertaken during May and June 2018 generating 139 responses* (299 household Members) from approximately 335 households in the parish, representing a 40% response rate. Here are highlights of the questionnaire survey about local demand for the pub:

*As at 4th June 2018

89.9% of respondents think it is important or very important to keep a local pub in the community.

80% of respondents support a community purchase of the Bell Inn with 17% as yet unsure.

88% of respondents indicated that food catering was important, with weekday lunches being nearly as significant for them as evening meals.

Demand for a good range of local beers and ciders with additional 'guest' beers from further afield - and good coffee!

Demand for a range of food options from bar snacks and traditional 'pub grub' to finer fare, but all with a preference for local ingredients and an emphasis on quality.

Provision of live music and a family-friendly area also figured prominently.

The need for the pub to be attractive to local young adults was also recorded.

Frequency of intended pub use by household

Daily	0	0%
2-3 times a week	14	10%
Once a week	39	28%
Once a fortnight	28	20%
Occasionally	57	41%
Not at all	1	1%
Total	139	100%

- Approximately 102 household visits / week
- Average 2.1 persons/household – assume 50% are 'joint' visits generating 153 person-visits / week from respondents to the survey.
- There is also likely to be a significant number of new residents within a few minutes' walk of the pub in the foreseeable future with new housing developments in the pipeline.

Age structure of households (from Questionnaire respondents)

	2018 survey	
16 and under	23	7.7%
17 - 25	19	6.3%
26 – 45	21	7.0%
46 - 65	91	30.4%
65 +	145	48.5%
Total	299	100%

Despite the large proportion of over forty-fives in the parish, the pub needs to cater for all age groups, especially as it will need to attract significant custom from outside the parish itself. This means providing a warm welcome to young adults, families and older residents alike. The pub needs to be socially inclusive and a great place for everyone to congregate and mix together.

6.3. The local market for the Pub

The closest villages to Yarpole are Luston, Orleton and Kingsland. The population figures from the 2011 census for the neighbouring settlements are

Usual Residents and Households from 2011 census

	Residents	Households
Luston Parish	541	236
Orleton Parish	794	359
Kingsland Parish	986	439
Total	2321	1034

Additionally, Leominster town is some 4 miles from Yarpole and has a population at the 2011 census of 11000 people. Although Leominster and these neighbouring villages to Yarpole are served by pubs of their own they do provide an additional potential market for the pub as a food, drink and event venue in a distinctive rural setting.

6.4. Visitors to the area

The historic town centres of Leominster and Ludlow are 4 and 7 miles away, respectively. These two towns along with National Trust properties at Croft Castle and Berrington Hall as well as more local campsites, caravan parks and holiday lettings provide a healthy visitor and tourism presence in the area. Yarpole is well positioned between both towns, is on the Hereford Black and White Village trail and is ideally situated for walkers using the Mortimer Trail and cycle tourers exploring the quiet lanes of the local Marches. Actively targeted marketing will attract significant visitor custom especially, but not exclusively, during the holiday periods.

7. The Property

7.1. Description

The Bell Inn is very much the village pub lying at the heart of Yarpole. It occupies a prominent position in Green Lane at the historic core of the settlement. The Bell faces southwest with a small car park at the front on the southern side and lawns to the front southwestern quarter. There is also a large car park at the rear with access at the east side. To the north of the car park is a large field. The site extends to some 0.89 acres. The site lies within a designated conservation area.

The complex is fully detached with licensed premises on the ground floor and domestic quarters on the first floor. The earliest section of the public house is an oak box frame which appears to date to the 17th century. The roof is double pitched with natural slate cladding. The once-detached barn has now been converted to become part of the pub. The walls are again of oak box frame below a double-pitched roof with natural slate cladding, probably dating from the same period, although parts are underbuilt in brick much later. The link section between the main bar and 'the barn' has been added relatively recently - late 20th century, although the walls are of similar character - box framed (using salvaged material) with plastered infill panels under a natural slate roof.

The size of the complex has been considerably enlarged by the addition of a further two-storey wing behind the earlier section, with a cross wing facing the road. The walls are of painted brick below double-pitched roof elevations with natural slate claddings. The kitchen and service section are at the rear end of the single storey. The walls are of painted brick but most of the roof has minimal pitch with a 'built up' felt cladding behind a double-pitched section with composite slate cladding. These additions appear to date to the latter half of the 20th century.

7.1.1. Ground Floor

The ground floor consists of the front lobby, the barn restaurant providing approximately 28 covers, a 'link' lobby, the lounge bar with a feature open fireplace provides table seating for about 36 with additional bar seating, the smaller public bar, the single shared bar serving area, a passageway, gents' and ladies' toilets, prep room, utility room, rear lobby and commercial kitchen. The barn restaurant area has its own LPG gas fired boiler which is wall mounted in the rear chiller room.

7.1.2. First Floor Living Accommodation

The private living accommodation is on the first floor and comprises a living room, office, three bedrooms and bathroom. An LPG gas-fired wall hung boiler on this floor provides the heating for the main body of the premises.

7.2. General Condition

A pre-acquisition building survey has been undertaken by Marches Conservation Services. The main property was reported to be in a sound, stable and watertight condition, although relatively recent maintenance has not been to a consistent standard throughout. While there are no serious faults, there are several areas where remedial work is needed, followed by complete internal and external redecoration. All remedial work should be followed by redecoration throughout.

The site generally needs an extensive clearance of general debris and brush, by trimming and removing vegetation – probably within the capabilities of a well-organised volunteer work party.

7.3. Remedial works and redecoration

The survey identifies remedial works to be undertaken to address missing roof tiles, guttering and drainage defects, capping unused chimney flues, minor plumbing defects, timber frame plinth pointing repairs, minor joinery repairs, internal plaster defects, repairs to make safe and conserve outbuildings, garden clearance and tidy-up as well as comprehensive internal and external redecoration.

Additionally, essential testing must be carried out on electrics, heating and other services, and repairs made as required as well as any other works required from a health & safety and hygiene perspective.

7.4. Improvement works

Additional improvements are desirable: to increase loft insulation and improve ventilation, lag pipes and improve tank insulation, add cavity wall insulation, supply mechanical ventilation to wet rooms and to insulate the beer store which should result in long-term cost savings by reducing energy consumption. Additionally, consideration should be given to improving customer access to the site and facilities.

7.5. Future Development

There is potential to expand and develop the building and its site in future to generate additional revenue streams for the business. One possibility would be the provision of on-site accommodation of one form or another, which could range from simple camping and motorhome facilities, through options such as yurts, camping pods or log cabins, to permanent accommodation provided by good quality letting rooms in an integrated extension or adjacent annexe. Such plans would only be considered provided funding is available and the cash needs of the business allow. From a review of potential sources, it is possible that grant funding may be available from a number of bodies and charitable organisations to support such development plans.

8. Fundraising

8.1. Share Offer

The main funding is expected to be generated through the sale of shares in the Community Benefit Society – The Mortimer CBS Limited. The initial offer is time bound and is open from 27/07/2018 until 17/08/2018. Further information is in the Share Prospectus available on the Society's website www.themortimercbs.org

Individual share value will be £50 with a minimum holding of £250. Share purchase brings with it Membership of The Society giving the Member the opportunity to be actively involved in a great community asset and helping provide facilities and services for those who are disadvantaged in the community, such as the elderly and less mobile, and others experiencing social isolation. Each Member will have an equal vote in the Society irrespective of their shareholding, following the key Society principle of 'one Member, one Vote'.

Many residents have links to family members and friends in other areas. The opportunity to purchase shares in a traditional English village pub with a history stretching back centuries will appeal to many people.

8.2. Crowd Funding

To maximise the potential to sell shares we shall consider using a crowdfunding website which would enable us to push the offer out to a wider market. Whilst we are keen to attract such funding we will ensure that it is in proportion to the funding provided by the direct community so ensuring that the local community interest is always paramount.

8.3. Other Sources

The minimum share funding level that is required from the above sources will be £350,000. Additional funds required will be sought through donations, grants and/or commercial or government-backed loans. Given the time constraints on the project we expect a commercial loan from a social investment provider will be raised.

8.4. Project Fund

The project has been awarded a full £2,500 bursary from the 'More than a Pub' programme administered by the Plunkett Foundation. We will take the opportunity to apply for further grants and bursaries for which we may be eligible, and we will update the website as and when we receive news on these.

8.5. Community Grants

We are researching the grants available to community projects, identifying those that can be used for the initial purchase of the property and those that are available for business development and building improvements. We will submit applications as appropriate and will update the website as and when we receive news on these. However, given our tight project timescale, it is unlikely that we would receive a grant award before our deadline to raise the required funding. Future receipt of such grant funding would therefore be used to develop our facilities or pay back loan funding as appropriate.

9. Financial Summary

9.1 Funding Requirements

For our initial funding requirements, we aim to raise a total of £450,000 from a community share offer together with commercial and/or government-backed loans and grants.

This is needed to cover:

- Purchase costs of the pub – valuation survey, legal fees, stamp duty, VAT (reclaimable) etc.
- Costs of remedial repairs and improvements, building insurance, pre-start up utility costs
- Setting up and running the Community Benefit Society for first year
- Drawing up and negotiating a lease agreement
- Establishing a working reserve for contingencies and ultimately share interest and withdrawals.

The estimate of initial purchase costs is guided by the results of a **full and detailed market appraisal business valuation survey** which has been commissioned and completed by MJD Hughes Ltd.

The composition of these funds is expected to be as follows:

Community Share Issue	£350,000
Other commercial loan(s)	
Short term	£ 50,000
Long term	£ 50,000

We are investigating social investment sources such as Key Fund, Cooperative & Community Finance, CAF Venturesome, Unity Trust Bank, and crowdfunding options, as well as traditional commercial lenders. However, loans are expensive to service and so ***it is absolutely vital to raise as much by community shares and donations as possible***. The relative terms of available sources of finance will be carefully evaluated to ensure costs to the Society remain affordable going forward.

9.2. Short Term Funding

Part of the initial funding is required for a relatively short period specifically to cover the VAT payable on the acquisition and on initial refurbishment costs. The business will be registered for VAT and will make taxable supplies, thus can reclaim the VAT on the acquisition and on subsequent remedial repairs and improvement works. We would propose to substantially repay this loan with the VAT reclaimed at the next appropriate VAT quarter end date.

9.3. Start-up Costs

It will take time to get the remedial and minor refurbishment, setting up and recruitment process in place and in this financial plan it is assumed the Bell Inn will open at the start of December 2018. Up until that time, as well as the initial repair and refurbishment costs of £22,000 there will be revenue costs relating to insurance, heat, light etc., the administration of the Society, and costs of tenant recruitment. A capital reserve of £50,000 for the Society is also budgeted. This reserve is necessary to cover unanticipated costs, as the basis of an ongoing building improvement and development fund, and to fund urgent share withdrawal requests in the short term. Total start-up costs in the region of £79,000 are therefore anticipated.

Overview of start-up costs:	£
Remedial works	10,000
Refurbishment & improvement works	12,000
Building insurances and utilities	5,000
Recruitment and appointment of tenant	2,000
Working Reserve	50,000
Total	79,000

9.4. Operating costs of the Society

Initial anticipated annual operating costs of The Mortimer CBS Limited are shown here:

	£
Annual FCA registration costs	300
Accountancy – annual accounts and returns	700
Plunkett Foundation membership	250
Premises licences and certificates	500
Insurances	350
Lease management/review and tenant liaison	500
Membership management & liaison	400
General administration – website etc.	250
Society direct costs sub total	3,250
Loan Servicing*	4,344
Building maintenance fund reserve**	5,500
Total	13,094

* based on £50,00 capital sum + arrangement costs, 6% interest, 20-year term

**A building maintenance fund is needed to maintain the property, uphold its value and ensure that the pub can operate. The tenancy agreement will specify the tenant's defined obligations for the upkeep of the pub, but it is reasonable to assume that the Society will incur costs for some level of ongoing maintenance.

Any repayment of interest on community share capital is **not** included in the above

9.5. Interest Payments to Shareholders

The Society plans to pay interest to Members from Year 4 onwards. If financial performance permits, the Society will consider making interest payments before that point, but our financial plan assumes this will not be the case. In practice any interest payments will depend on sufficient surplus being generated to sustain and effectively manage the business.

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

9.6. Share withdrawals

The Society does not plan to provide for the withdrawal of shares within the first 4 years of operation apart from in certain exceptional circumstances such as death or bankruptcy.

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

9.7. Revenue

In the medium term the sole significant revenue of the Society will be the rent charged to the appointed tenant. Initially there will be a three month rent-free period to assist the tenant in getting the business up and running. Subsequently rent will be charged at a level which enables the tenant to run a successful business while covering the Society's own costs. We anticipate that there will be limited scope for realising rental income in the first two years of trading while the business is put on a secure footing, and that we will need to draw on reserves during this period.

Forecast rental income to the Society for the first 4 years is shown below, derived from the forecast underlying performance of the tenant's pub business.

Year end	Rent income £
June 2019	2,500
June 2020	14,600
June 2021	21,700
June 2022	23,700

Forecast performance of the *tenant's pub business* at year end 30 June

At June	Turnover	Cost of Sales 37%	Wage Cost	Fixed Operating Cost	Variable Operating Cost (4%)	Total Profit	Rent	Net profit
2019	101,629	37,603	23,429	25,000	4,065	11,532	2,500	9,032
2020	194,701	72,039	40,960	35,840	7,788	38,073	14,600	23,473
2021	216,806	80,218	41,943	36,700	8,672	49,272	21,700	27,572
2022	236,760	87,601	42,950	37,581	9,470	59,158	23,700	35,458

The base level business operating costs have been estimated using a combination of available information from British Beer & Pub Association (BBPA), Campaign for Real Ale (CAMRA), previous tenants of the Bell Inn, and professional licensed trade advisors. Turnover estimates are based upon a commissioned market valuation report from MJD Hughes Ltd and available historic figures.

9.8. Profit & Loss

Yr. end June		2019	2020	2021	2022
Income					
	Rental	2,500	14,600	21,700	23,700
	Other	10,000	200	200	200
	Total	12,500	14,800	21,900	23,900
Expenditure					
	Society direct costs	3,250	3,328	3,408	3,490
	Building maintenance	2,000	5,632	5,767	5,906
	Other costs	7,000			
	Loan servicing	4,344	4,344	4,344	4,344
	Share interest				8,750
	Total	16,594	13,304	13,519	22,490
Profit					
	Total before tax	(4,094)	1,496	8,381	1,410
	Total after tax	(4,094)	1,197	6,705	1,129

Year 1 sees an anticipated 5-month period before trading commences. Start-up costs of £7,000 additional to capital refurbishment works are allowed to cover tenant recruitment costs, utility costs, building insurances and contingencies. An initial 3-month rent holiday is envisaged to allow the incoming tenant to establish the business and to mitigate a modest level of initial trading. There will also be a one-off income from the transfer of fixtures and fittings to the incoming tenant.

Year 2 sees the Society reaching a steady sustainable cost level with an initial rental income set at 7.5% of the pub business turnover as it becomes established and moves into profit. The Society will consider cost-effective ways of helping the business use the site to increase its revenue streams, for example by providing simple camping/motorhome provision behind the car park.

Year 3 sees the pub turnover increasing by a modest target of 10% with the rental income set to 10% of turnover as the business consolidates. The Society moves into an annual surplus position.

Future years: if the pub business is proving successful with good local support and a sustainable level of profitability the Society will be able to consider starting to return interest on the community share capital, and to consider further investment into development of the site to provide further revenue streams to enhance the business. Such investment is not reflected in the figures presented here.

9.9. Cash Flow

Year end June	2019	2020	2021	2022
OPENING CASH BALANCE	£51,600	£47,506	£48,703	£55,408
Rent income	2,500	14,600	21,700	23,700
Other income	10,000	200	200	200
TOTAL INCOME	12,500	14,800	21,900	23,900
Society Direct Operating Costs	3,250	3,328	3,408	3,490
Building Maintenance	2,000	5,632	5,767	5,906
Start Up Revenue Costs	7,000			
Mortgage Repayments	4,344	4,344	4,344	4,344
Interest on Community Share Capital				8,750
TOTAL COSTS	16,594	13,304	13,519	22,490
Tax		299	1,676	281
Closing Cash Balance	£47,506	£48,703	£55,408	£56,537

9.10. General Financial Assumptions

The general assumptions underpinning the plan are set out below:

1. The results of the local survey have been incorporated into the base Business Plan.
2. Information relating to other pubs indicate gross margins of between 60% and 65%; for the purpose of the plan an average level of 63% has been assumed.
3. Revenue and costs are shown as excluding VAT.
4. Loan interest assumed at 6% with repayment period of 20 years.
5. The period September through November 2018 has been set aside to carry out essential maintenance, refurbishment works and for the recruitment process for the new tenant.
6. Initial Wet sales: based on 33 visits per day £7600 per month
Growth rate approx. 7% per year, capped at £9000 at 2019 prices
7. Initial Dry sales: based upon 15 visits per day £7200 per month
Growth rate approx. 12% per year, capped at £9300 at 2019 prices
8. Inflation on fixed cost and turnover has been set at 2.4% per annum.
9. In the interest of prudence, no interest payments to shareholders have been assumed until 2021/22.

10. Operating the Bell Inn

10.1. Recruitment of Tenant

The appointment of the tenant for the pub is critical to the success of the business. We will use the services of an experienced agent to guide us. It is planned that the recruitment process will start as soon as is possible, so that a prospective tenant can be fully involved with the community in the developing plans for the operation of the pub.

10.2. Getting Ready to Operate

Once purchased, necessary initial work needs to be completed before the pub is ready to operate e.g. remedial repairs and redecorations, acquisition of required licences, insurances, Wi-Fi installation, electrical, fire and food hygiene certificates etc.

10.3. The tenant and the Mortimer CBS

The committee would set the framework and agree minimum standards by additional heads to a standard industry fully-repairing lease agreement subject to annual property inspection, periodic review and open to variation by agreement. These would include opening hours, range of beers, food locally sourced where possible and a range of food options, general pub character and ambience, access to books of account. The tenant should be receptive to the views and ideas of the community and willing to consider community needs but free to run the business without interference.

10.4. Rental income

The rent will be set at a level that gives the tenant the opportunity and incentive to run a profitable pub and restaurant business, and which will provide the revenue for us to maintain the building, to repay any loans we take out, to meet the Society's ongoing administrative costs and when cash reserves permit, to pay a modest interest to shareholders and to fund the withdrawal of shares from time to time.

10.5. Creating the Right Reputation

As a new community enterprise, the pub will quickly attract local users. With over 130 local people likely to be Members of The Mortimer CBS Limited and shareholders in the business, they will be more committed to using the pub themselves and to bringing their friends and family with them. Building the reputation in the area as an appealing venue for real ale, good quality food, friendly service plus entertainment will start to attract customers from further afield.

10.6. Creating a Wider Appeal

The pub will be a welcoming venue for friends, families and visitors and will appeal to residents and a wide range of people from surrounding areas. We will seek to attract ramblers, cyclists and visitors to the area, and will provide the necessary facilities to do so e.g. providing a cycle rack, boot rack, energy snacks etc.

10.7. Events

The pub can provide a venue for events for which it is more suited than other existing facilities in the parish. It should not look to compete with other community enterprises. However, it can legitimately

develop as a venue for live music, quiz nights, birthday and anniversary celebrations, receptions and for activities such as book group, chess club etc.

10.8. Pub and Restaurant

The detailed nature of the pub's style, drink and food offering will depend on the capabilities of the appointed tenant and the response and feedback from customers. The Society will assist the tenant in devising an operating style that will work for both tenant and community.

In general terms, we envisage a traditional village pub offering a varied and changing range of real ales with a strong local element and a food offer that will succeed in attracting custom from both local residents and further afield. This could include provision for a 'lunch club' for older or more socially isolated residents on some weekday lunchtimes, simple lunchtime bar food, well cooked and presented locally sourced 'pub grub' meals, and traditional Sunday roast lunches. There is significant potential competition from pubs in neighbouring villages, and so a carefully considered approach to the content, range, quality and price profile of evening dining options will be needed.

Conventional alcohol and food offerings may not alone be able to achieve adequate sales level. Teas, coffees and snacks may be important to the business. This may mean that the operation does not adhere to conventional pub opening times. Morning coffee, a popular lunch menu and afternoon tea may be important to turnover and also as a form of advertisement for the pub. Cyclists, walkers and lunch visitors can be encouraged to return in the evening with family and friends if the correct offering is provided.

11. Risks

Prospective investors should read the whole text of this document and should be aware that an investment in the Society involves a degree of risk and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial and/or tax adviser.

Risk	Impact	Mitigation
Insufficient money raised to finance the proposal	If the required funds cannot be raised, then we would be forced to abandon the project. The owners would sell the property to whoever they wished, including property developers	If that were to happen all monies subscribed to community shares, loaned or donated will be promptly reimbursed
We are unable to appoint and keep good tenants	Appointing the right tenant is absolutely critical to the success of this venture. The tenant needs to be experienced, motivated to develop the business, capable of marketing the pub effectively, able to create a welcoming atmosphere, and crucially in sympathy with the community and our aims. If we cannot appoint such a tenant the venture will struggle	<p>1. Thorough selection process. Prospective tenants will be required to demonstrate their experience and plans for the Bell backed up with a sound business and marketing plan</p> <p>2. External support. We have been offered hands-on support with the selection process from other community pubs and licensed trade specialists</p>
Void periods between tenants	Any closure of the pub between tenants will mean we are not receiving rental payments, which will have a negative impact on our cash flow (with the risk of not being able to meet loan repayments)	<p>1. Ensure tenant is incentivised and motivated to stay. In part addressed through fair rent and free house status that improve profitability</p> <p>2. Support tenant. We will assist the tenant where possible with marketing, other voluntary help where appropriate</p> <p>3. Business Case. We have allowed for an initial period of three months without rent</p>

Risk	Impact	Mitigation
Pub fails to operate at forecast level of turnover	Rent is based on a percentage of turnover, so poor trading may make it hard to generate enough surplus to service any loans, to make improvements to the property or pay interest to Members	<p>1. Business case. We believe we have based our plans on realistic assumptions</p> <p>2. Appointment of high quality tenants. See Risk 1 above</p> <p>3. Rent 'collar'. We will set a minimum rent that ensures we can meet our known expenditure (principally loan repayments)</p> <p>4. Regular reviews with tenant. We will work closely with the tenant to anticipate any problems early and identify/support action plans to maintain business levels</p>
Higher than anticipated outgoings.	The main outgoing over which we will have limited control is costs of unexpected property maintenance and improvement	<p>1. Survey and valuations prior to purchase. A structural survey and business valuation of the Bell have been completed. We have good visibility of the property condition, required remedial works, and desirable improvements</p> <p>2. Remedial and maintenance works. Following indicative costings a sum of £22,000 is allowed for in the plan for remedial works and a minimal level of refurbishment to put the pub in a condition to start trading. On an ongoing basis a sum of £5,500 per year is budgeted for a maintenance and improvement fund</p> <p>3. Improvement works Any further improvement works will need to be very carefully considered in terms of cost and returns to the business</p> <p>3. Contingency. An adequate level of reserves is planned to meet unexpected expenditure in the first few years</p>

Risk	Impact	Mitigation
The pub cannot trade profitably on a sustainable basis	The pub may be forced to close	<p>1. Business planning. The Business Plan has been developed to avoid this outcome, which we consider to be an unlikely but not impossible scenario. We have commissioned professional advice, sought historic trading figures and spoken to recent tenants in constructing the Business Plan</p> <p>2. Operating model Immediately previous tenants have operated in a period when it was a tied pub required to pay rent and buy supplies at prices dictated by the pub company owners. We expect the pub to be run as a free house, with the tenant able to source supplies competitively at will</p> <p>3. Local support The survey conducted within the local community suggests that a good proportion of revenue could come from within the parish. Without local support the pub will not succeed. In this sense local people have very substantial degree of control over its fate</p> <p>4. Exit plan In the extreme situation that the pub cannot be run successfully and is forced to close it could be sold, the Society would pay off its debts and refund the Members. If it can be sold for residential use the price will likely be significantly higher than the purchase price, and by virtue of the Asset Lock, a substantial contribution to other local community causes could be made. However, under the most pessimistic assumptions about the realisable market value we estimate it is possible that shareholders might only see 80% of the value of their shareholding returned.</p>

12. Links

Our Website	www.themortimercbs.org
Pub is the Hub	www.pubisthehub.org.uk
CAMRA	www.camra.org.uk
The Plunkett Foundation	www.plunkett.co.uk

13. Contact Details

Enquiries:	themortimercbs@gmail.com
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14. And finally..

In order to survive, any business, any pub, has to operate on a sound commercial footing. A Community Benefit Society owned pub belongs to the community and serves the community. It isn't something controlled from outside. It is a way of securing and preserving something of great value for the future. And the attachment and commitment of local people as shareholders in itself can contribute to the ongoing commercial success of the pub.

There are currently more than 70 community owned pubs trading in the UK today, the opportunity exists to join them – it's our decision to make jointly together now by individually buying community shares or making a donation.

Over to you.