

Community Pub Proposal

Osgathorpe Community Pub Society (OCtoPuS)

**26 Feb 2014
Harley Hall, Osgathorpe**

The Aim of the Meeting

To share with the community the results of extensive research carried out by a small group of residents.

We are simply a steering group and we are **not** here to “sell” anything to you.

We are here to report our findings and gauge whether or not the villagers of Osgathorpe have the desire to Save the Storey Arms.

Tonight's discussion

- Introduction
- The Plan
- The Society
- The Business Plan
- Summary
- Next Steps

The village pub has always played a vital role – here are a few quotes through the ages:

"In the pub he met his fellow men and, with them, formed a society of musers and drinkers. He mingled with people he might not otherwise meet, had words with them, was obliged to take stock of their opinions."

"In a highly stratified society of worker, merchant and lord, the pub was open to everyone."

"Pubs once had an important socialising influence throughout all social classes. They were the only places, apart from churches, where teenagers and pensioners rubbed along together."

"The vanishing of a pub means, by common consent, the loss of the beating heart of a community, in town or countryside."

"An opinion poll conducted as part of Muir's (2009) investigation yielded the notion that many individuals perceive the public house as being the number one social establishment for encouraging positive relations amongst individuals from differing backgrounds"

Background

- Current owners are looking to retire in a difficult business environment
- Osgathorpe Community Pub Association (OCPA) was formed
- Clear opportunity for a community pub
- Research of different community pub models undertaken
- Village questionnaire carried out
- Ideas to diversify and make it “much more than a pub”
- Initial grants have been obtained for feasibility study
 - The Big Society & Social Enterprise Fund (Total of £5500)

Plan Overview

- Raise money through share issue and grants
- Buy the freehold of the property
- Run a traditional, tenanted village pub
- Good quality locally sourced food and drink
- Provide other services of community benefit (e.g. shop, parcel drop, meeting venue etc)
- Set up Industrial & Provident Society (IPS)
- Business to be run and managed by tenants
- Make it a “destination pub”, draw people from the wider community

Planning and research

- Surveys Completed: Structural and Design
- Internal layout to be changed
- Some structural work required
- Refurbishment and redecorating
- Furniture for the bar areas/garden
- Dining/function room, kitchen
- Amount of money raised will govern the level of improvement. Refurbishment can be done as a rolling program over several years if required.

Design and Layout

Preliminary pub layout and design carried out by Mark Pearce Interiors who presented a few ideas of the potential look and feel. They have drawn up plans which will be available for download on the website; [Click Here](#)

Management of the pub

- No one from the community has to work there (unless employed by the tenant!)
- Run as the society and community want it to be run
- It is in our interest to make it work for the tenant(s)
- Quality, affordable food and drink
- Tenants to be experienced in running a similar rural pub preferably
- Tenant to manage the business and take associated risk
- Legal Structure – IPS – Jane Avery

The Legal Structure



- Requirement to set up a legal entity
- Using Plunkett Foundation model rules
- The proposal is to register as an ***Industrial & Provident Society (IPS)***
- Like a company, it will have a board of directors and ***limited liability for its directors***
- Unlike a company it will be able to offer individuals the chance to invest in its ***Community Shares*** and this has significant advantages

The Legal Structure *continued*



- Other features are:
- An open and democratic structure
 - People who wish to invest become members and have voting rights
 - One member one vote
 - The Society rules are registered with the FCA which is the ***accountable body***
 - There will be an ***Asset Lock*** – ie any profits made on the assets (the building) need to be reinvested in another community project.

Other features



- The directors are ***elected*** by the members
- The members can invest up to £20,000 (this limit will be increased later this year to £100,000)
- Investment is in the form of ***withdrawable share capital***
- It is not a get rich quick scheme
- Investors will invest because
 - They want to keep the pub as village community asset
 - They can get a limited return on investment

Can it work?



- There are numerous examples of successful community owned assets as successful thriving businesses which strengthen the community they operate in
- They can be found in: retailing, renewable energy schemes andpubs – amongst others
- They can be huge enterprises – Long Clawson Dairy in Leicestershire for example, or quite small like the Old Crown Pub in Hesket Newmarket

Can it work – keys to success



- A strong team
- Strong community support
- A willing vendor
- A good business plan
- A good tenant

Our Society

- Proposed Share price £500 (TBC). Anyone over 18 can invest – from anywhere in the world.
- Donations are welcome
- Money collected through Microgenius (www.microgenuis.org.uk)
- Interest is paid from rental income and is subject to AGM approval following the Board recommendation
- No interest is paid for first 1 or 2 years to allow the tenant to establish the business
- Any profit is reinvested (reserve fund)
- Tax relief is not eligible for this management model
- £43,000 provisional pledges already – kept confidential

Management Committee

- Management Committee (Board) of 4-10 members
- Accountable to members and report via Annual Report and AGM
- Initial Committee members stand down after 1 year
- May be re-elected at 1st AGM (one member one vote)
- Any member can put themselves forward for election to the committee

Business Plan

- Strengths

- Excellent location and a base of regular local customers
- The Society will appoint an experienced licensee as the tenant to run the business and take all the business risk

- Opportunities

- As a community enterprise, it will be able to access grant aid
- To develop new customer base, locally sourced quality food, wines and beers, become a 'destination' pub

- Threats and Risks

- Inability to obtain the necessary financing – simply does not progress...
- Unexpected repair costs – covered by the reserve fund and community grants,
- The business is unviable – if the business fails then the shareholders still own the building which can be sold, and hopefully all investments are paid back (assuming the value of the building has not decreased).

Marketing / PR

Prior publicity:

- Leaflets, local & social media, celebrity!?

Ongoing:

- Opening event in local media (TV, radio, newspapers)
- Use of Social Media/Website
- Leaflet drops to locality
- Local press advertising
- Word of mouth
- Signage on main roads

Financials: Start up costs

Please note – all figures are **indicative**

- Estimated purchase price: £200,000
 - Based upon buyer valuation and current professional opinion
- Initial refurbishment cost: £68,500
 - Includes structural, electrical and external works
 - Additional detail available in Business Plan
- Plan to raise about £195,000 in shares and the remainder to be sourced via community grants
- Structural and refurb can be done over several years. Only necessary work done immediately.

Item	Cost	
Purchase price	£	200,000
Legal costs	£	2,500
Kitchen	£	7,000
Electrics	£	15,000
Furniture	£	9,000
Structural work	£	15,000
Refurbishment	£	20,000
	£	268,500
Funding		
Share Issue	£	195,000
Grants	£	73,500

Financials: Example Share Distribution

Please note – these figures are examples for demonstration purposes only
and do not indicate or represent any provisional pledges

Value of Shares		Number Bought	Total Fund	
£	500	50	£	25,000
£	1,000	40	£	40,000
£	2,000	10	£	20,000
£	3,000	7	£	21,000
£	5,000	5	£	25,000
£	7,000	2	£	14,000
£	10,000	3	£	30,000
£	20,000	1	£	20,000
Total		118	£	195,000

Financials 2: Example Pub P&L

Example P&L based on British Beer & Pub Association (BBPA) figures November 2013. These figures are indicative and aspirational. The business can survive on less turnover.

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Sales	£ 138,840	£ 169,000	£ 209,716	£ 228,800	£ 231,400
Total Cost	£ 67,861	£ 83,294	£ 104,000	£ 113,595	£ 114,975
Gross Profit	£ 70,979	£ 85,706	£ 105,716	£ 115,205	£ 116,425
Wages & Salaries	£ 28,600	£ 31,200	£ 38,688	£ 42,120	£ 42,120
Other Overheads	£ 39,520	£ 43,270	£ 45,837	£ 48,994	£ 49,687
Total Overheads	£ 68,120	£ 74,470	£ 84,525	£ 91,114	£ 91,807
Net Profit (ex rent)	£ 2,859	£ 11,236	£ 21,191	£ 24,091	£ 24,618
Rent Charged	£ -	£ 10,000	£ 12,500	£ 15,000	£ 15,000
Profit	£ 2,859	£ 1,236	£ 8,691	£ 9,091	£ 9,618
Profit %	2.1%	0.7%	4.1%	4.0%	4.2%

The BBPA is the official body representing Britain's brewers and pub companies. Please Note: we are not proposing to run the pub as a community so P&L of the business is the responsibility of the tenant, but as a responsible community group we need to have an idea of the business potential

Financials 3: Example Interest

Please note – these figures are purely indicative, potential shareholders should be aware that there is no guarantee of any interest payments

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Rent Charged	£ -	£ 10,000	£ 12,500	£ 15,000	£ 15,000	£ 52,500
OCtoPuS Reserve Fund	£ -	£ 3,500	£ 4,375	£ 5,250	£ 5,250	£ 18,375
Shareholders Fund	£ -	£ 6,500	£ 8,125	£ 9,750	£ 9,750	£ 34,125
Interest (%)	0%	3.3%	4.2%	5.0%	5.0%	

Figures Based on £195,000 total share investment

35% of rent retained by OCtoPuS

In year 3 a £10k investment would £416.67 return

In years 4 & 5 a £20k investment would yield a £1000 return

Amount of interest that can be paid is limited, and it is expected it would not exceed 5%

Summary

- We have shared the vision
- It needs to diversify
- It **can** be a viable business – but the community has to help to make it work – i.e. use the pub!
- This community can make the pub how it wants it – it is a great opportunity
- More work to be done in key areas
- Need volunteers to take an active role

Next Steps

- Gauge support
- Set up working parties to share the load
- Finalise prospectus/business plan
- Set up the IPS, Microgenius etc
- Agree price on the pub
- Launch share offer
- Marketing
- Apply for grants and other funding
- Plan refurbishment works

Volunteers Required

We are looking for additional people to help with:

1. Business planning and share issue
2. Marketing
3. Grant and other funding applications
4. Building and renovation

Please contact osgathorpe@gmail.com

For More Details

Please contact osgathorpe@gmail.com

Or visit www.thestoreyarms.co.uk

See the [FAQ page](#)

Follow us on [Facebook](#) and [Twitter](#)

“What we are embarking upon
is a village co-operative to
secure the future of a valuable
community asset, not a
traditional investment
opportunity.”

And finally

**Osgathorpe is a much better
village with the Storey than
without....**

**Your decision needs to be
made as much with your
heart as with your head**