

Business Plan

The Racehorse, Westhall



Prepared by
Westhall Community Pub Society Ltd
September 2018
Revision 1

CONTENTS

1. Executive Summary
2. Project Development
3. Vision for The Racehorse
4. Community Benefit Societies
5. Overview of the Market
6. Financial
7. Management and Pub Operation
8. Feasibility of the Project
9. Marketing and Future Development
10. Building and Renovation
11. SWOT
12. Risk Analysis

APPENDIX A Survey results

APPENDIX B Inntuition tenants financial plan.

1. EXECUTIVE SUMMARY

This business plan has been produced by the Westhall Community Start-up Committee, acting on behalf of Westhall village, who wish to see The Racehorse pub reopened and developing into a strong community asset. This document sets out our vision and plan for purchase and management of the pub. Its purpose is to demonstrate that the pub is a sound and viable business opportunity for potential investors.

The pub has been closed since August 2016 when the leaseholders left the village. This sad turn of events had been prompted by personal problems and they had been unsuccessful in their attempt to sell the lease. The current owner of the freehold currently has the pub for sale at a price of £235,000.

Our mission is to purchase The Racehorse and facilitate its development into a successful business which will maintain a role as a community facility, welcoming a wide range of customers . We will operate the pub in a way that meets the aspirations of all of the community and enables us to make a profit. The potential exists not only to run a successful village pub but also to run ancillary services that would benefit the local community. The financial projections and cashflow demonstrate the viability of our proposals based on the assumptions set out in the plan.

2. PROJECT DEVELOPMENT

A survey of the village community, followed by a village meeting, attended by 55 people, indicated that there was an appetite to buy the Racehorse pub which has been closed since August 2016.

Subsequently, a start-up committee was formed in January 2018; this informal group of local villagers is committed to the reinstatement of the Racehorse as a local pub. The group is supported by both Westhall Parish and Community Councils.

The committee has been looking at options and viability for a number of potential business models. We have done research, taken advice from several bodies (notably the Plunkett Foundation) and spoken to a number of successful community pubs. This document contains our conclusions to date. We continue to receive comments indicating there is a real appetite for reopening the pub.

In January 2018 we began monthly pop-up pubs in the village hall. These have been well-attended. In July 2018 we held a village barbeque, at which we updated residents on our progress. On September 27th, at a meeting in the Village Hall, we will formally present our proposals, ask members of the village to elect a committee to act on their behalf, and launch the Shares issue.

Survey results to date are included in Appendix A.

3. VISION FOR THE RACEHORSE

We want a Pub that, together with the Village Hall, Church and Tony's Stores, provides a rich and varied community for Westhall and the surrounding villages.

We recognise that the pub has not made a profit in recent times, hence its closure now. Following our own research, we sought further advice from Inntuition about the feasibility of the project, and we firmly believe that The Racehorse can be made a success as a Community Pub, under the banner of a Community Benefit Society. Pubs all over the country have re-opened in this way and been successful.

The Parish Council have registered The Racehorse as an Asset of Community Value (ACV) and we have set up The Westhall Community Pub Society, whose aim will be to purchase, open and run the pub.

'Our vision is that the Racehorse will thrive as a community owned pub, run for the locality'

Our plan is that the pub will be run by a tenant who will be supported by volunteers from the village and who will work with the committee to provide a pub that reflects the community needs. This may change as the pub develops, but the value of this approach is both to keep the tenants costs down and to generate the community spirit required to maintain a successful village pub.

We want the pub to sell good quality beer and quality pub food at a reasonable price. Over time we will provide other facilities aimed at benefiting all sections of the community for example a daytime café and themed evenings.

4. COMMUNITY BENEFIT SOCIETIES

4.1 What is a Community Benefit Society?

A Community Benefit Society (CBS) is an organisation conducting a business or trade for the benefit of the community. It is a corporate body registered under the Co-operative and Community Benefit Societies Act 2014 and authorised by the FCA. It is registered as a Limited Company and although it will appear on the register at Companies House, the FCA manages annual returns and accounts.

The rules of a CBS are written to operate according to the seven core principles and values which were adopted by the International Co-operative Alliance in 1995.

- Voluntary and open membership
- Democratic member control
- Economic participation of members
- Autonomy and independence
- Education and training
- Working with other co-operatives
- Concern for the community

A community benefit society provides services for the wider community as well as its members and pre-tax trading profit can be reinvested in the enterprise, used to pay interest to shareholders or distributed for social or charitable purposes in accordance with the rules.

It is a democratic structure that encourages a large membership and empowers communities by giving members a direct say in the management of the enterprise through the elected committee.

Membership of a CBS is established by the purchase of at least one share and the price of a single share is formalised at registration of the enterprise. An important feature is that there

is one vote for each member, irrespective of how much is invested in the enterprise.

The rules of a CBS make it clear that the enterprise will not directly benefit individual members and is acceptable for most types of grant funding.

Another important feature of a CBS is a statutory Asset Lock. This is written into the rules and is designed to prevent an enterprise from distributing assets amongst members on solvent dissolution over the value of their share. Instead, surplus assets may only be transferred to another organisation that supports the objects of the society.

The purchase and associated expenses will be funded from a community share offer, grants, loans and fundraising.

4.2 Community Share Offer to buy The Racehorse

As a means of raising capital to finance this project, shares will be issued by Westhall Community Pub Society Limited.

Shares in this society do not fluctuate in price but remain at their face value. Shares may only be traded between the individual investor and Westhall Community Pub Society Limited.

The cost of each share is £25 and the minimum holding will be one share; there will be a maximum investment of £20,000 (800 shares) per member.

Any profits the Society makes will either be re-invested in the pub, used for other community projects or used to pay a dividend to members. Because of administrative costs, the dividend will only be paid on holdings in excess of £250.

Each member has one vote (regardless of the number of shares held) and the membership will own the business. Members will have a share in its future and a say in the running of the business - not on a day-to-day basis, but will control the strategic

direction of the Society.

Designed to be a longer-term, interest paying community investment, there is nonetheless, the ability to withdraw your share capital after a period of time if you want to free up your money. The way the Society is set up means that no one investor/ person can take control, nor can anyone make money selling their shares; they have to be sold back to the Society and have a fixed value.

Westhall Community Pub Society will communicate with members on a regular basis - via our website, Facebook page, members meetings and newsletters - not just at the Annual General Meeting (AGM). Providing the shares are held for at least two years, it is expected they will also qualify for inheritance tax exemption if they are still held at date of death.

4.3 Social Investment Tax Relief (SITR)

We are looking into the possibility of making an application to HMRC for provisional approval of the share and loan issues under the Social Investment Tax Relief scheme. This would enable investors to apply for a reduction in their income tax by 30% of the amount they invest (so, for example, a £10,000 investment would effectively cost £7,000).

5. OVERVIEW OF THE MARKET

The Campaign for Real Ale (CAMRA) estimates that 18 pubs close every week. More and more communities are choosing to take action themselves and consider community ownership as a way of taking control of their pub and opening it as a community owned business.

To date, 1,250 pubs have been registered as assets of community value under community rights, and there is a growing pipeline of communities asking CAMRA and their partners for help. As of April 2018, there are 60 co-operative pubs open and trading. The average turnover for these pubs is £260K with a 100% survival rate.

In addition, CAMRA state that certain trends are evident;

- There is a sense of cautious optimism amongst the surviving pubs
- Closure rate is slowing,
- Customers are looking for a wider mix of products with a revival of cask ales, greater attention to wines, interest in premium soft drinks, popularity of speciality coffees; all of this creates less dependency on lager and the potential for a higher margin
- Customers are starting to take notice of the loss of pubs, are recognising the sense of community ,and are prepared to act on it.
- Community pubs, in themselves, attract customers from outside the immediate neighbourhood.
- Eating out is increasingly popular; a local offer which one can walk to would be very attractive
- Growth opportunities exist in the breakfast, cafe, takeaway culture.

6. FINANCE

6.1 Start-Up Costs

We estimate that we will need to raise £290,800 in 2 phases.

PHASE 1

	Purchase	£235,000
	Stamp Duty	£1,750
	Survey Fees	£2,000
	Legal Fees	£2,000
	Marketing	£700
	Start up Costs	£850
	Consumables	£1,000
	Opening Stock	£5,000
	Contingency Fund	£25,000
TOTAL		£273,300

PHASE 2

	External Refurbishment	£500
	Flat Upgrade	£7,000
	Kitchen Upgrade	£2,000
	Public Areas of Pub	£8,000
TOTAL		£17,500

G R A N D TOTAL		£290,800
----------------------------	--	-----------------

6.2 Start-Up Funding

PHASE 1

We plan to acquire funding to purchase and open The Racehorse from the following sources.

Shares	223,300
Plunkett Grant	£25,000
Plunkett Loan @ 8%	£25,000
TOTAL	£273,300

PHASE 2

We plan to make grant applications for this Phase.

6.3 Annual Running Costs

Buildings insurance	£1,000
Trustee Indemnity Insurance	£2,000
Accountancy Fees	£500
Legal Fees	£500
Contingency	£1,000
£25,000 Loan @ 8%	£750
TOTAL	£5,750

Following the advice taken from Intuition, we can expect 10% of turnover as a fair rental income. We commissioned Bernard Lee from Intuition to produce a set of figures for The Racehorse, which he believes is achievable if it is well run. (See Appendix B) 10% of turnover, based on Bernard Lee's spreadsheet is £15,000 a year.

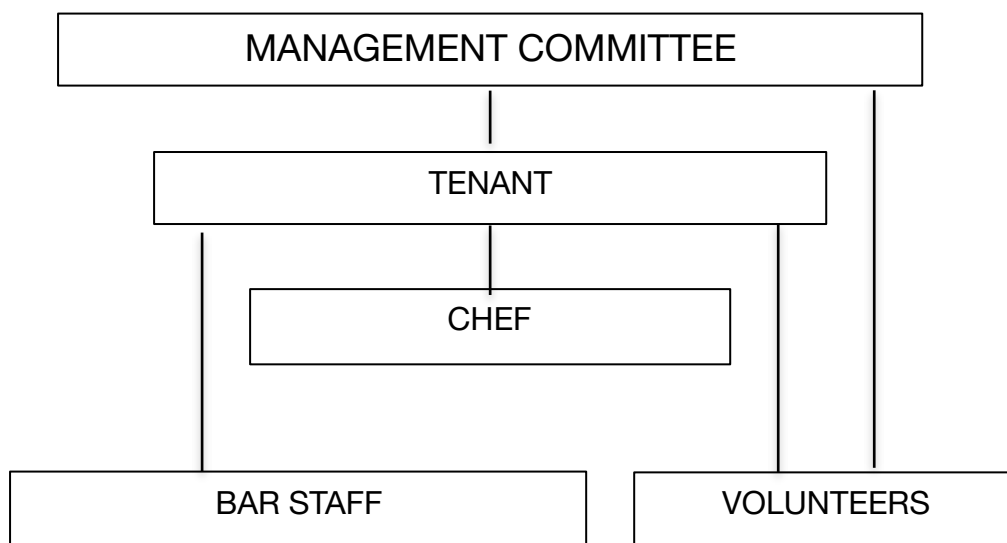
7. MANAGEMENT AND PUB OPERATION

The Racehorse will be owned by the Westhall Community Pub Society, which in turn will be governed by Rules that will have been drawn up and approved by the Financial Conduct Authority (FCA).

The Pub will operate on a 6 day 12 session basis (Closed Monday) there will be a supply of trained volunteers to assist at peak times thus greatly reducing the staff hours requirement.

An area will be retained by the Pub company specifically as a community room for non profit generating activities.

The appointment of the tenant will be made following an application and interview process, where the applicant must convince the management committee that they will be committed to providing a welcoming and friendly atmosphere in the pub and that they are fully committed to the management committee's vision, aims and objectives. The applicant must have experience of working successfully in the licensed trade and they will pay a monthly rent to the Pub Company. As is usual for a tenant, they will also be responsible for management of human resources, training, health and safety and fire precautions.



8. FEASIBILITY OF THE PROJECT

A minimum rent of £500/month in the tenancy agreement which will cover the basic annual running costs for The Racehorse.

There are several factors that the committee believe will be critical in enabling The Racehorse to run at a profit:

8.1 The flexibility of the tenancy agreement.

Charging a flexible rent of 10% of turnover will reduce the financial pressure on the tenant, especially in the early months.

8.2 Nature of a community pub.

Evidence from other community pubs shows not only are shareholders more likely to frequent the pub, but there will be an increased footfall from outside the village.

8.3 Reduced costs for the tenant

The use of volunteers will both reduce staff costs for the tenant and strengthen the connection between the pub and the village.

8.4 Pro-activity of the Management Committee

A key role of the Management Committee will be to support the tenant in or take on an organizing role of themed evenings, social events and community enterprises.

See appendix B to see a financial summary produced for us by Intuition

9. MARKETING AND FUTURE DEVELOPMENT.

The committee will work with the tenant to develop a marketing plan that is based upon the following principles:

- Playing to our strengths as a community-owned pub working with a knowledgeable tenant and friendly volunteers.
- Encouraging a significant proportion of regular customers from the village, including a more diverse range of customers - younger people, older people and families
- Attracting visitors from villages and towns further afield and targeting passing trade, including cyclists, walkers and the holiday trade in the local area.
- Increasing the frequency of returning customers by offering a friendly atmosphere with tailored services that fit in with community needs.
- Concentrating on a standard of service that is friendly, accommodating and develops as the needs of the customer base change.
- Providing services that benefit the community, while not necessarily increasing profit.

Proposed methods for achieving the marketing objectives in the early days of operation of the business are outlined below. The marketing plan will be updated regularly as the business grows and develops, increasing the number of customers.

1. Raising Awareness

We will run an outward facing marketing campaign incorporating all forms of media, coordinated to provide a consistent message. Our website will be used to provide open communications, including meeting minutes, a Q+A section and the opportunity to ask questions and provide comments. We will use Facebook to

provide regular updates, creating a Blog platform for a younger, diverse audience.

We will look to use other outlets to communicate our message; local businesses, sports clubs, groups using the village hall, leaflet drops in the local town. To extend our reach, we will target local holiday businesses on a regular basis.

9.2 Creating a welcoming and attractive atmosphere

The Committee will work with the Tenant to ensure that a friendly atmosphere is created within the pub. If needed, we will provide training for volunteer staff and regular communication with the Tenant will help us deal with any issues that may arise. The pub needs to look the part. We will refurbish the facility to provide a warm atmosphere, using volunteers where possible.

We will expect our Tenant to provide service of a high standard and focused on customer satisfaction. We aim for them to provide good beer from local breweries as well as a selection of other drinks. We plan to extend the kitchen and the food menu will be focused to ensure they can meet demand (addressing an old complaint), but changed on a regular basis to retain interest.

9.3 Events and Activities

The management committee will work with the tenant to ensure that we have an ongoing programme of events and activities to engage all sections of the community and visitors to the area.

Our principle will be to stay close to what all sides of the community want; on some it will not be necessary for us to make a profit if we are providing a needed service.

9.4 Ongoing Marketing

The principles we have established above will continue once the

pub is up and running. We recognize it is important to keep in touch with both the community of Westhall and those of the surrounding areas, and we see the importance of adapting to changing needs.

10. BUILDING AND RENOVATION WORKS

10.1 Analysis of the condition of the building

Although the building has been standing empty for some time there does not appear to be any significant long term degradation.

The building fabric, layout and facilities has been adequate for the successful operation of a village pub but going forward it is envisaged some alterations will be necessary to ensure the health, safety and comfort for customers and occupants of the associated living accommodation.

In order to avoid “surprises” a full building survey including electricity and gas fittings will be commissioned and the results shared with the current owners as this may be a factor in any agreed purchase price of the property.

Outline Plans have also been prepared to identify potential improvements to the property including the incorporating of a separate staircase to the first floor living accommodation, a suggested cafe area, cellar facilities, food preparation and severy.

These would be the subject to all statutory approvals and the necessary finance being available but the change to the first floor access would allow the current bar layout to be improved and give the benefit of self contained first floor accommodation.

10.2 What renovations and alterations do we want to make before opening.

A full deep clean, re-decoration and update to the internal fabric will be required prior to re-opening the pub to the public and this may be an ideal opportunity for the community to come together and offer their time and skills to complete these works quickly and limit costs to the materials only.

The current male and female toilets and facilities for baby change and handicapped and all in reasonable decorative order but may benefit for a revised colour scheme and an improved standard of heating and ventilation

Catering Specialists and Statutory Authorities will also be provide guidance on any health and safety issues with regards the current cooking and servery facilities to meet current or future food and beverage legislation.

10.3 What are the longer term improvement plans?

In the long term the proposed alterations for self contained first floor living accommodation will become a priority together with any improvements that are recommended for a successful food and beverage operation.

Externally the fabric of the building will be the subject of a phased maintenance programme to limit any further long term degradation of the building fabric and ensure any rain water drainage, flashings, chimneys and penetrations are operating effectively.

It may also be prudent to consider improvements to the external boundaries of the pub, the introduction of limited but timeless hedge and tree planting and/or landscaped gardens. The appearance of the current car park leaves much to the desired and the management team will work with the community to ensure there is agreement to any planned improvements and planting initiatives.

Ongoing maintenance and management of the external landscaping is an ideal community project and volunteers will be the key to the success of these arrangements and minimise on-going running costs.

11.0 SWOT REVIEW

SWOT	The Racehorse	Volunteer Support	Appointing a Tenant
Strengths	<p>Support from the community No other pub in the village Within walking distance of most housing in the village Poor public transport No pubs in the surrounding villages. Popular area for walkers and Cyclists Growing number of holiday Let's Incentive for shareholders to use the pub The public areas of the building have good access for the disabled and good toilet facilities. As a small pub with little interest on the market we might purchase it for less than the asking price. The Racehorse has been an important part of the social history of the area.</p>	<p>No salaries to pay. The Use of volunteers would help to support a growing business and help to enhance community involvement Using volunteers to refurbish the building will save a lot.</p>	<p>Tenants will pay a monthly rent to the Community Group A Tenant would have experience and the skills required to run the business They would also have a vested interest in making a success of the pub</p>
Weaknesses	<p>Poor support during the past 5 years Failed businesses Poor premises layout and 'unfriendly atmosphere' Small population No passing trade Ageing population There is nothing 'special' about the pub to inspire people Inexperience of the committee</p>	<p>Volunteers may have low skill levels. Poor cohesion with the committee and the tenant</p>	<p>Will effect tax relief On share purchase A Tenant may affect the allegiance of the community Reduced CBS income</p>
Opportunities	<p>Improve the layout and decoration of the building. Attract people from beyond the village Develop a food offer to suit the wider community. Turn it into 'more than a pub' for the benefit of the community Develop social events and sports teams Grants available for community projects Develop as a destination pub for walkers and cyclists</p>	<p>Volunteers will encourage others to use the pub. Funding is available for the support of voluntary work.</p>	<p>A good tenant would be the source of new and different ideas and they would provide continuity of service</p>
Threats	<p>Lack of support from customers. Lack of volunteers. Failure to get finance. Changes in economy. We take too long to organise ourselves and people lose interest. The Owner of the Racehorse may not be prepared to sell the Pub to the Community Group. Committee burn-out.</p>	<p>Volunteers may not be suitable for some tasks. There may be a shortage of volunteers.</p>	<p>The Tenant may not agree with the ideas of the Management Committee or the needs of the Community. Income from the Pub may be too low to build reserves. The Tenant may leave.</p>

12. RISK ANALYSIS

There are a number of risks involved in this investment

12.1 The capital is not raised.

The community purchase does not go ahead and all remaining monies are returned in full to people who have bought shares.

12.2 A failure of the business.

The pub would be sold and the money from the sale used to refund shareholders as far as possible. Planning permission for a change of use for the property is likely to be granted. As with any investment there is the possibility of a fall in value.

12.3 The Tenant proves unsuitable.

We would replace the Tenant.

12.4 The Tenant leaves with little or no notice.

We intend that one of the committee will hold a personal licence to be able to cover such a situation for a short period of time. Where this is not the case, we will identify a personal licence holder who would be willing to step in at short notice.

12.5 The Tenant finds that 'Wet' sales are lower than anticipated.

We think we have been conservative in our assumptions. But if bar sales were lower than anticipated, then we would help to promote the pub more strongly through leafleting the village, the Facebook page, the website and local media. We would try to encourage more events on the quieter evenings. If necessary we would suggest closing on the quietest evening to save money. We would look at using more volunteer bar staff.

12.6 The Tenant finds that food sales are lower than anticipated.

We would assess whether this was due to the chef and if this seemed to be the case, we would help to find another chef or help to provide basic bar snacks.

12.7 A major repair not picked up in the survey becomes apparent in a few years time.

We would then have a trading track record on which to raise finance. If the repair was unaffordable, then we would close the business and seek to sell the building.

Other risks will be managed as and when necessary and where required with the support of the Management Committee, Tenant and Shareholders.

APPENDIX A

APPENDIX B

P&L	Cashflow	Forward projection	Sensitivity analysis	Sensitivity – what if
INNTUITION.ORG				
PUB NAME	NOTES			Est. Business start date
THE RACE HORSE	Enter figures in this column.			Day 1
PUB LOCATION	You can choose to enter annual or weekly figures. The default setting is for annual calculations, if you wish to enter weekly figures, select and change the RED BOX and the columns on the right will auto calculate for you.			Month Apr
westhall Suffolk				Year 2019
	£	%	£	%
SALES	Net - Annual		Per Wk (ex Vat)	Annualised (ex Vat)
Total Drinks Sales	100,000		1,923	100,000 67%
Food	50,000		961	50,000 33%
Accommodation	0		0	0 0%
Other Sales			0	0 0%
TOTAL SALES	150,000		2,884	150,000
GROSS PROFIT		Enter %		% profit
Total Drinks Sales	60,000	60%	1,154	60,000 60%
Food	33,500	67%	644	33,500 67%
Accommodation	0	0%	0	0 90%
Other Sales	0		0	0 0%
Net Machine Income		100%	0	0 100%
TOTAL GROSS PROFIT	93,500		1,798	93,500
EXPENSES			% of Turnover	% of Turnover
Wages & Salaries inc NI	10,000		480 6.7%	10,000 6.7%
Business Rates	0		0 0.0%	0 0.0%
Water Rates	500		10 1.0%	500 0.3%
Heat / Light / Power	4,000		77 5.0%	4,000 2.7%
Repairs & Maintenance	3,000		58 1.5%	3,000 2.0%
Gardening Expenses	1,500		29 1.0%	1,500 1.0%
Insurance & MSA	1,000		19 0.7%	1,000 0.7%
Licensing	500		10 0.3%	500 0.3%
Tenant Insurance	1,000		19 0.7%	1,000 0.7%
Sky & PRS	400		8 0.3%	400 0.3%
Entertainment	2,500		48 1.7%	2,500 1.7%
Marketing, Promotional & Advertising	1,500		29 1.0%	1,500 1.0%
Print / Post & Stationary	120		2 0.1%	120 0.1%
Telephone	250		5 0.2%	250 0.2%
Travel & Car	4,000		77 1.0%	4,000 2.7%
Cleaning Materials & Waste disposal	4,000		77 1.0%	4,000 2.7%
Accountant / Stock taker / Prof fees	2,000		38 1.5%	2,000 1.3%
Bank Charges	1,000		19 1.0%	1,000 0.7%
Equipment Hire	500		10 0.3%	500 0.3%
Sundries & Consumables	3,000		58 2.0%	3,000 2.0%
Drinks Gas	1,000		19 1.0%	1,000 0.7%
TOTAL EXPENSES	41,770		1,091 24.9%	41,770 27.8%
NET OPERATING PROFIT, BEFORE RENT	51,730		707	51,730
(inc Machine Income)				
RENT	15,000	Enter %	288	15,000
ROYALTY (where applicable)	0	0%	0	0
NET OPERATING PROFIT, AFTER RENT	36,730		419	36,730
(inc Machine Income)				
BREAK EVEN SALES	91,075		2,213	91,075

September 2018
www.westhallpub.com