

Business Plan for The Northumberland Arms Community Society Limited

Prepared by The Northumberland Arms Community Society Limited, a Community Benefit Society registered with The Financial Conduct Authority Mutuals Register, No. 7580



Issue 1
2nd August 2017



Table of Contents

1. Executive Summary	3
2. Introduction	4
2.1 Business Plan Purpose.....	4
3 Project Development	5
3.1 Introduction.....	5
3.2. The Background to the Project	5
3.3 The Local Community.....	6
3.4. The Current Position	7
3.5. The Future.....	7
4 Vision, Aims & Objectives	8
4.1 Introduction.....	8
The vision for the project.....	8
4.2 Project aims and objectives	8
5. Proposals	9
5.1. Introduction.....	9
5.2. The Project Proposals.....	9
5.3. Business Model	10
5.4. Additional services.....	11
5.5. Capital required	11
5.6. Shares issues by The Northumberland Arms Community Society Limited	12
6. Building & Renovation.....	13
6.1. Introduction.....	13
6.2. Works planned prior to opening.....	13
6.3. Medium to long term works required	13
6.4. Funding of works prior to opening.....	13
7. Marketing Plan	14
7.1. Introduction.....	14
7.2. Increasing the number of customers	14
7.3. Increasing the frequency of visits.....	15
7.4. Increasing the value of each visit.....	16
8 Management & Operation.....	17
8.1 Introduction.....	17
8.2 Legal Structure	17
8.3 Management & Operation of the Community Hub	17
8.4 Day to day operation	19
8.5 Management of Staff.....	19
8.6 Staffing requirements.....	27
9. Financial Forecasts.....	28
9.1 Introduction.....	28
9.2 Raising the capital.....	28
9.3 Income and expenditure forecasts.....	28
9.4 Cash flow.....	23
9.5 Contingency.....	24
9.6 Accountancy	24
10 The Share Offer	25
10.1 Share Offer Marketing Plan.....	25
10.1 A Tax break from the Government! - (Seed) Enterprise Investment Scheme	26
11 Risk Analysis	27
11.1 Introduction.....	27
11.2 Analysis of the key risks to the project	27

1. Executive Summary

This business plan presents a proposal for the operation of The Northumberland Arms, Marple Bridge, as a community owned co-operative pub. The existing pub's activities will be diversified to create a mixed-use facility including a café and essentials shop.

- a) The Northumberland Arms has been a thriving pub in the past. The building is currently owned by Robinsons Brewery and was previously operated as a tied house by them. Robinsons closed the pub in January 2017 on retirement of the previous tenant. Robinsons had not invested in the building, and as a result it has become unviable for them to offer it as a tenancy within their estate.
- b) The local community started a campaign to save the pub, and successfully obtained Asset of Community Value status for the premises in December 2016. A steering group was formed leading to the formation of The Northumberland Arms Community Pub Project Ltd in March 2017.
- c) Now seeking to buy freehold and operate as a managed free house offering drinks, food, a daytime café and convenience shop, meeting place and other community services as identified as important by locals.
- d) The community has incorporated a community benefit society (CBS) to purchase and operate the Northumberland Arms known as The Northumberland Arms Community Society Limited – FCA Mutuals register. No 7580.
- e) Bringing The Northumberland Arms into community ownership will ensure the success and sustainability of the business by enabling the community to develop the facilities to meet their needs, rather than serving the financial demands of a brewery under a tied house model.
- f) Importantly, the legal structure of The Society as a Community Benefit Society also guarantees an “asset lock” that ensures the assets of The Society will only be used for the benefit of the community and cannot be disposed of for the private profit now or at any time in the future.
- g) Community ownership will also ensure the business works alongside existing village businesses rather than competing directly with them.
- h) Market includes potential from circa 1800 people in the immediate locality, plus many visitors to the area which benefits from local attractions. We know from consultation surveys that the former users of the pub were drawn from a much wider geographical area.
- i) The Marple North area from which the pubs customer base had formerly been drawn (evidenced by local consultation of former customers) had 12,227 residents across 5031 households as of the 2011 census.
- j) Capital to purchase the building and update the premises will be raised through a community share offer. Shares will be nominally £1, and the minimum shareholding will be £250. The maximum individual investment allowed will be £25,000.
- k) It is planned to pay interest to investors and hoped that this will be in the region of 5% per annum once the business is fully established. It is hoped that the Society will be able to commence interest payments in 2018.
- l) Purchase of shares would confer ‘membership’ of the co-operative, giving members control over the business through the election (annually) of a Management Board, and voting rights on significant issues at regular meetings. All members will have an equal vote, regardless of the size of their shareholding.
- m) Directors (and shareholders) would have the protection of “limited liability”.
- n) If the venture were to fail, investors will still own the bricks and mortar of the pub which can be sold as a source of repayment. In these circumstances, it can't be guaranteed that investors would be repaid in full although the passage of time and the value of the whole site should mitigate risk to capital.
- o) The society will be run for the benefit of the local community on a not for profit basis. All surplus money generated from trading will be re invested to make improvements and used for community projects.
- p) The Northumberland Arms will be a free house not tied to any brewery.
- q) A carefully selected Manager will operate The Northumberland Arms.
- r) A marketing strategy is included which will be refined in line with community needs to establish and increase usage by locals and visitors.
- s) To date 50 co-operative pubs have been established in the UK with no business failures.
- t) A risk analysis is incorporated.

2. Introduction

2.1 Business Plan Purpose

This business plan has been developed to support development of a Community Hub for Marple Bridge & Compstall together with the surrounding areas of Romiley, Marple and Mellor from which the customer base is drawn. The Community Hub is intended to house local facilities including a public house and cafe, as well as offering an essentials shop for the immediate area and a meeting place for various groups etc. The Community Hub is intended to safeguard these facilities by retaining a vibrant, economic heart to the village.

Structure of the document

This business plan sets out the proposals for the realisation of this community facility. The plan is divided into the following sections:

Section 1 – Executive Summary	Provides a one page summary of the business plan
Section 2 – Introduction	Sets out the purpose and structure of the business plan
Section 3 – Project Development	Gives more detail about the context for the project including the history and development of the project to date, background to the local area, community consultations and need for the project.
Section 4 – The Vision, Aims & Objectives for The Project	States the overall vision for a new Community Hub and explains the underlying aims and objectives and how these support the local needs identified in section three.
Section 5 – The Project Proposals	Explains the plans for the new Community Hub in more detail, including capital costs and implementation plans.
Section 6 – Building and Renovation	Looks at the main costs for repair, renovation, and conversion.
Section 7 – Marketing plan	Outlines key activities to encourage use of the facilities.
Section 8 – Management and Operation	Describes the ongoing management and operating plans for the facility following opening.
Section 9 – Financial Forecasts	Summary five-year revenue forecasts for the operation of the Community Hub.
Section 10 – Share Offer	Briefly describes the details of the share offer.
Section 11 – Risk Analysis	Identifies the key risks associated with the project, with avoidance and mitigation strategies designed to prevent and minimise each risk assessed to be a significant threat to the project.

3 Project Development

3.1 Introduction

This section explores the local history and context for the project. It details the local census area statistics, which give a flavour of the composition of the area. It goes on to outline the current difficulties associated with operating a business within the village at present and explains the various consultations and community involvement in the development of plans for a new facility.

3.2. The Background to the Project

The Northumberland Arms Public House

Despite being a viable thriving local pub, The Northumberland Arms, owned by Frederic Robinson Ltd, closed its doors after the previous tenants retired in January 2017. Robinsons, as the owner of a medium sized estate of tied houses, are subject to a Code of Practice with regards new tenancies, and because the pub has had little investment over the preceding 20 years Robinsons appraisal of the premises and refurb costs precluded it from remaining a part of their tied estate.

As a result of early announcement of the closure, an initial group of concerned locals began discussions about how to prevent the permanent loss of a pub in the village and an open meeting was arranged to explore the options for saving the facility. This meeting took place in November 2016 and was attended by about 50 residents. The meeting concluded with the formation of a steering group to explore the options.

The Northumberland Arms used to be a thriving pub attracting visitors from Marple, Romiley, Bredbury, Mellor, Offerton and Compstall as well as serving the local community. The Northumberland Arms was pivotal in the lives of the few hundred families who live in the immediate vicinity and the many regulars who visit the premises from further away. It was their social club, meeting place, sports centre, and community hub.

The pub lies at the centre of what was originally a small village and that atmosphere still largely survives in no small part because of the pubs existence.

Although there has been a long period of under investment which has meant the fabric of the pub has deteriorated, the business continued to make a reasonable profit up to the point of its closure in January 2017.

Community Cafe

It has been identified from our community consultations that there is a strong desire for a daytime café serving coffee, cake, and snacks. Although there are approximately 1000 homes in the local area only approx. 10% of those were customers of The Northumberland Arms. We believe that the diversification of the business offer to include a daytime café and essentials shop will boost the viability of the project and the attractiveness of the offer to those who may not be traditional pub users.

Other Opportunities

The building could provide a home for a number of other retail and leisure opportunities within the village in the future according to the needs of the local community.

Local Consultation

At the outset of the campaign, the steering group raised a 200-signature petition to demonstrate community support, and successfully applied to our local Council, Stockport MBC, for the building to be listed as an Asset of Community Value (which was approved in December 2016). Immediately following the listing of the ACV, we created a leaflet which was distributed to members of the local community, the purpose of which was to see what level of interest there would be in a community share offer. We had a good response to this consultation, with approx. £40k pledged informally which we saw as very positive given that no firm details of the business plan etc. were developed at that time.

We more recently created a Community Questionnaire based on the Plunkett example; over 200 people engaged. To date there has been no stated opposition, and the steering group was strengthened by further volunteers following that consultation.

A run of 2500 leaflets was distributed in February 2017, which sought to engage those members of the community who perhaps did not use the pub previously or who are not aware of our campaign. This detailed our progress to date and focused on the community benefits that we can achieve if we are successful. This was followed by a public meeting on 28th February 2017 which was attended by around 70 people.

A further run of 5000 leaflets were delivered in the local and surrounding areas in June 2017, advertising the impending share launch and a Share Launch meeting was held on 1st July 2017, attended by approx. 80 people with many new supporters in attendance.

We have also developed a website and Facebook page to keep the public informed of our campaign.

3.3 The Local Community

Marple Bridge & Compstall are villages within the Metropolitan Borough of Stockport, in Greater Manchester, England. Marple Bridge lies on the River Goyt, which runs through the centre of the village, and is close to the town of Marple. Compstall adjoins Marple Bridge at the latter's northern boundary, marked by the River Etherow.

The villages share borders with Romiley, Mellor, Marple, Compstall, New Mills, Strines, Mill Brow and Chisworth.

Etherow Country Park which sits between Marple Bridge and Compstall was established in 1968, making it one of the oldest country parks in England. It covers 240 acres and includes several millponds and other industrial relics alongside the River Etherow

The villages enjoy good road and rail & bus links to the larger conurbations of Marple, Romiley, Stockport and Manchester. Whereas these links make the villages highly accessible by road and rail this can also present a challenge to local businesses, competing for custom with larger town centres, urban supermarkets and other shops located near residents' places of work.

Competition for the patronage of local commuters makes the business environment within the villages challenging, yet there remains a need to provide local services at a reasonable cost to cater for the significant numbers of older people who may be less mobile, more reliant on public transport and living on minimal incomes and therefore unable to travel large distances to cheaper urban supermarkets, as well as to provide greater choice for all residents.

The central area of Marple Bridge around town street has enjoyed something of a resurgence in recent years, boasting a vibrant scene of bars and restaurants along with a post office, doctor's surgery, florists, clothing shops and hair salons etc.

However, the difficulties faced by individual businesses within the northern portion of the area (Compstall and the Marple Bridge area between the River Etherow and Glossop Road) are made clear from the fact that over the last 30 years or so the area has lost three pubs and whereas there was formerly a bakery, a sweet shop, a hardware shop, and a greengrocer, we now only have a butcher, a wine shop, and a Post Office in the locality. The geography of the area with its steep hills can make access to relatively nearby facilities difficult for some of the area's older and less agile residents.

According to the most recent census (March 2011) the local area described above is made up of the following:

Number of households: 836
Total number of residents: 1876
Average household size: 2.30
Under 18's: 368 (20%)
18 to 29: 208 (11%)
30 to 59: 791 (42%)
Over 60's: 509 (27%)

Our demographic research tells us that The Northumberland's former customers were drawn from a much wider geographical area, from as far afield as Bredbury and Offerton. In that context, the business has a potential customer base of over 25,000 customers within a 10-minute radius of The Northumberland Arms.

3.4. The Current Position

Developing a Sustainable Business

Whilst Marple Bridge has a thriving central area around Town Street and an active community scene of groups and volunteers, it is clear that the businesses and services at the Cote Green end of the village are under threat. It is considered that if the premises could be community owned and operated, the chances of them being run for the benefit of local needs would be so much greater. The Northumberland Arms, operated as a pub, café, shop, and Community Hub would support the local economy, providing local employment, as well as purchasing local produce, goods, and services, supporting local food producers and other service providers.

To progress this proposal, the steering group set up in the wake of the January 2017 closure of the pub have:

- Registered The Northumberland Arms as an Asset of Community Value, protecting it through the Localism Act's Right to Bid legislation;
- Set up a legal entity, known as The Northumberland Arms Community Pub Project Ltd, in order to trigger the Moratorium period of the ACV legislation;
- Formed a Community Benefit Society - The Northumberland Arms Community Society Limited, (The Society) registered with The Financial Conduct Authority Mutuals Register, Reg No. 7580
- Successfully engaged with Frederic Robinson Ltd to agree a sale price and terms
- Secured the support of The Plunkett Foundation to access the 'More than A Pub' support fund

The steering group has been supported in this by The Plunkett Foundation, Pub Is The Hub, Local Councillors, William Wragg MP, and numerous enthusiastic volunteers, demonstrating wide ranging endorsement of the plans.

3.5. The Future

There are now many examples of villages that have saved their local pub by taking it into community ownership and offering a different business model, involving either voluntary or professional management. To date there are 50 co-operative pubs in existence in the UK. In all of these models, the income from the business can be invested back into the pub or other facilities or activities in the locality. For community shareholders, it provides a social reward knowing that the investment is being put to worthwhile causes as well as offering some small financial reward in the form of an annual dividend (or interest). To date, no pubs set up using this model have failed.

Community ownership of the pub will also offer the opportunity to open a café & essentials shop within the centre of the village, so the project can be a real catalyst for the economic and social development of the area, achieving a transformative community-led business with multiple functions under one roof.



4 Vision, Aims & Objectives

4.1 Introduction

This section sets out the overall vision for the new Community Hub and explains the underlying aims and objectives for the project. These are linked to, and directly support, the local needs and demand identified in section three.

The vision for the project

The vision for the project is:

To develop a sustainable and inclusive community pub, café and essentials shop which will act as a community hub for Marple Bridge and Compstall that will be a central focal point for village life, and act as a catalyst to re-ignite the vibrancy and sense of community in the area.

4.2 Project aims and objectives

The project aims and underlying objectives which underpin this vision have been developed based on the local needs identified in section 3. They are as follows:

Aim One: To provide a flexible, multi-purpose community facility that enables participation in social, cultural and leisure activities by the whole community

Objectives:

- a. To provide a community facility in the area to offer somewhere to go and something to do
- b. To facilitate a community meeting space, especially for older people and those who may be less mobile
- c. To provide economies of scale by locating several services under one roof

Aim Two: To provide a flexible, multi-purpose community facility that is sustainable for the future

Objectives:

- a. To provide a flexible venue that can be used for various activities, and by more than one user group at a time, to enable a diverse range of income generating activities
- b. To provide an attractive space that local residents, groups, and businesses are keen to access, increasing the earned income potential of the building
- c. To share overhead costs between service types to further improve financial viability

The next section considers the most appropriate way to meet the vision, aims and objectives.



5. Proposals

5.1. Introduction

This section explores the plans for the new community hub in more detail. It also provides a breakdown of the capital costs of the project.

5.2 The Project Proposals

The vision we have for The Northumberland Arms is for it to become a focal point of the community through the provision of various services which are:

- **As a fantastic local pub** with an excellent reputation – not only for serving real ale and craft beers, wines and spirits and sensibly priced wholesome food, but also for its warm, friendly, inclusive atmosphere. This will be achieved with outstanding customer service, and by embracing the community it serves, providing food and facilities for all residents regardless of age or gender.

'The Thumb' as it is affectionately known has always had a very warm and welcoming atmosphere, helped in no small part by the architecture of the pub which retains its original multi room layout. We intend to build on that reputation and atmosphere and restore the pub to its former glory. A recurring message from female supporters of the project has been "at the Thumb I always feel safe". The pub is easily accessible with good parking and an attractive beer garden. Surprisingly for this part of the world, The Northumberland lies on an area of flat ground which is an important and significant feature for some of the pubs older and less agile patrons.

Pub activities could include folk music nights, stand-up comedy nights, a book club, a golf society, poetry evenings, themed food nights and guest speakers. Re-engaging with pub sports teams (pool and darts, football), sponsoring local sporting events and having a regular quiz night and forming a competitive quiz league with other local pubs would also help engage the community.

We have had many exciting ideas proposed, including forming a 'Red Barrows' wheelbarrow display team, regularly having a pop-up restaurant allowing keen local amateur chefs the chance to take over the kitchen and serve their food to our customers, brass band competitions, a kids Christmas party with gifts funded by the society, an OAP's (Old Age Punks) music night, DJ sets, after school club for parents only, a theatre group, a kazoo and ukulele orchestra etc. etc. The list is only limited by the community's desire and passion for such ideas.

The pub would serve the local community and passing visitor trade as well as supporting other local businesses (e.g. the butcher's shop, off licence, Indian take away, post office and other local pubs) by providing added reasons to stay and enjoy the area.

Key action points to make The Northumberland Arms a vibrant pub and community hub will be:

- a) Re-open as a free house allowing the Board & manager the ability to select a choice of popular & craft beers and lagers, and to serve them in excellent condition at a competitive price.
- b) Refit the beer lines and ensure the cellar and pumps are fit for purpose.
- c) Redecorate the pub and replace the furnishing, carpeting, lighting etc. to create a welcoming and comfortable atmosphere.
- d) Attend to the buildings external appearance to give it a professional, warm, and welcoming feel.
- e) Appoint competent and passionate managers who will have the opportunity to make a good living in return for running the pub excellently.
- f) Operate sensible, practical, and reasonable policies e.g. dogs, children and behaviour which enhance the experience for the widest audience.

More detailed actions and standards are included in Section 8 - Marketing.

- **As a place to meet / daytime café.** Critically there is no ability in the immediate area for members of the community to have casual, impromptu meetings or get togethers throughout the day; we currently do not have anywhere within easy walking distance to meet and chat. This is particularly important for the older residents who may not have access to a car and is especially true for village residents who may not be traditional pub users; we see the café facility as broadening the appeal of the project to all members of the community. The facility would help to connect people such as parents dropping off and

picking up children from local schools, elderly residents, the increasing numbers of people isolated at home, those working from home etc. Through this we can increase community cohesion, improve well-being, and help bring the whole community together.

Our vision is to create a café serving high quality breakfasts, brunches, and lunches at reasonable prices, with a reputation for excellent coffee, speciality teas and locally produced cake etc. This would have the same vibrant atmosphere as the pub, with quiet corners to relax and read the paper, grab and go take away offers etc. It will also offer internet access for people who do not have a provision at home.

- **As an essentials shop.** We've all run out of milk for the kids' breakfast at 10pm at night, forgot to buy loo roll, discovered there's no pasta in the cupboard 10 minutes before we start to make tea. We intend to stock basic household and food items, not on display but with a list of items available to those who require them. This will bring a great convenience feature to the business and further enhance community use and engagement.
- **As a resource for visitors**, we want the building not only to meet the needs of local people, but also embrace the multitude of visitors who currently pass through the village. The pub is situated close to Etherow Country Park and Brabyns park, and is close to the nationally recognized Farmer Johns MTB park, yet there are no local pubs which really serve this type of visitor. We would hope that by offering good quality but reasonably priced food and providing a welcoming and attractive venue for walkers and cyclists we can build up a good outdoor clientele by word of mouth as these pursuits are carried on very much year-round.
We also plan to publish and encourage a series of walking and mountain bike routes around the nearby areas in conjunction with local ramblers and cycling clubs. Again, we could capitalise on this by offering secure bike friendly parking.
- **As a resource for regeneration of the area**, attracting more visitors to the village can only be a good thing as it will provide more customers for the existing pubs and village shops. We are conscious that villages such as Marple Bridge require a 'critical mass' of businesses that can feed off and support each other. This is true of the centre of Marple Bridge and but facilities at Cote Green and Compstall have suffered decline over a long period. We are confident that the Community Hub will provide a means for retaining village centre facilities that the other, existing businesses can benefit from.
- **As a resource to build and retain the community of the area**, creating a facility that provides the wealth of services and activities that the project has to offer can be no bad thing. We hope that this will help us build and sustain our wonderful warm friendly community.

5.3. Business Model

We believe that the best way of achieving our aims for The Northumberland Arms is to buy it and operate it as a community owned pub, café, shop, and hub.

- Our business model for doing this is in the form of a Community Benefit Society (CBS) which will, through a share issue, purchase the pub for the village and members of the CBS. To that end, a Community Benefit Society has been established as a legal entity to enable this to happen - The Northumberland Arms Community Society Limited (The Society).

The benefits of this are:

- The local community will own the building in perpetuity
- People will feel more committed to the facilities offered by the hub
- Setting up a co-operative will allow us to attract grant aid
- Purchasing shares may provide a modest annual return by way of interest payable to members

5.4. Additional services

As the building will be purchased as a freehold, the community will have the option to develop the range of services to meet their needs. Given that the proposed business is viable within its current form (see financial forecasts), additional services could be added at low risk. Suggestions include:

- Mothers and Toddlers group
- Teaching space for basic computing, languages, and arts
- Open exhibition space for local artists
- Farmers markets and craft markets on the pub car park
- Development of a micro-brewery
- Seniors luncheon club / meals on wheels service
- Shop / deli selling quality produce
- Home delivery collection and drop off point
- Internet cafe
- Tourist Information Point

These opportunities are limited only by the space available and demand for the service and will continue to be explored by the management team.

5.5. Capital required

Monies will be required to meet the purchase price, the costs of refurbishment plus legal and professional costs and sufficient working capital to purchase stock and cover initial staffing costs.

We have agreed Heads of Terms with Frederic Robinson Ltd (the vendor) at a purchase price of **£217,000 + VAT** for the freehold property, complete with all fixtures and fittings.

Our offer is subject to contract, and subject to vacant possession on completion with no covenants in place with respect to use or any other restrictions.

VAT is payable on 90% of the purchase price, and will be reclaimable by our business which will be VAT trading. **We will seek to fund the VAT element separately via a short-term loan.**

We have made an allowance of **£5,000** to cover legal & professional fees and Stamp Duty.

We have set our working capital budget at **£20,000** which is enough to cover the cost of stock, insurances, consumables, and staff wages for a period of two months.

Our costed budget for refurbishment works stands at **£54,000**, more details on which can be found in section 6 – Buildings.

We are therefore seeking to raise a minimum of £296,000.

We are making applications to the Plunkett Foundation to access a combination grant / loan from the Government backed Power to Change organisation's 'More than a Pub' fund at a maximum level of £100,000 which is typically 60/40% split of loan/grant.

If this application is successful (we see no reason it will not be) the minimum amount we will need to raise from the community share offer is **£196,000**.

The best-case scenario is that we raise the whole of the **£296,000** required from the community share offer, as this will be a cheaper source of funding than accessing a loan, which will carry interest and capital repayments. This is explained in detail in section 9 – Financial forecasts.

5.6. Shares issues by The Northumberland Arms Community Society Limited

As a means of raising the required capital, shares in the project will be issued by The Northumberland Arms Community Society Limited (The Society).

Unlike shares on the stock market these shares cannot increase in value so trading in the shares is solely between The Society and the individual investor. It should be noted that shares can decrease in value if The Society were to dissolve but this is mitigated by the majority of the investment being locked into the capital value of the building itself.

Importantly, the legal structure of The Society as a Community Benefit Society also guarantees an “asset lock” that ensures the assets of the society will only be used for the benefit of the community and cannot be disposed of for the private profit now or at any time in the future.

The cost of each share is £1 but, for practical purposes, the minimum amount which can be invested will be set at £250. There will be a maximum investment of £25,000 per member. Owning a share automatically entitles the member to having a say in how the community society is managed. Being a co-operative, each member would retain one vote no matter how many shares they own.

Shares are open to everyone over the age of 18, but the society reserves the right to refuse membership to anyone.

The membership will elect a Management Board that will, amongst other things, advise the members on what they think the annual level of interest to return to the members should be set at.

The Society will be suspending the withdrawal of share capital for the first 3 years of trading to allow us the space to develop a profitable business. There will be exceptions e.g. bankruptcy or death of an investor. After that there will be a period of notice required prior to any withdrawal. There will also be a maximum limit on withdrawable capital from the business in any given year. The Board will have discretion in exceptional circumstances to allow shares to be withdrawn sooner than the requisite time. Full details of withdrawal terms will be included in the share offer documentation.



6. Building & Renovation

6.1. Introduction

This section sets out some of the key headings for repair, renovation, and conversion costs. A survey of the building has been undertaken and the results of this have been incorporated into the costs. In terms of the building's condition, there has been a lack of investment in the building over many years and we recognize that the best time to carry out repairs, refurbishments and redecorations is in the period between taking ownership of the premises and reopening.

6.2. Works planned prior to opening

The work that is planned prior to opening includes:

- **Pub area.** General refurbishment to include new carpets, upholstery, decorations, electrics, and lighting overhauled etc. This will be done sensitively so as not to lose the warmth and character of the multi room layout.
- **Cafe area.** To refurbish part of the pub for use as a cafe.
- **Kitchen.** Improvements to ensure that it is fit for purpose for its new use and food can be produced compliant to current food hygiene standards.
- **Bar & Cellar.** Refit the beer lines and beer raising equipment & new pumps and hand pulls etc. (not included in sale as owned by third party)
- **Toilets.** Some work required to bring them up to standard.
- **Staircase.** New repositioned stairs to be installed to provide safe means of escape from upper floor.
- **Staff accommodation.** Refurbishment of the staff accommodation to make it a welcoming place to live.
- **Energy saving measures.** Upgrade of some windows to double or secondary glazed, improved insulation, LED lighting etc.
- **Repairs.** General repairs and routine maintenance work (e.g. gutters to be cleared, repair cracks to gable, overhaul roof, etc.)
- **Exterior of building and garden.** Decorations, new signage, security lighting, new garden furniture etc.

6.3. Medium to long term works required

Medium / long term works will require a schedule which enables areas to be completed during quiet trading periods, and are areas of work which would be addressed as soon as funds, potentially including grant funding or via volunteer input, allows

- **Extensions to create more useable space.** This will be dictated as the business develops.

6.4. Funding of works prior to opening

We have costed the works listed at £54,000. This figure is the maximum that will be spent. We recognize there may be unforeseen works required, but overall the works will be tailored to suit the available budget and any remaining elements will be funded as surpluses allow. We recognize that there are good local tradesmen who may be willing to offer their services voluntarily or at preferential rates, which could mitigate any risk and may reduce these costs. Other funding opportunities may be available to cover the cost of refurbishments and we will continue to seek these to support these works.

7. Marketing Plan

7.1. Introduction

The marketing plan for The Northumberland Arms is based on three fundamental aims:

- 1 To increase the number of customers using the facilities (building the customer base)
- 2 To increase the frequency with which customers use the facilities (building customer loyalty)
- 3 To increase the value of each visit made (building customer value)

The target market segments that we hope to attract through the marketing proposals are:

- Local people, including families, young people, and older people – from Marple Bridge and Compstall and the wider area;
- Day visitors to the area, particularly walkers and cyclists.

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 in conjunction with the Hub management team as the business grows and develops.

7.2. Increasing the number of customers

Our Standards

At the core of any marketing strategy is meeting customer needs, providing quality products and great customer service. This will be at the heart of the pub's business ethic. Here is a list of key principles, no matter which target market we are aiming at.

- a) Excellent beers and lagers (Keep in view it will be a free house)
- b) Good range of wines and other drinks at fair value
- c) Good quality, fair value food, locally sourced
- d) Warm welcoming atmosphere
- e) Comfortable clean surroundings internally (e.g. pub and café) and externally (e.g. beer garden areas)
- f) Attractive outside access from car park to front door
- g) Good basic services including toilets
- h) Sensible practical reasonable policies e.g. dogs, children and behaviour which enhance the experience for the widest audience.
- i) Reinvest trading surplus to improve infrastructure and customer experience

Reaching our target markets

The first part of the marketing strategy relies on raising awareness of the new Community Hub and the facilities on offer. This will be done through an extensive outward facing marketing campaign incorporating all forms of media including:

Print media

Articles in the run up to the launch of the new facility will be placed in local print media, for example, the Stockport Express, Marple Review, SK magazine, Manchester Evening News, Cheshire Life plus others to ensure good coverage across Marple Bridge & Compstall, the Stockport area and Greater Manchester and the High Peak. The aim of the marketing campaign will be to create awareness and interest in the facilities, by emphasising the community aspect of the project and our belief that this is the first project of its kind within the Greater Manchester area. The ultimate goal of the activities will be to convert readers from a general awareness to active interest in visiting.

Other opportunities to be explored will include running articles in special interest publications, particularly those for walkers and cyclists, two key target markets who are likely to be interested in using the facilities. Developing a series of walks or bike rides as leaflets or booklet which take in The Northumberland Arms en-route (as well as potentially other local facilities) could help attract this user segment.

Social media

Mirroring the print media campaign, the social media campaign will help raise awareness amongst potentially a different demographic to the printed word, generating awareness and interest amongst a younger, and more geographically diverse audience. Website articles (on our own, and other's websites) will be used, along with twitter feed, Facebook group, specific marketing to special interest groups such as cyclists and walkers, and marketing emails directly to those who have expressed an interest in being kept informed about the project.

Local businesses, groups, and clubs

We will seek to work with local businesses, groups, and clubs to raise awareness of the project amongst their customers, users, and visitors. This will be done through leaflets / posters within local businesses, and through giving talks and presentations to local groups. The local Methodist Church, which is located opposite The Northumberland Arms, offers an important meeting place to engage people in the period prior to The Thumb reopening. Local businesses, particularly the local off licence, the butchers shop and Indian take away, will also be important in advocating with their own customers to raise awareness of the facilities, and one way of achieving this may be to offer discounts / promotions as an incentive.

7.3 Increasing the frequency of visits

Creating a welcoming and attractive atmosphere

We will encourage locals to feel it is their pub. It should be an important part of the community. Having attracted customers initially through the door, our main marketing tool will be to create a great impression and build a positive reputation to encourage repeat visits. To do this we will offer favourable terms and conditions to staff and ongoing training to enable them to provide a great customer experience. We will invest in the fabric of the building on an ongoing basis to provide the kind of environment that our customers will expect. We will serve customers promptly, with a friendly manner and any complaints will be dealt with to reach a satisfactory outcome for the customer.

A regularly changing food menu and drinks offer will also help to retain customer interest, attracting repeat visits on an ongoing basis.

Events & Activities

A series of activities and events aimed at engaging *all* sections of the local community, as well as visitors will be developed, including regular day and evening events (e.g. book clubs, darts / pool competitions, quizzes, music nights) as well as larger one-off events such as seasonal markets, film showings, speciality food evenings and beer festivals. The events will complement other local events to benefit from the promotions and marketing carried out for those events, such as Marple Carnival, Marple Bridge Street Party & Christmas fair etc.

Promotions / Loyalty Cards

One off promotions will be used to generate interest, especially at off-peak / traditionally quiet times. These will be developed in conjunction with the Hub staff / management to gain their feedback and knowledge on the most appropriate form of promotion.

Loyalty cards offering discounts or freebies may also be offered to entice users to return on a regular basis.

TripAdvisor and other online travel forums

Maintaining a watching brief on review websites such as TripAdvisor will enable the Hub management to respond to any negative reviews / comments quickly and directly, showing the wider potential customer base that we are engaged and committed to improving services.

7.4 Increasing the value of each visit

Increasing the facilities available under one roof

Previously, The Northumberland Arms functioned only as a pub business. This limits the revenue generation opportunities, as well as the audience likely to enter the building. By co-locating a café facility under the same roof, we aim to attract a wider audience to the facility, increasing the value of revenue generated from each visitor. For example, those that may not otherwise visit the pub may be encouraged to do so by first visiting as a customer of the cafe, converting into a customer of the pub through a better understanding of the facilities on offer.

Increasing the time spent in the Community Hub

One way to increase the value of each visit made by customers is to increase the amount of time spent in the facility; people popping in for a drink may be persuaded to stay for a meal or snack by prominently displaying an eye catching and tempting menu, whilst those visiting to use the café may be enticed to return for a drink after seeing a range of craft beers on offer. Newspapers and second-hand books can be used to encourage longer dwell times, and games and toys can help to create a child- friendly environment, retaining family visitors for longer. Good WIFI connections can also encourage visitors to stay longer, particularly those who do not have access to this elsewhere, e.g. tourist visitors. Ultimately, creating a comfortable and pleasant environment, that meets the needs of the customer, will encourage longer, more valuable visits.



8 Management & Operation

8.1 Introduction

This section describes the ongoing management and operating plans for the Community Hub following opening.

8.2 Legal Structure

The community asset will be owned by The Northumberland Arms Community Society (The Society). We have chosen this legal model because it emphasises the social benefit of the project, whilst giving directors the protection of limited liability. ***Importantly, the legal structure of The Society as a Community Benefit Society also guarantees an “asset lock” that ensures the assets of the society will only be used for the benefit of the community and cannot be disposed of for the private profit now or at any time in the future.***

The Society Rules have been approved by the Financial Conduct Authority, and are available to download from our website.

8.3 Management & Operation of the Community Hub

The Northumberland Arms Community Society Limited (The Society)

The project has thus far evolved from The Northumberland Arms Protection Society to a steering group. Following the incorporation of The Society, we have now formed a more formal Management Board. Our intention is to establish a broad Society membership drawn from across the local community through the purchase of community shares. Our expectation is that the Management Board will reflect the local community and its wishes. The members of the committee will be appointed at its Annual General Meeting by the members. The members are the investors who purchase shares in The Society.

The strategic management of the venue will be overseen by The Society which has been set up specifically for this purpose. The Members (shareholders) will elect a Management Board at its Annual General Meeting. For the first year, an interim Board has been appointed by the Directors / Founding members of The Society.

The Board has been and will continue to be supported by expertise from The Plunkett Foundation, CMS Ltd, The Pub is The Hub and other individuals and professionals.

There are eight members on the Board of Directors, all of whom are voluntary and receive no benefits or remuneration. They are:

Rick Clarke

I have spent most of my 30-year professional career working in Architecture, across all sectors including housing, schools, religious buildings etc, with a focus on project management. I have designed and project managed many refurbishments and new buildings with values ranging from c£50k up to £160m. I have specialised in the leisure sector – pubs, restaurants, and hotels - and have carried out projects for lots of pub companies, from smaller family firms to the likes of Wetherspoons & Whitbread etc. I have for the past few years worked as a Development Manager for a major PLC pub company.

I have lived in Marple Bridge since 2004, which makes me something of an ‘outsider’ – perhaps mitigated by the fact that my father and many uncles, aunts and cousins were born and lived here! I’ve been a ‘local’ at The Thumb ever since I moved here, and have been at the forefront of the campaign to save the pub from the outset. I believe that pubs form a very important part of our culture and heritage, and saving the Thumb will help to preserve this tradition for future generations to enjoy.

John Hibbs

I am a retired local government officer. I worked for Stockport MBC as an Administrative Officer and a Finance Officer for 38 years then as an Accountant for Greater Manchester Fire Service for nine years. I have also trained in project management and property maintenance.

I have frequented the ‘Thumb’ off and on for about 48 years. I am passionate about ensuring the ‘Thumb’ reopens as a community asset, partly from a personal perspective (I only live 100 yards away) and partly

from a community perspective, too many pubs have closed recently and I believe the Northumberland Arms provides the village with a focal point and base. It also ensures that facilities are available for the villagers to meet, socialise and support each other and will help keep our community alive for generations to come.

Peter Summersgill

I have worked in a number of architectural practices achieving associate status and finally partnership. I decided to set up and run my own architectural practice in 1980 which I did for fourteen years. In 1994, I was head hunted by a design and build company to act as company architect. In 2003, I was made Technical Director of that company until I left in 2007 to re-establish my own practice which I have operated up to the present.

I have had experience of the licensed trade having been a partner and the licensee of a wine bar in Glossop.

I served for six years as a director of Denton Golf Club which is a prosperous members club.

I was a regular at the Northumberland Arms from 2007 which from the first I found to be friendly and welcoming. It is my wish to re-establish that unique centre of the community.

Lauren Taylor

I am a freelance contemporary jeweller and workshop facilitator. Last year, the Crafts Council UK established me as new talent, allowing me to meet and work with a diverse range of people in the creative industry. Consequently, I have gained invaluable knowledge in business development, from financial planning and bookkeeping, to website development and marketing - I have a lot of experience using social media as a tool for promotion.

I have fond memories of visiting the Thumb from being as young as 11 years old; it was always a treat to go in and enjoy a cold glass of coke, a packet of crisps and a game of pool with my brother while our Mum and Dad socialised with their friends. As a family, we always felt completely welcome. At 18, I was so excited to be able to work behind the bar, which I did until the sad day the pub doors closed. Being a barmaid in the Thumb was a pleasure, and it taught me so many vital skills, which have undoubtedly helped me not only in the set-up of my business, but in day-to-day life. The Thumb was unique, and I will do all I can to make it even better than the pub we all knew and loved.

Geoff Tarbatt

Although now retired I have been a teacher for 21 years, 11 of them at Bredbury County Comprehensive School (now known as Werneth School) and 10 years at Marple 6th Form college.

After leaving teaching I took on the role of Landlord/Licensee of the Northumberland Arms together with my partner Margaret, and continued in this role for 17 years until my retirement in Jan. 2017. I still retain my Personal Licence which authorises me to sell and supply alcohol under the Licensing Act 2003.

During my time in the Northumberland Arms I believe that I have developed a good understanding of its customers and their expectations and know how deeply they feel about the loss of 'The Thumb', and share their determination to see it reopen as a thriving Community-owned Pub.

Margaret Houghton

I have lived in Marple Bridge for about 20 years, a relative newcomer I know, but for 17 of those years I was the Landlady of the Northumberland Arms. I know from first-hand experience how much this pub means to those who frequent it, it engenders a great deal of affection and therefore an equal measure of dismay at the thought of it closing. The community would lose a much-loved venue that served as a meeting place, a point of support and social gatherings which is why we've been so passionate in our determination to see it reopen. We want to ensure that we keep our community alive, to provide everyone with the facilities they had and more!

Malcolm Allan

After graduating in Maths, I've spent most of my career working in manufacturing industry latterly as a member of the management board of a U.K. multinational PLC for some 25 years. I was part of the team that sold the company out of BP ownership to an independent consortium and consequently was on the team that floated the business on the UK stock exchange. Subsequent to this I was part of a number of acquisitions and divestments the company made, participated in due diligence and I also liaised from time to time with investors and analysts. I was responsible for all aspects of HR, working across 11 countries and managing a multinational team. I also covered all internal communications and change programmes. I was often the public spokesperson for the Company appearing on TV, national and local

radio. I am an employment law specialist having presented many cases at Tribunal, both for my Company and pro bono for individuals. I was Chair of our trustee board for the company pension fund where we took an active role in asset management, meeting fund managers and investment specialists regularly, during a period of huge change in UK pensions. I was also the director responsible for toxicology, health and safety and sustainability. My company won several national awards during this period for people practices and Sustainability. I am Chair of a Heritage Lottery fund project in Manchester of some £2.7m and am a coach/mentor for the Chartered Institute of Personnel and Development. I am currently a local Councillor in Stockport. The Northumberland provided a focal point for a community with precious few amenities. By becoming a community pub, it can return to and enhance its position at the centre of a friendly and lively area.

Janice Robertson

I have held various jobs during my working life with my longest employment being 17 years in desktop support. I am currently a Client Care Co-ordinator and counsellor for a local health care provider working predominantly with women at a vulnerable stage of their lives. I have a strong background in administration and am generally viewed as a very organised person.

I have lived in Marple Bridge for 25 years and my daughter was born and brought up here. As a native of the Scottish Islands, I have always had a strong sense of community and have always loved the community feel of this area. A very regular user of the Thumb I used to take my daughter in from a very young age as it was always a very family friendly pub. I even worked there for 3 years which meant I got to know a great many people in this area. It was a sad day when the Thumb shut and I strongly feel that when we can open it up again it will contribute massively to continuing the strong community spirit which is so important to the people of this village.

In future, positions on the Board will be open to any shareholder member when elections are held at the Society's Annual General Meeting, as defined in the Society's Rules.

8.4 Day to day operation

Careful recruitment of an experienced, reliable, commercially astute, and socially skilled General Manager or management couple will be appointed for the day-to-day management of the facilities, leaving the community, through the shareholders and their appointed directors, to set the strategic direction.

The manager and staff must have high standards in all aspects of the business, and be motivated by the desire to create a really special pub that is treasured by the community and attractive to those from further afield. We hope to employ staff who have worked in The Northumberland Arms before, are known to the regulars or have good links with the community.

The pub will be run to make a profit. The profits will be reinvested in the pub itself, shared with the hired staff in the form of pre-set achievement bonuses and distributed to the shareholders via interest payments. The society will hold an annual general meeting for all shareholders and may have further meetings to discuss plans and progress.

8.5 Management of Staff

The Board will put into place systems and organizational arrangements to ensure that the Manager(s) are properly overseen in the management of the day-to-day business by the Board, including liaison and reporting on a weekly or monthly basis, cloud based accounting packages to ensure financial aspects are fully visible to a designated member of the Board, etc. We have expertise in the current board that will enable us to set up Employment Contracts for all members of staff. It is our intention that a single Board member will be responsible for management and liaison with the manager

The Manager(s) will be responsible for day to day staffing management and matters such as staff rotas, etc.

8.6 Staffing requirements

The table below indicates the anticipated staffing requirements for the day to day operation of the business.

Days	cafe times	no of café hours	café manager hours	café staff hours	pub times	no of pub hours	Pub manager hours	Casual bar staff hours	chef hours	
Mon	closed	0	0	0	2pm - 12am	10	10	0	0	
Tues	closed	0	0	0	2pm - 12am	10	10	0	0	
Weds	8am - 2pm	6	6	6	2pm - 12am	10	8	2	7	
Thurs.	8am - 2pm	6	6	6	2pm - 12am	10	8	2	7	
Fri	8am - 2pm	6	6	6	2pm - 1am	11	8	5	7	
Sat	8am - 2pm	6	6	6	12pm - 1am	13	8	8	7	
Sun	8am - 2pm	6	6	6	12pm - 12am	12	8	8	7	total pub staffing hours
Totals		30	30	30		76	60	25	35	120
				60 total café staffing hours						180 total café & pub staffing hours



9. Financial Forecasts

9.1 Introduction

The financial forecasts relate to two specific and separate phases. The first is the financial plan to raise the necessary capital to open the pub. This is set out in Section 9.2. The second is the financial plan to operate the pub in a way which is viable in the long term. This is set out in sections 9.3 – 9.4.

9.2 Raising the capital

Finance is required for a range of separate items as set out in the table.

Item	
Purchase of the pub	£217,000
Stamp duty and legal fees	£5,000
Refurbishment of the pub and accommodation	£54,000
Cash flow for initial purchases of stock and wages	£20,000
Total	£296,000

The Society intends to raise the finances from the share issue outlined in Section 5.5. Should the share offer not be successful in raising the full amount, we have the following contingency measures in place:

- Plunkett Foundation administer the government backed 'More than a Pub' funding programme to support communities to take over their local pub. Financial assistance of up to £100,000 is available which typically consists of 40% grant and 60% loan. A mid-case projection is £246,000 from the share offer and £50,000 from the Plunkett Foundation. Best case, mid case and worst-case scenarios for a blended funding model are presented in the table below.
- Reduce and/or delay some of the refurbishment – all elements of the refurbishment have been fully costed to be carried out by suppliers on the open market. Contributions by volunteers or by businesses providing supplies and services at reduced or wholesale prices would reduce the costs.

	Best case		Mid-case		Worse case	
	Capital raised	Annual cost	Capital raised	Annual cost	Capital raised	Annual cost
Share interest @ 5%	£296,000	£14,800	£246,000	£12,300	£196,000	£9,800
Grant	-		£15,000		£30,000	
Loan element	-		£35,000		£70,000	
Loan capital repayments				£7,000		£14,000
Loan Interest (8%)				£2,800		£5,600
Totals	£296,000	£14,800	£296,000	£22,100	£296,000	£29,400

We have included the mid-case scenario figures in our projections.

9.3 Income and expenditure forecasts

This section outlines the anticipated income and expenditure forecasts following opening. Figures are exclusive of VAT.

Table 1 – 5 Year Income and expenditure forecast

	Budget line	Total				
A. Revenue						
A1	Pub Drinks Sales	£160,380	165,191	170,147	175,252	180,509
A2	Pub Food Sales	£46,800	48,204	49,650	51,140	52,674
A3	Pool Table	£1,800	1,854	1,910	1,967	2,026
A4	Shop sales	£1,800	1,854	1,910	1,967	2,026
A5	Café	£50,700	70,980	76,658	82,791	89,414
	TOTAL SALES	£261,480	288,083	300,275	313,116	326,649
B. Direct costs						
B1	Cost of Drinks	£72,171	77,945	80,283	82,692	85,172
B2	Cost of Food	£16,380	16,380	16,871	17,378	17,899
B3	Shop stock	£720	742	764	787	810
B4	Café	£17,745	18,277	19,740	21,319	23,024
	TOTAL COSTS	£107,016	113,344	117,658	122,175	126,906
	GROSS PROFIT	£154,464	174,740	182,617	190,942	199,743
C. Overheads						
C1	Wages and Salaries	107,869	125,315	129,075	132,947	136,935
C2	Cost of Accommodation (Rent)	-7,200	-7,416	-7,638	-7,868	-8,104
C3	Rates & Water	3,120	3,214	3,310	3,409	3,512
C4	Electric & Gas (Light & Heat)	5,520	5,962	6,439	6,954	7,510
C5	Repairs & maintenance	4,200	4,326	4,456	4,589	4,727
C6	Insurance	960	989	1,018	1,049	1,080
C7	Telephone	444	457	471	485	500
C8	Post & Stationery	252	260	267	275	284
C11	Waste Disposal/Cleaning/Hygiene	1,253	1,290	1,329	1,369	1,410
C12	Professional Fees/Accountancy	1,200	1,236	1,273	1,311	1,351
C15	Computer software & maintenance costs	264	272	280	288	297
C16	Bank charges	1,200	1,093	1,126	1,159	1,194
C17	Equipment replacement & renewal	2,760	2,843	2,928	3,016	3,106
C19	Advertising and promotions	696	717	738	761	783
C20	Other Costs/Sundry Expenses	1,200	1,236	1,273	1,311	1,351
C21	Music and TV licences (including Sky)	7,190	7,406	7,628	7,857	8,092
C	TOTAL OVERHEADS	130,927	149,198	153,972	158,913	164,028
D. Repayments						
D1	Interest payment on shares (4%)	-	9,840	9,840	9,840	9,840
D2	Repayment of Loans					
	Repayments	£7,000	7,000	7,000	7,000	7,000
	Interest (8%)	£2,800	2,800	2,800	2,800	2,800
D	TOTAL REPAYMENTS	£9,800	19,640	19,640	19,640	19,640
	ANNUAL SURPLUS (pre-tax)	£13,737	5,902	9,005	12,388	16,075

Assumptions

We have made the following assumptions and principles in the development of the above forecast.

Revenue

- Bar revenue is based on an average spend of £2.70+VAT and 165 purchases per day. This is in line with previous years.
- Café revenue is based on a cost per cover of £4.50+VAT and 30 covers per day and £2 per drink for 30 customers.
- Pub food is based on a cost per cover of £7.50+VAT and 24 covers per day

Expenditure

- All staff salaries are at or above national minimum wage.
- We include provision for holiday, sick-leave cover, training cover, NIC and pension contributions.
- All costs with the exception of 'Repairs and maintenance' and 'Equipment replacement & renewal' are based on actual figures obtained in the development of this plan, or where this has not been possible an average cost taken from the three previous years accounts.
- 'Repairs and maintenance' and 'Equipment replacement & renewal' are based on industry standards of 1.5% and 1% of turnover respectively

The same figures for Years 1 to 5 are shown in Table 2. Revenue lines increase by 3% except for the café which we forecast to increase from 5 days to 7 days. All cost lines are forecasted to increase by 3% in line with current inflation projections, except for utilities and insurance which we forecast to increase by 8%.

Table 2 – Income and Expenditure (Year 1 – 5)

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	£261,480	£288,083	£300,275	£313,116	£326,649
Expenditure					
Direct costs of sales	£107,016	113,344	£117,658	£122,175	£126,906
Overheads	£130,927	149,198	£153,972	£158,913	£164,028
Repayments	£9,800	19,640	£19,640	£19,640	£19,640
Surplus/deficit pre tax	£13,737	£5,902	£9,005	£12,388	£16,075

Use of surplus

The Society has three priority areas to be addressed through the generated surplus. These are:

- The financing of the capital improvements included in Section 6.3 as Medium to long-term priorities.
- Establishment of a reserve to be used to address any unforeseen works or where unexpected events impact negatively on projected operations – standard advice for a charitable operation would be to build and maintain a reserve equal to 6-months turnover. This though, is typically for charities with one main client or funder and where the reserve provides the charity with the flexibility it needs to re-align the business should that client withdraw funding. For the Society, which will have a wide customer base, it is proposed that a reserve equal to 1-months turnover would be sufficient. This is equal to approximately £25,000. Our target is to have achieved this by early in Year 3.
- Financing community initiatives and projects, e.g. children's Christmas party, pensioners lunch subsidies, etc.

9.4 Cash flow

The cash flow over the initial 5-year period is set out in Table 3. Effectively, the fund-raising efforts through the share offer and an element of loan and grant financing as set out in section 9.2 cover the costs of purchasing the building; pre-opening capital works and working capital. The cash flow increases over time in line with the projected annual operating surplus.

Table 3 – Cash flow Years 1 – 5 exclusive of VAT

	Year 1	Year 2	Year 3	Year 4	Year 5
Share Capital	£246,000				
Loan	£35,000				
Grant	£15,000				
Income	£261,480	£288,083	£300,275	£313,116	£326,649
Total	£557,480	£288,083	£300,275	£313,116	£326,649
Purchase	£217,000				
Repairs	£54,000				
Working capital	£25,000				
Expenditure	£247,743	£283,362	£293,071	£303,206	£313,789
Total	£554,414	£283,362	£293,071	£303,206	£313,789
Surplus after tax	£13,737	£4,721	£7,204	£9,911	£12,860
Cashflow	£13,737	£18,458	£25,662	£35,572	£48,432

9.5 Contingency

The projected operating surpluses are not insignificant, but will require careful cost control alongside energetic and targeted marketing in order to achieve it. We have therefore identified a number of contingency measures for dealing with any shortfalls in this surplus:

- Our food and beer sales projections are based on The Northumberland Arms previous year's sales figures plus 3%. They do not therefore include any increase in actual sales volume which we do expect to achieve. We are a local pub, serving a local market. Engagement of that local community should increase footfall and per person spend.
- Volunteer staffing – we will be running a training course for the Board and for other volunteers who would like to be cover bar staff as required. Complete replacement of the 13 casual hours per week by volunteers could be equal to a saving of £5,070 per year.
- We have forecasted on the basis of a 4% return to investors. This can be reduced at the discretion of the board. A 3% return saves £5,000 per year.
- Small grants to subsidise replacement of machinery and equipment and to undertake some of the repairs and maintenance are being sought but not accounted for in the figures.

9.6 Accountancy

The Board have appointed David Cadwallader & Co Accountants to assist with all accountancy and bookkeeping requirements including tax, VAT, payroll, and audit. David Cadwallader and Co work alongside The Plunkett Foundation, and are specialist in the field of Community Benefit Societies, having 40+ similar pub and shop businesses on their client list.



10 The Share Offer

- a) This is a time bound offer of £296,000.
- b) Our minimum target is £196,000 and we will cap the offer at £350,000.
- c) The share offer will open on 2nd August 2017 and will close on 17th September 2017.
- d) Shares are available with a minimum investment of £250 and a maximum investment of £25,000.
- e) If the offer is oversubscribed the maximum investment will be reduced until we reach our target maximum of £350,000.
- g) Shares are open to everyone over the age of 18, but the society reserves the right to refuse membership to anyone.
- h) More details of the share offer can be found in the share offer document.

10.1 Share Offer Marketing Plan

The Board have a comprehensive strategy for marketing the Share Offer, as set out in the table below

Activity	Purpose	Audience
Facebook updates	Maintain profile and extend awareness of the offer across social media	We have almost 200 group members following the @thumbcommunity pub FaceBook group
Dedicated Website, www.thenorthumberlandarms.co.uk	To explain and promote the community share offer in order to encourage people to buy shares	Local, regional, national and international
Flyer/Leaflet drop and Banners	Maintain profile and extend awareness of the offer to those who do not have internet access in the surrounding area	Communities of Marple Bridge & Compstall along with Marple, Romiley and Mellor
Community Share Offer document and Business Plan document	To explain and promote the community share offer in order to encourage people to buy shares	Local households/residents Everyone else who might be interested in supporting a community pub project
Public meetings	To maximise the awareness of the share offer, to enhance interest (and understanding) in the community share offer	Local households and the wider community
Articles in local press	Maintain profile and extend awareness of the campaign to purchase the pub and the share offer	Local community and the surrounding towns and villages
Articles in national press & media	Further raise the profile and extend awareness of the campaign to purchase the pub and the share offer	Wider community who may be interested in the share offer
Arranged one to one meetings or smaller group meetings with prospective shareholders	To answer questions for people who may not wish to ask them in the forum of a public meeting. People will have all sorts of questions ranging from the straightforward to the highly technical to the peculiar.	Immediately the person asking the question, Convincing answers given to questions will get out into the community and increase confidence

10.1 A Tax break from the Government! - (Seed) Enterprise Investment Scheme

As long as you are a UK tax payer, you are eligible for tax relief on your investment subject to HMRC rules on eligibility, as long as you leave your shares in the Society for at least three years. We have applied for advance assurance from HM Revenues and Customs (HMRC) that the shares in The Northumberland Arms are eligible for tax relief under the **Seed Enterprise Investment Scheme (SEIS)** and the **Enterprise Investment Scheme (EIS)** which are both government-backed schemes designed to encourage investment in smaller enterprises. Community-managed pubs like The Northumberland Arms are eligible for this tax relief.

Under the SEIS, the first £150,000 raised by the share issue will attract tax relief at 50% of the sum invested. So, provided you are a UK taxpayer, you will be able to recover up to **one half** of the amount you invest from HMRC in the year after The Northumberland Arms starts trading, i.e. when the society starts earning revenue.

After £150,000 has been raised, further investment in shares in The Northumberland Arms will attract EIS tax relief of 30% of the sum invested.

The actual amount of tax relief you can claim will depend on your personal tax circumstances.

For example, Bethan decides to invest £10,000 in the tax year 2017-18 (6 April 2017 to 5 April 2018) in SEIS qualifying shares. The SEIS relief available is £5,000 (50% of £10,000). Her tax liability for the year before SEIS relief is £7,500 which she can reduce to £2,500 (£7,500 less £5,000) as a result of her investment.

Remember applications for tax relief are made to HMRC by you, the investor, not by The Society, and so we **cannot** give any guarantees. HMRC's information site, www.hmrc.gov.uk/seedeis/ explains the application procedures but, if you are unsure, please seek professional advice



11 Risk Analysis

11.1 Introduction

This section identifies the key risks associated with the project. The risks are assessed according to the likelihood of occurrence and level of impact on the project should they occur. For those risks considered to be a significant threat to the project (those with a medium or high likelihood of occurrence and medium or high impact should they occur) a risk avoidance strategy has been developed, to prevent the risk from occurring and mitigation strategy also given, to reduce the impact of the risk, should it occur.

11.2 Analysis of the key risks to the project

This section considers the risks to the project:

- We are unable to agree an economic purchase price with Robinsons, or they choose to sell to someone else at the end of the ACV period
- Lower than expected share capital raised
- Budget overspend
- Failure to attract sufficient customers to cover operational costs
- Failure to offer a wide enough range of activities to attract users from across all sections of the community
- Departure of directors / key skills within the Society Steering Group
- Unforeseen operating costs or increases in costs

The following chart plots the likelihood of occurrence and impact of each risk:

		Likelihood		
		Low	Medium	High
Impact	High	Low risk <ul style="list-style-type: none"> • Failure to offer a wide variety of activities 	Medium risk <ul style="list-style-type: none"> • Lower than anticipated usage • Unforeseen increases in operating costs 	High Risk
	Medium	Low risk <ul style="list-style-type: none"> • Capital budget overspend 	Medium risk <ul style="list-style-type: none"> • Lower than expected share capital • Difficulty finding suitable manager 	Medium Risk
	Low	Low risk	Low risk <ul style="list-style-type: none"> • Departure of directors / loss of key skills 	Low risk Failure to purchase the property

At the time of this business plan revision the share offer has not yet been raised. The remaining capital funding risk to the project relates to the final ratio of debt financing to share equity (gearing). If the total share capital raised does not significantly exceed the minimum needed the business would be left with a high proportion of loan financing, that would require higher minimum levels of trading to cover interest payments.

The essential capital expenditure relates to the works necessary to reopen the pub and cafe. This is limited in scope and so has been categorised as having only a medium impact. As there are professional project managers on the Board, this is considered a low likelihood of occurrence. Any other capital expenditure can be programmed to take place as resources permit which is, in turn, dependent on trading conditions.

The impact on revenue income, linked to a lower than anticipated usage or a failure to offer a wide variety of activities, would be high. Similarly, in the medium to longer term, significant increases in operating costs would have a high impact. However, considerable consultation with the potential users has been undertaken and the range of experience available on the steering group (including past management of the facilities being proposed) has been fully utilised in the assumptions contained within this business plan, in order to mitigate this risk. Notwithstanding this, lower than anticipated usage and unforeseen increases in operating costs are included at a medium likelihood of occurrence with the failure to offer a wide variety of activities included as a low likelihood. Contingency has been provided in the business plan forecast to provide latitude for such higher than anticipated costs.

As the project has become more of a reality, membership of the steering group has expanded, bringing a wide range of skills, knowledge and experience to the project. It is therefore felt that the loss of any members of the Board would be compensated by sufficient breadth and depth in the remaining project team to sustain the project, and there is significant further expertise in the village community presently coming forward.

Should Society members wish to leave and withdraw their community shares after the end of the three-year moratorium period, the experience of other community pub schemes has been that these withdrawals have been made-good by new member share investments.

Here are some useful links if you want some more information:

Our Campaign website www.thenorthumberlandarms.co.uk contains lots of useful documents and links, including the Model Rules governing the Society.

Our Facebook page www.facebook.com/thumbcommunitypub/

Invaluable support has been provided by The Plunkett Foundation: www.plunkett.co.uk

The Plunkett document 'A Better Form of Business' explains the principles of community ownership: <http://www.plunkett.co.uk/better-business-reports>

Community Benefit Societies are regulated by the FCA

Details of the Co-operative and Communities Benefit Act 2014 can be found at www.fca.org.uk

Guidance from the HMRC about SISR Tax Relief can be accessed at:

<https://www.gov.uk/government/publications/social-investment-tax-relief-factsheet/social-investment-tax-relief>

CAMRA is working to protect pubs from closure and the local Slough, Windsor and Maidenhead Branch has supported our campaign throughout: www.camra.org.uk www.swm.camra.org.uk

We received support and guidance from Cooperative and Mutual Solutions Ltd. <http://cms.coop/>

Pub is the Hub helps pubs to diversify: www.pubisthehub.org.uk

For information about community shares go to www.communityshares.org



The Community Shares Standard Mark is Awarded by the Community Shares Unit to offers that meet national standards of good practice. For more information about the shares, the Community Shares Standard Mark and the Community Shares Unit go to www.communityshares.org.uk.