

**THE SAFFRON WALDEN COMMUNITY PUB LTD
BUSINESS PLAN
2020**

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1. Executive Summary

- In January 2017 the Railway Arms was closed by its owners, Charles Wells and was offered for sale by private treaty with continued licensed use or for conversion and development potential.
- Save The Railway Arms Pub [STRAP], a campaign group with over 160 members, set out to save the pub and lobbied the Town Council to nominate it as an Asset of Community Value [ACV].
- The Railway Arms was registered as an ACV on 31 March 2017, that triggered a six-month moratorium to allow a community interest group time to raise funds and make a bid to purchase it.
- On the 14 June 2017, The Saffron Walden Community Pub Limited, a community benefit society, was registered by the Financial Conduct Authority for the purpose of raising funds, making a bid to purchase the Railway Arms and to operate it as a business for the benefit of the community.
- The Society is governed by the Plunkett Foundation's Model Rules for Community Ownership whereby all members, irrespective of the size of their shareholding, have a single vote. Members have a say in how the Society and pub are run and appoint members of the management committee.
- In 2017, the campaign applied and was accepted onto the Plunkett Foundation's "More Than a Pub" [MTAP] programme. The MTAP programme provided the Society with a comprehensive package of business development support in the form of a bursary, specialist advice, a conditional grant and loan totalling £100,000 to help fund a bid to purchase the Railway Arms.
- The Society was also successful in securing a long-term [20 year] mortgage of £100,000 with Triodos Bank.
- A community share offer was launched on 4 October 2017 and by the end of the month the Society had raised sufficient funding to exercise its Community Right to Bid for the Railway Arms. The share offer finally closed on 31 January 2018 having reached the target of £250,000.
- Having successfully raised £450,000, the Society offered the owners initially £300,000 plus VAT for the freehold that was later increased to £350,000 plus VAT together with a very generous overage clause.
- On 9 April 2018, the owners decided to reject the Society's offer and to take the pub off the market to redevelop and re-open it themselves.
- Since then the Society has maintained a "watching brief" and started delivering local community and family events at a local media and arts centre, Fairycroft House. This has included eleven pop-up pub weekends, a pop-up choir, community cider making and other events including the "Saffron Walden Alternative World Games".
- On 27 June 2018, after several extensions to their conditional offer of a grant, the MTAP programme panel, understandably, notified the Society that they were unable to offer a further extension in light of other applications for funding being made and the programme coming to an end.
- On the 20 December 2019, having failed to secure planning permission twice to make several alterations to the buildings and grounds, the owners notified Uttlesford District Council, under section 95(1) of the Localism Act 2011, that they were selling the property.
- A few major shareholders have, naturally, withdrawn their investments due the length of time taken by the owners to first decide to take the pub off the market, to submit two planning applications and finally to re-sell it. The current number of shareholders is 284 and total share capital stands at £172,550.
- The Management Committee agreed to launch a new pledge campaign and second share issue to rebuild the share capital to a minimum of £200,00, but preferably £250,000 to allow it to fully develop the business. The Management Committee also agreed to re-submit applications to the second MTAP programme [£100,000] and Triodos Bank [£100,000] to allow it to make a fully

funded bid to purchase the Railway Arms by April 2020. This would be two to three months before the end of the six-month moratorium during which period the owners can only sell to a properly constituted community group such as SWCP Ltd.

- Should the Society be successful, it will become the owner and operate the Railway Arms on a managed basis to allow it to control and ensure the pub is run in accordance with the Society's aims and values and best meet the needs and interests of the shareholders, customers and local community.
- The guide price in 2017 for the pub was £300,000 plus VAT [£60,000]. Having made an offer at £350,000 plus VAT, the committee feels the owner will be looking for a similar price two years later. The final price will be determined by the number of bidders and the owner's willingness to accept a price on the basis that the Railway Arms continues as a pub.
- The Society intends to raise further funds [£50,000] from other charitable trusts and organisations [£25,000] and from a joint venture to run a micro-brewery, community café and/or shop, offices and or bed and breakfast at the pub [£25,000]
- If the Society is successful in raising the funds it will have in the region of £450,000 to £500,000 to make a bid to purchase the pub, and if successful to invest between £100,000 to £150,000 to develop the pub and outbuildings to provide a useable space to extend the range of services and activities on offer to the community, local clubs, societies and charities.
- A new pledge form campaign and second share offer will be launched in February 2020 to rebuild the Society's share capital.
- Shares cost £50 each and the minimum subscription would be for 1 share. The maximum allowable subscription would be for 1,000 shares. The Society still proposes to pay interest to shareholding members at a rate no lower than 2.5% above the Bank of England base rate once the pub has started to trade. All payments would be made gross of tax.
- The Society has received advance assurance from HMRC that the first share offer will qualify for the Seed Enterprise Investment Scheme [SEIS] and Enterprise Investment Scheme [EIS]. These are government schemes devised to encourage investment in new enterprises and provide tax relief of 50% and 30% of the cost of investment per respective scheme to those buying shares who pay income tax. The Society will seek confirmation that the second share offer will also qualify.
- Shares would be eligible for withdrawal from the end of year 3, subject to approval of the management committee and on the basis that any withdrawal will not endanger the financial viability of the Society.
- If successful, the Society proposes to use the funds raised from the MTAP programme and its share issues for the purchase of the Railway Arms and to use the funding from the long-term [20 year] loan or mortgage with other funding to develop the pub and outbuildings.
- The Society is very keen that the pub will provide the community with more than the usual pub offering. Additionally, it wants to provide the community, clubs and charities that help people with physical, learning and employment needs or experiencing loneliness, with opportunities to meet and develop life skills, whether it be meeting or working in the pub, the kitchen, gardens, a new community café/shop, or other community activities at the pub.
- The number of communities purchasing and running community pubs is growing and as far as we know, none have failed. Community owned pubs are run on a different business model to pubs owned by brewery and pub companies as they can be run on a low-cost basis, making them more financially viable. A financial five-year forecast is included in Appendices 2 and 3 that demonstrates the Railway Arms is financially viable.

2. Background to the concept

Saffron Walden has seen seven pubs close completely or change use in recent years. Two have become eateries, one a coffee shop, one a supermarket and others turned into dwellings.

An article in the Guardian¹ highlighted “A revolution in pub ownership is gathering pace as more and more groups club together to buy and run their local, slowing the alarming pace of closures”.

A report from Plunkett Foundation, a charity that supports community-owned businesses, said “these locally owned and run enterprises are prospering where private enterprise has failed”.

The number of community owned businesses is growing fast. In 1988 there was only one co-operative pub registered, and in 2004 there were just three. Campaign for Real Ale, (CAMRA) revealed in September 2019 that the number of community-owned pubs in England is estimated to have doubled in the last two years and now stands at 120 with more in the pipeline.

In many cases these were previously failing or defunct businesses. Community owned pubs are run on a different business model to pubs owned by brewery and pub companies and can be run on a low- cost basis, improving their financial viability. Community owned business are run for the benefit of the community and are thus more customer focused rather than being investor focused with the need to maximise a financial return. Not a single community owned pub has closed, “maintaining an impressive 100% survival rate”, said the Plunkett Foundation.

After closing the Railway Arms at short notice in early January 2017 the owners, Charles Wells, put the pub up for sale. Whilst it was being offered to the licensed and leisure market, the sale also stated that the site had potential for conversion or redevelopment to other uses, subject to obtaining appropriate planning consents. Conditional or unconditional offers from developers would be considered by the owners.

Save The Railway Arms Pub [STRAP], a campaign group with over 160 members, set out to save the pub and lobbied the Town Council to nominate it as an Asset of Community Value [ACV]. An ACV is defined as ‘land or a building’ that has recently had or could have in the near future, community value, ‘in that it furthers the social wellbeing or social interests of the local community’.

The Railway Arms was registered as an ACV on 30 March 2017 triggering a six-month moratorium preventing the owners from selling the pub and allowing local community groups the opportunity to raise funds and place a bid to buy the pub under the Community Right to Bid.

Having achieved its first objective, members of STRAP instructed an expanded committee to:

- Investigate putting in place a legal entity to raise funds and make a bid.
- Put together a business case.
- Explore the level of interest within the wider community.

The committee first drew up a vision, set of aims and values to help define the direction and parameters the campaign should follow and produced the following:

Vision:

To be the first community owned pub in Saffron Walden serving the needs of the local and wider community

Aims:

- Owned by the community
- The community has a say in setting the direction and values of the pub
- An offering that is attractive and accessible to all
- Promotes social inclusion
- Financially viable for the long term

¹ [Community groups call time on the demise of the British pub | Life and style | The Guardian](#)

Values:

- A family friendly pub where members of the local community feel welcome
- A tenant (or manager) who is known and is a welcoming host
- Good food which is accessibly priced for all members of the local and wider community
- A range of well-kept beers and ciders, not predominantly from any one brewer
- A pub that encourages community involvement and participation in local events, and is at the heart of the local community

The committee then set about exploring different legal entities that would best meet the vision, aims and values and agreed that a Community Benefit Society [previously known as Industrial and Provident Societies] best met them, as their purpose is to serve the broader interests of the community. More detailed information on Community Benefit Societies and how they operate is provided in Appendix 5.

On the 14 June 2017, The Saffron Walden Community Pub Limited [the Society] was registered by the Financial Conduct Authority for the purpose to carry out business for the benefit of the community.

The Society applied and was accepted onto the Plunkett Foundation's first "More Than a Pub" [MTAP] programme, a unique two-year programme established to help support community ownership of pubs in England, jointly funded by the Department for Communities and Local Government and the Power to Change Trust. The programme was led by The Plunkett Foundation and delivered in collaboration with Co-operative & Community Finance, the Campaign for Real Ale (CAMRA), Co-operative Mutual Solutions, Pub is the Hub and Locality.

Support is provided to community groups looking to take on ownership of their local pub and committed to delivering a community pub for the benefit of the wider community. These activities could include the provision of employment and volunteering opportunities, workplace training and additional services such as a shop, post office, library, internet café, cash point, prescription services and informal meeting spaces for a range of community activities and groups.

A Community Benefit Plan is included at Appendix 6 to show the wide range of social and other benefits a community owned Railway Arms could provide.

The MTAP programme provided the Society with a comprehensive package of business development support in the form of a bursary, specialist advice, a conditional grant and loan totalling £100,000 to help fund a bid to purchase the Railway Arms.

The Society was also successful in securing a long-term [20 year] mortgage of £100,000 with Triodos Bank. Triodos Bank is a global pioneer in sustainable banking, using the power of finance to support projects that benefit people and the planet.

A community share offer was launched on 4 October 2017 and by the end of the month the Society had raised enough funding to exercise its Community Right to Bid for the Railway Arms. The share offer closed on 31 January 2018 having reached the target of £250,000.

On 1 November 2017, having successfully raised £450,000, the Society offered the owners initially £300,000 plus VAT for the freehold, that was later increased to £350,000 plus VAT together with a very generous overage clause.

On 9 April 2018, the owners decided to reject the Society's offer, to take the pub off the market to redevelop and re-open it themselves. They conceded that re-opening the Railway Arms would be dependent upon acquiring planning permission and finding a suitable person willing to take on the tenancy and rebuild a profitable customer base. The owners confirmed that if planning permission was not granted and/or they were unable to find a suitable tenant, they would consider putting the pub back on the market.

Since then the Society has maintained a "watching brief" on the Railway Arms and also started delivering local community and family events at a local arts and music centre, including eleven pop-up pub weekends, a pop-up choir, community cider making and other events including the "Saffron Walden alternative world games".

On 27 June 2018, after several extensions to their conditional offer of a grant to the Society, the MTAP programme panel notified the Society that they were unable to offer a further extension in light of other applications for funding being made and the programme coming to an end. Without a willing seller it would have been wrong if funds that could be used to save other pubs were allocated to the Society at a time when demand for funds exceeded availability.

The owners, having failed twice in obtaining planning permission to make several alterations to the buildings and site notified Uttlesford District Council on the 20 December 2019 that they were selling the property under section 95(1) of the Localism Act 2011.

A few major shareholders have, understandably, withdrawn their investments due the length of time taken by the owners to first decide to take the pub off the market, to submit two planning applications and finally to re-sell it. The current number of shareholders is 284 and total share capital stands at £172,550.

The Management Committee have agreed to launch a new pledge campaign and share issue to rebuild the share capital to a minimum of £200,00, but preferably £250,000 to allow it to fully develop the business. The Management Committee also agreed to re-submit applications to the second MTAP programme and Triodos Bank to allow it to make a fully funded bid to purchase the Railway Arms by April 2020, two to three months before the end of the six-month moratorium for community organisations to submit an offer.

If successful, the Society proposes to use the funds raised from the MTAP programme and its share issues for the purchase of the Railway Arms and to use the funding from the long-term [20 year] loan or mortgage with other funding to develop the pub and outbuildings.

3. The Railway Arms

Catchment area

Saffron Walden is a prosperous market town with a population of over 16,000 (2015), of whom some 9,000 are of working age and 2,700 are over 65. Despite recent population growth of 1.5% per year, the built-up area of the town remains very compact (approx. 4km sq.) and the residential density is approx. 4,400 persons/km sq.

The Railway Arms is located approximately 500m south of the Market Square (Appendix 1 Fig. 1). It lies in an established residential area containing a mix of terraced housing, semi-detached and detached housing, primarily of Victorian age, built after the arrival of the Railway line in 1865, but with some modern apartment blocks, houses and several custom-built retirement homes in the immediate vicinity.

The prime catchment area (shown within the red line shown on the map - Appendix 1 Fig. 2) containing no other pubs, is the southern quadrant of the town, bounded by London Road in the west, Audley Road in the north and Thaxted Road in the east. To the south, this catchment widens to include a large swathe of post-war housing. This catchment area contains nearly the whole built-up area of Audley Ward, and around 75% of the built-up area of Shire Ward (Appendix 1 Fig. 3). The most recent electoral roll gives a combined total of 9724 “electors” [2019] for these two wards.

The green circle on the map attempts to “size” the catchment on the basis of walking distance from home to the pub. Within a ten-minute radius, the entire town centre is within easy reach of the pub, and the greater part of the southern half of the town. Aside from the two main arterial roads which bound the catchment to east and west, Debden Road is a third important route connecting the town with the villages and farms to the south, and all three are possible links to a wider catchment.

Within 2-5 minutes’ walk of the pub are a number of residential apartments/retirement homes (Appendix 1 Fig. 4). The electoral roll identifies a total of some 3,400 electors. We hope to encourage custom from this group by providing accessible convenient facilities such as a library/ book exchange, internet access, a community owned allotment/ orchard, a local shop supplying essentials and foodstuffs in appropriately smaller quantities, weekly low cost meals, activities such as bingo and bridge classes, lectures and workshops, ‘knit and natter’, a ‘men’s shed’ and other special events.

What role does it play?

The Railway Arms is the only pub serving a large part of the community in the southern part of Saffron Walden. It is a historic pub, which dates from 1865 and is the sole remaining publicly accessible element of the town's closed railway station and Audley End to Bartlow branch line.

With its friendly atmosphere and extensive town garden it has always been known as a place to bring family and friends for food, drink, entertainment and as a place to meet new friends. It has been an employer and a consumer of local services and a focus for the local community and wider Saffron Walden community when holding events such as beer festivals, garden parties, charity quiz nights and as a music venue.

The pub also benefits from outside buildings that, subject to planning permission and finance, have the potential to extend the range of services and activities available to the community. As well as providing new services as described above, they could also provide the local community with function rooms, a community café, a micro-brewery or much needed overnight accommodation in Saffron Walden. All these would complement and enhance the business of the pub and provide additional income to make the pub financially viable. Increased local employment opportunities would follow.

What is the local competition?

The nearest pub [200 metres distant] largely caters for a sporting clientele, offering sports coverage on three televisions while it is open. It does not offer evening meals.

There are other pubs, cafés and restaurants in the centre of Saffron Walden, but the Railway Arms is the only pub serving a large part of the community in the southern half of Saffron Walden, and few pubs in the centre provide evening meals. With the likelihood of more housing being built near the Lord Butler Leisure Centre and beyond in the Shire Ward of Saffron Walden, the Railway Arms is well placed to serve a growing community in that part of the town.

All the local shops, cafés and other local convenience services closed many years ago and residents in the southern part of town must walk or drive to the centre or the outskirts of the town to buy essentials or go to the post office for example.

What sort of pub is it?

The Railway Arms has in the past been essentially a beer house consisting of two bars that have been knocked through to make a single room. It has limited space to provide meals for people wishing to eat at the pub.

The pub has a large enclosed garden that is very popular in the summer, particularly with families and is large enough to hold events including a number of beer festivals in the past. It also has a garden previously used as a private garden that could be developed into a community allotment/ orchard.

The food offering, when run successfully in the past, has been home-cooked, good quality and accessibly priced meals, including a specials board and weekly food promotions.

The pub has been used as a meeting place for people involved in many clubs such as the Saffron Walden Musical Theatre Company, the Saffron Walden Rugby Club Veterans Team, the Saffron Striders, Walden Tri, the Saffron Walden Amateur Operatic Society and a darts team in the past.

Why buy it and why now?

The opportunity to purchase the pub and secure its future for the community comes at a time when many places where people can meet to socialise and forge new relationships are closing.

Places such as these are not just full of character, in this instance, the Railway Arms used to serve the people using the old Railway Station itself, but are essential focal points for members of the local community that help build a distinctive community identity and spirit.

The owners, Charles Wells having failed to obtain planning permission to redevelop and re-open themselves have decided to sell the pub.

Community owned pubs are run on a different business model to pubs owned by brewery and pub companies and can be run on a low-cost basis, improving their financial viability. Run on a non-profit basis with a strong community ethos, an extended range of services and activities and good management, it provides an opportunity to secure a valuable amenity for the community.

Having raised over £450,000 funding in the past and with 284 shareholding members, the Society is in a strong position and has the experience and knowledge to raise the necessary fund to make a successful bid for the Railway Arms

4. The Proposal - To purchase the Railway Arms

Our proposal is that the Saffron Walden Community Pub Limited [the Society], will purchase the first community owned pub in Saffron Walden, the Railway Arms.

In accordance with the Society's governing document, the Model Rules for Community Ownership, (copy attached as Appendix 7), the Society has the power to raise funds to acquire the pub and if successful to be the owner and landlord of the pub. As the pub is no longer trading, the pub would be purchased with vacant possession.

On 1 November 2017, having successfully raised £450,000, the Society offered the owners initially £300,000 plus VAT for the freehold that was later increased to £350,000 plus VAT together with a very generous overage clause.

On 9 April 2018, the owners decided to reject the Society's offer, to take the pub off the market to redevelop and re-open it themselves. They conceded that re-opening the Railway Arms would be dependent upon acquiring planning permission and finding a suitable person willing to take on the tenancy and rebuild a profitable customer base. The owners confirmed that if planning permission was not granted and/or they were unable to find a suitable tenant, they would consider putting the pub back on the market.

Since then the owners have been unsuccessful in obtaining planning permission to redevelop and open the Railway Arms, they have decided to put it back on the market and on 20 December 2019, under section 95(1) of the Localism Act 2011, notified Uttlesford District of their intention to sell the property.

The Society has already advised Uttlesford District Council that it wishes to be considered as a potential bidder for the purchase of the Railway Arms who have informed the owners, Charles Wells, of the Society's intention.

In 2017, the pub was previously marketed by the owner's agents, Gerald Eve, who advised the Society that the owners were looking to sell the pub in the region of £300,000 [plus VAT] as continued use as a pub and in excess of £600,000 for residential development. Being registered as an Asset of Community Value [ACV], a developer considering purchasing the property would need to get planning permission for change of use that we feel would be difficult, in light of the owners failure to be granted planning permission and there being a strong business case and support in place for a community owned pub.

Having already offered £350,000 plus VAT in 2017, the committee feel the owners will now be looking for a similar price or more.

In 2017, The Society commissioned an independent valuer to value the pub and site on three bases: the pub as it stands now, the pub operating without development and operating at its full development potential. For this plan, we estimate the values as:

- The pub as it stands now - £250,000
- The pub operating without development - £325,000
- The pub operating with its full development potential - £420,000

The pub has been closed now for over three years and the Society has asked the valuer to review and update his valuations of the pub to reflect its current condition.

As with the Society's bid in 2017, it intends to finance its purchase and development of the Railway Arms initially through:

- a community share offer for between £200,000 and £250,000;
- loans/ mortgage finance of up to £150,000 on commercial terms;
- grants from charitable trusts and other organisations of up to £75,000;
- a shareholding/ loan of up to £25,000 from a joint venture to run a micro-brewery and/ or community shop/ cafe at the pub.

In 2017, the Society was successful in raising £450,000 funding in total, £250,000 from a community share offer, £150,000 in loans and mortgages and £50,000 in grant funding. This allowed the Society to make a bid of £350,000 plus VAT and have £100,000 to redevelop the pub and outbuildings and provide a useable

space for a community café and/ or shop, a micro-brewery, function rooms and ultimately, perhaps overnight accommodation.

Share Offer

The Society was successful in raising £243,800 from 301 shareholders with pledges for a further £7,000 on the Society being successful in its bid. Since then 17 shareholders have withdrawn their investments totalling £71,350 due to the time taken by the owners to take the pub off the market, submit two planning applications and finally to decide to re-sell it.

It is planned to launch a second community share offer to rebuild the share capital to a minimum of £200,000, but preferably £250,000 to allow it to fully develop the business and range of community services and facilities.

The Society applied for and received advance assurance from HMRC confirming the first share offer qualified for both Seed Enterprise Investment Scheme [SEIS] and the Enterprise Investment Scheme [EIS] administered by HMRC. Under SEIS and EIS, those subscribing for shares are, on the purchase of the pub, able to claim tax relief against their tax bill, 50% of their investment for the first £150,000 raised, and for those investors after the first £150,000, 30% tax relief.

The Society will seek confirmation from HMRC that the second share issue also qualifies for EIS.

Loans/ mortgage finance of up to £150,000 on commercial terms

The Society was granted a conditional joint grant and short-term loan offer in 2017 from the first MTAP programme. The offer of the short-term loan was the maximum offered under the programme of £50,000 and was a short-term loan repayable over 8 years with an interest rate in the region of 8%.

The Society plans to re-submit a grant and loan funding application to the second MTAP programme that provides communities similar benefits and funding as the first programme

In 2017, the Society was also successful in securing a long-term [20 year] mortgage of £100,000 with Triodos Bank. Triodos Bank is a global pioneer in sustainable banking, using the power of finance to support projects that benefit people and the planet. They believe that banking can be a powerful force for good: serving individuals and communities as well as building a more sustainable society.

It is planned to re-apply to Triodos Bank for a loan on the same terms. The loan will be secured on the freehold and provided at commercial interest rates in the region of 4% to 6%. These funds would not be used for the purchase of the pub but to develop the pub and outbuildings with other funding.

Grants and donations

As mentioned, the Society plans to re-submit a grant and loan funding application to the second MTAP programme for the maximum grant awarded under the programme of £50,000. The Society had also been considering applying for funding from the National Lottery Community or Heritage Fund for a grant of up to £25,000 due to the historical heritage of the pub and its outbuildings. In 2018, The Railway Arms was included in the Local Heritage List along with its outbuildings. At the same time the garden was proposed for inclusion in the Neighbourhood Plan as "Green Open Space". These moves are designed to ensure that the pub's significance is preserved, and where possible enhanced, as part of any future development proposals.

JV Share/ Loan

Following development, the outbuilding could provide useable space for several other community ventures such as a micro-brewery, community shop and/ or café, offices and bed and breakfast accommodation. Funding could be in the form of a fixed term premium or several affordable low-cost tenancies.

Security

We plan to ensure the amount of loan finance raised will not exceed 50% of the estimated value of the Railway Arms operating at its full development potential [£450,000]. The business plan cash flow includes regular repayments of loan capital that will increase the proportion of the value of the pub owned by the shareholders.

5. The Proposal - Operations of SWCP

The Saffron Walden Community Pub Limited [the Society] was registered as a Community Benefit Society under the Co-operative and Community Benefit Societies Act 2014 on the 14 June 2017. The Society is governed by the Plunkett Foundation's Model Rules for Community ownership [a copy is attached as Appendix 7].

The management committee are responsible for the overall running of the company and the pub in line with the Society's governing document, aims and values. The management committee reports to the shareholding members each year at an Annual General Meeting. As well as receiving a report on the achievements for the year and agreeing future plans, the members can remove and appoint members of the management committee.

As well as receiving the annual report and financial statements each year, shareholding members can determine the affairs and rules of the society by putting forward motions to amend the Society's aims and values and how the pub should operate. Each member can cast one vote, irrespective of the number of shares owned.

Following the successful purchase of the pub, the management committee will be responsible for the operation of the Railway Arms, in line with the Society's aims and values. It will do this through the appointment of a manager to operate the pub. The manager will run the day-to-day activities of the pub, hiring staff as necessary and in line with an agreed budget.

As well as receiving a salary, the manager will also benefit from living in the flat above the pub at a subsidised rent and will also receive a profit share based first on maintaining the financial viability of the business and secondly on the level of community involvement, activities and events held at the pub.

The management committee will also appoint a part-time [2 days per month] business manager who will be an individual or organisation with extensive experience of pub retailing and will provide the link between the management committee and pub manager. The business manager's role will include assisting the management committee in the recruitment of the pub manager, ensuring the pub is being run in line with the Society's aims and values, is complying with its statutory regulations on H&S, hygiene, VAT and employment law as well as providing internal controls on takings, costs of sales, opening and closing stocks.

The Society's company secretary will be responsible for maintaining the shareholding member's records, receiving and recording applications for new shares and share withdrawals and, with the treasurer's assistance, the payment of interest to shareholders. The secretary will also be responsible for organising shareholder members' and the management committee's meetings.

The treasurer will be responsible for maintaining the financial records, keeping VAT records, paying and reclaiming VAT, the preparation of management and annual accounts, submitting annual returns to the FCA and ensuring all mortgage payments are made on time.

All the committee officers, the business manager and pub manager have/ will have agreed job descriptions setting out their roles and responsibilities.

The management committee will meet formally with the business manager and pub manager at a minimum of every 3 months to discuss the running of the business, to monitor the running of the pub, to discuss recommendations and improvement projects and to satisfy themselves that the pub is meeting the aims and values of the Society as well as the needs of the community, individuals, societies, clubs and local charities.

6. The Proposal - Business Development

The Railway Arms has in the past been essentially a beer house with limited space to provide food to people wishing to eat at the pub. It does have a large enclosed garden that is popular in the summer, particularly with families and for holding events.

Not being in the centre of town, it has limited “footfall” and is more of a “destination” pub. It has attracted large numbers at beer festivals, music events, clubs and society/ charity events.

The undeveloped outbuildings provide a massive potential to expand the business and broaden the range of services and activities provided by the pub.

Having purchased the pub, the first job is to re-open it and we have allowed for up to £20,000 working capital to refurbish and re-equip it.

Having re-opened the pub, the next priority is to rebuild the regular customer base by providing a convivial space and ambience, drink and a food offering that is accessibly priced, of good quality and value. The recruitment of the right pub manager with good hosting, pub retailing skills and the ability to provide an offering that meets the needs of regular customers is key to the success of this.

It is also our intention to work with the business and pub managers to encourage and support their effort in improving the food offering. We will support them in maximising the use of the local market, independent shops and traders, as well as further afield farm shops. The proposed allotment/ orchard could also be a source for organically grown produce and we could also work with local allotment holders in the town to provide ‘surplus’ produce to the pub.

The business plan includes a profit share as an incentive for the pub manager, not only to ensure the pub remains financially viable, but also to encourage the manager to increase the level of community involvement, activities and events held at the pub. The cash flow also includes funding for promoting activities and events and the Society has access to a number of professionals with marketing and communication skills. We will need to proactively advertise events and activities, establish contacts with clubs and societies and groups of people, and that will bring like-minded people together at the pub. A mixture of pub-centric clubs (e.g. darts, pool), groups less traditionally associated with pubs (e.g. dance, reading, ‘knit and natter’, book club) and events such as BBQ evenings, open mics and music nights will ensure a broad appeal.

The Society is very also keen to contact and provide clubs, and charities that help people with physical, learning and employment needs, with opportunities to meet and develop life skills, whether it be meeting or working in the pub, its gardens, a community café/ shop, or other community events at the pub.

Following the successful purchase of the Railway Arms, the Society will hold all its meetings in the pub and will use the pub for refreshments after the AGM (itself likely to be held at the nearby Fairycroft House Media & Arts centre).

We will encourage and support the business and pub managers in providing, for example:

- coffee mornings for young parents who take their children to the nearby R A Butler Academy and St Thomas More School;
- special lunch menus and activities such bingo, bridge clubs and other activities for the over 60’s who live nearby in Custerson Court, Audley Court and in other single accommodation;
- a DVD/CD/book library/ share facility;
- cookery classes particularly for single men of all ages of whom some may be living in isolation;
- a community allotment/ orchard;
- a monthly Business Club for local businesses to exchange ideas, air problems etc.;
- internet provision.

After purchase, the Society will continue to seek additional finance in the form of new grants, new shareholders and loans as necessary to invest in the pub and extend the range of services and activities that it provides. After grants, shareholder capital is more attractive as the dividend/ interest payments are likely to be about 50% lower than commercially sourced finance.

Despite what we expect to be an attractive interest/dividend rate payable on the shares, it is possible that a few shareholders will ask to redeem their shareholding after the initial 3 year 'lock up' period, which could place a strain on SWCP's cash flow.

For this reason, we will continue to seek investors in order to achieve three key objectives:

- minimise the overall cost of the Society's funding;
- build a cash reserve to meet redemption requests and unforeseen expenses;
- develop a 'waiting list' of prospective investors who are attracted by the planned competitive interest/dividend rate but whose investment is currently not needed. These prospective investors would be approached to replace redeemed shares and possibly to fund new, viable projects.

The Society will continue to attract new shareholder interest via its own website and through regular publicity in the town and surrounding areas.

7. The Proposal - Potential improvement plans

The Society has commissioned an independent valuer to provide a fair value of the property and to produce a condition report of the pub. We anticipate and have allowed up to £20,000 for the remedial work to restore the condition of the pub to a presentable state to be able to reopen. This includes:

- repair and redecoration of all external woodwork;
- clean and redecorate the interior;
- internal redecoration to the Manager's flat;
- re-installing all the cellar equipment;
- deep cleaning the commercial kitchen equipment.

The management committee have developed a list of further improvements that it believes will be beneficial for the operation of the pub, as well as allow the pub to provide a wider range of services and activities. These include:

- developing part of the outbuildings to provide a useable space as a meeting/ function room for hire, to be used for parties, clubs, societies, as a separate eatery, community shop or café. This will require installing a small kitchen and additional toilets to be used by the new space, and by people using the new courtyard;
- paving the car park between the pub and the outbuildings to provide a courtyard that better links the pub and outbuildings and provides an external place to eat, drink and hold functions;
- developing other outbuildings to make them into a useable space to allow the providing other community benefits, employment and opportunities.
- relocating the first-floor commercial kitchen to the ground floor to improve the operational effectiveness of the kitchen in providing more meals.

Longer term proposals include converting the stables and cart shed into other uses such as overnight accommodation and/or community shop, exhibition/performance space.

We will not be able to implement them all fully in the short term but see this as a continuing process.

We have commissioned a local architect to prepare outline drawings that can be used when seeking planning permission and for tendering. The architect has confirmed the provisional sums included in the cash flow would be enough to fund the scale of development proposed.

We also believe the Society will benefit from skills such as design, building, plumbing, electrical work, decorating etc. that are available either within the Society's membership or the local community and that could be provided at low cost.

We also anticipate grant funding will be available for part of the costs from bodies such as the Architectural Heritage Fund, Essex Community Fund, Essex Big Society Fund and others.

8. The Business Case

The owners, in their representations to Uttlesford District Council resisting the application to have the Railway Arms registered as an Asset of Community Value in 2017, stated the pub was not financially viable and provided supporting documentation showing that it had made a loss over several trading periods.

Analysis of the supporting information highlighted the underlying reason why the Railway Arms (and many other tied pubs) fail to make a surplus, being the amount the owners take out of the business in the form of rent, service charges and mark up on pubs having to purchase beer and wet goods through the owner.

Stripping out the rents and service charges and reducing the cost of purchases to levels that freehold pubs can access, immediately show that the pub was viable in the past.

The owners also did not initially invest in the pub to exploit the potential of the outside buildings, the dining area and the gardens. Investing in these and providing function rooms, courtyards, an eatery, a micro-brewery and overnight accommodation all complement and enhance the business of the pub.

Perhaps due the success of the campaign to save the Railway Arms, the level of interest shown by the community and the number of investors buying shares, the owner's decision to reject the Society's offer to purchase in order to redevelop and re-open it themselves, demonstrated their belief that the pub could be financially sustainable.

What would change?

Community owned pubs operate under a completely different business model to those operated by tied-pubs and pub owning companies. A well-managed community owned pub only needs to make sufficient surplus to pay the interest to its shareholders and commercial loan providers, to build a reserve to allow shareholders to redeem their shares and to re-invest in the pub. Following the development of the pub and outbuildings, the Society will also benefit from higher trading surpluses and additional rental income.

The projections

A projected five-year cash flow is included in Appendix 2. The assumptions used for the projections are based on the figures when the pub was in operation and running successfully before it closed, and do not reflect the potential from redeveloping the site. We feel the pub trading sales figures may well be higher once the outbuildings have been developed and with more people being engaged and shareholding customers using the pub.

Broadly the projections demonstrate that with conservative assumptions, the new company would generate a surplus after payment of debt costs, shareholder interest and other costs.

In the worst case, should the underlying pub business fail, we would then have two alternatives:

First, we would identify why the pub is not being successful and perhaps seek a new manager to implement a revised business plan.

Should this not be successful we would be able to demonstrate that, run on a not-for-profit basis, a pub business simply will not work and the Society, as the owner of a valuable freehold property, would be able to sell the property and repay the shareholders and other providers of capital.

Also, in this extreme scenario, the community having endeavoured and failed to ensure the continuation of a viable business, would be able to seek permission for a change of use and sell the building and site. Should this happen, it is probable a sale on this basis would realise an amount in excess of any amounts owed and provide a surplus which would have to be distributed for the benefit of the community.

We will manage the Society's sources of capital such that the total amount of loan finance raised will not exceed 50% of the estimated value of the pub operating at full development potential at our estimate of £450,000. The business plan cash flow also includes regular repayments of loan capital that will increase the proportion of the value of the pub owned by the shareholders.

We believe that our projections for the business are reasonable and achievable. They are largely based on existing data. However, these projections do not factor in the considerable goodwill and new interest that will be created by the formation of a community owned pub.

Several other factors will have a positive impact on the performance of the pub, including:

- we expect that shareholders, with a more direct vested interest in the success of the Railway Arms, will increase their support and use of the pub;
- the Society will be more attentive than the existing owner to the need for improvements to the fabric of the building and for better decorated and fitted out bars and toilet facilities. These will make the pub more attractive to visit;
- the manager will be incentivised to increase the level of community involvement, activities and events that in turn will help grow the business and make it viable;
- the shareholder base will include people with a wide range of relevant skills, and we are confident that these will be made available to the Society in respect of improvement projects. The town is home to plumbers, electricians, decorators, builders etc.;
- the creation of the first community owned pub in Saffron Walden will raise the profile of the Railway Arms in the town and surrounding areas.

9. SWOT analysis

Strengths

- Historical heritage
- Good location, in area with lots of housing
- Dwindling number of competing pubs in the town
- Lack of local convenient community services
- Core existing customer base for pub business
- Potential from unutilised outside buildings
- Large garden
- Good internal condition/ decorations
- Underlying value of site and, in extremis, development value
- Reservoir of goodwill for pub
- Inherent incentive for proposed shareholder base to use pub and underpin business
- Management by Committee

Weaknesses

- Distance from town centre
- Limited “footfall”
- Limited on-site car parking
- Kitchen on first floor, access to bar via a dumb waiter system
- Management by committee
- Dwindling pub scene

Opportunities

- To be the first community owned pub in Saffron Walden
- As a community-based company, increased possibility of grant and donor funding
- Strengthen customer base and loyalty by building on ‘community’ aspect of pub
- Involve customers and wider community more in pub, e.g. events, practical skills
- Invest in and develop complementary new community services and facilities
- Work closely with manager to enhance attractiveness of pub, through practical support and constructive feedback
- Demonstrate a new model that can support the wider pub scene in the town

Threats

- Unsuitable pub manager
- Unforeseen costs, repairs etc
- Structural/ building improvements required, e.g. garden, courtyard, repairs to outbuildings
- Environmental impact of micro-brewery
- High level of redemption requests from shareholders
- Pub business may not be successful for reasons beyond our control, e.g. economic situation, new legislation etc

The weaknesses and threats can be addressed as follows:

Distance from town centre and low footfall

The Railway Arms is 500 metres [a 10-minute walk] from the town centre. There are other pubs, cafés and restaurants in the centre of Saffron Walden, but the Railway Arms is the only pub serving a large part of the community in the southern half of Saffron Walden. With the likelihood of more housing being built to the South and East of Saffron Walden, the Railway Arms is well placed to serve a growing community in that part of the town.

The Eight Bells pub is a similar distance north of the town centre and is a popular venue due to having an excellent restaurant and space to hold events. The Railway Arms is smaller, but better positioned than the

Eight Bells as it has a larger “10-minute walking” catchment area to the greater part of the southern half of the town where there are no other pubs.

The pub has been very popular in the past, particularly when holding events. Being the only community owned pub in Saffron Walden, it will be unique in being accessible to all by way of price, activities and events with a focus for community social inclusion.

The business plan includes an incentive to encourage the manager to increase the level of community involvement, activities and events held at the pub. Allowance has also been made for promoting activities and events in the cash flow projections and the Society has access to professional people with marketing and communication skills.

All the local shops, cafés and other local convenience services closed many years ago and residents in the southern part of town must walk or drive to the centre or the outskirts of the town to buy essentials or go to the post office for example. Re-establishing a community hub that is more than a pub will help cross-fertilise each business.

Limited car parking

There is very restricted parking on the pub site. There is on-road parking in Station Road and Station Street, the exception is during school drop-off and pick-up times, but these do not conflict with the pubs more active times.

With its larger “10-minute walking” catchment area from the town centre to the greater part of the southern half of the town, many wanting to go the Railway Arms will be able to walk. Indeed, many less mobile people live on the doorstep.

First floor kitchen

The first-floor kitchen and “dumb-waiter” would be adequate for the level of food sales on the reopening of the pub. As the business develops, it would improve the operating capacity of the kitchen and the provision of meals if the kitchen is moved to where the toilets are currently and the toilets [apart from a toilet for disabled customers] are relocated to where the kitchen is upstairs. A further small kitchen and new toilets would be included in the development of the outbuildings and the provision of a function room, eatery, community café etc.

Management by committee

All members of the management committee are bound by a code of conduct when dealing with the Society’s affairs. All decisions made by the committee are done so as a corporate body, preventing any individual member making decisions that affect the Society without the consent of the committee. Decisions made will also need to be in line with the Society’s objectives, aims and values as determined by the shareholders. As well as having the power to appoint members onto the management committee, shareholding members can also vote to remove committee members.

The committee is currently carrying out a skills audit to ensure there is a good range of business, financial and marketing skills and expertise on the committee to run the Society. Job descriptions will be drawn up defining the responsibilities and roles of each officer on the committee as well as the business manager and pub manager.

The appointment of the part-time business manager will be the link and provide a “buffer” between the management committee and the pub manager that will facilitate the working relationship between both parties.

Pub manager

A key criterion to the success of the venture is having the right pub manager who, in addition to being well qualified in pub retailing, has the vision, motivation and capability to operate the pub with a strong inclusive community ethos and is willing to provide the wide range of services/ activities as set out in the plan.

Good recruitment, retention, performance management and training practices are vital for employing the right person(s). The management committee includes members with a range of business skills and expertise covering Human Resource management. The committee will also be able to use the skills and expertise of the business manager in the recruitment and management of the pub manager.

Provision has also been made for the pub manager to receive an annual profit share based partly on maintaining the financial viability of the business and on the level of community involvement, activities and events held at the pub.

Building improvements

These could be both costly and disruptive. However, as a community company, we would be attractive to certain donors. We also benefit from a broad skill base in the town that could be used to enhance the quality of the community owned asset. These skills include architectural and building design, building, plumbing, electrical, flooring, decorating services, gardening etc.

Unforeseen costs for maintenance

We will endeavour to maintain a cash reserve for maintenance. The cash flow projections include an allowance for this. In addition, as with the building improvements discussed above, we would expect to be able to benefit from substantial donations of skilled labour from the pub customers and shareholders.

High level of share redemption costs

We would aim to have a reserve of cash in place to meet any redemption requests, however this is a non-productive asset (paying 3%+ interest out and receiving 1% from a bank). We would therefore seek to make the interest rate payable to shareholders an attractive one so that requests driven by a need for higher returns would be few. In addition, we would endeavour to create and maintain a waiting list of investors who have expressed a wish to buy shares.

Underlying pub business may not be successful.

It is possible that despite the efforts undertaken and improvements made, the Railway Arms might not become a viable business. In that event, the community owned company will own the freehold of a very valuable site. At worst, the site could be sold and the proceeds used to redeem all shares outstanding and put any surplus into charity projects, possibly as the basis of a community endowment fund.

Economic environment is not conducive to business

Clearly, we are unable to control broader economic events which could impact on the underlying business. However, as a community-based organisation we should have a greater degree of flexibility and desire to assist the pub manager than the large pub owning companies have.

10. The Management Committee

There are currently 7 members on the committee with the provision to increase to 12. The committee is currently putting together a succession plan such that new members with the necessary business and other skills come onto the committee to maintain the momentum and direction of the Society in line with the aims and values of its shareholding members and other interested stakeholders.

The current members are:

Tom Bennett [Secretary]

Tom has lived in Saffron Walden now for 10 years and in the area for over 25 years. He became involved in the campaign initially to save another closing pub but increasingly to be part of a growing movement in creating pubs that are “more than a pub”.

He has worked in the charity and not for profit sector for over 32 years, as a Finance and Administration Manager rising to the position of a Chief Executive Officer of an occupational Benevolent Fund and offers experience and knowledge on governance, business planning, finance, administration and facility management and has been involved in the start-up of two new organisations.

Tom is now part-retired that allows him time to support the campaign for the first community owned pub in Saffron Walden.

Jules Hales

Jules has a lifelong interest in pubs, beer, and the opportunity to try and create the perfect pub.

Jules worked for 30 years in the City managing multi-million-dollar treaty reinsurances for medium/large insurance companies in the USA.

In 2011 he attended a three-month brewing course and in 2012 set up his own brewery and created a beer brand, “Bombay Blonde”. Jules holds a personal licence for the sale of alcohol and his company is fully registered under the HMRC Alcohol Wholesalers Registration Scheme.

Jules brings his extensive knowledge of brewing, the pub industry and running his own small VAT registered business. He provides good all-round organisational skills, the ability to work to strict deadlines and high quality written and verbal communication skills.

Dave Kenny [Chair]

Dave moved to Saffron Walden in 2005 and was a regular at the Railway before its closure. He is an archaeologist now working with Historic England and has worked in the heritage sector for over 32 years.

He is mindful of the public benefit associated with access to and appreciation of the historic environment. Pubs are one of the most readily accessed elements of the historic environment and he sees their loss as damaging in terms of the scope of the public domain in the town and throughout the country.

He was particularly concerned by the way that the Railway’s community of regulars were dispersed without notice at the time of its closure and sees the alternative CBS business model as offering a more sustainable solution to the challenges faced by pubs in promoting community wellbeing and social cohesion.

Steve Langford

Steve moved to Saffron Walden 11 years ago after living in North London/Hertfordshire and was a regular at the Railway before its closure.

He has worked in the electronics industry for over 27 years in the UK and Europe covering many marketing, sales and procurement roles and has been a long-term member of the Chartered Institute of Procurement & Supply (CIPS). A former keen rugby player, Steve is also secretary of Saffron Walden Rugby Club. Steve has experience in business development, PR & marketing, commercial negotiation and contract management.

Gemma Perry [Treasurer]

Gemma has lived in Saffron Walden all her life, except for a few years away at University. In this time, she has seen the number of pubs in town halve and hopes to contribute to saving another from closure.

She is Data Manager for an educational trust near Cambridge, a job which combines many years administrative experience with a mathematical background to analyse and present statistics across the organisation. She hopes these skills, along with her local knowledge, will be beneficial to the Society.

Tim Walker [Vice-Chair]

Tim has lived in Saffron Walden for 27 years and helped raise two children that have attended local schools and sports clubs here.

He has worked in the travel industry for over 32 years. The last 19 years of which as a partner in a tour operating company based in Uttlesford that he co-founded and still works at full time.

He is looking forward to bringing his general business administration and financial skills in running a medium size organisation to the group's benefit.

Kenneth Wright

Kenny is a retired Geography teacher, householder in Saffron Walden since 1976, and permanent resident since retiring in 2005.

He currently works part-time with Bell International (Language School) and likes to spend leisure time punctuating long-distance treks with pub-crawling.

He is dismayed by the loss of numerous local pubs, both in town and the rural hinterland, which constantly confound his out-of-date OS maps, and fires a commitment to revolt against this trend.

26 February 2020

Appendix 1

Fig 1 The Railway Arms in Saffron Walden

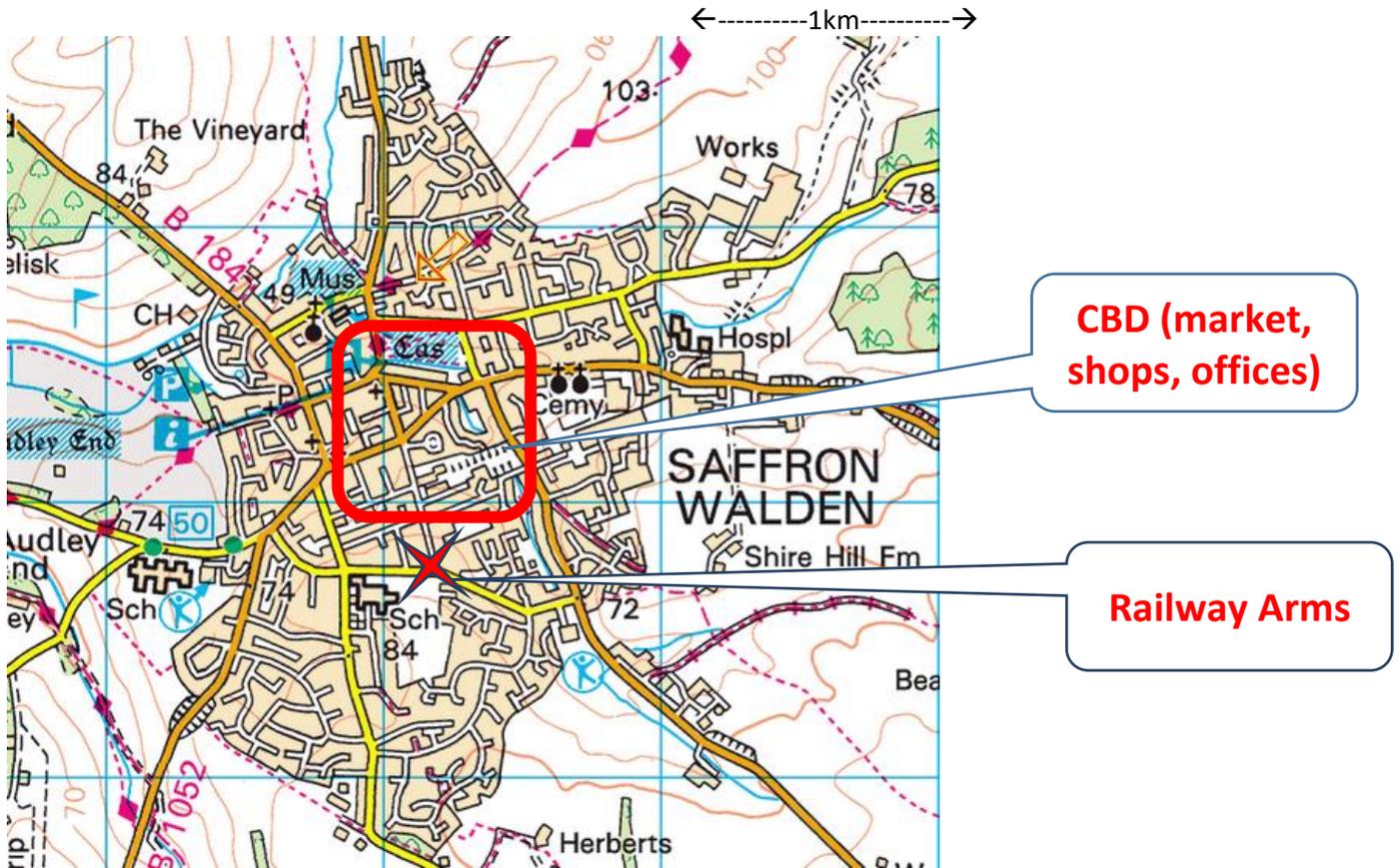


Fig 2 Potential catchment area of the pub

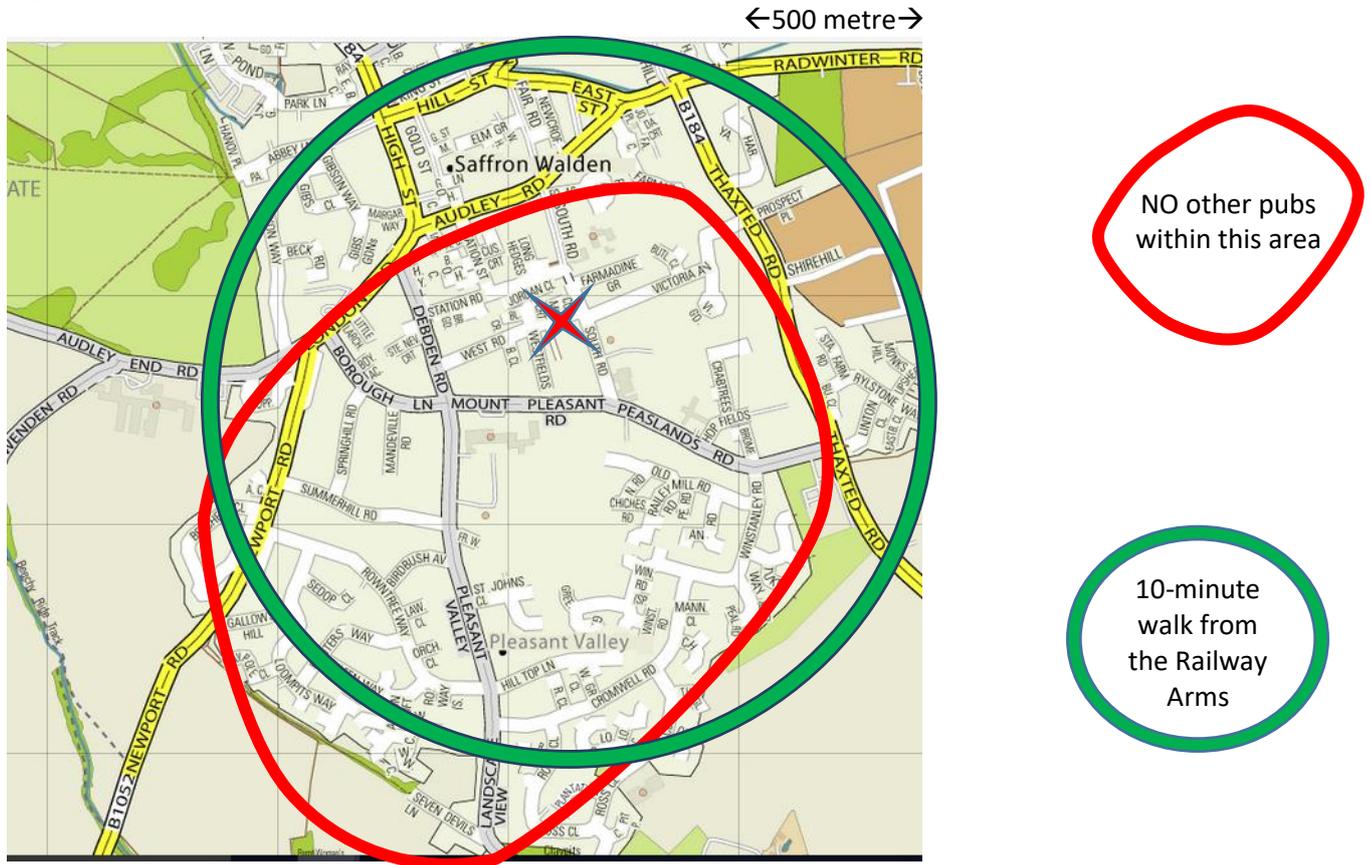


Fig 3 Ward boundaries, prime catchment area

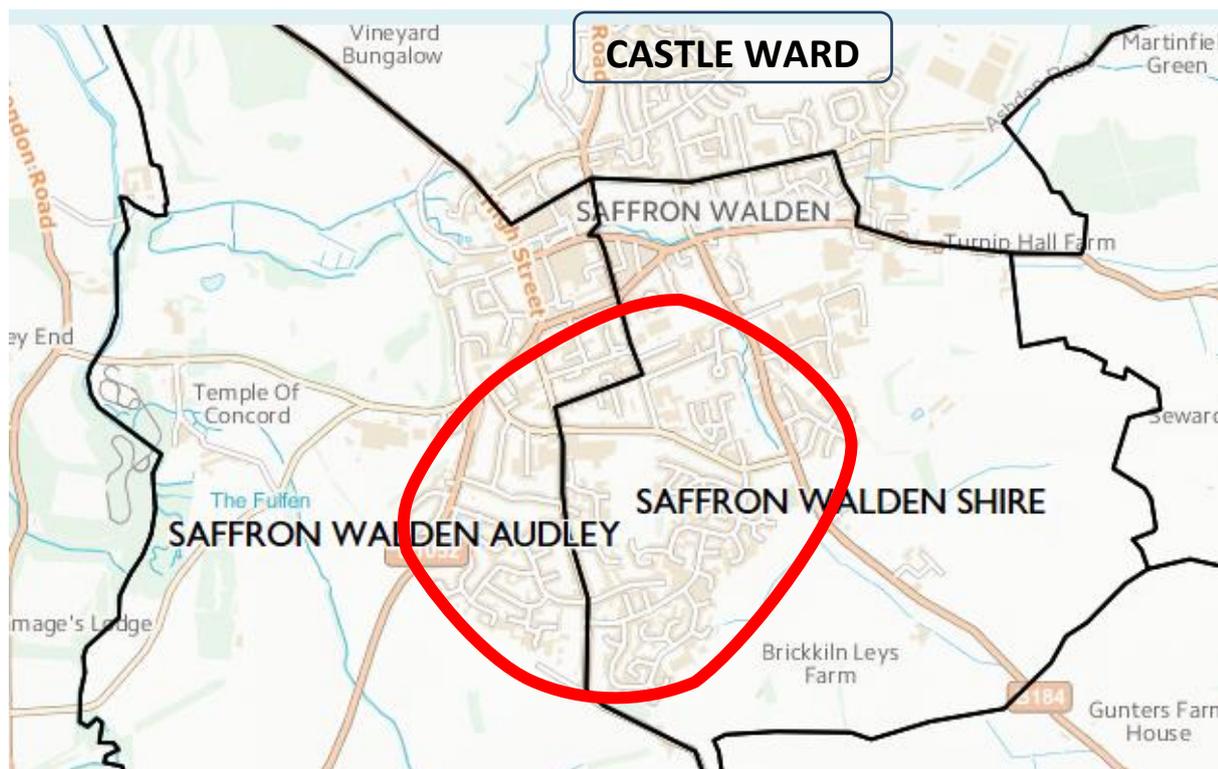


Fig 4 Potential number of customers

Although a few streets in Audley and Shire wards fall outside the **prime catchment area** as shown by the boundary, this should be more than counterbalanced by potential customers travelling from Castle Ward, which has not been included in the totals below.

Ward	No. properties	No. electors [2019]
Audley	2,221	3,940
Shire	3,154	5,784
TOTAL	5,375	9,724

Retirement Homes (incomplete list)

Homes	No. Residents
John Dane Player Court	21
Stanley Wilson Lodge	36
Saffron Lodge	38
Highfield Nursing Home	22
Audley Court	47
Gabriel Court	27
Farmadine House	47
Four Acres	50
Custerson Court	57

Source: Electoral Roll 2015

Appendix 2							
Cashflow							
	Year	Start up	2020/21	2021/22	2022/23	2023/24	2024/25
		£	£	£	£	£	£
Income							
Share issue		250,000	-	-	-	-	-
New shares Issued		-	5,000	5,000	5,000	5,000	5,000
Grants/ fundraising		50,000	25,000	2,500	2,500	2,500	2,500
Short term loan [8 years]		50,000	-	-	-	-	-
Long-term loan/ mortgage [20 years]		100,000	-	-	-	-	-
JV Seed Funding		-	25,000	-	-	-	-
Purchase VAT recovery			70,000	-	-	-	-
Trading income [see trading account]			220,000	226,600	233,400	240,400	247,610
Other income							
Rent Manager's accommodation			7,200	7,380	7,560	7,750	7,940
Rent outside/ function rooms			-	12,000	12,360	12,730	13,110
Total income		450,000	352,200	253,480	260,820	268,380	276,160
Expenditure							
Property cost		420,000					
Acquisition costs		10,000					
Refurbishment of cafe/shop/ function rooms/micro brewery			50,000	100,000	-	-	-
Trading costs [see trading account]			182,650	187,630	192,830	198,050	203,510
Property maintenance fund			5,000	5,130	5,260	5,390	5,520
Property Insurance			1,000	1,030	1,060	1,090	1,120
Legal & professional costs			1,000	1,030	1,060	1,090	1,120
Business Manager [2 day per month]	£ 400		4,800	4,920	5,040	5,170	5,300
Manager profit share [trading profits]	20.0%		7,500	7,690	7,880	8,080	8,280
Short term loan interest	8.0%		4,000	3,500	3,000	2,500	2,000
Long term loan interest	4.8%		4,750	4,513	4,275	4,038	3,800
Shareholder Interest	3.00%		7,500	7,650	7,800	7,500	7,650
Shares withdrawn			-	-	-	15,000	5,000
Loan repayment			-	-	-	-	-
Short term loan [repayable [8 years]			6,250	6,250	6,250	6,250	6,250
Long-term loan/ mortgage [20 years]			5,000	5,000	5,000	5,000	5,000
Total expenditure		430,000	279,450	334,343	239,455	259,158	254,550
Net income/ (expenditure)		20,000	72,750	(80,863)	21,365	9,223	21,610
Opening bank balance		-	20,000	92,750	11,888	33,253	42,475
Closing bank balance		£ 20,000	£ 92,750	£ 11,888	£ 33,253	£ 42,475	£ 64,085
Growth rate	3%						
RPI	2.5%						

Appendix 2

Trading Account							
		Year	2020/21	2021/22	2022/23	2023/24	2024/25
	Qty/%	Rate	£	£	£	£	£
Sales							
Wet Sales	52	£ 2,500	130,000	133,900	137,920	142,060	146,320
Food Sales	52	£ 1,500	78,000	80,340	82,750	85,230	87,790
Other income	12	£ 1,000	12,000	12,360	12,730	13,110	13,500
Total Sales			220,000	226,600	233,400	240,400	247,610
Purchases							
Wet Purchases	35%		45,500	46,870	48,270	49,720	51,210
Food Purchases	30%		23,400	24,100	24,830	25,570	26,340
Total Purchases			68,900	70,970	73,100	75,290	77,550
Direct Costs							
			10,000	10,250	10,510	10,770	11,040
Gross Profit/Loss	64%		141,100	145,380	149,790	154,340	159,020
Overheads							
Promotion and advetsising			3,000	3,080	3,160	3,240	3,320
Staff Costs			55,000	56,380	57,790	59,230	60,710
Business rates			8,000	8,200	8,410	8,620	8,840
Light & Heat			6,000	6,150	6,300	6,460	6,620
Motor Expenses			1,000	1,030	1,060	1,090	1,120
Office costs & subscriptions			1,000	1,030	1,060	1,090	1,120
Legal and Prof. Fees			2,500	2,560	2,620	2,690	2,760
TV, sky & licence costs			150	150	150	150	150
Equipment costs			1,000	1,030	1,060	1,090	1,120
Cleaning & Gardening			8,000	8,200	8,410	8,620	8,840
Bank/Credit Card Charges			4,000	4,100	4,200	4,310	4,420
Total overheads			89,650	91,910	94,220	96,590	99,020
Contingency [gross profit]	10%		14,100	14,500	15,000	15,400	15,900
Net profit/ (loss)			£ 37,350	£ 38,970	£ 40,570	£ 42,350	£ 44,100
			17%				
Growth Rate	3%						
RPI	2.5%						
Total Costs			182,650	187,630	192,830	198,050	203,510

Appendix 3 - Assumptions used for cash flow projections

Share issue

The minimum subscription will be for 1 share (£50) and the maximum will be 1,000 shares (£50,000) to allow for a larger number of shareholders and to provide financial stability going forward.

Currently there are 284 shareholders and the total share capital stands at £172,550 against a target of £200,000. It is expected that once the second share issue is launched the target will be exceeded and the total will be nearer to £250,000.

New shares

We anticipate that other people will want to invest in the Society after the pub has been purchased. We have anecdotal evidence of other community ownership schemes having waiting lists of people wishing to invest in projects that support and provide benefit to community. Funds raised from new shares will be held and used for those shareholders wishing to withdraw their shares.

Loans/ mortgage finance of up to £150,000 on commercial terms;

The Society has been successful in the past when applying to the Plunkett Foundation's "More than a Pub" programme for the maximum joint loan of £50,000 and grant of £50,000 available. The Society has re-applied for the maximum joint loan and grant. The loan is a short-term loan repayable over 8 years with an interest rate in the region of 8%.

The Society has been successful in the past when applying to the Triodos Bank for a long-term (20 year) loan or mortgage of £100,000 secured on the freehold at commercial interest rates in the region of 4% to 6%. These funds would not be used for the purchase of the pub but used with other funding to develop the pub and outbuildings.

Grants and donations

We estimate that £75,000 will be raised from applying to grant giving programmes, organisations and individuals. We are currently re-applying for grants from the second "More than a Pub" programme, the National Lottery Heritage and Community Fund and other charities.

JV Share/ Loan

Following development, the outbuilding could provide useable space for several community ventures such as a micro-brewery, community shop and/ or café, offices and bed and breakfast accommodation. Funding could be in the form of a fixed term premium or a number of affordable low-cost tenancies

Trading income

The sales figures are based on turnover achieved when the pub was in operation and are expected to grow at a rate of 3% each year after the first year. We feel the sales figures may well be higher once the outbuildings have been developed as this may increase the number of people using the pub.

Other income

Rent – Manager's accommodation

The pub has a three-bedroom flat on the first floor that will be offered to the pub manager at a rate of c.£600 per month increasing by 2.5% annually. The average rent for a three bedroom flat in Saffron Walden is between £1,000 and £1,250.

Rent - Outside/ function rooms

We have included £1,000 per month, increasing 3% annually, for rent from the micro-brewery, community café/ shop and hire of the function rooms/ gardens for events and weddings.

Expenditure

Price of the pub

We are assuming at this stage the vendor will accept a price in the region of £350,000 plus VAT.

This is based on previous discussions with the owner's agents, Gerald Eve, the valuation carried out by an independent valuer and sales of similar pubs in the area. The final price will be determined by the number of bidders and the owners' willingness to accept a price on the basis that the Railway Arms continues as a pub.

Acquisition costs

- Stamp duty land tax: £7,500
- Legal costs: £1,500
- Land Registry fee: £500
- Valuation fees: £500

Refurbishment and creations of a community café/shop/ bed and breakfast/ micro-brewery

We have had initial discussions with an architect on refurbishing and turning the outbuildings into usable space for a community café/shop, function rooms, and micro-brewery. He has confirmed the amount provided for the refurbishment is reasonable to allow these developments. Further funding may be needed for the second development phase of providing bed and breakfast accommodation.

Trading expenditure

The cost of purchases has been based on industry averages and are expected to increase in line with growth and CPI.

Staff costs

The expenditure includes staff costs of £55,000 to employ a manager, bar and kitchen staff. The cost includes employer's costs for National Insurance and pension contributions as the staff will need to be automatically enrolled within a new stakeholder pension scheme.

Overheads

The costs for rates, light and heat have been based on the amounts paid when the pub was operating and adjusted for inflation.

Contingency

A contingency has been included to allow for an adverse variation of 10% in gross profit due to lower than anticipated turnover or higher cost of sales. The trading accounts are currently being reviewed and checked for reasonableness by an advisor whose business is buying and selling pubs.

Maintenance

We have provided for £5,000 per annum and increasing at 2.5% annually to be set aside for a property maintenance fund.

Business Manager [2 days per month]

Provision has been included for the appointment of an individual or organisation that would provide an oversight role on the pub's operation and would report to the Management Committee. The role would include ensuring the pub is being run in line with the Society's aims and values, it is complying with its statutory obligations on Health & Safety, Hygiene, VAT, other taxes, employment law etc as well as providing internal controls on takings, costs of sales, opening and closing stocks.

Manager profit share (20% trading profits)

We have included a profit share for the pub manager, to provide an incentive to operate the pub on a sound financial basis. Other metrics will also be considered when reviewing the manager's performance incentive, such as number of community events held etc.

Mortgage/loan interest

Interest has been included at an average rate of 8% for short-term loans and 5% for longer-term loans/mortgages.

Share interest

Shareholders will receive interest at a rate of 3% per annum. Payment will be made gross of tax. Depending on the overall viability of the business, it is proposed to maintain this rate at a level of at least 2.5% above the Bank of England base rate but not more than 3% above. Rates will need to be at a level to retain investors.

Shares withdrawn

We believe that in practice and provided an attractive interest rate continues to be paid, the rate of share withdrawal requests will be low, and it will be possible to attract new investors. The cash flow shows withdrawals being permitted from year 3, at a level rate of £5,000 per annum, which has been matched by new shares being issued for the same amounts. However, withdrawals would only be possible provided the business was not endangered and requests for withdrawals can be declined and/or reduced by the management committee.

Appendix 4 – Balance sheet projections

	Start-up	2020/21	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£	£
Fixed Assets						
Freehold property [cost]	360,000	360,000	360,000	360,000	360,000	360,000
Building development		50,000	150,000	150,000	150,000	150,000
Furniture and equipment		20,000	20,000	20,000	20,000	20,000
Total	360,000	430,000	530,000	530,000	530,000	530,000
Current Assets						
Trade stock		3,000	3,170	3,340	3,520	3,710
Trade Debtors		2,000	2,110	2,230	2,350	2,480
Other Debtors	70,000	1,000	1,000	1,000	1,000	1,000
Bank Account	20,000	92,750	11,888	33,253	42,475	64,085
Total	90,000	98,750	18,168	39,823	49,345	71,275
Current Liabilities						
Trade Creditors		3,500	3,690	3,890	4,100	4,330
Other Creditors		2,500	2,500	2,500	2,500	2,500
Total	-	6,000	6,190	6,390	6,600	6,830
Net Current Assets	90,000	92,750	11,978	33,433	42,745	64,445
Total Assets less Current Liabilities	450,000	522,750	541,978	563,433	572,745	594,445
Long-term Creditors						
Coop Community Bank [8 yrs.]	50,000	43,750	37,500	31,250	25,000	18,750
Loan/ mortgage [20 yrs.]	100,000	95,000	90,000	85,000	80,000	75,000
Total	150,000	138,750	127,500	116,250	105,000	93,750
Total Net Assets	£ 300,000	£ 384,000	£ 414,478	£ 447,183	£ 467,745	£ 500,695
Capital and Reserves						
Shareholding	250,000	250,000	250,000	250,000	250,000	250,000
New shares/ redemption reserve		5,000	10,000	15,000	5,000	5,000
General reserves	50,000	129,000	154,478	182,183	212,745	245,695
Total Capital and Reserves	£ 300,000	£ 384,000	£ 414,478	£ 447,183	£ 467,745	£ 500,695
		-	-	-	-	-
Growth rate	3%					
RPI	2.5%					

Appendix 5 Community Benefit Societies

The purpose of a community benefit society is to serve the broader interests of the community, in contrast to co-operative societies that serve the interests of members. The 2014 Act requires a community benefit society to “carry on a business, industry or trade” that is “being, or intended to be, conducted for the benefit of the community”. Community benefit societies are registered and regulated by the Financial Conduct Authority [FCA] who focus on following four key characteristics of a community benefit society when considering registration:

Purpose: The FCA says that “the conduct of a community benefit society’s business must be entirely for the benefit of the community”. There can be no alternative or secondary purposes, including any that may preferentially benefit the members.

Membership: In common with all societies, community benefit societies are expected to have members who hold shares. The FCA expects community benefit societies to be run on a democratic one-member-one-vote basis regardless of the number of shares owned.

Application of profits: Any profit made by a community benefit society must be used for the benefit of the community. Unlike a co-operative society, profits cannot be distributed to members of a community benefit society. Interest on share capital is an operating expense and should be subject to a declared maximum rate.

Use of assets: Community benefit societies must only use their assets for the benefit of the community. If a community benefit society is sold, converted, or amalgamated with another legal entity, its assets must continue to be used for the benefit of the community and must not be distributed to members. This lock on the assets of a community benefit society can be reinforced by adopting the prescribed wording for a statutory asset lock

Community Benefit Societies are particularly appropriate for organisations wishing to raise capital from the public as it has several special attributes that make it different to companies in this regard, these are:

- enshrined democracy and protection of members' rights - has to be one member, one vote regardless of the number of shares owned. In a society, members have the right to appoint and dismiss directors and determine the affairs and rules of the society;
- withdrawable share capital - societies have the option of issuing withdrawable share capital. This type of share is withdrawable by the member, subject to any conditions stated in the society’s rules. There is no requirement to specify an amount of share capital upon registration. Societies have some exemptions from the Financial Services and Markets Act (FSMA 2000), including exemptions covering the approval of financial promotions, which can reduce the cost of a share issue. Withdrawable share capital is nevertheless risk capital and, despite the exemptions, the FCA will expect a society to provide appropriate information regarding this risk to potential investors;
- limits on shareholding - all members must hold at least one share in the society. Currently shareholding for individuals is limited to £100,000, but there is no limit to the size of shareholding held by another society;
- limits on share interest - the interest payable on shares must be limited to what is “necessary to obtain and retain enough capital to run the business”. Those people investing in societies usually do so for socially motivated or philanthropic reasons.

Source: *The Community Shares Handbook*

Appendix 6 Community Benefit Plan

What 'More than a Pub' service or activity will you provide?	Description	Costs	Target Groups	What outcomes or benefits will those group(s) experience as a result of accessing this service or activity?	How will you monitor whether these outcomes are being achieved?	When will this service/ activity commence?
Enabling the community to bring about change	The purchase of the first community owned pub in Saffron Walden will be a hugely significant event in the town and will demonstrate the power of the community to change things that matter to them. Saving the Railway Arms will endow a large and growing community with the confidence, enthusiasm, skills, knowledge and wherewithal to take action and reverse the trends over the last ten years in the reduction of local services and support to all parts of the community and in particular to those less able and vulnerable in caring for themselves	<p>Estimated purchase/ setup costs £360,000 funded by share capital, grant and loan funding.</p> <p>Estimated running cost per year £218,200</p> <p>Estimated revenue generated per year: £227,200</p>	<ul style="list-style-type: none"> – Residents living in Saffron Walden [16,600] – Residents in the catchment area [9,700] – Older people or people with limited mobility who may be isolated or socially excluded [2,400] – Unemployed people with limited opportunities and confidence [120] 	<ul style="list-style-type: none"> – Reducing social isolation – Improving health and wellbeing – Increasing employability – Creating better access to basic services – Enabling greater community cohesion – Foster greater community pride and empowerment 	<p>It is planned to set up a Marketing, Publicity and Events Steering Group will monitor and collect data for marketing and publicly purposes and to provide monthly reports to the pub manager, management committee to monitor usage, volunteer involvement etc.</p> <p>Data will also be used when managing the performance of the manager [quarterly] and published annually in the Annual Report and Financial Statements.</p> <p>Data will include the number of local residents becoming shareholders, volunteers and users of the planned services and activities. Number using the facilities and services provided - events calendar/booking system/ data records.</p>	01/06/2020

What 'More than a Pub' service or activity will you provide?	Description	Costs	Target Groups	What outcomes or benefits will those group(s) experience as a result of accessing this service or activity?	How will you monitor whether these outcomes are being achieved?	When will this service/ activity commence?
Providing structured opportunities for volunteering	<p>There are a number of post-acquisition actions/ projects to, reopen the pub, make the trade garden use-able again, provide a new separate community garden, orchard, develop the outbuildings to provide use-able space to deliver additional community services included a community shop and cafe.</p> <p>Each project will have a steering committee with members drawn from the local community with the skills and knowledge to deliver each project.</p> <p>It will also provide job experience to steering group members looking for employment.</p> <p>The aim is to maximise the level of community involvement and engagement at the Railway Arms for the long-term</p>	<p>Nil.</p> <p>The activity will be managed and operated by volunteers.</p>	<ul style="list-style-type: none"> - Local residents in the catchment area [9,700] - Unemployed [120] - Young people [1,700] 	<ul style="list-style-type: none"> - Reducing social isolation - Increasing employability - Enabling greater community cohesion - Foster greater community pride and empowerment 	<p>The number of local residents volunteering to be members on the steering groups.</p> <p>The number of unemployed and volunteering.</p> <p>Volunteer register, impact reports to the monthly management committee meetings and to members and supporters via the website, social media, Annual Report and Financial Statements.</p>	01/07/2020
Providing elderly residents and those living alone an accessible place to socialise, take part in activities outside their homes.	<p>Re-opening the pub is the first priority and will provide an accessible space for a range of services and activities for the many elderly residents and those living alone.</p> <p>Services and activities will include a low-cost lunch club, a book club, bingo, bridge clubs, a book/DVD/ CD lending library, access to internet and a parcel collection service.</p> <p>The marketing, publicity and events steering group will publicise, organise and run the events with the help of other volunteers. A</p>	<p>Estimated setup cost £20,000 funded from grants and loans.</p> <p>Estimated running cost per year £7,000.</p> <p>Estimated revenue generated per year: £7,000.</p>	<ul style="list-style-type: none"> - Local residents in catchment area [9,700] - Residents of nearby sheltered accommodation [3,400] - Unemployed [120] 	<ul style="list-style-type: none"> - Reducing social isolation - Improving health and wellbeing - Increasing employability - Creating better access to basic services - Enabling greater community cohesion 	<p>Weekly usage reports, feedback from customers, sheltered accommodation residents, family and staff.</p> <p>Reported to Marketing, Publicity and Events Steering Group, monthly management committee meetings, quarterly manager performance reviews, AGM's.</p>	28/08/2020

What 'More than a Pub' service or activity will you provide?	Description	Costs	Target Groups	What outcomes or benefits will those group(s) experience as a result of accessing this service or activity?	How will you monitor whether these outcomes are being achieved?	When will this service/ activity commence?
	defibrillator will also be installed.					
Function room, community space and facilities	<p>The post-acquisition action plan includes a project to redevelop part of the outbuildings to provide a multi-purpose space to be used for activities such as:</p> <ul style="list-style-type: none"> – coffee mornings, – training workshops – a meeting and function space for clubs and societies, – crafts and exhibitions, – a local drop-in health – other services, and service users of local charities and support organisations 	<p>Estimated setup cost: £50,000 funded from loans.</p> <p>Estimated running cost per year: £6,000</p> <p>Estimated revenue generated per year: £12.000</p>	<p>Local residents in catchment area [9,700]</p> <p>Clubs and societies [1,000]</p> <p>Charities [200]</p>	<ul style="list-style-type: none"> – Reducing social isolation – Improving health and wellbeing – Increasing employability – Creating better access to basic services – Enabling greater community cohesion – Improving access to cultural activity for providers and consumers 	<p>Events booking register/ calendar/ data recorded by the Marketing, Publicity and Events Steering Group.</p> <p>Reported at monthly management committee meetings, quarterly manager performance reviews, AGM's.</p>	31/10/2020
Men's shed, repair shop, Library of Things in former workshop buildings	<p>A men's shed, repair shop and a Library of Things will be established in the former workshop buildings to provide individual and/or group activity to older men experiencing isolation to generates a sense of wellbeing amongst a particularly vulnerable group. The benefits can also be accessed by other sections of the community</p> <p>A library of things will offer the wider community the opportunity to borrow items that they may need infrequently. Rather than multiple purchases of under-</p>	<p>Estimated setup cost £1,000 funded from loan finance</p> <p>Estimated running cost per year: £500</p> <p>Estimated revenue generated per year: £520</p>	<p>Older men experiencing social isolation [2,000]</p> <p>Unemployed [120]</p>	<ul style="list-style-type: none"> – Reducing social isolation – Improving health and wellbeing – Increasing employability – Creating better access to basic services – Enabling greater community cohesion 	<p>An active men's shed group formed. Events booking register/ calendar/ data recorded by the Marketing, Publicity and Events Steering Group, feedback from customers at the repair shop.</p> <p>Reported at monthly management committee meetings, quarterly manager performance meetings, AGM's.</p>	01/01/2022

What 'More than a Pub' service or activity will you provide?	Description	Costs	Target Groups	What outcomes or benefits will those group(s) experience as a result of accessing this service or activity?	How will you monitor whether these outcomes are being achieved?	When will this service/ activity commence?
	used tools and equipment a library of things established through donations allows sharing and a loan system to develop.					
Cooking courses and demonstrations	<p>Cooking courses to be offered on quiet days from the pub kitchen to provide opportunities for people living alone, particularly men, to meet and socialise with others, learn new or improve practical skills and to be encouraged to use fresh ingredients to promote good health and well-being.</p> <p>It will also provide skills, knowledge and employment opportunities.</p>	<p>Estimated setup cost £1,000 to be funded from revenue.</p> <p>Estimated running cost per year: £1,000</p> <p>Estimated revenue generated per year: £1,000</p>	<p>[Male] residents of nearby sheltered accommodation [1,700]</p> <p>Unemployed [120a]</p>	<ul style="list-style-type: none"> - Reducing social isolation - Improving health and wellbeing - Increasing employability - Creating better access to basic services - Skills development/ employment 	<p>Events booking register/ calendar/ data recorded by the Marketing, Publicity and Events Steering Group, feedback from users.</p> <p>Reported to Monthly management committee meetings, quarterly manager performance meetings, AGM's.</p>	01/09/2020
Community shop and cafe	<p>The action plan includes a development project to further develop part of the outbuildings to provide space for community shop/ cafe to be run as a separate community run business.</p> <p>The community shop and cafe will provide access to essential provisions in a part of the town where there are no local convenience stores, newsagents, post offices and where transport is currently needed to shop.</p> <p>The shop and cafe will also offer local employment and training opportunities to unemployed and young people.</p>	<p>Estimated setup cost £50,000 funded from grants and loans.</p> <p>Estimated running cost per year: £6,000</p> <p>Estimated revenue generated per year: £12,000</p>	<p>Local residents [9,700]</p> <p>Residents of nearby sheltered accommodation [3,400]</p> <p>Unemployed [120]</p> <p>Young people [1,700]</p>	<ul style="list-style-type: none"> - Reducing social isolation - Increasing employability - Creating better access to basic services - Enabling greater community cohesion - Skills development/ employment 	<p>Reports from the community group operating the shop and cafe providing data on number of users, financial out-turns and customer feedback. /surveys.</p> <p>Reported to monthly management committee meetings, quarterly liaison meetings and staff reviews, twice yearly general meetings, AGM's.</p>	30/06/2021
Community garden or orchard	Another development project is to create a community garden and/ or orchard for the community, in particular	<p>Estimated setup cost £5,000 funded from grants/ loans.</p> <p>Estimated running cost per year: £3,000</p>	<p>Local residents [9,700]</p> <p>Residents of nearby sheltered accommodation [3,400]</p>	<ul style="list-style-type: none"> - Reducing social isolation 	<p>Events booking register/ calendar/ data recorded by the Marketing, Publicity and Events Steering Group, feedback from users.</p>	30/04/2021

What 'More than a Pub' service or activity will you provide?	Description	Costs	Target Groups	What outcomes or benefits will those group(s) experience as a result of accessing this service or activity?	How will you monitor whether these outcomes are being achieved?	When will this service/ activity commence?
	<p>those who do not have a garden,</p> <p>Users to be involved in the design and running of the garden and in growing produce for the pub, community shop and community.</p> <p>This will also provide an opportunity to provide employment training skill to the unemployed and young people.</p>	<p>Estimated revenue generated per year: £6,000</p>	<p>Unemployed [120]</p>	<ul style="list-style-type: none"> - Improving health and wellbeing - Increasing employability - Creating better access to basic services - Improving the local environment - Enabling greater community cohesion - Skills development 	<p>Reported to monthly management committee meetings, quarterly manager performance meetings, AGM's.</p>	
		-	-	-		