



Business Plan for The Thorold Arms, Marston

Prepared by
The Thorold Arms Community Benefit Society Limited

April 2018



This offer is being assessed for The Community Shares Standard Mark. We believe we have created an offer worthy of the mark and will update electronic versions of this document and the website when and if this is achieved. The Community Shares website gives the details: <http://communityshares.org.uk>.

Contents

1. Executive Summary.....	1
2. Introduction	2
3. Project Development	3
2.1. The Background to the Project	3
2.2. The Local Community	4
2.3. The Current Position	5
2.4. The Future	7
4. Vision.....	8
5. Business Model	9
4.1. The Thorold Arms Community Benefit Society Limited (TTA)	9
4.2. Future Options	9
4.3. Shares issued by TTA.....	9
6. Building Purchase & Renovation.....	11
6.1 Capital costs:	11
6.2 Potential funding.....	12
6.3 Start-up funding	12
7. Marketing Plan.....	14
6.1. Increasing the Number of Customers	14
6.2. Increasing the Frequency of Visits	14
6.3. Increasing the Value of Each Visit	15
8. Management & Operation.....	16
9. Financial Forecasts	17
9.1. Assumptions.....	17
9.2. Five-Year Income and Expenditure Forecasts.....	19
9.3 Cash flow.....	20
9.4 Share liquidity	21
10. Risk Analysis	22

1. Executive Summary

This business plan presents a proposal for:

- ✓ the purchase,
- ✓ renovation and
- ✓ operation of The Thorold Arms, Marston, as a community-owned Hub.

The existing shop and pub will be modified to create a mixed-use facility to include a café.

Our vision is to create a warm, welcoming, community hub for our two villages of Marston and Hougham. A place where neighbours and friends can meet and our isolated rural community can thrive socially. We want to re-open as a country pub, café, B&B and village shop with reliable hours to make best provision of the facilities for locals and visitors alike.

If sufficient funds are raised, we plan to:

- Re-organise the interior to maximise the use of the ground floor and make it inviting, attractive and accessible to all
- Move and extend the Bar
- Approximately double the size of the shop (without extending the external dimensions of the property)
- Add disabled toilet facilities (which will require a small external extension at the rear)
- Make the kitchen more operationally-effective
- Refurbish and redecorate the staff living accommodation on the first floor, to provide attractive, spacious accommodation that will entice applications from the highest quality of potential management couples
- Spruce up the two B&B rooms
- Improve the outdoor space with accessible pathways and a suitable car park surface.

Visitors will be made to feel most welcome, but at the heart of these proposals must be the residents of Marston & Hougham villages who so dearly need their community Hub reinstating.

2. Introduction

To enable the purchase and operation of this facility a Community Benefit Society (CBS) has been formed (FCA registration number 7295). This Society is known as The Thorold Arms Community Benefit Society Limited (TTA), and is a form of co-operative.

The Thorold Arms has been a thriving pub in the past. Prior to the pub being closed in 2015, it had two previous owners with no prior experience of running a public house. The pub was closed in the summer of 2015. Since then, there has been **enormous local support** for re-opening it under community ownership. It has been designated an 'Asset of Community Value'.

The property was eventually sold at auction around a year after it closed. The community raised over £120,000 and a 'white knight' investor contributed the remainder in order to enable us to bid up to £186,000. The only bidders at auction were ourselves (the Community Benefit Society) and the new owner, a residential property developer who won at auction by bidding incrementally up from the opening price of £140,000 to £187,000.

In addition to **the community** indicating its firm wish to keep the pub as the hub of the two villages by raising such significant funds, we have since successfully resisted the new owner's two applications for planning permission to convert the property for residential use. The current owner has now relented and agreed to sell the property to us for £195,000.

Funds to purchase the building (freehold) will be raised through a community share offer. Shares will be sold at £50 each, with a minimum investment of 1 share up to a legal maximum of 2000 equivalent to £100,000. **The share offer must raise at least £210,000** in order to provide sufficient funds for purchase and associated expenses. Funds raised in excess of the £210,000 minimum will go towards renovating and refurbishing the property prior to re-opening. If insufficient funds in excess of £210,000 are raised in the share offering, the CBS will apply for grant-funding, match-funding or loan-funding to facilitate renovations.

Purchase of shares confers 'membership' of the society, giving members control over the business through the election of a management committee in accordance with the Society's rules and voting rights on significant issues at members meetings. All members over the age of 16 will have an equal vote, regardless of the size of their shareholding.

The management committee (and shareholders) have the protection of "limited liability".

An experienced, professional manager/management couple will be appointed rather than a tenant. This means that **the community will retain significant input** into the primary aims for the Hub and **be involved in key decisions** in relation to the running of the facilities in the Hub. This also means that **the purchase of shares may be eligible for EIS (Enterprise Investment Scheme) or SISR (Social Investment Tax Relief)** – this eligibility is yet to be confirmed for this second share offering. Pre-approval was obtained from HMRC on our previous share offering (which is no guarantee that it will be obtained on the second share offering).

The aim is to buy the property, undertake renovations and re-open in December 2018.

3. Project Development

2.1. The Background to the Project

The Thorold Arms has been operating as a village pub for over 175 years. In 2007, after the village lost its post office and remaining shop, the owners received funding from the Pub is the Hub and opened a shop within the same building. The pub subsequently changed hands but the business did not receive the custom it needed and both the village pub and shop were closed by the receivers in early July 2015. An email consultation elicited great local support for its re-opening and the Parish Council nominated it as an Asset of Community Value (ACV) in early October 2015. The Thorold Arms was registered at South Kesteven District Council (SKDC) as an ACV on 24th December 2015.

A well-attended public meeting was held in November 2015 and those present voted overwhelmingly in favour of an initiative to acquire the premises for the community and to reopen the pub and shop.

It was recognised early on that this initiative could not be a small group's pet project and would only succeed with the support and blessing of the community. A questionnaire with a call for volunteers and ideas was circulated. The questionnaire's results, published in the parish magazine and on-line at <https://save.thoroldarms.co.uk/> made it obvious that the community wanted something better than just a pub and shop. A Community Hub was called for.

A group of volunteers formed a Steering Group and set up a legal entity, known as The Thorold Arms Community Benefit Society Limited (TTA) in March 2016. TTA became Plunkett Community Co-operative Network members and successfully applied for a number of grants. The grants enabled a condition survey of the pub to be conducted (by J Hallam Associates) and plans for potential new layouts for the pub and shop, including the cost of renovation, to be prepared (T Square Architectural Design Services).

At a public meeting in April 2016 the TTA Steering Group shared their ideas with the villagers and launched a share offering. The concept is for a multi-functional space to service the needs of all sections of the community including the young, old and disabled. Opening hours need to be as long as possible and reliable.

The share offer raised over £100,000 in just 6 weeks and a further £20,000 by early July. The CBS also secured an interest free loan and were able to make a formal offer to the receivers of £160,000 in July 2016. The offer was refused the day prior to the pub being sold at auction. TTA attended the auction but were outbid by the only other bidder who secured the purchase for £187,000. At this point, shareholders were promptly reimbursed as it was unclear when, if ever, the community would be able to purchase and re-open the property as the Hub it requires.

Subsequently it became clear that the new owner had no intention of reopening the property as a pub, shop or B&B. The new owner's aim was to convert the property to residential use. He contacted TTA in December 2016 after submitting a planning application (SKDC Planning Application No. S16/2788) to convert to a single dwelling. In his letter to TTA he indicated that he may be willing to sell the pub to TTA if we made "a sensible offer". Through emails, he then indicated that in order to secure the pub TTA would need to exchange contracts within 6 weeks with a 20% deposit on a purchase price of £275,000. This was considered to be far too high in view of the condition of the building.

The first planning application was refused in February 2017 and TTA tried to engage the new owner in further discussions. Despite numerous requests, the new owner refused to meet with TTA. In order to enable TTA to make a realistic offer on the pub it was decided to have an independent valuation conducted. The new owner agreed to give access to the inside of the building. The valuation was conducted in April 2017 and the report finalised at the end of

May 2017. This independent Business Buyers Report and Valuation concluded that the market value of The Thorold Arms as of 27th April 2017 was £190,000.

In early June 2017 it was noted that there was evidence of a break-in (damaged gate, broken window and upstairs windows open) which was reported to the police and the owner. The building was not secured for a number of weeks and further evidence of possible entries to the building, including graffiti on external doors, was noted.

In light of the valuation and ongoing deterioration of the building TTA made a formal offer to the new owner of £172,000 (approx. 10% lower than the valuation). This was refused and TTA were advised that unless an offer was above £225,000 he would not be selling.

In early August 2017 TTA were made aware that the new owner had submitted a further (second) planning application for change of use of The Thorold Arms to a residential dwelling (SKDC Planning Application No. S17/1307). The planning application was opposed by the Parish Council, TTA and numerous individuals from the villages of Marston and Hougham on the basis that it was contrary to Core Strategy Policy and national Planning Policy Guidance.

On 5th September 2017 SKDC indicated that planning permission had been refused. A note to the applicant stated "*There is a fundamental objection to the proposal and it is considered that this cannot be overcome.*"

TTA intend to raise funds and purchase the property in order to create a Community Hub incorporating a public house, shop, café and B&B. It is expected that a shop/café/pub/restaurant combination, run professionally but using some volunteer staff during the day, will be viable due to the support of community ownership as well as the lower profit requirements of community funded businesses. In addition, there will be low debt as funding will be mainly from capital investment as opposed to mortgage.

The purchase of The Thorold Arms building and reinstatement of a Community Hub will fulfil the aspirations of the villagers. It will provide a fully accessible meeting place, facilitating the meeting and mixing of young and old, neighbours, friends and strangers, thereby vastly improving community cohesion and reducing isolation. The Hub will provide jobs, volunteering and training opportunities, and a safe, comfortable meeting place for all, including clubs and other community enterprises.

It is hoped that it will become a "go to" destination for nearby villagers and townsfolk and a stopping point for the many drivers and cyclists that pass by as well as walkers on the Viking Way and various circular walks centred on the pub.

2.2. The Local Community

The villages of Marston and Hougham are situated in the south of Lincolnshire, six miles north of Grantham and less than two miles from the A1. They are rural villages lying close to the river Witham and are surrounded by mainly arable farmland. Each village has its own church and they share a village hall and playing field. Marston has its own primary school. The villages are linked by a picturesque public footpath known as the Beanholme which traverses the river and provides lovely views of both churches.

There is no shop or pub within walking distance of Marston or Hougham and no public transport through either village. Young and old are isolated and neither village has a communal meeting place open all hours.

According to the most recent census (March 2011) the parishes of Marston and Hougham are characterised by the increasing age of the population. As the graph below shows we have a population much older than the average in England and Wales, almost double the proportion of over 50's than the rest of the country and half the under 35's.



We already don't have enough young residents to field a cricket team and without the appeal of a pub, shop, café hub to attract new and younger incoming residents, the average age of the villages will continue to increase, eventually becoming a ghetto for older people.

It is recognised (see Plunkett Network; The Being Well Project) that community shops and pubs offer so much more than just one service – innovating and contributing to people's wellbeing, connectedness and ability to stay in their community. They help people to tackle a range of issues such as **isolation**, **loneliness** and **poverty**. A recent publication from the University of Oxford (Dunbar *et al.*, 2017; <https://link.springer.com/article/10.1007/s40750-016-0058-4>) also found that pubs play a pivotal role in a person's wellbeing. They found that people who have a 'local' that they visit regularly tend to feel more socially engaged and contented, and are more likely to trust other members of their community. They also observed that those without a local pub had significantly smaller social networks and felt less engaged with, and trusting of, their local communities.

It is also reported that having a local pub increases house prices. A 2017 YouGov online survey of over 2,000 adults commissioned by TheHouseShop.com found 'Pub' 4th (behind supermarkets, Post Office and train/underground station) in a list of necessities that had to be within walking distance of their new home.

2.3. The Current Position

Developing a Sustainable Business

Whilst Marston and Hougham have a thriving community scene of groups and active volunteers, it is clear that their sustainability as villages is under threat. It is challenging for

any business to survive in a rural location with a limited market and it has become clear during the development of this business plan that co-location of businesses under one roof, with shared overhead costs, is key. The 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 July 2015 closure of the pub and shop have:

- Registered The Thorold Arms at SKDC as an Asset of Community Value (December 2015).
- Met with members of the Bamford Community Society at the Anglers Arms in Bamford Derbyshire to share experiences and understand likely hurdles (January 2016).
- Set up a legal entity, known as The Thorold Arms Community Benefit Society Limited (March 2016).
- Become Plunkett Community Co-operative Network members (basically corporate members of the Plunkett Foundation). This gives us access to advice and many services for free or at discounted rates (March 2016)
- Had a condition survey of the pub conducted by J Hallam Associates (March 2016).
- Instructed T Square Architectural Design Services to design a potential new layout for the pub and shop and to cost the renovation works (March 2016).
- Prepared a Business Plan and Share Prospectus (April 2016).
- Launched a share offer to raise funds for the community purchase of The Thorold Arms (April 2016).
- Raised £120,300 from share sales (April-July 2016).
- Secured an interest-free loan for 2 years of £65,000 (July 2016).
- Made formal offer of £160,000 to the receivers (July 2016).
- Attended the auction for the sale of The Thorold Arms and bid up to £186,000 (July 2016).
- Returned shareholder monies (August 2016).
- Engaged with the new owner and attempted to have face-to-face discussions in order to agree a realistic price for TTA to purchase the building from him (December 2016 to present).
- Engaged a planning consultant (Mike Sibthorp Planning) to submit objections on behalf of TTA Steering Committee to SKDC with regard to Planning Application No S16/2788 for change of use from public house to residential dwelling (January 2017).
- Instructed MJD Hughes Limited to prepare a Business Buyers Report and Valuation (April 2017).
- Made formal offer of £172,000 (approximately 10% below valuation) to the new owner for the purchase of The Thorold Arms (August 2017).
- Engaged a planning consultant (Mike Sibthorp Planning) to submit objections on behalf of TTA Steering Committee to SKDC with regard to Planning Application No S17/1307 for change of use from public house to residential dwelling (August 2017).
- Made further contact with the new owner to discuss purchase of The Thorold Arms. In January 2018 he advised that he would accept £195,000 with a 6 month completion period.

- Agreed to purchase and appointed solicitor February 2018.

2.4. The Future

Our aim is to buy The Thorold Arms and to undertake some refurbishment before reopening as a Community Hub incorporating a public house, shop, café and B&B. We will be opening another share offering (funds were returned to investors immediately after our previous share offering in 2016, as required by the terms of that process) from which we must raise £210,000 in order to buy the property for the sum recently proposed by the current owner. We will need to raise more in order to re-open and refurbish. In addition to the share offering, we will be applying for appropriate grants and match-funding, and we will also be crowd-funding and canvassing local businesses for financial support.

The share offering will be launched at a public meeting in the Hougham and Marston Village Hall on April 14th 2018. Announcements will also be made via the Hougham and Marston E-mail System (HAMES), on the website (<https://save.thethoroldarms.co.uk/>), via the Facebook page (<https://www.facebook.com/SaveTheThoroldArms/>), on Twitter (<https://twitter.com/SaveThoroldArms/>) and via crowd-funding website. Articles will be published in the village magazine and local press and we will engage with local radio and TV stations. All previous investors will be contacted to ask if they are willing to reinvest in the project.

It is intended to run The Thorold Arms using an experienced, professional management couple rather than as a tenancy. This approach has been selected as it enables the community, through their shareholders and their appointed Management Committee, to set the strategic direction and make all key decisions in relation to the running of the pub. The management couple will be supported by other paid staff. We have support from local volunteers for the running of the shop. The installation of a management couple also has the benefit that shareholders may be eligible for income tax relief at 30% of the value of the shares if they are held for at least three years. We will be applying to enter either the Enterprise Investment Scheme (EIS) or for Social Investment Tax Relief (SITR). This option would not be available if a tenant was appointed.

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. In all of these models the profit from the business can be invested back into the pub or other facilities or activities in the locality. For shareholders, it provides a social reward knowing that the investment is being put to worthwhile causes as well as offering a financial reward in the form of interest.



Community ownership is becoming increasingly popular in the UK and more and more communities are buying local assets.

At the end of 2016 there were 348 community shops and 46 community pubs trading in the UK.

Co-operative ownership is a sustainable and ethical way of doing business, with 97% of co-operatively-owned village stores opened over the past 25 years still open and trading today.

Not a single one of the pubs that have been backed by the Plunkett Foundation has failed so far.

Source - The Plunkett Foundation
(who specialise in helping communities to buy pubs and shops)

4. Vision

The vision is to create a warm, welcoming, community hub for our two villages - a place where neighbours and friends can meet and our rural villages can come together. We aim to re-open as a country pub, village shop, B&B and café with reliable hours to make best provision of the facilities for locals and visitors alike.

If we secure sufficient funds, extensive renovations will take place. The re-designed ground floor will be inviting, attractive and accessible to all. The bar will be moved and positioned at the building's heart. The interior will be opened up to maximise the floor space. The area of the previous shop will be roughly doubled in size..

Old and Young, Cyclists and Walkers

We know that the demographics of our villages indicate that we have a relatively elderly population, yet the property of course also sits opposite the school. We will ensure improved access and the comfort of less physically able visitors with dedicated disabled toilet facilities and the updated layout.

Social and age-related isolation has a wide-ranging effect on health and wellbeing. It is vital that the residents of our villages have somewhere to meet, chat and socialise with one another in a comfortable environment and without it costing the earth. The risk of isolation and loneliness to our neighbours can be greatly reduced by support for this proposal.

We plan to open the car park up for the use of school parents and anticipate that they will find the shop and café of value. There will be employment, volunteering and training opportunities that might particularly suit younger people or those who do not have independent transportation. We will welcome Viking Way walkers and would like to create facilities for visiting cyclists also.

Day and Night

Our plans anticipate that the building will be used throughout the day and evening hours. Clubs, societies and other initiatives might use the coffee shop as a meeting place earlier in the day with more traditional pub and restaurant use later on.

A friendly welcome and great service with a smile will encourage repeat custom. The pub and café will sell food and drink that is appetising, enticing and good value for money. The shop will stock essentials and will, wherever possible, stock local produce and support local businesses and individuals. The combination of value and service will ensure the long-term viability of the project.

What do you want it to be?

Most importantly, this pub and social hub will exist and be run for its customers, whether from our villages or further afield. We will listen to what our guests want to help us create a focal point for our villages that thrives and is protected for everyone's use for the foreseeable future.

5. Business Model

4.1. The Thorold Arms Community Benefit Society Limited (TTA)

The best way of achieving our aims for The Thorold Arms is to buy it and operate it as a community hub. The Thorold Arms Community Benefit Society Limited (TTA) has already been established as a legal entity to enable this to happen should the village support the idea. Money will be raised, through a share offering, to enable purchase of the pub for the village and members of the society.

The benefits of this are:

- The local community would own the building in perpetuity and have a stake in its success
- 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
- Local people will have a stake in its success

4.2. Future Options

Given that the proposed business is viable (see financial forecasts), additional services could be added later at low risk. Suggestions include:

- Book-swap / second-hand book shop
- Open exhibitions for local artists
- Luncheon club / event catering / school meals service
- Provision of a meals on wheels service to our elderly or infirm villagers
- Dry cleaning collection and drop off point
- Parcel drop-off and collection service
- Internet café
- Drop-in / training sessions for internet access
- Development of a micro-brewery

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

4.3. Shares issued by TTA

As a means of raising the required capital, shares in the project will be issued by TTA. Unlike shares on the stock market these shares cannot increase in value so trading in the shares is solely between TTA and the individual investor. It should be noted that shares can decrease in value if TTA were to dissolve but this may be mitigated by a large part of the investment being locked into the capital of the building itself.

The cost of each share is £50 and the minimum shareholding is 1 share (£50). There is (by law) a maximum investment of £100,000 per member (equivalent to 2000 shares). Owning a share automatically entitles the member to having a say in how the community society is managed. Being a community benefit society, each member would retain one vote no matter how many shares they own. Shares bought for children will not confer membership or voting rights until they are 16.

The membership will elect a management committee 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. You will be able to apply to withdraw your investment after an initial tie-in period of at least 3 years, subject to the rules governing how investors can make withdrawals. The rules ensure the purposes of TTA are not undermined by having too much taken out at one time. All withdrawals are at the absolute discretion of the management committee, having regard to the long-term interests of the Society and other criteria found in the Society's rules.

6. Building Purchase & Renovation

The current owner has indicated by email to TTA that he will accept £195,000 from us to purchase the property. Our minimum target of £210,000 simply enables us to purchase the building and pay all legal fees, stamp duty and insurance. (VAT may be additional to this but should be reclaimable)

The maximum target is £410,000 and this will enable us to buy the premises, make them safe, complete a full program of works and refurbishment (details below) that we believe will make the property attractive to visitors and work well for its intended uses. This sum would also provide working capital and funds to stock the shop. The costs for major building work are, of necessity, only estimates at this stage but we have consulted with a building company experienced in pub refurbishment and have included a 20% contingency.

We are confident that under community ownership and with the resident's support that we can create a successful and sustainable business.

6.1 Capital costs:

Item	Cost
Building purchase	195,000
Stamp duty	900
Solicitors fees	5,000
Insurance	1,500
Refit kitchen	11,000
Repairs and general maintenance	5,000
Test, repair and/or update plumbing and heating	8,000
Furnish the pub	5,500
Stock the shop, pub and kitchen for 3 months	26,405
Day-to-day working capital for 3 months	30,000
Internal decoration (assumes volunteers)	1,000
Refurbish staff accommodation ¹	18,000
Refurbish B&B	2,000
Install disabled toilet (and move gents) ²	25,000
Modifications to bar, restaurant, kitchen and extend shop internally (has to be done as single item due to disturbance) ³	55,000
Contingency for major building works	20,000
Total	£409,305

¹ Refurbish the staff accommodation:

- Make all forward-facing upstairs rooms part of the staff apartment.
- Remove / install such areas of wall, doors etc necessary for the above. (to include basic kitchen area, living area, 2 bedrooms and bathroom).
- Decorate staff apartment.

² Refurbish and extend the toilet area to create a dedicated disabled access WC.

³ Modifications to bar, restaurant, kitchen and shop:

- Remove existing bar area and any associated wall; install new, larger bar; remove any partition wall between fireplace and intended new bar-end.
- Remove fireplace to the right (as seen when entering through main entrance) to improve access.
- Roof-over mini courtyard and enlarge kitchen.

- Enlarge shop (by nearly double) by extending approximately one-third into existing Bar area

Outside we will redecorate and make safe the render, renew and repair external paving as necessary. If budgets allow we will redesign and resurface the car park.

6.2 Potential funding

Once we own the building we will be able to apply for additional financial help in the form of grants and a loan from bodies such as Power to Change, Booster, LEADER and More than a Pub.

We are currently being considered for support from the Community Shares Booster Programme, which is funded by Power to Change and run by the Community Shares Unit. Under this programme, up to £100,000 is available to match applications for shares from the public.

If we are successful, it would mean that for every pound invested by individuals up to £100,000, another pound will be invested in matched shares. The matched shares will be held by Co-operatives UK, a partner of the Community Shares Unit and will be subject to the same terms and conditions as other members, except for its right to withdraw share capital which will be restricted to a pro-rata amount.

We have also applied to “More than a Pub: The Community Pub Business Support Programme” for a Loan & Grant. Combined loan and grant funding of up to £100,000 is available via the programme and More than a Pub work closely with Co-operative and Community Finance (CCF) and Key Fund who administer the loan finance.

LEADER funding is part of the Rural Development Programme for England and funding is available to local businesses and community groups. We have had discussions with the Local Acton Group (LAG) for South Kesteven and are likely to qualify as a micro business or for provision of rural services. This is match-funding meaning we will have to find around half of the costs of any project ourselves.

6.3 Start-up funding

The table below provides a summary of funding requirements and potential sources.

	Minimum target	Optimum target	Maximum target
Funding requirements			
Purchase of fixed assets	210,000	210,000	210,000
Start-up revenue costs	-	170,000	170,000
Working capital (cash flow)	-	30,000	30,000
Total	210,000	410,000	410,000
Funded by:			
Community shares	200,000	300,000	400,000
Loans		50,000	
Revenue grants and gifts		50,000	
Capital grants & gifts	10,000	10,000	10,000
Total	210,000	410,000	410,000

The minimum target of £210,000 simply allows the purchase of the building and must come from the purchase of community shares (minimum £200,000) with crowd-funding and other donations anticipated to be no more than £10,000.

The optimum target sees us raising a total of £410,000 to enable the purchase, renovation and all necessary start-up costs. This model assumes £300,000 in community share, £10,000 in crowd-funding and other donations and receipt of the More than a Pub grant and loan (£50,000 grant and £50,000 loan). This model is used in the Financial Forecasts in section 9.

The maximum target of £410,000 enables the purchase, renovation and all necessary start-up costs with all funding coming from community shares, crowd-funding and other donations. The option would also mean the business will have no debt.

7. Marketing Plan

The marketing plan for TTA is based on three fundamental aims:

1. To attract new and old customers to our 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 are:

- ❖ Local people (families, young and older people) – from Hougham, Marston and the wider area;
- ❖ Tourists, including those staying in holiday accommodation locally;
- ❖ Day visitors to the area, particularly walkers and cyclists;
- ❖ Townies – driving out for a good pub meal.

6.1. Increasing the Number of Customers

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 (print, social media, word of mouth). For example, articles will be placed in local papers and in special interest publications (for cyclists and walkers). Website articles (on our own, and other's websites) will be used, along with Twitter, Facebook, 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.

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 school, opposite The Thorold Arms, offers an important marketing channel to engage parents picking up and dropping off children.

The B&B will be marketed with the local B&B association as well as through sites such as BedandBreakfast.com and bbonline.com. We hope to benefit from visitors to the planned new Outlet Villages to be built to the north (less than 2 miles away) and south of Grantham. Initially, this may also include contractors and others developing the sites. We would also hope to get overspill from the Ramada Resort Hotel that is less than a mile south of Marston and to accommodate visiting family and friends of villagers.

6.2. Increasing the Frequency of Visits

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.

A series of activities and events aimed at engaging all sections of the local community, as well as visitors will be developed. We will seek advice from agencies such as Age UK about

possible classes and clubs that could be run. In addition, we intend to run events such as regular community barbecues & hog roasts on bank holidays or national days of celebration.

We will encourage customers to review us. 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.

6.3. Increasing the Value of Each Visit

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 shop may be enticed to stay for a bite to eat after seeing a display of delicious cakes and smelling the freshly brewed coffee.

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 Wi-Fi 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

The community asset will be owned by TTA. We have chosen this legal model because it emphasises the social benefit of the project, whilst giving the management committee and shareholders the protection of limited liability. It guarantees an “asset lock” that ensures the assets of the society will be used for the benefit of the community and cannot be disposed of for the private profit. TTA rules have been approved by the Financial Conduct Authority and are available separately.

Management & Operation of TTA

The strategic management of the venue will be overseen by TTA which has been set up specifically for this purpose. Our intention is to establish a broad membership drawn from across the local community through the purchase of shares. The Members (shareholders) will elect a management committee at its Annual General Meeting.

Day to day operation

A management couple will be appointed, for the day-to-day management of the pub, bed & breakfast and café, whilst it is intended to run the shop with volunteers (with the oversight of a part-time paid manager).

Advertisements will be placed for the management couple both locally and nationally using relevant agencies such as Caterer.com. Advice will be sought from and the interview panel will include people with expertise in the licenced trade.

Both the management couple and the shop manager will respond to a sub-committee that will meet regularly to review ongoing activities. The management couple will manage kitchen, bar, café and cleaning staff. The shop manager will manage the volunteer shop staff.

The community, through the shareholders and their appointed Management Committee, will be involved in setting the strategic direction for all aspects of the businesses.

9. Financial Forecasts

9.1. Assumptions

Financial forecasting for a new business is inevitably speculative. The previous incarnation of the pub went into receivership for a number of reasons that are unnecessary to set out here and which are not likely to have any impact on our future ownership and management. There are no meaningful financial figures from that era for us to use.

Earlier in this document there is evidence of how the new business will be run and marketed and how the benefits of capital investment and community ownership will enable the business to run successfully, when the previous business had a significant debt to finance and private ownership failed.

The next section outlines the anticipated income and expenditure forecasts for a five-year period following opening of the new community hub incorporating a shop, café, pub and B&B. The values presented are exclusive of VAT. It is noted that as The Thorold Arms is the only public house in the village, with a population of below 3000, and has a rateable value of less than £12,500 SKDC will give 100% rural rate relief.

The numbers used in the spreadsheet are based on the figure published by The British Beer & Pub Association (BB&PA) in 2017 for similar sized rural pubs in England earning roughly 50% from drinks (wet) and 50% from food (dry) together with forecasts for the shop, café and B&B.

In support of the BB&PA numbers we have had advice from Mike Hughes who is an expert in business and commercial property and has over 30 years' experience in the licenced trade. On this basis we are anticipating that sales will be lower than average in the first year with annual sales in the pub of £180,000 and rising to over £200,000 in subsequent years in line with the industry averages.

Pub & Pub Food	The figures used for the pub & pub food sales and expenses are supplied by BB&PA for a rural character pub with approximately £5k weekly sales 50% food (dry) and 50% drink (wet). In the first year we have assumed approximately £3.5K sales. From year two we anticipate being at the industry average of £5K per week (16% increase) but costs to increase 5%. Each subsequent year sales and costs are inflated by 5%.
Shop	An estimate has been supplied for the shop based on the Plunkett Foundation 2017 Better Business Shop research Report. The report states average turnover of £2,400 per m ² with a gross margin of 10-37%. Although it is intended to double the size of the shop to approximately 33 m ² , figures are based on the current size shop (16.88m ²) as a worst case. Gross margin assumed to be 22%. Each subsequent year sales and costs are inflated by 5%.
Café	The costs and income have been included in the pub & pub food.
Accommodation	Bed and Breakfast is based on 2 double en-suite rooms charged at £65 per night. The first year assumes 30% occupancy. It is assumed that breakfast will be provided in the café and that cleaning, heating, lighting costs are covered by pub costs. Additional operating costs are around on-line service providers. Each subsequent year sales and costs are inflated by 5%.
Costs of Pub & Premises	The pub and premises costs are based on industry standard costs measured by the BB&PA as a percentage of pub turnover. Additionally a pub management couple salary has been included.
Shop costs	The running costs of the shop are assumed to be covered in the pub costs. We expect to staff the shop with volunteers with some management oversight.
Loan	It is assumed that we will get a £50K loan from More Than a Pub and this is paid back at a fixed rate of £12,500 per year for 5 years.
NI and pension	Assuming only the management couple will earn sufficient for NI contributions and pension scheme annual liability in year 1 is ~£4,500. 5% increase assumed for following years
Shareholder interest	We have assumed that we will pay interest at 3% from year 3 based on a shareholding of £300,000

The following are proposed opening hours:

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Pub	Closed	12-3 & 6-11	12-3 & 6-11	12-3 & 6-11	12-3 & 6-11	12-3 & 6-11	12-4
Cafe	8-12	8-12	8-12	8-12	8-12	8-12	8-12
Shop	8-5	8-5	8-5	8-5	8-5	8-5	8-12

Using the above opening hours and assuming that the shop is mostly managed by volunteers the proposed BB&PA salary budget has been validated on the following basis:

	Annual salary (Approx)
Management couple "front of house" and "chef" team	£40,000
Café staff (35 hours per week)	£14,000
Part-time bar and kitchen staff (total 52 hours per week)	£16,000
Part-time shop manager (6 hours per week)	£2,500
Cleaning staff (21 hours per week)	£8,500
Total	£81,000

In the following sections we have included:

- 9.2 A profit and loss forecast with averaged weekly turnover for the first year. All figures are exclusive of VAT.
- 9.3 Projected cash flow (figures are inclusive of VAT).
- 9.4 Projections on share liquidity

9.2. Five-Year Income and Expenditure Forecasts

		1st Year Weekly	Year 1	Year 2	Year 3	Year 4	Year 5	
Pub & Pub Food								
	Drinks Sales	£1,800	£93,600	£108,576	£114,005	£119,705	£125,690	
	Food Sales	£1,661	£86,372	£100,192	£105,201	£110,461	£115,984	
	Total Sales	£3,461	£179,972	£208,768	£219,206	£230,166	£241,675	
	Cost of drink	£720	£37,440	£43,430	£45,602	£47,882	£50,276	
	Cost of food	£664	£34,549	£40,077	£42,081	£44,185	£46,394	
	Total Cost	£1,384	£71,989	£83,507	£87,683	£92,067	£96,670	
	Gross Profit	£2,077	£107,983	£125,260	£131,523	£138,099	£145,004	
Shop								
	Sales	£779	£40,512	£46,994	£49,344	£51,811	£54,401	
	Cost of sales	£608	£31,594	£36,649	£38,481	£40,406	£42,426	
	Gross Profit	£172	£8,918	£10,345	£10,862	£11,405	£11,975	
B&B								
	Sales	£270	£14,040	£16,286	£17,101	£17,956	£18,854	
	Cost of sales	£39	£2,037	£2,363	£2,481	£2,605	£2,735	
	Gross Profit	£231	£12,003	£13,923	£14,620	£15,351	£16,118	
	Total Turnover	£4,741	£246,527	£285,971	£300,270	£315,283	£331,048	
	Total Gross Profit	£2,479	£128,904	£149,529	£157,005	£164,855	£173,098	
Costs of Pub & Premises as % of Pub Turnover	%	Weekly	Year 1	Year 2	Year 3	Year 4	Year 5	
Pub & Pub Food								
	Wages	22.4	£775	£40,314	£42,329	£44,446	£46,668	£49,002
	Rates		£0	£0	£0	£0	£0	£0
	Utilities	4.8	£166	£8,639	£9,071	£9,524	£10,000	£10,500
	Repairs	1.6	£55	£2,880	£3,024	£3,175	£3,333	£3,500
	Insurance	0.7	£24	£1,260	£1,323	£1,389	£1,458	£1,531
	Marketing	1.4	£48	£2,520	£2,646	£2,778	£2,917	£3,063
	Consumables	0.6	£21	£1,080	£1,134	£1,191	£1,250	£1,313
	Waste/Cleaning/Hygiene	1.0	£35	£1,800	£1,890	£1,984	£2,083	£2,188
	Prof fees	1.4	£48	£2,520	£2,646	£2,778	£2,917	£3,063
	Bank Charges	0.8	£28	£1,440	£1,512	£1,587	£1,667	£1,750
	Equipment Hire	0.5	£17	£900	£945	£992	£1,042	£1,094
	Other Costs	1.4	£48	£2,520	£2,646	£2,778	£2,917	£3,063
	Management Couple	22.3	£769	£40,000	£42,000	£44,100	£46,305	£48,620
	Total Pub Operating Costs	58.9	£2,036	£105,870	£111,163	£116,721	£122,557	£128,685
Extra Costs of Shop								
	Part-time managers wage		£47	£2,444	£2,566	£2,695	£2,829	£2,971
Extra Costs of B&B								
	Travel booking websites		£20	£1,018	£1,069	£1,122	£1,178	£1,237
Other costs								
	Servicing a £50,000 loan		£240	£12,500	£12,500	£12,500	£12,500	£12,500
	Employer NI and pension		£87	£4,500	£4,725	£4,961	£5,209	£5,470
	3% shareholder interest				£9,000	£9,000	£9,000	£9,000
	Total Costs		£2,390	£124,276	£127,345	£147,000	£153,274	£159,863
	Total Profit		£89	£4,628	£22,183	£10,006	£11,581	£13,325

9.3 Cash flow

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	
% Phasing (Sales)	9.5	6.2	7.6	8.7	9.2	8.6	8.6	8.6	8.8	8.2	7.8	8.2	100.0
B/F Balance	30000	30,799	29,447	29,016	29,285	29,893	30,116	30,329	30,524	30,857	30,796	30,487	Full Year
Income	*												
Total drink sales	10,670	6,964	8,536	9,772	10,333	9,660	9,660	9,660	9,884	9,210	8,761	9,210	112,320
Food	9,846	6,426	7,877	9,017	9,535	8,914	8,914	8,914	9,121	8,499	8,084	8,499	103,646
Accommodation	1,601	1,045	1,280	1,466	1,550	1,449	1,449	1,449	1,483	1,382	1,314	1,382	16,848
Shop	4,618	3,014	3,694	4,229	4,472	4,180	4,180	4,180	4,278	3,986	3,792	3,986	48,610
Total	26,735	17,448	21,388	24,484	25,891	24,202	24,202	24,202	24,765	23,077	21,951	23,077	281,424
Cost of Sales													
Cost of drink	4,268	2,786	3,415	3,909	4,133	3,864	3,864	3,864	3,954	3,684	3,504	3,684	44,928
Cost of Food	3,939	2,570	3,151	3,607	3,814	3,565	3,565	3,565	3,648	3,400	3,234	3,400	41,459
Shop costs	3,579	2,336	2,863	3,277	3,466	3,240	3,240	3,240	3,315	3,089	2,938	3,089	37,672
B&B costs	232	152	186	213	225	210	210	210	215	200	191	200	2,444
Wages	3,830	2,499	3,064	3,507	3,709	3,467	3,467	3,467	3,548	3,306	3,144	3,306	40,314
Rates													-
Utilities	821	536	657	752	795	743	743	743	760	708	674	708	8,639
Repairs	274	179	219	251	265	248	248	248	253	236	225	236	2,880
Insurance	105	105	105	105	105	105	105	105	105	105	105	105	1,260
Marketing	239	156	192	219	232	217	217	217	222	207	197	207	2,520
Consumables	103	67	82	94	99	93	93	93	95	89	84	89	1,080
Waste/Cleaning/Hygiene	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Prof fees	210	210	210	210	210	210	210	210	210	210	210	210	2,520
Bank Charges	137	89	109	125	132	124	124	124	127	118	112	118	1,440
Equipment Hire	86	56	68	78	83	77	77	77	79	74	70	74	900
Other Costs	239	156	192	219	232	217	217	217	222	207	197	207	2,520
Management Couple	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	40,000
Shop manager	204	204	204	204	204	204	204	204	204	204	204	204	2,444
Extra costs of B&B	85	85	85	85	85	85	85	85	85	85	85	85	1,018
Employer NI and pension	375	375	375	375	375	375	375	375	375	375	375	375	375
Loan repayments	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	12,500
Total	11,231	9,242	10,086	10,749	11,050	10,689	10,689	10,689	10,809	10,448	10,206	10,448	122,210
Net VAT liability	2,687	1,716	2,119	2,460	2,594	2,412	2,421	2,440	2,491	2,317	2,186	2,310	28,153
Total outgoings	25,936	18,801	21,819	24,215	25,283	23,980	23,989	24,008	24,433	23,138	22,260	23,131	276,866
C/F Balance	30,799	29,447	29,016	29,285	29,893	30,116	30,329	30,524	30,857	30,796	30,487	30,433	
CASHFLOW	799	- 1,353	- 431	269	608	223	214	195	333	- 61	- 309	- 54	
* £30K working capital													

9.4 Share liquidity

Shares can only be sold back to TTA after a lock-in of 3 years. This ensures the business has an initial period of financial stability and is an HMRC requirement for their tax rebate schemes. Three months written notice is required and the management committee have a duty to control withdrawals. If there are insufficient funds or new investors to purchase the shares, withdrawal will be delayed. Based on the above profit and loss predictions it is anticipated that share capital can be refunded in year 3 at a rate of 5% assuming a 3% new share capital investment.

Share capital liquidity					
	Year 0	Year 3	Year 4	Year 5	
Opening balance		300000	294000	288150	
New share capital issued	300000	9000	8850	8650	Assumes 3% investment rate
Share capital withdrawn	0	15000	14700	14400	Assumes 5% withdrawal rate
Closing balance	300000	294000	288150	282400	

10. Risk Analysis

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.

Key risks to the project

- Share capital raised does not meet minimum target
- Refurbishment costs exceed budget
- Insufficient customers to cover operational costs
- Departure of members / loss of key skills within TTA management committee
- Unforeseen operating costs or increases in costs
- The sudden departure of the management couple

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

		Likelihood		
		Low	Medium	High
Impact	High	Low risk Unforeseen operating costs or increases in costs Sudden departure of the management couple	Medium risk Insufficient customers to cover operational costs	High risk Share capital does not meet minimum target
	Medium	Low risk	Medium risk	Medium risk Refurbishment costs exceed budget
	Low	Low risk	Low risk Departure of members / loss of key skills	Low risk

Share capital raised does not meet minimum target: If we are unable to meet the minimum target with the share offering then we will have to return the monies raised to the individuals and we would not be able to proceed with purchasing the building. The impact is high and it is likely that the villagers will lose their last opportunity to retain a pub and shop in the village. The risk is considered to be high.

Refurbishment costs exceed budget: Assuming we exceed the minimum budget, refurbishment will proceed in line with available funding and consultation with shareholders. Essential works will be prioritised and more desirable activities can progress as money becomes available. Once we have purchased the building we will have better access to a number of grants which should enable refurbishment to be completed in stages, therefore, the risk is medium.

Insufficient customers to cover operational costs: If the new community hub fails to provide the anticipated revenue income, the impact would be high. However, the consultation

with the community shows that the shop, café and pub would be used by a significant proportion of the local community and the business plan uses figures based on feed-back from potential customers. Overall the risk is considered to be medium.

Departure of members / key skills within TTA management committee: Although it is considered likely that the membership of the management committee will change it is anticipated that if the project is successful with the share offering other people, with key skills, will come forward to be members of the team and ensure an adequate range of skills, knowledge and experience. Consequently, the risk is low.

Unforeseen operating costs or increases in costs: Significant increases in operating costs would have a high impact. However, as all assumptions have been based on industry standards the likelihood is considered to be low and hence, the overall risk is low.

Sudden departure of the management couple: We will have terms in the contract to encourage loyalty / longevity. We will retain a personal licence holder within the management team and ensure that at least one member of staff is sufficiently trained to continue running the bar in the absence of a manager. Members of the management team will support bar staff to keep the pub open but may need to stop food until another chef / management couple can be recruited. The impact is considered to be high but likelihood low and so overall risk is low.