

# **The Windmill Community Pub Limited**



## **Business Plan**

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**This business plan is authorised by the Management Committee.**

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# **1. EXECUTIVE S U M M A R Y**

## **1.1 Introduction**

This business plan presents a proposal from The Windmill Community Pub Ltd for the purchase and lease to a tenant of The Windmill, Bristol, as a community owned pub.

## **1.2 Current Situation**

The Windmill has been a thriving pub in the past, attracting custom from Windmill Hill and more widely across Bristol, with a deserved reputation for well priced good food. However, due to a lack of investment from its owners over recent years, its reputation, and consequently its turnover, have decreased.

Bar Wars Ltd put The Windmill on the market in May 2019 and although there has been some interest from parties seeking to take on the pub as a business, a firm offer for the asking price has yet to be received.

## **1.3 Business Proposal**

The Windmill Community Pub Ltd's proposal is to buy The Windmill from Bar Wars Ltd and appoint a professional tenant with the experience and skills to run the pub as a profitable and successful business for the benefit of the community and other users.

Our objective is to have a friendly and welcoming 'village pub in the city' that serves local beers and sensibly priced freshly prepared food. As support for a community pub has grown, we can see that The Windmill could be more than a pub, and we propose to introduce a range of community amenities including, for example, coffee and lunch clubs for older and less mobile people, possibly a community fridge, a 'take away' window, and potentially more (see Section 3).

We will set a fair rent and agree a lease with the tenant, who will continue to run the pub as a free house selling locally sourced food and drink. The rent will be set at a level that gives the tenant the opportunity and incentive to run a profitable pub business, and which will provide the revenue for us to maintain the building, repay any loans we take out, and in due course if cash reserves permit, pay a modest interest to share-holders and fund the withdrawal of shares from time to time.

We firmly believe that the business will be profitable, but in the unlikely event it is not, The Windmill Community Pub Ltd will own a valuable asset – the building and land associated with it – which if necessary could be sold in order to return funds to investors. The investment is in the building and land – the bricks and mortar – not the licensed business.

## **1.4 Financials**

There is wide support for a community purchase, not just in Windmill Hill but in the neighbouring districts of Bristol and further afield. To date 613 people have pledged to invest in the pub, with pledges totalling between £150,000 and £390,000. Encouragingly, if we see a pledge at the upper end of the figures this would be over 75% of the asking price of £495,000. The figures only reflect shares and do not take into account any donations offered.

Of course there will be other costs (surveys, legal fees, stamp duty, etc) and possibly some essential repairs and refurbishments, so we are looking for additional funding too.

Based on the asking price for the pub of £495,000 we estimate that we need to raise approximately £550,000 to purchase the pub and cover other associated costs in order to be 'tenant-ready'.

Our intention is to finance the purchase as far as possible through a community share offer, so our target for the share offer is to raise the full £550,000. At a minimum we need to raise £300,000, and if necessary we will take out a commercial mortgage to meet any funding shortfall.

We will be launching the community share offer at the beginning of July 2020 to raise capital. The minimum shareholding will be £100 (for over 25s) and £50 (for under 25s) minimum investment. The legal maximum shareholding for community benefit societies is £25,000 per investor.

The financial model underpinning this business plan is realistic and robust. It will evolve as we run the Share Offer and negotiate purchase of the pub, obtain a loan, and appoint a tenant, and also as and when we achieve successes with other grant applications.

## **1.5 The Windmill Community Pub Ltd**

The Windmill Community Pub Ltd is a community benefit society that has been formed to purchase The Windmill and secure its future for the benefit of the community. It is registered with the Financial Conduct Authority registered Mutual Society number: 8404.

Purchase of the minimum number of shares will confer membership of the Society, giving members control over the business through the annual election of a Management Committee and voting rights on significant issues at regular meetings. Community Benefit Societies are by law intended to be democratic organisations, and all members will have an equal vote, regardless of the size of their shareholding, and will have the protection of limited liability.

The Society's rules contain a statutory **asset lock**. This is a constitutional device that prevents the distribution of residual assets to members. The purpose of the asset lock is to ensure that the community benefit of any retained surplus or residual value cannot be appropriated for the private benefit of members after all members' share capital has been refunded according to the rules of the Society.

## **2. PROJECT DEVELOPMENT**

### **2.1 Market Background**

Freehold pub values increased ten-fold from 1975 to a peak in 2007 (source: Christie & Co). During much of this period large pub estates were built up by pub owning companies (PubCos) using cheap debt. However, in 2007 the market ground to a halt and in recent years there has been a dramatic reversal with values falling. Much of the fall was due to the impact of the financial crisis on the PubCos who consequently have been selling assets to pay down their debt. The decline has been accentuated by competitive pressures on drink sales and changing patterns of leisure time usage which together have put a significant strain on the traditional tied pub tenancy model. This model has become increasingly uneconomic, particularly in rural locations.

As a result of these pressures the nature of pub ownership is changing. There were 39,135 pubs in the UK (at the end of March 2019) but the large estates are now being broken up and numerous properties are either being closed or are passing into the hands of individuals or small groups. It has also become clear that the traditional tied pub owning model has become inflexible and increasingly uncompetitive. In a recent Office of National Statistics survey a net increase was reported in mid 2019, the first since 2010.

This is confirmed by a recent Campaign for Real Ale (CAMRA) report (August 2016) that pubs are being forced out of business by cheap supermarket prices, high beer taxes, and the high rents and wholesale beer prices charged by pub owning property companies. Hearteningly, however, the rate of closure has started to come down, in part due to the use of ACV listings, and now stands at an average of 14 pub closures per week compared with 21 per week in 2016.

The traditional model separates the pub owner from the pub operator. The pub owner has charged high rents and generally been slow to invest capital in the property. The pub operator has struggled with weak sales, high tied beer costs, an unaffordable rent and insufficient capital to invest in the asset. This is a vicious circle, which leads to a loss of incentive and subsequent poor management of the pub, resulting in poor performance and declining sales.

Smaller, newer and better managed independent groups are now emerging to acquire and invest in pubs using a more integrated model.

Similarly, communities are increasingly mobilising and buying these under-performing assets, operating them through tenancies for the benefit of the local community.

### **Community Pubs**

The first co-operative pub opened in 1988 (Tafarn y Fic in Llithfaen, Gwynedd). By 2010 there were still only five community pubs in the UK. Legislation in 2011 (The Localism Act) introduced the designation of an Asset of Community Value (under which community groups have a six-month moratorium period in which to bid), and The Plunkett Foundation, working with others in the industry, developed the co-operative pub model. Since then the number of community pubs has grown steadily.

By the end of 2019 CAMRA had identified that there were 120 community-owned pubs in England with a further 18 active campaigns in the pipeline.

## Resilience

Although still a relatively young sector, to date there have been very few co-operative pub closures in the UK, therefore maintaining a very high survival rate. This compares extremely positively with estimations for UK businesses which have an estimated 5-year survival rate of 41% (Office for National Statistics) and is one of the best business survival rates anywhere in the world.

## Local community pubs

There are no other community pubs in Bristol.



**Exchange Bristol** is a music venue in Old Market. The existing owners wanted a more sustainable approach to running the business so put it up for community purchase in 2018. They retained ownership of the building but managed to raise more than enough money to buy the business.

They have been very helpful with the advice they have given and have offered to support us further. They also spoke to the people involved with buying The Bell Inn (see below) and recommended we spoke with them too as their set up is very similar to ours.

**The Bell Inn** on Walcot Street in Bath is a historic free house owned by around 500 of its customers, fans and workers under IPS cooperative rules. It was purchased in July 2013 and is a thriving pub with a supportive clientele.





**The Packhorse** in South Stoke near Bath re-opened in 2018. Following a lengthy period of negotiations with a number of disinterested sellers the campaign group managed to buy the pub. After a further three years of voluntary work parties, hard graft and another very successful share offer the community managed to complete the restoration of the pub.

They hold the record for the largest amount raised in a single crowdfunding campaign.

## 2.2 Project Background

In May 2019 The Windmill, owned by the Bar Wars Ltd pub company, was put on the market for £525,000 (freehold). This followed an extended period during which Bar Wars Ltd had noticed a steady decline in business.

The asking price was reduced to £495,000 in November 2019.

A number of organisations, including CAMRA, and The Plunket Foundation advisors working with us, have recommended that we register The Windmill as an Asset of Community Value.

We have developed a good working relationship with the current owners and their preference is for the pub to remain rooted in the community. To that end they will sell to whoever supports this view too. That may be us but depends on how much is raised through the share offer and whether or not we can afford to buy it.

We do as a base view support the pub remaining open and even though this may not be by us the nomination of the pub as an ACV would delay the transfer of ownership through the system's legal six month moratorium period.

Although Bar Wars Ltd will not favour our bid over other bids they might receive, they are not opposed to a community purchase and will evaluate all bids equally.

Early and regular engagement with the community through leafleting, two public meetings and numerous conversations, has shown that there is a strong level of support for a community purchase. We have been working hard to determine that this is a viable proposal and now plan to make it a reality.

### 2.3 Community and Consultation

We have seen locally the impact on communities that pub closures can have. Pub closure not only threatens the social cohesion of a community, but also exacerbates the impact of urban isolation.

Furthermore, the closure of a local pub can reduce the value of domestic properties typically by 5-10%. We believe this is sufficient reason for residents of Windmill Hill and the wider Bristol scene to invest in The Windmill.

Consultation undertaken within the community via a survey and the public meeting has established an excellent body of support for the community pub project, with a high level of participation.

Highlights of our programme of community engagement include the following:

- In November 2019, after The Windmill was put up for sale, we circulated information about our plan for a community purchase.
- In early December 2019 we held our first open public meeting to consult directly with the community and engage potential volunteers to set up a steering group and spread the news. This was held in the pub and ended up being standing room only as it was seriously well attended. Within a week after the meeting we had approximately 200 people on a mailing list.
- In January 2020, we carried out a survey online. We delivered paper copies to houses in the Windmill Hill district and sat in the pub to engage with customers and fill in the survey questionnaire. We then entered the details into the online survey to compile the final data.
  - 621 people responded to an on-line and paper questionnaire
  - 605 (97%) indicated that it was important to keep the pub open.
  - 525 (85%) said that they would consider investing in the pub.
- At the end of January we held an open public meeting to consult directly with the community and to engage potential shareholders
  - Over 100 residents from the area attended and received a presentation about the project to date, following which there was a robust question and answer session and discussion.
  - A show of hands confirmed almost unanimous support for a community purchase.
- Subsequently we have circulated online, by email and, by door-to-door deliveries in Windmill Hill, a further newsletter and project proposal linked to an on-line investment pledge.
- To date a total of 413 individuals and couples have pledged to buy shares in the pub with pledges ranging from £50 to £25,000, and totalling between approximately £150,000 and £400,000. This could amount to over 75% of the asking price of £495,000. 220 people of those surveyed offered to make donations but we had no way of recording the sums in question.
- The experience of other community pubs is that the conversion rate from pledge to actual investment is extremely high, over 95% in each case, and that other investors come forward when the share offer is opened.
- We have visited and consulted with a number of established community pubs and with other successful local pub and restaurant operators.



- In line with our wider community model, we have also consulted with the nearby shop, local microbreweries, an accommodation provider, an architect, builders, solicitors, craftsmen and other professionals in our community.
- Last, but by no means least, we have drawn on local interest and offers of help to recruit a willing force of volunteers who have delivered newsletters, canvassed opinion and encouraged pledges of investment, and who will assist practically with the numerous tasks (eg painting and decorating, gardening) which will be required following community purchase of the Windmill.

These actions have demonstrated an impressive and extremely encouraging level of community engagement and has given us the confidence and belief that the community stands solidly behind the proposal.

## 3. VISION AND COMMUNITY BENEFITS

### 3.1 Overview

The Windmill Community Pub Ltd proposes to raise funds in order to purchase, maintain and improve The Windmill, Bristol, for the benefit of the community. It will lease the pub to an experienced professional tenant who will be responsible for the operation of the public house. We will actively promote additional uses of the pub for the benefit of the community.

### 3.2 Our Vision

Our aim is to secure the future of The Windmill for the benefit of Windmill Hill and the wider community as a flourishing friendly and welcoming pub. The pub will be a free house that serves local beers and sensibly priced, freshly cooked, good food prepared using locally sourced ingredients. It will continue to be the heart of Windmill Hill as a place for social gathering, cultural activities, somewhere to meet people and exchange information, and it will promote a cohesive and friendly community in the area. It is our intention that the pub will work closely with, and in support of, the other community facilities and clubs in the area, including in particular the Windmill Hill Community Association.

The key factors that will contribute to our success are:

- Purchasing the freehold of the Windmill from Bar Wars Ltd.
- Setting an affordable rent and continuing to operate the pub as a free house.
- Re-establishing a successful, decent and simple food offer.
- Agreeing a lease with a professional and experienced tenant who knows how to run a successful pub business, and who is supportive of our ambitions to offer other amenities for the community.
- Community involvement in the society to manage, maintain and improve the property, and to ensure community support for, and input into, the future success of the pub.
- Investing any surplus profits in improving the pub and its facilities for the benefit of the community, and paying a modest level of interest to all shareholders.

Of course, in order to do this, we need to raise sufficient capital in the first place.

### 3.3 Benefiting The Community

Our belief is that the pub is an important amenity for Windmill Hill and that the best interests of the wider community will be served by acquiring the pub through a limited liability Community Benefit Society. This legal structure is explained in detail later in this document.

**A community purchase will enable the community to secure and safeguard the pub for the foreseeable future.**

This represents a fantastic opportunity for Windmill Hill to strengthen the vibrancy and sustainability of our community. Community purchase would have many benefits, including:

- Maintaining a place to meet friends and neighbours and improving the sense of community.
- Providing a central point for information on community events and local issues.
- Improvements to the fabric of the building.
- Creating opportunities for local employment.
- Injecting money into the local economy.
- Providing a hospitality venue for local groups, tourists, weddings and funerals.
- Helping to sustain local property prices.
- Potentially providing additional community services.

The community-owned Windmill will continue to offer employment to local people (eg kitchen and waiting staff), including valuable learning opportunities for young people who take on short-term employment in school and college holidays. We expect the number of paid posts and learning opportunities to increase as additional amenities (eg community fridge, cafe: see below) are added and as the new tenant grows the core pub business. There will also be scope for volunteer contributions from residents of Windmill Hill. In time we intend to create openings for people with disabilities, especially those who cannot realistically travel far for employment or voluntary positions.

### **A community purchase will enable the Windmill to be 'More than a Pub' for Windmill Hill and the surrounding area.**

There has been significant interest from local people in the proposal, which is in line with government and district council policy, to extend the range of amenities offered by the community pub. By investing in the following potential developments, services could be provided to the community which will enable fuller use to be made of the community-owned pub building and garden, to reduce journeys into the city centre, and thereby to improve local resources, and support environmental sustainability.

We recognise however that these potential developments require further consultation and would need to be staged over time. The first and essential step is to secure The Windmill as a community pub.

#### **Potential added amenities:**

- 1. 'Take Away' window** : There are a large number of people who live on the hill and commute via the train station at the bottom of the hill to further afield. There is a great opportunity, through a simple extension of the opening hours of the pub, to operate as a cafe 'out-of-hours' with a takeaway option from a repurposed window allowing people to stop and go on their way to work, school, college or university.
- 2. Longer opening hours** : A number of requests have been received from parents of school children at the local schools for a café after school and possibly after dropping off their children in the morning. A morning coffee club and/or afternoon tea club could provide an inclusive amenity for people who live locally and/or are of reduced mobility.
- 3. Community Fridge and nutrition group** : The demographic of Windmill Hill is incredibly varied and there are some who are much less fortunate than others. Both Polden and Holroyd Houses are council owned tower blocks and are very close to the pub along with numerous other council properties on the hill. There is a city wide initiative to alleviate food poverty and by hosting events about food and nutrition in the pub, alongside cookery skills courses, a wealth of knowledge can be passed on to those who wish to learn. A community fridge will be located in the pub servery and will be accessible at agreed times of day for members of the community fridge association. Local food sellers will be encouraged to pass on stock with a limited shelf life and members of the community would be called upon to collect and deliver the food to the pub.
- 4. Clubs and Groups:** A community pub can offer simple but valuable amenities such as a book exchange, and occasional wine, ale and food tastings. There is already an open mic night and a popular film club operating on mid week evenings, there are some requests coming in for a board game night and many people currently attend the regular quiz nights.

5. **Keep it Local** : The aspiration and will to source food and drinks locally by, in the spirit of community, accepting allotment grown vegetables from locals who find themselves with too much produce.
6. **Accessible to all** : The Windmill is to be a place for community so restricting access to all areas to those only without wheels feels very unreasonable. The pub will be universally accessible which means any one with wheels can use all of the public spaces.

## 4. OUR PROPOSAL IN DETAIL

### 4.1 Purchasing The Windmill

The Windmill is being sold by Bar Wars Ltd pub company and is on the market for £495,000.

**We intend to make a firm offer to Bar Wars Ltd after a final share offer has been issued.**

If we are successful in purchasing the pub we will appoint a tenant and enter into a rental agreement with them to run the licensed business selling food and drink in our premises, and to pay an affordable but realistic rent to The Windmill Community Pub Ltd.

The rent will be set at a level that gives the tenant the opportunity and incentive to run a thriving pub business.

We will use the rental income to maintain the building, repay any loans, meet other outgoings, facilitate the withdrawal by members of their shares from time to time, invest in additional social amenities, and if affordable pay interest to members.

We firmly believe that the business will be profitable, but in the unlikely event that it is not, The Windmill Community Pub Ltd will own a valuable asset – the building and land associated with it – which could be sold in order to return funds to investors.

It has not been confirmed but Bar Wars Ltd have hinted that they propose to include a 'development uplift' or 'overage' clause on the sale of the Windmill. This means that they would be entitled to some or all (dependent on what is agreed) of any increase in value arising from a future change of use to residential usage).

**This is a great opportunity to invest in a worthwhile community enterprise that will provide a valuable service to its members, users and future generations.**

The business plan will evolve as we move through the process and negotiate to acquire the pub and appoint a tenant, and as we achieve success with any grant applications.

### 4.2 Funding Model

Based on the asking price of £495,000 we estimate that we need to raise in total approximately £550,000 to purchase the pub and cover associated costs (including some contingency).

Our intention is to finance the purchase of The Windmill through a community share offer and if necessary a commercial mortgage. We aim to maximise the capital raised through the community share offer and have set ourselves the ambitious target of raising the full amount of £550,000 from the share offer, with a minimum raise of £300,000. Given that we have received pledges of between £150,000 and £390,000 before launching the share offer, and the experience of other community pubs that the conversion rate from pledge to investment is high, we are confident that this target is achievable.

Importantly any funds that we raise over and above the target will reduce our dependence on loan funding. Other sources of funding such as grants and donations are being pursued but as these cannot be guaranteed we have not relied on them for our financial modelling. Any grants awarded will allow us to reduce the loan capital required or enhance the facilities of the premises.

It is proposed that this is funded as follows:

- **Community Share Offer**

**Our target would be to raise the full funding requirement of £550,000 from a community share offer, with a minimum raise of £300,000.** Importantly the larger the community take-up of shares the less we will be dependent on commercial loan funding. The concept of community shares has been explored in depth and promoted through community research, meetings, and regular newsletters (both online and in print). Marketing for the share offer will exploit all of these methods in addition to posters, local leaflet drops, direct mail and focussed communication with local businesses and organisations, eg CAMRA, etc.

The minimum permitted investment will be £100 (£50 if under 25) although we hope that most investors will invest considerably more than the minimum. The maximum permitted individual investment will be £25,000 (the legal maximum for an individual investment in a Community Benefit Society).

Shares are not transferable (ie members cannot sell them to anyone else), except in the case of death or bankruptcy of a member.

**If we are unsuccessful in our bid to purchase The Windmill, then all investment monies will be returned promptly.**

- **Commercial Mortgage**

Any shortfall in funds raised from the community share offer will be met by taking out a commercial mortgage. Our business case is based on the assumption that we may need a mortgage of up to £250,000 repayable over 20 years. Preliminary discussions have taken place with ethical lenders including Triodos Bank and Charity Bank, both of which have given strong indications that they would be willing to lend this amount, and we are also exploring possibilities with other lenders.

Note: Commercial mortgages typically attract a high interest rate (currently around 5% - 6%), so this is another big incentive to maximise the level of community share investments.

- **Grants**

Up to £100,000 (combined grant and loan) is potentially available under the government's "More Than A Pub" programme which is managed by the Plunkett Foundation. We have already received a bursary award of £2,500 to help with initial expenditure under this programme, and have applied for the full £100,000. Our financial modelling has for now excluded grant funding as the success of our application cannot be guaranteed. Any such funding that we are awarded will reduce our dependence on debt and will thus enhance the business case.

- **Donations**

We will of course welcome donations from individuals or organisations. Donations will not form part of our share capital and will not be refundable (although in the event that we are unsuccessful in purchasing The Windmill we will as far as possible return any donations received or redirect them to the Plunkett Foundation in order to support other community pubs).

- **Value Added Tax**

We are informed that The Windmill sale will not have VAT applied. The Windmill Community Pub Ltd will become VAT registered in order that we can reclaim VAT on any subsequent improvement work.

- **Contingencies**

We have made allowances in our plans for a number of funding contingencies:

1. If insufficient share capital is generated in the required timescale we will (a) negotiate with Bar Wars, (b) extend the share offer period, and (c) consider taking a higher proportion of debt financing. We have modelled various funding scenarios and have established the maximum amount of debt that is commercially viable. Under no circumstances will we take on debt in excess of this limit, even if that means we cannot proceed with the purchase.
2. Grant funding has not been included in the financial plan, therefore any success in this will be beneficial to our business case.
3. Share withdrawal by members has been budgeted for at what we believe is a prudent level from Year 5 onwards. The Windmill Community Pub Ltd's rules permit withdrawals from Year 3, but we do not anticipate being in a position to be able to fund withdrawals that early in the life of the venture. The management committee has the right to refuse a request to withdraw funds if it would endanger the business. It is our intention not to deny withdrawals unless absolutely necessary, but of course we need to have sufficient funds.
4. Share interest payments to members have been assumed from Year 4, but in any event payment will be determined by the Management Committee, and will be dependent on the business achieving the requisite levels of profitability. Interest will be paid gross and may be taxable. It will be the member's responsibility to declare any such earnings to HMRC if applicable.
5. We have assumed there will be an initial three-month period without rental payments to allow for works to be completed or delays in appointing a tenant, and likewise we have budgeted in case there is a tenant void at the end of Year 3.
6. £5,000 pa has been budgeted to allow for a level of ongoing repairs and maintenance.
7. A substantial amount (£50,000) has been allowed for any initial maintenance and improvement work that may be needed, although we hope that in practice members of the community will be willing to undertake, on a voluntary basis, work such as decorating, gardening and minor works.
8. In addition to the above we have budgeted a contingency of £30,000 to cover unanticipated expenditure in the first three years of operation.

### 4.3 Affordable Rent

A key factor that frequently prevents pubs from flourishing is the often excessive rent that the owners charge their tenants.

**We will set an affordable but realistic rent** that gives the tenant the opportunity and incentive to run a profitable pub business. This will be set at 10% of turnover for the first year, which is a level we have seen used successfully by a number of community pubs – and which has been shown to be at the right level to attract serious applications from experienced tenants. We will, however, agree a fixed rent for the first two years to give the new tenant a level of certainty while they establish and grow the business. Once we move to the 10% rental model we will also set a minimum rent that will be payable, so that the Society can meet its obligations (in particular any mortgage payments). We have made what we believe is a realistic forecast of future turnover in our financial plans, but to some extent this will be a matter for discussion with potential tenants.

**We will operate the pub as a free house** so the tenant will not be tied to buying beer, wine, spirits and soft drink supplies from a single brewery or pub company at non-competitive prices.

These factors taken together mean that the tenant should be able to achieve significantly higher profits than in a tied pub, contributing to a financially stable business and a less frequent turnover of tenants.

### 4.4 Experienced Tenant

We have ruled out operating models such as the community directly running the pub on either a volunteer rota basis or by employing a manager. We believe that these models are impracticable and unlikely to be sustainable in the longer term due to the high level of day-to-day operational involvement they would require from the community. Based on our research, and advice received from other community pubs, we have taken the view that a tenant model is the operating model that is most likely to be successful and which will expose the community to the least risk.

If we are successful in purchasing The Windmill we will therefore appoint a tenant with the necessary experience and business ability to make a success of running the pub.

As part of the selection process we will closely examine each prospective tenant's business plan, their view of what the pub will offer its customers, and their plans for its marketing. In particular, we will want to ensure ourselves that their plans take into account and reflect our vision for The Windmill as set out in this plan. Whoever we appoint will need to have the energy and enthusiasm to buy into our vision, and to contribute to its ongoing development.

**Selecting the right tenant will be absolutely critical in ensuring the success and long term future of the pub.**

We have received a great deal of useful advice and offers of assistance with the recruitment process from existing community pubs and other professionals in the area, and will use a thorough and objective process to recruit the best tenant we can.

From the positive experience of community pubs that we have spoken with in this area, we strongly believe that we will be able to appoint an experienced tenant who can market and build the business, resulting in a thriving and sustainable community pub.



## **4.5 Business Viability**

We firmly believe that under community ownership The Windmill will be a viable business with the potential to thrive.

By virtue of the fact that we will set an affordable rent, and will let the pub as a free house, the tenancy will be significantly more attractive to experienced and capable tenants.

## **4.6 Community Ownership**

The pub will be owned and let by The Windmill Community Pub Ltd (see Section 6 of this document for more details). This means that we, the community, will have control over how the property is managed and improved. It will also enable us to have constructive communications with the tenant about the community's wishes, and one of the criteria for selection of a tenant will be their willingness to provide for community needs.

However, our intention is not to micro-manage the tenants. They will be appointed to market and run the pub, which is their job not ours – although we will of course provide whatever support and assistance we can.

The Windmill Community Pub Ltd will not be directly involved in the day-to-day management and operation of the pub – that responsibility and the associated business risk belongs to the tenant.

We, of course, hope that many members of the community, whether members of The Windmill Community Pub Ltd or not, will support the pub by offering voluntary help, joining or assisting the management committee, and most importantly by coming to eat, drink and be merry at The Windmill!

The widest possible community ownership will be encouraged. To that end the minimum investment has been set at a level that our community research has shown to be realistic for local people when they were asked to indicate their willingness to invest and likely level of contribution. We will extensively promote the community share offer through the methods outlined in the previous section.

A community approach will make a significant difference to the future potential of The Windmill:

- People care enormously about their local pubs and are willing to invest their money, time, skills and energy to save them.
- A wide membership provides a large pool of people to draw on for support and custom and generates great commitment to a well-run enterprise.
- In the Plunkett Foundation's experience, the community model is resilient. To date very few community owned pubs have failed, as their strong local identity sets them apart from traditional competition.
- Business infrastructure; our membership of the Plunkett Foundation opens up access and preferential rates for the pub business to a range of benefits including energy supplies, insurance, accountancy, telephony, food, newspaper, fixtures and fittings, and other supplies.

## 4.7 The Property

### Brief Description

The Windmill comprises a two storey end of terrace property believed to date from the Victorian period, with a single storey extension to the side. The property is arranged to provide extensive split level trading areas at ground floor with the added benefit of external seating. The upper floor provides a three bedroom flat.

The pub has space for approximately 95 people indoors, and a further 30 on the terrace.

In addition to the public spaces – ie the bar and restaurant – there is spacious first floor residential accommodation that could be made available for the tenant.

### Current Condition

MJD HUGHES Ltd carried out a desktop study and visited The Windmill on 25<sup>th</sup> June to carry out a visual inspection. The Valuation and Report was not prepared in accordance with the RICS Valuation - Global Standards 2017 due to restrictions imposed by the COVID-19 pandemic.

It would appear that overall the property is in reasonable condition. We would advise a full structural survey is undertaken on the property prior to any future exchange of contracts to assess the full cost for repairs and maintenance required to the property. Maintenance to the property could then be scheduled on an ongoing basis.

We consider the building should have a useful economic life providing a routine maintenance schedule is introduced for the property. This schedule must maintain the property to a reasonable standard on an ongoing basis.

A local builder has made a cost assessment based on some very loose feasibility plans made by a local architect. The designs for these improvements are yet to be finalised until enough information and interest has been received from the community.

A reasonable amount has been budgeted to make modest improvements and initial repairs should any be identified, and our offer to purchase will be subject to the satisfactory outcome of a full structural survey.

### Future Plans

We intend to undertake some minor works to improve both the public areas and the living accommodation, such as decorating throughout, lighting in the bar, improved upstairs bathroom, and of course we will want to replace the external pub signage to make it clear that the pub is a free house and is a community amenity. Our plan is to do this work as soon as the purchase has been completed.

These works have been allowed for in our financial model – although where possible we hope to avoid expenditure through community hands-on involvement in activities such as decorating.

The pub is not a listed building, nor does it lie in a conservation area, so any of the minor alterations will not require planning consent. Obviously when funds become available the larger changes will require the correct approvals.

We also intend to make substantial improvements to the toilets to modernise them as soon as funds permit, and importantly to improve access for customers with disabilities.

Other aspirations include the enlargement of the garden, increase the size of the family/function room, bring the cellar on to pub property and out of the neighbour's cellar, along with improving the kitchen facilities to provide a broader range of food offer.

## 4.8 Risks

We believe the key risks, together with our proposed mitigations are as follows:

<b>Risk Analysis</b>	
<p><b>Risk</b> We are unable to appoint and keep good tenants.</p> <p><b>Impact</b> Appointing the right tenant is absolutely critical to the success of this venture. The tenant needs to be experienced, motivated to develop the business, capable of marketing the pub effectively, able to create a welcoming atmosphere, and crucially in sympathy with the community and our aims.</p> <p>If we cannot appoint such a tenant the venture will not succeed.</p>	<p><b>Proposed mitigation</b></p> <ol style="list-style-type: none"> <li><b>Thorough selection process.</b> Prospective tenants will be required to demonstrate their experience and plans for The Windmill backed up with a sound business and marketing plan.</li> <li><b>External support.</b> We have been offered hands-on support with the selection process from other community pubs and commercial pub operators.</li> </ol>
<p><b>Risk</b> Void periods between tenants.</p> <p><b>Impact</b> Any closure of the pub between tenants will mean we are not receiving rental payments, which will have a negative impact on our cash flow (with the attendant risk of not being able to meet loan repayments). Additionally, this is likely to drive customers away, some of whom may not return.</p>	<p><b>Proposed mitigation</b></p> <ol style="list-style-type: none"> <li><b>Ensure tenant is incentivised and motivated to stay.</b> In part addressed through fair rent and free house status that improve profitability.</li> <li><b>Support tenant.</b> We will assist the tenant where possible with marketing, voluntary help (eg stop-gap cover for bar staff, garden maintenance, etc).</li> <li><b>Business Case.</b> We have allowed for an initial period of three months without rent, and a further three-month period in Year 4 in case we have to find a new tenant.</li> </ol>
<p><b>Risk</b> Pub fails to operate at forecast level of turnover.</p> <p><b>Impact</b> Rent is based on a percentage of turnover, therefore poor trading may impact our ability to generate a sufficient surplus to make improvements to the property and pay interest to members, and in the worst case could jeopardise our ability to service any debt.</p>	<p><b>Proposed mitigation</b></p> <ol style="list-style-type: none"> <li><b>Business case based on realistic assumptions.</b></li> <li><b>Appointment of high quality tenants.</b> See Risk 1 above.</li> <li><b>Rent 'collar'.</b> We will set a minimum rent that ensures we can meet our known expenditure (principally mortgage payments).</li> <li><b>Regular reviews with tenant.</b> We will work closely with the tenant to anticipate any problems early and identify/support action plans to maintain business levels.</li> </ol>
<p><b>Risk</b> Higher than anticipated outgoings.</p> <p><b>Impact</b> The main outgoing over which we will have limited control is unexpected property maintenance and improvement costs.</p>	<p><b>Proposed mitigation</b></p> <ol style="list-style-type: none"> <li><b>Survey and valuations prior to purchase.</b> Any purchase offer will be subject to the findings of a structural survey, which will ensure we have visibility of likely maintenance issues (and may be a topic for price negotiation).</li> <li><b>Estimates prior to purchase.</b> We anticipate that some improvement work will be needed sooner or later (eg interior decor, disabled toilet access), so we have had informal discussions with a local architect and builders to obtain indicative costings.</li> <li><b>Contingency.</b> We have included a significant sum for unexpected expenditure in the first few years.</li> </ol>

<p><b><u>Risk</u></b> The pub cannot sustainably trade profitably.</p> <p><b><u>Impact</u></b> The pub may be forced to close.</p>	<p><b><u>Proposed mitigation</u></b> Our whole business plan has been developed to avoid this occurrence, which we believe to be a highly unlikely scenario.</p> <p>In the extreme situation that the pub cannot be run successfully (or sold) as a going concern and is forced to close then the value of the property for residential use will almost certainly be significantly higher than the purchase price. In this scenario The Windmill Community Pub Ltd would be able to pay off its debts and refund the members and, by virtue of the Asset Lock, should be in a position to make a substantial contribution to other local community enterprises.</p>
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## 5. FINANCIALS

The Windmill Community Pub Ltd will own The Windmill and will let it to a tenant who will run the pub business. The core economics of our business as a property owner, therefore, revolve around the primary source of income (rent payments) vs. outgoings (building maintenance, mortgage payments, shareholder interest, and other overheads). In addition, we need to build a reserve over time in case members need to withdraw their shares, and to provide for property improvements to support business growth.

The operating economics of the pub as a licensed business are important because the rental income we will receive to cover our outgoings will be linked to the overall turnover of the pub.

Our financial forecasts for Years 1 to 8 are set out in some detail below in the Profit and Loss, Cash Flow, and Balance Sheet projections. These forecasts are our best estimates at the current time on the basis of a set of conservative assumptions.

### Key Assumptions

- Purchase price will be £495,000.
- Total initial capital required will be approximately £550,000 to cover the purchase cost, associated expenses, and to provide sufficient initial working capital.
- Minimum community share capital raised will be £300,000.
- Commercial mortgage to cover the shortfall, over 20 years may be required (depending on amount raised through share capital and grant funding).
- Grant funding will be zero (being sought, but not included in financial model).
- Rent is fixed at a lower rate of 10 and 11% in years 1 and 2 and thereafter charged at a slightly increasing % of actual turnover.
- Three months without rental income on completion of the purchase to allow for appointment of tenant and completion of minor works.
- Three months without rental income at the start of Year 4, in case we need to find a new tenant.
- Interest will not be payable to shareholders until Year 4, however if our performance permits we will of course start paying interest earlier.
- The Windmill Community Pub Ltd will be VAT registered and able to reclaim VAT.

### 5.1 Income

Other than any one-off grants and donations that we may receive, The Windmill Community Pub Ltd's sole source of income will be the rent paid by the tenant. For the pub to thrive and be sustainable the tenant needs to make a living and have a real incentive to grow the business. To this end, we don't want to impose too high a rent. On the other hand, we have to pay the outgoings explained below.

We have carefully modelled what we think are reasonable assumptions of the pub's likely turnover based on its trading history over the last few years, and on the expectation that the right tenant will be able to grow the business significantly from its current levels of trade, and taking into account MJD Hughes Ltd's feasibility report findings. In addition, we have consulted with a number of experienced and successful local pub operators who have confirmed that our turnover forecasts are conservative and with the right tenant should be readily achieved (and indeed exceeded).

We are therefore conservatively forecasting that turnover in Year 1 will exceed current trading levels at The Windmill (which we know is under-performing) but will be less than the potential Year 1 turnover identified in the feasibility study prepared for us by MJD Hughes Ltd’.

We will of course review our forecasts with prospective tenants as part of the selection process to confirm that our respective business plans are aligned, but on the basis of our detailed research and many discussions with successful operators in the licensed trade we are confident that our assumptions at this stage are realistic.

### **Annualised forecast turnover and rent (£,000’s)**

<i>Annualised forecast turnover and rent from tenancy (£,000’s)</i>				
<b>Year</b>	<b>Forecast Turnover</b>	<b>Rent</b>	<b>Rent as %age of T/O</b>	<b>% Growth*</b>
1	304	30.40	10.0%	
2	350	38.46	11.0%	15.0%
3	385	46.15	12.0%	10.0%
4	400	51.99	13.0%	4.0%
5	412	53.55	13.0%	3.0%
6	420	58.83	14.0%	2.0%
7	429	60.00	14.0%	2.0%
8	437	61.20	14.0%	2.0%

\* initial increase in turnover attributed to increase in community spend once they become owners and have vested interest. We expect this 'dividend' to decline in subsequent years and stabilise

We have assumed the pub will achieve a reasonable year-on-year increase in turnover until Year 5 at which point the pub will then be at a sustainable ‘steady-state’ level of trade once the tenant has rebuilt its reputation and developed its customer base. Subsequent increases in turnover have been modelled using the Office of Budget Responsibility’s forecast rate of inflation. As with our forecast for turnover in Year 1, our growth projections are based on MJD Hughes Ltd’s feasibility report and knowledge of trading levels previously seen at The Windmill under more successful tenants than recently, and also on the views expressed by local independent commercial pub operators.

Rental levels typically vary from 10% to 14% of turnover in the pub sector. We aim to set our rent at the mid point of this range to promote a sustainable business for the tenant and the community.

For the first two years we will set a lower % rent to provide the tenant with a degree of certainty on their outgoings as they establish themselves and develop the business. From Year 3 onwards rent will be set at slightly increasing % of turnover. Rent will be payable quarterly in advance, with an annual ‘true-up’ payment to reflect actual turnover achieved (based on certified accounts).

## **5.2 Outgoings Mortgage Payment**

Our preferred position is to avoid the need for a loan as this will represent an ongoing risk to the enterprise, but if we are unable to raise sufficient funds through the community share offer then we will make up the shortfall through a commercial mortgage. In the event that we do need to take out a mortgage, this will be for the smallest amount necessary that allows us to purchase and re-tenant the pub.

For the purposes of this business plan, we have assumed a scenario in which we need to take out a loan that will be repaid over a 20-year period.

## **Property Upkeep**

As owners of The Windmill we will need to maintain the assets (land and buildings) to uphold their value and ensure that the pub can operate. Although the tenant will have clearly defined obligations for the upkeep of the pub (these will be specified in the tenancy agreement) it is reasonable to assume that the Society will incur costs for some level of ongoing maintenance. We have budgeted approx £5,000 pa for this. As a community initiative we hope and expect that members will want to help minimise maintenance costs by volunteering to undertake as much minor maintenance as is practicable.

## **Other Overheads**

Recurring costs will include professional fees (eg accountancy costs, annual FCA fee, and Plunkett Foundation membership), building insurance, indemnity insurance etc.

In addition, there will be a number of one-off start-up costs including stamp duty, legal fees, surveys, etc. that have been allowed for in the financial plan. To date we have incurred expenses on a valuation and feasibility survey, Community Benefit Society registration, membership of the Plunkett Foundation, website development and hosting, and other minor items such as printing. We have been helped in meeting some of these costs by the £2,500 bursary that we have been awarded by the Plunkett Foundation under the 'More Than A Pub' programme.

## **Interest Payments to Shareholders**

We expect to be in a position to pay a modest interest to members from Year 4 onwards and we have developed our financial modelling on this basis. If financial performance permits, the Society will look to start making interest payments before Year 4, but our modelling assumes this will not be the case.

In practice any interest payments will depend on sufficient surplus being generated to sustain and effectively manage the business (and we have, being prudent, allowed for a three-month period at the start of Year 4 in case we need to appoint a new tenant, and in that event we would be unlikely to generate sufficient profits to allow interest to be paid in Year 4).

Interest payments will be considered each year as part of the annual review process, and any interest payment proposals from the Management Committee will be put to the Annual Members Meeting. Levels of interest payments will be set in accordance with the Society's rules which specify the maximum interest that we are allowed to pay (ie not more than Bank of England Base Rate plus 2%, and in any event not more than 5%).

## **Share Withdrawals**

Subject to surplus funds being available, we have allowed for an element of share withdrawal by members from Year 5 onwards (other than in certain exceptional circumstances such as death and bankruptcy).

As set out in the Society's rules, it should be noted that withdrawals will only be permitted if sufficient surplus funds exist, and then only at the Management Committee's discretion. This is consistent with the expectation that investing in The Windmill is a long term investment in the community rather than for personal gain.

### 5.3 Profit & Loss Forecast

In putting together these income and expenditure figures, we have prepared a profit and loss forecast for the first eight years of the Society's operation:

#### Profit and Loss Forecast £,000's

<b>Profit &amp; Loss Forecast (£,000's)</b>									
<b>P &amp; L (£,000's)</b>	<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
Forecast Turnover		304.0	349.6	384.6	399.9	411.9	420.2	428.6	437.2
<b>Income</b>									
Rental from tenancy		30.4	38.5	46.1	52.0	53.6	58.8	60.0	61.2
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grant Plunkett		2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Income</b>		<b>32.9</b>	<b>38.5</b>	<b>46.1</b>	<b>52.0</b>	<b>53.6</b>	<b>58.8</b>	<b>60.0</b>	<b>61.2</b>
<b>Expenses</b>									
Mortgage Interest		(11.3)	(10.9)	(10.6)	(10.2)	(9.8)	(9.3)	(8.9)	(8.4)
Repairs & Maintenance		(30.0)	(5.0)	(5.1)	(5.2)	(5.3)	(5.4)	(5.5)	(5.6)
Start-up costs (expensed)		(20.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Professional Fees		(4.0)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)
Insurances		(1.5)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)
Other Expenses		(2.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Depreciation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder Dividends		0.0	0.0	0.0	(6.0)	(7.5)	(8.3)	(9.0)	(9.0)
<b>Total Expenditure</b>		<b>(68.8)</b>	<b>(18.2)</b>	<b>(18.0)</b>	<b>(23.9)</b>	<b>(25.1)</b>	<b>(25.6)</b>	<b>(26.1)</b>	<b>(25.8)</b>
<b>Profit before Tax</b>		<b>(35.9)</b>	<b>20.2</b>	<b>28.2</b>	<b>28.1</b>	<b>28.5</b>	<b>33.2</b>	<b>33.9</b>	<b>35.4</b>
Corporate Tax (19%)		0.0	0.0	(5.4)	(5.6)	(5.7)	(6.6)	(6.8)	(7.1)
<b>Profit after tax</b>		<b>(35.9)</b>	<b>20.2</b>	<b>22.8</b>	<b>22.5</b>	<b>22.8</b>	<b>26.6</b>	<b>27.1</b>	<b>28.3</b>

Our financial modelling is based on the following key assumptions:

1.	Purchase price of The Windmill is £495,000
2.	Share offer will raise a minimum of £300,000
3.	Rent is fixed at a lower rate of 10 and 11% in years 1 and 2 and thereafter charged at a slightly increasing % of actual turnover.
4.	Mortgage payment calculations have used PMT formula and are based on 5% lender's interest rate
5.	Interest will not be payable to shareholders until Year 4
6.	Interest, if paid, will not exceed Bank of England Base Rate + 2%
7.	Base Rate as per OBR forecast to 2021
8.	All shares will be interest bearing and are withdrawable
9.	All figures are exclusive of VAT
10.	The Windmill Community Pub Limited will be VAT registered and able to reclaim VAT
11.	Grants and donations assumed to be zero (other than £2.5k already received from Plunkett)
12.	Start-up costs will be approx. £105k (including £75k for refurbishments), of which £30k will be capitalised
13.	Ingoings (ie fixtures and fittings) will be purchased from Bar Wars Ltd and sold on to the new tenant at cost
14.	Rental void for three months in Y4 – to allow for change of tenant



## 5.4 Cash Flow Forecast

### Cash Flow Forecast £,000s

<b>Cash Flow Forecast (£,000's)</b>									
<b>Cashflow Sheet (£,000's)</b>	<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>Income (Net of VAT)</b>									
Plunkett Bursary		2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Community Shares		300.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mortgage		250.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Donations		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rent Tenancy		30.4	38.5	46.1	52.0	53.6	58.8	60.0	61.2
Rent Flat		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Income</b>		<b>582.9</b>	<b>38.5</b>	<b>46.1</b>	<b>52.0</b>	<b>53.6</b>	<b>58.8</b>	<b>60.0</b>	<b>61.2</b>
<b>Income (Net of VAT)</b>									
Property Purchase		(495.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mortgage Capital		(6.9)	(7.2)	(7.6)	(8.0)	(8.4)	(8.8)	(9.3)	(9.7)
Mortgage Interest		(11.3)	(10.9)	(10.6)	(10.2)	(9.8)	(9.3)	(8.9)	(8.4)
Repairs & Maintenance		(30.0)	(5.0)	(5.1)	(5.2)	(5.3)	(5.4)	(5.5)	(5.6)
Legal & Professional Fees		(4.0)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)
Start-up costs (incl Stamp duty and Valuation)		(20.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurances		(1.5)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)
Other Expenses		(2.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Corporation Tax		0.0	0.0	(5.4)	(5.6)	(5.7)	(6.6)	(6.8)	(7.1)
Share Dividends		0.0	0.0	0.0	(6.0)	(7.5)	(8.3)	(9.0)	(9.0)
Share Buy back		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous									
<b>Total Outgoings</b>		<b>(570.6)</b>	<b>(25.4)</b>	<b>(30.9)</b>	<b>(37.5)</b>	<b>(39.1)</b>	<b>(41.0)</b>	<b>(42.1)</b>	<b>(42.6)</b>
<b>CASHFLOW FOR PERIOD</b>		<b>12.3</b>	<b>13.0</b>	<b>15.2</b>	<b>14.5</b>	<b>14.4</b>	<b>17.8</b>	<b>17.9</b>	<b>18.6</b>
<b>CLOSING BALANCE</b>		<b>12.3</b>	<b>25.3</b>	<b>40.5</b>	<b>55.0</b>	<b>69.4</b>	<b>87.2</b>	<b>105.1</b>	<b>123.7</b>
<b>Cash flow - check</b>									
Profit/(Loss) for year		(35.9)	20.2	22.8	22.5	22.8	26.6	27.1	28.3
1. Add back non-cash items in P&L		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Deduct Cash items on B/S only		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Triodos Loan		250.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder investment		300.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property purchase/sale		(495.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mortgage capital		(6.9)	(7.2)	(7.6)	(8.0)	(8.4)	(8.8)	(9.3)	(9.7)
<b>Cash inflow/(outflow) for year</b>		<b>12.3</b>	<b>13.0</b>	<b>15.2</b>	<b>14.5</b>	<b>14.4</b>	<b>17.8</b>	<b>17.9</b>	<b>18.6</b>
<b>Difference between methods (check)</b>		<b>(0.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Our projections show a healthy positive cash-flow in all years.

We expect to spend most of the capital raised during Year 1. This comprises the purchase price and stamp duty, various other start-up expenses, mortgage payments, and any initial maintenance and improvements.

Although we have applied for a grant under the 'More Than A Pub programme', for the purposes of this business plan we have not included any grant or loan that we may be awarded.

## 5.5 Balance Sheet Forecast

The balance sheet forecast shows a snapshot of the forecast assets and liabilities at the end of each financial year for the first eight years.

Balance Sheet Forecast (£,000's)									
Balance Sheet (£,000's)	End of Year..	1	2	3	4	5	6	7	8
<b>Fixed Assets (net of VAT)</b>									
Freehold property		495.0	495.0	495.0	495.0	495.0	495.0	495.0	495.0
Purchased costs capitalised		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Improvements		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Fixed Assets		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Fixed Assets</b>		<b>495.0</b>	<b>495.0</b>	<b>495.0</b>	<b>495.0</b>	<b>495.0</b>	<b>495.0</b>	<b>495.0</b>	<b>495.0</b>
<b>Current Assets</b>									
<b>B/F at start of year</b>		0.0	12.3	25.3	40.5	55.0	69.4	87.2	105.1
Triodos Loan	c/f item	250.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholder investment	c/f item	300.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property purchase/sale	c/f item	(495.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mortgage capital	c/f item	(6.9)	(7.2)	(7.6)	(8.0)	(8.4)	(8.8)	(9.3)	(9.7)
Mortgage interest		(11.3)	(10.9)	(10.6)	(10.2)	(9.8)	(9.3)	(8.9)	(8.4)
Repairs & Maintenance		(30.0)	(5.0)	(5.1)	(5.2)	(5.3)	(5.4)	(5.5)	(5.6)
Start-up costs (expensed)		(20.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Professional Fees		(4.0)	(0.5)	(0.5)	(0.6)	(0.6)	(0.7)	(0.7)	(0.8)
Insurances		(1.5)	(1.5)	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)
Other Expenses		(2.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Corporation Tax		0.0	0.0	(5.4)	(5.6)	(5.7)	(6.6)	(6.8)	(7.1)
Plunkett Grant		2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tenancy rental		30.4	38.5	46.1	52.0	53.6	58.8	60.0	61.2
Shareholder Dividends		0.0	0.0	0.0	(6.0)	(7.5)	(8.3)	(9.0)	(9.0)
Movement in Year		12.3	13.0	15.2	14.5	14.4	17.8	17.9	18.6
C/f at end of year		12.3	25.3	40.5	55.0	69.4	87.2	105.1	123.7
Bank		12.3	25.3	40.5	55.0	69.4	87.2	105.1	123.7
<b>Current Liabilities</b>									
Sundry Creditors		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Corporation Tax		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Current Assets</b>		<b>12.3</b>	<b>25.3</b>	<b>40.5</b>	<b>55.0</b>	<b>69.4</b>	<b>87.2</b>	<b>105.1</b>	<b>123.7</b>
<b>Long term Liabilities (1yr+)</b>									
<b>Mortgage</b>									
B/F at start of year		(250.0)	(243.1)	(235.9)	(228.3)	(220.4)	(212.0)	(203.2)	(193.9)
Movement in Year		6.9	7.2	7.6	8.0	8.4	8.8	9.3	9.7
C/f at end of year		(243.1)	(235.9)	(228.3)	(220.4)	(212.0)	(203.2)	(193.9)	(184.2)
Mortgage		(243.1)	(235.9)	(228.3)	(220.4)	(212.0)	(203.2)	(193.9)	(184.2)
<b>NET ASSETS</b>		<b>264.1</b>	<b>284.3</b>	<b>307.2</b>	<b>329.6</b>	<b>352.4</b>	<b>379.0</b>	<b>406.1</b>	<b>434.4</b>
<b>Financed by:</b>									
Share holding		300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Reserves		(35.9)	(15.7)	7.2	29.6	52.4	79.0	106.1	134.4
<b>TOTAL EQUITY</b>		<b>264.1</b>	<b>284.3</b>	<b>307.2</b>	<b>329.6</b>	<b>352.4</b>	<b>379.0</b>	<b>406.1</b>	<b>434.4</b>
<b>Check: Net Assets minus Equity</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## **6. THE WINDMILL COMMUNITY PUB Ltd**

The Windmill Community Pub Ltd is an incorporated enterprise established by the 'Save The Windmill' project team who are its founding members.

The purpose of The Windmill Community Pub Ltd is to enable the community of Windmill Hill and neighbouring areas, including other supporters, to secure and safeguard the future of The Windmill public house and promote it as an amenity of prime importance to the community.

The Windmill Community Pub Ltd is a limited liability community benefit society registered with the Financial Conduct Authority (FCA) using a set of pre-approved model rules developed by The Plunkett Foundation (a charity that has been helping communities to set up and run community-owned enterprises since 1919).

Our rules include a statutory Asset Lock which ensures that should The Windmill Community Pub Ltd achieve a surplus beyond that required to meet its liabilities, improve the facilities and ensure the future of the business, this surplus may be made available for distribution to other community or charitable projects. Specifically, any such surplus cannot be used to benefit the members as individuals (other than for modest payments of interest to investors).

A copy of the Rules of The Windmill Community Pub Ltd can be found on our website [www.savethewindmill.org](http://www.savethewindmill.org) or can be requested from a member of the Management Committee.

The Windmill Community Pub Ltd is a democratic organisation that operates on the principle of one member one vote regardless of the amount each member has invested.

### **6.1 Limited Liability**

The Windmill Community Pub Ltd is a limited liability entity. This means that the most a member can lose is the amount originally invested (though we believe that this is highly unlikely). Investors will not be liable for any activities of the tenant – for example, if they run up huge bills and then disappear.

### **6.2 Management Structure**

The first members of The Windmill Community Pub Ltd are those who signed the application for FCA registration, and these members will appoint the first Management Committee that will then serve until the first Annual Members Meeting, which will be held as soon as is practicable after completion of the purchase, probably early in 2021.

Our start up provisions require that all members of the first Management Committee will retire at the first Annual Members Meeting, although they are eligible to stand for re-election. The newly elected Management Committee will take office immediately after the conclusion of that meeting, and the following provisions will apply to them:

- One third of those so elected, who obtained the highest number of votes, shall serve until the conclusion of the fourth Annual Members Meeting.
- One third who obtained the next highest number of votes shall serve until the conclusion of the third Annual Members Meeting.
- The remainder of those elected shall serve until the conclusion of the second Annual Members Meeting.

Thereafter, elected members of the Management Committee hold office for a period of three years commencing immediately after the Annual Members Meeting at which their election is declared, and ending at the conclusion of the third Annual Members Meeting after that.

The Management Committee is responsible for managing the affairs of The Windmill Community Pub Ltd in exactly the same way as the board of directors is responsible for managing the affairs of a limited company. The Management Committee will:

- Organise and supervise the purchase of the pub and any refurbishment works.
- Appoint the tenant.
- Monitor and manage The Windmill Community Pub Ltd's financial affairs for the benefit of the community.
- Oversee the lease and manage the relationship between The Windmill Community Pub Ltd and the tenant.
- Appoint new tenants should that be necessary.
- Ensure that The Windmill Community Pub Ltd complies with all applicable regulations.

We will lease the pub business to a tenant who will run the pub and pay rent to The Windmill Community Pub Ltd. The Management Committee will set the broad policy direction for the business and agree specific standards with the tenant, including certain aspects which community feedback has shown to be important. These will include, for example, an obligation to provide locally brewed beers, to maintain the character and ambience of The Windmill as a traditional country pub in the city, and to promote additional amenities that are beneficial to the community. Beyond that, however, the tenant will be left to manage and operate the business as they see fit. The Management Committee will not get involved in or interfere with the day to day running of the business, or attempt to micro-manage the pub.

The members of the Management Committee are equally responsible in law for committee actions and decisions. They are collectively responsible and accountable for ensuring that the organisation is performing well, is solvent and complies with all its obligations.

In order to protect The Windmill Community Pub Ltd we will take out 'Director & Officer' liability insurance for the Management Committee and Secretary.

The Management Committee will provide all members with an annual report which will set out the key financial statements together with a report of the society's activities during the previous financial year, and any plans for the following year.

### **Management Committee members**

The initial Committee is as follows:

- **Miriam Venner (Chairperson)** lives in Windmill Hill.
- **Tessa Fitzjohn (Treasurer)** has lived in Windmill Hill for ever.
- **Dianne James** lives in Windmill Hill.
- **Carlton Bodkin** lives in Windmill Hill.
- **Gwen Vonthron** lives in Long Ashton but used to live in Windmill Hill.
- **Thomas Trevithick** lives in Windmill Hill.
- **Phoebe Smart** lives in Windmill Hill and came up with the phrase "country pub in the city" .

### **6.3 Members**

The community benefit society structure means that any person who buys the minimum number of shares becomes a member of The Windmill Community Pub Ltd. Each member then has one vote to exercise at the Annual Members Meeting regardless of how many shares they hold.

Members can be elected onto the Management Committee. All members will be provided with an Annual Report, which will set out details of the operation of The Windmill Community Pub Ltd and how it has developed its activities over the previous year and will include a report of the accounts. The Rules also provide for a number of other ways in which the membership may hold the Management Committee accountable for the running of The Windmill Community Pub Ltd, including calling a special general meeting if required.

Corporate bodies can also be members.

## **7. APPENDICES**

### **7.1 SWOT Analysis Strengths**

- Excellent location at the entrance to the hill, with great views across the city, close proximity to the local station with a convenience shop just across the road.
- A range of good-sized mixed bar and dining areas.
- A good reputation in the past for good quality food.
- A wide base of regular local customers who we anticipate will quickly return to a well-run and welcoming pub.
- The commitment of the wide membership base to use what will be their business and who will encourage their friends and family to use the pub.
- The business will own the freehold and will not be tied to any particular brewery or supplier and therefore the tenant will be free to negotiate the best deals for supply of food and drink.
- The Windmill Community Pub Ltd will appoint an experienced licensee as the tenant to run the business and take all the business risk.
- The Windmill Community Pub Ltd will have the secure income of rent from the tenant.

### **Weaknesses**

- Reputation has fallen over recent years.
- The turnover and profitability of the pub has declined over recent years.

### **Opportunities**

- To rebuild its reputation with a new tenant and staff team.
- To develop new customer bases including home workers, nearby businesses, and people in search of locally produced beers and locally sourced, good quality food.
- The property has sufficient space available for the dining and kitchen areas to be improved, as funds permit.
- To provide additional community amenities.

### **Threats**

- Inability to obtain the necessary financing to conclude the purchase or rejection by Bar Wars Ltd of a community bid.
- Inability to find and /or retain good tenants.
- Unexpected repair costs.
- Interest rate increases.
- Wider economic environment – reductions in disposable income from the customer base.

## **Meeting the Weaknesses and Threats**

### **Attracting lost business**

Once the pub is owned by the community (and we hope at least 100 members will be local residents), the commitment to use the pub and to encourage family and friends to use it will be considerable. This has proven to be the case in many instances of community owned pubs.

We also plan to conduct a marketing/PR campaign aimed at residents of surrounding areas, and will require that the new tenant's business plan addresses marketing the pub with a well thought out and achievable marketing plan.

Consistent provision of competitively priced good local beer, wine and freshly prepared food using local ingredients, together with reliable opening hours will provide a good basis for re-establishing the reputation of the pub, which should then attract a steady flow of referrals by word of mouth, good TripAdvisor reviews, local newspaper restaurant reviews, etc.

The introduction of events such as regular live events (eg folk, jazz, poetry readings, etc), pub sports, lunchtime clubs, café etc.

### **Profitability**

A fair rent and free house will give the tenant considerable scope to run a profitable business.

### **Unexpected Repair Costs**

Any offer that The Windmill Community Pub Ltd makes to purchase the pub will be subject to a structural survey that should identify any serious problems. The financial impact of unanticipated repairs can to some extent be mitigated by using volunteers from the community together with the possibility of grants.

### **Shareholder withdrawal**

We plan to sell shares and attract loan financing that will lead to a sum being raised to adequately provide for all the budgeted costs of the acquisition and any initial maintenance. The Windmill Community Pub Ltd's rules provide that members cannot withdraw their shares in the first three years of the operation of the business, to allow it to establish itself. After that members will be required to give notice as per the Rules if they wish to withdraw shares, and approval will be subject to funds being available and Management Committee approval.

Cash reserves will be built up where possible to enable withdrawal of shares subject to the requirements of the business. Ideally, new or existing shareholders will be willing to invest to replace shares being withdrawn. If they cannot be replaced, then the reserve fund would be utilised.

Whilst The Windmill Community Pub Ltd's rules require that every member commits their investment for at least three years, there are certain circumstances in which the Management Committee is authorised to allow early withdrawal (eg death and bankruptcy).

In practice we do not anticipate that The Windmill Community Pub Ltd will be in a position to fund any withdrawals before Year 5.

### **Interest rate increases**

Interest rates are currently at an all-time low. The risk of higher interest rates, which would increase our mortgage payments, can be reduced by maximising the community shareholding, and if funds permit reducing the debt through early capital repayment. We will also evaluate the option of a fixed-rate mortgage.

### **The business is unviable**

If despite a sound business plan, vigorous and sustained marketing, and the support of members and other customers, the business does not develop as anticipated, then the Management Committee would be forced to close the pub, sell the assets and repay the original investors, with any residual assets to be used for the benefit of the community. This is clearly not an outcome that we seek, nor one that we think is likely, but this possible course of action should give investors some security that in the event of the enterprise being unsuccessful they will recover some or all of their investment.

## **7.2 Marketing Strategy – Share Offer**

The Share Offer will be marketed vigorously, and will include the following:

- Public meeting to launch the share offer, with external speakers to support the business case.
- House-to-house calls to ensure that as far as possible everyone knows about the share offer and to answer any questions people may have.

- 'Drop-in' sessions throughout the share offer period to answer queries from potential investors.
- Posters will be put up around the area.
- Extensive leafleting of Windmill Hill and neighbouring areas within a short walking distance including local business properties and other community organisations.
- New website ([www.savethewindmill.org](http://www.savethewindmill.org)) and Facebook page. These will be kept up to date with information on the level of share applications and other news.
- Local press coverage.
- Email notifications.

### 7.3 Marketing Strategy – The Windmill

Whilst marketing The Windmill will primarily be the tenant's responsibility, the Management Committee will assist as far as possible in pursuing the following marketing strategy.

**Advertising:** There are numerous residents in Windmill Hill and the surrounding area who have expertise and / or personal connections which could be helpful to the tenants in marketing the pub. Help could be provided to the tenant for example in devising and developing the pub's website and branding, publicising the pub's facilities and menus (food and drinks) in the wider area, and drawing in media coverage.

**Core pub offer:** feedback from numerous local people has emphasised the potential value of these basic offerings:

- Good and consistent quality food using fresh ingredients at reasonable prices.
- Menu to offer a range of pub classics plus a small, changing range of specials.
- Provision of local craft beers, locally sourced food.
- Pub games: eg darts, chess, dominoes.

**'More than a Pub' offer:** central to the aims for The Windmill is to attract people who may not otherwise use the pub, to provide for and engage a wider community, for example:

- Socially inclusive functions, eg coffee and lunch clubs for older / less mobile / disabled people.
- CAMRA members who will be attracted by good local beers in an attractive 'country pub in the city'.
- Film, 'open mic' nights (we have offers to organise, and will seek sponsors).
- Book groups, board game club, mens shed and community fridge are all genuine means to get like minded people to share time together in a welcoming pub and encourage social inclusiveness.

**In addition** the pub can provide for:

- Gallery facilities to display the work of local artists and provide a hub for events such as Art On The Hill, or Window Wanderland.
- Facility development: café (this will be attractive to local people, passers-by, parents and children after school etc).

### 7.4 Data Protection Act

The Windmill Community Pub Ltd adheres to the principles of the Data Protection Act, even though it is exempt from registration with the Information Commissioner as a not-for-profit organisation, and will use and process personal data only for the purposes of The Windmill Community Pub Ltd.



We will keep personal information that we hold secure and up to date, and will:

- only use it for the purposes for which it was gathered.
- not keep it longer than necessary.

Personal data will be used solely for the purpose of maintaining a register of members and potential members as required by the rules of The Windmill Community Pub Ltd, and for communicating with members. We will not share any members' personal information (names, addresses, phone numbers, etc.) with third parties.

Members' financial information, such as amounts invested, share classes purchased, and interest paid will be treated as strictly confidential, and will not be shared even within the Management Committee except as necessary for managing The Windmill Community Pub Ltd (eg when making decisions about whether withdrawal requests can be funded).