



# THE SEBASTOPOL INN

## COMMUNITY PUB



# THE SEBASTOPOL INN, MINTING COMMUNITY PUB LIMITED

## BUSINESS PLAN

25 FEBRUARY 2017

The Sebastopol Inn, Minting Community Pub Limited - Business Plan

Document: The Sebastopol Inn, Minting, Community Pub Ltd Business Plan

Date: 25<sup>th</sup> February 2017

Document Version: 1-1

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Subsequent changes to this document will be managed through version control.	Status	Description / Reason for modifications
Version		
0.1	Draft	For Management Committee & Plunkett Review
1-1	Final	For publication

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## 1. EXECUTIVE SUMMARY

We are seeking investors who wish to become Members of The Sebastopol Inn, Minting Community Pub Limited (Reg. No. 7472) that plans to buy The Sebastopol Inn, Minting Lincolnshire.

We plan to appoint a professional tenant to run it as a typical village pub, for the benefit of the residents of Minting, Gautby and surrounding villages, visitors, other local businesses and tourism within the area.

The performance of the tenant that we select is critical to the long term success and sustainability of the enterprise and it is essential that we maintain good communication with and support for our tenant to achieve this.

A vibrant community pub will put the heart back into the community as a place for social gathering, providing good food, themed events, somewhere to meet people and exchange information and it will promote a cohesive and friendly community.

It is our intention that the pub will work closely with and in support of the other community facilities and clubs in the area, in particular the village hall.

If you make an investment you will become a member of The Sebastopol Inn, Minting Community Pub Limited. We are a Community Benefit Society, which is a society with limited liability run for the benefit of the local community. You will be a co-owner of the freehold of a traditional Lincolnshire pub, in a beautiful setting and will always receive a friendly welcome in the pub that you own.

Members will need to invest a minimum of £250, up to a maximum of £20,000. Each member will have an equal say in the enterprise no matter how much they invest.

The initial management committee that has formed the Society is accountable to the Membership and will, in future, be elected by the Members.

Members will receive updates via the website [www.thesebastopolinn.co.uk](http://www.thesebastopolinn.co.uk), and newsletters. They will be entitled to attend the Annual General Meeting and other special general meetings that may be called from time to time.

Professional expertise has been sought from Sidney Phillips Chartered Surveyors and Registered Valuers. On 20 October 2016 their Market Value of the freehold property in its current condition being closed was £250,000 excl VAT. Minimal refurbishment work is required to re-open the pub, estimated at £5,500. Based upon historic trading records the potential turnover stated by the independent valuer is around £150,000 net of VAT from its current condition.

Our aim is to raise a maximum of £280,000 from a community share offer. This will be used to purchase the building freehold with associated costs and taxes and get it ready to be re-tenanted. The Society will agree a lease with a tenant who will run the licensed business selling food and drink in our premises and pay rent to the Society.

We firmly believe that the business will be profitable, but if it is not, the Society owns a valuable asset, the building and land associated with it. If necessary this could be sold in order to return funds to investors. Your investment is in the building and land, the bricks and mortar, not the licensed business.

The rental income is the main source of income and will provide the revenue required for:

- Maintenance of the building and to enhance the facilities
- the withdrawal of shares from time to time
- any corporation tax liabilities
- any loan interest which may be required, capital repayment (over 20 - 25 years)
- payment of interest to the investors

Subject to raising sufficient funds, we would anticipate that contracts to purchase would be completed in late summer 2017. This business plan will evolve as we move through the process and negotiate to acquire the pub, and recruit the tenant and, as we achieve success with any grant applications.

This is a great opportunity to invest in a worthwhile community enterprise that will provide a valuable service to its Members and users.

### **IMPORTANT NOTE**

This is an extract from the full business plan document, which is available online at [www.mintingandgautby.co.uk/sebastopol-inn-community-pub](http://www.mintingandgautby.co.uk/sebastopol-inn-community-pub) or on request from:

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## 2. INTRODUCTION

### 2.1 THE PURPOSE OF THIS DOCUMENT

The aim of this business plan is to demonstrate the feasibility for The Sebastopol Inn, Minting Community Pub Limited to raise sufficient community investment and commercial funding to enable the freehold of the Sebastopol Inn to be purchased and let to a professional tenant on a viable and sustainable basis.

This document:

- Details the business plan for the project covering the concept, financial risk and success factors and team structure and illustrates the benefits for Members and the community;
- Provides an overview of the legal structure, ethos and model rules of The Sebastopol Inn, Minting Community Pub Limited;
- Invites you to help us realise this project and explains the process for pledging your financial support.

### 2.2 MARKET BACKGROUND

Freehold pub values increased 10 fold from 1975 to peak in 2007, according to 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 is due to the PubCos who were hit by the credit crunch and have been selling assets off to pay down debt. The decline has also been accentuated by competitive pressures on drink sales, supermarkets undercutting pubs, which has put a significant strain on the traditional tied pub tenancy model that has become increasingly uneconomic. As a result of these pressures the nature of pub ownership is changing. There were 52,750 pubs in the UK (in 2015) and the large estates are now being broken up and properties are being closed or 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. According to CAMRA there were on average 27 pub closures a week in the UK in the second half of 2015. The traditional model separates the pub owner from the pub operator. The pub owner has charged rents and generally been slow to invest capital in the property. The pub operator has struggled with weak sales, high tied beer costs, an uneconomic rent and insufficient capital to invest in the asset. This is a vicious circle, which usually leads a loss of incentive and subsequent poor management leading to 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 teaming up and buying these under-performing assets, operating them through tenancies for the benefit of the local community. According to the Plunkett Foundation, 2013 was a breakthrough year for pubs in the UK that are owned and run as co-operatives. After a few years of steady progress, in 2013 they saw a significant

jump in the number of community pubs opening. During the year, Plunkett also received a rapid increase in the number of communities looking to set up their own pub. The key reasons for this change have been:

- Growing awareness and increased confidence that communities can take over and run pubs;
- Continually high closure rates of pubs that matter to local people.
- The development of innovative ways of funding purchases, particularly through community shares;
- New powers available to communities in England, particularly the ability to register Assets of Community Value;
- Improving the support that is available, particularly through the Plunkett Foundation's Community Pubs Advice Line and the wider Frontline Service, the Department for Communities and Local Government's Community Ownership and Management of Assets Programme in England. Community pubs create a democratic way of running a business and are set up on a 'one member, one vote' basis. They aim to be profitable; can distribute dividends to Members, reinvest back into the running of the business, or distribute it back to the community.

## 2.3 PROJECT BACKGROUND

The Sebastopol Inn is the only pub in Minting and surrounding villages and was first opened in 1836. This is the second time that the community has considered buying and running it as a community pub. When it closed its doors October 2010, The Sebastopol Inn Community Pub Initiative was formed with the aim of seeing it reopened and run for the benefit of the village. A bid was made, but at that time the bank accepted an offer to buy the pub from its current owners, who re-opened the Sebastopol in August 2011. It closed again in August 2016, having traded as a pub/fine dining restaurant. Having been on the market for 3 years, in 2016, the owners approached the community to ask whether it was interested in purchasing the Sebastopol.

Following community meetings, a working group was set up to determine whether a new community bid could be made, and having received a number of pledges of support and indications of financial investment; The Sebastopol Inn, Minting Community Pub Limited was registered on 9 January 2017 and work begun on this business plan and the share prospectus.

## 3. COMMUNITY BENEFITS

### 3.1 WHY DOES THE VILLAGE NEED A PUB?

Our belief is that the pub and the site it occupies are vital amenities for Minting, Gautby and nearby villages and that the best interest of the community will be served by acquiring the pub through a limited liability Community Benefit Society. The legal structure is explained in detail later in this document.

**This will enable the village to secure and safeguard the pub for the foreseeable future.**

### 3.2 BENEFITS TO OUR COMMUNITY

The Sebastopol Inn is a pub at the heart of the community of Minting and surrounding villages of Gautby, Baumber, Edlington, Hatton, Waddingworth and Wispington.

Data from 2011 census for the Roughton Ward shows that over 42% of the community are over the age 60 with 10% in the 75-84 range, 1.9% 85-89 and 1.3% over 90.

The index of multiple deprivation for the Ward in 2015 is 12,039 out of 32,844 where 1 is the most deprived. The index for barriers to service is 0.9%.

Data on car ownership shows that of 1003 households there are 7% with no vehicle and 44.5% with only 1 vehicle. This results in some cases in families/people being isolated at home.

Our plan is to re-establish The Sebastopol Inn as a vibrant country pub and as a centre for the whole community, selling local ales and good quality, affordable food in the bar and dining room using local suppliers wherever possible.

We believe there is potential for the sale of basic supplies and local produce from the premises, as well as the setting up of a tea room.

We propose to include access to high speed broadband as this is a particular problem in the community. This would facilitate access to key services such as internet shopping/grocery shopping for those who struggle with transport.

The pub could also act as a hub for lift sharing/transport, parcel delivery/collection, mobile post office and library services.

Over the last 5 years the Sebastopol Inn has catered for a small number of individuals who seek a fine dining experience, but this precluded a large section of the community. A community pub would encourage a wider cross-section of the community to visit the pub/shop/tea room and use the additional services offered. This will help to engage and connect with those who may be vulnerable and isolated, and to promote social interaction.

Whilst the core objective is to preserve the pub for the community, we recognise that there is potential to attract visitors to the area, linking with bed and breakfast and self-catering establishments, local walking and cycling groups, and Duke of Edinburgh Groups from local schools and colleges for example.

There is potential therefore for the employment and training of individuals through the various strands of the proposed business, as well as encouraging volunteers to get involved by offering their services.

A community pub would help to support the existing community and help attract new residents to the area by providing vital services which currently do not exist. A 2015 survey by Tepilo estate agents found that over 23% of home buyers stated that proximity to a good local pub is important when choosing a location and therefore has a positive impact on local house prices.



### 3.3 COMMUNITY CONSULTATION

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

Research undertaken within the community via surveys have established an excellent body of support for the project with a high level of participation. During the summer of 2016, Minting & Gautby Parish Council held 2 public meetings to discuss whether the community would be interested in raising a bid to purchase The Sebastopol Inn. The pub had been for sale for 3 years and the owners had approached the Parish Council to inquire whether there would be interest from the community. It was concluded from these meetings that there was sufficient interest to carry out a feasibility study and a Working Group of 7 volunteers was formed as part of the Minting, Gautby & District Heritage Society. The Group received support from the Plunkett Foundation (including financial support provided by the Government) and from Minting & Gautby Parish Council.

A public meeting was held at Minting Village Hall on 17 November, attended by over 60 people at which the Working Group presented their proposals to take the project forward. A presentation was also given by Martin Booth, a director from a successful Community Pub, the George and Dragon in Hudswell, North Yorkshire.

Following this public meeting, the Sebastopol Inn Working Group received 65 completed Expression of Interest Forms.

Of these, over 98% were in favour of proceeding with the community pub project.

Over 82% expressed an interest in becoming a member of the Community Benefit Society and investing in The Sebastopol Inn Community pub.

Also, it was extremely encouraging that the Working Group received 17 offers to join the Management Committee.

A Management Committee of 12 was subsequently formed and started work to draw up an action plan and timescales for a Community Share Launch.

A community engagement questionnaire was issued during the business planning process to invite the community to provide further ideas and information to help take the project forward. This was circulated electronically, posted on the community website, and was hand delivered to local residents.

From 51 responses analysed;

100% stated that they considered it to be in the best interests of the community to reopen The Sebastopol Inn as a community pub

96% wanted to become a member of the Society and invest in The Sebastopol Inn

65% stated that having a pub in the community is very important and 35% stated that it was important

22% indicated that they would use the pub 2-3 times a week, 43% indicated they would use it approximately every 2 weeks and the remainder indicated that they would use it occasionally.

Detailed questions and open responses were also used to gather information on the services/events that the pub should provide including a range of community services such as parcel drop off, small shop for basic provisions, book swap and internet cafe.

## **4. AIMS AND OBJECTIVES**

### **4.1 OVERVIEW**

The Society proposes to raise funds in order to purchase and maintain The Sebastopol Inn Public House, Minting for the benefit of the community. It will lease the pub to a professional tenant who will be responsible for the operation of the public house. Other activities may be undertaken at the discretion of The Management Committee and for the benefit of the community.

### **4.2 VISION**

Our vision is to buy The Sebastopol Inn for the benefit of the community and secure its future as a thriving community pub.

### **4.3 MISSION**

We plan to sell local ales and good quality, competitively-priced food in the bar and dining room using local suppliers where possible.

A key objective is to develop a warm, welcoming atmosphere and whilst the core objective is to preserve the pub for the community, we recognise that there is potential to attract visitors to the area, linking with bed and breakfast and self-catering establishments, local walking/cycling and other groups. The Sebastopol Inn would also offer a place for weddings and celebrations situated as it is directly opposite the church. Underpinning this will be the history and reputation of The Sebastopol Inn across Lincolnshire.

The 1 bedroom self-contained holiday let has the potential to earn an extra income, which has previously been under-utilised. This business plan currently assumes that this will be included as part of the tenancy agreement and therefore does not include this as a revenue stream.

We believe there is also potential for the sale of basic supplies and local produce from the premises. This could be on the basis of an internet-based service, where produce from local suppliers is offered to customers who may have been completely unaware of them before visiting The Sebastopol Inn and sampling them there.

The Society will retain sufficient funds to maintain the land and freehold of The Sebastopol Inn and the aim will be to invest in the premises to improve facilities and potentially expand, options could include a small caravan site, a shop and a café/tearoom.

There is potential therefore for the employment and training of individuals through the various strands of the proposed business, as well as encouraging volunteers to get involved in the project.

The key factors contributing to a successfully run the Sebastopol Inn are:

- Acquiring the freehold premises of the pub through The Sebastopol Inn, Minting Community Pub Limited, a community owned and run society to ensure community buy in and input to the future success of the pub.
- Recruiting a suitable, professional tenant who shares the vision and ethos of the Society.
- Negotiating a tenancy agreement which is to the mutual benefit to the Society and the tenant.
- Implementing an effective marketing campaign in conjunction with the tenant.

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

#### 4.4 RAISE ENOUGH CAPITAL TO PURCHASE THE PUB

Our plan is to finance the acquisition, initially through a community share offer. The intention is to maximise the capital raised through the community share offer. We set a target of **£250,000** based on the October 2016 valuation; however, on this basis, a maximum of **£280,000** would be needed to purchase the pub freehold, carry out initial repairs and improvement and appoint a tenant. We need to raise a minimum of **£150,000** to proceed. If we only achieve the minimum amount of share capital through the initial share offer, the offer would be extended. Other sources of funding such as commercial loans or underwriting would then be pursued, although this would affect our ability to pay interest to shareholders.

Grants will also be sought, but as timescales for grant funding are notoriously uncertain, they have been excluded from the business plan for this reason.

The Society will agree a lease with a tenant who will run the business selling food and drink in our premises and pay rent to the Society. The rental income will provide revenue to maintain the building, may facilitate the withdrawal of shares from time to time and may pay interest to the investors. We firmly believe that the business will be profitable, but if it is not, the Society owns a valuable asset – the building and land associated with it which can be sold in order to return funds to investors. Your investment is in the building and land – the bricks and mortar, not the licenced business. We will rent the pub to a professional tenant for an initial 3 year term. The tenant will be responsible for the separate operational business “The

Sebastopol Inn". As a profitable business with strong community support, it will provide a service to the villages and visitors to the area and support other local businesses and tourism within the area.

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 recruit the tenant, and as we achieve success with any grant applications.

The costs can be broken down into 3 main categories and these are detailed within this business plan:

- Acquisition
- Refurbishment and tenant recruitment (more detail provided in section 4.5 below)
- Contingency

It is proposed that this is funded as follows:-

- £250,000+ from community shares (importantly the larger the community take up of the shares the less the dependence on commercial loan funding and therefore reduced interest payments). The concept of community shares has been widely explored and promoted, thorough community meetings, posters, regular newsletters and articles in the local press, the Minting and Gautby website, Facebook, Twitter and direct emails. The marketing activity for the share offer will continue using all of these vehicles in addition to local leaflet drops, direct mail and focussed communication with local businesses and groups etc.
- Grant funding, commercial loans and benefactor loans will be sought only if required; the business plan has excluded these sources as the success and timing of such grant funding cannot be guaranteed.
- At the present time, we understand that The Sebastopol Inn sale will not have VAT applied to it at 20%.
- Subject to raising sufficient funds and an agreed sale, we would anticipate that contracts to purchase would be completed in late summer.

A number of contingency areas have been built into the business plan:

- If insufficient share capital is generated (but exceeds the minimum level of £150,000), the share offer may be extended.
- Zero grant funding is included, however, some grant funding is expected.
- The maximum share withdrawal of £10,000 has been planned for with potential pay outs commencing in year 4, however, this level of withdrawal is considered unlikely;
- A level of share interest is budgeted from year 1 but payment will be decided based upon the health of the business;
- A contingency allowance has been included in the estimate of refurbishment costs;

#### 4.5 PROFESSIONAL TENANT

The model which the management committee has resolved upon to let the pub to a tenant who will be the business operator. It is not intended that the Society will itself run the pub. It will be the owner of the pub and receive rent.

The management committee is openly seeking the first tenant.

The Society management committee will develop objective criteria, based around the community vision, services and business planning, on which to judge applicants. We aim to select the tenant in early summer 2017. The appointment of a tenant to run the business is a crucial step. The advantage of this arrangement for the society is that the tenant carries the business risk. The attraction for the tenant is that they will benefit from a low initial rent, which will enable them to build a profitable business from which they will directly benefit in terms of increased income for the business that they will own. Therefore they will have every incentive to ensure that the business thrives and grows.

We will be inviting applicants who wish to lease the premises from us to submit their business proposals to us and we will select the tenant who best meets the criteria that we set.

Whilst the tenant will be responsible for running the business, within broad terms set by the management committee, we will hold regular review meetings with the tenant at which mutually agreed targets will be monitored. The lease agreement will contain clauses that allow the management committee to terminate the tenancy if performance falls seriously below our mutually agreed expectations.

The tenant will be running their own business within our premises and, as such, will carry all the risk of failure and debt. If the business were to fail there would be no legal access to the Society's assets.

While the tenancy model removes the pub directly from the control of The Sebastopol Inn, Minting, Community Pub Limited, the management committee intend to follow precedents where this model has been made to work by careful selection of a tenant who shares the vision and ethos of The Sebastopol Inn, Minting Community Pub Limited, and a tenancy agreement that is to the mutual benefit of the Society and the tenant.

It is intended that the Society will register with a scheme to provide emergency landlord's to provide a safety net should the tenant be unable to continue with the business. This would effectively put the pub under the management of The Sebastopol Inn, Minting Community Pub Limited until such time as a long term replacement could be found.

#### 4.6 COMMUNITY OWNERSHIP

The pub will be owned by and the lease granted by the Society. This means the community will have greater control over rents and infrastructure development. It will also enable more

direct communication between the tenant and the community and one of the criteria for selection of a tenant will be willingness to provide for community needs. However, our intention is not to micro-manage the tenants. They will be hired to successfully run the pub, which is their job not ours. We also hope that the local community will support the pub by offering voluntary help, and most importantly by coming to eat, drink and be merry at The Sebastopol Inn. We also hope that Members of the Society will join and assist the management committee.

The widest possible community ownership will be encouraged; the minimum investment being £250, maximum investment £20,000. There will be extensive promotion of the offer which is a continuation of an active programme of communication that has run throughout as it has progressed and has included: regular open meetings, newsletters and updates on the Minting and Gautby website and Facebook and coverage in the local press and local radio.

A key aspect of the community approach is to maintain regular communication between the management committee, Members and the tenant. It is proposed to facilitate this through a Members section of a new website which will be developed at [www.thesebastopolinn.co.uk](http://www.thesebastopolinn.co.uk) so that member feedback can be reviewed and discussed with the tenant on a regular basis. This process will reflect the views and suggestions of the community and will not in any way replace the individual customer interaction with the tenant. Whilst the day-to-day marketing of the pub is the responsibility of the tenant, the Society has developed a marketing plan and strategy to work in conjunction with the tenant, detailed in section 7 below.

The community approach makes a significant difference to the future potential of The Sebastopol Inn:

- People care enormously about their local pubs and are willing to invest their money, time, skills and energy to save them.
- This wide Membership provides a large pool of people to draw on for support and custom and generates great commitment to a well-run enterprise.
- The Plunkett Foundation research demonstrates that the community model is resilient. To date no co-operative pubs have failed as their strong local identity sets them apart from traditional competition. As of July 2016, 42 community pubs were already open and trading with more in the pipeline.

This project is about saving the pub for the long term as a sustainable community asset. There are a number of key factors that are outlined below that will contribute to the future success of The Sebastopol Inn.

## **5. WHAT THE FINANCIALS LOOK LIKE**

The Society will own the pub and let it to the tenant. The core economics of the venture, therefore, revolve around rental income and the basic landlord requirements. In addition we

need to build a reserve to pay Members back their capital in the longer term and provide for maintaining and developing the property further as appropriate.

Pub economics are important to us, because the overall income of the pub affects the rental income The Society will receive to cover its outgoings. This is reflected below in predicted profit and loss (P&L) and cash flow forecasts for The Society. It goes without saying, that these predictions are our best estimates at the current time on the basis of conservative assumptions.

#### Initial Assumptions

- Property value (October 2016) is £250,000
- Community share value is £280,000
- Repairs and improvements with contingency £5500 in year 1, £10,000 in year 2, £4,000 year 3
- Grant funding zero (hoped for but not included in budget)

#### 5.1 RENTAL INCOME

Rent is a negotiation between the management committee and the tenant. 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 because we want to ensure the survival of the pub. On the other hand, we have to pay the outgoings shown in the cash flow forecasts from the Society's revenue, the majority of which is the rent paid by the tenant.

The viability of the pub was affirmed in the professional valuation of £250,000.

#### 5.2 PROFIT & LOSS FORECAST

Putting together these income and expenditure figures, we can begin to map out a profit and loss forecast for The Society's years 1 to 3: the business will show a profit before dividends in year 2. This includes reasonable continued investment in the property asset to maintain its long term value. Included in the budget is the cost to attract a tenant. This is key to the success of the business and it is expected to advertise over a considerable geographic area to attract the rights person.

Turnover will not increase dramatically over the year as rents will need to be fixed however rent reviews will be included in the tenancy agreement.

Profit on a normalised year is @£8100/ annum which will allow not only for dividend payments based on 2.25% but also will allow for potential increases in dividends where applicable.

## The Sebastopol Inn, Minting Community Pub Limited - Business Plan

<b>P &amp; L excl purchase funds</b>		<b>2017- 2018</b>	<b>2018- 2019</b>	<b>2019- 2020</b>	
		<b>Totals</b>	<b>Total</b>	<b>Total</b>	<b>assumptions</b>
Income	Rent	12800	15000	15000	£150k t/o @10% -stepped in for tenant in yr 1 & inc B&B room
	Misc income	1350	2800	2800	caravan/shop/ events
	<b>total</b>	<b>14150</b>	<b>17800</b>	<b>17800</b>	
	legal fees & professional survey	£4,000	£500	500	legal fees to include tenancy agreement & prof fee for survey
	Repairs + Improvements	5500	10000	£4,000	£5000 to property & £500 for Caravan site in yr 1, then 10k to inc windows in yr 2 and then 5k thereafter
	Accountancy fee	1000	1000	1000	
	Insurance	2500	2500	2500	
	other expenses	£2,500	£1,000	1000	advertising (to include job advert for tenant in yr 1), postage, stationary etc
	Bank charges	£0	£0	£50	No account charges in yr 1 & 2
	Depreciation	£100	£100	£100	
	Tax			£540	
	<b>total</b>	<b>15,600</b>	<b>15,100</b>	<b>9,690</b>	
	Profit/loss before dividend payment	-1,450	2,700	8,110	

### 5.3 BALANCE SHEET

No formal balance sheet is provided, the asset will be the pub and was valued in 2016 at £250,000. The fixture and fittings are either to be included as part of the sale or provided by the tenant although again some discussions have taken place as to whether the management committee will aid in the purchase of the fixtures and fittings.



No loans or overdrafts have been included although the management committee has looked at grants and other funding options if the full amount is not raised. The liability is the share funds which are initially locked in for 3 years.

## 5.4 CASH FLOW FORECASTS

The cash flow includes dividend payments from year 1 and although this is the wish of the management committee it will need to review available funds at the time. The business shows a positive cash flow in year 3. The intention is to raise funds above the proposed purchase price to give the management committee initial working capital. The account will operate in credit and no loans are initially proposed to fund this business. Presently it is not the intention to register for VAT.

### ANNUAL SUMMARY BASED ON 280K COMMUNITY FUNDS RAISED

#### Annual summary CFF - purchase price £250k

		2017- 2018	2018- 2019	2019- 2020	
		Totals	Total	Total	assumptions
Income	Rent	12800	15000	15000	£150k t/o @10% -stepped in for tenant in yr. 1 & inc B&B room
	Grants	0	0	0	
	Community shares	280000	0	0	
	Caravan park	1100	2250	2250	£15/night x 3 sites x 50 nights concentrated on summer
	Internet shop VAT reclaim	250	600	600	management fee for operation
<b>total</b>		<b>294150</b>	<b>17850</b>	<b>17850</b>	
Costs	Purchase price	250,000	0	0	
	Stamp duty etc	8000	0	0	inc professional survey
	Interest costs	0	0	0	No loan facilities
	legal fees	£2,000	£500	£500	legal fees to include tenancy agreement
	Repairs + Improvements	5500	10000	4000	£5000 to property & £500 for Caravan site in yr 1, then 10k to inc windows in yr 2 and then 5k thereafter
	Accountancy fee	1000	1000	1000	
	Insurance	2500	2500	2500	
	other expenses	£2,500	£1,000	£1,000	to include job advert for tenant in yr 1
	Dividends	£3,150	£6,300	£6,300	280k @2.25%=6300 but 50% payment in yr 1
	Bank charges	£0	£0	£50	No account charges in yr 1 & 2 but o/d set up fee if VAT on purchase
VAT					
Tax				£540	
<b>total</b>		<b>274,650</b>	<b>21,300</b>	<b>15,890</b>	
Annual CFF		19,500	-3450	1,960	
Bank Balance at year end		19,500	16,050	18,010	

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**PURCHASE PRICE  
£250,000**

CFF	Yr 1	PURCHASE PRICE £250,000												Totals	assumptions
		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul		
Income	Rent		800	1000	1000	1250	1250	1250	1250	1250	1250	1250	1250	12800	£150k t/o @10% -stepped in for tenant & inc B&B room
	Grants													0	
	Community shares	280000												280000	
	Caravan park										200	400	500	1100	£15/night x 3sites x 50 nights concentrated on summer
	Internet shop							50	50	50	50	50	250		
	VAT reclaim												0		
	<b>total</b>	<b>280000</b>	<b>800</b>	<b>1000</b>	<b>1000</b>	<b>1250</b>	<b>1250</b>	<b>1250</b>	<b>1300</b>	<b>1300</b>	<b>1500</b>	<b>1700</b>	<b>1800</b>	<b>294150</b>	
Costs	Purchase price	250,000											0	250,000	
	Stamp duty	8000											0	8000	
	Interest costs													0	No loan facilities
	legal fees	£2,000												£2,000	
	Repairs + Improvements						2500	500				2500		5500	£5000 to property & £500 for Caravan site
	Accountancy fee												1000	1000	
	Insurance	2500												2500	
	other expenses			1000			500			500			500	£2,500	
	Dividends												£3,150	£3,150	280k @2.25%=6300 but 50% payment in yr 1
	Bank charges												.....	£0	No account charges but o/d set up if VAT on purchase
	VAT corporation tax													£0	
	<b>total</b>	<b>262,500</b>		<b>1000</b>			<b>3000</b>	<b>500</b>	<b>0</b>	<b>500</b>	<b>0</b>	<b>2500</b>	<b>4,650</b>	<b>274,650</b>	
cff	open	0	17,500	18,300	18,300	19,300	20,550	18,800	19,550	20,850	21,650	23,150	22,350		
	close	17,500	18,300	18,300	19,300	20,550	18,800	19,550	20,850	21,650	23,150	22,350	19,500		
														19,500	

The Sebastopol Inn, Minting Community Pub Limited - Business Plan

CFF		Yr 2													Totals	assumptions
		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul			
Income	Rent	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	15000	£150k t/o @10%	
	Grants													0		
	Community shares	0												0		
	caravan park	550	400	200							200	400	500	2250		
	Internet shop	50	50	50	50	50	50	50	50	50	50	50	50	600		
	VAT reclaim											0		0		
	<b>total</b>	<b>1850</b>	<b>1700</b>	<b>1500</b>	<b>1300</b>	<b>1300</b>	<b>1300</b>	<b>1300</b>	<b>1300</b>	<b>1300</b>	<b>1300</b>	<b>1500</b>	<b>1700</b>	<b>1800</b>	<b>17850</b>	
Costs	Purchase price	0											0	0		
	Stamp duty	0											0	0		
	Finance costs													0		
	legal fees	£500												£500		
	Repairs						5000					5000		10000		
	Accountancy fee												1000	1000		
	Insurance	2500												2500		
	other expenses			250			250			250			250	£1,000		
	Dividends												6300	£6,300	2.25% on £280k= £6300	
	Bank charges													£0		
	VAT													£0		
	Corporation tax															
<b>total</b>	<b>3,000</b>		<b>250</b>			<b>5250</b>			<b>250</b>		<b>5000</b>	<b>7,550</b>	<b>21,300</b>			
cff	open	19500	18,350	20,050	21,300	22,600	23,900	19,950	21,250	22,550	23,600	25,100	21,800			
	close	18,350	20,050	21,300	22,600	23,900	19,950	21,250	22,550	23,600	25,100	21,800	16,050			

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16,050

CFF		Yr 3													Totals	assumptions
		Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul			
Income	Rent	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	15000	£150k t/o @10%	
	Grants													0		
	Community shares	0												0		
	Caravan park	550	400	200							200	400	500	2250		
	Internet shop	50	50	50	50	50	50	50	50	50	50	50	50	600		
	VAT Reclaim													0		
	<b>total</b>		<b>1850</b>	<b>1700</b>	<b>1500</b>	<b>1300</b>	<b>1300</b>	<b>1300</b>	<b>1300</b>	<b>1300</b>	<b>1300</b>	<b>1500</b>	<b>1700</b>	<b>1800</b>	<b>17850</b>	
Costs	Purchase price	0											0	0		
	Stamp duty	0											0	0		
	Finance costs													0		
	legal fees	£500												£500		
	Repairs						3000					1000		4000		
	Accountancy fee												1000	1000		
	Insurance	2500												2500		
	other expenses			250			250			250			250	£1,000		
	Dividends												6300	£6,300	2.25% of purchase= £6300	
	Bank charges			12.5			12.5			12.5			12.5	£50		
	VAT paid													£0		
	Corporation tax									540				£540		
<b>total</b>		<b>3,000</b>	<b>0</b>	<b>262.5</b>	<b>0</b>	<b>0</b>	<b>3262.5</b>	<b>0</b>	<b>0</b>	<b>802.5</b>	<b>0</b>	<b>1000</b>	<b>7,563</b>	<b>15,890</b>		
cff	open	16050	14,900	16,600	17,838	19,138	20,438	18,475	19,775	21,075	21,573	23,073	23,773			
	close	14,900	16,600	17,838	19,138	20,438	18,475	19,775	21,075	21,573	23,073	23,773	18,010			

## 6. THE SEBASTOPOL INN, MINTING COMMUNITY BENEFIT SOCIETY

The Sebastopol Inn, Minting Community Pub Limited is a community benefit society that has been formed to purchase The Sebastopol Inn and secure its future for the benefit of the community. It is limited liability legal entity under the terms of the Co-operative and Community Benefit Societies Act 2014, and is registered with the Financial Conduct Authority (FCA) Registration No. 7472.

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 rules of the Society include a statutory asset lock. This means that if the Society is wound up or dissolved its assets can only be used to pay creditors and repay shareholders the nominal value of their shares, and any remaining surplus has to be used for the benefit of the community. This effectively means that the shares will not increase in value.

A copy of the Rules of the Society can be found on our website: [www.mintingandgautby.co.uk/sebastopol-inn-community-pub](http://www.mintingandgautby.co.uk/sebastopol-inn-community-pub) or by request from Sarah Smith.

**The Rules are important. They define your rights as a Member; please read them if you wish to invest.**

Shareholders in The Sebastopol Inn, Minting Community Pub Limited will become Members of the Community Benefit Society (CBS). The management committee will become the initial management committee who will conduct pub business until the first AGM at which they will stand down. Society Members will be invited to the AGM and will be eligible to stand for election to the management committee. The first AGM will elect a management committee, one third of whose Members will retire each year and be subject to re-election. The management committee will be responsible for running the CBS, the tenancy agreements, interest payments and future investments in the business.

Providing that the management committee behave responsibly, reasonably and legally and take out any necessary insurances, incorporation protects all Members of the Society from any legal action against them as individuals and any access to their personal finance in the event of the enterprise entering receivership.

The Society rules determine that any surplus made by the Society, after it has paid interest to its Members must either be reinvested in the business or used for the benefit of The Sebastopol Inn, Minting Community Pub Limited or for other charitable or community purposes.

## 6.1 MEMBERS

The community benefit structure allows any person who buys the minimum number of shares to be a member of the Society. Each member then has one vote to exercise at the Annual General 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 Society and how it has developed its activities over the previous year and which will include a report of the accounts. The Rules also provide for a number of other ways which the Membership may hold the management committee accountable for the running of the Society, including the calling of a special general meeting if required. Corporate bodies can also be Members.

Members will join the Society because they wish to be part of a community enterprise that will provide local services and because it will provide a reasonable return on their investment. Members will not benefit financially in any way from the activities of the Society, other than via the interest payment.

## 6.2 COMMUNITY SHARES

### How it will work

As a means of raising the required capital, shares in the project will be issued by The Sebastopol Inn, Minting Community Pub Limited and will be made available to members of the community and the public at large. The details are included in the share offer document.

The cost of each share will be £50 but, for practical purposes, the minimum amount that may be invested will be £250. There is a maximum investment of £20,000 per member. Owning a share automatically entitles the member to an equal say in how the community benefit society is managed.

Shares may be owned by an individual, group of individuals (with a nominated representative), companies, and community organisations. The minimum age for share ownership is 18 years however shares may be purchased and held in trust for minors.

The share value will remain fixed at £50 per share and will not increase in face value. Shares can be bought back by The Sebastopol Inn, Minting Community Pub Limited. The shares provide equity which the society can use both for raising investment and securing additional loan finance if required. Purchasing shares in the Society confers Membership of the society (with all its rights and duties), an amount of liability limited to the number of shares held, and the right to one vote.

Withdrawable shares are not defined as 'securities' under the Financial Services and Markets Act 2000. They are therefore exempt from the usual regulations applied to public share issues by companies and can be issued to the public without an Authorised Investment Advisor's Report.

The initial share offer will close at midnight on 22 April 2017 (or at the point when the maximum level of share capital - £280,000, is reached whichever is sooner) and on that date Membership of the Society will be closed and a waiting list of potential Members established.

The Sebastopol Inn, Minting Community Pub Limited management committee will be monitoring the total offering frequently during the open period of the share offer and will communicate the cumulative total regularly. Any excess that is raised over the initial purchase price of the pub will be used to undertake improvements and provide a management contingency. The intent is to raise the maximum possible sum through the share offering to reduce/remove the need to seek external finance.

Following the successful purchase and start-up of the business, the management committee will closely monitor the shareholding situation and plan to refresh capital with later open share offers to meet further improvements and to hold capital should investors wish to withdraw funds after the minimum holding period. The management committee will advertise future open share offerings using every possible medium including in the pub, through tourism brochures, on the internet and website etc.

In order to give the enterprise a chance to grow the business, investors will be required to commit to keep their investment in the Society for at least three years before they can withdraw it. The initial period will be from the day that the pub is purchased. After that time, the investors will be required to give The Sebastopol Inn, Minting Community Pub Limited management committee three months' notice of their intention to withdraw funds. Withdrawals can only be funded from trading profits, reserves or new share capital. This is to protect the long term interest of the Society.

The society rules will give the management committee the power to refuse a request to withdraw funds if it will endanger the business. However, the management committee may exercise discretion and return investment to individual owners in exceptional circumstances. It is anticipated that there will be a waiting list of new Members ready to replace investors that withdraw funds.

The shares that Members buy can be withdrawn in the way set out above, but they are not transferable (i.e. people cannot sell them to anyone else). This arrangement allows the Society to be exempt from the Financial Services and Markets Act for Society share issues.

The management committee 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 (for 3 years, the minimum period for which shares can be held, included in the financial modelling in section 5 above).

### Potential Investment Risks

Whilst it is believed that the business will be profitable and that the ownership of the asset, the land and buildings, provides Members with a high level of security, it is important for Members to understand that there is a potential risk that the business may fail and land values



may fall below the price they are purchased. If this were to occur the value of the share in the Society could reduce. However, the management committee is determined to negotiate the best purchase price possible for the benefit of the community.

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

It is our intention that the society will continue to operate a public house for the benefit of the local community for the foreseeable future. If, however, the management committee should decide to sell the pub while solvent, then The Sebastopol Inn, Minting Community Pub Limited pub will be sold for as much as possible (whether as a pub or for some other use). If there is more than enough money from the sale to pay creditors and repay shareholders any surplus funds will be donated to other asset locked community projects in Minting and Gautby parish.

This does not prevent the management committee deciding to reflect the fact that the enterprise has made a profitable sale in the level of interest paid to Members in the final year of operation.

If we are unable to raise sufficient capital through the share offer, the management committee will consider options to raise additional capital cognisant of the need to maintain a realistic debt/equity ratio for the project to be successful. The group may consider a second advertisement of the share offer, extending the offer timeline and more intense publicity both locally and nationally in an attempt to increase the capital available.

In the event that an initial purchase cannot be agreed, insufficient funds are raised or if for any other reason the Society does not go ahead with the purchase of The Sebastopol Inn, then ALL monies raised through this share issue will be returned in full as soon as practicable to investors, although no interest will be paid for the period that it has been held.

In addition, once trading, The Sebastopol Inn, Minting Community Pub Limited will continue to try to raise money through a variety of different means.

It is important for Members to understand that the value of their share will not increase. The only tangible financial benefit for Members will be from any interest that is paid; an amount that is determined by the management committee after review of the performance of The Sebastopol Inn, Minting, Community Pub Limited and financial forecasts. It is intended that the level of this interest will be competitive and will increase or decrease depending on the profitability of the Society business and will be no more than 2% over the bank base rate, or 5%, whichever is lower. However, it is possible in the event of poor trading performance, or unexpected outgoings, the Society would not have enough surplus funds to pay interest to Members.

The management committee will hold any residual income after insurance, other liabilities and interest payments to shareholders in a management contingency fund. This will be used

to meet unforeseen maintenance and repairs and form the basis of future funds for later facility improvements or event underwriting.

### In Summary

The main reason for investing is to get a sustainable pub. In addition, you may earn interest and your liability will be limited. What you won't get is windfall profits, any share value increase or government backed guarantees.

We all want to create a thriving community pub. This is not an exercise in generating large profits for the Members. It is all about putting the pub on a viable, long term, sustainable footing. The primary return on your investment will therefore be the existence of an open and functioning village pub. The Society's rules state that any surplus earnings made by the Society after it has paid interest to its shareholders and repaid any capital which is withdrawn must either be reinvested in the business or used for the benefit of the local community of for another charitable or community cause. Members are forbidden from benefitting in any other form from the activities of the Society. If the pub becomes very successful, and Members are happy to leave their money invested, then the surplus earnings could be used for other community purposes in Minting, Gautby and nearby villages. These will however be long term possibilities and depend on how successful the pub is and how quickly any commercial loans are repaid.

Note: this proposal is not regulated by the Financial Services and Markets Act, 2000 because the shares in the Society are not 'securities' for the purpose of those regulations. It is therefore not authorised by the Financial Conduct Authority. If the business fails investors have no right of complaint to the Financial Ombudsman or the Financial Services Compensation Scheme.

### 6.3 MANAGEMENT COMMITTEE MEMBERS

#### Ken Smith Chairman

Ken moved to Grundy's Lane in Minting in August 2015. He was involved with the Working Group and wants to see the project succeed for the benefit of our communities. He is enthusiastic and willing to lead the group to explore all possibilities and achieve a successful outcome.

Ken retired after working in the Steel Industry for over 40 years as production manager. He has leadership, decision making, influencing, negotiating, training & succession planning skills and experience.

#### Andrew Price (Treasurer)

Andrew is a local Farmer who has lived in Minting for 35 years. He has 3 sons. He considers that the Pub is the centre of a community and is looking forward to developing alternative incomes to be earned from the property.

At one time he owned the Midge Inn, and therefore has experience of pub finance. One of his sons also worked in The Sebastopol. Andrew has worked in commercial banking for 12 years and has experience of business planning and strategic financial management.

#### Sarah Smith (Secretary)

Sarah has lived in Minting since 2015. She coordinated the Working Group and is happy to take the Management Committee forward in the first year as a bridge. She has the time and enthusiasm to invest in getting the project up and running.

A retired Chartered Mechanical Engineer, Sarah worked in the steel industry for 35 years in manufacturing, project and functional management roles. She has experience of managing and developing people, leading and managing change, corporate policy and business development, legal compliance and budget control.

#### Fred Wych (Vice Chairman)

Fred has lived in the area all his life. He considers it is imperative for the village to keep the pub. He is passionate that everyone should get involved and he will do all he can to help.

Fred is a Self-employed worker with practical skills to offer. He has no formal experience of business but can offer an alternative way of looking at things.

#### Paul Bury

Paul has lived on Mill Lane in Minting for 16 years. He has plenty of ideas and enthusiasm and was an active member of the working group. He likes the pub, regarding it as a key asset that is important to our rural community. His aim is to double the number of potential investors from those who initially expressed an interest in order to ensure that sufficient capital is raised to purchase and re-open the Sebastopol Inn.

He is a Yorkshire farmer's son who now works as a Plant scientist- researcher.

#### Stuart Taylor

Stuart has lived in Minting for four and a half years and in Lincoln all his life. He is keen to get the pub back open.

Stuart has experience of running a pub for several years and has worked as an assistant manager in business. He has a good knowledge of social media and its potential as a marketing tool.

#### Vicki Brown

Vicki has lived on Church Lane in Minting for 5 years. She is keen to develop the community side of pub and believes that the Pub and Village Hall can work together.

Vicki worked in the NHS in London before moving to the area. She is currently the Parish Clerk and is also on Committee of Minting Village Hall. She has administration, finance and budget control skills. Vicki can provide effective links to the Heritage Committee, Gardening Club, and

Gautby Village Hall. She has been successful in securing grant funding for projects and is experienced on social media.

#### Tom Price

Tom has lived locally his entire life. Has worked for a local solicitor in the residential conveyancing department and has recently moved onto commercial property and agriculture. In addition to his technical skills, he is able to offer a younger point of view to the management committee.

#### Ed Morton

Ed has lived on Lodge Lane, Minting for around 23 years. Both of his children have previously worked at the pub which provided a great way for local people to get into work. He considers that the Sebastopol is the centre of village and that we need to preserve it for the community.

Ed has run a limited company since 2003 (self-employed initially in 1996). He has no experience of Committees but has plenty of practical skills and experience and has previously carried out some work on The Sebastopol.

#### Janice Boulton

Janice has lived in Sturton Lane since 2007. She moved to Lincolnshire from Brighton. Although living on periphery of Baumber, Minting is where she tends to socialise. Janice is happy to help out with voluntary elements of pub and things that would help the community. She is keen to have other daytime things going on in pub, and expand the offer from the pub and environs.

Janice worked in the financial services industry where she was a self-employed advisor until retirement.

#### Kristy Hill

Kristy has lived in Lincolnshire all her life and for the last 6 years at Austacre Farm, Gautby. She has two young children and works part time as a legal secretary. She is General Secretary of Lincoln Camera Club. Kristy also runs her own network marketing business through Facebook, so has experience with social media and with setting up and running a small business page. Her ambition to own her own pub could be fulfilled by having a share in a community pub.

#### Henry Padfield

Henry lives and operates his award winning farm shop business at Minting Park Farm. He has experience of retail and as a previous supplier to the Sebastopol Inn has an insight into how the pub operated. He is willing to help with his experience/expertise as required.

## 7. MARKETING PLAN

### 7.1 Background

The Sebastopol Inn is well known in the area, and has had a good reputation as a pub for locals and customers from further afield. There is no other pub trading in the immediate locality, to offer competition to the Sebastopol Inn. The nearest pubs are 4.1 miles away (Hemingby) and 3.3 miles away (Horsington). However, there are numerous pubs in Horncastle, Wragby, Woodhall Spa and Bardney. Also, there are a number of pubs in the Wolds which, whilst they are some distance away, are competitors for the tourist market. Visitors to the Wolds or Limewoods area, looking for a country pub to walk to, or for a meal out, will consider options across a wide area.

Our plan is to market The Sebastopol Inn as a homely, welcoming pub and restaurant, which fully meets the tourists and day-trippers idea of a country pub. This involves good quality food both as bar meals and fine dining, sourced from local suppliers, good quality beers, some locally brewed, open fires, a friendly atmosphere and traditional pub entertainment. The aim is to be a community hub for the local villages and to attract visitors.

Whilst we hope local customers will return to the pub quickly once it is open, it will take time to build up the tourist and visitor usage. Reputation will spread most effectively by word of mouth and must be built on good quality provision and service. Nevertheless, regular marketing is vital to supplement this.

The tenancy model of operation makes it clear that the tenant is the main decision maker in the operation of the pub, although they will be expected to do so in cooperation with the community and the management committee. To this end the pub is expected to provide a service for...

- Local people, including families, young people and older people from the area as well as the surrounding villages.
- Those staying in holiday accommodation in the area.
- Day visitors to the area, particularly walkers and cyclists. Motoring & motor cycle groups, shooting parties, geocaching enthusiasts.

### 7.2 MARKETING STRATEGY

The Sebastopol Inn was allegedly named after the battle in the Crimean war. A soldier, celebrating his safe return from the war, at the unnamed beer house, fell in a dyke and drowned. The coroner during the inquest, referred to "the brave soldier from Sebastopol," and the name was adopted.

#### Product

Our plan is to market The Sebastopol Inn as a cosy, homely, welcoming pub and restaurant, which fully meets both locals and tourists idea of a country pub. This involves good quality food both as bar meals and fine dining, sourced from local suppliers, good quality beers, some

locally brewed, open fires, a friendly atmosphere and traditional pub entertainment. The aim is to be a community hub for the local villages and to attract visitors.

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- Those staying in holiday accommodation in the area.
- Day visitors to the area, particularly walkers and cyclists, motoring & motor cycle groups, shooting parties, geocaching enthusiasts.

### People

Once the tenant is appointed the 'Unique Selling Point' of The Sebastopol Inn will be identified, and used in all marketing material.

Efforts will be made to recruit the right tenant to run the pub – friendly and welcoming to attract both local people and visitors, with a positive approach to developing the business.

The committee managing the pub will also be involved in marketing and have the following skills

- Experience of social media, for communication and promotion.
- Event promotion/advertising
- Community liaison
- Management and organisational skills
- Media relations experience
- Communication skills
- Website development and maintenance

### Price

There will be a policy of keeping the prices of both food and drink at a reasonable level to keep them within reach of a wide range of local people.

### Promotion

Publicity prior to the re-tenanting will focus on the campaign to raise the funds to acquire the pub. Nevertheless it will draw public attention to the plan to purchase and re-tenant The Sebastopol Inn.

Radio Lincolnshire has already featured the story. They and other local radio stations will be kept informed at all stages of the project, and opportunities to interview Members of the community will be sought.

Articles have already been placed in local media at the launch of the campaign. This will continue, using key milestones to keep the momentum and awareness high. These milestones should include:

- Launch of the share offer
- Pub purchase
- Pub opening
- 1st birthday

There will be an opening event that could, because of our local connections with various media, attract press and local TV/radio coverage of the story – “villagers take over their own pub”

This will be supplemented by advertisements in the local press, including the free advertisers and advertisements in village bulletins and newsletters. Leaflets and posters which advertise the pub and its programme of activities (darts, quizzes, music nights, seasonal events and so forth) will also be delivered to all the Bed and Breakfast establishments in the area and other nearby holiday venues including the caravan parks in Woodhall Spa and environs, and Tourist Information Centres, Limewoods Visitor Centre, Cadwell Park etc.

A booklet of walks and cycle rides from The Sebastopol Inn will be produced and marketed locally. This will attract walkers, cyclists and associated groups to the pub.

Holding events that celebrate local food and locally brewed beer and advertising these in the specialist press. Marketing The Sebastopol Inn with local events e.g. the 1940's weekend held annually at Woodall Spa, Wolds Walking Festival and Wolds Words.

Liaison with tourism development and branding initiatives in the county will provide further marketing opportunities.

Due to the unique location, opposite St. Andrews church, The Sebastopol will be marketed for functions e.g. weddings, christenings etc. There is potential to link with the village hall for larger parties.

In the early stages of the project the Minting and Gautby website will be updated regularly on a dedicated webpage. A new Sebastopol Inn Community Pub website will be developed and maintained in conjunction with the tenant.

A social media campaign will help raise awareness amongst potentially a different demographic to the printed marketing, generating awareness and interest amongst a younger, and more geographically diverse audience.

Website articles (on our own, and other's websites) will be used, along with Twitter feed, Facebook, group specific marketing to special interest groups such as cyclists, walkers, motoring clubs and marketing emails directly to those who have expressed an interest in being kept informed about the project.

## **8. ASSESSMENT OF RISK AND MITIGATION**

## 8.1 SWOT Analysis Results

Undertaken by the management committee facilitated by our Plunkett Foundation advisor:

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- Reputation across Lincolnshire</li> <li>- Location</li> <li>- Unusual Name</li> <li>- Character</li> <li>- Brown signs</li> <li>- Attractive place for a celebration</li> <li>- Close to church</li> <li>- Little local competition</li> <li>- The Community Pub Model</li> <li>- The business will own the freehold and will not be tied to any particular brewery</li> <li>- The business will not have to service any debt</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- Location</li> <li>- Size of village and population</li> <li>- Lack of local support</li> <li>- Currently closed</li> <li>- Age of the building</li> <li>- Atmosphere</li> <li>- Size</li> <li>- Layout</li> <li>- Position of toilets</li> <li>- No kitchen upstairs</li> <li>- Has no established client base for bed and breakfast or self-catering</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Good pub and food</li> <li>- Internet café</li> <li>- Weddings and celebrations</li> <li>- Holiday let/Bed &amp; breakfast</li> <li>- Tenanted model</li> <li>- Shop</li> <li>- Community hub</li> <li>- Library/book swap</li> <li>- Bus pickup</li> <li>- Parcel drop off</li> <li>- Farm shop selling local produce</li> <li>- Pensioners lunches</li> <li>- Young people's gathering place</li> <li>- Microbrewery</li> <li>- To build up a reputation for both restaurant meals and inexpensive bar fare.</li> <li>- To develop new customer bases.</li> <li>- To create a mobile catering service to support the village hall</li> <li>- To gain grants to improve outbuildings and provide additional community services</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Potentially a poor landlord</li> <li>- Share issue not raising enough</li> <li>- Structural problems</li> <li>- Cost of repairs</li> <li>- Business plan not working</li> <li>- Continued decline in popularity of drinking</li> <li>- Reopening of the Midge Inn</li> <li>- Withdrawal of shares en masse</li> <li>- Unable to attract management committee Members</li> </ul>

## 8.2 MITIGATION OF THE WEAKNESSES AND THREATS



The weaknesses of location, size of village and population, lack of local support and the current closure of the pub can be mitigated as follows:

#### Attracting lost business

Once the pub is owned by the community (and we expect over 75 Members to be local residents) the commitment to use the pub and encourage family and friends to use it will be considerable. This has been proven to be the case in many instances of community-owned pubs.

The management committee has developed a comprehensive marketing plan and strategy to address this issue, see section 7.

The age of the building is only a weakness if high repair/maintenance costs are incurred. The October 2016 valuation states that the interior of the pub is in excellent condition and the exterior is good condition. A detailed condition survey will be commissioned prior to purchase. The age of the building is also an opportunity in terms of its character.

The weaknesses of size, layout, position of toilets and lack of upstairs kitchen cannot be resolved without considerable capital investment. However, none of these represent a fundamental problem to offering the planned services.

Having no established client base for bed and breakfast or self-catering accommodation, is a matter which will be tackled as part of the tenant's marketing plan, supported by the community.

The potential threats identified can be mitigated as follows:

The share issue not raising enough and cost of repairs can be offset by seeking additional funding, either through external sources (grants and loans)

Structural problems should be identified in the condition survey prior to purchase and the Society would maintain full insurance cover for the buildings after purchase. Annual maintenance reviews will be carried out.

The threats of the business plan not working and the continued decline in popularity of drinking can be identified at the earliest stage at the regular Society/tenant review and appropriate action taken. A diverse business model will assist with this. The rental charged to the new tenants by the Society will be set at a relatively low level to encourage the establishment of the business. Whilst the Society will derive its income from the rental, it will be a social enterprise with fewer financial demands. If the prevailing market conditions are so unfavourable that, despite a sound business plan, vigorous and sustained marketing and the support of local user/owners, the business does not develop in the way anticipated, then the management committee will be forced to close the pub once again. In this event the Society will seek to dispose of their asset, the building and plot, for the best possible price.

This is not an outcome that we seek, but this possible course of action should give investors the security they need in the unlikely event of the enterprise being unsuccessful.

The re-opening of the Midge Inn is not likely to be achieved prior to The Sebastopol re-opening and will not have the benefits of the community pub model. The aim of building the business and its ongoing sustainability should be well underway before then.

The threat of withdrawal of shares en masse will be mitigated by the Society's model rules which prevent shares being withdrawn in the first three years. This gives the Society time to build liquidity into its finances. After that they will be required to give three months' notice if they wish to withdraw shares within the rules of the Society. The Society has also set a maximum annual withdrawal figure of £10,000 (subject to annual review), to provide further protection. Cash surpluses will be retained where possible to generate sufficient cash balances to enable withdrawal of equity subject to the requirements of the business. If a shareholder gives notice that they wish to withdraw shares then shares of the same value will be marketed and can be acquired by new or existing shareholders. Ideally, new shareholders will be found to replace those shares that are to be withdrawn. If they cannot be replaced then the reserve fund can be utilised.

Providing that the business is successful it is unlikely that large numbers of shareholders will wish to withdraw their shares at the same time. If the business is not successful then it may be that a number of shareholders would seek to withdraw their investment. If this were to happen, the business may have to close and the assets would have to be sold in order to return the shareholder's funds. Our business plan demonstrates that this eventuality is unlikely, as the business has every chance of success.

We have established a strong management committee, with a range of skills and abilities. The threat of the Society being unable to attract management committee Members in the future, will be mitigated by the operating model whereby the day-to-day running of the business is carried out by the tenant.