

Financial Plan and Funding – Presentation by Brian Mackie

- The current total cost estimate of the Sarn pub including refurbishments is £320,000.
- The good news is that the Government is inviting grant applications in December to the Community Ownership Fund which will match the funding raised by the community.
- We therefore estimate we need to raise £160,000 from the community and we propose to do this via share subscription and donations.
- Because of the joint funding grant the refurbished building is expected to have a value at least double the sum invested; that means every £1 invested in shares has the security of another £1 in property value. So the additional value of the refurbished pub building provided by the funding grant means your investment is likely to be low risk.
- If the result of the recent survey indicates sufficient community interest to invest in shares or to donate, we will ask potential investors to complete Pledge Letters. Although these are non-binding, they will provide sufficient evidence for the matched funding application to the Government fund.
- Concurrent with the Grant application in December we will issue a share prospectus to seek community commitment to share purchase.
- If, and only when, the Government grant is approved we will establish the Community Benefit Society (CBS) legal entity, open a bank account and request the community to subscribe for shares in the CBS and to transfer funds.
- At this point we plan to have completed negotiations with Admiral, have conducted a professional structural survey of the building and established firm refurbishment estimates. We also plan to have gone a long way down the road to engage a suitable tenant.
- We will then complete on the purchase, commence refurbishment work and contract with the tenant.
- A realistic goal for the pub opening would be by the summer or autumn of 2022.

The legal entity that would issue shares and own the Sarn property

- The planned legal entity is a Community Benefit Society, a CBS for short, which has been selected with help from the Plunkett Foundation, a long-established charitable organisation devoted to supporting the saving of assets at risk of loss to the community, such as the Sarn.
- The CBS has the following features and benefits:
 - It can raise capital by the issue of shares
 - It has equal and democratic voting rights for each shareholder despite the value of the shareholding.
 - It can pay interest on the value of shares held. Interest can therefore be paid to shareholder members should the Management Committee decide to do so as and when sufficient financial reserves have been built up by the CBS.
 - It allows issue of shares to new members and the refund of investment to existing members providing there are funds available to do so.
 - The CBS is governed by the Financial Conduct Authority and is recognised in law as a legal entity. As such it has limited liability, can own assets, and enter into contracts.
 - Due to the democratic nature of the CBS, it is the most likely model to meet the Government Community Ownership Fund selection criteria conditions.

Governance and management

- Enshrined within the CBS structure is a democratically elected Management Committee elected by the shareholders who have equal voting rights despite the value of shares held.
- Also enshrined within the CBS structure is a governing document of rules to which the Management Committee must adhere. These rules would clearly reflect and set out:
 1. How the Management Committee is elected, their roles and responsibilities, and the minimum and maximum number of positions on the committee
 2. How decisions are made
 3. How the governing rules can be changed
 4. How interest is paid on shareholding
 5. How new investors can invest in shares at a time subsequent to the initial share offer
 6. How shareholders can be repaid their investment
 7. What happens to any surplus made during the year
 8. How the assets are distributed should the CBS be sold.
- The initial Management Committee will be made up from the current members of the Sarn Steering Group, with additional members drawn from the community.
- A new Management Committee will be elected within 12 months of the successful share offer with periodic elections held every two years.
- Election to the Management Committee will be open to any shareholder.

Our thoughts on the Pub Business

- We believe a refurbished Sarn that offers good food and drink in a convivial atmosphere and supported by an enthusiastic community will be a successful business and very attractive to a high calibre, long term tenant.
- We want to retain the cosy rural pub character and significantly improve facilities, such as the toilets, through sympathetic renovation. We will consult with the community, and ideally the new tenant, on any plans to revise the layout of the pub.
- The upstairs accommodation will need refurbishment in order to attract the right long-term tenant.
- The pub will be a free house opening up the market to the tenant for sourcing trading stock. This makes the pub significantly more profitable over the previous tied-to-Admiral arrangement where the landlord was forced to buy from Admiral at inflated prices.
- This, of course, is much more attractive to the tenant with higher probability of long-term tenancy which will provide more security to the Community Benefit Society. We don't want a revolving door of tenants!
- Through negotiation with the tenant we will endeavour to contract for services that meet the needs of the community.
- The CBS legal entity will own the property and will have responsibility limited to ongoing property maintenance and repairs, building insurance and periodic tenant contract negotiation. We may impose performance criteria on the tenant but believe a light touch management approach is best, allowing the tenant to run the pub business without interference unless absolutely necessary.
- The landlord will be contracted by the CBS to own the pub trading business, paying a monthly commercial rent to the CBS for the right to run the business and to live in the accommodation.