



Red Lion, Oakford, Community Ownership Research

for Oakford Parish Council

08-01-24 – submitted by Patrick Barrett



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Introduction

Purpose – inform the Oakford Parish Council and other interested parties of the potential for Oakford to buy and run the Red Lion Hotel as a social enterprise and community asset.

Research carried out with reference to:

- Gov.uk
- Mid Devon Council
- The Plunket Foundation
- The Pub is The Hub
- Co-operative UK



Principles and structures

- Community pubs are owned by members (shareholders)
- Membership is voluntary, and open to all in a community
- Members elect a committee or board which will represent the wider membership and determine how the business is managed
- Usually registered/defined as a Social Enterprise
- Profit is re-invested in the enterprise / community
- In most cases a community pub offers additional services to the community (shops, cafés, hub for community and voluntary activity, clubs and societies)



Principles and structures

The management committee is responsible for:

- Defining a 'community interest statement', explaining what the business plans to do
- Creating a business plan / objectives covering finance, operations, management, marketing etc.
- Establishing an 'asset lock'- a legal promise stating that the company's assets will only be used for its social objectives, and setting limits to the money it can pay to shareholders
- Creating a constitution – how the business will be run
- Board members have limited liability, but still have fiduciary duties as any other director would
- Board should ensure there is adequate succession planning and procedures manual for hand-overs



Principles and structures

Community Shareholders / Members would likely have the right to:

- Vote on the membership of the management committee
- Vote on the aims and objectives of the enterprise as proposed by the management committee
- Vote on causes to benefit from any excess profits
- Benefit from any membership customer schemes

Members would likely not have the right to:

Vote on specific operational management decisions, stock and pricing, operational financial decisions etc.



Principles and structures

Concerning day-to-day management committee can choose to:

- Either delegate day-to-day management of the business to a team of paid staff including a manager/ landlord and volunteers
- Or sublet to a tenant who will operate the business within a framework set by the community

In both cases the management committee must ensure the management team runs the pub and other activity according to the community interest statement and business plan.



Principles and structures

Who would we need on the management committee?

- A Chairperson – someone who can run productive meetings, project-manage
- An effective Vice Chairperson to cover the Chairperson's absence
- Someone with good financial skills
- At least one good writer with some experience of writing funding proposals
- People who are enthusiastic about the project and who have the time and energy
- People not currently serving on existing community committees but are well respected
- The group should be representative of the community in terms of gender, age etc.

Skills and/or experience that can be useful include:

- Marketing and communications
- Business planning and accountancy
- Funding and finance
- Legal
- Someone representing the local council or other key body



Principles and structures

Tenant or employee manager pros and cons – Plunkett Foundation insights from community pub research

A pub manager may offer more control and tailoring to the community's specific needs/tastes.

The managed model (unlike the tenanted model) is usually able to offer tax relief on shares (subject to conditions) - a financial incentive to investors during fundraising.

It is perceived to be more difficult to replace (or confront in the case of problems) a less than successful tenant, as compared to a manager.

It is a considerable amount of work to manage a pub business, it requires experience and business knowledge.

Experienced publicans often prefer the independence a tenancy offers rather than being on the payroll. So the community may find the pool of prospective candidates is limited.



Principles and structures

Tenant or employee manager pros and cons – Plunkett Foundation insights from community pub research

The 2020 Plunkett survey of community-owned pubs (32 responses) reports that:

18 pubs (56%) are managed by paid staff with
or without volunteer support

12 pubs (38%) are tenanted

2 pubs (6%) are managed by volunteers with no paid staff recorded.

However, of the 19 newly opening pubs in 2019, the proportion of tenanted pubs appears to have increased, with 10 pubs (52%) opting to install a tenant.



Legal entity options

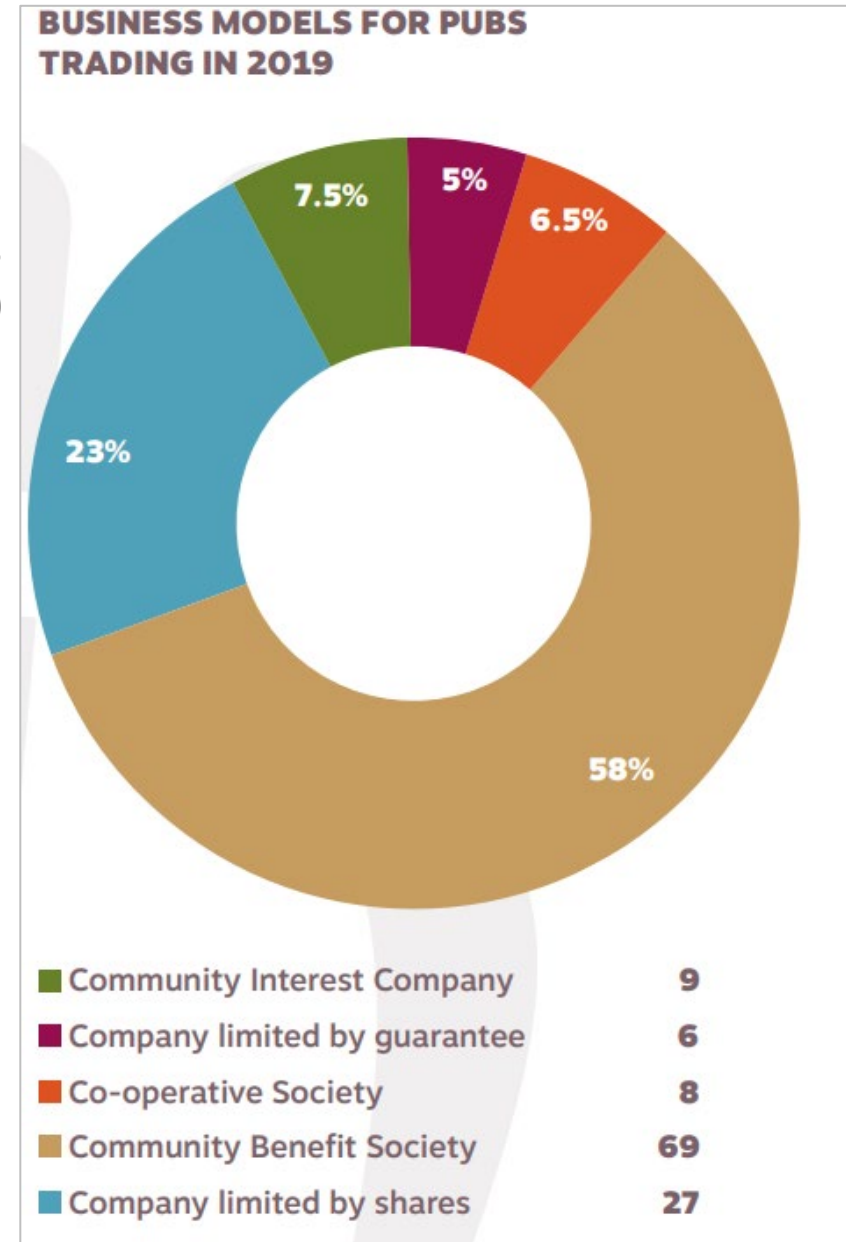
- **Community Interest Company (CIC)** – a form of limited company with articles set up to benefit the community.
- **Company limited by Guarantee** – another form of limited company widely used for charities, community projects, clubs, societies and other similar bodies. Most guarantee companies are not-for-profit companies, that is, they do not distribute their profits to their members but either retain them within the company or use them for some other purpose.
- **Co-operative Society** - co-operative societies that serve the interests of members.
- **Community Benefit Society** - co-operative societies that serve the interests of the community.
- **Charitable Incorporated Organisation CIO** - community business that is not principally established to generate profits may be able to conduct Primary Purpose Charitable trading through a CIO legal structure
- **Company limited by shares** – basic limited company.



Legal entity options

Plunkett Foundation Community Pubs
report 2020

- Community Interest Company (CIC)
- Company limited by Guarantee
- Co-operative Society
- Community Benefit Society
- Company limited by shares





Additional benefits

We will need to identify additional services and benefits running the pub through the community could offer (important for funding)

- Venue for community group meetings
- Venue for local business/hobby groups/sports
- Social support venue for village / parish residents
- Educational support
- Healthcare support
- Local employment – up-skilling
- Coffee shop / shop



Funding and fundraising

Initial research into possible sources of funding suggests that:

- a) There are multiple organisations offering advisory support, foremost The Plunkett Foundation and The Pub is the Hub.
- b) There are probably sufficient sources of funding in combination with loans and community fund-raising efforts to reach a notional £400,000 acquisition cost.
- c) Critical to this will be the membership share offer, which requires further detailed research and advice.



Funding and fundraising

Sources of funding:

- **Community share/membership offering** – detailed guidance needed. Set target. Establish a minimum cost and seek bigger donors (*mechanism depends on incorporation model*)
- **The Community Ownership Fund** - will provide up to 50% of total capital costs, matching other funds and resources raised by the applicant. In most cases, the maximum grant will be £250,000 although larger grants (up to £2m) will be available in exceptional circumstances
- **Bank loan from specialist** e.g. the Charity Bank (use to secure COF above)
- **More than a Pub fund** – Plunkett Foundation scheme up to £100,000 mix of loan and grant – max grant £50,000



Funding and fundraising

Sources of funding:

- **The Architectural Heritage Fund** - grants awarded through the Historic Assets into Community Ownership programme in England, supported by Historic England and the Pilgrim Trust (Red Lion is Grade II listed)
- **Co-operatives UK Booster Fund** – funds community share offers – grants and fund matching
- **The National Lottery Community Fund** – typical grants for individual community pubs c.£10,000
- **Pub is the Hub** – fund for services diversification within community pubs
- **Fund search** – e.g. MyCommunityFund – wider search for community project funding



What we would need to do if we were to proceed

Key steps summary:

1. Assess current Asset of Community Value status / appeal / owner's plans to sell and willingness to co-operate
2. Further discussion around the feasibility and desirability of community ownership
3. Establish a management committee steering group (at least three people) to project manage the acquisition process and develop the business plan and incorporation model. Members likely to become company directors
4. Feasibility study and community consultation
5. Management model and business plan
6. Funding applications
7. Community fundraising and or membership offer
8. Incorporation
9. Acquisition



Initial conclusions

1. Time will need to be set aside by the Parish Council for further discussion and wider involvement of interested parties in that discussion. This is worthwhile whether the pub is re-listed now or later.
2. If a six-month window to organise a bid can be secured (should the pub be re-listed), my view is a community bid will be doable, but only if a sufficient number of people with relevant skills are prepared to get involved on the steering group and then the management committee.
3. The bid will require a lot of work but further involvement from the management committee should taper (depends on model we choose).
4. Community fund-raising will be vital, but this will be focused on a share issue and the most attractive model for this is likely to be in the form of a co-operative, specifically a Community Benefit Society.
5. Careful thought will be required as to whether a tenancy or employee manager model is best.



References

Funding

<https://mycommunity.org.uk/what-is-the-community-ownership-fund>

[Support for community shares | Co-operatives UK](#)

<https://www.devon.gov.uk/fundingnews/fund/community-ownership-fund-3/#:~:text=The%20Community%20Ownership%20Fund%20will,be%20available%20in%20exceptional%20circumstances.>

<https://www.pubisthehub.org.uk/>

<https://www.charitybank.org/charity-loans>

<https://ahfund.org.uk/news/latest/bringing-a-historic-village-pub-into-community-ownership/>

<https://www.tnlcommunityfund.org.uk/>



References

Support

<https://plunkett.co.uk/how-we-help/>

<https://plunkett.co.uk/essential-resources/>

<https://www.pubisthehub.org.uk/community-ownership/>

<https://camra.org.uk/about/about-us/contact-us/>

Assets of Community Value

<https://www.pubisthehub.org.uk/community-ownership/assets-of-community-value/>

Mid Devon Council

<https://www.middevon.gov.uk/your-council/town-parish-councils/assets-of-community-value/mid-devon-list-of-assets-of-community-value/>

<https://www.middevon.gov.uk/your-council/town-parish-councils/assets-of-community-value/mid-devon-list-of-assets-of-community-value/red-lion-hotel/>

Setting up a community social enterprise

<https://www.gov.uk/set-up-a-social-enterprise>

Different legal structures

<https://www.communitycompanies.co.uk/>

[Types of co-ops | Co-operatives UK](#)

<https://www.gov.uk/government/publications/community-interest-companies-business-activities>