

Co-operative Pubs

A better form of business
2017





About this publication

This publication provides quantitative and qualitative information about the size, characteristics and performance of the co-operative pub sector in the UK. It is based on statutory data sourced from the Financial Conduct Authority, electronic questionnaires, and follow up telephone surveys, together with additional information held by Plunkett on every co-operative pub going back over 5 years. This is the second of such reports, building on from what we now know about the sector as it becomes ever more established.

The data collection, analysis, and written report was undertaken by the Plunkett Foundation and supported by data provided by Co-operatives UK. This work was only made possible due to the generous contribution made by The Power to Change Research Institute.

We hope that communities, support bodies and others will use the information in this publication and be inspired by the achievements of this growing sector.

Front cover photo: Harwich & Manningtree Standard

In 2016:

- The co-operative pub sector grew by **15%** with **6** new pubs opening during the year
- **46** co-operative pubs in total were trading across the UK
- These 46 co-operative pubs were owned by over **9,000** shareholders
- The pipeline of pub groups actively exploring setting up grew to **90**
- Average set up costs were **£350,000**
- No co-operative pubs closed, maintaining an impressive **100%** survival rate



Mark Lord

Foreword

I'm thrilled to introduce this year's Better Business Report for Co-operative Pubs, a sector that is continuing to increase and deliver a broad impact to the communities fortunate enough to have one of these democratically run businesses in their proximity.

This report builds on the findings of our previous report published in 2014 and with the support of our funders Power to Change and Department for Communities and Local Government we have been able to offer significant investment into the sector through the More than a Pub Programme and the Pubs Membership programme, enabling more communities to explore community ownership as a method for preserving their much valued 'local'.

The report includes valuable statistical information relating to the current make-up of the sector, the types of operating models used, how these perform financially in the market place and how the existing Co-operative Pubs have gone about financing their initial proposition. For me, however,

the most valuable learnings in this report are how these businesses, through the leadership of locally rooted people go about meeting the needs of their communities and establishing a service offering which is so much 'More than a Pub'.

I would like to take this opportunity to thank all of our funders and partners that enable us to support this growing and emerging sector. During 2016 alone, Plunkett has been proud to support over 140 new enquiries from communities exploring taking ownership of their local pub, 53 of whom have gone on to receive further advice from us. With support available from More than a Pub, and an already healthy pipeline, the future looks positive for growth of this much-loved sector.



Nicole Hamilton
Head of Frontline,
Plunkett Foundation

What is a co-operative pub?

Since 1919, Plunkett Foundation has been advocating the co-operative approach to overcome the problems and challenges communities face. A co-operative pub is just that – it's a business owned and controlled by a large number of people from within the community with the primary purpose of stimulating community cohesion.

Communities have been running drinking establishments for decades, with working men's clubs, sports and social clubs all having existed as member-owned entities. But co-operative pubs are different. They are owned by members (also

known as shareholders), where membership is both voluntary and open to all. Co-operative pubs are governed democratically on the basis that each member gets one vote, regardless of how much money they invested. This is important in Plunkett's view, as it ensures everybody has the opportunity to have a say about what's important to them regardless of their backgrounds. Once in community control, they tend to be run by full-time managers or tenants with the support of members of the community who volunteer.

Robin Woolgar Photography



Co-operative pubs – the story so far

It doesn't have to be the case, but every co-operative pub to open so far, has been in response to pubs being placed on the market for sale and being at risk of not continuing to trade as a pub. The first of its kind, Tafarn y Fic in Llithfaen, opened in 1988, following its closure by a brewery who no longer foresaw any future for it in a Welsh quarrying village. A number of people from the Llithfaen area formed a co-operative society and raised capital to purchase the pub. Since then, the pub has become a genuine hub serving the local community and surrounds, specialising in Welsh language entertainment and priding itself in its contribution to local employment.

The Tafarn y Fic, was ahead of its time, with no further co-operative pubs opening until 2003. At this time, the decline of the British pub was hastening as a result of a number of factors. Government legislation including the Beer Orders had changed the market conditions for pub ownership; and consumer habits changed with people drinking less or at home. By 2016, CAMRA, the Campaign to Protect Real Ale, claimed an average of 29 pubs were closing every week across the UK.



The movement of co-operative pubs took a leap forward in 2003, following The Old Crown opening in the Cumbrian village of Hesket Newmarket and their dedication to help other communities do the same. Together, they, Plunkett Foundation and many other co-operative advisers (including Co-operative and Mutual Solutions) have been working with large numbers of communities exploring community ownership of pubs.

The introduction of the Localism Act in 2011, allowed communities to register pubs as Assets of Community Value, giving them greater planning protection against possible demolition or conversion uses. With considerable promotion by CAMRA, more than 2,000 communities registered their local as an ACV, helping communities get prepared in the event of it coming on the market for sale.

In March 2016, Plunkett with partners (CAMRA, Pub is the Hub, Locality, Co-operative and Mutual Solutions, Co-operative and Community Finance, and Key Fund) launched a dedicated programme, More than a Pub, offering end-to-end support including capacity building and a finance package made up of loans and grants. This programme is funded by The Power to Change Trust and Department of Communities and local Government and runs until March 2018.



Following the introduction of the Localism Act in 2011 more than 2,000 communities registered their local as an Asset of Community Value

A growing trend

Plunkett received 145 new enquiries in 2016 from communities exploring community ownership of their local pub. By the end of the year, 90 were in the pipeline and were actively being supported and at some stage in their journey of setting up. Based on our records covering a 5-year period, just 1 in 13 new enquiries will go on to reach trading stage compared to 1 in 7 shop groups. This is partly due to the additional challenges a pub will have to go through:

- Higher guide price to purchase the asset
- Often significant renovation and refurbishment costs to add to the start-up target
- Limited time period in which to raise the required finance
- Increased competition from other speculative purchasers
- Less likely to set up a pub in alternative building or new build
- More complex business planning process required owing to multi-stranded income streams

Six new co-operative pubs opened in 2016, taking the total number trading to 46 by the end of the year. This represented a 15% increase from 2015. The mean average time for a co-operative pub project to progress from the initial idea through to trading is 9.5 months. This is quicker than shop groups, but as above, this indicates that a slow-moving pub project is rarely an option due to competition from other potential purchasers.

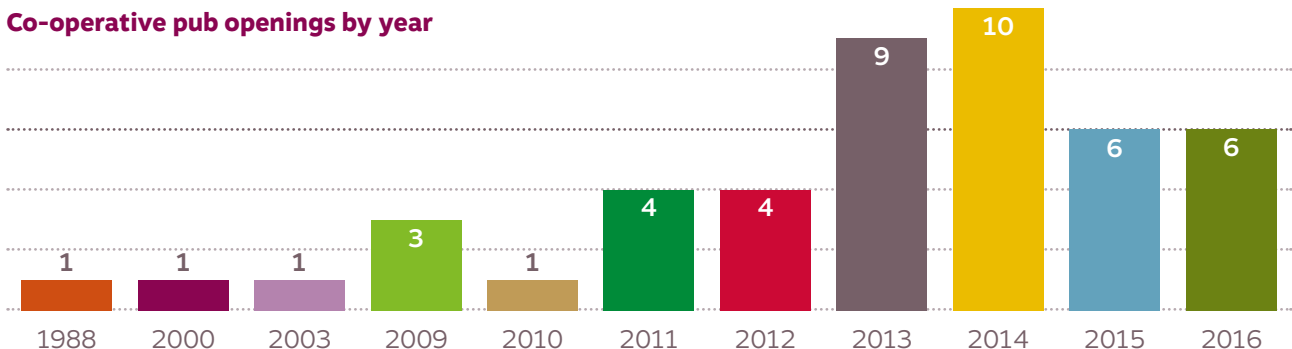
Despite the sector still being relatively small with only 46 pubs, the bar graphs below highlight the speed in which it's growing. In 1988, for example, there was only one pub registered, in 2004, just three, by 2011 there were 10. Now there are 46, and likely to reach 57 by the end of 2017.

No co-operative pub has yet closed, maintaining a sector survival rate of 100%. Regardless of the age of the sector, this is still a remarkable achievement, considering the 5-year survival rate of all UK small businesses is only 41% (Office for National Statistics).

Total number of co-operative pubs incorporated by year²

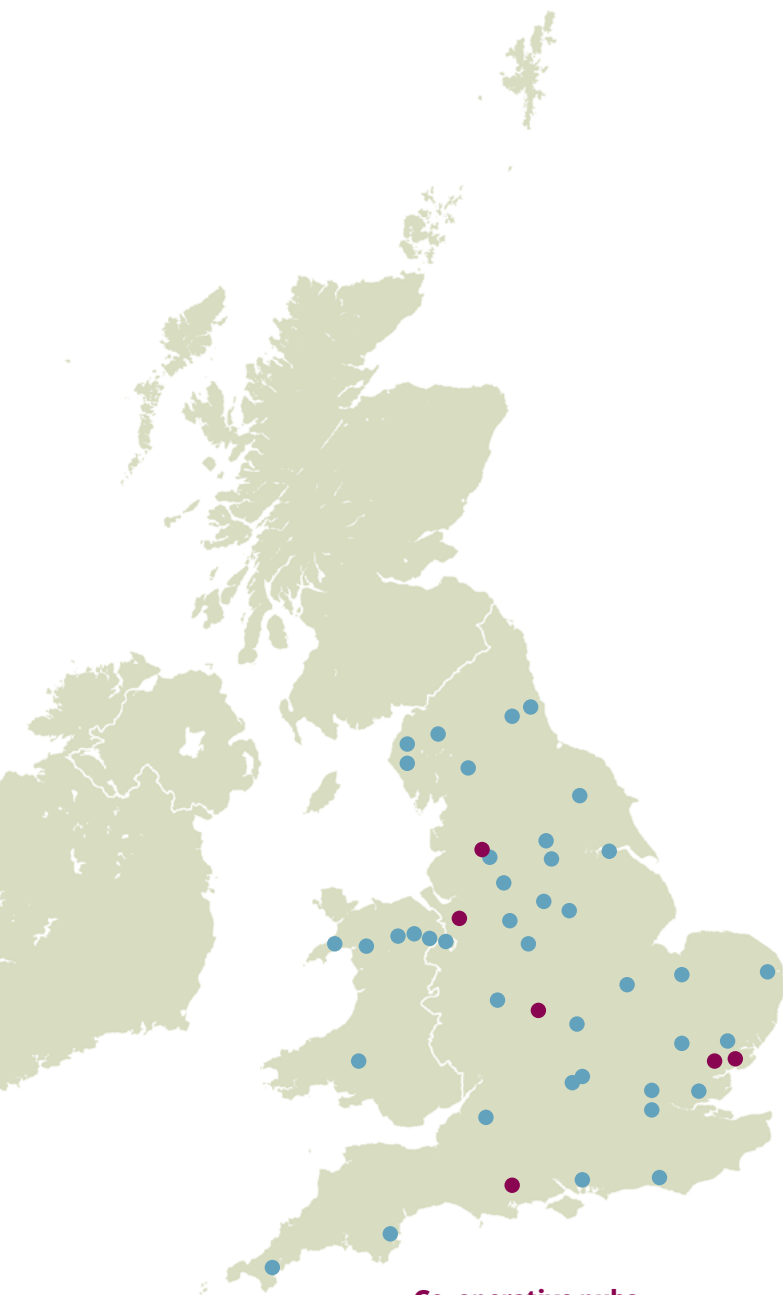


Co-operative pub openings by year



¹. If applying the 1 in 13 conversion rate to the 2016 of enquiry level

². Not necessarily trading



Co-operative pubs in the British Isles

- New co-operative pubs in 2016
- Co-operative pubs already established



The map and table below illustrate the highest numbers of co-operative pubs trading in Wales and the Northwest of England. This is likely on account of the first two pubs to open being from Wales and the Northwest, and them having inspired other local communities. However, other regions are beginning to catch up making a fairly even spread of trading pubs – Scotland and Northern Ireland being the exception to that. Interestingly, the pipeline is strongest in the Southeast of England, followed by the East and Southwest of England.

Region	Already trading	New openings in 2016	Number of new enquiries in 2016
North West	7	2	20
Wales	7	0	4
East England	5	2	20
South East	5	0	32
East Midlands	4	0	6
Yorkshire & Humber	4	0	12
South West	3	1	23
North East	2	0	3
West Midlands	2	1	13
London	1	0	6
Scotland	0	0	6
Northern Ireland	0	0	0
Total	40	6	145

Start-up costs



The cost involved in starting up a co-operative pub depends on a number of factors, including the cost of the building, the level of refurbishment required, stock and professional services. Community members volunteering their experience, time for refurbishment and professional services help keep start-up costs to a minimum.

The cost of purchasing the freehold and associated refurbishment in 2016 ranged from £210,000 to £462,500 average at £349,765. This compares with £277,244 using our historic data going back to 2012. This increase may reflect an increase in property prices or that those opening in 2016 were in areas of high property prices – or a combination of the two.

When sourcing start-up costs in 2016, 55% of the funding came from community shares with the remaining 45% from mortgages, loans and other fundraising.

Share finance

An extremely effective way of raising finance is through selling shares to members via a community share issue. As well as raising money to help with start-up costs, individuals who hold shares within a business also gain a sense of ownership and involvement in decision-making within the business. This is a key element contributing to the success and resilience of all forms of community co-operative in Plunkett's view.

The price of single share will be decided by the management committee (typically ranging between £1-£500) and they will also set a minimum shareholding value (typically ranging between £10-£1,500). The critical point is that this decision must be taken by the community, and balance the need to raise a sufficient level of capital and gain maximum involvement and engagement from the local community.

The most common community share amount purchased by individual shareholders was £500, and the average amount was £917. The average value of share capital raised by each pub was £172,922.

Loans and mortgages

Many co-operative pubs rely on loan finance to support set up costs. Of those purchasing the freehold and opened in 2016, the average loans and/or mortgage taken was £144,375. Ethical lenders and Plunkett members including Co-operative and Community Finance and Key Fund have in-depth experience of the community co-operative sector and offer tailored lending and finance options.

Grant funding

Of the pubs opening in 2016, grant income ranged from £2,000, which was typically used for feasibility costs, to larger amounts through the More than a Pub programme towards capital costs such as purchasing the building. Grants are becoming a smaller part of start-up costs owing to fewer grant sources existing, and owing to typical grant application processes taking longer than the short window of opportunity pub groups often have to make an offer on the freehold.



Legal structure

Co-operative pubs trade, employ staff, manage volunteers, and enter into contracts and financial agreements. They therefore require a legal entity to protect the individuals running the business by giving them 'limited liability', and to ensure they are compliant with legal necessities such as tax, insurance, trading standards and employment rights.

Plunkett recommends that co-operative pubs adopt legal structures which enable genuine community ownership with equal and democratic control. We would expect this to include:

- Open and voluntary membership
- One member one vote
- The interests of the pub to be linked into community control, disallowing any one member from having greater control than others
- No profit distribution to members based on investment (other than payment of interest)

Legal structures which allow for this include Community Benefit Societies (CBS), Co-operative Societies, Companies limited by Guarantee, and Community Interest Companies. The majority, 61% are registered as Community Benefit Societies (prior to 2014 known as Industrial and Provident Societies of the Benefit of the Community). This

structure exists to benefit the wider and collective interests of a community, rather than that of its staff, members or committee. This fits with the aims and objectives of most community groups that are setting up a co-operative pub i.e. they are doing it out of concern for those who will be particularly disadvantaged without such a service. A Community Benefit Society structure also encourages and promotes the role of an active membership, which is why we see them having an average of 207 members per pub, compared to 171 pubs registered with other legal structures.

The benefits of having a larger and more engaged membership base include:

- Having a larger number of people who have a financial interest in the pub and who are more likely to use it regularly
- A greater number of people who get involved with the management committee and meetings who positively contribute to the overall direction of the business
- A more accessible pool of people to draw on when committee numbers are falling, or when more volunteers are needed to help run the business.

Co-operative pubs with other legal structures such as Company Limited by Guarantee, and Community Interest Company structures can have members,

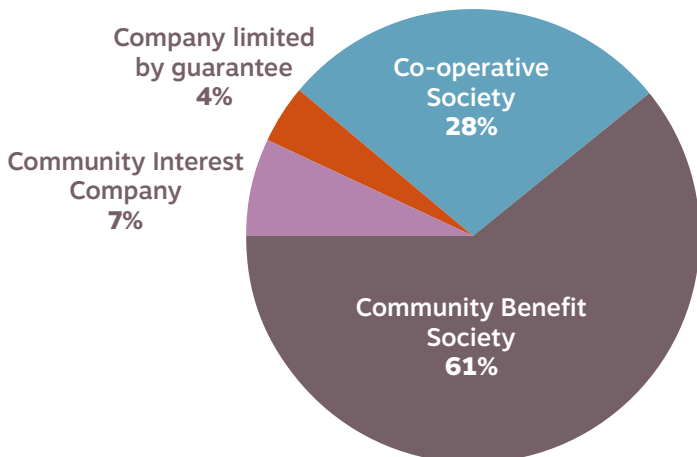




but the majority tend not to focus on this, resulting in smaller memberships. This can leave them vulnerable when volunteer numbers reduce, or when the original directors or committee members are no longer able or willing to serve.

A further reason for the popularity of the Community Benefit Society model is that the Co-operative and Community Benefit Society Act legislation makes it the only legal structure (other than a Co-operative Society) that can issue community shares, which since 2012 have been responsible for raising an average £172,922 towards set up costs.

Legal structures adopted by co-operative pubs



Financial performance

Turnover for tenanted pubs will consist almost exclusively of rental income. We have therefore excluded tenanted pubs from the following analyses. The average turnover for managed pubs is £222,088, ranging from £17,690 to £713,858. This is based on the most recent statutory reports filed by 25 co-operative pubs and does not cover all of the same trading periods.

The average net profit was -£2,197, ranging from -£29,823 to £50,378. Whilst the negative figures might raise alarm bells, follow up phone calls revealed that losses were planned and were owing to set up costs or deferred start-up costs in the early years of trading. 76% of the sample, for example, were within their first four years of trading.

When comparing rural managed pubs with urban managed pubs, rural achieved average turnovers of £159,058 and urban £356,027. Rural achieved average net profits of -£4,981 and urban £3,719. This suggests the losses, are related to set up costs and having higher levels of debt to sustain in the first few years.

Owing to the sector being so young, and relatively small in size, it has been difficult making conclusive analyses of their trading performance. There are many variables, including rural vs urban pubs, tenanted vs managed, newly trading vs established. Therefore, the data provided here must be used with caution.

Running the pub and the people involved

Governance

Co-operative pubs are membership organisations; the members being the owners of the business. Management committees are elected by the membership to oversee the strategic direction and finances of the business. They also determine how the pub is managed and who manages it. On average, co-operative pubs have 192 members (9,000 nationally) and 11 representatives on the management committee.

Ownership and tenure

The majority of communities (74%) own the freehold of the pub building; the remainder (26%) rent or own the leasehold. The majority of those who rent or lease aspire to own the freehold at some point in the future if the opportunity arises.



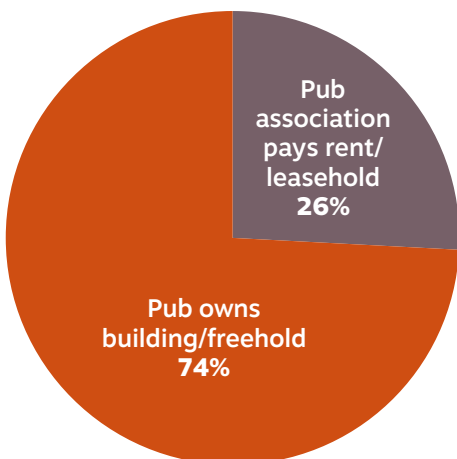
65% of freeholders have opted to manage the business themselves through paid staff or volunteers (Managed Pubs). The remaining 35% have sought tenants to run the business on their behalf (Tenanted Pubs) but following a clear mandate from the management committee as to how they wish the pub to be run. Of the 26% pubs who lease or rent the building, 100% have opted for the managed route.

Volunteers and paid staff

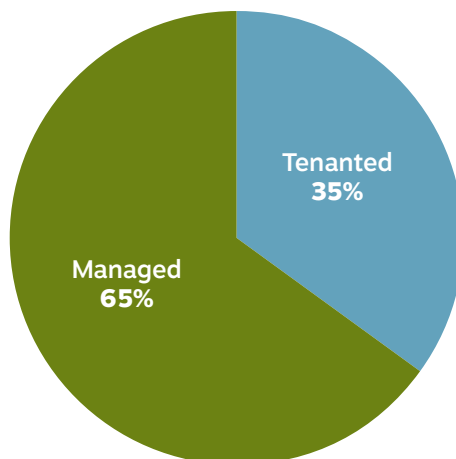
28% of all co-operative pubs benefit from volunteers in the day to day running of the business i.e. beyond the role of committee member. Volunteers can be a great asset to the business, helping to spread the workload, reducing staffing costs, and adding to the social environment of the pub. Typical tasks carried out by volunteers include: cleaning, gardening, ordering stock, organising social events, booking keeping, marketing and social media, through to running additional services such as shops, cafes, libraries, and allotments. Four pubs in total are 100% volunteer managed.

As well as the strong volunteering workforce, co-operative pubs create regular paid employment opportunities. For example, 42 of the 46 co-operative pubs currently trading employ staff. In a rural setting, this can often be the largest single employer in that community.

Ownership and tenure
based on 46 pubs



Pub association pays rent/leasehold



Pub owns the building / freehold



Impact

More than a Pub

It's true that the motivation for starting a co-operative pub, is often just to retain the pub from closure and save it from possible threats of redevelopment for alternative use. However, once a community starts exploring community ownership, they quickly realise its potential to be so much more than a pub.

The starting point should always be to undertake a full survey of the community's needs and assess any wider income generating opportunities. Co-operative pubs in rural communities can often be the last remaining service in the community, or last remaining public space open during the working day and evening. There is therefore potential for them to become hubs of the community offering additional services such as a micro shop, café, post office, meeting room, etc – all enabling people to make greater use of the building and providing greater opportunity for social interaction. Urban co-operative pubs can play that same role, for example, in an estate setting such as 'The Bevendean' in Brighton or built up residential areas like 'The Golden Ball' in York. Town and city centre pubs can also play wider roles such as The Bell Inn at Bath and 'The Ivy House' in Nunhead, both of which are famed as music and entertainment venues in addition to a traditional pub, and both play an important cultural role in those communities and beyond.

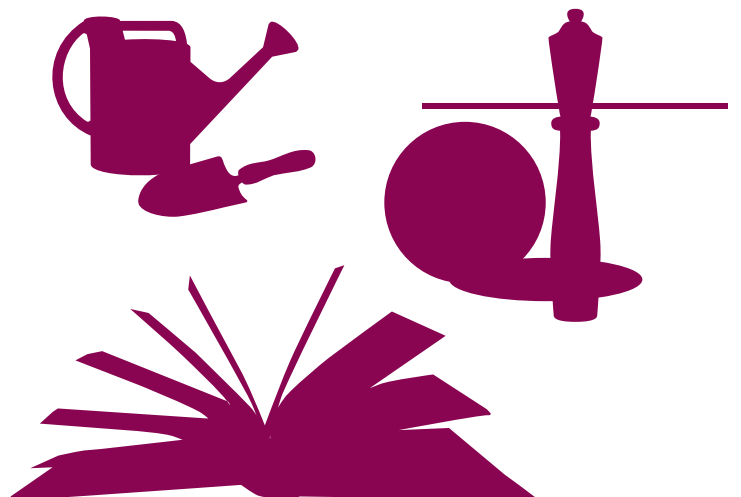


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Typical services hosted by co-operative pubs:

- Restaurant, cafes, school dinners, and luncheon clubs
- Shop, postal and bill paying services
- Libraries, book exchange
- Allotments and community gardens
- Meeting rooms for community use and external hire
- Spinoff local clubs and societies
- Traditional indoor and outdoor games
- Live music, entertainment, festivals and community events
- Holiday accommodation and affordable housing
- Adult education and training





Social isolation and Loneliness

From the start up phase to the running of the pub, these businesses involve large numbers of people from the membership, committees, volunteers, staff and customers, and as such they become highly social places which bring people together. Because they are so much more than a pub, co-operative pubs are a great leveller – they bring people together of all ages, backgrounds, interests, and give them a purpose to interact. This can benefit new residents who want to meet their neighbours, young parents who feel isolated at home, teenagers seeking work and life experience, the retired seeking opportunities to remain active, and those who live alone or are carers and have no other way of meeting people. Put simply, co-operative pubs address social isolation and loneliness.

Healthcare and Wellbeing

Many co-operative pubs talk about the ways in which their pub address or prevent issues related to individual's health and general wellbeing. Examples include:

- Installing or funding a defibrillator
- Becoming a fully accessible venue
- Running Pilates and fitness classes
- Holding regular mindful knitting groups
- Dementia and Alzheimer cafes

Benefit for less well-off people/poverty

Co-operative pubs actively support those who are less-well off in their community. Examples include:

- Discounted luncheon clubs
- Putting on coaches for people from sheltered housing schemes to attend lunches
- Funding unemployed volunteers to undertake hospitality qualifications
- Enabling shareholders to buy shares over an extended period
- Raising money for local charities



“I’ve met several local residents that I’d never seen before, let alone met”

Case studies

The Dog Inn, Belthorn, Lancashire

The Dog Inn was built more than 300 years ago and over the centuries has served the rural village of Belthorn.

In February 2015, the pub was put up for sale by auction, and a highly motivated group of villagers came forward with the idea of buying and taking over the pub. Although listed as an Asset of Community Value they were unsuccessful in agreeing a deal with the pub company, at that time, and the pub was sold prior to auction to a local developer.

Undaunted the steering group, backed by everyone in the village, negotiated a deal with the new owners and a Community Benefit Society was set up with the aim of raising £180,000.00. Two months later the money was raised through a community share offer, contracts were exchanged and on the 1st September 2015, The Dog Inn officially became Lancashire's first community-owned free house.

A high quality refurbishment was carried out mainly by a team of local volunteers and the Grade 2 listed pub reopened on the 15th November 2015. It is now a sustainable community business providing employment and work experience for several local people. The



Anthony Farran

latest initiative will give 15 young people the opportunity to run a pop-up restaurant on three nights of the week.

The pub is the centre of the village once more offering a wide range of events including, Quiz Nights, Craft and Chat sessions, Tai Chi, and an informal get-together for young mums called Brews and Babies. There is a defibrillator on site, free Wi-Fi, a large community room, a community garden with allotments, and a small shop and cafe staffed by a dedicated team of volunteers.



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The Maybush Inn, Great Oakley, Essex

In March 2015, The Maybush, the very last pub in the village of Great Oakley was closed and repossessed.

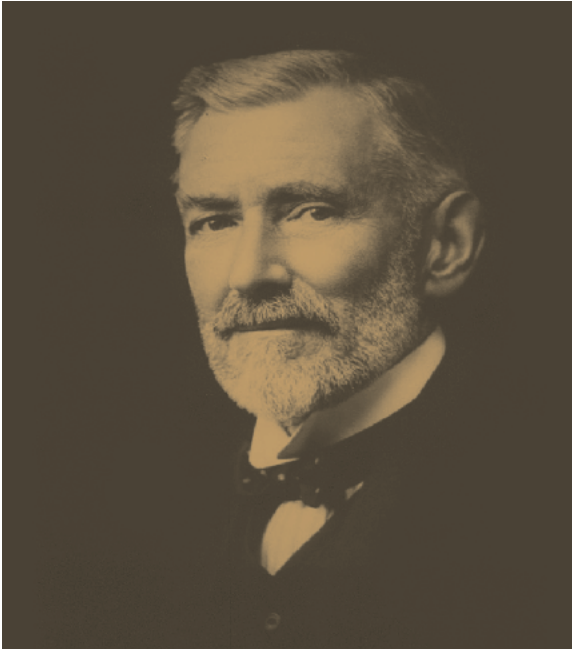
It was put up for sale on the open market and a group of concerned villagers, who were determined not to see this vital village asset redeveloped as housing, registered the pub as an Asset of Community Value. They contacted the Plunkett Foundation for help and advice and Great Oakley Community Hub Ltd, a Community Benefit Society, was formed.

In order to finance the purchase and refurbishment of the building, over 130 people invested more than £83,000 and, combined with a loan from Co-operative and Community Finance, the pub was purchased on the 12th February 2016. The doors have been open every day since then, and it is now run entirely by a dedicated team of volunteers. It has revitalised the village, providing much more than just a friendly welcoming village pub.

The community share offer emphasised the social value of the pub to the well-being of the community. The minimum shareholding was set at just £10 to allow all local people to join the society. In fact most people invested between £200 and £500.

In addition to creating a valuable social place, where people can meet on a regular basis, the pub hosts themed lunch and dinner events, beer festivals, quiz nights, coffee mornings, games sessions for older people, and a library. These weekly events are particularly important for the more isolated residents in the village. They are inclusive and make everyone feel welcome and part of the community

After a successful first year of trading, many of the community's aspirations have been achieved. They also now have the opportunity to purchase the adjoining building, where they will be able to create residential accommodation, some social housing and a daytime café – all elements of the initial vision.



About the Plunkett Foundation

Established in 1919, Plunkett Foundation helps communities to take control of their challenges and overcome them through co-operation. We support people, predominantly in rural areas, to set up and run life-changing community co-operatives; enterprises that are owned and run democratically by large numbers of people in their community. They help people to tackle a range of issues such as isolation, loneliness and poverty, and come in many forms including shops, cafes, pubs and land-based initiatives, and anything in between.

Ask us about becoming a member

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