

Co-operative Pubs

A better form of business
2014



Life changes for communities when they take control of what's important to them.

Take Hebden Bridge in West Yorkshire. Local pub, the Fox & Goose, was forced to close due to the owner's ill health and many feared the fate of their traditional local was sealed, and would be bought by a major chain, at risk of losing its unique character or, worse, closing down and being sold off for another use.

But in early 2012 something happened that changed the fate of the Fox & Goose. Regulars, local residents and supporters decided the pub was too important to lose, too much a part of their community, and decided to form a co-operative to save it. They raised £130,000 through a community share offer and, after much hard work and support from others, the Fox & Goose re-opened its doors as a community co-operative in March 2014, becoming the first of its kind in West Yorkshire. Since then it's come to represent a place where the local community comes together, whether it's to refurbish the pub and beer garden, watch a band, or just to enjoy a particularly good pint of local ale.

The Fox & Goose is one of the success stories of 2014. We hope you'll be inspired by them, and the 33 other co-operative pubs that were trading by the end of 2014, to save what's important to your community.



About this publication

This publication is based on the results of surveys undertaken by the Plunkett Foundation between March and April 2015 and is based on information provided by 29 of the 33 co-operative pubs open and trading across the UK at the end of 2014. The majority of this information was collected through a structured online survey completed by appointed representatives of co-operative pubs, or equivalent follow-up telephone surveys. Supplementary financial information was obtained from the Financial Conduct Authority. The wider report and conclusions drawn have been informed by the information collected in the survey alongside our wider work, and the work of others, to support communities to successfully set up and run community co-operative pubs.

We hope that communities, support bodies and others will use the information in this publication to be inspired by the achievements of the growing number of co-operative pubs.

The co-operative pubs sector in 2014:

33 co-operative pubs trading

43% growth in total number of co-operative pubs

7,644 members

Over £6m raised through community shares



Co-operation is a basic human instinct.

Of course, human beings are by nature competitive, but we also value community. We live in communities, work in communities, draw strength from those communities.

When the members of a community come together for a common cause, without purely financial or commercial motives, when they co-operate and collaborate to save or preserve something that is important and valuable to their community, they can unlock something very powerful.

A co-operatively owned pub is owned by the community, for the community. It isn't something that is imposed from outside. It has its roots within the community, and binds people together in a way that few other things are able to do. It is a way of securing and preserving something precious; a place where people can share their joys and sorrows, celebrate and commiserate, or just pass the time of day in what is truly their own pub.

In order to survive, any business, any pub, has to be commercially viable. Assessing that viability is a vital part of the process. Community ownership can contribute to that viability: at the end of 2014 there

were 33 co-operatively owned pubs in the UK, and every one is still open and trading today. And with a similar number in the pipeline, the future is looking bright.

Starting a co-operatively owned pub isn't always easy; there can be pitfalls along the way. And not every community may be suited to the co-operative model. But when the conditions are right, this can be one of the most rewarding things you will ever do, something that shines like a beacon to show what communities – people – can achieve together.

Julian Ross

Chairman, The Old Crown Co-operative
Trustee, Plunkett Foundation



What is a co-operative pub?

At Plunkett we advocate the co-operative approach. A co-operative pub is owned and controlled by a large number of people from within the community – typically around 200 people. Pubs saved in this way are governed democratically on the basis that each member gets one vote, regardless of how much money they invested. In our view this is important because we know that most communities are made up of people with very mixed incomes, and the co-operative model makes sure that everybody has the opportunity to have a say about what's important to them. Co-operative pubs have both voluntary and open membership, which means that new people moving to the community, or those who have not previously been involved, can still become members. They tend to be run by full-time managers or tenants with the support of members of the community who volunteer.

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 the co-operative pubs movement as we know it today dates back over

25 years, with the first of its kind, Tafarn y Fic in Llithfaen, opening in 1988. But when the Cumbrian village of Hesketh Newmarket almost lost its pub, and subsequently saved it as a co-operative in 2003, the movement took a leap forward thanks to the pioneering spirit of The Old Crown and its members' dedication to helping other communities do the same. Since then, thanks to support from a wide range of sources, the sector has developed at a rapid pace. So much so that, in 2013, when Plunkett launched a Co-operative Pubs Advice Line with support from the Department for Communities and Local Government, over 140 enquiries were received from communities desperate to save their local as a community – over two and a half times what was anticipated.

Today a significant number of communities are at an advanced stage of setting up a co-operative pub, despite many facing challenging times along the way. Following on from the record year of 2014, we expect good progress again to be made in 2015, particularly if our recommendations are taken forward.



What we know about co-operative pubs in 2014

- People care passionately about their local pubs. They are willing to invest their money, time, skills and energy in making them a success.
- The sector is still new, but common approaches are starting to emerge, particularly with regards to legal structures, the reliance on community share issues to raise finance and large membership numbers.
- Co-operative pubs are helping to provide a range of products, services and activities that improve the lives of many people within the community in different ways.
- The protected period permitted for pubs listed as Assets of Community Value in England is four months short of the mean average time period it takes to complete a community buyout.
- Financing a community buyout remains a significant challenge, and gap funding is required to bridge the funding gap. Community shares continue to be the approach raising the greatest level of capital.
- Pub owners unwilling to speak to community groups interested in purchasing a pub for sale remains a key problem.
- Co-operative pubs remain resilient, with none having closed to date.
- Co-operative pubs have a wide membership base, some now over 800, and these members are a great resource to draw upon for ideas, help and support.
- Planning protection for pubs in England and Wales is not strong enough, leading to pubs being lost despite community groups being ready, willing and able to complete a purchase.
- Development pressure is adversely impacting on the creation of co-operative pubs, particularly in areas where the pub asset is worth more as housing, or where there is interest from retailers to convert to a convenience store.
- A number of local authority officers in England still have a limited experience of, and therefore understanding of the Community Right to Bid and Assets of Community Value.

Co-operative pubs: The story so far

1988

Tafarn y Fic co-operative pub opens, the first of its kind

2003

Old Crown in Cumbria opens: those involved become pioneers of the co-operative pubs sector

2009

Star Inn and Raven Inn open

2010

The then Government announces support for co-operative pubs, but subsequently withdraws it.

Plunkett calls the Co-operative Pubs Summit at the Old Crown, attended by key players including Dave Hollings of Co-operative & Mutual Solutions; Co-operative Enterprise Hub; Co-operatives UK and CAMRA.

2011

Community Right to Bid (part of the Localism Act) powers allow communities in England to register pubs as Assets of Community Value, giving communities 6 months to respond to threat of losing their local.

Plunkett works with small number of communities on developing co-operative pub model with funding from the Government's Community Ownership & Management of Assets programme.

Fox & Hounds and the Butchers Arms open

2012

Foresters Arms; Green Man; Saith Seren; White Horse; Golden Ball all open

2013

Plunkett launches Co-operative Pubs Advice Line at the Green Man with support from Department for Communities and Local Government.

19 co-operative pubs go on to open between now and the end of 2014

A growing trend

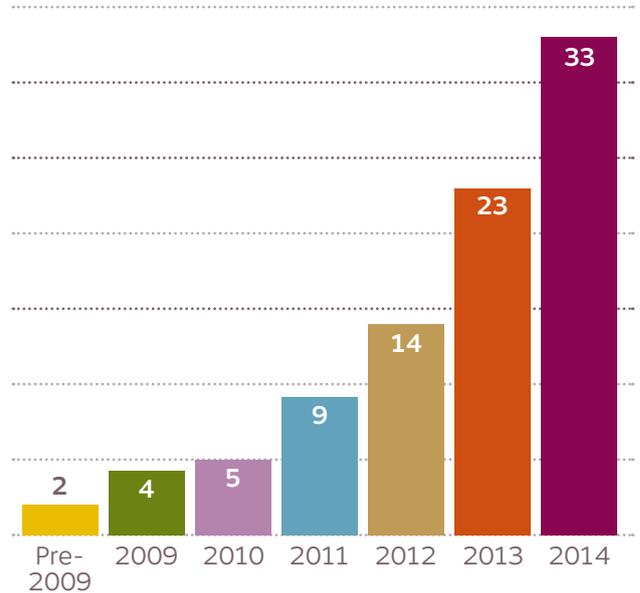
Ten new co-operative pubs opened in 2014. The number of rural and urban co-operative pubs trading in the UK has grown considerably in the last five years, from 4 known prior to 2010, to 33 trading by the end of 2014. This increase is likely to be due to a large number of local pub closures and an increase in communities' confidence that co-operative ownership is a viable alternative.

According to CAMRA, the Campaign for Real Ale, **29 pubs closed a week** on average between June and December 2014. If this rate was consistent for the whole of 2014, this would total **just over 1,500 pub closures.**

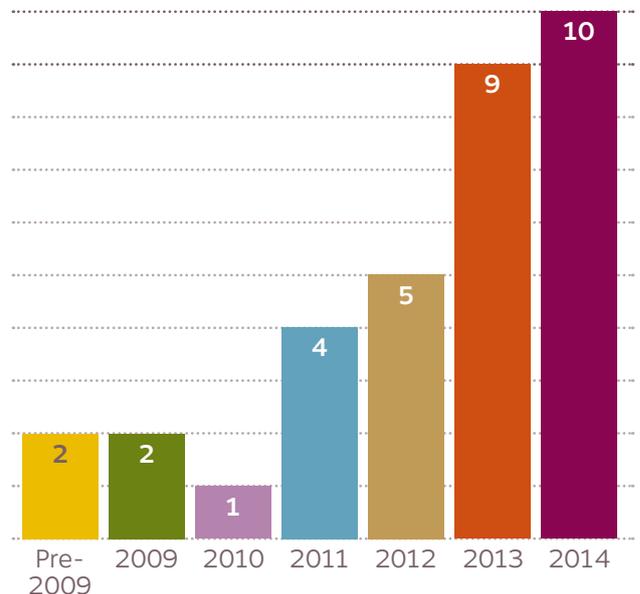
The mean average time it takes for a co-operative pub project to progress from the initial idea of running the pub co-operatively to the initial date of trading is 10 months. However, registering a pub as an Asset of Community Value in England provides only a 6 month protected period for the community to develop a bid to buy the pub. With half of the co-operative pub projects taking less than 6 months and some taking two years or more to establish, it is clear that some communities are facing more barriers than others.

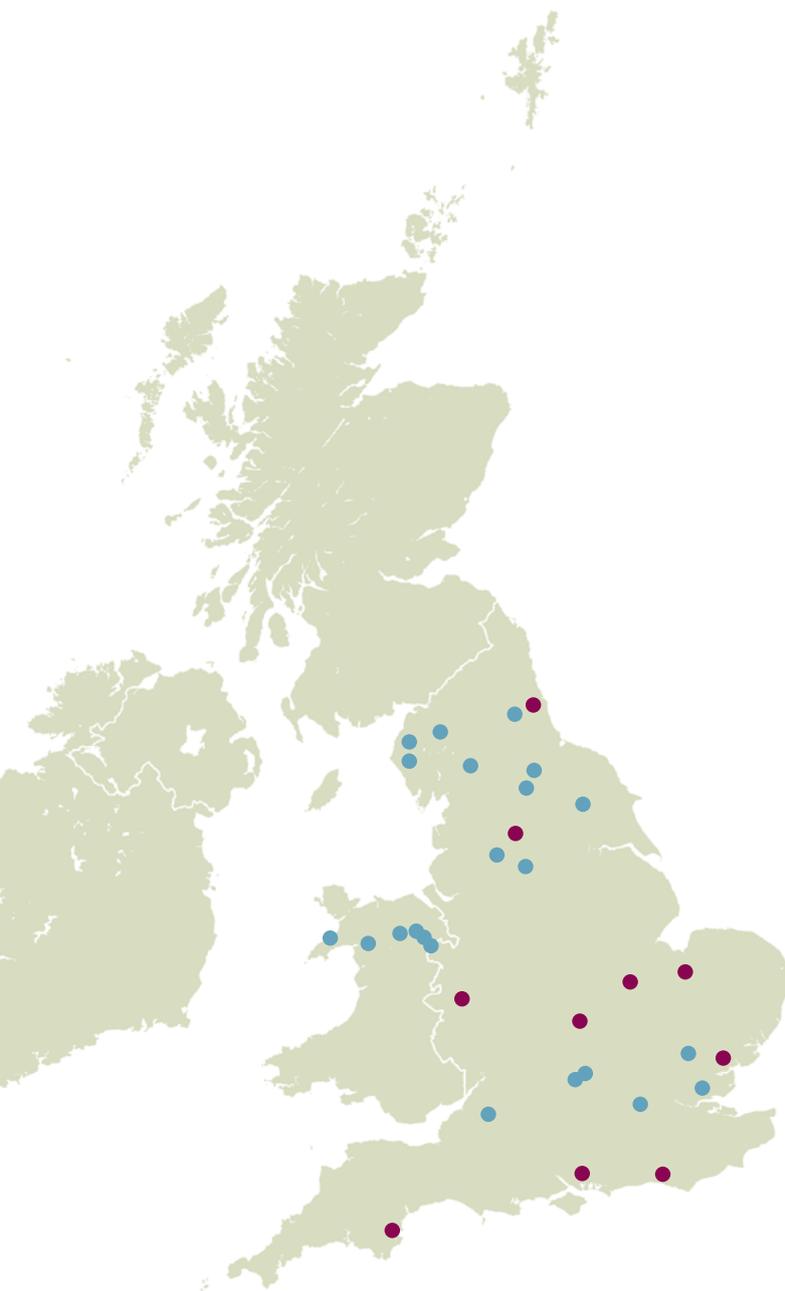
Since the start of 2013 the number of co-operative pubs open and trading has more than doubled and there are now co-operative pubs in many more parts of the UK.

Total number of co-operative pubs trading by year



Co-operative pub openings by year





Co-operative pubs in the British Isles

- New co-operative pubs in 2014
- Co-operative pubs already established

The table below illustrates highest numbers of co-operative pubs in Wales and the North West, South East, East and Yorkshire and Humber regions of England. The pipeline is strongest in the South East, South West and the East of England, and also suggests that 2015 could see the first co-operative pub, or pubs, in Scotland to open.

Region	No. of pubs trading	No. of projects in pipeline
Wales	6	3
North West	5	4
South East	5	20
East of England	5	16
Yorkshire and the Humber	4	5
East Midlands	3	4
South West	2	18
North East	2	4
West Midlands	1	4
Scotland	0	9
Northern Ireland	0	0
Total	33	87

Resilience

Although still a relatively young sector, to date there have been **no co-operative pub closures** in the UK, therefore maintaining a **survival rate of 100%**. This compares extremely positively with estimations for UK businesses which have an estimated 5 year survival rate of 41% (Office for National Statistics) and is one of the best business survival rates anywhere in the world.

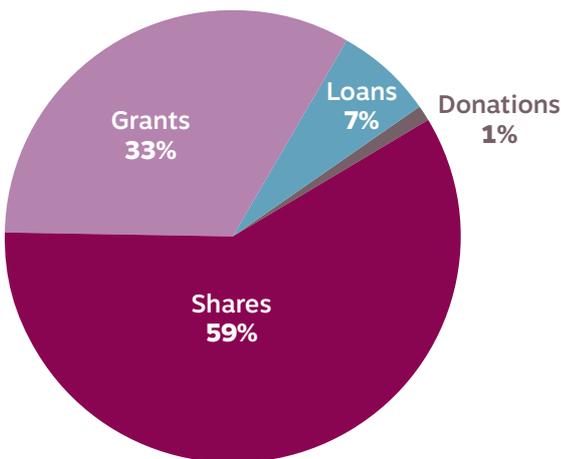
Start-up costs

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, staff costs and accountancy fees. Community members volunteering their experience, time for refurbishment and professional services help keep start-up costs to a minimum.

The amount required to purchase pub buildings in 2014 ranged from £180,000 to £925,000 with an average amount of £251,995 for rural co-operative pubs and £638,333 for urban.

Co-operative pubs are becoming increasingly reliant on raising finance through community share issues because grant funding has for a number of years become more difficult to source.

Average sources of start-up costs



Share finance

An extremely effective way of raising finance is through the purchase of shares by individuals. 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.

The process and structure of raising shares can take a number of different forms, including in most cases for co-operative pubs, a community share issue.

The price of a single community share decided by the committee ranges from £1 to £500 and the minimum share value ranges from £30 to £1,500. The most common community share amount purchased by shareholders was £500, but it can be as low as £10 in some cases. The critical point is that this decision must be taken by the community, and balance the need to involve as many people in the community as possible as members with raising the capital required.

The Bevy

When their only pub closed in 2010, Bevendeane & Moulescomb's 18,000 residents were four miles away from their nearest pub. They raised £55,000 from a community share issue and an additional £20,000 in donations. They secured a further £100,000 in grants and, in 2014, became the first co-operative pub to open on a housing estate.



Grant funding

Grant funding is a traditional source of fundraising and often makes a substantial contribution to the project. Grant funding has become more difficult to source and less reliable for communities.

Only a third of co-operative pubs say that they received grant funding to help with start up costs which ranged from £2,600 to over £100,000 in a small number of cases.

Loans

Many co-operative pubs rely on loan finance to support set up costs and co-operative pubs have received loans ranging from £2,000 to £50,000. Ethical lenders and Plunkett members including Triodos Bank, Ecology Building Society and Co-operative and Community Finance have in-depth experience of the community co-operative sector and offer tailored lending and finance options.

Fundraising and donations

Although fundraising and donations alone do not usually raise significant sums of money, holding community fundraising events helps to engage the local community and encourages commitment to the project. The mean average amount donated to co-operative pub projects is £2,600 and donations can be accepted in different ways, including; tables, chairs, furniture and volunteered services such as painting and refurbishment.

Legal structure

Co-operative pubs employ staff, manage volunteers and trade, and therefore are required to adopt a recognised legal structure. During the year the Co-operative and Community Benefit Society Act came into force, consolidating various pieces of legislation including the Industrial and Provident Society Act. These structures are the most commonly used (94%), with only 2 co-operative pubs having opted for a different structure in the past.

The main difference between a co-operative and a community benefit society is that a community benefit society operates for the benefit of its members and the wider community and can use profits to reinvest in the business or distribute to good causes, whereas a co-operative society operates primarily for the benefit of members and as well as being able to reinvest in the business and distribute funds to good causes, it allows the co-operative to distribute dividends to shareholders.

Financial performance

Co-operative pubs are financially successful businesses. Although still a relatively young sector, with no closures so far, they are already proving a resilient model. As the sector is still young, but expanding quickly, 70% of co-operative pubs have only been trading less than three years. With start-up loans and initial outlays incurred in the setting up of the pubs, providing information on their financial performance would not be conclusive or representative.

Rate relief

Business rates are taxes that are charged on most non-domestic properties. Businesses like co-operative pubs have benefited from reductions on these rates by applying to their local council, although this is discretionary. 59% of co-operative pubs currently state that they benefit from some form of rate relief, with the average amount of relief received being around 76%.

In the 2014 Autumn Statement, the Government committed to consulting on the business rate regime. Plunkett will be calling for business rates relief to remain and be extended for community co-operatives like community shops and co-operative pubs.

People

Membership

On average co-operative pubs with a Co-operative, Community Benefit Society or equivalent former structure have 232 members and 11 representatives of the members on the management committee. A larger membership base means a larger number of people with interest in the business and who are therefore more likely to use it, a greater number of contributors at AGMs and committee meetings, and a greater potential for volunteers.

Governance

Management committees of co-operative pubs on average consist of 11 members who are elected by other members to oversee strategic operations and the business' finances. A management committee with varied background experience is beneficial and influences how the group makes decisions and operates.

Volunteers and paid staff

32% of co-operative pubs benefit from volunteers in some way. Volunteers provide strength to the business through regular day-to-day staffing, or ad hoc work such as the ordering of stock, book-keeping, open-mic nights, quizzes, reading clubs, reading and poetry groups.

As well as the strong volunteering workforce, co-operative pubs offer paid employment opportunities, including a paid manager position or paid staff, and training that may not otherwise exist, especially in rural areas. 93% of co-operative pubs incorporate paid staff in some way and many provide younger employees with employment, usually within the catering and restaurant area of the business.

Tenanted pubs account for 32% of the co-operative pub sector. If the co-operative pub is tenanted, the community can determine the terms of the tenancy and shape the way the pub is run and the type of services offered.



The Tally Ho Littlehempstead

The Tally, as the regulars call it, is South Devon's first community-owned pub, bought by a loyal band of supporters from all over the world to save this historical treasure from closure and to keep it safe for future generations. It's run by landlady Hollie Brockwell and chef Chris Webley.

Ownership and tenure

Three quarters of co-operative pub associations own the pub premises, and the remainder rent or own the leasehold. The majority of those that do lease aspire to own their pub at some point in the future if the opportunity arises.

The majority of the pub associations that own the pub building employ a paid manager with a combination of paid staff and/or volunteers.

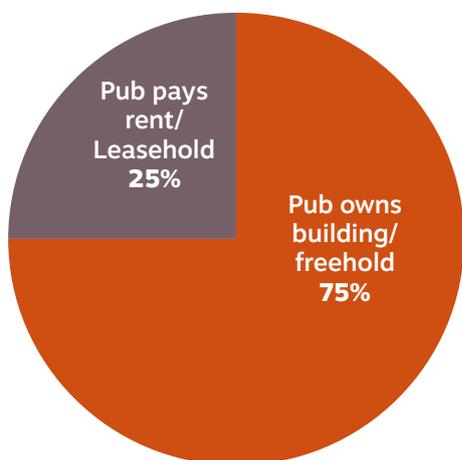
These figures are based on the day-to-day workers within the pub and do not take into account the voluntary contribution of the 11 or so members on the management committee.

Of the co-operative pub associations that rent the pub premises, 43% decided to run the pub with a paid manager as well as paid staff.

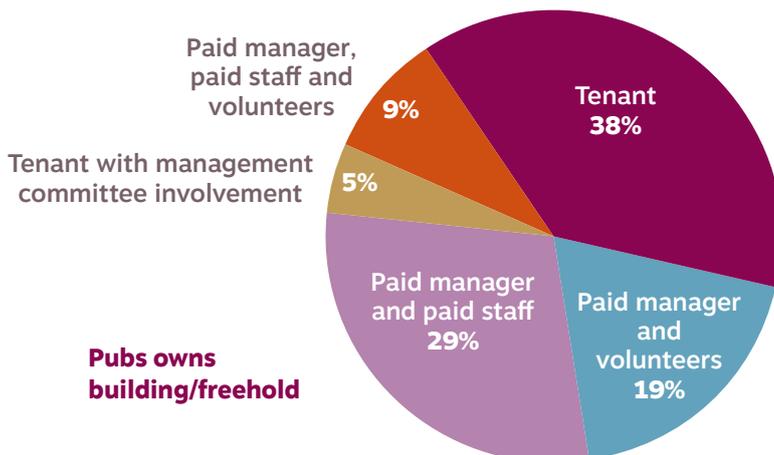
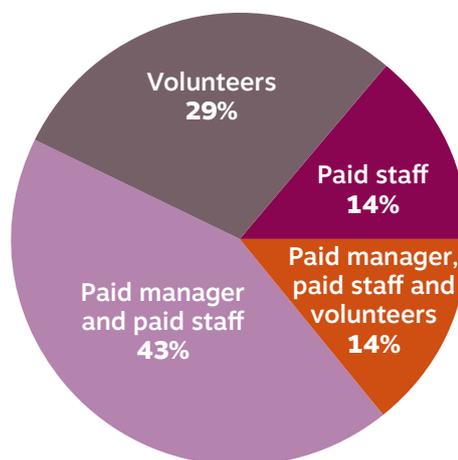
The remainder of co-operative pub associations who rent employ paid staff, volunteers or a combination of a paid manager, paid staff and volunteers.



Tenure of co-operative pubs



Pubs pay rent/Leasehold



Additional services

Co-operative pubs provide space for additional services that benefit the community, from meeting spaces and Post Office services to facilities like Wi-Fi, which creates opportunities for those without internet access as well as home-workers.

Every community is different and each has different interests. The vibrancy of the community is reflected in the extra services that community enterprises arrange and organise, often outside of the initial reason the enterprise was set-up. Co-operative pubs in rural situations are often the last business in the village. They often take on additional bespoke services that may have previously been available, but without the pub would no longer exist.

The Raven Inn

Llanarmon-yn-ial

At the very heart of this Welsh village, is the much-loved Raven Inn, owned by the community since 2009. They offer a regular Post Office service, popular themed nights, a weekly lunch aimed at older residents and have recently started offering bed & breakfast services in their upstairs accommodation. A thriving example of what can be achieved when communities work together, the village also boasts a community-owned shop and, more recently, a social enterprise micro-brewery.

Regular activities hosted by co-operative pubs:

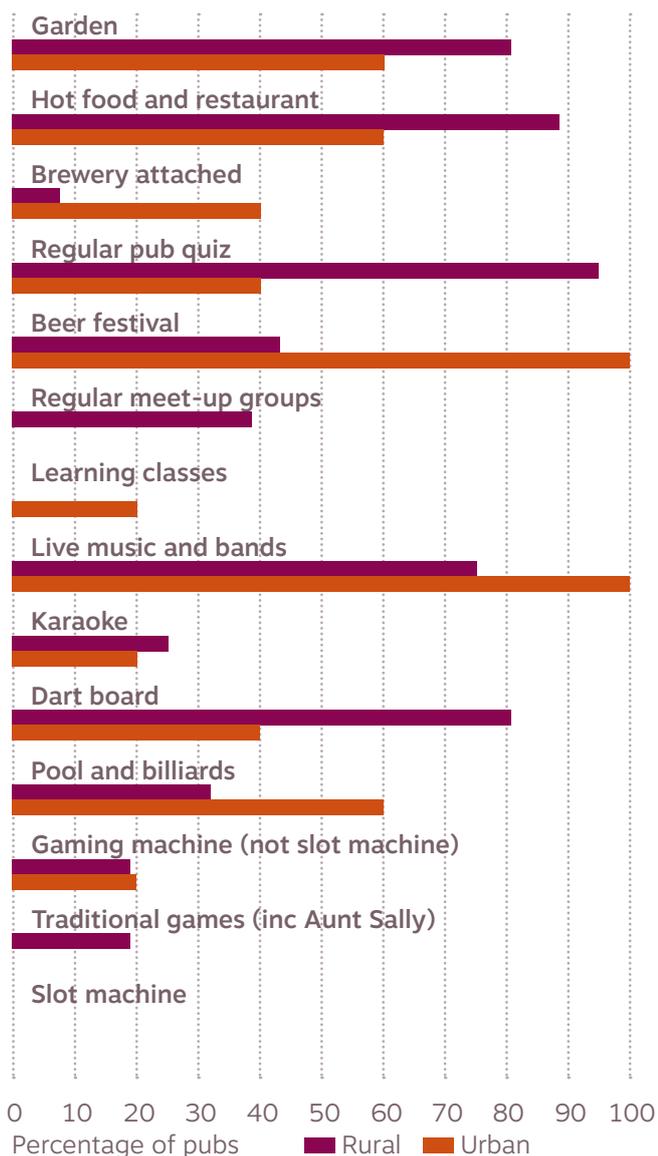
- Football team
- Philosophy group
- Poetry group
- Pub quiz
- Open mic night
- Knitting and craft group
- Tree planting groups
- Coffee mornings
- Internet services and Wi-Fi.
- Library
- Meeting space
- Book Exchange
- Bike repair station
- Farmers' market
- Cribbage league
- Traditional pub games
- History society
- Wine tasting



81% of co-operative pubs include a **restaurant** or **hot food** which as well as being an additional service for the community, it also offers another source of employment for residents. 76% of co-operative pubs have a pub garden which gives them the ability to hold events such as **beer festivals** and **outdoor games** like 'Aunt Sally'.

Co-operative pubs are a hub of activity and provide **live music, entertainment** and **clubs** for residents to take part in. 88% of rural and 60% of urban co-operative pubs include **games** or **entertainment facilities** of some sort, including dart boards, quiz machines, pool and billiards tables.

Pubs offering additional services



Kings Arms
Shouldham

The King's Arms certainly know how to keep the community busy and involved, with regular philosophy, poetry, knitting and craft groups, and an open-mic night to showcase local talent. They also provide a reasonably priced "one-pot" meal on Monday nights for those who want a tasty meal out but don't want to break the bank.



Live music has long been a tradition of pub communities and with 81% of co-operative pubs arranging regular live music evenings; co-operative pubs are keeping the tradition alive. Regular nights, clubs and group meetings help keep the social side of co-operative pubs alive and provide the community with a hub that otherwise would not exist.

Debit and credit card payments are often crucial to the operation of a co-operative pub with 81% offering card services, and half of these providing cashback. This is a key service particularly in rural areas where access to cashpoints is limited.

EPOS (Electronic Point of Sale) is a useful system to monitor the sale of products as well as recording how much is wasted; 67% of co-operative pubs mentioned that they use an EPOS system.

Impact

Social isolation and loneliness

When communities approach Plunkett in the early stages of researching co-operative pub ownership they are usually reacting to a local pub that matters to them closing with short notice. Pubs provide one of the increasingly few places for social interaction in many communities, particularly in small rural communities. Without a pub in their vicinity, residents must travel further to visit one, requiring access to transport; for some this is just not possible, and many are left without a place to socialise, resulting in higher levels of social isolation and loneliness which can be extremely harmful to physical health; according to the Campaign to End Loneliness, lacking social connections is as damaging to health as smoking 15 cigarettes a day. Almost every co-operative pub we surveyed said that their pub was one of the only places for many of their residents to gain any human interaction at all.

Local pubs provide a central point that helps maintain cohesion within the community. Organised events and group meetings such as live music nights, games nights, wine tasting and learning groups keep a focus within the community and help prevent isolation. Without the local pub, this interaction would be lost. With no co-operatively owned pub closures so far in the UK, a community can have confidence that this successful structure will maintain the heart of the community for years to come.



Vulnerable residents

Co-operative pubs are meeting places for all walks of life and are of particular importance to individuals and groups at greatest risk of social isolation including individuals with limited mobility, elderly residents, younger residents, young families, those with limited or no access to transport, those with disabilities and those on low incomes. Each co-operative pub is frequented by on average 21 residents considered by co-operative pub representatives as vulnerable. In reality this is likely to considerably underestimate this figure.

Difference between isolation and loneliness

Loneliness is a subjective, unwelcome feeling of lack or loss of companionship. It is linked to social isolation but it is not the same thing.

Isolation is an objective state whereby the number of contacts a person has can be counted. One way of describing this distinction is that you can be lonely in a crowded room, but you will not be socially isolated.

Campaign to End Loneliness



Conclusions and recommendations

This report clearly demonstrates that co-operative pubs are in good health and providing valued products, services and activities to local communities. It also demonstrates a growing and healthy sector. Despite the many positives, a number of issues remain that require the immediate attention of community organisations, support organisations, policy makers and co-operative pubs:

- A comprehensive and long term support service for co-operative pubs needs to be developed, and funded. Currently support programmes available to co-operative pubs are run for short time periods so the availability of support is inconsistent
- The Community Right to Bid in England needs to be reviewed and strengthened. In particular:
 - The protected period needs to be extended to a minimum of ten months from six months
 - A fair market value needs to be set at the start of the protected period, to give a community group fair opportunity to raise a fair and reasonable price reflecting the current use of the asset
 - A community group whose nomination is rejected should have the right to appeal equal to that of the asset owner
 - The Government needs to provide clearer guidance to councils on exemptions, for example for sales as a going concern, to prevent misuse of this clause
 - Encourage councils where possible to complete reviews of Asset of Community Value nominations within four weeks, not eight weeks
- The Westminster Government's commitment to a Pubs Loan Fund needs to be reviewed and introduced as soon as possible, with a small grant programme being a preferred approach
- The Community Right to Bid, and the other community rights needs to be actively promoted to community groups, the majority of who are currently unaware or only limited knowledge
- The Welsh Government need to progress with their plans for equivalent powers as soon as possible, and ensure their proposals learn from and build on the Community Right to Bid
- The Scottish Government needs to ensure that the development of the Community Empowerment (Scotland) Bill provides assistance to community groups attempting to save pubs
- In England and Wales planning protection for pubs needs to be extended so that all pubs require planning permission for change of use. While removing permitted development rights for pubs listed as Assets of Community Value in England is welcome, particularly as this is at the point of nomination, this protection needs to be extended to all pubs
- As part of the Government's Business Rates Review, rates relief for pubs operated by community co-operatives that provide a wide range of social benefits should be retained and expanded
- The level of capital to purchase or lease a pub, plus refurbish is significant. While most community groups have proven their ability to raise significant amounts of capital through community share issues, there will often be a gap. We call on grant funding providers to help fund this gap which is typically between £25,000 and £75,000
- Local authorities need to be supportive of community groups seeking to protect and ultimately save local pubs. In too many occasions community groups feel that despite the intentions of the legislation, their local council is determining if the pub is important to a community, or not
- A risk fund needs to be created to enable councils to make pro community decisions which currently councils can be concerned about taking due to the risk of compensation being payable
- Retailers need to review their use of pub building for their convenience retail expansion, particularly when there is a local group attempting to save a pub that is important to them.

Improving rural lives together

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About the Plunkett Foundation

The Plunkett Foundation helps communities to take control of their challenges and overcome them together. 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, from isolation and loneliness to poverty, and come in many forms including shops, cafés, pubs and land-based initiatives, and everything in between.

Our core values are the values of the great Irish co-operative pioneer, Sir Horace Plunkett, who founded the Plunkett Foundation in 1919. He believed that rural communities didn't have to wait for someone else to make life better for them; they had the potential to do it themselves – with a little help. His values are embedded in the heart of what we do:

- We seek economic solutions to create social change
- We seek solutions that enrich rural community life
- We see self-help as the most effective way to tackle rural needs.

Ask us about becoming a member

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