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Community Pubs

A better form of business 2019



About this publication

This publication provides quantitative and qualitative information about the size, characteristics and performance of the community pub sector in the UK. This is the fourth of such reports, building on from what we now know about the sector as it becomes ever more established.

The report now serves as a start-up guide for new groups, a benchmarking tool for existing community pubs, and is used by funders and support organisations (including Plunkett Foundation) to future-proof services and investment decisions concerning community pubs.

The data collection, analysis and written report was undertaken by staff and advisers to the Plunkett Foundation. 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.

Sources of data

To compile this report, Plunkett Foundation has set in place an ongoing process of data validation to ensure that historic records are as up to date as possible. The data for 2018 was gathered from:

- Plunkett Foundation records that have been monitoring and recording all community pubs activity in the UK over the past six years.
- Statutory data sourced from the Financial Conduct Authority and Companies House.
- A survey with 24 responses via electronic questionnaires.
- Follow-up telephone interviews to inform survey and other data.
- A focus group of community pubs to validate and illuminate findings.

The data is based on the number and status of pubs trading at the end of the period. Community pubs will occasionally transition to private ownership at which point they cease to be recorded as community-owned. However their historical data is retained within the record as they have still been saved and preserved by their communities, no matter who is running them several years later.

KEY FACTS

In 2018:

- The community pub sector grew by **13%** with **11** new pubs opening during the year
- **95** known community pubs in total were trading across the UK at the end of 2018
- The number of new enquiries to Plunkett Foundation from communities exploring community pub ownership is **148**
- The amount raised by all 11 newly opening community pubs was approximately **£3.5 million**
- The average cost of purchasing a community pub during 2018 was **£337,300**
- **Over half** of all capital required for the start-ups was sourced from community shares
- No community pubs ceased trading, maintaining an impressive survival rate of **100%**



Foreword

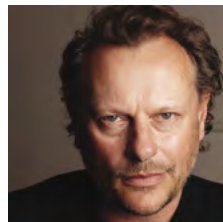
As a long-time supporter of pubs, I am delighted to be able to provide the foreword for Plunkett Foundation's Community Pubs: A better form of business report in 2019. It is fantastic to see that these community-owned pubs are thriving in so many areas across the UK and that they are growing in number too, with 11 opening in the past year alone. This model of business should be championed as it is helping more and more communities to keep their local pub open, at the heart of their community.

Against the backdrop of the many well publicised challenges for the pub sector it is wonderful to see that there continues to be a 100% long-term success rate for these community pubs, with no closures reported to date. Also, with 150 more potential pubs in the offing the future looks bright!

As you read this report please take a moment to admire the determination and commitment of the many individuals driving these projects forward. Their dedication and ability to bring people together leads to these businesses offering much wider benefits to the community than simply being a place to buy a pint.

It's brilliant to be a part of this report in Plunkett's centenary year and I know that Plunkett truly appreciate the support they receive from partners such as the Prince's Countryside Fund and Esmée Fairbairn Foundation, to enable them to work with community business projects at every stage of their journey. We should also raise a toast to the amazing "More than a Pub" programme, funded by Power to Change and the Ministry of Housing, Communities and Local Government which is a fantastic resource helping even more communities to save their "local" through a community business approach.

Here's to the ongoing success of community pubs, and the pub sector more widely! And "cheers" to Plunkett in their centenary year, may they continue to support at least another 100 years of community business success.



Neil Stuke

Pub campaigner, actor
and Plunkett supporter

What is a community pub?



Since 1919, Plunkett Foundation has been advocating communities taking control of assets and services that are important to them and as a means for tackling wider social and community problems.

A community pub is just that – it is a business owned and controlled by a large number of people from within the community for community benefit.

Community pubs are owned by members (also known as shareholders) and are run democratically on the basis of one-member-one-vote. Membership is voluntary, affordable, and open to all in a community, and is the mechanism for ensuring the community has a genuine say in how the business is run. This is what gives community pubs longevity, as member control and input ensures the pub business is continually adapting and serving the needs of its members and wider community.

Once in community ownership, an elected committee or board will continue to represent the wider membership and determine how the business is managed. The committee will either delegate the day-to-day management of the business to

a team of paid staff and volunteers, or sublet to a tenant who will operate the business within a framework set by the community. In the majority of cases, community pubs are not just a place to eat and drink: they provide a wide range of additional services such as retail, post offices, cafés; they become a hive of community and voluntary activity providing space for clubs and societies; they enrich the local cultural scene by promoting live music, performances and events, the arts, and traditional pub sports; they actively promote inclusion and look out for those most vulnerable in society; and they play an active role in addressing isolation and loneliness through the creation of employment and volunteering opportunities.

1. Growth

1.1 Sector size

Still a small business sector, the community pub movement has been growing steadily during the last decade, helped by various positive interventions:

- 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.
- In 2016, Plunkett with partners (CAMRA, Pub is the Hub, Locality, Co-operative Mutual Solutions, Co-operative & Community Finance, and Key Fund) launched a dedicated programme called 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 Power to Change Trust and Ministry of Housing, Communities and Local Government and runs until 2020, and has undoubtedly helped the upward trend.
- Funding programmes supporting social enterprises with equity match funding (whereby a social investment organisation will purchase community shares to match those bought by the community, to a set level). Programmes that have been running over the past few years include Big Society Capital's pub initiative, the Community Shares Booster programme and the Community Shares Fund.

In 2018:

- 11 community pubs opened, bringing the total number currently trading as community-owned to 95.
- Although a few pubs have transferred out of community control into private ownership, none have closed.

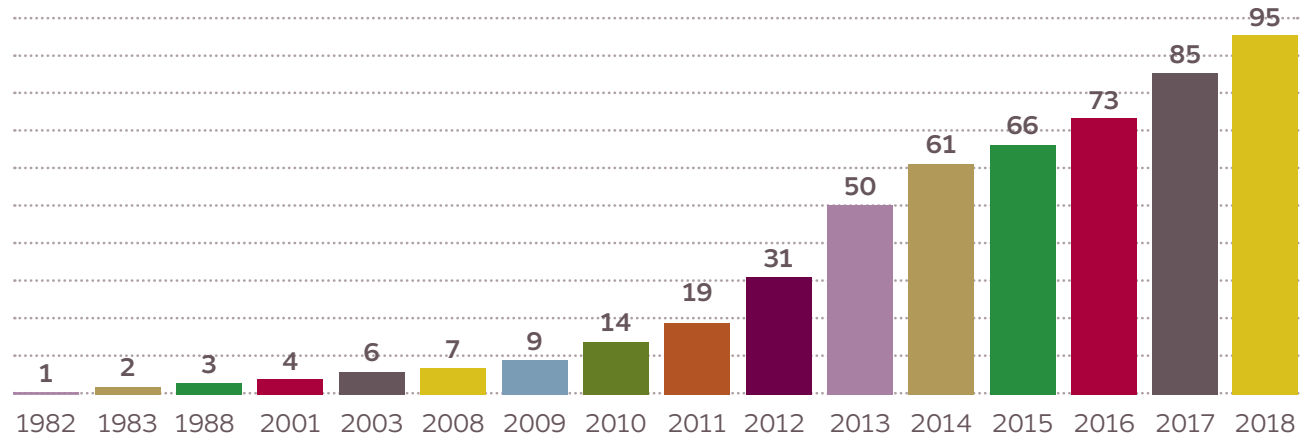
Given the challenges in running a pub, this 100% survival rate represents a notable achievement compared to the national UK annual 'death rate' for businesses of all types, which fluctuates between 10–12% per year. The steady growth is also a contrast to the pub-trade downward trend: over the last two decades the UK has seen over 13,000 pubs, 25% of the total number open in 2001, close their doors, with small independent pubs being hit hardest (Office for National Statistics, "Economies of Ale", 2018).

While the cumulative total of community-run pubs shows a steady curve, the number opening by year shows distinctive spikes:

- An upturn in 2013 most likely caused by Plunkett's broadening of the criteria for a community business to include community pubs with a wider range of legal structures.
- A peak in 2017 that can be possibly explained by the first round of the 'More than a Pub' initiative and funding, plus the programmes of equity match funding from social investment institutions at the time.

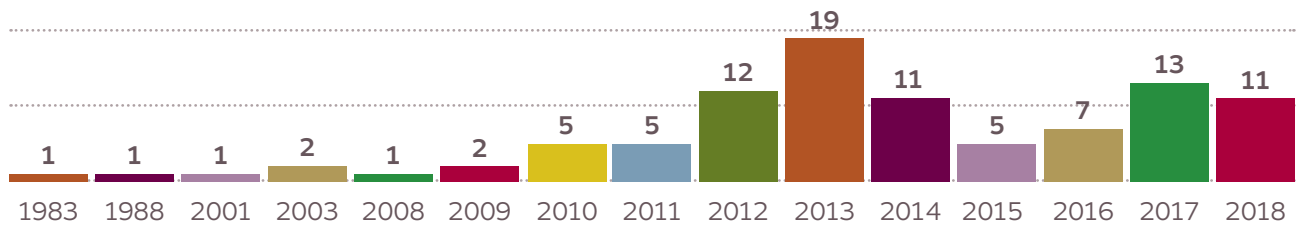


Fig 1.1 Cumulative number of community pubs trading by year
 (Totals adjusted for known pubs passing out of community ownership)



Source: 2019 Plunkett Foundation Survey

Fig 1.2 Community pubs opening by year
 (Some pubs subsequently passed out of community ownership)



Source: 2019 Plunkett Foundation Survey



1.2 Regional distribution

The distribution of community pubs shows the highest density in South East England and East of England (if London is included, pubs in these areas comprise 49% of the UK total) with more modest numbers distributed across the rest of England and Wales.

By comparison, Scotland has very few community pubs (2 recorded), and Northern Ireland does not appear yet to have embraced the community pub movement, with no community pubs recorded at this time.

Existing data does not explain variations in these distributions, however, it would be reasonable to attribute differences to factors such as:

- The presence of successful community pubs relatively locally that can act as a model to follow and stimulate other communities to 'have a go'.
- Variations in the wealth of regional populations, considering that the majority of pub acquisitions generally involve purchase of a significant asset via shared ownership.
- Ability to access resources – as well as needing to raise substantial capital (sometimes rapidly), there is also a need to access professional skill sets, e.g. legal, to help acquire and establish the pub.
- Sufficient community size, capacity and cohesion. While small communities can save and sustain their pubs, there needs to be a sufficient local customer and volunteer base.
- The extent to which external help and support is available and accessible (be this third sector, public sector or other support). Whilst generalisations are misleading, there is evidence to suggest that disadvantaged communities can find it more challenging to take on substantial projects such as a pub acquisition without a measure of external support.

The local existence of other pubs does not appear to be a material factor: the 2019 survey suggests that most community pubs are within 2 miles or less miles of another pub.

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Fig 1.3 Regional distribution of community pubs

Region	Total existing pubs trading end of 2018	New openings in 2018	Total to date
South West	7	2	9
South East	29	1	30
London	2	-	2
East of England	12	3	15
West Midlands	6	2	8
East Midlands	4	-	4
Yorkshire & the Humber	5	1	6
North West	8	-	8
North East	2	-	2
Scotland	8	1	9
Wales	1	1	2
Northern Ireland	-	-	-
Total	84	11	95

1.3 New pubs opening in 2018

Of the 11 new community pubs opening in 2018, 10 (91%) purchased their premises and one is leasing (on a 10 year lease). This shows an increasing trend towards purchasing premises compared to the overall figures: of the 95 pubs on Plunkett's records, 78 (82%) are recorded as being in premises owned by the community with the balance of 17 being leased by the community.

The only pub in 2018 to acquire premises by leasing, pays a rent of £1500-2000 per month.

The capital required to acquire and open the 11 new community pubs came from a combination of community shares (including institutional investment in the form of equity match funding), grants, loans/ mortgages and local fundraising.

Looking in detail at data provided by 10 of the 11 new pubs, these businesses reported raising nearly £3.25 million to reach trading, of which:

- Approximately 55% was raised through community shares (with one pub recording 83%).
- Total community share capital invested in the 8 new pubs set up as societies is over £1.78 million.
- All 10 have a mortgage or loan, with all those that purchased their pub needing a mortgage/ loan of over £40,000 (and in 4 cases, exceeding £80,000), while the one pub this year to open in leased premises only required a loan of £10-20,000. This reliance on mortgages or loans reflects the pattern found in 2017.
- Only 6.5% of all capital raised came from grant awards (£211,500). Despite this modest percentage, grant awards are important because they build confidence in those setting up the pubs and their communities.
- Anecdotal and media evidence of the 11th new pub shows a community raise of over £250,000, bringing the new investment in the sector to over £3.5 million for the year.

Fig 1.4 Costs and fundraising for new pubs opening in 2018

Pub purchased or leased by community	Purchase and set-up cost	Separate set-up cost if known	Share capital raised	Number of shareholders by band	Mortgage/ Loan by band	Other grants/ fundraising
Purchased	£365,000	-	Unknown	1-100	£80,000+	-
Purchased	£300,000	£20,000	£218,000	201-300	£80,000+	-
Leased	-	£40,000	£28,000	1-100	£10-20,000	-
Purchased	£300,000	£150,000	£304,000	1-100	£80,000+	£14,500
Purchased	£395,000	-	£228,500	300+	£40-80,000	£102,000
Purchased	£325,000	-	£223,750	101-200	£40-80,000	-
Purchased	£350,000	-	£210,000	201-300	£40-80,000	-
Purchased	£520,000	-	£320,000	300+	£80,000+	£95,000
Purchased	£300,000	-	£250,000	Unknown	£40-80,000	-
Purchased	£190,000	-	N/A	N/A	£40-80,000	-

Source: 2019 Plunkett Foundation Survey from a sample of 10



INSIGHT

The Cross Keys in Redgrave, Suffolk opened its doors as a community-owned pub in March 2018.

The pub was offered for sale to the community for £300,000 and was purchased by a newly formed community benefit society at the end of 2017, using funds raised from a number of sources.

The funding campaign included community fundraising such as a Big Breakfast, 20p Smarties tubes, a Flog It! auction evening and Quiz Night, raising £3,500. As well as accessing local funds through the parish, district and county councils, Redgrave Community Society benefited from a £2,500 bursary under the More than a Pub programme and went on to apply for a loan and grant of £100,000. Their share offer raised the remaining £200,000 needed and this was complemented with donations and personal loans.

As the pub is owned and managed by the society the Management Committee plays an active part, employing a bar manager and other paid members of staff, supported by volunteers.

1.4 New activity

There were 148 new enquiries made to the Plunkett Foundation in 2018.

Plunkett data shows that of all enquiries made, only 1 in 13 pub projects will go on to trading. This is partly due to the additional challenges a pub will have to go through, such as:

- Higher guide price to purchase the asset.
- Lower likelihood than other types of social enterprise to be able to access grant funding.
- 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 an alternative building or as a new build project.
- More complex business planning process required owing to multi-stranded income streams.

There is generally quite a lengthy period of time for a community pub project to proceed from the initial idea through to trading. Many months can elapse during the fund-raising, negotiations and any necessary refurbishments and there are often notable pauses between engaging the community, creating a legal structure and opening the pub. Frequently a community will register their pub as an Asset of Community Value (ACV) before incorporating, and several years can elapse before a successful acquisition. Of the 2018 newly opening pubs, over 60% had set up as incorporated legal entities between one and two years before commencing trading.

2. Business model

2.1 Legal structures

Community pubs trade, employ staff or tenants, manage volunteers, and enter into contracts and financial agreements. Therefore, they 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 community pubs adopt legal structures which enable genuine community ownership with equal and democratic control. This would include:

- Open and voluntary membership.
- A management committee drawn from members of the community.
- The community clearly represented with the majority of members coming from it and having a genuine say in how the business is run, preferably with one member one vote.
- Ideally, there should be an asset lock.
- Trading should meet the community's identified needs and represent a long-term commitment.
- A commitment to re-investing profits in the local community.

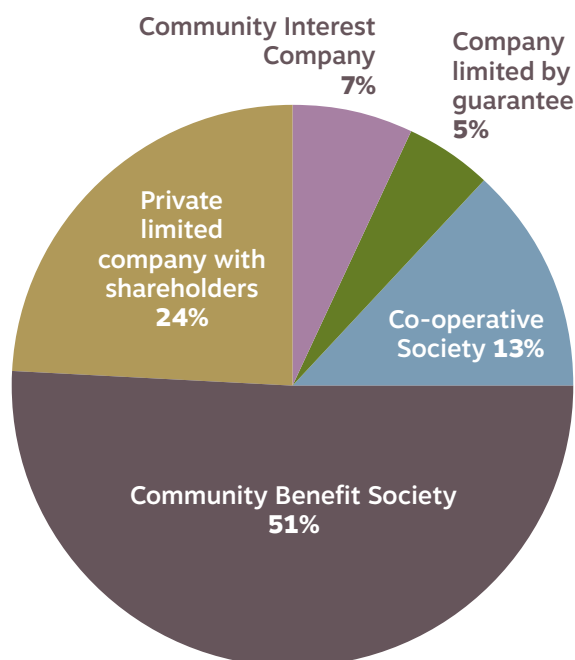
Legal structures which allow for this include the Community Benefit Society, Co-operative Society, Company Limited by Guarantee and Community Interest Company, and may also include the Private Company Limited by Shares if the above criteria can be established.

In 2018 the pattern of community pub legal structures remains broadly as reported in previous years, with a year-on-year 5% increase in community benefit societies and a reduction in the private company (limited by shares) model.

Plunkett Foundation records cover 95 community pubs. Of these:

- 60 operate as either a Co-operative Society (12) or Community Benefit Society (48).
- 5 operate as a Company Limited by Guarantee.
- 7 operate as a Community Interest Company.
- 23 operate as a private company owned by multiple local shareholders.

Fig 2.1 Business models for pubs trading in 2018



Source: 2019 Plunkett Foundation Survey from 95 records

The 12 pubs operating as co-operative societies were all incorporated between 2000 and 2014, so it appears over the last five years this model has since lost popularity in favour of the Community Benefit Society (CBS) model. This would tie in with the Co-operative and Community Benefit Societies Act of 2014, which gave new clarity as well as a more accessible name for the CBS (previously known as an Industrial & Provident Society for the Benefit of the Community, or "bencom").

Of the 11 new community pubs opening in 2018, 9 (82%) have adopted the CBS model, with one setting up a Community Interest Company and another a Company Limited by Guarantee. This continues the general trend: Plunkett records for 2016, 2017 and 2018 show that out of 26 pubs incorporated in those three years, 22 (85%) were created as Community Benefit Societies, three (12%) as Community Interest Companies and one (3%) as a Company Limited by Guarantee.

The growing popularity of the CBS model is that it exists to benefit the wider and collective interests of a community. The benefits of member involvement include:

- A greater number of customers who are likely to use the business regularly.
- A greater pool of people to call on as volunteers.
- A greater range of expertise to elect onto the management committee/board.

A further reason for the popularity of the CBS model is that under current legislation it is the only legal structure (other than a Co-operative Society) that can publicly promote a community share issue, so that its members can also become shareholders.

2.2 Managers and tenants

Having set up a legal structure, the community has then to decide who will run the pub. There is a question of whether to follow the “managed” model (the community appoints a manager, directly employed and accountable to the board or management committee) or the “tenanted” model (the community leases the premises to a tenant landlord, and charges rent).



The 2019 Plunkett Foundation Community Pub Survey (24 respondents) shows that:

- 12 pubs (50% of survey respondents) follow the “managed” model, with the committee having employed a manager.
- 9 pubs (38%) have set up tenancy arrangements.
- 2 pubs (7%) are managed by volunteers (both also record that they also employ significant part- or full-time staff).
- The other pub responding is managed by a subsidiary company.

Of the 11 newly opening pubs in 2018:

- 8 (73%) employ a paid manager.
- 3 (27%) are leased to a tenant (one includes residential occupancy).

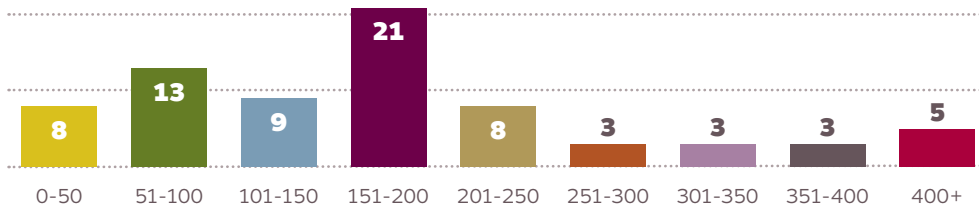
Possible reasons for the increased take-up of the managed model might be:

- The managed model (unlike the tenanted model) is usually considered an eligible type of business to offer tax relief on shares (such as SISR) subject to certain conditions, which is a financial incentive to investors during fundraising for acquisition.
- Communities wish to have a more direct relationship with their pub management after all the hard work of acquisition.
- The perceived difficulty of replacing a less than successful tenant, as compared to replacing a manager.

Of the three tenanted pubs, two have tenants paying more than £2000 per month while the third tenant pays £500-1000 rent per month.

Plunkett’s 2019 focus group consultation reported general agreement that the choice of model comes down to capacity – it can be a considerable amount of work to manage a pub business. Despite concerns over loss of control through recruiting a tenant, as long as the expectations of the community business are made very clear to the tenant from the start, the relationship can work well and not diminish the concept of being a community-owned pub.

Figure 2.2
Number of pubs by member/shareholder band



Source: FCA AR30 returns / Companies House data from 73 records reported in 2017 and 2018

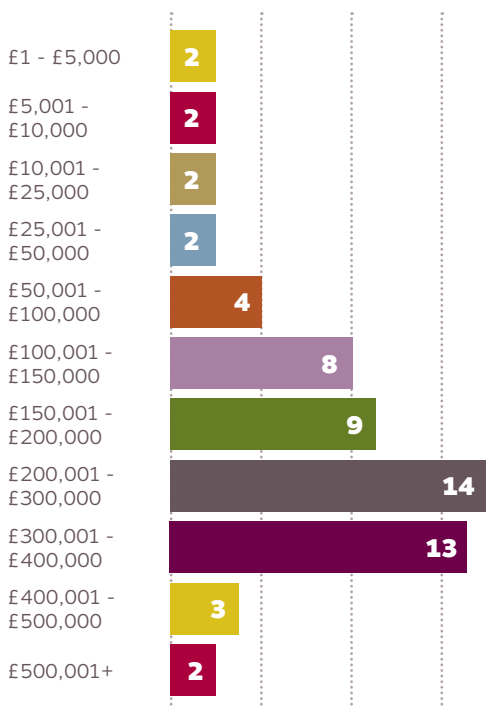
2.3 Membership and shares

A principal tenet of a community pub is that it exists to serve the people in the area who would be disadvantaged without it, and membership ensures a wide and inclusive participation. All of the pubs classified as “community pubs” in this report have a membership of differing size, principally decided by their legal structure. Generally the CBS structure encourages and promotes the largest membership.

Examining 73 available records (from FCA AR30 Returns / Companies House Records) shows that:

- 59% have between 51 and 200 shareholders.
- 30% have more than 200 shareholders.
- 11% have under 50 shareholders.

Figure 2.3
Number of pubs by share capital band



Source: FCA AR30 returns / Companies House from 61 records

2.3.1 Share capital

Examining 61 records (from FCA and Companies House data), a mixture of both managed and tenanted pubs:

- 44% hold £200-400,000 in share capital.
- 28% hold £100-200,000 in share capital.
- 20% have less than £100,000 invested by their community.
- 8% hold more than £400,000 in shareholder investment, with two pubs recording more than £500,000.

Breaking down the data into the two types of business model, the records examined suggest that on balance, tenanted pubs have higher levels of shareholder investment than managed pubs, with 9 of 28 tenanted pubs (32%) raising £300-400,000 in share capital as compared to only 2 of the 33 managed pubs (6%) reaching that level. The largest proportion of managed pubs (10 of 33 pubs, i.e. 30%) achieved £200-300,000.

This could be a coincidence (arising from varying costs of pub acquisition) or may possibly reflect extra community confidence in the notion of putting the pub into the hands of an experienced tenant.

3. Services and activities

As would be expected, the majority of pubs who responded to the 2019 Plunkett Foundation survey (24 responses) reported they offer bar food, café or restaurant facilities.

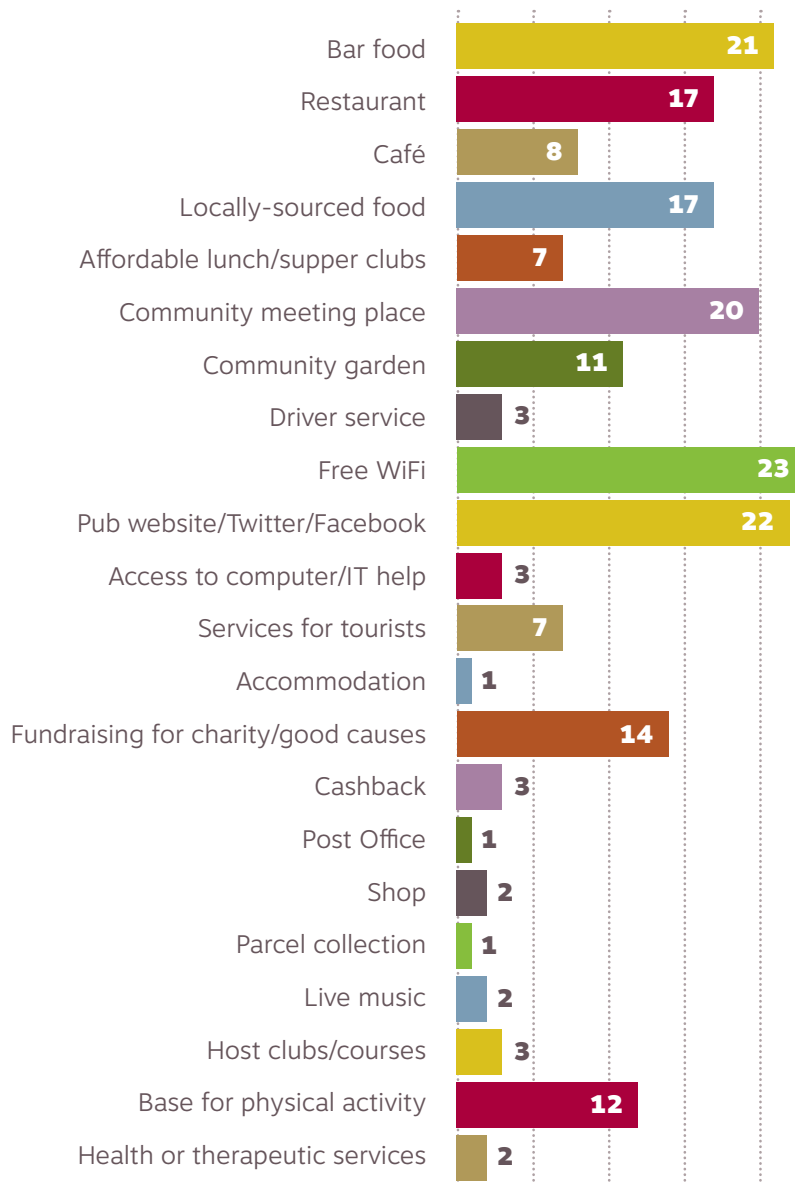
The Plunkett focus group raised the issue that community pubs can struggle with deciding what kind of “foodie” establishment they should be. The consensus based on experience was that pub food should be good, traditional, preferably local food – and the survey shows that 71% of pubs surveyed offer local food.

In addition the pubs reported a wide range of other services including tourist information, parcel collection point, computer access, and one reported a post office. Asked about what they offered:

- 13 pubs self-identified that they were a pub offering ‘other services’.
- 11 pubs self-identified that they were a pub ‘only’.

However, this masks the diversity of services and activities actually offered even by those self-identifying as a pub ‘only’, so, for example all but one pub offer free WiFi, while 20 of the 24 respondents provide a community meeting space.

Figure 3.1 **Services and activities supported**



Source: 2019 Plunkett Foundation Community Pubs Survey from 24 responses

4. People

4.1 Governance

Community pubs are membership organisations, the members being the owners of the business. Management committees or boards 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.

The board plays a crucial role and the major posts such as treasurer can involve considerable work. It is imperative therefore for the board to ensure there is adequate succession planning, such as a procedures manual for hand-overs when an officer or board member reaches the end of their term.

Some groups consider it wise to invite tenants and/or staff to attend board meetings, so that they can be included in major decisions and understand what drives the business.

4.2 Employed staff

Community pubs create regular, paid, local employment opportunities. In a rural setting, the pub can often be the largest single employer in that community.

The majority of managed pubs who responded to the Plunkett survey this year reported that they employ full-time staff (60% employing two or more) and in addition a number of part-time staff (the majority employing between 5 and 8 part-timers).

One issue of concern raised by the Plunkett focus group was the problem of staff turnover in a managed pub, especially amongst chefs, and the high costs of using agency chefs which can affect profitability. Getting staffing right in either a managed or tenanted pub is difficult and whatever model is chosen, effectively managing staff or a tenant takes time, building the relationships and maintaining regular contact. This can be more work than envisaged and the board needs to avoid having overly high expectations of their manager (for example, not every individual can perform well at both front and back of house).

When staffing a managed pub, it is essential to implement policies such as line management, appraisals and staff policies.

4.2.1 Employment policies

As employers, community enterprises are as responsible as any other employer for the wellbeing of their staff and in meeting employer responsibilities and statutory requirements. The 2019 Plunkett survey on employment policies (with 19 respondents) showed that the community pubs are establishing employment policies to address key aspects of employer liabilities, although there is room for improvement:

- 84% offer staff contracts.
- 68% have a staff grievance policy.
- 42% have an equalities policy.
- 58% keep staff training records.
- 42% have a system to set staff pay and conditions.
- 37% carry out staff appraisals.

4.3 Volunteers

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, book keeping, marketing and social media; through to running additional services such as shops, cafés, libraries, and allotments.

70% of the managed pubs in the 2019 Plunkett survey reported between 1-10 volunteers working in the pub each week, and 77% have a similar number of volunteers working behind the scenes, with one pub estimating 21-30 volunteers working behind the scenes. Conversely, only 23% reported no volunteers working in the pub, with one pub having no volunteers working behind the scenes either.

However, all pubs (both tenanted and managed) responding to the Plunkett survey are supported by volunteer directors (or management committee members).

INSIGHT

One of the most demanding aspects of running a community pub is the need to provide good food seven days a week, requiring trained chefs and supporting staff. An option that has worked successfully for **The Dog Inn** at Belthorn is a franchise operation. The pub was initially launched with bar, coffee shop and a shop providing essentials only, and the board of the community benefit society aimed to open the restaurant at a later date and run it themselves. However, as work progressed on the refurbishment of the restaurant they soon realised that running the restaurant themselves would be too big a job. They therefore took the decision to franchise out the restaurant to a separate business, whereby the restaurant operators pay a small rent and a share of utility bills but do not have a full lease. They keep all food sales and the society keeps all bar sales. This keeps the arrangement simple and the increase in bar sales since the restaurant re-opened dwarfs the rental income.



5. Impact

5.1 Community cohesion

From the setting-up phase to the opening to the running of the business, community pubs involve a huge amount of effort from large numbers of people in the community as members, committees, volunteers, staff and customers. In a great majority of cases there is a widely backed community campaign to save their pub which galvanises the community, identifying its importance as a community asset. Once open and operating, community pubs become highly social places which bring people together of all ages, backgrounds, interests, and give them a purpose to interact.

In a rural community, the pub can become a hub with services such as a shop, café, post office, meeting rooms and much more, enabling people to use the building to provide a greater impact in their communities.

5.2 Overcoming isolation

Community pubs become a social lifeline by being open long hours, open to all the community and, as well as their food and drink offering, they can host a wide range of services such as:

- Affordable lunch clubs or seniors' lunches.
- Meeting spaces for local clubs and societies, or outside organisations such as U3A.
- Volunteer opportunities and work experience.
- Allotments or a community garden.
- Adult education and training.
- Meeting rooms for community use and external hire.

All these services can benefit new residents who want to meet their neighbours, individuals that may feel isolated at home, the retired seeking opportunities to remain active, and those who live alone or are carers and might have no other way of meeting people.



5.3 Improving health and wellbeing

As well as alleviating social isolation and loneliness there are many other ways that community pubs improve the health and wellbeing of local residents:

- Offering meeting space or rooms for health checks or other health services e.g. chiropody or counselling.
- Offering informal and flexible employment and volunteering opportunities.
- Hosting clubs and activities such as walking and cycling groups.
- Installing or funding a defibrillator.
- Running exercise and fitness classes.
- Hosting dementia and Alzheimer cafés.
- Running cookery classes.
- Offering fresh local healthy food.



5.4 Improving cultural landscape

There are plenty of community pubs that have seized the opportunity to become a music or entertainment venue in addition to a traditional pub, and some are primarily music venues such as The Globe (Pink Jazz Coop) in Newcastle and Le Public Space in Newport.

Pubs also offer a venue for art exhibitions, poetry readings, open mic nights, dance nights and there is an increasing trend to run pop-up cinema.

The sports scene is vital too and actively nurtured by community pubs – whether as a place to enjoy broadcast sport, or to participate in traditional and much loved sports such as pool, snooker, darts, backgammon and dominoes.

5.5 Boosting the local economy

A community pub offers a resilient form of business that can help regenerate the local economy by:

- Boosting local employment.
- Offering training to staff, volunteers and young people.
- Purchasing from local food suppliers and using local trades and services.
- Improving access to other local organisations.
- Raising money for local charities through fundraising events or by donating surplus profits.
- Encouraging collective investment via community shares in the local economy.





INSIGHT

The Anglers Rest in Bamford has built social impact into its ethos and has measured the results of its efforts. By providing a place for people to meet informally or take part in organised activities, 80% of their members say that they have got to know more people since the community bought the pub, and 75% say they feel more part of the community.

The Anglers Rest works with other organisations in the village to hold joint events and sponsors the local football team. Events and activities include a weekly quiz night, a monthly folk night and vinyl club, regular live bands and open mic nights, themed and special food nights, Meet the Artist nights, fundraising events and U3A group meetings.

The pub employs up to 25 local people and procures local food and goods, sourcing trades and services locally where possible. They estimate the impact of their expenditure on wages and the local supply chain to be putting around £200,000 p.a. into the local economy of Hope Valley.

Every effort is being made to improve environmental impact, increasing energy efficiency, reducing plastic usage and recycling glass, cardboard and cooking oil.

In 2017 after a thorough audit, the Anglers Rest achieved the Peak Park Environmental Quality Mark, awarded by the Peak District National Park Authority to organisations that:

- Support the local economy.
- Protect the global environment.
- Enhance the local environment.
- Invest in people and communities.
- Celebrate what's special about the Peak District National Park.

6. Financial performance

To examine the financial performance of this sector, information for the years 2017 and 2018 is drawn from 46 records (Financial Conduct Authority AR30 returns and Companies House records).

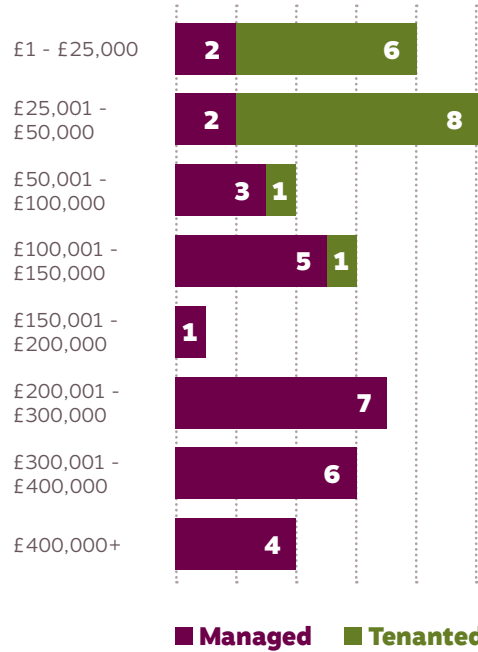
6.1 Turnover

As the two models of community pub perform in different ways financially, they have been distinguished in the figures as managed pubs (30) or tenanted pubs (16).

The figures for tenanted pubs represent rents paid to the community group and other returns, not the performance of the tenanted business. As would be expected, these figures are typically lower: the majority (14 of 16 pubs) show returns to the community of £50,000 or below.

Turnover for managed pubs (which in this model goes directly to the community organisation, which of course is also responsible for all costs and overheads) varies widely from outliers of £25,000 to £700,000+ but as would be expected tend to have a turnover of £100,000+, the largest proportion having a turnover of between £200-400,000 per annum.

Figure 6.1
Turnover by band of managed and tenanted pubs



Source: FCA AR30 returns and Companies House records for 2017 or 2018 from 46 records



6.2 Surplus/deficit

There appears to be no direct correlation between turnover and surplus/deficit, except that all of the four pubs showing a turnover exceeding £400,000 are recorded as profitable.

The records show deficits after depreciation and other charges so may not necessarily indicate businesses 'at risk'. As depreciation charges drop over time, recently established community pubs will generally show a higher depreciation charge in their accounts.

Returns from tenanted pubs are offset by any borrowing or mortgage charges to the community: as borrowings will fall over time this may again not mean that the community investment is at risk provided the means exist to cover borrowing, and the community will have their asset if the premises are owned.

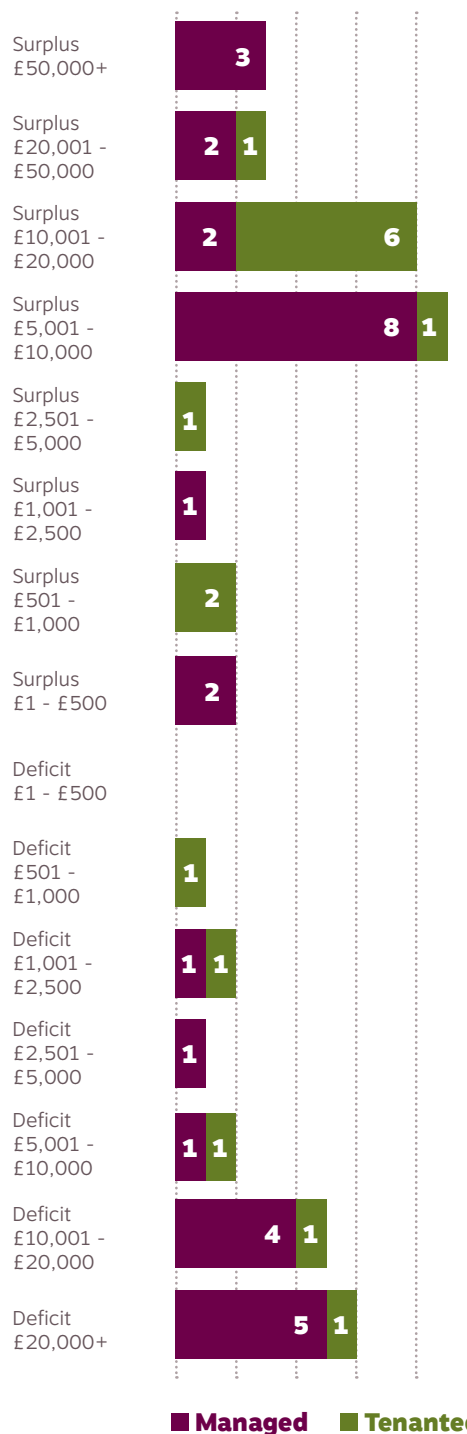
On this basis:

- 37% of all pub records examined show a deficit, however.
- 40% of managed pub records examined show a deficit (out of a total of 30 records).
- 31% of tenanted pub records examined show a deficit (out of 16 records).

Of all pubs recording a deficit, managed pubs tend to show proportionally higher deficits.

With tenanted pubs, there appears to be no direct relationship between the level of turnover recorded (the rental paid) and whether this represents a surplus or deficit to the community: for example, of 5 pubs with a turnover of between £1 and £25,000 per year, 2 show a surplus and 3 a deficit. This is probably explained in part by variations in the level of mortgage or loan or other costs to the community in setting up and meeting landlord obligations.

Figure 6.2
Surplus or deficit by band for managed and tenanted pubs



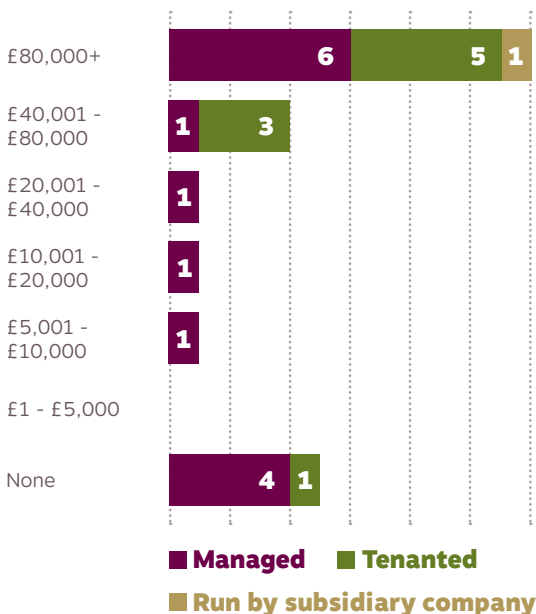
Source: FCA AR30 Returns / Companies House for 2017 or 2018 from a Sample of 46 Records



6.3 Mortgages and loans

As Considering the size of the assets involved and the low levels of grant funding, it is not surprising that the majority of community pubs take on debt finance. From 24 responses to the 2019 Plunkett survey, 50% reported a mortgage or loan of over £80,000, while only 5 pubs reported no loans outstanding.

Fig. 6.3
Pubs with mortgages or loans outstanding



Source: 2019 Plunkett Foundation Community Pubs Survey from 24 responses

6.4 Ongoing fundraising

41% (10) of the pubs responding to the Plunkett survey have raised funds or grants to replace equipment or for improvements. These ranged from £2,000 to £200,000.

However, 75% (18) responding pubs recorded no further fundraising or grants to support pub profitability, while the balance 25% (6) sought additional fundraising for this purpose from £10,000-£95,000.

6.5 Use of profits

When asked about distribution of profits, 38% of those surveyed reported no profit while the majority (63%) chose to reinvest in the business or add to reserves, which is to be expected from relatively new businesses. There were 3 respondents who were in the position to donate excess profits to charity.

7. Sector confidence and priorities

Survey respondents (2019 Plunkett Foundation Survey) were asked both about how confident they felt about the next 12 months for the success of their pubs, and about priorities and concerns looking forward. The responses give a snapshot of the health of the sector.

Overall, 83% report that they are confident or very confident about their short-term future despite recording challenges and concerns in the coming year, while 17% reported they were concerned about the next year, one pub being very concerned. Given uncertain economic conditions and well documented challenges for pubs generally, this indicator is broadly positive.

Typically major concerns recorded for the next 12 months focused on profitability, rising costs, increasing custom, affording repairs or refurbishment, or replacing essential equipment.

71% of responding pubs identify a need to sustain or improve profitability and turnover. This reflects evidence showing that many community pubs operate on modest net profits and a significant minority proportion operate at a deficit.

Other key concerns for the next 12 months revolve around sustaining or creating an effective management committee (46%) and sustaining or improving volunteer commitment (38%).

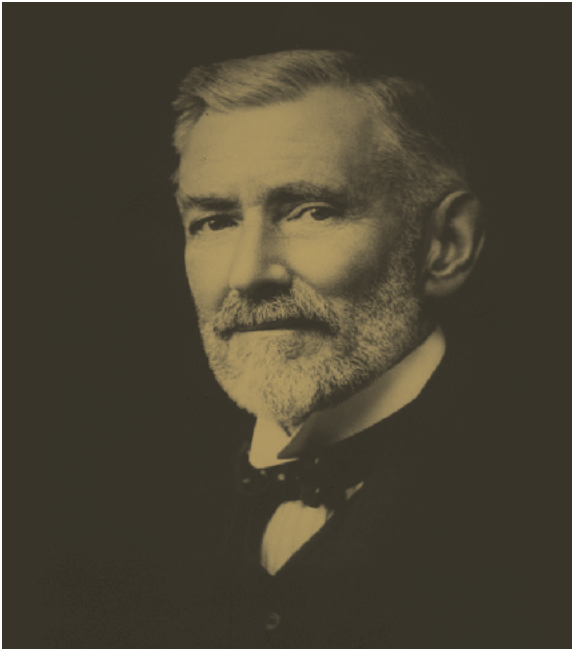
Figure 7.1 Major concerns over the next 12 months



Please note: Respondents were asked for multiple responses

Source: 2019 Plunkett Foundation Community Pubs Survey from 24 responses

Complying with GDPR legislation, Plunkett Foundation has been reviewing all data held by the foundation, looking at both current and historic records. This process has led to some records being changed or removed from our system over the past 12 months. Minor anomalies that have been noted in this report, when comparing year on year data can be attributed to this data management activity.



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About Plunkett Foundation

Established in 1919, Plunkett Foundation helps communities to take control of their challenges and overcome them through co-operation and collaboration. We support people, predominantly in rural areas, to set up and run community businesses: 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, cafés, pubs and land-based initiatives, and anything in between.

If you share our values, ask us about becoming a member

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