

The Red Lion – Questions and Answers

What's going on with the Red Lion?

The pub closed in January 2017 and the current owner has applied for planning permission for change of use to a residential dwelling. This application was withdrawn in August 2021

The villagers of Stathern and wider community have consistently wanted to see the pub re-open for business

What's happening now?

The owner has put the pub on the market. A group of villagers have established the Red Lion Community Group with the aim of purchasing the pub. A share offer will be launched in the War Memorial Institute at 7.30pm on 23rd November 2021.

Why has there been so little news?

Over the last few months, the volunteers on the group have carried out a survey, circulated an introductory flyer, established a website and Facebook page, and published the results of the survey in the Stathern Star.

Behind the scenes the volunteer committee have opened a bank account, developed a business plan and have been working with the Plunkett Foundation to incorporate the group as a Community Benefit Society and to create a share offer. This has entailed a great deal of detailed work. There has been much bureaucracy and paperwork and now it's all in place we can get on with submitting an offer to buy the pub.

What is community ownership?

Community owned organisations are owned and controlled by the community and operated through a mechanism that allows the community to influence their operation and to enjoy the benefits arising.

Having taken lots of advice, our organisation will be a Community Benefit Society (CBS).

Where did the idea of the community buying the pub come from?

There are many success stories of community owned pubs and shops and it is government policy to support villages like ours to buy and run Assets of Community Value (ACV).

In June 2021 the Parish Council held a public meeting to assess resident's level of interest in submitting a bid to buy the pub. An attendance of 35 voted for the Parish Council to invoke a moratorium to allow the Red Lion Community Group a six-month period to develop a bid.

What will be there when it's open?

Guided by the result from the survey questionnaire the pub will re-open as a pub/restaurant providing high quality dining and quality beers. It will also be a venue to support community activities and events.

What's in it for me?

It depends what you want from it!

It might be daytime social contact, a coffee and a cake after you've walked the dog or dropped the kids off at school. A place to watch the football, rugby, or F1 on TV. Somewhere to get a beer without risking driving over the limit. Somewhere you're recognised as a local and an investor, the warm feeling of having really helped the community!

Or you might be concerned at the damage that having lost the pub has done to the value of your house, investing in the pub would repair that damage, adding thousands to the value of your main asset.

Will this have an impact on house prices?

In case studies the loss of a pub has reduced house prices in the area by as much as 10%. The average value of recent house sales in Stathern is £350,000. Potentially the owners could have had a further £35,000 benefit.

How much would you invest to get a gain of at least 10% of the value of your house?!

Why should I care?

The Red Lion was once a centre of social activity in Stathern. The pub truly put Stathern on the map attracting visitors from the wider community and beyond. The commercial benefit to the village was significant. This can be the case again.

The Red Lion once provided opportunities for employment and training, particularly among the younger set. This can be the case again.

A pub owned by the community will promote more social contact, improving quality of life, when it is all too easy to feel isolated in a village. With an aging population, and many residents living alone, increased opportunities to meet friends for a coffee or attend other organised social event can only benefit the health of those of an older age.

<http://www.campaigntoendloneliness.org/threat-to-health/>

What makes us likely to succeed when the previous owner failed?

The pub will be owned by and run for the benefit of local residents not for a national pub company or an individual owner. If the business gives us what we need then we're far more likely to use it. It will generate more sales by being more responsive to local requirements.

Surplus profits will be reinvested in the business and/or the Community

Our aim is to buy the pub with little or no debt – that's why we need as many investors as possible and for investors, that can afford it, to make a significant investment.

Without the burden of a large mortgage or the need to generate large profits, it will be much more financially viable

The aim is for long-term continuity and sustainable success rather than a succession of owners and the inevitable boom and bust cycle that this produces.

Aren't rural pubs doomed anyway?

While it is true many pubs are closing down, the outlook for community owned businesses is much brighter.

The Plunkett Foundation website shows 133 community owned, with the number growing each year. Encouragingly, only one community owned pub has had to close in the last year, compared to those that are company owned.

What is a Community Benefit Society (CBS)?

A Community Benefit Society is a social enterprise. They are incorporated industrial and provident societies (IPS) that conduct business for the benefit of their community. Profits are not distributed among members, or external shareholders, but returned to the community. However, investors do receive interest payments out of profits.

Why is the CBS named the Stathern Community Business Society rather than the Red Lion Community Business Society?

The CBS has been set up prior to purchasing the Red Lion. Rather than tying the Stathern CBS solely to the Red Lion the CBS can be an umbrella organisation for any future community projects that needs a legal basis to attract funding and operate a business, e.g. a village shop.

Will the Pub be run by the Society, a manager, or a tenant?

To achieve our goal, we will appoint an independent tenant who can deliver on our aims and shares our vision for a successful village pub, serving as a community hub for the village and attracting custom from the surrounding area.

Letting the pub to a tenant rather than appoint a manager gives a clean separation between property ownership and business management.

Our tenant will have operational independence, to bring their expertise to deliver on our aims in the way that their experience demonstrates to be successful.

The advantage of this arrangement for the Society is that the tenant carries the business risk.

The attraction for the tenant is that they will benefit directly the more profitable the business becomes. Therefore, they have every incentive to ensure that the business thrives and grows.

Our plan includes a contingency option for an appointed manager, but we believe that the security of an independent tenancy offers less risk and will give the right landlord the opportunity to grow the business beyond our base sustainable model.

Why is the government helping community pub purchases?

The government has a policy called “Localism”. This is what they say: “For too long communities have not had a big enough say in what happens in their local area – whether it be about what happens to local amenities, how local services are delivered, or how new development is planned.”

“The Community Right to Bid will give community groups the right to prepare and bid to buy community buildings and facilities that are important to them. It came into effect on 21 September 2012.”

<https://www.gov.uk/government/publications/2010-to-2015-government-policy-localism/2010-to2015-government-policy-localism>

What help is there for us to do this?

The Government has launched a £150 million Community Ownership Fund for communities across the United Kingdom. It has been set up to help communities take ownership of assets and amenities at risk of closure. It will run for 4 years.

The Fund provides matched capital grants of up to £250,000 and will be available for most projects.

That's why we need as many investors as possible and for investors, that can afford it, to make a significant investment. The more investment we attract the more matched funding we can apply for.

What's an Asset of Community Value (ACV)?

An asset of community value (ACV) is land or property of importance to a local community which is subject to additional protection from development under the Localism Act 2011. There are thousands of pubs listed as an ACV in England and that number continues to grow.

What happens to the ACV status should the owner decline our bid or sell to someone else?

Once the current ACV period expires the community can apply again for the building and car park to be registered as an ACV.

Why should I invest?

If we don't buy the pub we might lose it forever. A major piece of history and once the pulse of the village will be gone for good

Will I get a return on my investment?

The value of your shares will not increase. A CBS is not allowed to pay a dividend, however an attractive interest payment of between 3% -5% of your investment is payable.

Who is on the committee?

Bridget Green (Chair), Tom Watkinson, Sally Fagan, Amy Collins, Matt Hall, Peter Jordan, Marcus Helps, John Forinton, Charla Forinton, Jackie Collins, David Worth

Committee members all live in or close to Stathern and have been here for between 1 and 40 years.

Will the committee make money out of this?

All the committee's time has been on a voluntary basis and there will be no payments at all at any point.

Why are there no 'natives' on the committee?

We regularly ask for volunteers and everyone who has come forward has been accepted onto the committee. We welcome any others who want to get involved, in fact we will need a wider group of volunteers to make it work – please come forward!

In the survey I volunteered to help. Why have I not been contacted?

We maintain a large email distribution list of those who volunteered to help. We regularly email that group when we have a specific need or activity. It maybe emails have arrived in spam folders.

What's the tax situation?

We will be applying to enter the EIS scheme which may make your investment qualify for tax relief of 30%, more detail will be in the new share offer prospectus launched on 23rd November 2021.

How do I get my money out?

You will be able to withdraw your investment after an initial lock-in period of three years, subject to the rules governing how investors can make withdrawals. The rules will ensure the CBS is not undermined by having too much taken out at one time.

Can I buy shares for my children/grand children?

Yes, please do! Anyone can own shares and once you are over 16 years old you automatically become a member of the CBS and can vote.

Has anyone made this work?

There are many case studies and several committee members have visited other community enterprises including: The Thorold in Marston, and the Air Hostess in Tollerton. We have access to many case studies through the Plunkett Foundation.

Who is the bank for the CBS?

The NatWest

Who are The Plunkett Foundation?

Plunkett Foundation helps communities to take control of their challenges and overcome them together. They have considerable experience in helping communities like ours buy their pub.

<https://www.plunkett.co.uk/about-us>

They have already given us a a deal of help in developing our plans and will also be helping us apply for further grants from the “More-than-a-pub” fund.

What have the parish councils done to help?

Stathern Parish Council successfully applied to have the pub listed as an Asset of Community Value and have given £1,000, matched funding, towards costs to date.

How much will it cost to get the pub open?

Buying and refurbishing the pub will cost a similar amount to the average house price in the immediate area. A valuation report commissioned by the group suggests around **[TBA]**.

The share offer, which will come out on the 23rd November 2021 is to raise funds to buy the pub and pay for legal fees insurance etc. Also, to raise funds for repairs and renovations. Our minimum target is **[TBA]** with an upper limit of **[TBA]**

What is the selling price the owner is looking for?

The Red Lion is being marketed on the basis of ‘offers requested’. All of our enquiries into what the owner may consider an acceptable offer have remained unanswered.

What happens if the share offer doesn't raise the **[TBA] to proceed, or the owner doesn't accept our bid?**

If the total investment fails to reach the minimum target, this would send a clear indication to the planning authority that local interest is insufficient. At this point the current owner would probably be able to reapply to develop the pub, garden & car park into several houses, ending our battle to save the pub forever.

If we raise sufficient funds but the owner doesn't accept our offer, they would be free to sell to someone else. The Pub would still have the ACV attached and they would not be able to develop the site for housing.

In both cases described above, all monies raised as part of the share issue scheme will be refunded.

How much can I invest?

Shares are £50 each and an individual can buy between 1 and 2000 shares (£50 to £100,000). We would encourage a minimum investment of 5 shares (£250) but welcome every investor for whom that is not within reach and would like to be a member.

What about parking?

At the pub's most successful parking was manageable so we don't expect there to be any parking problems. In addition, the car park would once again be accessible to parents on the school run, and for visitors to the church and playpark.

Who is going to run the pub?

The business plan is based on a tenancy, but has contingency to hire a professional manager/couple, who will live over the pub. We will make a comfortable flat suitable for a young family.

What beers will be on sale?

What beers do you want?!

When will it reopen?

If we raise enough money the plan is to renovate and re-open as soon as renovations allow.

What will the opening hours be?

We would expect to be open from 8am for early birds and to be open throughout the day until closing time at 11pm.

What happens if the share offer raises enough to buy the pub but not enough to refurbish it?

We will be able to access additional funds to complete the refurbishment from bank loans and grants such as "More-than-a pub" so we can get the pub open. We are already opening negotiations to qualify for those grants. However, grant applications are competitive and long winded. So the more money we raise by way of the share offer the quicker the pub will reopen.

Have there been any offers to buy the pub?

We have no information on this.

Will a pubco buy the Red Lion?

The economics of a small rural pub means no pubcos are interested. The increase in minimum wage and potential reduction in drink driving alcohol limits make it ever harder for them to buy rural pubs with debt and make a profit.

We can make it work because we are keeping debt as low as possible.

Plus, if you are a shareholder, where are you going to go?

As a shareholder, would I be expected to work at the pub.

There is no expectation on a shareholder (member) to work at the pub. It is preferable that members are not asked to work on a voluntary basis. The tenant/manager will have full responsibility for employing staff, which will be on a formal footing. Members will not be excluded from applying for positions, should they so wish.