



*Ask not what can  
the pub do for you?  
Ask what can you  
do for the pub!*

Can you help save  
The Seven Stars?

**An opportunity to support a community  
enterprise buy the Seven Stars pub in  
Marsh Baldon.**

## The Baldons and Nuneham Community Society Ltd

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## **1 Pledge to save the pub**

The Seven Stars has closed. Again. We have an opportunity to create a community society which will buy the pub and install professional managers, making it a long term viable community facility. We can get a very favourable loan from the current owner. However, we still need to raise a significant amount of capital to do this.

If you value your pub, the socialising, the fire in winter, supping a pint by the bar, catching up with friends, summer evenings in the garden, eating and drinking out with family and friends, please pledge some money to help us save it for the community.

Investing will not mean great financial returns, but the risks are low and the benefit to you and the rest of the community significant. We need to raise at least £200,000 to be able to proceed and secure the pub for the community for the foreseeable future.

It sounds like a lot of money, but we think it is feasible, especially if the whole community band together. Lots of other villages have done this. Great Hasely, smaller than us, raised more than £400,000. It can be done. The sooner we get the required pledges the sooner we can move forward.

How we got to where we are, how we propose saving the pub and doing things differently, what the risks, benefits and safeguards are if you invest are covered in the remainder of this document.

## **2 What happened to the Seven Stars?**

The Seven Stars has closed three times in the last few years:

- Sean was a professional pub manager, but the economics were hampered by high rents and beer prices because of the tie to the brewery. The pub lost money and Sean eventually went.
- David Harding bought the freehold from the brewery and installed Myck. Myck did not have pub experience and unfortunately could not generate enough trade. Again, the pub lost money.
- A year ago, Ollie and Carrie replaced Myck. The food improved dramatically, however, costs were still too high and the pub continued to lose money. Ollie and Carrie did not have prior pub running experience either.

Despite buying the pub as a philanthropic gesture towards the community, David Harding has found, not unreasonably, the on going losses to be too high. Hence the closure earlier this month

Upon hearing this news and the general concerns expressed by many people in the community a small group got together to see what could be done to keep the Seven Stars alive given it's huge importance to the community. That small group has rapidly turned into a larger community wide effort.

## **3 How do we propose saving the pub?**

## The Baldons and Nuneham Community Society Ltd

Following a meeting at the Village Hall, 40+ villagers agreed the best way forward was to form a co-operative to try to buy and set up the pub, lease it to someone who wants to run their own pub as a business, at their risk and the Community then act in a landlord capacity. The precise nature of the relationship between the community and whoever is running the pub will depend on the legal and tax advice we get, but this is broadly how we intend to proceed.

Our Mission:

*“To secure the long term future of the Seven Stars as a flourishing pub for the benefit of the community, by vesting ownership in a society controlled by the community and by running the pub profitably”*

**The entire proposal below depends on us raising enough capital, which in the first instance, means getting enough pledges from the local community.**

### 3.1 Raise enough capital

We would like to attract a minimum of 200 investors to the Society. We believe a minimum of £200,000 will just about secure the future viability of the pub. If the community invested as shown in the table below we will raise £300,000, which would enable us to consider expansion opportunities sooner. Great Hasely, a smaller village nearby, recently raised over £400,000.

#### Possible community investment profile

Amount invested £	No. of Investors	Amount Raised £
300	75	22,500
500	60	30,000
1,000	40	40,000
2,500	25	62,500
5,000	15	75,000
10,000	5	50,000
20,000	1	20,000
	221	300,000

In addition to loan write down, we will hold 10% of whatever is raised as a reserve. The reserve would be used to allow people to exit the Society, should they move house, for example.

At current valuations, this figure is not enough to buy the Stars outright and therefore the owner, David Harding has very generously offered, as part of his further contribution to the Baldons and Nuneham community, to advance a 20 year loan on advantageous terms to enable us to complete the purchase of the Seven Stars.

The repayments required to repay interest and capital, including any corporation tax liabilities will be factored into the monthly rental that the landlord pays for the pub.

In addition, we are examining the possibility of securing local grants.

**If we get enough pledges to go ahead we will create a “Community Benefit Society”.**

### 3.2 Create a Community Benefit Society

#### 3.2.1 What is it?

We will establish a co-operative called a Community Benefit Society. The name of the Society will be “The Baldons and Nuneham Community Society Ltd” (BNCS).

## The Baldons and Nuneham Community Society Ltd

The objectives of the Society, as articulated in The Rules, will be to carry on any business for the benefit of the community and in particular by acquiring the freehold premises of the Seven Stars, to provide a venue for the community which:

- Promotes social gathering and employment and tourism;
- Provides facilities and services for the community
- Provides event facilities

This is a new form of legal structure introduced as a result of the 2010 'Cooperative and Community Benefit Societies and Credit Unions Act'. To work out the best way forward we have spoken to The Pub is the Hub, Plunketts (who advise co-operative ventures) and several community pubs around the country. We have also spoken to the FSA, HMRC and are liaising with tax and accountancy advisors.

Just how BNCS will run, its powers and duties, election processes and so on are detailed in a document called The Rules. Our current thinking on this is attached.

### 3.2.2 Who runs it?

The BNCS will have a Management Committee. These people are elected by you, the members and have to stand for re-election every couple of years.

Initial volunteers are Liz Jones (Chair), Phil Collins, John Simpson and Laurence Attiwell. These are the people currently putting most of the time and effort into creating BNCS Ltd.

- **Liz Jones** is a Queen's Counsel practising in the fields of commercial and chancery law, with experience therefore in the law relating to companies, financial regulation, property, banking, insolvency and Management Committee' duties. She is also a commercial mediator. Liz is also chair of trustees of a small educational charity promoting Philosophy for Children called SAPERE. As well as having two children who went to Marsh Baldon School, she has produced the last few Baldon players productions
- **John Simpson** is a qualified Chartered Accountant with long experience of a wide range of businesses, and for the 22 years up to his retirement at the end of 2010 had been Finance Director then CFO of a media business which he and his fellow Directors built into a global number one in its field, forming a joint venture with and eventually selling out to the WPP Group. He has extensive experience of buying and selling companies in particular in relation to the negotiation and documentation of the legal and taxation elements of them.
- **Phil Collins** has enjoyed extensive Board level experience as CEO, Managing Director and Commercial Director across a range of food and non-food business, including Mars, Bulmer's, Golden Wonder, Chemtek and Henkel. Phil has also been involved in Corporate, MBO, MBI and Owner managed business sales and purchases and is currently a partner in a Consultancy business with a number of clients in the FMCG industry. Phil is an active member of the Baldon Events Committee.
- **Laurence Attewill** has lived in the village for 23 years. He is a retired international water resources engineer. He is a member of the Parish Council. He is a bell ringer, boat builder and real ale enthusiast.

However, further people will be needed on the Management Committee (up to a total of 9). Some people have already expressed an interest, but we will need more people who can make time available once we have done the deal and who will represent a wide cross section of the community. If you are interested please contact Phil on [phil@philcollins.uk.com](mailto:phil@philcollins.uk.com)

## **The Baldons and Nuneham Community Society Ltd**

### **3.2.3 What will the Management Committee do?**

The Rules state that “*The Society’s purpose is to carry on business for the benefit of the Community*”. In practice this means the Management Committee will:

- Monitor and manage the Society’s financial affairs for the benefit of the Community.
- Manage the relationship between the community and the pub operator
- Oversee the lease and potential recruitment of new pub operators should that happen.

At this point, our intention, subject to tax advice, is for the Society to lease the business to a tenant, who will run the pub and pay rent to the Society. The Management Committee will set the broad policy direction for the business and agree key targets with the tenant. Beyond that, however, the tenant will be left to manage and operate the business as they see fit. The Management Committee does not intend to interfere with the day to day running of the business or attempt to micro-manage the pub.

### **3.2.4 What will Members do?**

The Community Benefit structure allows any person who buys the minimum numbers of shares to become a member of the Society.

Each member then has one vote to exercise at the Annual General Meeting regardless of how many shares they hold.

Members can, of course, be elected onto the Management Committee.

The BNCS is controlled by its members. Every member has one vote that they will be able to exercise at the Annual General Meeting. It is one person, one vote whether you have invested £300 or £20,000 (the minimum and maximum subscriptions).

All members will be provided with an Annual Report, which will set out details of the operation of the Society and how it has developed its activities over the previous year and which will include a copy of the audited accounts.

Members will be invited to an Annual Members Meeting of the Society at which the report will be presented and discussed. At the 3<sup>rd</sup> AGM and each subsequent AGM, one third of the Management Committee will retire and may be re-elected or replaced by new Management Committee members elected from amongst the membership.

The Rules of the Society also provide for a number of other ways in which the membership may hold the Management Committee accountable for the running of the Society, including the calling of a special general meeting if required.

Corporate bodies can also be members.

### **3.2.5 What about volunteers?**

The operator will run the pub, but there will be many opportunities for volunteers, especially to help with the buildings and garden.

## **3.3 Select operator and lease**

In advance of buying the pub, we will need to identify and select an operator. Clearly, given the Star’s recent history, we will be looking for someone with extensive experience of managing pubs. We also need to feel they will listen to community sentiment. Part of our brief to potential operators will be feedback we have received from the Community. Any suggestions on potential operators would be welcome.

To this end, we intend to market the tenancy of the pub to carefully selected, professional and preferably local candidates. We will put these prospective candidates through a rigorous selection process that will involve them getting to know the Management Committee, preparing and presenting a full business plan and demonstrating their competence to deliver what is required,



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giving residents the opportunity to see how the pub would be run and for the Management Committee to scrutinise the business plans.

If in the event that a particular tenant is unable to create a viable business then the Society will have the ability to terminate the lease after a specified period and market the opportunity to new tenants.

### 3.4 Buy from owner

Once the BNCS has been created, we have selected an appropriate operator and **raised enough capital** we will then be in a position to do a deal with David Harding to buy the pub.

Essentially David is willing to sell the pub to the community where we effectively pay a mortgage to him at favourable terms to the community. We are getting an independent valuation to inform that discussion. We have also done a lot of work on the economics of the pub which will inform how much we can afford to take out of the business to repay loans and so forth.

## 4 Why will it be different this time?

As described above, previous Seven Stars failures can be pinned down to poor economics and/or management experience. We believe both of these can be remedied.

### 4.1 Management

In the operator selection process, we intend to recruit a tenant that has solid pub running credentials. They must provide a business plan, which will show how they intend to increase revenues, control costs and meet community, needs i.e. make The Seven Stars a viable going concern for the community. Unlike earlier tenants, they will not be tied to a brewery, nor will they have onerous rents to pay. Critical to selection will be past experience and a credible record of successful pub ventures.

The last two managers of the pub were salaried. We strongly believe that whoever operates the pub needs to have strong profit sharing incentives to make it viable. They will be tenants paying a rent – surplus profit is theirs. This is the carrot.

The stick is the ultimate sanction the Management Committee has of revoking their lease. In the first instance we expect to agree a two year lease which, if we're not happy we can revoke. This is the stick.

In addition, we will also insist on an "open book" arrangement so that the financial state of the pub is transparent at all times to the Management Committee. We recognise in the initial period it will take time to rebuild custom.

### 4.2 Economics

The pub's economics could be improved by increasing revenue, better control of costs and, in the longer term, increasing scale. Though revenues and cost management are the domain of the tenant, we believe there is scope for improvement, and have created a number of financial models to demonstrate this. We need to understand this to be able to judge whether or not we will be able to charge enough rent to pay off loans and interest.

#### 4.2.1 Revenue

We believe short term pub revenue could be increased by increasing cover capacity and changing the menu.

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- **Tables.** Cover capacity could be increased by buying new tables that fit together as 2, 4, 6 seater or greater tables. We estimate we could increase covers by 20% through this increased flexibility.
- **Menu.** As demonstrated by the Village Hall meeting, many members of the community recognised that pub trade would increase if a more flexible menu was offered both in terms of price and food style. In particular this means light meals at lunch (e.g. soup, ploughmans); more child friendly offerings; and more bar snack type food for those not wanting a full blown gourmet meal. With such a menu we would expect to see much greater lunch time and early evening trade especially from the business community and families. Marketing would be aimed at increasing these segments of the consumer base.

The first Village Hall emergency meeting revealed just how much more the community would use the pub under these circumstances (see Community Feedback document attached). There are plenty more ideas such as picnics, weekend brunch, afternoon teas which can be experimented with.

### 4.2.2 Cost control

Having assessed the current accounts, it would seem all costs might be better controlled, but two elements in particular stand out: staff and general running costs (according to current accounts energy, maintenance and professional fees account for 90% of costs that are not staff or raw materials). We would expect any operator bidding for the pub to explain their plans for cost control.

### 4.2.3 Scale

In the short term, covers can be increased by having more flexible tables, but also by using the available space better. Giving back some of the back rooms to bar and dining space instead of kitchen and storage will help.

In the longer term, creating a conservatory or similar at the back of the pub could double the capacity of the pub and dramatically improve its economics. There is existing permission for an extension, although this runs out in December 2013. Clearly this has further funding implications which we are exploring. More details of existing plans can be found on SODC's web site, ref P10/w1616.

## 5 What do I get out of it?

### 5.1 A pub

The main point of the exercise is to create a viable community pub. We all want a place to meet friends, have a drink, take our families and socialise. In the longer term, other extensions to the core pub might be considered such as a shop; a post office and a children's play area.

This is not an exercise in generating large profits for the members. It is all about putting the pub on a viable, long term sustainable footing.

### 5.2 Interest

Within the discretion of the Board, a small interest rate might be paid. This will not exceed the rates at which we are repaying the pub purchase loan. The Society will not be seeking to pay any interest until the end of the second year.

We anticipate paying interest on an annual basis after the second year. We currently estimate the rate of return will be around 2%. This interest will be paid gross and is taxable. It is the members' responsibility to declare any such earnings to HMRC as required by law.

The Society's Rules say that any surplus earnings made by the Society after it has paid dividends to its shareholders must either be reinvested in the business or used for the benefit of the local community or for another charitable or community cause. Directors and members are forbidden from benefiting in any other form from the activities of the Society.



## 5.3 Limited Liability

This is a limited liability entity. It's unlikely, but the most you will lose is your initial investment. You will not be liable for activities of the tenant – for example, if they run up huge bills and then disappear.

The most likely outcome from this venture is that you get your original investment back after some time, with some small interest each year you are a Member.

## 5.4 What you won't get

### 5.4.1 Windfall redevelopment returns

In the event that the pub ceases trading and is say, redeveloped for residential use, any surplus (after paying creditors and repaying share capital) must be used for the benefit of the community. Any investment should therefore be considered an opportunity for individuals to contribute financially to the community, with the specific goal of helping to keep the pub open, rather than receiving a substantial financial reward.

### 5.4.2 Investment Guarantees

Our share offer is exempt from the Financial Services and Markets Act 2000 or subsidiary regulations. This means that there is **no right of complaint to an ombudsman**. A community benefit society is registered with, but not authorised by, the Financial Services Authority and therefore the money paid for shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. As the whole of your investment could carry a risk, please consider it carefully and, if necessary seek independent financial advice.

## 6 Once invested, how can I exit?

### 6.1 Shares not tradable

These shares cannot be transferred, except on death or bankruptcy. If for example you move house, you cannot sell them on, but instead you apply to withdraw your membership. If the new house owner or renter would like to join, they are free to apply.

### 6.2 Give Notice.

The only way to recover the value of the shares is to give notice of withdrawal to the Management Committee. Shares are not able to be withdrawn until two years have elapsed from the date of issue. Withdrawal will be at the discretion of the Management Committee who will judge if the business is trading profitably and has adequate cash reserves to fund withdrawal. The Committee will develop a reserves policy to deal with such an eventuality.

### 6.3 Other considerations

More detailed consideration of around exiting the BNCS are given in the aforementioned Rules.

## 7 What are the potential risks?

Although it is not possible to foresee all possible adverse outcomes there are a number which it is reasonable for the Management Committee to guard against.

### 7.1 Negotiations fail

There is, of course, a risk that we might not obtain sufficient funding pledges, or that the negotiations to purchase the pub may fail. If we are unable to proceed, for whatever reason, we will call a public meeting to discuss whether we should seek an alternative solution, and give all prospective shareholders the opportunity to reconsider.

## 7.2 Lose your investment

It is unlikely that you will lose your capital investment. This will only happen if BNCS's liabilities exceed its assets. For example, the pub closes, we have no rental income, yet we still have loan payments. It might be that when we eventually sell the pub there is no surplus after repaying creditors. We cannot, therefore, repay your share capital. Your liability, however, is limited to the value of your shares.

We think this extreme situation is very unlikely. The Management Committee will make every endeavour to avoid this outcome.

## 7.3 See no returns

Another, albeit unlikely outcome, is that there is no scope to pay interest on the investment for several years. The best way to avoid this is to **raise sufficient capital in the first instance**.

## 7.4 Pub sold for redevelopment

At current prices and if permission were given, the site could be sold for a significant sum for redevelopment. In this case, we would have no pub, but you would almost certainly get your money back with some interest. The balance of any profits would go into a new community fund.

## 8 How do I pledge money now?

You must be over 18 to pledge. There is no residential requirement, just a desire to support the cause. If you know of anyone who may wish to pledge please let them know! This includes corporations.

When considering taking part, it is vital to realise this is an investment in our community – creating a unique asset for us all, and helping to make the Baldons, Nuneham and the surrounding area a more vibrant, thriving and sustainable place. It is not a conventional financial investment with an expectation of direct financial returns. The full details are set out in the Rules of the Association. Copies of The Rules are available on [www.savethesevenstars.com](http://www.savethesevenstars.com).

There is still a lot of work to be done and we would welcome any assistance. We need to:

- Finalise the details and policies of the proposed community vehicle.
- Brief, identify and select from a good number of candidate operators.
- Negotiate a mutually satisfactory deal with the current owner.

**However, first and foremost we need to know if there is sufficient support in the village. Are there enough people who will pledge enough money to save the pub?**

Please fill in the form on the last page and pledge money to become a member of the BNCS. The sooner we receive enough pledges the sooner we can do the deal and get the pub reopened.

**A PLEDGE IS NOT LEGALLY BINDING AND  
YOU ARE NOT COMMITTED UNTIL YOU  
BECOME A MEMBER.**

## 9 Society Membership Pledge Form

If you would like to pledge to become a member of The Baldons and Nuneham Community Society Limited. please complete the form below, tear it out and return it to:

The Baldons and Nuneham Community Society Limited.  
c/o Mr John Simpson  
Membership Secretary  
Durham Leys Barn  
Marsh Baldon  
Oxfordshire.  
OX44 9LP  
Or email to johnjohnsimpson@gmail.com

Name:

Address including postcode;

Email address:

Phone numbers:

Home

Mobile

The number of shares you wish to pledge for (minimum £300, maximum £20,000)

Shares cost £1 each

Value of the shares pledged =

By requesting that I become a member of and investing in the The Baldons and Nuneham Community Society Limited. I agree to my name, address, phone numbers, email address and the number of shares that I wish to pledge for being held on a computer database. I understand that this information will be used solely for the purpose of maintaining a register of members and potential members as required by the rules of the Community Benefit Society, for posting of notices regarding the activities of the The Baldons and Nuneham Community Society Limited and will not be passed to any third party.

Signed:.....

Date:.....