

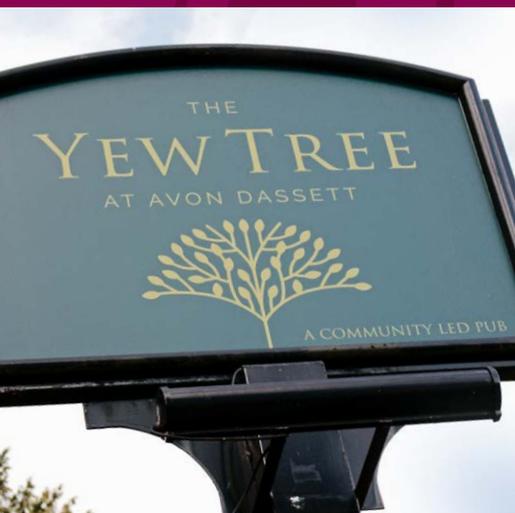


**Plunkett
Foundation**

www.plunkett.co.uk

COMMUNITY PUBS

A BETTER FORM OF BUSINESS
2020



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 fifth of such reports, building on 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 the 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.

Methodology

While compiling this report, Plunkett Foundation undertook a stringent process of data validation to ensure that historic records are as up to date as possible.

The data was gathered from:

- Plunkett Foundation records that have been monitoring and recording all community pubs activity in the UK over the past seven years
- Statutory data sourced from the Financial Conduct Authority and Companies House
- A survey with 32 responses via electronic questionnaires
- Three UK-wide focus groups 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 2019:

- The community pub sector grew by **19%** with **19** new pubs opening during the year
- **119** known community pubs in total were trading across the UK at the end of 2019
- The number of new enquiries to Plunkett from communities exploring community pub ownership was **154**
- The amount raised by all 19 newly opening community pubs was approximately **£3.7 million** from **3,718** new community shareholders
- The average cost of purchasing a community pub during 2019 was **£306,000** and the average set-up cost was **£140,000** (but with wide variations)
- Approximately **57%** of capital required for the start-ups was sourced from community shares
- **No** community pubs ceased trading or transferred out of community control into private ownership during 2019, maintaining an impressive survival rate of **100%**

Foreword

This year we have witnessed the extraordinary value of community pubs but also their own vulnerability to the shock a global pandemic can have and when their capacity to trade is restricted. Although the recent months have placed an unfathomable strain on the pub industry as a whole, and we are still in the midst of great uncertainty, it feels right to continue to seek optimism in the ongoing stories of communities working together to save their local pubs by owning and running them themselves.

Community Pubs: A Better form of Business Report shows us just how robust the health of the community pub sector was by the end of 2019. In fact, the sector had grown by an impressive 19% with 19 new community owned pubs opening last year alone, welcoming over 3,700 new community share owners to the movement from all over the world.

This report demonstrates that the community pub model is one that works and has been repeated up and down the country – and has meant that so many communities are still able to enjoy all the benefits of having a local pub in their area, pubs which could so easily have been lost without that outpouring of community spirit that saved them. A model that we know will continue to help so many more communities as the pub sector faces incredible pressures ahead.

This vibrancy and enthusiasm has been exactly what powered so many community pubs in lockdown to provide lifeline services and activities to support local people in need. The months ahead will doubtless be daunting for pubs – and this should never be underestimated. But because community pubs so often are more than a pub – offering services that may include post offices, cafés, convenience stores, farmers’ markets, community garden and allotments, affordable housing and renewable energy – they are uniquely rooted in community needs. This special connection with the community is what makes community pubs such valuable and unique assets – and what also gives them increased financial resilience.



I am delighted to write the foreword to this important piece of research and trust that, in the coming year as sadly more pubs face the threat of closure, more and more communities will look to the community business model as their way to save these important local assets and learn from those who have gone before them how this can be achieved.

Finally, let us not forget that each community pub that is open and operating today is there thanks to the determination and dedication of countless volunteers who fought tireless campaigns and overcame often seemingly insurmountable challenges – so cheers to them and good luck for the future.



Helen Aldis
Vice Chair
Plunkett Foundation

What is a community pub?

Since 1919, the 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 shops, 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

COVID-19 and community pubs

After a healthy, buoyant year for the community pub movement in 2019, the effects of the pandemic have been an unexpected blow. This is a sector which is all about people coming together, not just to meet their neighbours, friends and families, but also to get involved with the common interests that are the “glue” of a community: the cultural and social activities, the indoor games that have been played in pubs for centuries, the competitive sports leagues, the vital fundraisers for local and national charities. It is no wonder that the community pub has been frequently referred to as “more than a pub” – leading to Plunkett’s eponymous support programme. Closing a pub means a very significant number of social repercussions, particularly in smaller rural communities.

The community pubs were consulted by Plunkett for this report in April/May 2020, at a bleak time when many had already shut their doors completely, and all were unable to operate bar or restaurant services. Plunkett kept in touch with the pubs via regular online meetings throughout the summer and our focus groups gave detailed background at a later stage in the pandemic in September 2020. The commentary from the pubs who participated is scattered throughout this report.

At the time of writing, the announcement of further tightening of social distancing measures – table service, restrictions on numbers, and a 10pm curfew – had just been made. The winter ahead looks daunting for the pubs and there is a sense that we are still at an early stage in the challenges facing this sector. Next year’s report will contain a much fuller analysis of the effects of these measures and other impacts yet to be imagined.

How have the pubs coped? Government grants and the furloughing scheme were extremely useful to cover staff and core costs. Luckily the spring and summer of 2020 saw a good amount of dry weather, and pub gardens became a great asset when rules were relaxed. The Eat Out to Help Out scheme helped, as people became more confident and started to return, particularly to the pubs



with external space. Some smaller pubs weather-proofed their outdoor areas with gazebos and marquees to create extra seating.

As is common in this sector, plenty of entrepreneurial spirit was evident and was rewarded with community support. Many pubs started takeaway schemes, delivery services and some developed shops. Some pubs that already hosted shops found that they could improve their turnover of off-sales. The lockdown led to new services and an important community role for some pubs. However, this was offset by the restrictions on normal activities and services and the difficulties of retaining volunteers and running with skeleton

staff. To keep in touch with their customers, some pubs – but by no means all – increased their online activity, but for those with a more elderly customer base there would have been less value in offering virtual social events or meet-ups.

Community pubs are often located in small buildings which make social distancing and table service awkward and necessitate a greater level of staffing to serve fewer people. It remains to be seen how these smaller pubs can survive once the dark evenings of winter arrive and outdoor seating is no longer an option. The focus groups told us that the

need for extra staff was more of a problem than a 10pm curfew, which makes little difference to rural pubs. They felt vulnerable to the constant threat of total shutdown and the perception was that pubs were being treated as part of the problem, when they had done everything they could to operate safely.

One ray of hope has to be that the great majority of community pubs were originally saved or reopened by determined and dedicated volunteers working against the odds, and they will undoubtedly do their best to rise to the challenge.



INSIGHT

At the **ABINGDON ARMS**, near Oxford, the tenants furloughed their staff and transformed the pub into a takeaway and shop, selling a wide range of meals, drinks (including draught ales) and other essentials.

Mike Hobbs, chair of the community benefit society that owns the pub, says: “We have reinvented our More Than a Pub programme into a virtual Even More Than a Pub programme, offering a range of activities to support the physical, mental and social health of our population. We have mid-morning, lunchtime and sundowner chats, courtesy of Zoom. We have talks, poetry readings and a pub quiz. The group walks may not be able to continue for the time being but we have devised a series of walking routes which are interlocking, so individuals and family groups can explore the countryside around here. Our volunteers collect medicines and deliver shopping as well as takeaways from the Abingdon Arms.

“The community has risen to the challenge. There are actually some pleasures and benefits associated with this despite the pain and the grief for many, and we are hoping that some of the benefits we may be able to retain after this all ends.”

To find out more about the webinars and other resources we provided to community businesses during the first months of the pandemic, see the COVID-19 Live section of our website: plunkett.co.uk/covid-19-live/

2

Growth in 2019

2.1 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 ability conferred by the 2011 Localism Act for communities to register pubs as Assets of Community Value, giving them greater planning protection against possible demolition or conversion
- Plunkett's dedicated programme, More Than a Pub (with partners CAMRA, Pub is the Hub, Locality, Co-operative Mutual Solutions, Co-operative & Community Finance, and Key Fund). This is a package of advisory support and blended finance (i.e. a combination of loans and grants), funded by Power to Change Trust and Ministry of Housing, Communities and Local Government. It continues to run in 2020, and has undoubtedly contributed to the upward trend
- An increase in institutional investment via equity match funding (whereby a social investment organisation will purchase community shares to match those bought by the community, to a set level).

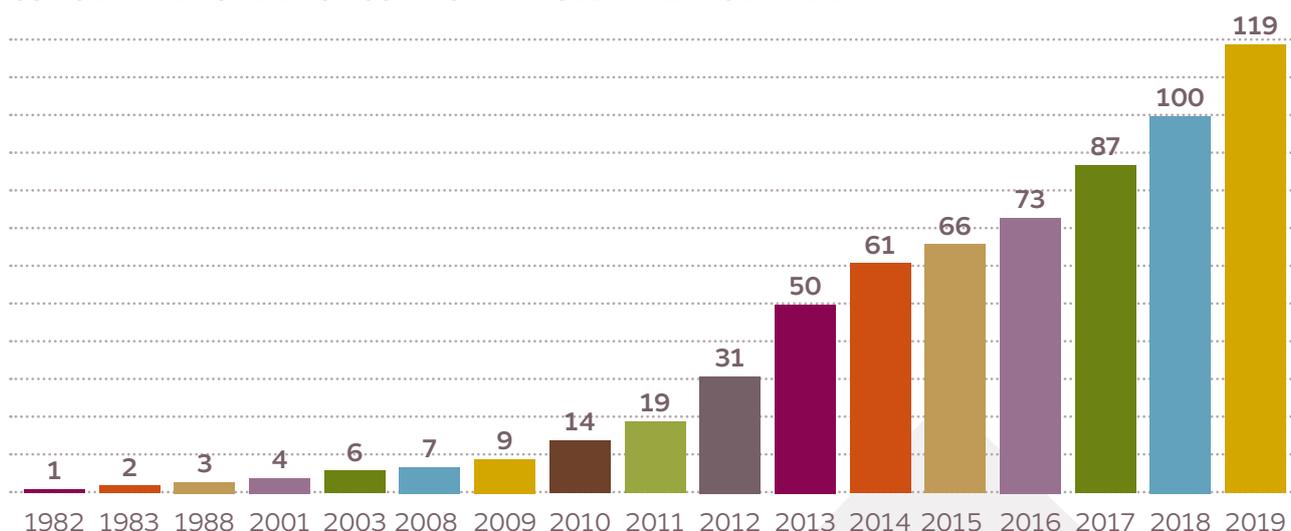
In 2019:

- 19 community pubs opened, bringing the total number currently trading as community owned to 119
- A further five pubs were identified by research as having opened prior to 2019
- Although a few pubs have transferred out of community control into private ownership, none have closed.

Given the challenges in running a pub, the pre COVID-19 survival rate for community pubs represents a notable achievement: typically the national UK annual 'death rate' for businesses of all types fluctuates between 10–12% per year, noting that 96% of all UK businesses are micro businesses employing 0-9 employees and most of the balance comprises small to medium sized businesses employing up to 249 people (Sources: Office for National Statistics Business Demography 2018 & BEIS Business Population Estimates 2018.)



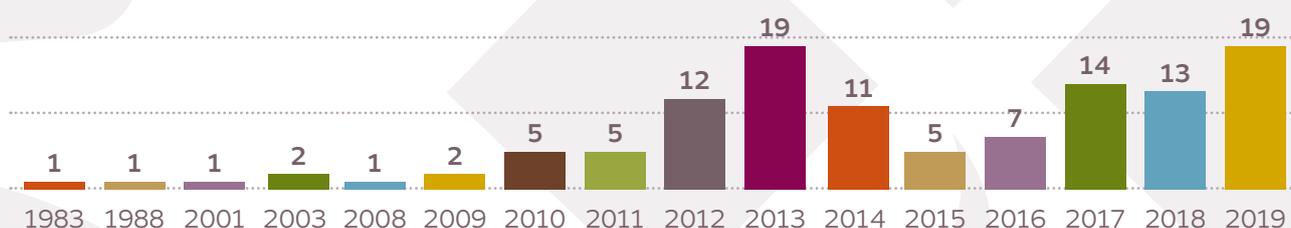
FIGURE 2.1
CUMULATIVE NUMBER OF COMMUNITY PUBS TRADING BY YEAR



Source: Plunkett Foundation records/2020 Plunkett survey

Note: Figure excludes two pubs known to have passed out of community ownership. The number of pubs opening in 2017 and 2018 has been revised upwards after receipt of new data.

FIGURE 2.2
NUMBER OF COMMUNITY PUBS OPENING BY YEAR



Source: Plunkett Foundation records/2020 Plunkett survey

Note: Figure excludes two pubs known to have passed out of community ownership. The number of pubs opening in 2017 and 2018 has been revised upwards after receipt of new data.

2.2 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 51% of the UK total) with more modest numbers distributed across the rest of England and Wales.

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

Existing data does not explain variations in these distributions but 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 needs to be professional skill sets available, usually on a voluntary basis, to help acquire the pub

- Sufficient community size, capacity and cohesion. While small communities can and do 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 2020 survey suggests that most community pubs are within two miles or less of another pub.

FIGURE 2.3
REGIONAL DISTRIBUTION OF COMMUNITY PUBS

Region	Total existing pubs trading end of 2018	New openings in 2019	Total to date	% of pubs by region
South West	11	0	11	9
South East	29	5	34	29
London	3	0	3	3
East of England	17	5	22	19
West Midlands	8	3	11	9
East Midlands	4	1	5	4
Yorkshire & the Humber	6	2	8	7
North West	8	1	9	8
North East	2	1	3	2
Scotland	2	1	3	2
Wales	10	0	10	8
Northern Ireland	0	0	0	0
Total	100	19	119	100

Source: Plunkett Foundation records 2020

2.3 New pubs opening in 2019

Of the 19 new community pubs opening in 2019, 14 (74%) purchased their premises, with the remainder leasing, with one leased pub still fundraising in order to ultimately purchase the premises.

The finance required was mostly raised by community share offers, representing between 50–60% of the total cost of purchase, refurbishment and working capital, with the lowest recording 43% by this means and the highest 71%.

Some of those communities that are leasing their pubs still have had to find high levels of finance to refurbish the premises, and have used community shares for that purpose.

The total share capital raised by the 19 pubs that ran share offers was approximately £3.7 million, from just over 3,700 shareholders.

Approximately £800,000+ was raised in loans and mortgages. A further £650,000 came from grants and other fundraising.

All but two of the pubs needed to borrow, with five taking out mortgages in excess of £80,000. This continued reliance on debt finance reflects the pattern found in previous years. This may be a potential vulnerability in the light of the COVID-19 outbreak, although in the majority of cases the loans are modest, in the £40-80,000 bracket.

INSIGHT

YE OLDE CROSS in Old Ryton Village is the first community-owned pub in the Tyne Valley. In the 18 months from its closure in early 2018 to the official re-launch in July 2019, the community registered the pub as an Asset of Community Value, formed the Ryton Cross Community Society and raised the funds to buy the pub, with a programme of fundraising events, investment from 300 community shareholders, a grant and a loan from the More Than A Pub programme. After securing the purchase in January 2019, a dedicated team of volunteers worked tirelessly to renovate and refurbish the pub. The Friends of Ye Olde Cross are now the winners of CAMRA's 2019 Pub Saving Award.

The pub is now run by tenants Andrew and Abigail Billingham who work with the Society's management committee on their joint vision of what a brilliant community pub should be. Very much intended as a centre for the local community with events and local activities, these include (pre-COVID): weekly quiz nights and street food pop-ups, regular open mic nights, monthly vegan street food market, book club, wool group, business networking, and dominoes.

Abigail's message on the pub website is: "We would like to see as many of you as possible enjoy this space so share your thoughts. If there's an event we're not running yet that you would like to see... help us to get it up and running... it is your pub after all."



2.4 New activity

There were 154 new enquiries made to the Plunkett Foundation in 2019.

Plunkett data shows that of all enquiries made, around 1 in 9 pub projects will go on to trading.

The projects can face delay because community pubs are faced with a number of unique challenges prior to opening, such as:

- Higher guide price to purchase the asset
- Often significant renovation and refurbishment costs to add to the start-up target
- Limited time period in which to raise the required finance
- Increased competition from other speculative purchasers

- Less likely to set up a pub in 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 2019 newly opening pubs, over 80% had set up as incorporated legal entities between one and two years before commencing trading.

3

Business model

3.1 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 (CBS), 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.

Of the 119 community pubs trading at the end of 2019, Plunkett records show that:

- 77 operate as a Cooperative (8) or Community Benefit Society (69)
- 6 operate as a Company Limited by Guarantee
- 9 operate as a Community Interest Company
- 27 operate as a private Company Limited by Shares (multiple local shareholders).



This is broadly consistent with previous years, but the proportion of pubs adopting the CBS model is steadily growing (from 51% of all community pubs trading in 2018, to 58% in 2019), with a reduction in Cooperative Societies from 13% to 7%.

Plunkett Foundation Records for 2017, 2018 and 2019 show that out of 35 pubs incorporated in these years, 28 were created as Community Benefit Societies (80%), four as Community Interest Companies (11%), one as a Company Limited by Guarantee (3%) and two as Companies Limited by Shares (6%).

Of the new pubs launched in 2019, 16 (84%) adopted the CBS model, with two setting up as Companies Limited by Shares and one as a Community Interest Company.

The growing popularity of the CBS model is most likely due to the fact that it exists to benefit the wider and collective interests of a community and is also an excellent vehicle for community investment.

In the 2020 Plunkett survey, all 32 responding pubs are located within what was previously a pub. 27 (84%) are recorded as being owned by the community which means a great deal of capital has needed to be raised, so a suitable legal structure is essential. A further five pubs are (16%) leased by the community (three of which pay a peppercorn rent).

3.2 Managers and tenants

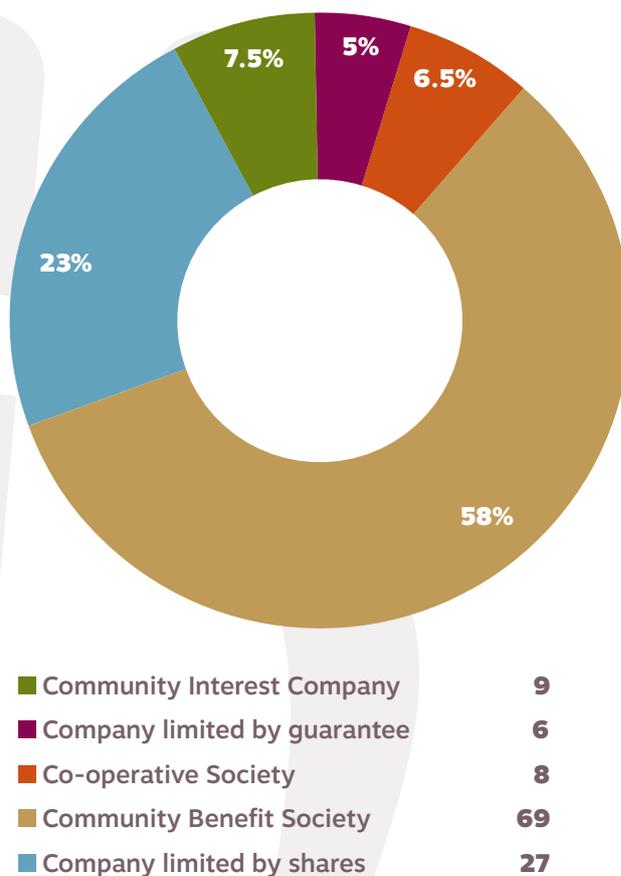
Having set up a legal structure, the community has then to decide who will run the pub. There are effectively two routes to follow – the “managed” model (the community appoints a manager, directly employed and accountable to the board or management committee) or the “tenanted” model (the community leases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

The 2020 Plunkett survey (32 responses) reports that:

- 18 pubs (56%) are managed by paid staff with or without volunteer support
- 12 pubs (38%) are tenanted
- 2 pubs (6%) are managed by volunteers with no paid staff recorded.

However, of the 19 newly opening pubs in 2019, the proportion of tenanted to managed pubs appears to buck the recent trend, with 10 pubs (52%) opting to install a tenant.

FIGURE 3.1
BUSINESS MODELS FOR Pubs
TRADING IN 2019



Source: Plunkett Foundation records 2020, from 119 records

The decision to opt for one or other of the two models revolves around a variety of factors:

- A community group that has worked hard to acquire the pub can prefer to have more control over its future via the direct employer-employee relationship with their pub manager
- The managed model (unlike the tenanted model) is usually considered an eligible type of business to offer tax relief on shares (such as SITR) subject to certain conditions, which is a financial incentive to investors during fundraising for acquisition
- There is a perceived difficulty of replacing (or confronting in the case of problems) a less than successful tenant, as compared to a manager
- On the other hand, it is a considerable amount of work to manage a pub business and needs a good level of experience and business

knowledge, which can be challenging for a community group

- Experienced publicans often prefer the more independent and self-reliant role of tenant rather than being on the payroll, therefore a group seeking a manager may find the pool of prospective candidates is limited.

A small sample (12) of responses by committees of tenanted community pubs broadly shows satisfaction with the arrangement. The respondents reported that

- 58% were satisfied with the arrangement
- 33% were satisfied with reservations
- 8% were dissatisfied.

The community satisfaction figures for these 12 pubs also reported a positive response, with 75% reporting they were very satisfied or broadly content with the tenanted arrangement.

Asked to summarise the pros and cons of installing a tenant, the respondents gave thoughtful and full responses (Figure 3.2).

FIGURE 3.2
WHAT PUBS SAY ABOUT THE BENEFITS AND PITFALLS OF INSTALLING A TENANT

Benefits	Pitfalls
<i>Easier option than managing / less risk of failure[?]</i> <i>Transfers some risks / [short term?] concerns about cashflow and profitability / delegates some management responsibilities e.g. staffing.</i>	<i>Difficult to find / recruit good tenant: success depends on their quality & expertise.</i>
<i>Less need for day to day community input: e.g. avoids volunteer fatigue.</i>	<i>Being too lenient when enforcing terms and conditions.</i>
<i>Income is the tenant's responsibility so in their interest to run a successful pub.</i>	<i>Shareholders [may] tend to tell the tenant how to run their business & believe that they have a right to do so.</i>
<i>Steady income to reinvest for the community to benefit.</i>	<i>Not working with tenants to ensure that community objectives detailed in the lease are constantly reviewed and met.</i>
<i>A motivated and experienced professional in place to build a profitable business by allowing them to lead product sourcing, pricing and running the pub.</i>	<i>Management committee/ directors not understanding that it is tenant's livelihood / not [when inappropriate] interfering in business decisions.</i>
<i>Tenant leads e.g. on opening hours / pricing / product choice.</i>	<i>Lack of understanding or reluctance from shareholders / community who may want to input / or may not acknowledge professional tenant expertise.</i>
<i>Customer / local grievances handled by the tenant.</i>	<i>Lack of involvement in operation of the pub may be viewed as too hands off.</i>
<i>Clearly defined responsibilities and accountabilities.</i>	<i>Failing to ensure that community values and wishes are reflected in tenant actions.</i>
<i>Focuses management committee on strategic development of building and facilities.</i>	
<i>The tenants [may] live in the building which ensures it is kept habitable and secure.</i>	
<i>"Pitfalls – none."</i>	<i>"Do not do it!"</i>

Source: 2020 Plunkett survey from 12 responses

Success or failure of this model can depend on a constructive and effective working relationship, with good communications between the committees and the pub tenant. Asked for details of their partnership with the tenant,

- 8% of respondents reported limited involvement with their tenant
- 58% said they delegate the majority of decisions to their tenant
- 33% have regular oversight meetings with the tenant
- 25% work in close partnership with their tenant.

Note: respondents could select more than one option.

Comments made by the focus groups backed up these findings, with some pub committees working very well with their tenants and in some cases having tenancing subcommittees and arrangements to review finances regularly, while others felt they had little control and in some cases were frustrated by not being able to keep the pub's social mission on track.

During COVID-19 it would have been important for tenants' rents to be reduced and continually under review, and the impact of this will be understood at a later time.

3.2 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.

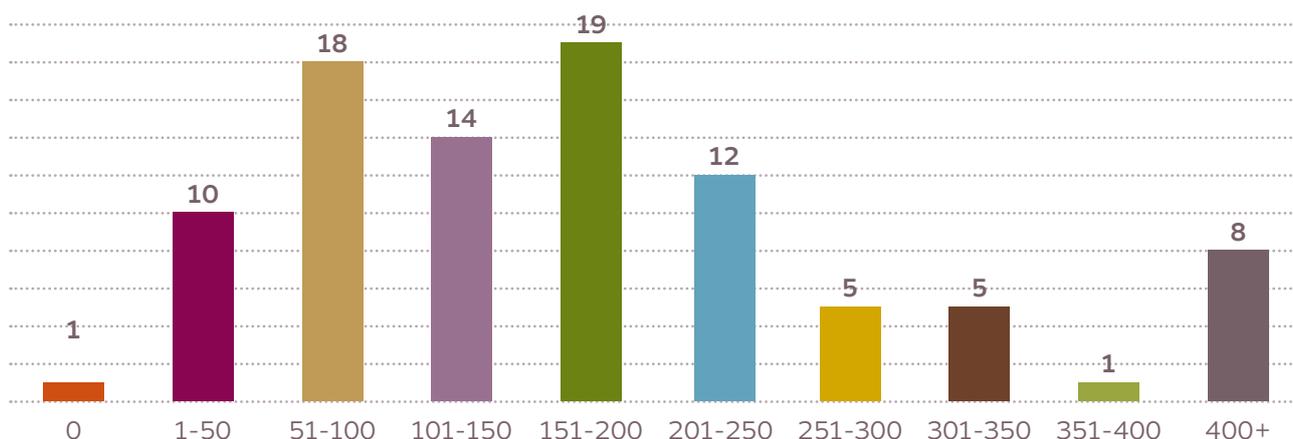
Examining 95 available records from 119 known community pubs (from FCA AR30 Returns and Companies House records) shows that:

- 2% have no recorded shareholders
- 12% have under 50 shareholders
- 53% have 51–200 shareholders
- 33% have more than 200 shareholders.

These records show a total of over 16,500 members/ shareholders, so we can draw a crude estimate of 21,000 people having invested in all 119 known community pubs.

95 available records show a total shareholder investment of over £19 million, which means we can extrapolate a total shareholder investment in the sector of some £23 million (these figures cover ordinary shares recorded as called-up share capital in public FCA and Companies House records and exclude preference shares or other such arrangements).

FIGURE 3.3
NUMBER OF PUBS BY MEMBER/SHAREHOLDER BAND



Source: FCA AR30 returns and Companies House data from 95 records reported in 2017, 2018 and 2019



This suggests a cautious average per investor of £1,000+ (noting very wide variations in individual financial commitments – in practice a few pubs have a handful of investors who are the totality, while in other pubs there are many smaller investors). This is borne out by the figures supplied by the 19 new opening pubs in 2019, whereby in excess of £3.7 million has been raised by approximately 3,700 shareholders.

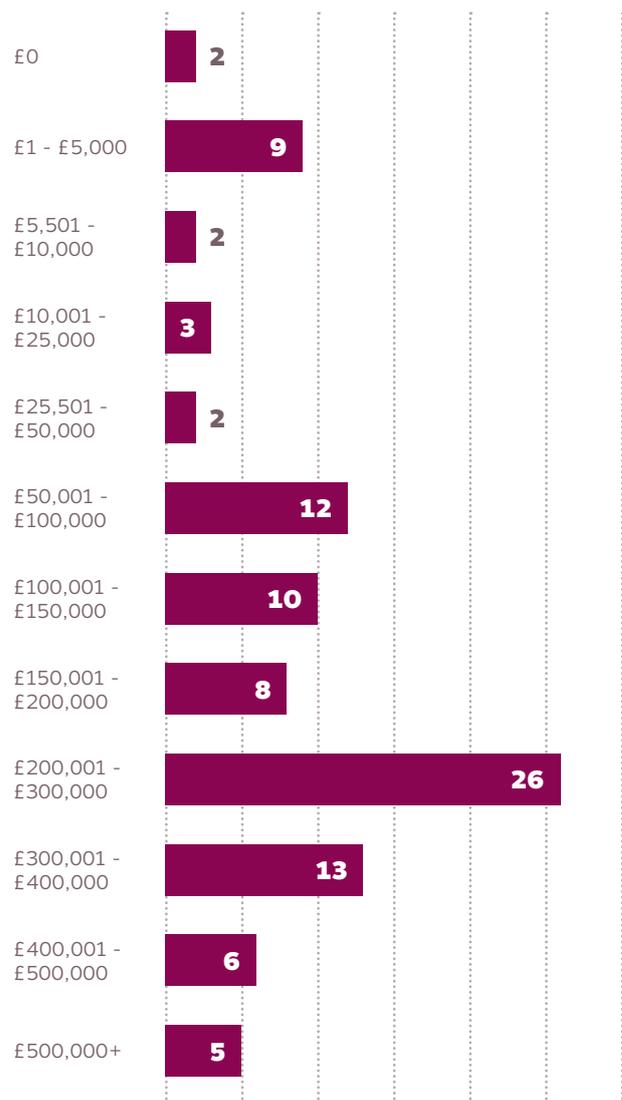
Share capital

Examining 95 records (from FCA and Companies House data), a mixture of both managed and tenanted pubs:

- 41% hold £200-400,000 in share capital
- 30% hold £50-200,000 in share capital
- 19% have less than £50,000 invested by their community
- 8% hold more than £400,000 in shareholder investment, with five pubs (5%) recording more than £500,000.
- 2% have no recorded share capital.

Breaking down the data into either managed or tenanted pubs shows a similar pattern of investment.

FIGURE 3.4
SHARE CAPITAL DISTRIBUTION BY BAND



Source: 2017, 2018 and 2019 FCA AR30 records and Companies House data from 95 records

4

Services and activities

4.1 Type of offering

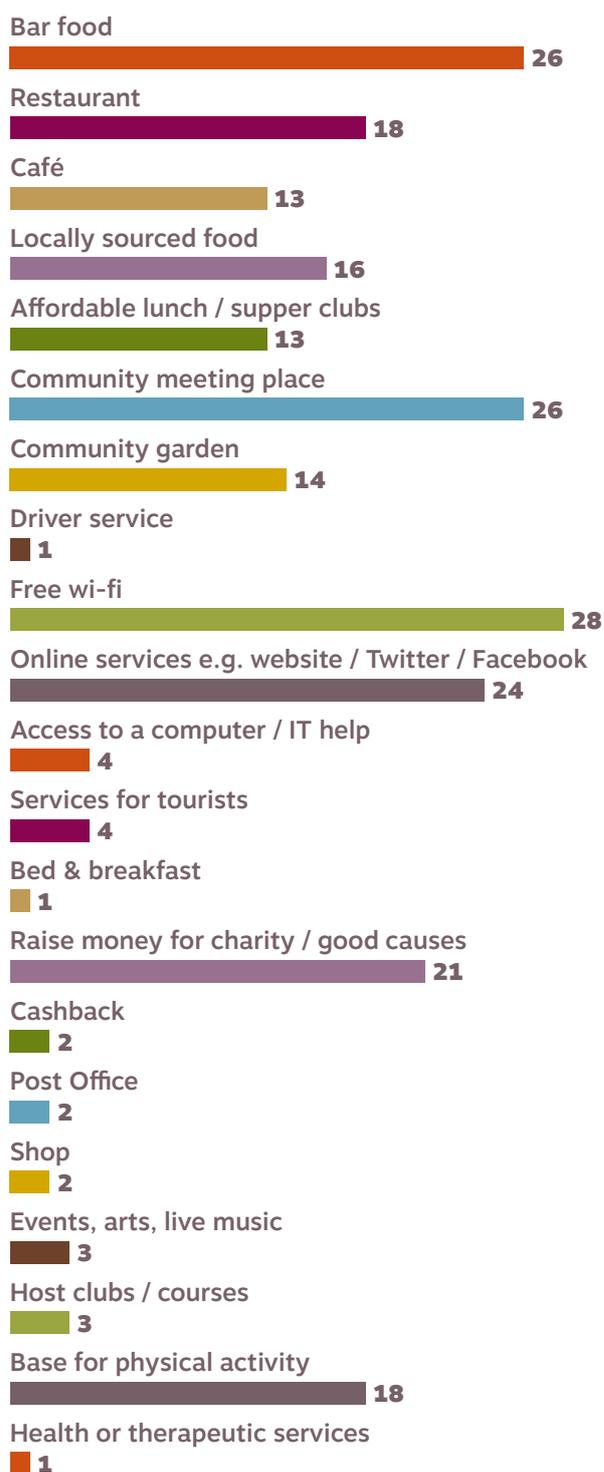
Community pubs offer a wide diversity of services and activities tailored to their communities and by adapting their physical space to best suit these extra functions. For example, from 32 responses to the 2020 survey, reflecting on life before COVID-19:

- 26 (81%) provide a community meeting space
- 21 (66%) raise funds for local charities or good causes
- 19 (59%) are a base for 'healthy' physical activities such as walking or cycling or in one case, facilitates NHS services on the premises
- 29 (91%) offer food via the bar and/or a café or restaurant
- 16 (50%) source food locally
- 13 (41%) offer affordable lunch or supper clubs.

INSIGHT

THE PHEASANT at Neenton near Bridgnorth, Shropshire has triumphed as 2019's Best Rural Social Enterprise, Charity or Community Project at the national final of the Rural Business Awards. In 2006 the closure of the pub was the catalyst for the formation of Neenton Community Society, a charitable CBS dedicated to the regeneration of the area. The local community devoted an extraordinary amount of time and energy to raise the necessary finance to purchase the pub, then derelict, just before Christmas 2013, then to restore and extend it. Since then, The Pheasant has been transformed into a successful social enterprise and one of the most popular dining spots in the area. Serving traditional Shropshire food and local real ales, it is the hub of the community. The restoration also includes a restaurant conservatory which also acts as the village community room and function space for meetings, parties and small after-weddings.

FIGURE 4.1
SERVICES AND ACTIVITIES



Source: 2020 Plunkett survey from 32 responses



4.2 COVID-19 effect on services and activities

Of 32 community pubs responding to the Plunkett survey about the effects of COVID-19 on their business activities:

- 10 closed the pub completely without offering online or other services
- 22 pubs closed but sustained or established new services.

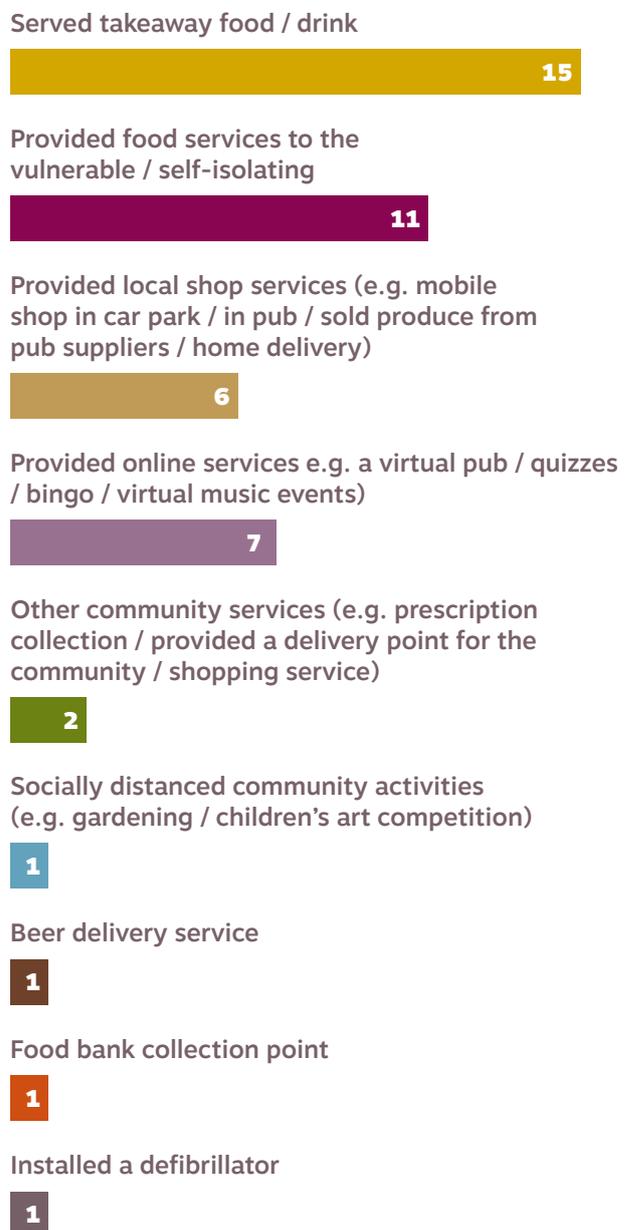
Of the 22 pubs that reported that they sustained or introduced new services in 2020 in response to the COVID-19 lockdown:

- 68% served takeaway food/drink
- 50% created a food service to the vulnerable and self-isolating
- 32% provided online services, such as quizzes and music events
- 27% provided local shop services.

Clearly regular commercial pubs also stepped into the breach but it is still worth noting the role that community pubs played, as they clearly demonstrated their commitment to their communities (particularly managed pubs, although we have substantially less data on tenanted pub activities in this context).

The 2020 focus groups reported that those with shops hosted within their buildings could increase their off-sales, including draught ales. Also there was a shift, once they could re-open, towards food sales rather than wet sales, as table service became the norm.

FIGURE 4.2
SUSTAINED AND NEW SERVICES DURING COVID-19 OUTBREAK



Source: 2020 Plunkett survey from 22 responses

5

People

5.1 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.

Although the board members have limited liability it is important that they all understand that even though they are working voluntarily in a community business they still have fiduciary duties as any other director would. For example, if they are aware that there is a financial problem they should take advice as soon as possible to protect themselves and make sure that they do not become personally liable for any debts by continuing to trade when insolvency is a possibility.

The board plays a crucial role and the major posts can involve considerable work, so the board should 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.

5.2 Employment

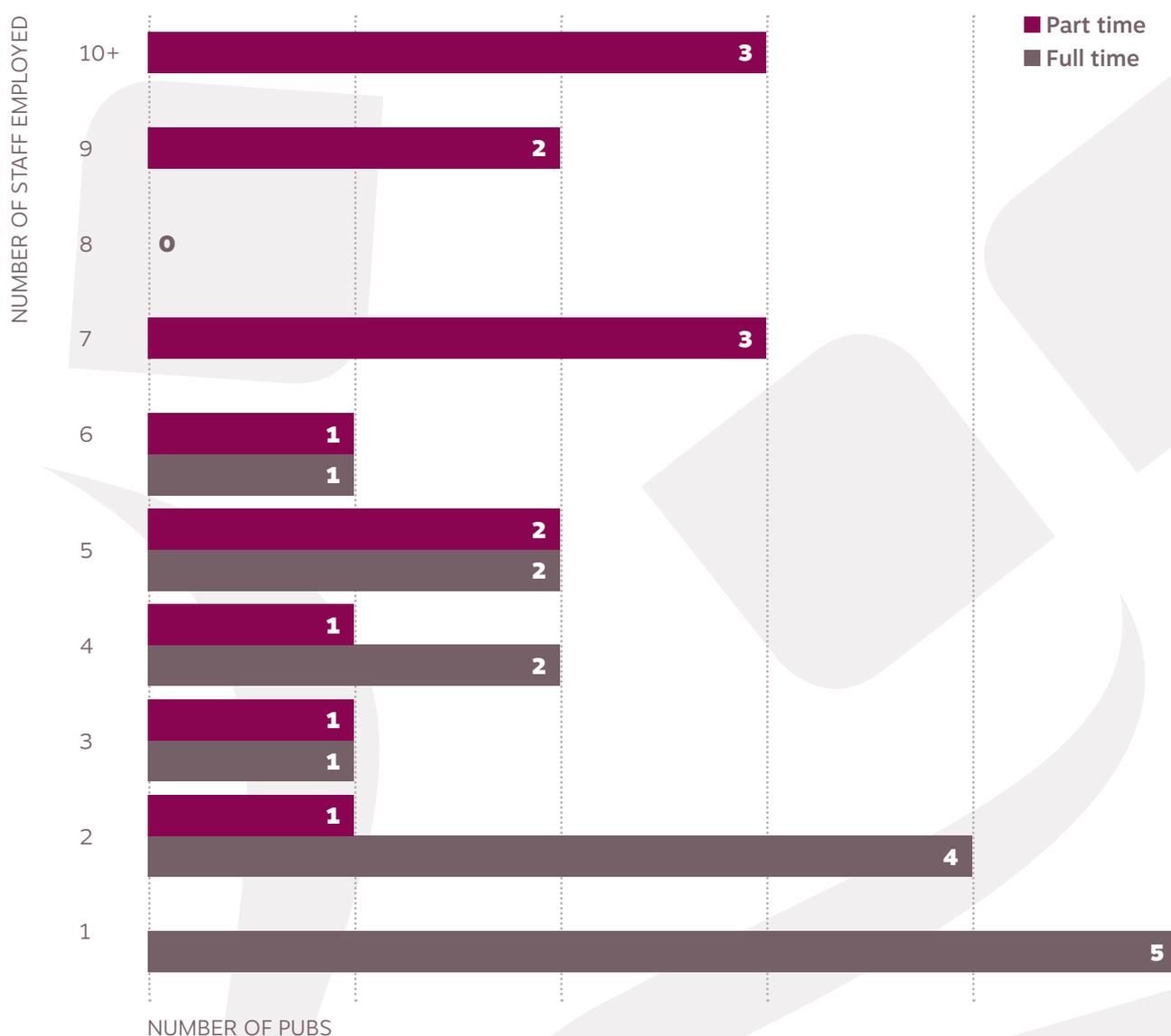
Community pubs create regular, paid, local employment opportunities. As the majority are currently situated in predominantly rural areas, these pubs can often be very significant employers in their communities. They also offer an excellent environment for training and upskilling local people, particularly young people. This also suggests that any adverse impact of COVID-19 on pub survival is not just about service survival, but significant for local jobs and training too.

A survey of 20 managed pubs shows that 35 full-time and approximately 90 part-time staff are employed by this (admittedly modest) sample.

This allows a cautious assumption (as detailed data on the nature of the part-time roles is not available) that these 20 pubs are broadly providing the equivalent of 60–65 full time jobs (FTEs), or an average of 2.5–3.5 people per pub. Five of these pubs (15%) employ people under the age of 18.



FIGURE 5.1
FULL-TIME AND PART-TIME STAFF EMPLOYED BY COMMUNITY PUBS



Source: 2020 Plunkett survey from 20 managed pubs employing staff

Overall, some 58% of community pubs are managed. If this sample of 20 reflects the national picture, then managed community pubs would employ the equivalent of an estimated 190-210 FTEs. We have no data on the 42% balance of tenanted community pubs, but it is reasonable to assume that they too are significant employers (including tenants themselves). On an equivalent basis, this would add another 135-150 FTEs, with total sector employment possibly 325-350 FTEs.

Employment policies

As employers, community enterprises are as responsible as any other employer for the well-being of their staff and in meeting employer

responsibilities and statutory requirements. The 2020 Plunkett survey on employment policies (with 17 managed-pub respondents) showed that the community pubs do address key aspects of employer liabilities, with some weaknesses:

- 65% of respondents offer formal staff contracts
- 59% have a staff grievance policy
- 59% keep staff training records
- 71% have a system to set staff pay and conditions
- 82% have an equalities policy.

However, all respondents reported that they carry out staff appraisals.

5.3 Volunteers

The ability to harness a volunteer workforce is one of the greatest assets for a community business, reducing staffing costs and enhancing the social environment and social benefits of the pub. The functions supported or run by volunteers vary widely and include fundraising, organising events, assisting with marketing and social media, or running supplementary services such as shops, cafés, libraries and allotments.

Of the 20 managed pubs that responded to the 2020 survey:

- Two (6%) are run entirely by volunteers with no paid staff
- 13 (41%) use volunteers in the day-to-day operation of the pub (most draw on between 1–10 volunteers with three deploying between 11 and 20)
- 17 (53%) use volunteers to help ‘behind the scenes’ with almost all drawing on between 1–10 volunteers.

Note: *pubs may use volunteers in more than one category.*

All 20 managed pubs responding to the 2020 survey have volunteer management committees or boards. Weekly input varies widely from eight hours a week to 80+ hours per week but the median is 35 hours per week, with 59% of those providing data reporting input of between 30–40 hours per week.

5.4 COVID-19 effects on staffing

Of the 32 pubs responding to the Plunkett 2020 survey, 16 of the 20 managed pubs said that they had furloughed staff during the disease outbreak, and 8 of the 12 tenanted pubs were recorded as furloughing at least some staff.

Of the 20 managed pubs that responded, eight furloughed all their staff and the balance mostly furloughed 75%+ (**note**, two managed pubs responding advised that they ran solely on volunteers).

No pubs responding identified that they had recruited additional volunteers during the outbreak. One pub furloughed all staff and operated their takeaway service through existing volunteers.

The focus groups reported that the restrictions subsequent to the re-opening of pubs in July, such as table service requirements, have resulted in extra staff costs, while limits on the number of people coming in and out reduced the number of customers and therefore the staff/customer ratio had become very difficult to manage.



6

Impact



6.1 Overcoming isolation

Community businesses make a critical difference to their communities by addressing priority needs. The Plunkett Foundation has produced an Impact Statement in partnership with Co-op for the sector called “Ripple Effect” (<https://plunkett.co.uk/ripple-effect/>) which has recently been updated to address some of the first effects of the COVID-19 crisis. The report covers in depth the wider impacts that community businesses are having on rural communities in the areas of:

- Community engagement, interaction and cohesion
- Creating local opportunities and participation over time
- Provision of critical products and services
- Employment and preparation for work.

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 the University of the Third Age (U3A)
- volunteer opportunities and work experience
- allotments or a community garden
- adult education and training
- meeting rooms for community use and external hire.

All of 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.

INSIGHT



When **THE KING'S ARMS** in Stockland in East Devon closed its doors in 2013, residents of the village, which also lacked a shop, found there was no longer anywhere for people to just drop in and see a friendly face. Most of the parish's population lives outside the village and with no social reason to travel into Stockland, the village felt dead. Having no public transport created further isolation, particularly for the elderly or those living on their own.

Some people suffered depression after the pub closed, their lives blighted by not having somewhere to go in the day or evening, and no reason for them to leave their homes. Local clubs such as the cricket team were hit very hard and the players at the pub's skittle alley, which had supported three or four teams, had to go to other pubs.

The village was driven to take action, and Stockland Community Pub Ltd (SCPL) bought the pub in January 2019 after a huge fundraising effort and people pitching in their skills and labour.

Damian Clay, chairman of SCPL, paid tribute to the late Peter Maitland, who got the wheels in motion to reopen the pub: *"Peter loved the King's Arms, and had many fond memories of good times there. If he arrived home late in the evening, there was always a friendly face, a pint and a hot meal waiting for him across the road from his house. Peter had seen the pub at its best and at its worst, and he longed to see it once again being at the heart of village life. I know he found the view of the shut and boarded up pub, as seen from his kitchen window, a sad and depressing sight."*

In 2013, Peter joined the management committee – serving until his untimely death in May 2019. He was a great champion of our efforts to save the pub from redevelopment and to bring it into community ownership. The pub re-opening [in January 2020] was a joyous occasion for the village, though some of us found it a bitter-sweet moment because our missing friend and colleague did not live to see his dream for the King's Arms fulfilled."

6.2 Community cohesion

Establishing a community pub involves a great deal of time and effort from a large number of people in the community, who lend their skills and work together as members, committees, volunteers, staff and customers. There is usually 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 gives 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.

During COVID-19 it has become obvious that the necessary community spirit has once again been galvanised to support and protect these hard-won and much-valued community businesses.

6.3 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.



6.4 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. Pubs also offer space for art exhibitions, poetry readings, open mic nights, dance nights and there is an increasing trend to run pop-up cinema. Many pubs took these activities online where possible during the 2020 lockdown.

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 at an individual or team level, such as pool, snooker, darts, quoits, skittles, backgammon, cribbage and dominoes.

6.5 Boosting the local economy

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

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

INSIGHT

THE SWAN AT CLEWER near Windsor, which opened in 2019, is home to The Green Room School, which is for students who can no longer access mainstream education. The Green Room provides all pupils with opportunities so they can move on to further education, employment or their own business ventures. This makes The Swan unique in the UK.

The GR6 Sixth Form programme is a much needed alternative for pupils who want to prepare further, or may not be ready or not fully equipped yet to thrive in a college or school sixth form environment. Graduates from GR6 can progress to the Graduate Scheme which aims to bridge the gap between leaving school and the world of work via training courses, work experiences and employment in a safe environment. The Swan is an integral part of this. Students may gain skills and work experience in The Swan's kitchen, bed and breakfast, café, restaurant or other suitable areas of the business. This social enterprise aspect of the business, aiming to give young people with additional needs an opportunity to progress in life, is essential to the philosophy and ethos of The Swan Clewer CIC.

The Swan is now also an award-winning pub, having landed a Great British Pub award in the Keeping the Community Entertained category, celebrating its great programme of online activities and events for the community (which also raised £500 for their nominated local charity for their work with families in crisis) during the 12-week COVID-19 shutdown period.



7

Financial performance

Financial information for this report is drawn from the latest available public data on turnover for pubs as shown by FCA AR30 Returns and Companies House records for the years 2017, 2018 and 2019 (updated where data is available from the 2020 Plunkett survey).

Data are shown in aggregate and by managed pubs and tenanted pubs separately.

Note: Pubs opening in 2019 (19) are not included either because available data is for part of a year or yet to be published after the end of the first trading year.

7.1 Profits/losses and turnover

Profits/losses are drawn from the sources above (48 records) by reference to:

- Turnover and revenue from the pub and related activities (e.g. events and room hire)
- Removing grants and donations or other similar sources of funding to allow comparison of underlying profitability for core services
- Deducting costs
- Figures are shown before depreciation and before taxation for comparability reasons.

On this basis:

- 32 (67%) pubs where data is available show a profit net of depreciation. Of these, 14 are tenanted and 18 managed
- 16 (33%) pubs where data is available show a deficit net of depreciation. Of these, four are tenanted and eight managed.

It needs to be emphasised that these figures show returns to the community. Tenanted pubs show rents and other returns to the community, not the performance of the tenanted business.

Returns from tenanted pubs will be offset by any borrowing or mortgage charges to the community. As borrowings will fall over time this may not mean that the community investment is at risk

provided that the means exist to cover borrowing, and the community will have their asset (if the premises are owned).

Pubs may have other sources of income or rely on grants, donations or other external funding, so many of those showing losses will compensate by these means.

In some cases, losses are attributable to significant repairs or improvements in a year for which grants may have been awarded.

Turnover for managed pubs varies widely from outliers of £25,000 to £700,000+ but as would be expected tend to have a turnover of £100,000+ per annum. However, there appears to be no correlation between surplus or deficit and turnover, except that all available pub records showing a turnover exceeding £401,000 are recorded as profitable.

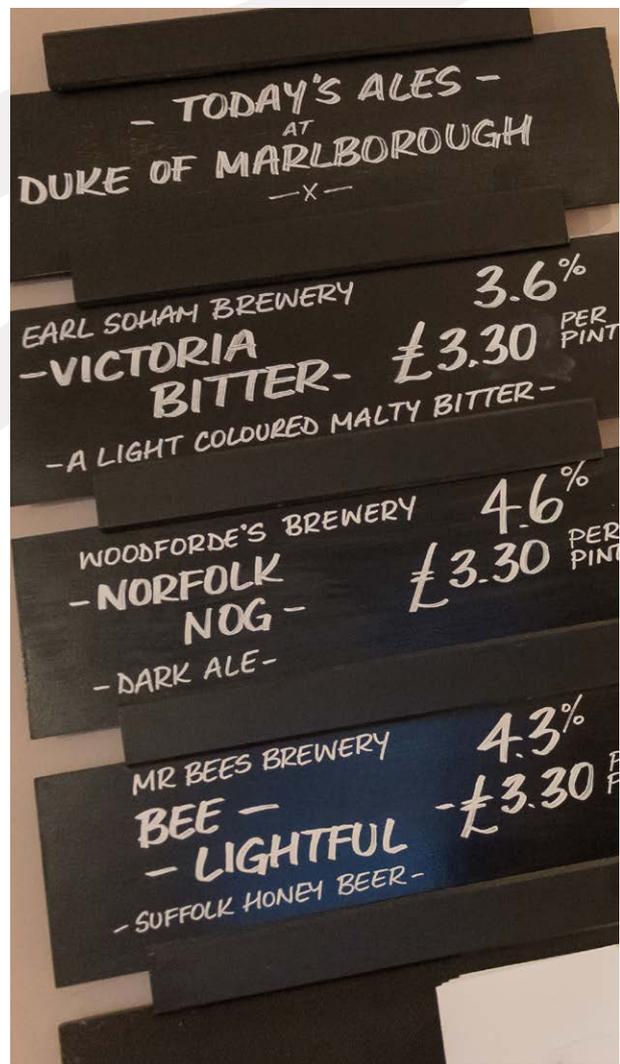
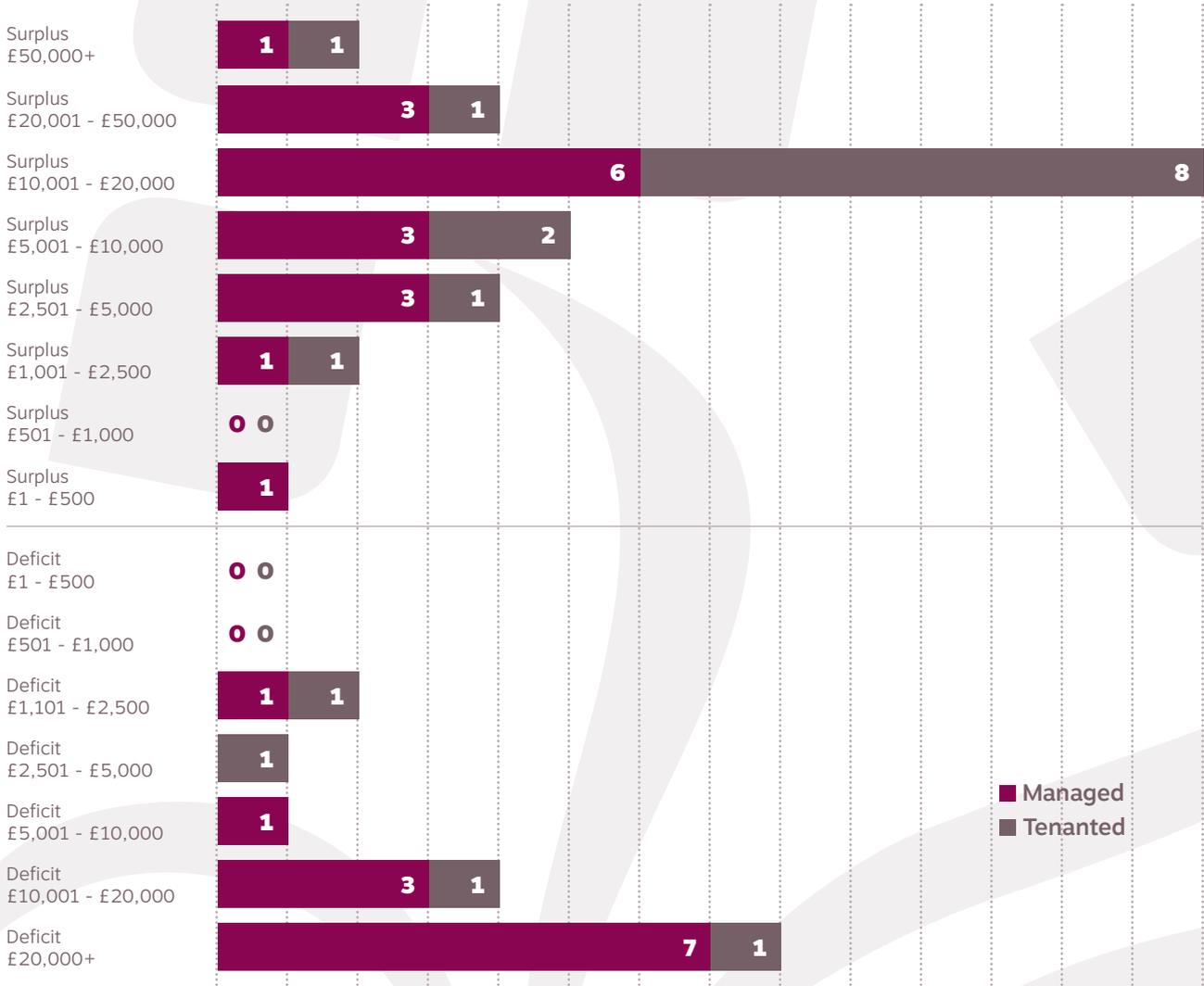
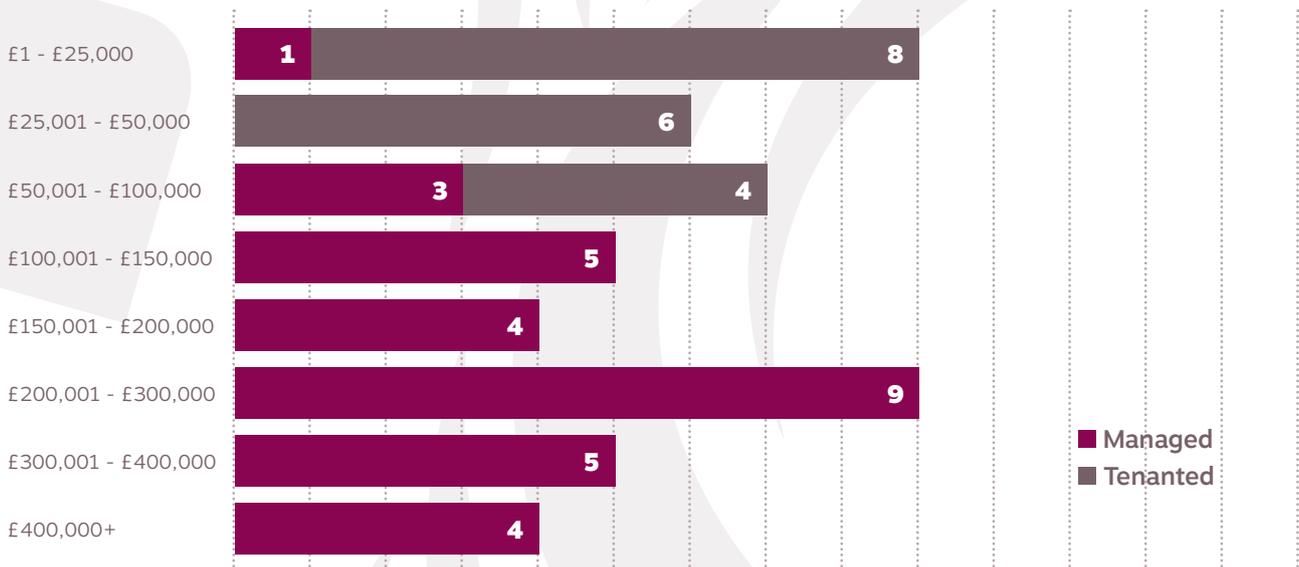


FIGURE 7.1
SURPLUS OR DEFICIT FOR MANAGED AND TENANTED PUBS



Source: FCA AR30 returns and Companies House records for 2017, 2018 and 2019 from a sample of 48 records

FIGURE 7.2
TURNOVER BY BAND (MANAGED AND TENANTED PUBS)



Source: FCA AR30 returns and Companies House records for 2017, 2018 and 2019 from a sample of 49 records



7.2 Borrowing and fundraising

Looking at borrowing, from a relatively small sample (32, which is 27% of known community pubs):

- 23 (72% of the sample) record outstanding mortgages or loans, mostly in excess of £20,000
- 11 of these (34% of the sample) record outstanding mortgages or loans of £80,000+
- 9 (28% of the sample) record no outstanding mortgages or loans.

Asked whether they had fundraised or sought grants in 2019 specifically to support pub profitability, 88% (28) of responding pubs recorded that they did not, with the balance recording additional fundraising for this purpose.

However, 44% (14) of pubs recorded fundraising activity in 2019 for improvements or repairs, or to replace equipment.

Typically, most fundraising activity was for relatively modest sums (under £10,000) or activity up to £50,000, most of the latter being to fund improvements, repairs etc.

During COVID-19, the Plunkett focus groups reported a good take-up of government relief grants and confirmed that VAT reductions and deferrals helped with cash flow and core running costs, but there was reluctance to take on extra debt via bounce-back loans.

7.3 Use of profits

The business model of a community pub is generally based on the ideals of community benefit and therefore the distribution of net profit to its community. The overall pattern of net profit use (where present) reflects the relatively modest scale of such profits, understandable due to many of the businesses still being in the early stages of growth (74% of community pubs having been established in the last seven years). Many are still reinvesting in the business and building their reserves. Nonetheless, a healthy 16% of the responding pubs donated to charity and/or community causes from their profits.

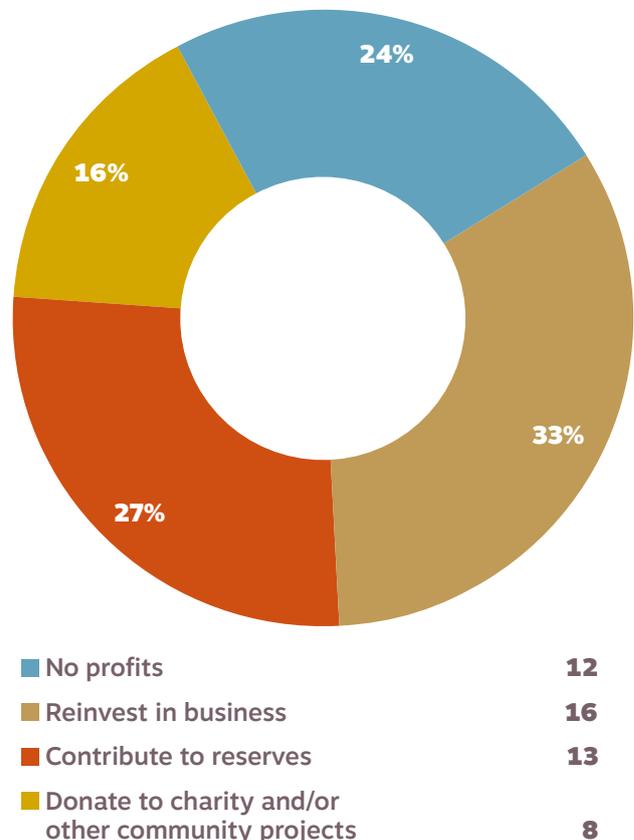
INSIGHT

The 17th-century **PUNCH BOWL INN** at Great Broughton, Cumbria, CAMRA pub of the year 2018, has been run by the community since 2013. Aside from maintaining a small reserve, at the end of each financial year it donates any profits made to local charities, such as cubs, scouts, brownies, the local junior rugby team, the school, and the carnival committee. In 2019 these donations exceeded £5,000.

Mainly run by volunteers and one or two paid staff, the pub opens three days a week (Friday, Saturday and Sunday). The committee meets on Mondays, with one member tasked with ordering all the beers, which they try and rotate amongst six Cumbrian breweries, alongside guest beers.

They have had to make changes to accommodate social distancing measures, and it has reduced their capacity from up to 60 people to 20, which has impacted the takings.

FIGURE 7.3
USE OF PROFITS



Source: 2020 Plunkett survey from 32 responses

Note: Some respondents report multiple uses of profits

8

Sector confidence and concerns



The 2020 Plunkett survey asked community pubs both about priorities and concerns over the next 12 months and how confident they felt about the future of their pubs. 31 of the 32 responding pubs provided insight and data, and the Plunkett focus groups gave first-hand accounts of their reactions to the recent events and their concerns for the future months.

Responses to the survey were unsurprisingly coloured by the fact that it ran in April/May 2020 at the height of the initial COVID-19 lockdown, as were the comments from focus groups in September 2020. The pandemic was clearly at the forefront of respondents' minds and their answers reflect concerns about long-term impacts and shorter-term uncertainties, including:

- The course of the disease in coming months and government policy response to it
- Sustaining services such as takeaway and home delivery of food and drink
- Social distancing difficulties in the forthcoming winter
- Staffing levels, impacts on staff and volunteers, including staff retention
- Affording essential repairs and property management.

All respondents expressed concern about securing a future for their community pub, with a significant number concerned about sustaining effective management arrangements or losing tenants, or the cost of providing rent holidays for tenants.

Longer term COVID-19 impacts and concerns will be explored in the 2021 report, including the possibility of the sector looking less desirable to banks and funders (which may impact on start-ups).

FIGURE 8.1
CONCERNS OVER THE NEXT 12 MONTHS
IN THE LIGHT OF COVID-19



Source: 2020 Plunkett survey from 32 responses

Note: Respondents were asked for multiple responses

INSIGHT

CWMDU INN, SHOP AND POST OFFICE, situated in an historic building owned by the National Trust in the tiny village of Cwmdu near Llandello, Carmarthenshire, is run by the community and supported by volunteers. Social events like the annual fête, boat race and apple day help to increase the turnover of the shop and the pub. By running the enterprises as one, they can afford to employ bar people and a shop keeper to keep things running smoothly.

It is a finely tuned balancing act, however. Operating from a good financial position and reasonable rent, the business has survived the first few months of the COVID-19 crisis. However, continuing lockdown restrictions inevitably impact upon the pub. As the main bar is only 10ft by 15ft it is very difficult to observe social distancing. The summer months enabled customers to be seated outside under gazebos and gala tents with a small bar, but heading into winter this will become less popular. The management team are facing the logistics around the ban on drinking at the bar, a very small number of tables, and finding (and paying) enough staff to bus drinks around the various seating arrangements and upstairs space. None of their planned events will go ahead and with the ban on live music, the folk club could not take place. They have announced on their website that due to the restrictions on the number of people who can enter the premises, they are now having to operate on a first-come, first-served basis.



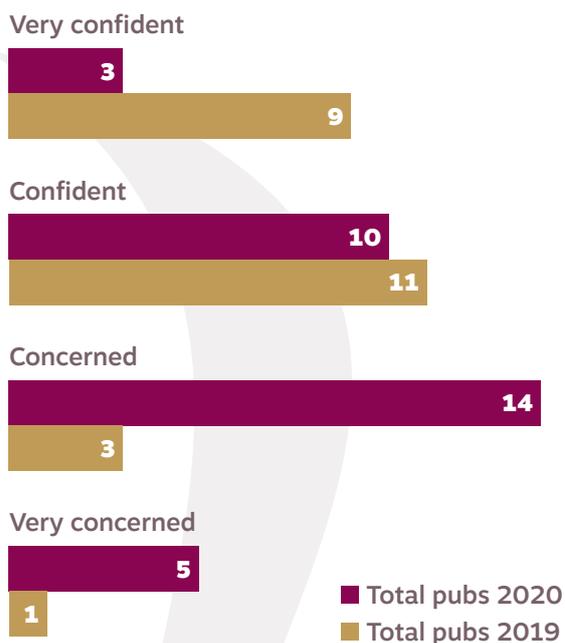
Asked about their confidence levels, survey respondents showed there has been a very significant change from the previous year. Figure 8.2 shows the confidence ratings for 2020 and compares them to those of 2019. Only 41% of responding pubs report that they are confident or very confident about their short-term future, compared to 83% when asked the same question in 2019.

Given the impact of COVID-19 on the hospitality sector to date, *this indicator may be more positive than it suggests* given that the data was collected at the height of lockdown and before pubs started to reopen; even so, 59% of responding pubs report that they are either concerned or very concerned about the next 12 months compared to 17% when asked the same question in 2019.

Those pubs concerned or very concerned split almost 50 / 50 between managed and tenanted pubs; however only three community owners of the total of responding tenanted pubs expressed confidence for the next 12 months.

Overall the balance favours managed pubs, although it is too early to understand whether this reflects where turbulence might be expected over the coming months (e.g. tenants quitting or going bankrupt) or whether there is a psychological factor in play in that managed pubs are under direct control in a time of crisis.

FIGURE 8.2
CONFIDENCE OVER THE NEXT 12 MONTHS



Sources: 2020 Plunkett survey from 32 responses / 2019 Plunkett survey from 24 responses





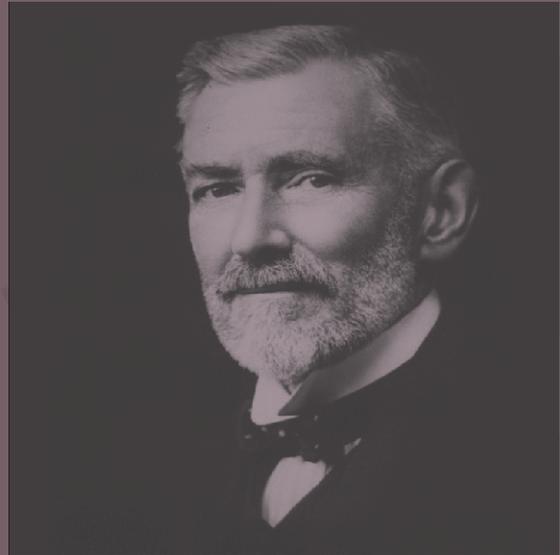
**Plunkett
Foundation**

www.plunkett.co.uk

About Plunkett Foundation

The Plunkett Foundation helps rural communities UK-wide to tackle the issues they face by promoting and supporting community business. Community businesses are enterprises that are owned and run democratically by members of the community and others, on behalf of the community. They come in many forms – including shops, pubs, woodlands and anything which lends itself to community ownership.

In addition to developing and safeguarding valuable assets and services, community businesses address a range of issues including isolation, loneliness, wellbeing, work and training. For over 100 years we have provided practical support to help communities establish and run these businesses successfully.



If you share our vision for a vibrant rural economy with rural community businesses at its heart, why not join Plunkett as a member?

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