

pub is the hub

Community Ownership and Running of Pubs



“ A community is like a ship;
everyone ought to be prepared to
take the helm ”

HENRIK IBSEN - 19TH-CENTURY NORWEGIAN PLAYWRIGHT,
THEATRE DIRECTOR, AND POET.

www.pubisthehub.org



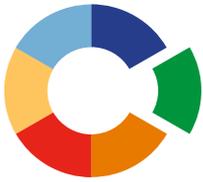
Community pubs are a great British institution. Described as ‘the heart of England’ by Samuel Pepys, they remain an integral part of community life across the country. As Community Pubs Minister I am fully aware of the important economic and social roles pubs play and I am determined to champion their rightful place at the centre of our villages and towns.

Some pubs have struggled during the difficult economic climate but they operate within an industry that is well known for its creativity and initiative in attracting and retaining customers. Pub is The Hub is indeed a great example of this and its efforts to help communities and pubs work more closely together has provided vital services, including village shops and local post offices, where they are needed most, whilst at the same time providing a more viable future for pubs.

This guide has been developed by Pub is The Hub to help local people to take ownership of their beloved pub and revitalise these important assets on behalf of the wider community. Pubs are just as important to the local economy as they are to the social scene and this Government is determined to do all it can to help them thrive and prosper.



**Kris Hopkins MP,
Community Pubs Minister,
Department for Communities and Local Government.**



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What is Pub is The Hub?



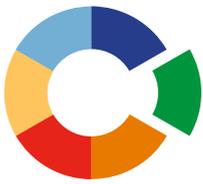
What is Pub is The Hub?

Pub is The Hub was initiated by HRH The Prince of Wales in 2001, as President of Business in the Community. It is a not-for-profit advisory organisation and is the only national advisory body working directly with licensees and linking up with both private and public sector partners to support rural regeneration objectives. Pub is The Hub acts as a catalyst to encourage rural licensees and communities to work together in support of their local needs.

What does Pub is The Hub do?

Rural pubs are at the heart of their communities and a natural focus for social and services activity. Pub is The Hub's experienced advisers include volunteers from the pub, property and drinks industries. They work together with licensees and other relevant local bodies to retain and create new services.

Our aim is that wherever it is feasible, we try to help pubs stay at the heart of communities, acting quickly and innovatively to ensure the pub remains relevant to the needs of the local community. Pub is The Hub has supported and advised a wide range of communities involved in taking 'ownership' of their local pub to help keep it at the heart of the community.



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When a much-loved or neglected pub closes or goes up for sale it can often be one of the last community assets in the area.

It can be an emotional blow as well as one that can seriously affect the local economy and community infrastructure; nowhere to meet, no focus for community life and no community cohesion.

Galvanised into action, the community can be a successful force; bringing creativity, business acumen and hands-on support into one powerful and vocal group. Many groups have pulled together to own and run their pub but equally over 50% of groups do not take, or are not able to take their plans through to fruition.

So the starting point is the community itself and we would suggest that you ask yourself the following questions:

How are you going to make a failing pub a success?

- What is the size of your community? Can it sustain and support the pub?
- Have you sounded out the local community? You need a strong working group of volunteers committed to developing and delivering the pub project.
- Why is the existing pub failing/closed? Do you know the present owners?
- Will the pub require new investment? If so:
 - » Establish the costs of meeting necessary standards.
 - » Assess investment needs and build them into your plans.
- Have you talked to and visited a community which is already running a pub?
- What form of 'ownership' is right for your community? (e.g. freehold or leasehold).
- Are there needs for other local services which could be included? E.g. A village shop.
- Do you understand the many responsibilities involved in running a pub?

Do you need to buy the pub?

If your local pub is up for sale, full outright purchase might not be the only option available to you. The freeholder may be happy to talk to you about shorter term options. Renting or leasing may give you an opportunity to 'try before you buy' and avoid the need to raise larger sums of capital finance. There are examples where a pub has been let on a five year tenancy to the community.

Community Ownership - Is it right for your community?



Short Term Lease (3-5 years)

Where the current freehold owner of the pub is willing to engage with the local community and they are keen “to try the business out” before moving on to a more permanent longer term solution, then a short term lease arrangement is worth exploring. Some leases can be even shorter, it depends on the owner.

Advice will need to be taken as this option will involve the community group taking on a number of responsibilities for the property including in particular the day to day management of the operation and the repairs to the building. Freehold owners would typically want to deal with a properly constituted body which could be a Community Interest Company specifically set up for the purpose.



Long Term Lease (10 years)

Where the current freehold owner of the pub is willing to engage with a properly constituted body set up by the local community and the community is comfortable to move onto a more permanent longer term solution, then a longer term lease arrangement is worth exploring. These are typically for a term of 10 to 20 years. In this scenario the community group will have a number of different options available to them depending upon the pub's owners. Full details of the lease arrangements may be available to download or browse on the pub owner's website.

In the majority of cases most reputable pub operating companies will have drafted their agreements according to a general industry code of practice called The UK Pub Industry Framework Code of Practice – full details of which can be found on the British Beer and Pub Association website at www.beerandpub.com. If this is not the case it will still be a useful reference document from which to work.

The key difference in a longer term lease agreement compared with a short term lease or tenancy is that:

- the longer term lease may be assigned or ‘sold on’ to another party during the term of the lease;
- there can be more choice at the outset of the agreement over who is responsible for property issues such as repairs to the property and any arrangement over liquor supplies;
- and the pub company may provide support for business development, marketing and group purchasing.

Purchase of the Freehold

In many situations the owner of the freehold may wish to dispose of the asset without further negotiation with regard to tenancy or leasing arrangements therefore putting it on the market.

If the community group cannot persuade the pub owner to consider leasing the group will need advice on a price or value for the pub in which case a firm of Chartered Surveyors or valuers specialising in licensed property work could be instructed. In some cases the owner may be keen to sell the property with the option to change the building's use as a public house. More opportunities to counter such an arrangement may now exist with the ‘Right to Buy’ under the Localism Act and more information can be found at www.gov.uk and www.camra.org.



How are you going to operate/run the pub business?

There are two clear options: **Management - employees/volunteers**
Tenancy - sub-let to a professional operator

When considering the operational model you need to think carefully about all the practical and legal issues in running your own pub as a business.

Be prepared for long hours and lots of hard work, but the results can be worth it. You can contact community groups who have taken the plunge by looking on our website www.pubisthehub.org.uk and reading their case studies.



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Establishing a community owned or run pub as a business entity

Pub is The Hub has (so far) experienced six different options for community groups in running a pub as a legal entity. This is by no means a comprehensive guide and you will need to seek further advice but the following information will give you an overview as to the range of options available to your community:

1. Community Interest Companies

A Community Interest Company (CIC) is designed for social enterprises that want to use their profits and assets for the public good. CICs are intended to be easy to set up, with all the flexibility and certainty of the company form, but with some special features to ensure they are working for the benefit of the community.

A CIC is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. CICs tackle a wide range of social and environmental issues and operate in all parts of the economy. By using business solutions to achieve public good, it is believed that social enterprises have a distinct and valuable role to play in helping create a strong, sustainable and socially inclusive economy.

There is no single legal model for social enterprise. CICs are more lightly regulated than charities but do not have the benefit of charitable status, even if their objects are entirely charitable in nature.

Those who may want to set up a CIC are expected to be philanthropic entrepreneurs who want to do good in a form other than a charity. This may be because the parties are looking to work for community benefit with the relative freedom of the non-charitable company form to identify and adapt to circumstances but with a clear assurance of not-for-profit distribution status.

- Companies are registered at Companies House in the same way as a normal company with the same incorporation documents but supplemented by a Community Interest Statement.
- May be public company (plc), private company or company limited by guarantee.
- Pay corporation tax in the same way as other companies (plus donations are allowable as a 'charge').
- Cannot apply to HM Revenue & Customs for Gift Aid Status.
- Must register and pay VAT in the usual way.
- CICs do have shareholders, but there is a dividend cap. The aim is to strike a balance between encouraging people to invest in CICs and the principle that the assets and profits of a CIC should be devoted to the benefit of the community.

Shareholding rules are the same as for other limited companies.

An example of a community group operating under this model is

**The Punchbowl Inn,
Batisford, near Stowmarket, Suffolk,
IP14 2LQ**

01449 771646

**info@punchbowlbattisford.co.uk
www.punchbowlbattisford.co.uk**



2. Enterprise Investment Schemes

This scheme has proved to be an effective way to purchase pubs given the tax advantages available.

There are a number of rules that have to be followed for the investors to qualify for the current 30% tax relief including:

- The investment must be held for a minimum period of three years.
- If there are letting rooms included the income from letting must be no more than 10-15% of total takings.
- No investor can hold more than 30% of the shares.
- No investor can derive an income directly from the business.
- The pub must operate under management during the initial three years.

If a minimum number of four investors can raise the necessary equity to purchase a pub it is advisable for them to retain an operator who has an understanding of the licensed trade to act as an advisor and to assist them generally but specifically to draw up a business plan, to oversee any refurbishment work and to help with the selection of a manager. All too often a community sees the purchase of their pub as an exciting opportunity but fail to realise the huge amount of work involved in running the outlet for seven days a week and to ensure the business runs as efficiently and profitably as possible.

There are examples where communities have acquired their local initially through the work of four or five families who have underwritten the purchase price. The investors have then diluted their own shareholding by selling shares on an individual or multiple basis to other villagers. This helps to strengthen and grow the business and to encourage the local residents to support the pub, increase turnover and hence underpin value.

An example of a community group operating under this model is

**The Fleece Inn,
Chapel Lane, Hillesley,
Gloucestershire, GL12 7RD**

01453 520003

www.thefleeceinnhillesley.com

- A government sponsored scheme providing generous tax reliefs for investors making equity investments in small and medium sized companies (unquoted companies not controlled by another company).
- They relate to limited companies, so the entity will be registered at Companies House.
- Money raised must be used in the trade.
- The limited companies will register with HM Revenue & Customs to pay corporation tax and VAT but are free from Inheritance tax and Capital Gains Tax..
- Shares must be fully paid up in cash.
- Shares must be full risk ordinary shares with no arrangement in place to protect the investor from the risk of the investment or to sell the shares at the end of the relevant period.
- Individuals get tax relief for their EIS investments.



An example of a community group operating under this model is

**Y Pengwern,
Church Square,
Llan Ffestiniog, Gwynedd,
LL41 4PB**

01766 762200

**pengwern@pengwern.org.uk
www.pengwern.org.uk**

3. Co-operative Societies and Community Benefit Societies

The Co-operative and Community Benefit Societies Act came into force from 1 August 2014. It replaces the 'Industrial and Provident Society' legal form with two new legal forms, Co-operative Society and Community Benefit Society.

All 'industrial and provident societies' are now referred to as 'registered societies'.

A new society registering must choose which type of society to register as. It must be carrying on a business or trade, have at least three members (two if they are both registered societies), provide rules that comply with the Act and use an appropriate name. Typically, co-operative pubs have large memberships, with 200 people on average but are still governed on the basis of one member one vote, irrespective of their investment.

Advantages of registering for societies include corporate body status and limited liability.

Co-operative Society

Co-operative Societies are formed primarily to benefit their own members, who will participate in the primary business of the society. It will normally have to fulfil the following conditions:-

- A common economic, social or cultural need amongst the members with usually open membership.
- The business will be run for the mutual benefit of the members, with benefits primarily arising from their participation.

- Control of the society lies with its members with the principle of 'one member' one vote' applying.
- Interest on share and loan capital must not be more than a rate necessary to obtain and retain sufficient capital to run the business.
- Profits may be distributed to members as a bonus or dividend based on the level of transactions with the society.

Community Benefit Society

Key points of a Community Benefit Society are:-

- The business is run primarily for the benefit of people who are not members of the society and be in the interests of the community at large.
- It is usual to issue nominal share capital, say £1 share per member. Where additional share capital is issued or members make loans to the society, any interest paid must not be more than a reasonable rate.
- Profits or assets must not be distributed to the members, but used to further the objects of the society. Assets may not be distributed to its members on dissolution but transferred, for example, to another body with similar objects.
- A society with exclusively charitable purposes for the public benefit is an 'exempt charity'. It cannot register with the Charity Commission, but is otherwise subject to charity law.

4. Shared/Private Purchase as a Community Asset

This is where a small group of local residents purchase the pub often as a Private Limited Company and then engage with the community to make the business a community asset - in effect, the small purchasing group become the benevolent landlords for the community.

- The aim is community empowerment; to enable community ownership and management of publicly owned land and buildings.
- Public bodies may transfer ownership and management of land and buildings they own to communities at 'less than best consideration' – less than full market value.
- There are different ways to obtain the transfer to a community based organisation. It may be through a charity, a Capitalise Community Interest Company or an Industrial and Provident Society. The treatment, tax and shareholding rules depend upon the type used and explained elsewhere in the document.

An example of a community group operating under this model is

**Cadeleigh Arms, Cadeleigh,
Tiverton, Devon, EX16 8HP**

01884 855238

cadeleighpub@gmail.com
www.cadeleigh.com/13_Pub.html



5. Public Works Loan Board

This option enables a parish council to access a loan to buy a pub and pay for any related improvements required at the time of purchase. The pub will then become an asset of the council and will be subject to the rules and conditions of ownership of that local authority.

In most instances this process will follow after the community registers the pub as a 'community asset' under the 'Right to Buy' legislation. The same process can be used to buy other local community assets such as a local shop.

A business plan is required to show that the loan is repayable from the proceeds of the business the business can be run by the parish council directly or rented/leased to an independent operator under a suitable contract.

The application will also require documented evidence that open meetings have been carried out to gain local residents' approval and support. From this, a working group can be created to work on the Business Plan and application process (which differs for each authority). The parish council cannot apply without the overall support of the residents in the community.

No interest payments can be made in year one of the loan. Any additional non-recoverable costs to carry out due diligence, surveyor or legal costs must be borne by the parish council's own funds.

- This is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury.
- Nearly all borrowers are local authorities requiring loans for capital purposes.
- No registration at Companies House or elsewhere.
- Not an entity in its own right and therefore no corporation tax or VAT.
- There are no shareholding rules.
- The vehicle used to obtain the pub will make loan repayments to the PWLB. It would be anticipated that any interest on the loan will be an allowable expense if the entity pays corporation tax.

An example of a community group operating under this model is

**The Dolphin,
Main Street, Bishampton, Nr. Pershore,
Worcestershire, WR10 2LX**

01386 462343

**contact@thedolphinbishampton.co.uk
www.thedolphinbishampton.co.uk**





6. Companies Limited by Guarantee

Companies Limited by Guarantee are widely used for community projects. They usually operate as ‘not-for-profit’ companies. That is they do not distribute their profits to their members and either retain the profits within the company or use them for some other purpose.

The main reason for a community project to be a Company Limited by Guarantee is to protect the people running the company from personal liability for the company’s debts. If the company is not registered as a limited company then the people running it can be made personally liable for its unpaid debts. Thus the liability is limited to the amount of the guarantee set out in the company’s articles, which is typically set at £1.

A Company Limited by Guarantee is much like an ordinary private company limited by shares. It is registered at Companies House, must register its accounts and an annual return each year, and has directors etc. A major difference is that it does not have a share capital or any shareholders, but members who control it.

- These companies are not formed with share capital, but are registered at Companies House.
- 75% of Community Interest Companies are Companies Limited by Guarantee.
- The tax treatment is exactly the same as a company limited by shares. They will be treated by HM Revenue & Customs as liable to pay corporation tax on their profits as necessary and register and account for VAT.

An example of a community group operating under this model is

**The Raven Inn,
Ffordd Rhiw Ial, Llanarmon-yn-Ial
Denbighshire, CH7 4QE**

01824 780833

**ravenmad@raveninn.co.uk
www.raveninn.co.uk**



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Public House Licensing Requirements

This is a basic guide to licensing. For more detailed guidance then please refer to Poppleston Allen Solicitors Licensed Trade Guide or download the APP from their website at www.popall.co.uk.

Premises Licence

If you wish to provide licensable activities then you must hold a premises licence. Licensable activities include:-

- The sale of alcohol for consumption on and off the premises.
- Regulated entertainment. (Plays; films; indoor sports; boxing/wrestling; live music; recorded music; performance of dance and other similar types of entertainment.)
- Late night refreshment. This is the sale of hot food and hot drinks between 11pm and 5am the following morning.

Licences are granted and administered by the Local Authority. They can be held in the name of an individual or by a variety of organisations.

In addition to stating the licensable activities and hours, the licence will include conditions which must be adhered to and will include a plan of the premises.

An annual fee ranging from £70 to £350 is payable to the Local Authority. The fee is based upon the rateable value of the property. If the fee is not paid then the premises licence will be suspended. If you are acquiring premises with the benefit of an existing licence then you should check the following with the Local Authority:-

- Is there a premises licence in force?
- Has the annual fee been paid?
- Who is the premises licence holder? (To transfer an existing licence you will need the written consent of the current licence holder.)
- Insolvency, death or incapacity of a premises licence holder can cause the licence to lapse automatically. You need to make relevant checks to ensure the licence is in force.
- Ask the council for a copy of the current licence and approved plan. You need to check that the approved plan shows the current layout of the premises. If the layout has changed without the consent of the Local Authority then the premises licence might be at risk. You may need to seek the advice of the Local Authority as to how to rectify this.
- Is there permission to operate fruit machines? If so, how many and what types of machines?
- Who is the current Designated Premises Supervisor? If you will not be employing this person then you will need to replace them before you can sell alcohol.

Licensing Objectives

When you operate licensed premises then you must promote the licensing objectives.

The objectives are:-

- The Prevention of Crime & Disorder.
- The Promotion of Public Safety.
- The Prevention of Public Nuisance.
- The Protection of Children from Harm.

All licensing applications are determined with reference to the objectives.

Designated Premises Supervisor (DPS)

Where the licence includes the sale of alcohol then an individual known as the DPS must be named upon the licence.

To qualify as a DPS a person must hold a personal licence (see later). Where there is no current DPS associated with the premises then the sale of alcohol would be unlawful.



Personal Licence

Personal licences are granted by the Local Authority to an individual. The individual must hold a certain qualification to apply for a licence and must supply a criminal records check with their application. To be a DPS then you must hold a personal licence.

Pavement Licences – Street Café Licences

You may need a licence from the Local Authority to place tables and chairs outside your pub if the land is either owned or has been adopted by the Local Authority.

New Premises Licence Application

If the pub you wish to acquire does not have the benefit of a licence then you will need to apply for a licence. You should seek the guidance of your Local Authority or from a solicitor upon the process.

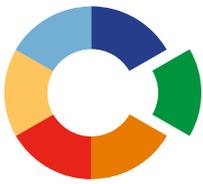
This advice has been kindly drawn up by Poppleston Allen, licensing solicitors.

PopplestonAllen

Nottingham: 37 Stoney Street, The Lace Market, Nottingham, NG1 1LS T : 0115 953 8500 F : 0115 953 8501

London: 31 Southampton Row, London, WC1B 5HJ
T : 020 3078 7485





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Help & Advice



Before making decisions and taking the next steps forward, contact Pub is The Hub or the following organisations who also work alongside us in these areas and can provide specialist advice and support:

Forming a co-operative ownership model

Co-operative and Mutual Solutions Ltd (<http://cms.coop>)

Co-operatives UK (www.uk.coop)

The Plunkett Foundation (www.plunkett.co.uk)

How to run a pub as a business

The British Institute of Innkeeping (www.bii.org)

The British Beer & Pub Association (www.beerandpub.com)

Legal advice on licensing matters and responsibilities

Poppleston Allen Licensing Solicitors (www.popall.co.uk)

**Get involved.
Contact us now.**

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Regional Agricultural Centre, Great Yorkshire
Showground, Railway Road,
Harrogate, HG2 8NZ

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Twitter [@PubistheHub_uk](https://twitter.com/PubistheHub_uk)

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