

Prospectus for investment in a Community Benefit Society, Long Newton Community Hub Ltd

JUNE 2020

UPDATED MARCH 2021

The Long Newton Community Hub Ltd



Contents

- 1. Introduction**
- 2. Asset of Community Value**
- 3. Community Benefit Society (CBS)**
- 4. Business Model**
- 5. Financial Projections**
- 6. Share Offer**
- 7. Management Committee Members**

DRAFT

1.Introduction

Long Newton is a village and civil parish in the borough of Stockton-on-Tees, situated between Darlington & Yarm. The population of the village at the 2011 census was 828.

The village has the advantage of the much-valued Wilson Centre, which offers an extensive timetable of classes e.g. flower arranging, yoga, etc. The village has two public houses; The Londonderry Arms and The Vane Arms. The Vane Arms dates back to the 18th century when it was known as The New Inn. The pub has had numerous owners in the past and was closed in 2006 for over two years, more recently it closed on the 31st August 2019 after the most recent owners decided to sell.

We are seeking investors to purchase shares and become a member of a Community Benefits Society (details of which are fully explained in section 3) to enable us to re-open The Vane Arms, Long Newton as a community pub, through a share offer. This prospectus describes the business plan, business model, share offer and how to invest. The Long Newton Community Hub Ltd (“LNCH”) was established on 5th March 2020, with the sole purpose to purchase The Vane Arms and transform it into a community pub.

Our vision is: -

- To purchase the pub as a community asset.
- To refurbish the building, making it accessible to all, including the less mobile (DOCM/DDA).
- To develop the existing allotment as a community project, to not only have financial benefits of supplying the pub and shop with veg, flowers and plants, but also as a health promotion activity, preventing chronic ill health and improving mental and physical well-being.
- To take full advantage of the extensive beer garden, which has unparalleled views of the Cleveland Hills.
- To see the pub operated independently by a tenant (appointed by the management committee) who shares our community vision.

-
- To restore The Vane Arms as the heart of the village which will provide additional services that support the local economy, enhance village life, reduce social isolation and help to support other local businesses.

“Pubs play an important role in our local communities. They provide valuable local hubs that strengthen community relationships and encourage wider social interaction.”

Community Pubs Minister
Kris Hopkins

Our key priorities are: -

- To open a community pub that is inclusive and welcoming, serving reasonably priced, good quality, locally sourced food and drink with a friendly atmosphere.
- To build a sustainable business that is owned by the community and run for the benefit of the community it serves.
- To offer social opening hours that will make the pub an accessible place to visit to catch up with friends and meet new people.
- To reinstate the rooms above the pub as bed and breakfast, to help provide local accommodation for users of the nearby, expanding Teesside International Airport.
- To provide a hub where the community can participate in a range of activities.
- To understand the needs and requirements of the community (and assess the viability of each) and the impact each will have on the community.
- As part of the suggestions already submitted, we would review the viability of a small shop, stocking essentials. Another avenue to explore is the possibility of having a post office on a weekly basis.
- To work in cooperation with the Wilson Centre so as not to detract from the facilities they already offer.

The Vane Arms has great potential to be so much more than a pub, which is why we are supported by the Plunkett Foundation¹, More Than A Pub Programme.

¹ www.plunkett.co.uk

“ The more than a pub programme, provides business development support to enable the community ownership of pubs in both rural and urban communities across England.”

¹*The Plunkett Foundation*

2.Asset of Community Value (ACV)

In February the management committee applied to Stockton Borough Council to list the Vane Arms as an Asset of Community Value (ACV), this was granted on 17th February 2020. The owner asked Stockton Borough Council to review the decision. We were informed on 1st May 2020, that the Vane Arms will remain listed as an ACV.

An ACV registration is the mechanism provided by the Localism Act of 2011 under which a six-month moratorium² can be placed on the sale of an asset in order to allow a community group the time to raise funds to make a bid to purchase. The act only provides the time and right to bid, it does not give any preference in terms of the actual purchase. Importantly, a local planning authority can also consider ACV status as a material consideration on a planning application, so ACV listing could be an extra factor the local planning authority has to take into account when considering any application to change the use of a pub. This then offers an extra layer of protection for communities wanting to keep venues operating as pubs and further develop facilities for the benefit of the community.

²In light of the COV-19 impact we have applied to try and extend this period, but SBC are unable to grant any extensions.

3. Community Benefit Society (CBS)

The purpose of a CBS is to serve the broader interests of the community, in contrast to co-operative societies that serve the interests of members. The 2014 Act requires a Community Benefit Society to carry on a business, industry or trade that is being, or intended to be, conducted for the benefit of the community. The financial conduct authority (FCA) focuses on four key characteristics of a community benefit society.

Purpose: The conduct of a CBS business must be entirely for the benefit of the community.

Membership: In common with all societies, CBS normally have members who hold shares and are accorded democratic rights based on one-member-one-vote.

Application of profits: Any profit made by a CBS must be used for the benefit of the community and not paid to its members as a dividend.

Use of Assets: CBS must only use their assets for the benefit of the community. If a community benefit society is sold, converted, or amalgamated with another legal entity, its assets must continue to be used for the benefit of the community and must not be distributed to its members.

The shares that members buy are redeemable in the way set out later in this document, but they are not transferrable (members cannot sell them to anyone else). This arrangement allows the CBS to be exempt from the financial services and Markets Act for Society share issues.

4. Business Model

The business model has been built using the best knowledge, information and estimates that we have to date, however, it will continue to evolve as we gather more information and advice from experts and advisers. It is important that you read the business model when considering whether to invest in shares, and to also seek independent financial advice when considering such a share purchase.

Key factors contributing to the success of a community run Vane Arms are: -

- By purchasing the Vane Arms we will not have to pay rent or be tied to a brewery.
- Appointing a professional and experienced tenant who will become part of the community.
- Providing appropriate facilities to offer all members of the community a reason to use the pub.
- Acquiring the pub through the LNCH Ltd will ensure community buy in, and input to, the future success of the pub.
- Improve the pub and garden in stages to provide improved facilities and increase financial return.

Finding the right tenant is key to the success of the pub. We will be looking for a tenant who reflects our philosophy for the pub and who will work with the management committee to make The Vane Arms a thriving community pub, which is sustainable and profitable. The management committee and shareholders will not be involved in the day to day running of the pub, however, a structured business review and feedback mechanism between the management committee and the tenant will be established. It is likely that quarterly reviews with the management committee and the tenant will be put in place, to monitor progress and success and to give regular updates to shareholders.

LNCH Ltd management committee will recruit a tenant who will pay an agreed annual tenancy fee on a 3-year cycle, this will be reviewed by both parties after the initial tenancy period. The management committee will discuss and implement targets for the tenant in relation to turnover, profit and customer reviews. The incentive for the tenant will be an affordable rent, which will be fixed over the agreed terms, regardless of profitability.

From the questionnaires received there are many services that the community would like to see on offer at The Vane Arms. These include a small shop, click and collect, live music, post office, to name a few. Each suggestion will be investigated on a cost versus benefit basis.

We aim to raise £400,000 from the community share offer. It is our intention to do this without the need for a grant or loan but if there is a shortfall then the management committee may explore, with the help of the Plunkett Foundation¹, the availability of grants and/or loans. There is also the possibility for us to apply for a grant of up to £250,000 from the Community Ownership Fund as set out by Rishi Sunak in the budget from March 2021

The funds will be used to: -

- Purchase the pub with associated costs and taxes
- Carry out minor works to prepare for re-opening (but utilizing expertise in the community to minimise expenditure)
- Provide sufficient working capital to enable early stage cash positive trading
- Manage recruitment, advisor costs and contingency

If the minimum target for the share offer is not met by the initial closing date, which is yet to be determined, then we would aim to extend this, subject to the owner agreeing that they will continue to engage with us post the 17th August 2020 moratorium period. If the minimum target for the share offer is not met and the owner of The Vane Arms is not in agreement to continue discussions, then the share offer will close, and all funds received from potential investors will be refunded within 30 days.

Any profit generated from LNCH will be used to cover the following fixed and discretionary items: -

- Any corporation tax liabilities
- Interest on share capital
- Maintenance of the premises
- Enhance and develop facilities
- Facilitate the withdrawal of shares when necessary

For prudence, we will aim to build a modest reserve fund to cover unexpected costs connected with the land and buildings or the trading business of The Vane Arms.

5. Financial Projections

Purchase Price (Assumed)	295,000	
Brokerage Fees	3,450	<i>Based on £500 plus 1% of purchase price</i>
Valuation & Survey	1,800	
SDLT	4,250	<i>Stamp Duty on Commercial Property</i>
Legal Costs	7,500	<i>Completion of conveyance plus TAW set up, shareholder agreements etc.</i>
Licensing Costs	750	<i>Personal license, transfer of premises license, DPS set up</i>
VAT @ 20%	59,000	
Opening Costs	5,000	<i>Stock to open</i>
Working Capital	15,000	
Redecoration	8,250	
Purchase Total	400,000	

Sales Summary	Year One		Year Two	
	Week	Annum	Week	Annum
Drinks	1,925	100,100	2,100	109,200
Food	2,585	134,420	2,820	146,640
Accommodation	495	25,740	1,080	56,160
Total Sales	5,005	260,260	6,500	312,000
Cost Summary				
	Week	Annum	Week	Annum
Drinks	674	35,035	735	38,220
Food	905	47,047	987	51,324
Accommodation	50	2,574	108	5,616
Total Costs	1,628	84,656	1,830	95,160
Gross Profit	3,377	175,604	4,170	216,840
Operating Costs				
Wages & Salaries	1,251	65,052	1,500	78,000
Rent	462	24,024	462	24,024
Rates	165	8,580	198	10,296
Utilities	225	11,700	270	14,040
Repairs and renewals	90	4,680	108	5,616
Insurance	55	2,860	66	3,432
Marketing/Telephone	75	3,900	90	4,680
Consumables	20	1,040	24	1,248
Waste disposal /Cleaning	60	3,120	72	3,744
Professional fees	35	1,820	42	2,184
Bank charges	35	1,820	42	2,184
Equipment hire etc.	10	520	12	624
Interest on capital	20	1,040	24	1,248
Other costs	133	6,916	159	8,268
Total Operating Costs	2,636	137,072	3,069	159,588
Net Profit	741	38,532	1,101	57,252

6.Share Offer

- You are invited to invest in The Long Newton Community Hub (LNCH) Ltd through the purchase of shares.
- LNCH Ltd, a Community Benefit Society (CBS) has been established to purchase, re-open and transform The Vane Arms into a community hub.
- LNCH Ltd is seeking to raise £400,000 from this share offer.
- Shares will have a nominal fee of £1.00, with a minimum investment of £500 and a maximum of £40,000.
- Investors must be age 18 or over.
- The offer is open to both individuals and may be held on a joint basis between family members.
- The dates on when the share offer will open have yet to be determined due to the Coronavirus and once finalized these dates will be published.
- If the share offer is oversubscribed, then the management committee have the right to close the share offer early. Unsuccessful applicants will be contacted with a view to be added to a waiting list if they wish.
- The value of shares will not increase or decrease, and profits will not be distributed as dividends.
- Shares must be held for a minimum period of 24 months.
- After 24 months shares may be withdrawn by giving 3 months' notice in writing to the management committee.
- Interest will be paid in the first complete financial year and will be paid at 1.0%.

-
- Interest paid on shares after the first complete financial year will be between 1.5-3.0%.
 - Each shareholder will have an equal say with 'one member one vote' regardless of the number of shares held.
 - Shares are not transferrable (except on death or bankruptcy) and cannot be sold or assigned to a family member without the consent of the LNCH Ltd management committee.
 - Any trading surplus, after payment of interest to shareholders and repayment of share capital, must be reinvested in the business or used to benefit the community.
 - In the event of the Vane Arms closes, and is sold, all shareholders will receive the full share value that they have invested, subject to the clearance of any outstanding debts.

7. Management committee

The management committee comprising of not less than three and no more than twelve members will manage LNCH Ltd. They will be accountable to the shareholders and report to them via a newsletter and Annual General Meeting.

The current management committee are founding members and those that have set up the Community Benefit Society of LNCH Ltd and those who signed the application for the FCA (Financial Conduct Authority) registration. These members will serve until the first Annual General Meeting, which will be held as soon as practicable after the opening of the pub. All current members of the board will retire at the first AGM and other members of the community may put themselves forward to join the management committee, although current members are eligible to stand for re-election.

The management committee all live in Long Newton and come from a wide variety of backgrounds. This team has a broad range of skills and experience to draw on and make The Vane Arms a huge success. The committee is supported by The Plunkett Foundation and the More than a Pub project team. This group of people are passionate about saving The Vane Arms and creating a community asset for all to enjoy.

Nigel Dennison (Chairman)

Nigel is a retired firefighter after serving 30 years in Cleveland and has lived in the village since 2003 with his wife and 2 boys. Nigel's strengths in this exciting project are time and passion. When we are successful, he would like to become an integral part of the Vane arms maintenance team. He has extensive experience after developing and project managing many renovations. He is also a qualified plumber, a skill which will be put to good use.

Judith Sweeting (Vice Chair)

Judith is now retired after 35 years as a teacher in Redcar & Cleveland. She lives next door to The Vane Arms, one of the reasons they bought the house. She has fully supported the pub for the 32 years she has lived in the village and would like to see it re-open as a Community Pub.

Marco Maalderink (Treasurer)

Marco is originally from The Netherlands and has lived in the Northeast for over 20 years. He moved into the village two years ago with his partner and children. Marco has worked as a financial accountant for a number of international companies across the Northeast, utilising his language skills. He is fluent in English, Dutch/Flemish and German. Marco is looking forward to being part of this community project and hopes his skills and experience will help reinstate The Vane Arms as a village pub.

Jennifer Jones (Secretary)

Jennifer moved to the village 17 years ago with husband Guy and has been a frequent visitor to the Vane Arms over the years. Jennifer previously worked in the NHS and currently works for a private healthcare company. She is passionate about this project

and is looking forward to a celebratory drink the Vane Arms opens as the 1st community pub in the region.

Davina Dennison

Davina has been part of the community of Long Newton for 17 years, having moved to the village in 2003 with her husband Nigel and two children. The family have always been regular diners of the Vane Arms, fully appreciating the benefits of having such an asset on their doorstep. She is keen for the pub to become a community owned venture. Davina has worked for the emergency services for 26 years and is looking forward to retirement in the not too distant future.

Guy Jones

Guy has lived in Long Newton for 17 years with his wife and dogs, he has been a 'regular' in the Vane Arms since he was 19 years old. Guy runs a grounds maintenance firm and cuts the green spaces within the village and as well as St Mary's School field.

Mark Dyson

Mark moved to the Village at a tender age in 1970 and has frequented the Vane Arms over many years since turning 18. He has 40 years' work experience in both the public and private sectors.

Andy Mullin

Andy has lived in Long Newton since 1996. He has over 35 years in the leisure and hospitality industry and has operated and owned many pubs in that time. He currently owns and operates a consultancy that specialises in the strategic management and modern marketing of pubs. Passionate about the licensed trade and the Vane Arms he brings experience and knowledge of the hospitality industry.

Mike Fawcett

Mike and his family have lived in Long Newton for 16 years. The welcoming atmosphere of the Vane Arms, experienced as a visitor since 1992, is one of the key attributes that

encouraged Mike to move to the village. Mike has worked in the engineering sector for over 30 years and is experienced in the management of small to medium businesses.

Helen Jones

Helen has lived in the village for 5 years with her husband and daughter and enjoyed visiting the Vane with her dogs. She was a science teacher for 14 years, before starting her own gardening business and qualifying as a garden designer. Helen is looking forward to helping develop the beer garden to become a community garden with productive allotment, where you can enjoy a drink, or meal in beautiful surroundings.

Further Information

If you have any further questions or queries which are not covered in this prospectus then please contact: -

savethevane@gmail.com

Jennifer Jones – 07921865360

Judith Sweeting – jsweeting@hotmail.co.uk

Nigel Dennison – nigedennison@sky.com, 07759694341