

THE CABINET AT REED

BUSINESS PLAN

Submitted by Reed Parish Council

April 2018



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Summary

1. This Business Plan supports the application by Reed Parish Council for borrowing approval from the Ministry of Housing, Communities and Local Government ('MHCLG') for a Public Works loan of £400,000 over 35 years for the purpose of purchasing The Cabinet public house when it comes on the market, with a view to operating it as a village pub. It is not intended that the purchase should involve an increase in the parish precept.
2. The Parish Council has drawn on expert assistance in drafting this Business Plan, in particular the financial proposition detailed in section 2. The annexes include the expert reports attesting to the pub's viability which were submitted as part of the objectors' evidence in the planning case.
3. The Cabinet is a 400-year old building in the Parish of Reed in North Hertfordshire. Unfortunately, after some years of closure following an incident of misappropriation of funds, it was acquired by a property developer who has undertaken internal works to turn it into a dwelling house without planning permission for change of use or listed building consent, only applying for these retrospectively. The former was refused by the Planning Control Committee of North Hertfordshire District Council in July 2017.
4. The owner has appealed against the refusal of planning permission for change of use. The commencement of the appeal process is imminent at the time of writing (March 2018) and it is expected by the applicants, Reed Parish Council, that The Cabinet will come on the market quickly if the appeal is dismissed. The Parish Council wishes to be in a position to act speedily in that event to save the last pub in Reed village.
5. Before submitting the application, Reed Parish Council consulted parishioners by way of a village meeting and a household survey. Both demonstrated strong support for the proposed application – in the case of the household survey, 82%.
6. Should the Parish Council acquire the pub, it would let it to a Lessee on a 15 year-lease who would carry out the day to day operations of the pub as a Free House. This business plan sets out proposals for the main features of such a lease.
7. The building's current condition is that the bar, working cellar, public toilets and commercial kitchen have been removed in the course of the unauthorised developments to the building by the present owner and, as regards the kitchen, his predecessor. If the appeal is dismissed it would be open to the local planning authority to issue an enforcement notice requiring him to cease using the premises as a dwelling, and to reverse such development as required listed building consent. The Parish Council can see no justification for the costs of restoration falling to the community, and unless the building were restored to a condition which enabled it to commence trading immediately the expectation would be that the purchase price would be discounted to reflect the cost of reinstatement.
8. Using those assumptions, the Business Plan sets out a profit and loss forecast demonstrating that The Cabinet is expected to make a healthy profit after the first year.

Historical data is sparse, but the indications are that it has made sizeable profits in the past.

9. The Business Plan also sets out profit and loss forecasts for the Parish Council to repay the Loan from rent received from the lessee who will be responsible for the day to day operation of the business.
10. The present position as regards the contentious planning application has meant that it has not been possible for the Parish Council's surveyors to gain access to the building. However, on the basis of an external inspection and historical data, our surveyor has been able to provide a valuation of £250,000, based on the value of the building as a pub ready to trade. That value will need to be discounted to take account of reinstatement costs.
11. Information about local demographics have been provided, among other things demonstrating an expanding potential market. This follows from expansion of Reed Village itself, and also from major housing developments in neighbouring towns and villages. The local campaign to save The Cabinet has drawn very considerable community support.

1. The Application

1.1. Who we are

This application is submitted by Reed Parish Council. Reed is a Parish in the Ermine ward of North Hertfordshire District Council ("NHDC"). It consists of 127 residential properties, with 12 more currently under construction.

1.1.1. Reed Parish Council has a Chairman, 4 parish councillors and a Parish Clerk.

1.1.2. To ensure that this application is credible and founded on a realistic Business Plan, the Parish Council has called upon external expertise to assist in its compilation:

- Greg Mangham, Managing Director, Resolution Leisure Consultancy. Extensive experience in the pub industry working for pub companies in senior roles and most recently as a consultant.
- Anthony Miller, FRICS, adviser to Pub is the Hub, specialist in the licensed trade sector
- Dale Ingram, Planning4Pubs Ltd – Planning and Heritage Consultant specialising in the pub sector
- Charles Kaminaris, RICS Registered Valuer, Director, GVA Grimley Ltd

1.1.3. It has also established a small Working Group of the Parish Council to assist with the application. It consists of

- Ken Langley, Chair of the Parish Council

- Caroline d’Ayala, Member of the Parish Council
- Michael Howes, parishioner and Chair of the Save The Cabinet Action Group
- Edwin Kilby, parishioner and Vice-Chair of the Save The Cabinet Action Group

1.2. Expert documentation

1.2.1. This document should be read in conjunction with Anthony Miller’s viability study and commentary, which were submitted to the Local Planning Authority as part of the objectors’ evidence in summer 2017. They are appended at Annex 1 (a) and (b).

1.3. Why we are applying and what we seek to achieve

1.3.1. Our purpose is to achieve the reopening of our much loved and only village pub, The Cabinet, and avert its permanent change of use to a domestic dwelling. Our vision is once again to have The Cabinet as the hub of the village, a pub providing facilities and services that bring the community together; a warm and welcoming venue for Reed and for people in surrounding villages and towns. The Parish Council proposes to raise funds by a loan from the Public Works Loan Board (PWLB). The loan would be to acquire The Cabinet, to carry out any required works to enable it to reopen and operate, and to provide the start-up working capital to run it as a village pub. The tenant/lessee would provide the working capital and his or her own the trading inventory.

1.3.2. Reed Parish Council has a remit to protect the Parish and its assets and we have a one-off opportunity to secure a core amenity for current village residents and for future generations, to reverse the current, unauthorised conversion of the building to a domestic dwelling. Reed has benefited from a thriving pub as a hub of the village for at least 200 years and should do so again. If The Cabinet cannot be saved there will almost certainly never be another pub in Reed; community life will be impoverished, house prices can be expected to fall, and Reed will be rendered a less sustainable village in the future.

1.4. Legal competence and right to apply

1.4.1. Reed Parish Council has authority and competence to borrow money from the PWLB for purposes identified in schedule 1 to the Local Government Act (2003) to sustain or enhance community provision. These purposes can include the acquisition of a village pub to retain it as a community asset, once authority to borrow has been secured from the MHCLG.

1.4.2. The Parish Council will secure permission to borrow by satisfying the MHCLG that the council is responding to the clearly expressed wishes of the

community in taking this initiative; and that it has a credible and costed Business Plan to ensure the financial viability of The Cabinet, once acquired, and can demonstrate the council's ability to repay the loan. The purpose of Reed Parish Council's endeavours is, by purchasing The Cabinet, to revive it for the benefit of the village community and for people who live, work-in or visit the wider, local area.

1.5. Precedent for Parish Councils borrowing to purchase village pubs

1.5.1. Purchase of community assets, including pubs, by Parish Councils is encouraged by the government¹.

1.5.2. Examples of pubs owned by Parish Councils and purchased with PWLB loans include the **Beauchamp Arms, in Dynock, Glocs**, which has just marked its 20th anniversary as a community pub². Another example is the **Dolphin at Bishampton, Worcestershire**³.

1.5.3. We are aware of other successful applications for borrowing approval – a recent example is the **Old House at Home at Newnham, Hampshire**⁴, and we understand further applications are in the pipeline. There are now nearly 100 Community run and, in most cases, owned community pubs, and there are likely to be more in the future.

1.6. Community Support

1.6.1. Reed Parish Council has consulted parishioners extensively and can demonstrate that this application to borrow to acquire The Cabinet and retain it as Reed's village pub has overwhelming support in our community.

1.7. Public Meeting

1.7.1. The Parish Council called an open public meeting in Reed Village Hall on 29th November 2017 to consider whether the Council should make an application to borrow in order to preserve The Cabinet as a pub. The Chairman of the Council made a statement from the Parish Council to inform discussion and provide context (see Annex 2). The attendance at the meeting was **69** members of the public. After more than an hour of close questioning and discussion an indicative vote was taken. **65** were in favour of the Parish Council taking such action, **1** was undecided and **1** was against. **2** did not vote.

1.7.2. A report of the meeting outlining the discussion and points made was received by the Parish Council at a subsequent Parish Council meeting and published on

¹ See: <https://www.gov.uk/government/news/parish-power-can-save-struggling-village-shops-and-pubs> .

² <https://www.pubisthehub.org.uk/news/uks-longest-running-community-pub/>

³ http://www.actlocalworcestershire.org/actlocal/info/6/success_stories/47/success_stories/9

⁴ Referred to in the decision of the Planning Inspectorate

<https://acp.planninginspectorate.gov.uk/ViewDocument.aspx?fileid=24233030>

the Reed PC website. It was then decided to extend consultation by means of the household survey referred to above, which was conducted in January 2018. (see Annex 2 (a) Public Meeting Notice & (b) Report of Public meeting)

1.8. Village Survey

1.8.1. Reed Parish council organised a consultation of all parishioners by means of a written household survey in January 2018. All parishioners aged 18 or over were asked to respond to the following question:

Do you think Reed Parish Council should apply for permission to borrow funds to purchase The Cabinet?

1.8.2. The question was accompanied by a short briefing paper giving details of the nature, scope and purpose of the project and proposed borrowing (see Annex 2(c)). These details supplemented the information aired in a public meeting in Reed Village Hall on 29th November 2017.

1.8.3. Survey forms were distributed to 125 houses. 2 properties were unoccupied. 114 households made a return, and 11 made no return. The response rate for the survey was 91% - significantly above average for such a survey, something which itself provides a measure of how passionate parishioners are about getting their pub back.

1.8.4. Votes were received from 207 parishioners of voting age. Votes cast were as follows (see also full results at Annex 2(d)):

Village Survey Result		
YES	169	82%
NO	21	10%
Undecided	17	8%

1.8.5. The survey shows a very large majority of parishioners support Reed Parish Council in applying to the MHCLG, for permission to borrow to purchase The Cabinet⁵.

1.9. Community Response to Planning Application for Change of Use

1.9.1. There was an overwhelmingly hostile response to this application from villagers. Some 70 villagers attended a specially called meeting of the Parish Council when the planning and listed buildings applications were first considered. 90 written representations were submitted to North Herts District Council objecting to the applications. At the Planning Control Committee

⁵ Full results can be viewed here: <http://www.reedparishcouncil.co.uk/wp-content/uploads/2018/02/RESULTS-Reed-PC-cabinet-SurveyPDF.pdf>

meeting in July 2017 the District Councillor for the Ermine ward spoke against the application, as did the area's County Councillor. 74 people from Reed attended the meeting to lobby against acceptance. The overwhelming nature of the vote to reject the application for change of use by Members of the Planning Control Committee (10 to 2) reflects their recognition both of the weakness of the applicant's case for change of use and the strength of community support for saving The Cabinet from what villagers see as predatory development.

1.10. The Save The Cabinet Action Group

1.10.1. The Save the Cabinet Action Group ("the Action Group") was formed in October 2016 when the retrospective applications for change of use and listed building consent were first submitted.

1.10.2. The Action Group engaged professional assistance from a planning and heritage consultant and a chartered surveyor with expertise in the licensed trade field. They assembled strong evidence demonstrating the pub's viability, which formed a major part of the case before North Hertfordshire Councillors on the Planning Control Committee when they refused planning permission for change of use.

1.10.3. The Action Group has engaged in fund-raising activities, principally to fund professional support for their opposition to the planning applications. Their regular (5 in the last 12 months) "Pop-up Pub nights" have been well-supported, attracting in excess of 100 villagers and visitors to the village at each event.

1.10.4. They have used social networks to engage with supporters, other campaign groups and with notable figures in the pub and beer campaigning field. The former editor of the Good Beer Guide, Roger Protz, has said he would like to write about the fight for The Cabinet when it reopens. The group's Facebook page has attracted 200 "likes" and a greater number of "followers".

1.10.5. Members of the Action Group were recently interviewed for a feature in the Paris-based newspaper, *Le Monde*.

1.10.6. An online petition to the Planning Inspectorate seeking to persuade them to hold a hearing or an inquiry has, at the time of writing, attracted over 900 signatures.

1.10.7. The Action Group's web site can be viewed here: www.savethecabinet.uk.

1.11. Why we are applying now

1.11.1. At the time of preparing this Business Plan, a contentious planning application is under appeal and the timescale of its resolution is unpredictable and not within the Parish Council's control. The Parish Council wishes to be in a position to act quickly in the event that The Cabinet is marketed at the end of the planning process.

1.12. Present situation

1.12.1. The building is subject to various planning applications which have not yet been resolved.

1.12.2. The commercial kitchen was removed by the previous owners during 2015. The present owner carried out numerous works to the property to change it into a domestic dwelling, from mid-2016 onwards, including removal of the bar, the public toilets, and the cellar. Despite complaints by Reed Parish Council and neighbours, NHDC, the planning authority, did nothing to prevent these works or enforce planning requirements.

1.12.3. Retrospective applications for planning and listed building consent were submitted in September 2016, and a further listed building application was added in July 2017. On 20 July 2017, the Planning Control Committee of NHDC refused permission for change of use by 10 votes to 2. The developer has lodged an appeal against this decision.

1.12.4. The listed building applications have not yet been determined by NHDC.

1.13. Assumptions

1.13.1. This Business Plan is drafted on the assumption that the remaining planning issues are definitively determined in favour of the community, i.e. that the appeal against refusal of planning permission for change of use is dismissed, and that the listed building applications are refused, turned away without determination or withdrawn. It is assumed, moreover, that The Cabinet is put on the market at a price reflecting its present condition, capable of restoration to public house use, or that it can be made the subject of a Compulsory Purchase Order by the District Council under the provisions of section 226 Town and Country Planning Act 1990 and the Crichel Down Rules 2015.

1.13.2. In the event the applicant's appeal against refusal of planning permission for change of use is dismissed, it would be open to the local planning authority to issue one or more enforcement notices against the appellant. These might require him to cease using the premises as a dwelling, and to reverse such development as required listed building consent. Unless the building were restored to a condition which enabled it to commence trading immediately,

the value of the building would need to be discounted to reflect the costs of reinstatement.

1.14. Recent history of The Cabinet

1.14.1. The Cabinet is a 400-year-old building which has served as a pub for at least 200 years. Until 2003, The Cabinet was a thriving, popular village pub, marketed as “a little gem”. It subsequently traded successfully as a gastropub and went through various owners afterwards. The recent owners were:

Date	Owner	Who Ran It
up to 1997	Sedgwick Rough family	Various tenants, most notably Katie & Nick Smith
1997-1998	Greg Molen	Greg Molen
1998-2003	Denby & Jane St. John-Williams	Ross Moynihan then Justin Scarborough-Taylor
2003-2005	Paul Bloxham & 3 fellow financial backers	Paul Bloxham
2005-2008	Simon Smith & Mark Hagger (Mark sold out to Simon within a few months)	Simon Smith himself and then various Managers
2008-2011	Albanwise	Angus Martin and Tracey Hale
2011	PUB CLOSED DUE TO FINANCIAL MISAPPROPRIATION	
2011-2015	Albanwise	Pub remained closed
2015 -	Richard Newman	Pub converted unlawfully to a house

1.14.2. The Action Group submitted evidence as part of its objections to planning permission for change of use demonstrating that closure in 2011 was brought about for reasons unconnected with the pub’s viability – and that it was and remains viable as a pub.

1.14.3. After the Cabinet closed in 2011 it was put up for sale. The Action Group provided evidence to NHDC, the Planning Authority, of several offers to buy or rent the pub which were refused by the then owners (Albanwise). It was eventually sold at auction in late 2015 to the present owner for £375,000. Documents before the Planning Control Committee, submitted by the present owner, suggested that the building was, as a pub, valued at no more than £250,000. The extravagant purchase price is something which strongly indicates an intention on the part of the purchaser to convert it to a house. There is a signed statement to this effect from Mr Mark Chapman, of the local branch of the Campaign for Real Ale, who was present at the auction.

1.15. Asset of Community Value

1.15.1. Reed Parish Council registered The Cabinet as an Asset of Community Value soon after it was put up for sale in 2011. The community purchase option was not, however, pursued at that time because in the period 2011 to 2015

Reed Parish Council was aware of a number of parties – known to the Council as serious and financially credible – who were interested in buying or running The Cabinet as a pub/restaurant business and therefore had good reason to believe that The Cabinet would be sold as a pub without the need for a community purchase.

1.15.2. This remained the situation when the then owners chose, in 2015, to sell by auction. Indeed, The Cabinet was advertised for sale as a closed public house, auctioned, and purchased as a public house. With hindsight, it now seems to the Parish Council that the vendors intended at all times to accomplish a sale at a price based on The Cabinet becoming a domestic dwelling. Indeed, the sales particulars advertised the site with a 35% overage which was to apply in the event of a residential development of the site within 20 years of the sale – which may well explain why the pub remained closed for 4 years: because the vendors considered The Cabinet to have greater value as a house.

1.16. Trading History

1.16.1. Limited records are available as regards The Cabinet's trading history, although anecdotal evidence exists of the establishment regularly serving 300 covers a day in the summer months during the 1990s.

1.16.2. Evidence quoted in Anthony Miller's viability study (see Annex 1a, especially para 10.8) shows that the turnover achieved in the year ending April 2007 was £485,229, a figure which would have translated into a substantial profit. Mr Miller also makes reference to the rateable value for the property in the 2005 and 2010 Valuation Lists, which suggest The Cabinet was among the strongest performers in the area (see Annex 4). He also quotes an article in the *Morning Advertiser* dated 1 March 2005 – during Paul Bloxham's ownership of the pub – giving a weekly turnover of £15,000. This, he points out in his "Comments on the Culverhouse and Trinity Solutions Report" (see Annex 1b, especially para 3.11) would equate to an annual turnover figure of £600,000 net of VAT, with a Gross Profit margin of 65%.

1.16.3. Mr Miller said in his report at 3.13 "In a reconstituted Profit and Loss Account for y/e 30.4.2007 an adjustment to the Gross Profit line to 65%, as set out in the *Morning Advertiser* article, increases the surplus before rent from £86,371 to £115,484. Since the property is owned freehold there is no rent to pay. Add back depreciation of £7764 gives a net profit/EBITDA of £123,248."

1.17. The Historical Context

1.17.1. A description of the longer-term history of The Cabinet appears at Annex 3.

2. Proposed Operating Model

The proposal is to lease the pub to a Lessee based on an operational model which delivers the overall vision to re-establish The Cabinet as a delightful rural pub.

2.1. Objectives and Key Success Factors

2.1.1. The Parish Council's Business Plan foresees the core function of a re-opened Cabinet being that of a classic village pub and eatery. It would offer food and drink that is reasonably priced, supported by a friendly environment and welcoming staff. The food will be good quality traditional food using locally sourced ingredients to attract both local residents, and as a destination venue from the surrounding towns and villages. The drinks will include real ales sourced, where possible, from local breweries, with an ultimate aim of The Cabinet being listed in prestigious publications such as Good Beer Guide, the Good Pub Guide and the Good Food Guide.

2.1.2. It is proposed that minimum opening hours would be as follows:

- All day (late morning to late evening) on Thursday to Saturday
- Lunchtime and evening opening on Tuesday, Wednesday and Sunday
- Closed on Monday

2.1.3. Market experience and advice from trade professionals suggests that closing on a Monday and offering limited Tuesday, Wednesday and Sunday opening hours might be appropriate in the initial years.

2.1.4. Food would be expected to be served during all sessions except, perhaps, Sunday evening.

2.1.5. Various other services, maximising The Cabinet's function as a village amenity and community hub, are also envisaged (see 5.3, below). Not only will such services provided added benefit to the community, they will also increase the value of the pub to those who might otherwise use it less.

2.1.6. In common with all rural village pubs, to prosper The Cabinet must attract a proportion of its revenue from customers living outside the village, and to achieve this it must establish and maintain a reputation for high quality, good value for money, and excellent service.

2.2. Parameters of the Lease Agreement

- 1) The Lease will be for 15 years with five-year break clauses when a rent review will take place.
- 2) The lease be assignable after five years with the Freeholders sign off being a pre-requisite to any assignment.

- 3) The assigning lessee will have an Authorised Guarantee Agreement which makes the Lessee financially responsible should the new lease holder fail.
- 4) Lease will be inside the Landlord & Tenants Act 1954.
- 5) A rent holiday of 3 months in Year 1. (It is suggested that the lessee has a 3 month rent free period to reflect the start-up situation and that he purchases the trade fixtures and fittings from the Parish Council over the initial 3 years of his lease).
- 6) Rent reviews / increases to be upwards only based on profitability or RPI, whichever is the greater of the two.
- 7) The Lessee will be expected to purchase all trade Fixtures & Fittings.
- 8) Repairs & maintenance are the responsibility of the Lease holder. The lease to be on a full repairing and insuring basis.
- 9) Lease holder to ensure that all repairs and maintenance of the building cause no detriment nor dilute any heritage criteria the building may have.
- 10) The Lessee will be expected to re-decorate the pub every 5 years.
- 11) A dilapidation schedule would be implemented on assignment under which the Lease holder is responsible.
- 12) A penalty clause/surrender fee may be enforced if early exit of the lease occurs.
- 13) Any additional capex investment made by the Lessee will not be redeemable on assignment or exit.

2.3. Free of Tie Lease

The lessee will be able to operate the Cabinet on a Free of Tie basis, which will include:

- 1) The freedom to purchase all products from any legitimate supplier they so wish, subject to the Freeholder's expressed wish that goods and services be sourced locally wherever possible.
- 2) All discounts given are the property of the Lessee and do not form part of the Freeholder's business interest.
- 3) All purchases are to be legal and ethical.
- 4) Lessee has the scope to manage the business in order to make it profitable but within the confines of the lease.
- 5) Lessee is self-employed, or employed by a company or partnership party to the lease, and acts as employer to those working in their service.
- 6) Lessee is responsible for adherence to all HMRC legal parameters on employment and payment of all staff.
- 7) Lessee is responsible for the payment of all forms of tax to the HMRC.
Freeholder has no responsibility to any legal body and/or supplier in terms of payment and terms of engagement.

3. Financial proposition

This plan is the financial basis of the application for borrowing approval from the MHCLG. After commissioning professional advice, the Parish Council Working Group recommended that a figure of £400,000 should be sought. This sum will provide sufficient capital to purchase the pub, carry out any initial remedial capital works necessary to enable the pub to re-open, cover set up costs, and provide sufficient working capital to purchase a trading inventory and establish an appropriate contingency to meet unforeseen costs.

3.1. Loan Value

3.1.1. The proposed loan value is based on a valuation of the property as a pub as £250,000. Our surveyor's valuation (see Annex 5) giving the figure assumes that the premises is fitted and ready to trade. This is clearly not the case with The Cabinet, so that this figure would need to have a discount applied to reflect the costs of any works necessary to restore the building to pub use. The Parish Council have attempted to gain access for a surveyor to carry out the necessary schedule of dilapidations from which a programme of repair, reinstatement and refitting could be properly costed. Access to the building for this purpose was refused by letter of 2 March from the owner's planning consultant Liz Fitzgerald of Barker Perry – see Annex 6), So the figures for reinstatement set out below are of necessity approximate. Since all the figures are estimates, we have for the purposes of the illustration taken a round number of £100k for the discounted purchase price.

3.1.2. Reinstatement is likely to include, among other things, a fully working kitchen, bar area, toilets, working cellar, tables, chairs, crockery (this is not an exhaustive list). We have assumed that the living accommodation on the first floor is habitable, the car park is clear of debris, and the garden is functional.

[continued on next page]

Loan Value Calculation	£	£
Purchase price of property (discounted for repair)	100,000	
		100,000
Additional costs related to acquisition - estimates		
VAT	20,000	
6 months Interest on VAT on purchase price	260	
Legal fees	5,000	
Searches	1,000	
Stamp Duty/Land Tax (commercial property under £150k is zero rated)	0	
Valuation Survey	1,000	
Total		27,260
Renovation cost estimates		
Surveys: schedule of dilapidations and quantity surveyor's estimates	4,000	
Architect fees	15,000	
Planning and Listed Building Advice	5,000	
Listed Building repairs	65,000	
Pub Refitting (bar counter, toilets, kitchen, cellar etc)	55,000	
Making good (plastering, electrical, services, decoration)	25,000	
Total		169,000
Costs associated with pub reopening - estimate		
Legal and other professional advice on tenancy agreement etc	10,000	
Tenant's fixtures and fittings	10,000	
Trade inventory	40,000	
Total		60,000
Other		
Contingency	25,938	
Loan repayments during refurbishment, say 10 months	15,212	
Insurance	1,500	
Total		42,650
Total Loan		398,910

3.2. Profit and Loss forecasts

The Cabinet 5 Year Profit & Loss										
	Year 1		Year 2		Year 3		Year 4		Year 5	
	F/Cast	Weekly								
Sales										
Total gross sales	357,800	6,881	415,800	7,996	467,000	8,981	505,500	9,721	518,500	9,971
Total Net sales	298,107	5,733	346,440	6,662	389,100	7,483	421,183	8,100	432,017	8,308
Total gross profit	188,197	3,619	217,926	4,191	242,828	4,670	260,782	5,015	267,498	5,144
Margins										
Wet margin %	65		65		65		65		65	
Dry margin %	60		60		60		60		60	
AWP %	40		40		40		40		40	
Costs										
Total labour costs	87,975	1,692	96,025	1,847	105,225	2,024	115,575	2,223	120,175	2,311
Total controllable costs	33,050	636	38,320	737	43,800	842	44,950	864	45,800	881
Total fixed costs	26,800	515	27,800	535	30,800	592	34,300	660	36,300	698
Cost as % of sales.	20		19		19		19		19	
Total overheads	147,825		162,145		179,825		194,825		202,275	
Overheads as a % of sales.	50		47		46		46		47	
Overheads as a % of GP	79		74		74		75		76	
Repairs as a % of sales.	1		1		1		1		1	
Operating Profit	40,372		55,781		63,003		65,957		65,223	
Rent	15,000		27,891		31,501		32,978		32,612	
Site EBITDA	25,372		27,891		31,501		32,978		32,612	
EBITDA as a % of sales	9		8		8		8		8	

3.2.1. The 5 year projections reflect a start-up situation with a growth in turnover and profit over the first 3 years to a maturity at year 3.

3.2.2. As the business matures the sales mix is expected to change with greater emphasis on the percentage of food sales as the pub's reputation grows.

3.2.3. The annual rent payable for the 5-year period is; in Year 1 £15,000, Year 2 £34,153 rising to £40,449 in Year 5. Rent to be reviewed in the fifth year of the 15-year term.

3.2.4. The annual rent in Year 1 has been discounted by just over 50% giving the lessee time to build the business in the first 12 months

3.2.5. Function sales are included in the wet and dry sales.

3.2.6. The labour costs are inclusive of some or part of the Lessee's salary dependant on the number of staff employed

3.2.7. The assumption is that the lessee will live in the property hence there will be no costs additional cost for the lessee for accommodation and utility bills.

3.2.8. The full profit and loss forecasts appears at Annex 7. For comparison, the BBPA costs guide for small rural pubs is attached at Annex 8.

3.3. Loan repayment values

3.3.1. The loan repayment has been based on an annuity of £400,000 for 35 years. The PWLB web site provides an interest rate of 2.95%, with estimated half-yearly payments of £9127.41, and a total payment of £648,046.11.

3.4. Parish Council Income and Outgoings

3.4.1. The financials have been based on the loan being repaid, professional fees for advice on lease agreements etc and a contingency for major property renovation of a gap in lease. The EBITDA figure will be invested by the parish council in an interest generating account.

Parish Council 5 Year P&L										
	Year 1		Year 2		Year 3		Year 4		Year 5	
	Income	Outgoings	Income	Outgoings	Income	Outgoings	Income	Outgoings	Income	Outgoings
Rent	15,000.00		34,153.00		38,364.00		40,516.00		40,449.00	
Loan Repayment		9,127.41		18,254.82		18,254.82		18,254.82		18,254.82
Interest (@1%)	0.00		58.73		218.29		421.57		648.40	
Profit/Loss	5,872.59		15,956.91		20,327.47		22,682.75		22,842.58	

Note: Over a 5 year period there is a potential for the Parish Council to make a profit of £87,682.30

4. The Property

The description below sets out the position as it is understood currently to be. In the event that borrowing approval is granted, the Parish Council will, before a definitive decision is taken to draw down the loan, first satisfy itself, by reference to structural and any other necessary surveys, that a purchase on behalf of the community remains prudent.

4.1. Location

4.1.1. The Cabinet is situated in the affluent, picturesque Hertfordshire village of Reed. It is a 17th century, grade 2 listed, timber clad, two storey detached building under a pitch and tiled roof with single storey pitch roof extensions to the sides and rear. Internally, it features very attractive, original, exposed beams throughout.

4.2. Interior

4.2.1. We know from the drawings supplied as part of the planning and listed building consent applications, as well as photographs supplied to our planning and heritage adviser by the local authority, that the original bar has been removed, as have the public toilets and the commercial kitchen. The (ground floor) "beer cellar" has been converted into a games room. The original tiled floor in the main bar has been, we understand, replaced. The original lath and lime plaster ceilings have been removed, exposing the roof timbers up to the apex of the roof.

4.2.2. These alterations all constitute elements of the present owner's unauthorised conversion of the pub to a dwelling house and unauthorised works to a listed building without the requisite consents.

4.2.3. Externally, the white painted cladding has been repainted in a cream colour. New areas of hard standing have been laid between the beer cellar and the road, and to the rear of the property. Certain trees have been removed. The shingle car park to the south side of the building has space for 25-30 vehicles; however, for a year and a half, it has untidily stored detritus from the building works. There is some additional parking on the street. There is a large timber storage shed in the corner of the car park which may be suitable for other uses to support the pub business, such as shop etc., subject to planning.

4.3. Proposed future interior layout

4.3.1. The Parish Council would expect the layout of the pub to be restored as it was before the unauthorised works were carried out. The agents' particulars at the time of sale include photographs. (*See annex 9.*)

4.3.2. On the ground floor was a traditional public bar with quarry-tiled floors, and an inglenook fireplace. Up one step was a further trade area, with a door leading to the trade kitchen.

4.3.3. A long narrow corridor linked the bar to the restaurant. The public toilets were located off the corridor.

4.3.4. A door from the public bar led to the snug bar, which had space for 14 covers.

4.3.5. The restaurant was in two sections: a traditional saloon bar used for dining, and a linked rear [conservatory] restaurant, with French doors to the garden. It offered space for 52 covers.

4.3.6. On the first floor, the domestic accommodation consisted of a double bedroom, a single bedroom, bathroom & WC, lounge area.

4.4. Outside Area

4.4.1. The Cabinet benefits from having a large rear and side garden area laid mainly to lawn. It has a sizeable external rear patio with seating / dining space for circa 60 covers. In the past, there were always a good number of traditional picnic benches throughout the garden which were used by drinkers and diners alike, providing scope for additional covers. There is an external bar servery and BBQ station, particularly useful for outside parties, functions, etc.

- 4.4.2. There is an external front patio area where picnic benches and tables were used by drinkers and diners.
- 4.4.3. The Cabinet has an above-ground cellar and bottle store attached to the north side of the building.

5. Supporting information and evidence

5.1. Local demographics

- 5.1.1. Reed is a small, but expanding, village 3 miles south of the nearest town, Royston. 273 residents were recorded as living in 119 households in Reed in the United Kingdom Census 2011. It is believed the village population has increased by about 10 since then. 13 new houses are under construction in Reed, with the potential for another 22, according to the draft North Herts Local Plan, and for others for which permission has been granted.

Settlement	Population (2011 census)
Reed	273
Barkway	775
Therfield	556
Barley	662
Buckland/Chipping	285
Buntingford	4820
Royston	15781

- 5.1.2. The draft North Hertfordshire Local Plan envisages some 140 new houses in the neighbouring village of Barkway.
- 5.1.3. Royston and the small town of Buntingford, 4 miles to the south of Reed, are both expanding with large-scale housing developments, promising a significantly greater base than in the past of customers attracted to country, rather than urban, pubs.
- 5.1.4. In Royston in the region of 350 new houses have been built since 2011, and planning permission for a further 700 has been granted.⁶
- 5.1.5. The population of Buntingford, too, will increase markedly: 1300 houses are being built or have been built there since 2012. Another 400, at least, are expected to be completed by 2020⁷.

⁶ Source: North Hertfordshire District Council

⁷ Source: Buntingford Town Council

5.1.6. Royston and Buntingford offer a variety of shops and supermarkets, pubs and restaurants. Among nearby villages, only Barley has a shop.

5.1.7. A substantial working population exists not only in the villages but also in local towns, notably Royston and Buntingford (both 10 minutes' drive away). For example, the large industrial area in Royston has grown by 50% in the last 8 years. It boasts large employers such as Johnson Matthey (FTSE 100) employing 2000 personnel and Sartorius (250 staff in Royston). These and other big businesses in close proximity used the Cabinet for business lunches for their national and international customers. It was seen as a picturesque pub with ample parking.

5.1.8. The city of Cambridge is 13 miles to the north, and London is 35 miles to the south.

5.2. The local market for the pub and restaurant

5.2.1. The Cabinet is the last pub in Reed. It was (and is) well-loved locally and its reputation spread well beyond the local area. Although the village has a village hall, a church and a cricket club, currently there is nowhere for villagers to meet on a casual basis. Well-supported events arranged by the Action Group strongly suggest there is significant market for a place for residents of Reed and visitors from the surrounding area to interact.

5.2.2. The Cabinet attracted users not only from Reed Village but also from nearby towns and villages, for food in particular.

5.2.3. The Cabinet is in a picturesque location in a village with an unusual settlement pattern. It is itself a beautiful listed building. It is at the intersection between the Meridian Way and the Hertfordshire Way, one reason why it has been popular with hikers, and has also been popular with cyclists.

5.2.4. Customers were typically attracted by the Cabinet's character as a small country pub with a lengthy history. It had an intrinsically welcoming aspect, as visitors entering through the main door were greeted by a bar area with an open fire. It had a sizeable garden which was well-used by customers during warmer weather.

5.2.5. Whilst this part of the country boasts a number of older pubs, among working pubs in the immediately neighbouring villages only the Woodman at Nuthampstead and the Countryman at Chipping (which is currently open only on Fridays and at weekends) can boast a similarly lengthy history.

5.2.6. The Cabinet has historically been a meeting place for Reed’s various clubs, societies, etc. A recent village survey suggests that there is real interest and a demand for a place where existing and new groups can meet formally or simply to socialise. Interests as diverse as gardening, photography, art, computers/internet, dog training, wine tasting, etc. will be catered for.

5.2.7. Shooting is very popular, not only in Reed itself at Hatchpen and Wisbridge farms, but also in nearby villages and in the wider, surrounding area. The demand for shoot breakfasts and lunches / dinners provides an opportunity to cater for large groups at ‘quieter’ times of the day.

5.2.8. Alongside its drinks and food offering, The Cabinet could readily provide a comfortable and relaxed environment for residents and visitors alike to enjoy meeting for a catch-up chat over a coffee or tea: parents of children who attend Reed First School, either at drop off or pick up time, after village club/society meetings, after church, or simply Reed villagers who just fancy popping out to socialise or to have an internet café visit.

5.2.9. The Action Group conducted an online village survey in February 2017 to assess attitudes towards The Cabinet. Key findings were:

1. *How often would you use the pub? (Answers are percentages of responders.)*

Daily	2-3 per wk	Weekly	Every 2 weeks	Occasionally	Never
8.5	27.6	40.3	12.8	8.5	2.1

2. *How important is it to have a pub in Reed?*

Not important	Slightly important	Moderately important	Very important	Essential
2.1	0	2.1	26.1	69.6

5.3. The market for services other than food and drink

5.3.1. As the business becomes established, The Cabinet would be well placed to offer additional services which could improve its profitability by attracting potential customers over the threshold.

- **Village Shop/Post Office**

- The nearest shops are in Royston, 3 miles away, clearly necessitating a car or bus journey. Whilst a village shop such as exists in Barley might struggle

at Reed, a reopened Cabinet might usefully purvey a limited range of essentials, such as milk, newspapers or bread, for example.

- **Parcel and/or Dry Cleaning Drop Off / Collection Point**

- A proven and popular facility that would provide residents of Reed and the surrounding area with a valuable service, in many cases within walking distance.

- **Weddings/Christenings/funeral wakes**

- Previous owners have conducted weddings and wedding receptions in a marquee as it is close to Reed's traditional, picturesque village church. The village pub is traditionally associated with church life events.

- **Other initiatives**

- Opportunities may arise longer-term to explore other ideas and initiatives: for example, micro-brewery, delicatessen, etc.

5.4. Local competition

5.4.1. There are no other pubs within a one-mile radius. The nearest pubs (at Therfield and Barkway) are over 2 miles away in opposite directions along narrow, unlit country lanes, to which there is little or no public transport. The route to Therfield involves crossing the busy A10.

5.4.2. The following villages within a 5-mile radius of Reed each have one pub: Therfield, Barkway, Nuthampstead, Barley, Anstey, Chipping, Odsey, Great Chishill, Heydon. With the exception of The Countryman at Chipping (wet only), all these pubs operate on the basis of mixed wet and dry trade.

5.4.3. It is notable that publicans locally expressed support for the campaign to save The Cabinet. We understand that, rather than seeing it as potentially unwelcome new competition, they tend to the view that supporting the English pub culture locally will be good for their own businesses.

5.4.4. The expanding towns of Royston and Buntingford have 6 and 5 pubs respectively, but public transport from Reed is poor. Whilst both towns provide a mix of pubs and restaurants, arguably they cannot match the country pub atmosphere for which customers are prepared to travel to enjoy.

6. SWOT Analysis

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Idyllic rural setting • Rural business operating for at least 200 years • Previous rent, turnover and rateable value indicative of strong business • Attractive venue for families, walkers, cyclists • On intersection between the Meridian Way and the Hertfordshire Way. • Well connected to large and growing residential & business communities within 5 miles • Attractive grade II listed building, retaining its rural, period ambiance and charm • Open fire in bar area • Defined dining area plus optional additional outdoor covers • Living accommodation for licensee • Outside seating area to front and rear garden / outside dining area • Car park for 25+ cars with additional on-road parking • Strong community support • Lasting reputation as an exceptional country pub, despite a period of closure, one known of as far away as London • A good publicity base to build on when re-opening 	<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • To refurbish in a manner to maximise potential and the efficient use of space • To present The Cabinet as attractive premises for tenants • Ambitious tenant and chef could put their own stamp on a new business and build reputation • Business model providing incentive for Lessees to grow the business • To re-establish a thriving local business once again to support local employment and trade • To provide a well-priced, excellent quality, locally-sourced food and drink venue for the local community and the destination pub market • To retain Reed's Village Pub for future generations • To provide a welcoming venue to enable the community to come together and build and strengthen community spirit and cohesion • To be part of the groundswell of local communities looking to reverse the trend of declining rural services and facilities • To make a key contribution to Reed's sustainability as a community • Capitalise on the lucrative wedding market • Venue for business entertaining from the growth in local international businesses
<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • No current trading figures on which to project future turnover of business • Refurbishment costs, after unauthorised change of use, and time necessary to restore The Cabinet to pub use • Limited experience of Parish Council in licensed trade 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Insufficient trade to allow pub to make a profit • Degree of dependence on the 'destination pub' market • Inability to recruit/retain suitably-qualified lessee • Maintenance costs of listed building • Variance in trading conditions affects cash-flow

6.1. Means of mitigating weaknesses and threats

- 6.1.1. Trading figures: Previous business plans and expert evidence used to assemble credible forecasts
- 6.1.2. Refurbishment: Purchase price discounted to reflect condition of building Advantage taken of repayment “holiday” associated with PWLB loan to progress refurbishment
- 6.1.3. Limited experience: Advice and assistance obtained from expert consultants. Day-to-day responsibility assigned to lessee/tenant
- 6.1.4. Insufficient trade: Business plan based on fair assessment of likely trading conditions. As noted above, contingency will be in place to cover the unexpected and to enable loan repayments in the unlikely event the pub business is interrupted or fails. To prepare for a situation in which business fail irredeemably, it must be possible to cover the loan repayments until the property can be disposed of. Two years is considered more than sufficient time to achieve this. Reimbursement for the lessee’s investment in the Fixtures & Fittings would need to be agreed with the help of a solicitor. The Parish Precept will not be used to fund this project.
- 6.1.5. Destination pub market: Prominent publicity associated with reopening of The Cabinet, the fight for its continued use as a pub and restoration and the nature of its ownership on behalf of the community. Building and maintaining an excellent reputation as a delightful country pub, and for good value, quality and service.
- 6.1.6. Recruitment and retention: Use of consultants to help with initial recruitment. Lease/tenancy agreement makes arrangements for assignment of the lease. Parish Council maintains a contingency fund from the rental to cushion any gaps among lessees/tenants.
- 6.1.7. Maintenance costs: Appropriate arrangements in lease agreement regarding responsibility for the building’s fabric and day-to-day maintenance. Parish Council maintains a contingency fund from the rent.
- 6.1.8. Variance in trading conditions: As noted above, the Parish Council maintains a contingency fund to cushion the impact, in the event this affects rental.

ANNEXES

ANNEX 1: Viability reports

- (a) Anthony Miller Viability Study
- (b) Anthony Miller Commentary on Culverhouse and Trinity Solutions reports

ANNEX 2: Parish Survey

- (a) Public meeting notice
- (b) Report of public meeting
- (c) Example ballot form
- (d) Full results

ANNEX 3: History of The Cabinet

ANNEX 4: Rating Assessment

ANNEX 5: Valuation

ANNEX 6: Letter refusing access for surveyor

ANNEX 7: Full Profit and Loss forecast

ANNEX 8: BBPA comparative data on operating costs of a small rural pub

ANNEX 9: Estate agents' particulars showing interior of The Cabinet as a pub