

Q&A

1. Why are we making a community bid and why now?

The Farmers Arms has been on the market for two years with little sign of a buyer. The owners want to sell and are supportive of a community purchase. The current operating model is focused on food (a restaurant) rather than as a traditional pub. This means that the Farmers Arms is no longer the community hub it once was, nor does it serve the needs of many of the visitors to Upper Swaledale on which local businesses rely.

The pub was made an Asset of Community Value in October 2022, by the Parish Council, recognising its importance to the community and the threat of its loss.

The government has made available £150m through The Community Ownership Fund (CoF) to provide grants to communities wishing to buy community assets. This fund is theoretically available until March 2025. However, it is unlikely to be available in its current form after the next general election (latest date: 28 January 2025) and there will be political pressure to allocate the money well before the general election.

2. How much money do you need to raise?

Based on the current asking price, and the assumption we obtain a grant for £250k from the CoF, we would be looking to raise £250k to £300k through a community share offer. A revenue grant of £50k is also potentially available to help run the pub during the first year. The actual amount needed will be determined during business and financial planning and will be set out in the share offer document.

3. What are the chances of a successful bid to the CoF?

We believe we can build a good case to make an application; one that demonstrates (a) that the pub is a vital asset to the community and that (b) it has a sustainable future under community ownership. We also believe that, in the run up to an election, the government will want to spend the community fund. The first stage of the process is to submit an expression of interest (EOI), This will provide an early indication as to whether we have a strong enough case.

4. Could we raise all the money needed without requiring a grant from the CoF?

If the EOI for the grant is rejected, we will consider what other avenues are available to raise the funds.

5. What is a Community Benefit Society (CBS)

A CBS is the most common organisational structure for a community pub. To apply for grants and offer community shares we need to form a CBS (or similar organisation). The defining characteristics of a CBS are that it is an open, democratic organisation set up to serve the interests of the community, that it operates on a one member one vote basis and that its assets and any profits must be used for the benefit of the community. Legal advice is being sought to better understand the pros and cons of different potential legal structures for community ownership.

6. Who will be on the working group and who on management committee?

The working group currently consists of Richard Walls, Rick Miles, Justin Jupp, Louise Metcalfe and Philip Metcalfe. As part of this consultation, we are looking for volunteers to join the group, so that (a) it represents the community and (b) contains the skills useful in making a successful bid, for example: funding & finance, legal, marketing and communications and business planning and accountancy.

When the Community Benefit Society is formed, it is likely that some of the working group will form the initial management committee. Thereafter, the management committee will be elected by the members and the length of term will be agreed in the rules.

7. How much can I invest?

This is still to be decided and will be set out in the share offer document. To maximise the number of community shareholders the minimum share must be affordable. The legal maximum for any one person is £100,000, but the recommended maximum limit is 10% of the total share offer.

8. Why should I make an investment?

The primary reason to invest in the Farmers Arms is to secure it for the community and ensure it operates in the interests of the community. Secondly, a vibrant local pub will benefit local businesses and suppliers, many of whom rely on the tourist trade for their living. Thirdly, it makes the area more desirable, therefore protecting property prices.

9. Is my money at risk?

All investments carry risk, however several factors mitigate this.

- The grant application process demands that we develop sound and prudent business and financial plans, that demonstrate that there is a sustainable future for the pub as a community asset.
- There is a legal duty to share accurate and full information in the share offer document.
- A CBS is an open, democratic organisation, with many interested stakeholders, therefore issues can be identified and addressed when they arise.
- We know from its history that the Farmers Arms can be operated in a profitable way.
- This is not a high risk, speculative investment.

If in any doubt, consult a financial advisor.

10. Can I get my money back?

Yes, community shares can be withdrawn, subject to the rules of the company and dependent on the society having sufficient cash reserves.

Rules for share withdrawals, and planning for them, will be determined during business and financial planning and will be set out in the share offer document. Additionally, the Community Benefit Society (CBS) or similar legal structure would maintain a list of people interested in buying shares to replace members leaving the society, thus maintaining cash reserves.

11. Will I get a dividend?

No. Community shares cannot pay dividends as any profits have to benefit the community rather than the shareholders.

12. Will I get interest?

Community shares can pay a modest interest rate. The amount and timing of any interest payments is dependent on generating surplus funds. Any interest payments will be considered by the management committee as part of the business and financial planning and will be set out in the share offer document. That said, the primary reason to invest is to secure the pub for the community and ensure it operates in the interests of the community.

13. If I become a member, will I get a discount off food and drink? (as per the 4p a litre off fuel at Dale Head).

Incentives for purchasing community shares will be considered when formulating the share offer. That said, the primary reason to invest is to secure the pub for the community and ensure it operates in the interests of the community.

14. What is happening at other community pubs? Are they successful?

To date the community pub model is proving very resilient. There are now over 160 community pubs and only one has failed.

15. How will we get a tenant in an era when pubs are closing?

Finding a good tenant is dependent on the attractiveness of the proposition. The Farmers Arms has many factors to its advantage: its location, the number of visitors, the number of campsites, holiday cottages and B&Bs, the lack of competition (from Muker upwards), the accommodation, the separate accommodation in the barn, the recently refurbished kitchen, etc. On the basis that the management committee set an attractive rent and reasonable terms, The Farmers Arms has as much chance as anyone, and more than most, of finding a tenant.

16. Can we dictate how a tenant runs the pub?

With a tenancy model (the most likely approach) the tenant has the freedom to run the pub as they see fit, within the context of operating a community pub. This context is underpinned by a tenancy agreement, which (as an example) might state how many days the pub is expected to be open during the winter and the services it should offer.

17. Will a tenant look after and run the pub as well as an owner?

As part of setting the rent, the tenancy agreement and appointing a tenant, it's in the interests of all parties to ensure the tenant both supports the principles of a community pub and is incentivised to run the pub as successfully as possible (retain the profits). With the ownership model, the owner has the freedom to run the pub as they see fit. Though this has traditionally always been done with the interests of the community in mind this is not guaranteed. It is worth bearing in mind that most pubs in the UK are run by tenants.

18. Will there be a high turnover of tenants (versus owners)?

Given an attractive tenancy agreement, good professional relationship with the CBS, and with the backing of the community, the Farmers Arms should offer a stable, long-term opportunity for any tenant.

19. If a tenant leaves before another is found will the pub close?

If we consider the pub to be an important community hub, it is in the interests of the community to find a way to keep the pub open, even if this means relying on volunteers and offering limited hours and/or service on a temporary basis.

20. How will we find staff?

Staffing is the responsibility of the tenant. It is likely to be an ongoing challenge. Staff availability, rates of pay, working conditions, the attractiveness of the working environment and the availability of long term accommodation will all be factors. That said, the community share model means that many local people will have a stake-holding in the pub's success, and therefore an incentive to volunteer or to become staff. Though running a pub using volunteers is not ideal, it may help keep the pub open over the winter months.

21. What beer and food will we sell?

Ultimately this is a decision for the tenant. That said the community model encourages the use of local sources (breweries, food suppliers, etc) so that the community pub benefits the whole area.

22. Can we use the pub for other purposes as it is a community asset?

A community pub is the hub of the community and therefore could / should be used to provide the services the community need. The questionnaire is the first part of the process in deciding what services the pub should offer.

23. How will a valuer put a realistic value on pub as the present owners are not willing to release books?

A fair and independent valuation is required to obtain grant funding. The valuation will be based, at least in part, on the potential of the pub, rather than solely on its current status (many community pubs have already closed or in danger of being closed when they go into community ownership). If the unavailability of the current books has a material impact on the valuation, and it's therefore not acceptable to the owners, we will need to tackle this at the time, but the backstop is that we cannot overpay. It is worth saying that the owners are supportive of a community buy out, understand the potential impact in not providing the books and that it's in their interests, as much as ours, that we're successful.

24. What if someone wants to buy the pub?

The pub remains on the market and there is nothing to prevent the current owners selling the pub if an acceptable offer is made.

25. The pub is listed as an Asset of Community Value. What protection does this give?

Listing the Farmers Arms as an Asset of Community Value gives the community the right to bid, but not the right to buy (though this is not the case if the pub is being sold as a going concern). Depending on local planning rules it may also be a “material consideration” if an application for a change of use is submitted.

26. What is an Asset Lock?

An asset lock is a mechanism designed to prevent members personally benefiting from a community asset. Once an asset lock is applied, assets can only legally be used to benefit the community. An asset lock is not a compulsory requirement of a Community Benefit Society, however, any organisation applying for a grant from the Community Ownership Fund must have an asset lock in its rules.

27. What if the pub fails? Does the asset lock mean that we would be left with an empty building?

We believe that the pub will be a success (only one community pub has failed to date), but in the unlikely event that the pub must close, the rules state that an asset “*must be transferred or disposed of in a way that benefits the community*”. Where a pub is held by a Community Benefit Society it can be sold in the open market to a third party but the proceeds cannot be distributed to members. They would have to be used to benefit the local community in some way.

28. What is a realistic time scale to ownership and reopening?

If all goes smoothly, we hope to have the pub under community ownership in 7 to 12 months. This is dependent on several factors, not least the length of the grant application process.

29. Have we had any interest from influential people?

We have written to several people. Rishi Sunak and Lord Peel have responded very positively supporting our endeavours for community ownership and have written letters of support to go with our application for the CoF. We are awaiting responses from Mr Robert Miller, Lord Hague and others.