

Why Will the Community Pub Plan Work When So Many Pubs are Closing?

This is a great question and was the first question that the Save the Bell Committee asked itself. The answer is that the business model is different from a pubco' owned pub, or even a pub owned by a private landlord. Here are four main reasons why Community owned pubs have significant advantages over the traditional pub business model.

1. In the traditional Free House pub model a landlord who wants to own and run their own business has to purchase the pub in the first place. The cost of this credit (loan) has a significant drag on their profits caused by the "cost of capital". For example, a commercial loan of £400,000 over 15 years at 6% interest will require monthly repayments of £3,432 or £41,184 pa. The interest is tax relievable as a business expense, but the capital has to be repaid from profits after tax. A community owned pub does not have this cost of capital as the capital is provided by the community through buying shares in the pub. There may be a modest interest payment back to shareholders (c3%) after the business has re-established itself, but the primary business objective for the pub is not to provide a big return for shareholders but to keep the doors open to a fantastic community pub. When you buy shares in the Bell you are investing in community capital.
2. In the planned business model for the Bell, the Community Benefit Society (CBS) will purchase the pub and it will be leased to a professional landlord. Once again, as the objective of the CBS is not to maximise profits which is the case for a pubco, tied house or privately owned landlord, the rent can be set at a very competitive rate. This helps the tenant landlord to run a profitable business meaning they will wish to stay, but most importantly it will ensure the doors to the pub remain open.
3. Most landlords who lease a pub are responsible for the maintenance and upkeep of the building as well as any improvements they may wish to make. Clearly this acts as a considerable drag on profitability as overheads for such work can be substantial. A new roof, a kitchen re-fit or renovations are expensive. Under a community ownership model the CBS is responsible for the maintenance, upkeep and new developments meaning that the landlord once again is able to run a more profitable business. The CBS pays for these costs through the rent it receives from the landlord.
4. There is an unquestionable "community premium" when a pub is owned by the community. When people own a share in their pub they feel an affinity with it and wish to support it far more than when it was privately owned or owned by a pubco and run by a manager. This is evidenced by the fact that so far, over 150 community pubs have been opened and there has only been one failure. Compare this with the current rate of pub closures in the UK, CAMRA's study of pub closures states that between January and June 2022 485 pubs shut or 18.6 pw. This has been updated for 2023 and shows that over 150 pubs have already closed this year alone. When people feel connected and involved, knowing the business is being run for their benefit and not the benefit of other parties they support their pubs.