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## Community Shares Standard Mark Assessment Framework | Version 2.2

### Time-bound offers

#### Introduction

This assessment framework is used to determine whether a society's time-bound share offer should be awarded the Community Shares Standard Mark, and to provide feedback to a society on what further action, if any, is required in order to award the Mark. It is based on an assessment of the following four documents:

- Offer document
- Application form(s)
- Governing document
- Business plan

The author(s) of these documents should be made fully familiar with the assessment criteria, and agree a schedule with the lead reviewer for submitting the documents for initial assessment, completing all revisions requested by the lead reviewer, and the final assessment and approval, with sufficient leeway prior to the launch date.

The documents should be written in their final form, assuming that all the approvals, agreements and assurances the society intends to have in place by the launch date have already been granted. So, for instance, the offer document should contain the Standard Mark logo and accompanying text, as though the Mark has already been awarded.

The same framework is used for both initial and final assessments. The Initial assessment should identify all areas where further action is required before the Mark can be awarded. The final assessment is completed when the assessor is fully satisfied that the offer should be awarded the Mark, and should reference the final version of the documents to be filed with the CSU.

Initial assessments should identify the elements of the offer are adequate or satisfactory, and those where further action is required. It should also identify elements that are **not relevant or significant** for the scale or nature of the offer concerned, or where the document has **not addressed** the element in question, but is not considered an essential element for Standard Mark. The comments column should be used to expand on the assessment, outline what further action is required where appropriate, and locate the relevant page or part of the document being referred to. A copy of the initial assessment, plus a copy of all the documents assessed, should be filed with the CSU.

Final assessments should be recorded alongside the initial assessment, using the right-hand column of the framework, and identifying what action has been taken, where this was required. It should identify where this revision is located (using a page number) in the final version of the relevant document. A copy of the final assessment, plus the final version of the relevant documentation (listed by file name on page 2 of this template), should be filed with the CSU. The society should also be given a copy of this final assessment.

#### Underlying principles

Share offers should be assessed using the following principles:

1. **Proportionality:** The larger the offer, and the more that is offered by way of a financial return (including withdrawability), the more supporting evidence is required
2. **Credibility:** Is the business model, share offer, business plan, community plan, and management committee credible? Is it realistic and achievable?
3. **Good practice:** Is the offer consistent with the good practice guidance contained in the Community Shares Handbook?
4. **Omissions & assertions:** Does the share offer omit important information or matters. Does it make assertions that need to be backed by supporting evidence, and does it provide that evidence?
5. **Honest, open & simple:** Is the offer document intelligible to the general public? Is it honest or misleading? Is it open about its past, present and future prospects?

## Community Shares Standard Mark v2.2

**Applicant organisation:** Church Fenton Community Hub

**Reviewer:** Dave Hollings

**Lead reviewer**

**Date:** 17/05/18

**Documents reviewed (list by actual file name):**

Offer document X  
Application form X  
Governing document X  
Business plan X

**Initial assessment**

**Final assessment**

**Recommendation (delete inappropriate)**      **Approved**

**Summary comments on assessment:**

I have assessed the Share Offer document, the Application form, the Rules and the Business Plan. There is only one outstanding issue:-

- a) No balance sheet projections are provided. However, the pub will be leased from Church Fenton Parish Council who will own the freehold on a 50 year lease. The Parish Council will also fund the refurbishment work. The only planned income for the Society is the rent from the tenant. Producing a balance sheet would add very little useful information for potential investors and therefore is not essential for the award of the Standard Mark in my view.

I am happy to award the Standard Mark to this share offer.

## A. Offer document review

<b>A.1. Basic information</b>	<b>Initial assessment</b>	<b>Initial comments/action required</b>	<b>Final assessment/ comments</b>
<b>A.1.1 Communicates the community purpose of the investment and the reasons why capital is required</b>	Complete	Whilst the community purpose (keeping the White Horse as a pub serving Church Fenton) is communicated, there is no indication of why the community share capital is required.	Point addressed on P2
<b>A.1.2 Contains opening summary of offer timetable, fundraising targets and min/max individual investment levels</b>	Complete	There is no opening summary of the offer timetable, targets or maximum/minimum shareholding	Maximum and minimum shareholding addressed.  There is an opening summary of the offer timetable, targets
<b>A.1.3 Provides basic information about the type of society, governance, voting rights, asset lock, member eligibility, terms and conditions applying to shares</b>	Complete	Although the Society is not yet registered, the basic structure of a CBS is accurately described. The description of the asset lock is on P8 whilst most of the information on a CBS is on P4. No information on member eligibility (minimum age, joint memberships or not, corporate membership)	Points addressed
<b>A.1.4 Gives prominent warning that offer is unregulated, the risk of losing some, or all, of the amount invested, and no rights to statutory compensation or complaint</b>	Complete	There is a warning that this is an unregulated offer. There is no warning that people may lose some or all of their money. As there will be a large loan secured on the property, then it seems likely that in the event of the business collapsing there would not be enough money to repay shareholders.	Point addressed on P10

<b>A.1.5 Provides (internet) access to supporting documents (business plan, governing document, annual accounts etc as appropriate)</b>	Complete	Weblink to Rules only provided	Point addressed
<b>A.1.6 The offer document is appropriate in length, style and comprehension for the target audience</b>	Complete	Whilst more work needs doing on the document, around 11 pages is an appropriate length.	
<b>A 1.7 Displays Community Shares Standard Mark logo in prominent position within the document, with correct accompanying text.</b>	N/a		
<b>A.2. Community</b>	<b>Initial assessment</b>	<b>Initial comments/action required</b>	<b>Final assessment/ comments</b>
<b>A.2.1 Identifies and describes target community and its geographic and/or special interest focus.</b>	Complete	No demographic information on Church Fenton – size and demography of the community	Point addressed on P3
<b>A2.2 Explains how members can participate in the society and the role of the community in bolstering the business model of the society</b>	Complete	It is suggested on P5 that ‘community involvement could be minimised to the role of property landlord only.’ This is to set aside what it is that makes community pubs successful – the structured input of the community served by the pub into shaping the pub offer. As a tenanted business, the community will not be involved in the day to day running of the pub. But anyone running a business should be interested in what their customers want – and the Society provides a structured way for the tenants to do this: to find out what they are doing well or badly, what new services the community wants and whether the	Point briefly addressed on P7

		tenant's ideas have support or not. There can even be other business benefits – the community includes people with a wide variety of contacts, expertise and talents and the Society can be the means to channel these to the benefit of the tenant's business.	
<b>A.2.3 Summarises the competencies and community credentials of the management committee and (any) senior employees. Declares any significant vested interests or potential conflicts of interest</b>	Complete	Management committee members listed but no pen notes.	Pen notes complete
<b>A.3. Business model</b>	<b>Initial assessment</b>	<b>Initial comments/action required</b>	<b>Final assessment/ comments</b>
<b>A.3.1 Provides a very brief history of the society, its origins, and its current financial position</b>	Complete	History of the Society provided	
<b>A.3.2 Articulates the business model, scale and ambitions of the society, highlighting any long-term plans to raise additional share capital.</b>	Complete	The business model of letting to a tenant is described. Whilst this means that the day to day business is the responsibility of the tenant, the Society's rental income does depend on the tenant's business being viable. There should be some evidence that a reasonable tenant could make the business work at a level to pay this rental. Most of this detail would be in the business plan, of course. It has been suggested that there might be two share offers – a private offer for the rental income cover and an open offer later (to refurbish the community room). This should be highlighted in the first document, so that investors understand that there may be a further call for capital/investors.	Points addressed

<p><b>A.3.3 Established societies only: Provides a narrative summary of the financial history of the enterprise, including its track record in paying share interest and allowing share withdrawals</b></p>	<p>N/a</p>		
<p><b>A.4. Finances</b></p>	<p><b>Initial assessment</b></p>	<p><b>Initial comments/action required</b></p>	<p><b>Final assessment/ comments</b></p>
<p><b>A.4.1 States total capital requirements. Explains how capital will be used, distinguishing between expenditure on tangible assets, non-recoverable start-up costs, working capital, and (goodwill; acquisitions only)</b></p>	<p>Complete</p>	<p>Breakdown of purchase price, refurbishment costs and set up costs.</p>	
<p><b>A.4.2 Provides a narrative summary of the forecast financial performance of the society for the next three to five years, explaining how this affects members' financial interests</b></p>	<p>Complete</p>	<p>Summary table on P7</p>	
<p><b>A.4.3 States the minimum, optimum and maximum fundraising targets for share offer, the offer timetable, and the contingency arrangements if the offer is under- or over-subscribed</b></p>	<p>Complete</p>	<p>Fundraising targets and share offer timetable not stated.</p>	<p>Point addressed</p>

<b>A.4.4 Outlines other sources of capital including any grant or loan agreements already in place, including any contingency arrangements</b>	Complete	The Public Works Loan Board finance is described, but it is unclear when this will be secured	The Public Works Loan Board loan has been secured.
<b>A.5. Membership matters</b>	<b>Initial assessment</b>	<b>Initial comments/action required</b>	<b>Final assessment/ comments</b>
<b>A.5.1 States the minimum and maximum amount an individual can invest. Limits are consistent with community demography and capitalisation of the society</b>	Complete	States that the minimum is £100 and the maximum is £100 000. Shares are £5 each, so the minimum investment is 20 shares. The offer is looking to raise around £30k, so the £100k maximum is meaningless. Good practice is that no one member should hold more than around 10% of the shares. As currently set out, the Society could have one member with £29 800 shares and two members with £100 shares each. This would not be community ownership.	Point addressed on P7
<b>A.5.2 Correctly describes any other provisions relating to the purchase of shares, such as age restrictions, corporate membership, joint membership and nomination rights</b>	Complete	The application form says that 18 is the minimum (I have not seen the Rules to confirm). It is unclear if there would be joint or corporate memberships.	Points addressed
<b>A.5.3 Explains any restrictions and aspirations relating to share liquidity and the terms and conditions for withdrawal</b>	Complete	It is not clear if there is any period during which members cannot withdraw their shares and, if so, how long that period lasts	Point addressed on P9

<b>A.5.4 Explains any restrictions, aspirations or commitments relating to share interest, member dividend and/or annual membership subscriptions</b>	Complete	Aim to pay 2% after year one	
<b>A.5.5 Correctly describes any tax relief that may be available for members buying shares</b>	N/a	As a tenanted pub there is no tax relief available	

## B. Application form review

	<b>Initial assessment</b>	<b>Initial comments/action required</b>	<b>Final assessment/ comments</b>
<b>B.1. The application form is simple, relevant and clear</b>	Complete		
<b>B.2. The details on the application form are consistent with the offer document</b>	Complete		
<b>B.3. If any special arrangements (joint ownership, nomination on death, shares as gifts, corporate membership applications etc) are promoted they are clearly explained either, on the application form, or in the offer document</b>	Complete	It is unclear if joint membership is possible and how a corporate member would complete this form	Joint membership and corporate membership not planned
<b>B.4. Privacy and electronic communications consents obtained, if deemed necessary (ie if the society intends to use details for purposes other than directly related to membership)</b>	Complete		
<b>B.5. Payment arrangements do not expose applicants' money to undue risks prior to shares being issued</b>	Complete	It is unclear where to send applications and investments.	Points addressed
<b>B.6. Money laundering provisions (if considered relevant).</b>			

## C. Governing document review

<b>Society name</b>	<b>Church Fenton Community Hub Ltd</b>
<b>Registered number</b>	7756
<b>Date society registered</b>	19 April 2018
<b>Name of model rules (if used)</b>	Model Rules for Community Ownership
<b>Sponsoring body</b>	Plunkett Foundation
<b>Type of society</b>	Community Benefit Society
<b>Model rules only: Identify rules that have been added, deleted or amended (information to be provided by the society)</b>	5.12 In addition, Church Fenton Parish Council or anybody which succeeds to that function may appoint up to one Director

<b>Summative review</b>	<b>Assessment</b>	<b>Comments/action required</b>	<b>Final assessment/ comments</b>
<b>Is the choice of type of society, model rules and sponsoring body consistent with the enterprise's purpose, objectives and target community</b>	Complete	This is one of the two most common models used for community ownership of pubs in Britain	
<b>Are the registered rules fit for the purpose of issuing community shares? If the society is using model rules, have all significant rule revisions been identified and are they consistent with the purpose of the society and community shares (specify detail in the next section)</b>	Complete	Model Rules designed for community share issues	

<b>Detailed review</b>	<b>Initial assessment/comments</b>		<b>Final assessment / comments</b>
	<b>Are the rules (and any options, revisions or amendments) consistent with the principles of community shares?</b>	<b>Are these rules adequately addressed in the offer document, if considered relevant to the offer?</b>	
<b>C.1.1. Objects</b>	Complete	Complete	
<b>C.1.2. Membership categories</b>	Complete	Complete	
<b>C1.3 Membership criteria (including age restrictions)</b>	Complete	Complete	
<b>C.1.3. Share typology (withdrawable, non-transferable etc)</b>	Complete	Complete	
<b>C.1.4. Minimum/maximum shareholding</b>	Complete	Complete	
<b>C.1.5. Share withdrawal terms and conditions</b>	Complete	Complete	
<b>C.1.6. Composition of management committee (including member representation)</b>	Complete	Complete	
<b>C.1.7. Asset lock</b>	Complete	Complete	
<b>C.1.8. Quorum at general meetings</b>	Complete	Complete	
<b>C.1.9. Voting at general meetings</b>	Complete	Complete	
<b>C.1.10. Share interest rates rules or policy</b>	Complete	Complete	

## D. Business plan review

<b>D.1. Purpose</b>	<b>Assessment</b>	<b>Comments/action required</b>	<b>Final assessment/ comments</b>
<p><b>D.1.1 Describes the long-term vision of the society and its ambitions regarding scale, reach and sustainability, highlighting any long-term plans that may affect share capital liquidity, share interest and other member interests, such as future calls for capital, or plans to wind-up the society at some future point in time</b></p>	Complete	<p>Vision of bringing the pub into community ownership described</p> <p>The pub is to be leased from the Parish Council. It is not clear how long this lease is for or how you would intend to refund members' share capital by the end of the lease. As soon as the lease ends, there is no business and the members would lose their money</p>	50 year lease providing plenty of time to pay back shareholders slowly over time
<p><b>D.1.2 Articulates the society's community purpose, focusing on the needs, concerns or aspirations within target community</b></p>	Complete		
<p><b>D.1.3 Provides statements of purpose that are consistent with the type of society it has chosen to be, and its objects</b></p>	Complete		
<p><b>D.1.4 Explains the purpose of the share offer, what market opportunities will be addressed by the investment plan and demonstrates how this supports the objects of the society</b></p>	Complete	<p>Little information on the market for the pub and what its offer will be</p> <p>A business plan has been supplied by the proposed tenants to the group but I have not seen this</p>	Point addressed on PP6-7

<b>D.2. Community and member engagement</b>	<b>Assessment</b>	<b>Comments/action required</b>	<b>Final assessment/ comments</b>
<b>D.2.1 Established societies only: Provides evidence that existing members have been involved in the process leading up to current share offer and have been given the first option to invest in the society</b>	N/a		
<b>D.2.2 Defines the target community and provides demographic data consistent with the aims and scale of the share offer</b>	Complete	No demographic information on Church Fenton and neighbouring communities	Point addressed on PP6-7
<b>D.2.3 Provides evidence of community support for the objects of the society and the purpose of the share offer</b>	Complete	Evidence of community support included	
<b>D.2.4 Sets out a comprehensive strategy for marketing and promoting the share offer, addressing communications, promotional activities, and share application processes</b>	Complete	No strategy for marketing the share offer is provided	On P18 of business plan
<b>D.2.5 Identifies ongoing strategies for engaging members in improving the competitiveness of the society and relationships with other stakeholders</b>	Complete	How will the Society organise what it is that makes community pubs successful – the structured input of the community served by the pub into shaping the pub offer	Provided on P7 of the share offer document

<b>D.3. Finances</b>	<b>Assessment</b>	<b>Comments/action required</b>	<b>Final assessment/ comments</b>
<p><b>D.3.1 Established societies only: Provides summary of annual accounts for previous three years, accompanied by an assessment of the impact the investment plan will have on current operating performance.</b></p>	N/a		
<p><b>D.3.2 Acquisitions only: Provides evidence of how the business valuation has been arrived at, and how it will be represented in the society's balance sheet (fixed assets, net current assets, goodwill etc). Evidence of due diligence, identifying any contingent liabilities</b></p>	Complete	Business has been independently valued by the District Valuer for the Public Works Loan Board loan	
<p><b>D.3.3 Provides evidence that suitable premises (land) or any other major fixed assets have been identified and price agreements have been reached with the vendors</b></p>	Complete		
<p><b>D.3.4 States total capital requirements. Explains how capital will be used, distinguishing between expenditure on tangible and intangible fixed assets, provisions for working capital, and non-recoverable start-up costs. Correctly attributes these costs in profit and loss and balance sheet forecasts.</b></p>	Complete	Capital requirements need updating to include the items to be covered by the share offer and the share offer itself	Points addressed on PP2.3 and 14

<b>D.3.5 Provides income and expenditure forecasts that distinguishes between gross profit, operating profit (EBITDA) and net profit. Identifies when the society will achieve profitability, overcome any initial losses, and be in a position to pay share interest</b>	Complete	Referred to as Appendix B but not provided	Annualised income and expenditure accounts
<b>D.3.6 Provides cash flow forecast that supports the forecast working capital requirements and is consistent with the potential sources of working capital</b>	Complete	Referred to as Appendix B but not provided	Provided – showing enough cash to repay members shares over the period of the lease.
<b>D.3.7 Provides balance sheet projections that demonstrate how and when the society will provide share liquidity to members, taking into account forecast profitability, profit distributions (share interest, dividends), depreciation, amortisation, member churn, and reinvestment by the society</b>	Not provided	Referred to as Appendix B but not provided	Not essential for a tenanted pub
<b>D.3.8 Gives details of all planned sources of capital, including grants, short, medium and long-term debt, equity and reserves. Explains how the fundraising mix relates to the minimum, optimum and maximum community shares targets. Identifies key assumptions and justifies proposed gearing ratios</b>	Complete	Needs completing for the agreement of the Public Works Loan Board loan and its final terms and for the share capital to be raised.	Points addressed on P6 and P14 of business plan
<b>D.3.9 Provides evidence (or advance assurance) that the society meets the qualifying criteria, for investors to be eligible for tax relief (SEIS, EIS SISR) if tax relief is promoted in the offer document</b>	N/a		

<b>D.4. Organisation and trading activities</b>	<b>Assessment</b>	<b>Comments/action required</b>	<b>Final assessment/ comments</b>
<b>D.4.1 Outlines the organisational arrangements in the society describing the relationships between the management committee, managers and other employees, and members.</b>	Complete	Whilst the pub will be managed by a tenant, it is not clear how the relationship between the tenant and the board will be managed	Not in business plan but on P7 of the share offer document
<b>D.4.2 Describes any sub-contracting, leasing or subsidiary arrangements the society has entered into. If share capital is to be invested in a subsidiary entity, it is done in a way that does not compromise the terms of the share capital</b>	Complete	The pub will be run by a tenant who has already been identified	
<b>D.4.3 Describes the competencies of current management committee, and the division of responsibilities between the management committee and employees</b>	Complete	Provided in the share offer document	And also on website
<b>D.4.4 Identifies strategies for engaging members in the governance of the society through general meetings, the management committee and other participatory activities</b>	Complete	How will the Society organise what it is that makes community pubs successful – the structured input of the community served by the pub into shaping the pub offer	Provided on P7 of the share offer document
<b>D.4.5 Provides evidence of market opportunity, customer base, pricing, product offer differentiation, and proposed sales channels to justify sales forecasts</b>	Complete	The pub has closed, but it is unclear what the rationale for it being able to trade successfully under community ownership is or what its unique selling point is compared to other local pubs.	Contained in separate business plan by the proposed operator (which will not be published).

<p><b>D.4.6 Identifies requirements for premises, equipment, staffing levels, non-recoverable expenses, IT systems and work methods to achieve profit forecasts</b></p>	<p>Complete</p>	<p>What is provided is fine (as this will be a tenanted pub) but I understand needs updating</p>	<p>Point addressed</p>
<p><b>D.4.7 Identifies all the main trade competencies required by the trade activity envisaged in the investment plan. Explains how these competencies will be acquired in order to deliver the operational performance forecast in the plan</b></p>	<p>Complete</p>	<p>A tenant has been identified who will provide the trade competencies</p>	
<p><b>D.4.8 Identifies principal risks associated with proposed business model, and provides credible contingencies to mitigate these risks</b></p>	<p>Complete</p>	<p>There is a SWOT analysis.</p> <p>A key weakness is if the tenant's business fails (additionally what if they leave or the committee decides that they are not working). What is the contingency plan to cover the period until a new tenant is recruited.</p> <p>As the Society has identified a tenant by personal contact this time, how would it recruit a new tenant in the future?</p>	<p>Point addressed on P15</p>