

Parracombe Parracombe Parish Council

Community Shop Sub-committee

Document: Draft report and proposed business plan

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Committee members:

David Austin (Chairman)

Nick Backhouse

Sally Bastock

Jane Baylis

Therese Chapman

Alison Smith

Other contributors:

Tom Wilde (P&L calculation)

Resources:

[The Plunkett Foundation](#)

[Power to Change Trust](#)

[Office for National Statistics](#)

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Executive Summary

With the closure of the shop and Post Office on 3 November 2017, Parracombe Parish Council convened a sub-committee to investigate the possibility and viability of a new community owned and run shop. The scope of this report is to enable the parish council to determine a way forward.

[To be completed]

Background

In June 2017 Kevin and Jean Marshall, the proprietors of Parracombe Village stores, gave notice to the Parish Council that they were retiring and closing the shop and Post Office on 3 November 2017. In response to the announcement the Parish Council send out a survey to residents of Parracombe village to seek their views about a community led shop. The reaction of the community and local businesses has been positive and enthusiastic with the vast majority considering it vital to retain a shop and Post Office in the village.

A special public meeting was held on 13 June to share the results of the survey and gather feedback. As an outcome of the meeting, volunteers were asked for and the shop sub-committee of Parracombe Parish Council was subsequently formed.

Scope

The formation of the sub-committee was for the purposes of research, reporting and to make recommendations to the Parish Council regarding the formation of a community shop facility. The scope of the research and report is to assess the viability and potential for success, and to propose an outline plan. It is therefore limited to the extent required for the parish council to determine a way forward. If the proposals put forward in this draft report were to result in a community led project being undertaken, a new committee should be elected and governed under the rules of the new business entity.

Summary of work done to date

- Questionnaires distributed throughout the community by maildrop and online
- Public meeting held to present findings from questionnaire and invite feedback
- Formation of a parish council sub-committee
- A second public meeting to provide an update on how the community shop project was progressing and how it might fit into the proposed broader community plan
- Research into possible premises, including the village hall, the skittle alley opposite the pub, the pavilion at the coronation playing field, and the existing shop.
- Engagement with the Plunkett Foundation
- Fact finding to gain insight into how other community shops are run and to learn from their experience
- Discussions with Exmoor National Park and North Devon Council
- Discussions with the Post Office and with Kevin Marshall regarding the options for running a post office and how this would transition from the current shop
- Research into potential grants and funding opportunities
- Research into legal requirements for business premises and the most suitable legal structure for the business

Customer need

Some community members fondly remember when the village had a general stores and hardware shop with delivery rounds from the fishmonger and butcher. Sadly, as elsewhere, these local amenities have declined and the village has been lucky to retain a village stores with Post Office, a popular pub/B&B and a weekly visit from a mobile fishmonger.

The present owners have served the community well for the past 20 years with Post Office services, newspapers and a range of general products and services. They have endeavoured to meet changes in shopping habits despite the current shop being part of their residence. The current premises has limitations in size and storage facilities and, although benefitting from its central village location, there is a lack of parking to draw passing trade and opening hours are now mornings only.

94% of the respondents to the village shop survey said they felt it was important to retain a shop in the village.

Parracombe Village Survey June 2017

Following the announcement of the owners' impending retirement in November 2017, the Parish Council sought to ascertain the local need to retain a shop and Post Office in the village. Virtually 50% responded to a community-wide survey, which revealed that 94% considered it important to retain the shop and 90% to retain a Post Office in the village, with 92% and 95% regularly using both facilities. For some the shop was considered to be a lifeline, a social hub, and a consideration when moving to the village. It was viewed as being a large part of village life for many years. The Post Office was considered a vital and efficient service for local businesses.

While the most popular purchases included bread and milk, newspapers and essential groceries, 55% of respondents indicated they would use the shop more frequently if it provided a wider range of products and services. Both the local store and Post Office also fared well as usual shopping destinations when compared to their competitors coming second only to Barnstaple, with local producers coming third.

General comments favoured relocating the shop premises, with the potential to increase retail space and provide storage and parking. Relocation would also provide opportunities to respond to demand for a wider range of products and services, including collaborating with local producers. Being able to address a need for more flexible opening hours would also benefit customers.

While there was backing for the concept of a co-operative approach it was also recognised that sustained success would depend on continued local support. A big undertaking perhaps for a relatively small village but there is enthusiasm for the concept of a community-led enterprise. There is real potential to create an inclusive information and social hub, attracting visitors and bringing the community together. Being much more than just a store.

Competition

The competition to a community shop located in Parracombe primarily comes from business located in the towns of Lynton is 6 miles to the East and Combe Martin 6 miles to the West. Both provide a good range of small local retailers and independent mini-supermarket businesses. The major town of Barnstaple to the South West and Ilfracombe to the North West are where all of the major national supermarket chains can be found and most of which provide online ordering and delivery.

The Opportunity

Despite the fact that most households rely on supermarkets and a growing number are turning to shopping on-line for groceries, community enterprises in general across the country are growing in number and success. According to the Community Business Market Report (Power to Change Trust, 2016) in 2016 the market grew by 5% to a total of 7,085 enterprises across many sectors (shops, pubs, transport, housing, energy).

“We trace community businesses’ resilience to a number of inherent factors: their ability to develop a diverse range of business lines and expand these over time; their appetite to enter into mutually beneficial partnerships with other local organisations; their flexibility to quickly refocus their activities to meet local demand; and, perhaps most importantly, their capacity to lean on their communities for support when it is most needed.”

It’s this differentiation, along with a gradual shift of attitudes towards ‘shopping local’ and its contribution to the local economy, that enables co-existence. According to Plunkett since 1996 the number of shops trading has risen from 34 to 348 in 2016. Remarkably none have closed since 2014 and only 17 have closed in total since their records began in 1992. The report also highlights the South West as a particularly strong region with 108 of the national total of 338 and 3 out of the 7 new openings in 2016 being located here.

Four tests of a community business

Accountability

Accountable to local people, who have a say over the running of the business

Place

Defined by its link to a local neighbourhood or place

Impact

Operating primarily to generate social value in the local community

Trading

Trading in goods or services as a means to being mainly independent of grants, and ultimately generating economic returns

(Power to Change Trust, 2016)

Proposed scheme

What it means to be a community shop

The advantages to villages of having a shop reach far beyond the goods they sell and the services they supply. Communities which have a shop say that they can be important meeting places, and are vital social and economic hubs for their area. The village shop will not usually be the main source of shopping for most village residents but will be the 'convenience' store or the 'top up' shop.

The benefits of having a community shop in Parracombe can be summed up as:

Local produce – Working with local growers and producers we will be able to offer great quality food such as freshly baked bread, meat, fish, vegetables and bakery items. Parracombe benefits from local farms growing a range of produce (some organic) and other local producers within a small radius of the village. Not only does this provide residents with quality fresh food right on their doorstep, it also supports local businesses.

Health benefits – Many people will walk to the shop and for most this will include an uphill stretch. For many people this is the daily exercise needed for a healthy lifestyle.

Social benefits – Socially, people of all ages and backgrounds will be brought together to create a social hub which will be a service to all but particularly those living alone or without a car. By volunteering, or simply by using the shop regularly, people will get to know others in the community and having the opportunity to interact helps develop a sense of belonging as well as helping to reduce issues such as social isolation and loneliness.

Work experience – Aside from the social benefits, volunteering also provides an opportunity for work experience which can be a big help to those seeking paid employment, particularly in the retail sector.

Environmental benefits – The next nearest store to Parracombe is in Lynton which is a 12 mile round trip and the major supermarkets in Ilfracombe and Barnstaple are round trips of 22 to 26 miles respectively. Using the village shop instead of alternative food stores would collectively save residents hundreds of car journeys a year. In addition, stocking locally produced food means fewer food miles and the packaging needed is also reduced.

Economic benefits to the community – Community shops are resilient forms of business – the success rate of community shops is 95%, compared to the average small business success rate which is 46% (The Plunkett Foundation, 2017). Employing and serving local people throughout the year will help to ensure that money stays within the local community. Where possible, local suppliers and contractors will supply goods and services. Custom will also come from visitors, holiday makers, people who work in local businesses but live elsewhere, and passing trade. The Lynton to Barnstaple Railway line is scheduled to

re-open its passing track bed and extend its services within five years. Stopping in Parracombe it will bring new opportunities for local business.

Sense of shared ownership – The shop will be run for the benefit of the community with any profits reinvested back into the business or into the local community. It will be controlled by the community, through open and voluntary membership, whereby members are part owners of the business and all members have an equal say in how the business is run, regardless of their level of investment.

Additional services – As well as offering post office services, the shop could provide a drop-off and collection point for a range of services which, depending on demand, could include dry cleaning, prescriptions, parcels, etc, which would be especially useful for those with limited access to transport. As a focal point the shop could for example, be used to promote and sell tickets for local activities and events, and provide information for those in the village as well as passing trade. Community research also indicates that there's a strong demand for the sale of beverages, hot food and other refreshments.

Premises

In the early stages of research four potential sites were identified for investigation: The current village shop, ROAB Village Hall, Skittle Alley at the Fox and Goose car park and the sports pavilion at the Coronation Playing Field. A fifth site, the former garage located next to the bridge, was offered late in the investigations of this report. It has therefore not been included in this report but could be included in a latter revision. The committee identified the following site criteria for each location to be measured against for suitability.

Criteria	Requirements
Location	Ideally central to the village with main road frontage / access to attract passing trade.
Building type	Preferably a permanent secure structure or space for a temporary building converted to accommodate requirements.
Shop floor	A dedicated space of 15m ² minimum floor area to accommodate a shop and Post Office.
Storage	Provision for storage, either within the shop building or ancillary storage facility.
Post Office Counter	Space for post office counter.
Shop counter	Space for shop counter.
Internal café area	Space to accommodate at least small table and chairs for serving refreshments.
Outside café area	Outside space to accommodate seating area for serving refreshments.
Water	A water supply must either be already installed or available for connection.
Foul drainage	A foul water drain must either be already installed or available for connection for the drainage of waste from a sink and toilet.
Toilet	A toilet must already be installed or the facility must be able to accommodate installation of a toilet.
Electricity	An electricity supply must either be already installed or supply available for connection.
Phone line	A phone line must either be already connected or service available for connection.
Disabled access	The building must be compliant or can be made to comply with (Government, 2016) for The Equality Act 2010 (Disability) Regulations.
Car parking	Suitable space for off-road parking for at least 2 vehicles.
Cost of conversion	The scope of this investigation does not extend to a full analysis of the costs involved. However, an indication of costs for conversion has been given as low (less than £5K), moderate (£5K - £10K) or high (£10K+).
Tenure	Preference would be for a freehold location or a low rent or leasehold agreement.

Site Findings

Key	●	Facility is available and highly suited Service is connected Low associated cost	●	Facility is available but compromised Service available but not connected Moderate costs associated	●	Facility is not available / unsuitable for purpose Service is not available High associated costs
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	Current Shop	Village Hall	Skittle Alley	Pavilion
Location	● Central to village main road frontage	● Outskirts of village	● Central to village main road frontage	● Edge of village main road frontage
Building type	● Permanent within domestic	● Temporary / Portakabin	● Permanent	● Permanent
Passing Trade	● Good	● Very poor	● Very Good	● Good
Shop Floor	● Approx. 25m ²	● Approx. 15m ²	● Approx. 30m ²	● Approx. 16m ²
Storage	● Top shelf only	● Limited	● Good	● Limited
Post Office Counter	● Existing	● Possible	● Possible	● Possible
Shop Counter	● Existing	● Possible	● Possible	● Possible
Internal café area	● Possible	● Possible	● Possible	● Possible
External café area	● Not possible	● Possible	● Not possible	● Possible
Water Supply	● New supply	● Existing	● New supply	● Existing
Foul Water Drainage	● New drain required	● Existing	● New drain required	● Existing
Toilet Facilities	● None possible	● Existing	● New installation	● Existing
Electricity	● New supply required	● Existing	● New installation	● Existing
Phone Line	● New line required	● New line required	● New line required	● New line required
Disabled Access	● None possible	● Possible	● Possible	● Possible
Car Parking	● On street	● Off street (6)	● Off street (2)	● Off street (6+)
Cost of Conversion	● Moderate	● Moderate	● High	● Low
Tenure	● Lease	● Unknown	● Lease	● Freehold (parish)
Cost of Rent	● Unknown	● Unknown	● Commercial rate	● None

Site summary and recommendations

Current Village Shop - The existing village shop is central to the village with road frontage and has been the village store for the past 25+ years. The current owners indicated that they would consider leasing the existing shop floor area to a new village store business. However, as they would wish to continue to use the property as their residence it would require that the existing shop area be closed off from the rest of the accommodation. The shop floor area would not be able to accommodate washing or toilet facilities. With the absence of these facilities, mandatory health and safety requirements cannot be met.

Recommendation: not suitable.

ROAB Village Hall - For the village hall building itself to be suitable, it would require the creation of a secure and dedicated space within. Given it is not a practical proposition to remodel the existing building the only alternative solution would be a temporary building within the car park. However its location makes it the least viable of the options available; it is not convenient for the majority of the village to access and offers little or no passing trade.

Recommendation: not suitable.

Skittle Alley – The Skittle Alley is centrally located within the village, running alongside the Fox and Goose pub car park. The owners and landlords are open to the possibility of a shop being accommodated within a part of the building. With its central location and frontage to the main road through the village it offers good possibilities for passing trade. With a potential shop floor area of approx.. 30m² it also offers the largest available space. The space is currently used for storage and would require fairly significant works to section off, install services and make suitable for a shop. In addition the initial legal costs of setting up a lease contract and ongoing lease / rental costs must be considered.

Recommendation: suitable, relatively high cost to convert and run.

Sports Pavilion – The sports pavilion, located on the edge of the Coronation playing field is the freehold property of the Parish. The building was designed to serve local community events held on the field. In the past it had been in regular use, however in the last few years has been used infrequently. It is positioned on the perimeter of the village centre and benefits from a frontage to the main road through the village, offering good opportunities for passing trade. With the exception of a phone line, the building has all services connected. Toilet facilities are in place and the main pavilion room has potential to accommodate a retail space without major reconfiguration or refurbishment. The existing floor space on offer for retail activities and storage is 16m², a potentially limiting factor to the long term success of a shop. However, there is the opportunity, subject to planning approval, to extend the overall floor space by conversion of two of three existing public toilets and / or extending out. A short term storage solution could be an onsite Portakabin. Given that the building and land is already in parish ownership ongoing lease / rental costs would be negligible.

Recommendation: suitable, modest cost to convert and run limited shop floor space.

Legal Structure

A community shop trades, employs staff, manages volunteers and enters into legally binding contracts and financial agreements. Therefore, we require a legal entity to protect the individuals running the business, giving them 'limited liability', we need to ensure they are compliant with legal necessities such as tax, insurance, trading standards and employment rights.

The overall premise set for the business determines that we adopt a legal structure which enables genuine community ownership. It should allow open and voluntary membership, with one member, one vote therefore placing control of the interests of the shop democratically with the wider community. It should not distribute profit, other than perhaps the

payment of interest to members based on investment. Surpluses should be returned to the business to secure its long term success and support the overall goal of community benefit such as increased employment opportunities.

Community Benefit Societies have 182 members on average compared to 107 of other structures.

According to (The Plunkett Foundation, 2017) 69% of community shops are registered as Community Benefit Societies (CBS). A CBS exists to benefit the wider and collective interests of a community, rather than that of its staff, members or committee. A further advantage of the CBS model is that through the Co-operative and Community Benefit Society Act legislation, it is the only legal structure, other than a Co-operative Society, that can issue community shares. The committee sees community shares as not only an important source of funding but a way to engage the community through shared ownership. A CBS structure emphasises member involvement, driving patronage of the business, a pool of people to call on for volunteering and a range of expertise to elect into the management committee. The CBS model fits with the overall aims and objectives set out by the committee and is the recommended legal structure.

Staffing

If a CBS model was adopted then a village shop committee would be formed to provide direction and management of the business. Members would be elected to roles including finance/accounting, sales/business performance, operations/staffing, and a secretary to provide reports to the committee and membership.

Most community shops use volunteers to staff the shop and keep overheads down. Some employ a paid manager with all other staffing by volunteers; others are run entirely by volunteers. Whilst the volunteer only model is less costly, the advantages of having a paid manager responsible for the day-to-day running of the shop and for co-ordinating the work of the volunteers makes it the more attractive option. A paid manager can help to ensure that the finances, stock ordering and control, and staff cover is consistently managed.

The proposal is to employ a part-time paid manager, with all other staffing coming from volunteers. Amongst other things, the manager is responsible for ordering stock, cashing up and banking, day to day health and safety and coordination of the volunteers.

A volunteer team will contribute to the vibrancy of the shop, inject a range of skills and ideas, and reduce staffing costs. Volunteering also provides opportunities for work experience for school children, young adults and those who are unemployed. The shop is for the whole community and the wider the cross section of volunteers, the better. There are no special skills or experience required. Older children and young people can volunteer and there is no maximum age. Day to day tasks in the shop could include: working on the till, unpacking and receiving stock deliveries, helping customers, stacking shelves, labelling products and checking stock as well as help with cleaning.

In order to attract and retain volunteers we need to offer a flexible approach and make working in the shop as rewarding and enjoyable as possible.

The number of volunteers needed will depend on the number of hours the shop is open. It is suggested that volunteers work in shifts of two or three hours and people will be able to

Facts and figures

The majority of community shops, 96%, are managed directly by the community via a management committee who then recruit staff or volunteers, or a combination of the two. Only 4% of community shops are managed by a private tenant.

8% of shops are run entirely by paid staff, and at the other end of the spectrum, 23% are run entirely by volunteers. The majority, however, are run by a combination of staff and volunteers (57%). There is no right or wrong; communities need to work out what works best for them and there will be pros and cons with all options.

- On average, community shops employ 4 members of staff, many of whom will be part-time.
- Community shops engage an average of 30 volunteers

(The Plunkett Foundation, 2017)

volunteer for either regular shifts, eg. same shift each week, or changing shifts depending on their availability and the needs of the shop. It may be that some people would prefer to work in pairs rather than manning the shop on their own and we will need to address this.

As an example, if opening hours were Mon - Sat 08:00 - 16:00, Sun 09:00 12:00, there would be 19 shifts to fill (1 x 2 hours plus 3 x 3 hour shifts Mon-Sat, 1 x 3 hour shift Sun).

Opening hours

The opening hours will to a large extent rely upon the number of volunteers and how much time they are prepared to commit. As turnover is proportional to the number of hours the business is open the longer hours the better. The recommended minimum hours are:

Mon – Sat 08:00 – 16:00, Sun 09:00 – 12:00

Products and services

Groceries

The basics - For a shop to be successful it needs to offer everyday items at competitive prices. While it is hard to compete with supermarkets across all product lines, prices for good quality basic items have to be competitive to retain customers. Anecdotal research suggests items such as bread and milk offer very small margins of profit. They tend to be seen as loss leaders but attract in customers who may then purchase more profitable products.

Choice – Our research also suggests that offering a choice between a basic (albeit good quality) and more artisan product on core product lines maintains customer loyalty. For example, shops visited in our research offer basic sliced packet bread at £1.20 and local bakery loaves at £2.00. Our discussions also suggest that the sales success of product lines such as beers and wines depend upon sufficient choice. One or two offerings are unlikely to attract sales, whereas a good choice with a range of prices will turnover faster.

Sell local – 95% of community shops stock and sell local food and was ranked 5th in the most profitable lines of products by Plunkett. Stocking local food also helps engage with the local community and producers, promotes the local economy while helping the environment through lower food miles.

Other services and offerings

The objectives of a project such as a community store are not just to provide retail services but also to stimulate social interaction and inclusion and offer help to disadvantaged members of the community. By providing a range of additional offerings such as a café to provide a place for people to meet, collection services for prescriptions and alike, it becomes a hub around which the community can get involved.

Suggested services might include a café, dry cleaning, collection services such as 'click & collect', holiday home ordering and delivery, prescription collection.

Product stats

Most sold items 2016

1. Dairy and eggs
2. Bread and bakery
3. Newspapers and magazines
4. Soft drinks
5. Cigarettes and tobacco
6. Wholefoods and groceries
7. Confectionary
8. Alcohol
9. Cards and stationery
10. Café services

Most profitable lines

1. Cards and stationery
2. Confectionary
3. Soft drinks
4. Dairy and eggs
5. Local food and produce

Post Office

According to Plunkett research (The Plunkett Foundation, 2017) 59% of community shops offer postal services via Post Office Limited. Some with full-time provision to part-time outreach services. 59% are community post offices, 21% are outreach, and 20% are post office local.

The existing Post Office is a community status office benefiting from both fixed income (approx. £6,200 p/a) and modest commission based sales revenue (approx. £700 p/a). The contracted hours of opening of 20 hours per week.

[To be completed]

Service	Breakdown
Benefits	8.20%
Bill Payment	4.38%
E-Top-Up	0.39%
Corporate Banking	1.40%
Personal Banking	25.44%
Foreign Travel	0.92%
Mails	46.09%
Stamps	12.93%
DVLA	0.00%
Other	0.17%
Retail	0.00%
National Lottery	0.00%

Market and marketing

Target market

Parracombe parish includes the hamlets of Bodley, Prisonford and Churchtown, which together with the main village are all classed as one community. There are 144 dwellings of which 18 are classed as second residence/holiday accommodation, according to the Rural Housing Survey (Exmoor National Park Authority, 2012). Parracombe has a population of 293 (Office for National Statistics, 2011).

Neighbouring parishes include: Martinhoe & Trentishoe (pop. 159), Kentisbury (299), Challacombe (141) and Lynton & Lynmouth (1,441). With the exception of Martinhoe & Trentishoe each has shopping & post office facilities however, due to Parracombe's location and proximity to the A39 we could still benefit from passing trade from residents of these parishes.

The 2011 census showed that 18% of residents in North Devon were aged 15 years and under, 60% were aged 16–64 and 23% were aged 65 and over.

The target market for the shop falls broadly into:

Local people

- Local businesses including the increasing number of home workers and the self employed
- Residents who work away from the community during the day, but who may have limited opportunity to buy essential items during that time
- Retired residents who may have limited opportunity for travel outside the community. Approximately a quarter of the population is over 60 and the Government is keen to encourage the elderly to be cared for in their own homes
- Families with young and school age children who may be confined to the community during the working day and do 'the school run' twice a day and may utilise the playing field

Visitors

- Visitors to the village, such as walkers, cyclists and other tourists visiting the village, church, pottery and pub
- Visitors to the Railway
- Self-catering holiday visitors

Passing trade, including:

- Holiday makers touring the area by car or motorbike
- Residents of surrounding villages, particularly Martinhoe

- Drivers taking a short cut through the village
- Bus travellers. Bus company to be approached to see if we can have a bus stop outside

Marketing plan

A comprehensive communications programme with the village will be developed using traditional methods, such as meetings, posters, papers/magazines and leaflet drops to reach non-internet users, combined with social media, where a strong Facebook presence is well established. We would encourage people to sign up to receive village information via email. This network could be harnessed to promote the shop, including new products, special offers and incentives to visit the shop.

We would create multiple reasons for people to visit the shop, not just for purchasing groceries, so that it becomes the 'hub' of the village that the survey results showed many people want it to be. For example, ticket sales for village events, book sale, jigsaw loan, charity appeal drop off point, local classified ads (for sale/wanted/local businesses and services), tourist information point, lottery tickets, parcel collection, post office services, cash, coffee & refreshments, etc. We would run event led marketing campaigns (eg. taster sessions at shop) and consider forming group purchasing schemes (eg. wine, pet food, etc).

Information would be published on the Parracombe parish website which is currently being developed. This could include an area dedicated to the community shop that would be easily updated to keep the content fresh and relevant.

To attract visitors and passing trade to the shop we would implement targeted marketing campaigns, for example to holiday let businesses. We could also work with Exmoor National Park to leverage their marketing and PR where relevant. As the shop is away from the road it is important that we have adequate signage on the road at the entrance to the car park as well as up on the A39 (for which permissions will likely be needed from ENPA).

Finally, we would encourage feedback from the community to gather ideas and make sure that we provided the facilities and services that people want and would continue to support in order to make the shop a success.

Financial data

Profit and Loss Projection

Assumptions

The projected profit and loss account statement is based upon assumptions according to data from the Community Shops 2017 dataset (Power to Change Trust, 2017) and figures have been rounded for clarity. The financial projection is also based upon the assumption that the shop is located within the pavilion building as it offers the most affordable option and a reasonable estimate of capital expenditure is possible. A projection based on the skittle alley location can only be made with further investigations, quotes for conversion and an indication of lease / rental overheads.

Projection data

Statistics quoted are from the Community Shops: A Better Form of Business (The Plunkett Foundation, 2017) report which bases its findings on the Community Shops 2017 dataset. The following statistics have been used to guide the projections and make assumptions for the profit and loss forecast.

- Turnover by floor area averaged £2,400 per m²
- Gross margin average 22%
- Net profit average £3,275
- Average of total value of shares raised £35,000

Forecasted turnover for a shop located in the pavilion could be £38,400 p/a based on a floor area of 16m² using the average turnover per m². To account for the start-up nature of the business and in line with the existing shop, the projection for year 1 is based upon a conservative average turnover of £75 per day (£27,375). This rises to £38,400 in year 3 onward. Cost of sales is calculated using the gross average margin of 22%.

NB. The projection is exclusive of any potential income from the Post Office.

Capital set up costs

The capital costs of setting up the business are estimated at a conservative £3,625. It is assumed that much of the labour required for fit out will be volunteered. The expenditure for fit out is for raw materials, refrigeration, counter, PC, POS equipment, safety equipment and café furniture.

Overhead costs

Overhead costs consist primarily of wages and utilities. It is assumed that a paid shop manager is employed for 20 hours / week at the living wage of £7.50 per hour.

Funding

The assumption is that a community share offer would be made. Further research into the community's willingness to invest in a shop is required before any sort of accurate forecast can be made into the level of funds likely to be raised. The projection uses a figure of £5000 for share capital raised and a loan of £2000 to fund the purchase of stock.

Further grant / loan funding opportunities would need to be investigated as part of the next steps.

The average amount of community shares that has been raised and retained towards community shop set-up costs is £23,512

(The Plunkett Foundation, 2017, p. 7)

Profitability objectives

The overall objective of the community owned model is not to be a profit generating enterprise for the benefit of shareholders. As we have outlined, it is to provide a range of social and community benefits. However, clearly any business cannot survive making a sustained loss, so a surplus must be achieved to build reserves for future needs. It is envisaged that reserves would be reinvested to evolve the business and potentially support other community projects.

Financial summary

It is clear from the projected P&L that to make a viable business either additional income is generated, running costs are reduced or some combination of additional income and cost savings are achieved. The generation of additional income could be from expansion the shop floor to accommodate larger sales, however it is not clear at this time that there would be sufficient market opportunity for significantly larger sales. Income could also come from the Post Office, the projected deficit (£4,186) would be covered by income of approx. £6200 from the existing Post Office contract if it could be retained. Costs could be reduced by £7200 p/a through running the shop and Post Office entirely through volunteer staffing.

Projected Profit and Loss Account

	2018	2019	2020	2021	2022	2023
Total Sales	27,375.00	32,850.00	38,434.50	38,434.50	38,434.50	38,434.50
Cost of Sales	20,531.25	24,637.50	28,825.88	28,825.88	28,825.88	28,825.88
Gross Profit	6,843.75	8,212.50	9,608.63	9,608.63	9,608.63	9,608.63
Overheads						
Wages and salaries	7,200.00	7,200.00	7,200.00	7,200.00	7,200.00	7,200.00
Stationery	120.00	120.00	120.00	120.00	120.00	120.00
Telephone	300.00	300.00	300.00	300.00	300.00	300.00
Advertising / PR	240.00	240.00	240.00	240.00	240.00	240.00
Maintenance	200.00	200.00	200.00	200.00	200.00	200.00
Staff travel	0.00	0.00	0.00	0.00	0.00	0.00
Rent and rates	0.00	0.00	0.00	0.00	0.00	0.00
Insurance	240.00	240.00	240.00	240.00	240.00	240.00
Water, heat and light	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Loan Interest	0.00	0.00	0.00	0.00	0.00	0.00
Credit card charges	60.00	60.00	60.00	60.00	60.00	60.00
Bank charges	120.00	120.00	120.00	120.00	120.00	120.00
Bookkeeping	300.00	300.00	300.00	300.00	300.00	300.00
Audit fee	250.00	250.00	250.00	250.00	250.00	250.00
Total overheads	11,030.00	11,030.00	11,030.00	11,030.00	11,030.00	11,030.00
Profit before depreciation	(4,186.25)	(2,817.50)	(1,421.38)	(1,421.38)	(1,421.38)	(1,421.38)
Depreciation cost of assets	638.32	638.32	638.32	721.66	721.66	721.66
Net surplus / (deficit) for year	(4,824.57)	(3,455.82)	(2,059.70)	(2,143.03)	(2,143.03)	(2,143.03)
Cashflow						
Profit before depreciation	(4,186.25)	(2,817.50)	(1,421.38)	(1,421.38)	(1,421.38)	(1,421.38)
Less: Cash spent on assets	3,625.00	0.00	0.00	1,000.00	0.00	1,650.00
Less: Cost of initial stock	2,000.00	0.00	0.00	0.00	0.00	0.00
Net cash inflow / (outflow) from operations	(9,811.25)	(2,817.50)	(1,421.38)	(2,421.38)	(1,421.38)	(3,071.38)
Shares subscribed for cash	5,000.00					
Loans from members	2,000.00					
Net cash inflow / (outflow) for year	(2,811.25)	(2,817.50)	(1,421.38)	(2,421.38)	(1,421.38)	(3,071.38)

Projected Balance Sheet

	2018	2019	2020	2021	2022	2023
Fixed assets:						
At cost	3,625.00	3,625.00	3,625.00	4,625.00	4,625.00	6,275.00
Cumulative depreciation	638.32	1,276.65	1,914.97	2,636.63	3,358.29	4,079.95
	<u>2,986.68</u>	<u>2,348.35</u>	<u>1,710.03</u>	<u>1,988.37</u>	<u>1,266.71</u>	<u>2,195.06</u>
Current assets:						
Cash at bank and in hand	(2,811.25)	(5,628.75)	(7,050.13)	(9,471.50)	(10,892.88)	(13,964.25)
Stock	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
	<u>(811.25)</u>	<u>(3,628.75)</u>	<u>(5,050.13)</u>	<u>(7,471.50)</u>	<u>(8,892.88)</u>	<u>(11,964.25)</u>
Total assets	<u>2,175.43</u>	<u>(1,280.40)</u>	<u>(3,340.10)</u>	<u>(5,483.13)</u>	<u>(7,626.16)</u>	<u>(9,769.20)</u>
Current liabilities	0.00	0.00	0.00	0.00	0.00	0.00
Share capital	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Long term liabilities	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Cumulative reserves	(4,824.57)	(8,280.40)	(10,340.10)	(12,483.13)	(14,626.16)	(16,769.20)
Total liabilities, share capital and reserves	<u>2,175.43</u>	<u>(1,280.40)</u>	<u>(3,340.10)</u>	<u>(5,483.13)</u>	<u>(7,626.16)</u>	<u>(9,769.20)</u>

Next steps

[To be completed after PPC review]

The Committee

David Austin

David's early career was in technical roles within computer manufacturing and services. Over the last 20 years his experience has been in marketing and business development within the high tech software sector. David has held functional leadership roles with multinational businesses, more recently founded a start-up software business and currently runs his own marketing and web consultancy.

Nick Backhouse

Experience including: 20 Years' Teaching Design & Realisation; 20 years as CEO in business including the last 15 years in Renewable Energy; dealing with all aspects of running a successful business. Qualifications including: Cert. Ed; Level 4 NVQ in Business Management

Sally Bastock

With generalist experience of running a business, Sally's working life began in the family newsagents/Post Office. Moving on to admin at Beechams Pharmaceutical Veterinary Research and a period in property sales before having a family. Returned to work for several years in the finance and HR departments of a sixth form college before becoming self-employed. A Chartered Member of the CIPD, currently providing HR resources to an IT Consultancy.

Jane Bayliss

Currently working in retail but qualified and practised for a number of years as a Commercial Property solicitor. Has taught Law at a number of universities and from 2006 to 2014 at Petroc in Barnstaple.

Therese Chapman

Over 40 years' experience in public sector, the past 20 years as an NHS senior manager with operational managerial responsibilities, including service development, setting & auditing standards, recruitment and budget management. Breadth of experience in developing Policy and audit in Public Sector and voluntary/3rd sector. Area of specialist expertise in Safeguarding Children & Young People, Safeguarding Vulnerable Adults and Equity & Diversity.

Alison Smith

Alison started her working life in publishing and has over 20 years' experience of marketing in the IT industry. She also has 5 years' experience of volunteering, helping with charity fundraising and volunteer programmes.

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