

# Winford Community Shop

## Outline Business Plan



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## **1. Background**

The parish of Winford has a population of around 2,000 people living in the three villages of Winford, Felton and Regil and smaller outlying settlements. Until 2009, both Felton and Winford were served by a village shop and post office, but Felton shop and post office closed in 2009.

Winford shop and post office has been a successful shop in the past but has struggled to remain viable in recent years particularly following the opening of a new Spar shop at Winford Garage, just under two miles away. A number of owners have done their best, but for whatever reason the commercial model hasn't quite worked. Retail volumes have been declining, and the current subpostmaster has tendered his resignation to Post Office Ltd. The shop and post office will be closed by Easter 2019 unless the community come up with a plan to take it over.

The evidence of the Parish Plan in 2010 was that local people rated their local shop and post office as the most important facility in the village, both as a service and as a point of focus for the community. As a day-to-day meeting point the village shop provides a central attraction which other facilities, however good, simply cannot match. More recently, surveys and public meetings have reinforced the desire to keep the shop and post office alive.

Elsewhere in the area around Bristol, there are numerous examples of communities taking the initiative and running their own community shop in similar circumstances. Oldbury on Severn and Hawkesbury in South Gloucestershire, East Harptree and most recently Farmborough in B&NES are examples of community shops set up within the last few years thanks to the efforts of community leaders and the support of local people. Their success, and that of several hundred other community shops across the UK, has shown what can be achieved.

The community of Winford does not want its shop and post office to close. This plan sets out how we plan to establish a community run shop in Winford. This is the first version of our Business Plan. It is a working document and will be updated and amended as our plans develop. If you have any comments or suggestions on how it can be improved, please let us know.

## **2. Our Mission**

To establish a community shop within walking distance of the village centre, which addresses local needs by selling grocery and other basic goods, including good quality local produce and providing access to a wide range of services, including a post office.

This will contribute to the sustainability of the local community and help to ensure that those without access to transport are not disadvantaged.

### **3. Progress to date**

Discussions with the outgoing subpostmaster (John) and owner of the premises (Helen) have established that the shop space will be available to rent for up to five years. We have considered alternative premises, including the Village Hall, but none are viable in the short term. Any move would need to meet the requirements of Post Office Ltd; and would take several months to set up. Following a public meeting in September, which overwhelmingly supported the idea to set up a community run shop, a Steering Group was established, and Winford Community Shop Ltd was registered with the Financial Conduct Authority as a Community Benefit Society (a legal entity which is recognised as a suitable vehicle for a not for profit trading operation).

To fund set up costs, a Community Share issue is planned for January 2019. In order to gauge support, advance pledges have been sought and as at 18<sup>th</sup> December more than £26,000 had been promised – more than enough to proceed.

### **4 Community Involvement and Support**

As soon as Winford Parish Council became aware that the owner of the shop was planning to close they called a public meeting and carried out a survey to assess the level of support for a community owned shop. Around 70 people attended the public meeting in September 2018 and there was overwhelming support for a community owned shop. A steering group was established to take the project forward and a group of 42 potential volunteers and shareholders came forward.

There were 64 responses to the questionnaire. All respondents thought that the village shop was very or fairly important. 11 people said that they didn't use the shop now, for various reasons, but would be more likely to use it if it was community owned. People said they would spend more in the shop if there was a better selection of goods. Further analysis of the stock based responses is being carried out to inform the restocking of the shop. Additional surveys will be carried out as needed.

An information day was held outside the shop in late November and a flyer was distributed to every house in the parish in December 2018 to update people on progress and inviting people to pledge to volunteer or to buy community shares .

So far 20 people have volunteered to serve in the shop and 70 people have pledged to purchase shares and become members of Winford Community Shop Ltd.

### **5. Products and Services**

Based on customer feedback to date, together with the experience of comparable community shops, our aim is to provide the following:

- a full range of staple goods at affordable prices
- a range of local produce and craft goods, which may vary according to time and season
- ethically sourced products, preferably eco friendly
- Post Office services (in due course this will be through a “Post Office Local” contract under which there is a common, open counter for post office and retail transactions)
- newspapers
- a limited range of alcohol
- other added value services as appropriate (eg prescription collection or dry cleaning)
- a delivery service for those with serious mobility issues and who can't get to the shop.
- an information point with notice board facilities
- a social meeting place, including a small seating area for tea and coffee if space allows.

## **6 Volunteering, employment and training**

We plan to employ a part time manager and assistant, who will look after most of the post office business. The retail side will be staffed by volunteers: we expect to have a rota of at least 30 volunteers, working typically two or three hour shifts. As well as performing an important task for the community, we want volunteering to be satisfying and sociable and for some to provide useful experience which can lead to employment elsewhere. Training in retail practices, and other areas of operation as necessary, will be arranged before opening and on an ongoing basis.

## **7 Operations**

We plan to open initially with conventional shop hours, eg 0830 to 1730 Monday to Friday and 0830 to 1230 on Saturdays 0900 to midday Sunday, with the longer term aim of extending this subject to customer demand and volunteer availability. Subject to negotiation with Post Office Ltd, the post office may be open for slightly reduced hours.

The shop will be run using EPOS and with card payment facilities. Initially, the layout of the shop will be largely as present, but we plan a general refurbishment in a few months time when Post Office Local is installed.

In the tables, in section 10, we have set out the projected start-up costs and possible sources of funding, as well as a profit and loss calculation, covering the first three years of operation.

## **8 Pricing and marketing**

In line with comparable community shops, we plan to set prices of basic goods at slightly above supermarket rates, but comparable or better than local competition (eg the Spar garage two miles away). Discretionary goods such as local produce will be priced at a level which balances affordability and cost benefit. We aim to make local goods and produce an important part of the overall offer as this can attract more customers as well being less price sensitive. The overall aim is to achieve a Gross Margin of around 25%.

Ongoing customer research will be carried out using the base of shareholders (see 9) and volunteers, together with customer surveys. The shop services will be publicised through printed material and online via a website which is under construction. The aim is to make the web site fully interactive, in due course. We will also use social media such as Facebook and Twitter, and will learn from the good work done by other Community Shops such as Almondsbury and Farmborough.

## **9 The Post Office**

Although John, the current sub postmaster, is keen to retire as soon as possible, he has agreed to keep the Post Office going for a few months in order to achieve a smooth handover and meet Post Office Limited's timescales.

When ownership changes it is Post Office Ltd policy to apply a new contract under the "Post Office Local" brand. With Post Office Local the operator is paid commission on transactions and does not receive an additional fee from the Post Office. There may also be some reduction in services available. This means that the overall remuneration is likely to be less than half the current level.

Under Post Office Local, the format will change to a combined open plan counter serving both retail and post office business. This is designed to provide a better service to customers whilst reducing staffing requirements at busy times. However, experience of other community shops is that volunteers working maybe two hours per week are generally not well suited to the demands of managing post office transactions, which are now computer driven through Post Office Ltd's Horizon system. We will therefore need to allow for employed staff (probably two part time) to be on duty for most of the hours the post office is open, supported by a small number of 'expert' volunteers.

The combination of these reduced income and additional staff costs means that the post office element of the business is likely to run at a significant loss, and we will need to discuss this in more detail with Post Office Ltd, including securing an agreement that the post office hours can be reduced as necessary. It should be noted too that Winford Community Shop Ltd will be responsible for any losses. However, feedback from residents is that the post office is a very important part of the service, and we believe it is important to provide the service if possible.

An alternative option of operating as an "outreach" service, provided by a neighbouring sub postmaster, would mean a very substantial reduction in

opening hours and probably range of services, and would only be considered as a last resort.

## 10 Funding

Winford Parish Council has kindly provided a grant of £2,000, which covers initial set up costs. We are also applying to local funders for small grants of a similar amount, and an expression of interest has been submitted to the West of England Leader programme for funding primarily to support a limited refurbishment in summer 2019.

We are currently launching a Community Share Offer, which we expect to raise at least £25,000, in order to cover start up costs (see below). Community shares are widely used by social trading organisations such as community shops and pubs to raise money from local residents, who can qualify for Social Investment Tax Relief one of the government's venture capital schemes, designed to help social enterprises raise money to support their trading activities. The Shares are withdrawable rather than transferable, and do not attract a dividend, although modest interest may be payable once the enterprise is trading successfully

Based on current trading coupled with the stakeholder benefits of community ownership, we expect the shop to break even excluding set up costs by the second year of operation.

As a trading entity, the shop will be liable for Corporation Tax under current tax legislation, but the aim is to set some of the future surplus aside to help fund projects within the community, in accordance with the objectives of the Society. There is also the possibility of paying a modest amount of interest to shareholders, should the financial position allow. This would need to be approved at a members meeting.

### **Winford Community Shop Ltd Estimated Set up Costs (including minor refit to accommodate PO Local)**

Plunkett Foundation Membership	£240.00
CBS Registration	£310.00
Design and Printing	£1,000.00
Signage	£1,000.00
Legal Costs	£2,000.00
Electronic Till + EPOS	£3,000.00
Coffee Machine	£2,000.00
Shop fitting	£3,000.00
Equipment (Chillers etc)	£2,000.00
Training	£500.00
Stock	£7,000.00
Contingency	£3,000.00
<b>Total Start up costs</b>	<b>£25,050.00</b>

We expect start up costs to be adequately covered by the Community Share issue, for which over £26,000 in pledges had been received as at 18<sup>th</sup> December, 2018. We have set our fund raising target at £30,000 to cover trading losses, from operating the post office, in year 1.

## **11 Trading Forecasts**

Based on a combination of latest shop accounts and experience of other Community Shops in our area we have produced a financial plan showing progress over the first three years, which is at Annex A.

We anticipate sales of around £2300 per week initially (excluding Post Office), a modest increase of around 10% compared with the last full year of trading at Winford Stores. But with a better range of products and well stocked shelves we believe the potential is to increase this figure by as much as 50%, particularly with a strong local produce offer. Our core projection assumes significant growth of around 16% per annum over the first three years as the shop regains the patronage of local residents. We assume a 23% gross profit margin, in line with other community shops in the area, although we have built in a more pessimistic scenario with lower income and margin.

The main areas of expenditure are:

- Premises - final details of the lease are yet to be resolved, but we assume monthly rental cost of £400. Light and heat are likely to be a major expense, and we have allowed £4,700 initially in line with experience, although this is something the committee will look to reduce, for example through use of more efficient equipment.
- Systems - experience of other community shops demonstrates that modern systems for Electronic Point of Sale and accepting Card payment are crucial to meeting customer expectations, as well as enabling better stock provision; together with internet costs we expect this area to amount to around £2,500 pa.
- Staffing - this is the largest cost area. Although we intend the shop to be manned by volunteers, there is a clear requirement, based partly on experience of other community shops, to employ staff to undertake the majority of post office business. We have allowed 44 hours per week at an average gross cost of £10 per hour. Although staff will focus primarily on post office transactions, they will also carry out retail business thanks to the combined till arrangement that Post Office Ltd will install. Our expectation is that the post office will be open for most but not all trading hours.

On the basis of these assumptions, our central projection is for a deficit of around £5,000 in the first year, moving towards break even in Year 2 and a small and growing surplus from Year 3 onwards. The share issue should give us sufficient headroom to absorb the first-year loss without serious cash flow difficulty.

However, under our more pessimistic projection, the shop would not break even before the end of Year 3, which would probably mean more serious reductions in post office opening hours in order to keep staff costs to a lower limit.

Finally, we have included a challenging but achievable optimistic projection, with increased income and a gross margin of 25%. This shows the shop trading profitably from year 1 onwards.

## **12 Longer Term**

We expect the shop to be subject to an initial, five year, lease which the Post Office require in order to complete the transfer. This should be ample opportunity to establish the shop as an excellent community run venture, and to build trading volumes.

However, the current premises are essentially part of a domestic property, which is unlikely to be available to lease for an indefinite period. Also, the accommodation, though adequate, does not provide much scope for expanding the business, such as introducing a café area as other Community Shops have done with great success. We will therefore need to consider other possibilities in the longer term for example

- New build on a vacant site, if such becomes available
- Adaptation and/or extension of a current building such as the Village Hall, subject to feasibility and if other parties agree
- Purchase and redevelopment of the current property

The Steering Group will keep the options under review, with the possibility of raising further funds through a subsequent Community Share offer if warranted.

## **13 Risk**

The Steering Group have considered risk in some detail, and a detailed analysis, with proposed mitigation, is at Annex 3. Risks can be placed in three main categories – Commercial, Operational, and Resources.

### **a) Commercial**

As a private business, the shop has struggled for a number of years, with retail trade declining, particularly since the opening of the Spar shop on the main road two miles away. Investment in both physical and staff resources is required to take the business forward, but current margins make this difficult. Additionally, the requirement to move to the Post Office Local contract is likely to reduce post office income by at least half, without necessarily an equivalent reduction in staffing costs.

The Steering Group believe that providing volunteer resources, primarily for the retail business will reduce the cost of running the business while maintaining or enhancing service levels, and that community ownership will create customer loyalty and engagement, driving profitable sales

growth. This has been the experience of other community shops, locally and across the country, but there are no guarantees.

The financial model depends on community support through the share offer. Evidence of the pledge suggests that the target of £30,000, to cover set up costs and the projected first year trading deficit, should be readily achievable, but success cannot be assured until the money is banked.

The Steering Group stresses that investing in community shares is at the risk of the individual. Return of capital will depend on the future profitability of the business, and HMRC cannot confirm eligibility to tax benefits until the shop has been trading for at least four months.

b) Operational

There are a variety of operational risks, including security, processes, supplies and accounting. The Steering Group will endeavour to ensure that adequate processes are in place and understood by staff and volunteers. Clear accountability is essential.

c) Resources

Volunteering is at the heart of the Community Shop, so attracting and retaining sufficient volunteers to serve in the shop is critically important. Recruitment is well underway, with 20 people signed up for regular slots and 10 people able to fill in, as at 18<sup>th</sup> December. Good training and communication will be essential, especially in the early days.

Retaining and supporting employed staff will also be critical, including effective co-working with volunteers.

The availability of the current site is a prerequisite, as no alternatives have been identified (and would be likely to require much more investment). The intention is to establish a formal five year lease as soon as possible.

## Winford Community Shop Ltd - Profit &amp; Loss Projections (Realistic Scenario) 1 a

	2019	2020	2021
<b>Shop Income</b>	£120,000	£140,000	£160,000
Gross Profit Margin (23%)	£27,600	£32,200	£36,800
PO Income	£7,000	£7,350	£7,500
<b>Gross Profit</b>	<b>£34,600</b>	<b>£39,550</b>	<b>£44,300</b>
<b>Less Operating Costs</b>			
Rent	£4,800	£4,800	£4,800
Insurance	£700	£720	£750
Utilities	£4,700	£4,800	£4,900
Staff Salaries (2 x PT)	£22,880	£23,338	£23,804
Security etc	£500	£500	£500
Telephone & Internet	£1,200	£1,200	£1,200
EPOS	£1,200	£1,200	£1,200
Bank Charges	£1,200	£1,250	£1,300
Accountancy	£1,000	£1,000	£1,000
Cleaning etc	£600	£600	£600
Sundry Expenses	£600	£600	£600
<b>Total Operating Costs</b>	<b>£39,380</b>	<b>£40,008</b>	<b>£40,654</b>
Depreciation	£600	£600	£600
Net Profit/Loss (before tax)	-£5,380	-£1,058	£3,046

The costs are based on the latest Winford Stores Ltd accounts y/e 31 March 2017;

Gross Profit Margin was 24.6%

PO income based on quote from PO

Staff salary costs based on opening PO 44 hours pw at £10.00ph gross

**Winford Community Shop Ltd - P&L Projections (Optimistic Scenario)**

1 b

	2019	2020	2021
<b><i>Shop Income</i></b>	£150,000	£165,000	£180,000
Gross Profit Margin (25%)	£37,500	£41,250	£45,000
PO Income	£7,000	£7,350	£7,500
<b>Gross Profit</b>	<b>£44,500</b>	<b>£48,600</b>	<b>£52,500</b>
<b><i>Less Operating Costs</i></b>			
Rent	£4,800	£4,800	£4,800
Insurance	£700	£720	£750
Utilities	£4,700	£4,800	£4,900
Staff Salaries (2 x PT)	£22,880	£23,804	£24,280
Security	£500	£500	£500
Telephone & Internet	£1,200	£1,200	£1,200
EPOS	£1,200	£1,200	£1,200
Bank Charges	£1,300	£1,350	£1,400
Accountancy	£1,200	£1,200	£1,200
Cleaning etc	£600	£600	£600
Sundry Expenses	£600	£600	£600
<b>Total Operating Costs</b>	<b>£39,680</b>	<b>£40,774</b>	<b>£41,430</b>
Depreciation	£600	£600	£600
Net Profit/Loss (before tax)	£4,220	£7,226	£10,470

The costs are based on the latest Winford Stores Ltd accounts y/e 31 March 2017;

Gross Profit Margin was 24.6%

PO income based on quote from PO

Salary costs based on opening PO 44 hours pw at £10.00ph gross

**Winford Community Shop Ltd - Profit & Loss Projections (Pessimistic Scenario)**

1 c

	2019	2020	2021
<b>Shop Income</b>	£100,000	£120,000	£130,000
Gross Profit Margin (21%)	£21,000	£25,200	£27,300
PO Income	£6,400	£6,000	£6,000
<b>Gross Profit</b>	<b>£27,400</b>	<b>£31,200</b>	<b>£33,300</b>
<b>Less Operating Costs</b>			
Rent	£4,800	£4,800	£4,800
Insurance	£700	£720	£750
Utilities	£4,700	£4,800	£4,900
Staff Salaries (2 x PT)	£22,880	£16,973	£17,312
Security	£500	£350	£350
Telephone & Internet	£1,200	£1,200	£1,200
EPOS	£1,200	£1,200	£1,200
Bank Charges	£1,200	£1,200	£1,250
Accountancy	£1,000	£1,000	£1,000
Cleaning etc	£600	£600	£600
Sundry Expenses	£600	£600	£600
<b>Total Operating Costs</b>	<b>£39,380</b>	<b>£33,443</b>	<b>£33,962</b>
Depreciation	£600	£600	£600
Net Profit/Loss (before tax)	-£12,580	-£2,843	-£1,262

The costs are based on the latest Winford Stores Ltd accounts y/e 31 March 2017;

Gross Profit Margin was 24.6%

PO income based on quote from PO

PO wages based on reducing PO opening hours to 32pw at £10ph from year 2

## **Organisation and Governance**

Winford Community Shop Ltd has been registered with the Financial Conduct Authority as a Community Benefit Society.

Our legal purpose is to trade for the benefit of the community (the Parish of Winford), and not for private benefit; profits are to be retained and used for the benefit of the community.

As a Registered Society, the Community Shop is owned by its members, who will be the shareholders, each of whom has one vote irrespective of the number of shares held. Day to day operation of the Community Shop will be managed by a committee, which will be elected by the members. Members meetings will be convened at least annually and members will be able to elect the committee, submit and vote on motions, in accordance with procedures detailed in the constitution.

The Management Committee must be a minimum of three people and a maximum of twelve. Up to a quarter may be co-opted pending the next annual members meeting. Committee members are elected for a three year term of office.

Prior to the establishment of Winford Community Shop Ltd, a Steering Committee was elected at a public meeting on 10<sup>th</sup> September 2018. The role of the Steering Committee is to progress the opening of the Community Shop, including the Community Share issue, and to manage its operation in the initial stages. Once the shop is up and running, it is the intention to convene a members meeting at which the Management Committee will be elected. All members will be eligible to stand for election.

Members of the Steering Group are as follows:

Phil Febrey (Chairman)  
Dan Hanna  
Carol House (Secretary)  
Sue Johnson  
Nigel Lindores  
Denise Poole (Volunteer Co-ordinator)  
Jane Thompson  
Liz Weaver (Treasurer)  
Dick Whittington