

Wray Community Shop and Post Office

Business Case for Wray Community Shop

September 2022



This Business Case has been drawn up for information for:

- Residents in Wray and the local area
- Individuals considering investing in the proposal by way of shares or loans
- Wray Institute Trustees & Committee
- Individuals considering applying for one of the paid staff positions
- Potential volunteers
- Advisors

September 2022

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1. Introduction

Wray has enjoyed a village shop and Post Office for over 40 years, providing a much-needed range of services to people living and working in Wray and the surrounding area. After a number of years unsuccessfully trying firstly to sell the premises and business, then lease the business, the current proprietors reluctantly decided to retire in May 2022 and close the shop and Post Office.

A number of village residents, concerned at the prospect of losing the facility, consulted residents in February 2022 to gauge support for establishing a Community Shop and Post Office. Approximately 250 properties in the village were leafleted to ask their views on both the need for a shop and Post Office in the village and to ask if they would be prepared to help to run it on a voluntary basis. 61 responses (24% returned) were received, with 82% confirming 5 out of 5 for the need, the rest 3 or 4, giving an average of 4.8 out of 5. 45% said they were prepared to help establish and run it.

Whilst consulting the local community, contact was made with The Plunkett Foundation, a national charity set up to help groups set up and run community facilities, and the Post Office. Both organisations have offered their support to our proposal, and we are liaising with them to take it forward.

A Steering Group was formed in March 2022 to develop the proposal and set out the next steps. Various subgroups were agreed, one of which produced this Business Case; others were tasked with negotiating lease arrangements and communicating with the local community.

An initial look at the current business' audited accounts for previous financial years, provided by the current proprietors, show in principle the financial viability provided an increase of 20% in grocery and sundry sales can be achieved.

Residents and businesses in Wray and the surrounding area have a strong track record of community involvement and engagement. Our Annual Scarecrow Festival, now in its 30th year, is testament to this, raising substantial sums annually to support local community facilities and many local 'not for profit' groups such as the WI, Pre-school and Scout Group.

2. Customer need

Demand for a shop and Post Office in Wray can be shown both by the continued use over 40 years of such a facility in the village and responses to the community consultation in February 2022. Then, approximately 250 properties in the village were leafleted to ask their views on the continued need for a shop and Post Office in the village. Of the 61 responses received, 82% said it was essential and a further 16% said desirable or very desirable. The percentage of respondents who ticked 'Yes' on maintaining the following services was as follows:

• Post Office	97%	• Local produce	77%
• Newspapers	66%	• Bakery goods	67%
• Stationery	59%	• Meat/Dairy	54%
• Prescriptions	56%	• Groceries/toiletries	49%
• Dry cleaning	25%	• Beer/Wine/Spirits	41%

All services currently offered were deemed to be important and should continue to be provided if a community facility was established.

3. Competition

There are other related businesses within 5 miles of Wray's shop and Post Office:

- Bridge House Farm Tea Rooms, located on the edge of the village selling some fresh food items as well as providing hot food and refreshments
- A Tea Room & Post Office, a family butchers and a (small) SPAR shop in Hornby
- A small Co-op, Boots the Chemist, small SPAR shop & Post Office and two takeaway outlets in Caton & Brookhouse
- Wray has a very limited bus service, reducing significantly access by public transport to facilities in outlying villages

These however have all operated for many years now, so we are confident they won't present a threat to our proposal. Indeed, we aim to encourage local suppliers, such as dairy, meat and vegetables producers and bakers, situated slightly further away to supply their products for sale in the shop, thereby increasing the likelihood of the proposal's sustainability.

4. Work done to date

Significant progress has been made towards establishing a community owned shop, a number of steps have been progressed

- We have established and registered a Community Benefit Society. The society has today been registered by the FCA under Co-operative and Community Benefit Societies Act 2014 as a Community Benefit Society named Wray Village Store Limited, with registration number: 8915 and registration date: 11 August 2022
- We've registered with the Plunkett Foundation, a national charity set up to encourage and support the development of community facilities. They have agreed to work with us to develop our proposal and offer advice and guidance on a range of topics, including lease arrangements, and finances.
- The Post Office indicated that it would provide a visiting post office, with limited services. The discussions with the post office will progress but are dependent on the opening of the shop and the other facilities being discussed with the Tea rooms.
- The local community, through the consultation in February and a public meeting in March has confirmed a local shop and Post Office is needed and over 30 individuals have offered their time on a voluntary basis; to develop the proposal, help with premises adaptations, provide technical and professional support and, most importantly, staff the facility on a regular basis. Some individuals have also indicated they are interested in buying shares in the business or offering loans.
- Wray Village Institute, a registered charity, has offered both financial and other support in principle, including help with covering set up costs . The have agreed on a substantial share purchase
- A lease has been agreed with the current proprietors covering lease arrangements, purchase or lease of fixtures & fittings and timescales.

5. Proposed scheme

The business has been established on a 'not for profit' basis – as a CBS; end of year balances will be used initially to build up suitable reserves and reinvest in the business, then repay any set up loans and payment of interest to Shareholders . Any ongoing end of year surpluses after this will be re-invested in the business and subsidise some costs and services, to further support identified community need.

The Rules of the CBS are established as part of the registration process and detail such things as

- Governance
- Members
- Member's Meeting
- Management Committee, composition elections etc
- Reporting
- Change
- Share Capital, interest payment etc
- Administration, start up and transition provisions

The Rules are available on the Shop website www.wrayvillagestore.co.uk

Our Vision:

To be the preferred local store for residents in Wray, the surrounding area and passing customers, by offering quality products at a competitive price

Our Mission:

To listen and adapt to changing community needs, exceeding expectations and offering a caring service to residents

Our Values:

- Customer excellence and community focus
- Valuing our customers, staff and volunteers and treating them with respect
- Openness to ideas and innovation
- Business integrity
- Teamwork and co-operation for the benefit of the community
- Promoting recycling and reducing 'Carbon Footprints'
- Developing our staff and volunteers to meet our mutual expectations

Our Objectives: - to:

- Break even after year 3 year of trading
- Achieve an operating surplus after the third year
- Aim to achieve the "Queen's Award for Volunteering" by 2026
- Maintain Customer satisfaction
- Promote the supply of 'fresh' produce from local enterprises
- Secure a happy environment for customers, volunteers, and employees

Our aim: is to continue to provide as many of the existing services as possible; these include:

- Sales of basic groceries and household goods, such as tinned and packet foods, sweets and chocolates, fresh dairy products, other bakery items, stationery and greetings cards
- Post Office – on a part time visiting basis
- Drop off and collection point for local medical practices' prescriptions and such as dry cleaning
- Sale of locally produced products, such as bread, cakes and fresh vegetables
- Newspaper and magazine sales and, possibly, local delivery of these
- A small community meeting space, where a few individuals can drop in for a chat and light refreshments. [Wray Institute provides meeting spaces for groups & activities and Bridge House Farm Tea Rooms provides meals, so we don't plan to offer these.]

Most services would be available 7 days a week, with opening hours to suit local preferences, volunteers' and paid staff availability and as agreed with the owners of the premises .

We plan, where possible, to focus on stocking goods from local suppliers, supporting the local economy and contributing to climate change initiatives by reducing our carbon footprint. We're already using Social Media links to keep interested people up to date with plans and developments. We'd use these, together with posters and leaflets where appropriate, to market the business, both leading up to our opening and onwards from then.

6. Risks

The following risks have been identified:

- Failing to negotiate mutually agreeable lease arrangements, including opening days & times and rental costs – this risk has been mitigated by the pre agreement of the lease with the owners
- Raising sufficient funds to cover initial costs, including purchase of fixtures & fittings and refurbishments – commitments in principle from both individuals and Wray Institute lead us to be confident that these costs can be met
- Being able to complete negotiations with the PO to provide a visiting service
- Having sufficient numbers of volunteers available, alongside other family and other commitments, across the day/week to ensure cover for all shop opening times

7. Strategic and Operating Management

The first Management Committee of the Society has been formed from the members of those who signed the application for FCA registration and others who have been instrumental in developing the enterprise they are

Bob Halsey
Heather Wells
Silas Heys
Steve Openshaw
Emma O'Kane
Paul Maycock
David Canning
Peter Gorst

An operations committee has been established to develop the shop operational procedures and creative ideas currently these are

Emma O’Kane
Marilyn Gaskell
Tracy Slater
Julia Fox

The present committee will serve until the first annual members' meeting that occurs after the share offer.

At that meeting, all members of the current Management Committee will step down, although they are eligible to stand for re-election. Any other members of the Society may also stand for election. The members will then elect a new Management Committee from the candidates standing. Subsequent meetings and elections will take place as detailed in the Rules.

The Management Committee is responsible for managing the affairs of the Society in exactly the same way that the board of directors is responsible for managing the affairs of a limited company.

It will take on the management of all aspects of the business and monitoring the financial affairs of the Society, ensuring that we comply with all applicable regulations and encouraging and enabling full engagement with the community.

The members of the Management Committee are equally responsible in law for committee actions and decisions. They are collectively responsible and accountable for ensuring the organisation is performing well, is solvent and complies with all its obligations. The committee will be protected by director & officer liability insurance.

An annual report will be made available to members. This will set out the key financial statements together with a report of the Society’s activities during the previous financial year, including the social impact of the shop and café on the community.

The report will also include any plans for the following year. The Rules provide for several other ways in which the membership may hold the Management Committee accountable for the running of the Society, including calling a special members’ meeting if required.

There are no conflicts of interest amongst the Management team or the Sub Committee

8. Staffing

Our proposed model includes employing initially a shop manager and when financially viable an assistant, both part time – hours to be agreed and subject to available finance. This would provide local employment, another of our ambitions. If, as anticipated, an operating profit allows, we may employ other staff members, such as a bookkeeper, cleaner and someone to make light refreshments.

The paid manager will lead the team of trained volunteers operating the shop and Post Office during opening hours, undertaking stock control, liaising with suppliers and drawing up supplies to be purchased directly from Cash & Carry etc.

Other roles, such as marketing will also be carried out by volunteers.

Setting up and re-opening the community shop will undoubtedly be costly and the business is likely to run at a loss initially. We aim though to reach a breakeven financial position within 3 years and then begin to build financial reserves, invest further in the business and pay interest on shares.

9. Financial data

9.1 – Current financial position

An initial examination of the current business' accounts for the last 5 financial years has provided the following information:

- Annual turnover - in excess of £125,000, including £18,000 Post Office salary
- Income is split across:
 - ♦ Groceries etc. - 62%
 - ♦ Newspaper & magazine sales - 31%
 - ♦ Delivery (newspapers) income - 7%
- Annual 'profit' excluding staff costs - £25,000 - £35,000

9.2 – Set up Costs

The initial set up costs are as detailed below. The costs have been estimated considering arrangements with the current owner agreed by the Management committee.

Set up costs	Likely sum
Legal costs	£ 500
insurances and licences	included in running costs
CCTV/Security upgrade	£ 500
Purchase of existing equipment, fixtures and fittings	£ 3,500
Purchase of new fixtures and equipment	£ 3,500
Initial Stock	£ 10,000
Remaining Stock (May 2022)	£ -
Premises alterations	£ 5,000
Electricity meter seperation	£ 1,500
Surveyor (premises alterations)	£ -
Professional advice and support	£ 500
Totals	£ 25,000

9.3 Fixed Costs

Year 1 fixed costs are estimated to be

Annual costs Year 1	Likely sum
Wages *	£ 17,193
Lease p/a	£ 6,500
insurances	£ 1,500.0
Licences etc	£ 500
Maintenance. & Repairs	£ 750
Security (CCTV)	£ 100
Utilities (light +heat)	£ 4,000
Equipment repair/replacement	£ -
Accountancy	£ 1,000
Rates	£ -
IT, including EPOS B4RN(?) telephone	£ 450
Marketing	£ 50
bank charges (new business - zero for first year)	
Fixed Total costs	£ 32,043

9.4 Cash flow 5-year forecast

Cash flow (years 1-5)						
	Year 1	Year 2	Year 3	Year 4	Year 5	
Opening balance		£ 13,182	£ 10,826	£ 12,119	£ 12,921	
cash in						
Share capital	£ 45,000	£ -	£ -	£ -	£ -	
Loans	£ -	£ -	£ -	£ -	£ -	
Grants & gifts	£ -	£ -	£ -	£ -	£ -	
Sales	£ 123,525	£ 144,900	£ 163,610	£ 181,102	£ 201,217	
VAT on sales	£ 9,882	£ 11,592	£ 13,089	£ 14,488	£ 16,097	
Total cash in	£ 178,407	£ 156,492	£ 176,699	£ 195,590	£ 217,314	
cash out						
Fixed asset purchases	£ 7,000	£ -	£ -	£ -	£ -	
VAT on fixed assets	£ 1,400	£ -	£ -	£ -	£ -	
Cost of goods sold	£ 97,500	£ 113,250	£ 127,200	£ 140,655	£ 156,128	
VAT on cost of goods sold	£ 7,800	£ 9,060	£ 10,176	£ 11,252	£ 12,490	
Overheads	£ 50,043	£ 33,106	£ 34,217	£ 35,380	£ 36,596	
VAT on overheads	£ 961	£ 993	£ 1,027	£ 1,061	£ 1,098	
VAT due to HMRC	£ 521	£ 1,539	£ 1,886	£ 2,174	£ 2,509	
Share interest & dividends paid out		£ 900	£ 900	£ 918	£ 918	
Share capital withdrawals	£ -	£ -	£ -	£ 2,250	£ 2,138	
Charitable donations	£ -	£ -	£ -	£ 366	£ 718	
Corporation tax	£ -	£ -	£ -	£ 731	£ 1,436	
Total cash out	£ 165,225	£ 158,848	£ 175,406	£ 194,788	£ 214,031	
Closing balance	£ 13,182	£ 10,826	£ 12,119	£ 12,921	£ 16,204	

In summary to meet the objective of breaking even in year 3 the % increase in turnover from the last year would need to be approximately 20% of groceries and sundries (cards, gifts etc) the current steering group considers this to be plausible based on scope for expanding the limited stock previously provided. It is expected that with the increase in space provided by the removal of the PO counter the store will be enabled to stock additional higher value stock, expanded sustainable product range and other requested goods.

9.5 Forecast P&L for 5 years

On the basis of paying a discretionary 3% interest from year 3, corporation tax at 20% and a small amount of depreciation of the fixtures and fittings the profit & loss becomes

	Year 1		Year 2		Year 3		Year 4		Year 5	
Sales	£	123,525	£	144,900	£	163,610	£	181,102	£	201,217
Cost of sales	£	97,500	£	113,250	£	127,200	£	140,655	£	156,128
Gross profit	£	26,025	£	31,650	£	36,410	£	40,447	£	45,088
<i>Overheads</i>										
Start-up revenue costs	£	18,000	£	-	£	-	£	-	£	-
Salaries etc	£	17,193	£	18,053	£	18,955	£	19,903	£	20,898
Administration	£	3,050	£	3,111	£	3,173	£	3,237	£	3,301
Premises	£	10,600	£	10,682	£	10,766	£	10,851	£	10,938
Other overheads	£	1,200	£	1,260	£	1,323	£	1,389	£	1,459
Total overheads	£	50,043	£	33,106	£	34,217	£	35,380	£	36,596
Operating profit	-£	24,018	-£	1,456	£	2,193	£	5,067	£	8,492
Depreciation	£	700	£	630	£	567	£	510	£	459
Share interest	£	-	£	-	£	900	£	900	£	855
Members' dividends	£	-	£	-						
Loan interest	£	-	£	-	£	-	£	-	£	-
Net profit	-£	24,718	-£	2,086	£	726	£	3,656	£	7,178
Capital grants, gifts received	£	-	£	-	£	-	£	-	£	-
Revenue grants, gifts received	£	-	£	-	£	-	£	-	£	-
Donations made	£	-					£	366	£	718
Corporation tax	£	-	£	-	£	-	£	731	£	1,436
Profit transferred to reserves	-£	24,718	-£	2,086	£	726	£	2,559	£	5,025

Notes

Depreciation is against plant and machinery over 15 years. Corporation Tax – has been forecast after allowing for Capital Allowances and a notional offset of volunteer hours worked at notional rates, known as the Peterhead principle.

The Rules provide that the Society may (but is under no obligation to) pay interest to holders of shares, as compensation for the use of such funds, if there are sufficient reserves and cash to do so. The rate of interest to be paid in any year is to be approved by resolution of the members at the annual members meeting and shall not exceed 5% or 2% above the base rate of the Bank of England whichever is the greater. For the purpose of these projections it has been assumed that 3% will be paid in years three, four and five.

9.6 Balance Sheet projections for 5 years

Balance sheet												
	Year 0		Year 1		Year 2		Year 3		Year 4		Year 5	
Tangible fixed assets	£	7,000	£	6,300	£	5,670	£	5,103	£	4,593	£	4,133
Net current assets (working capital)	£	38,000	£	45,520	£	43,164	£	44,457	£	45,259	£	48,542
Long term liabilities (loans)	£	-	£	-	£	-	£	-	£	-	£	-
Total assets less total liabilities	£	45,000	£	51,820	£	48,834	£	49,560	£	49,852	£	52,676
<i>represented by:</i>												
Share capital	£	45,000	£	45,000	£	45,000	£	45,000	£	42,750	£	40,613
Reserves (retained profit)	£	-	-£	24,718	-£	26,804	-£	26,078	-£	23,518	-£	18,494
Total capital & reserves	£	45,000	£	20,282	£	18,196	£	18,922	£	19,232	£	22,119

9.7 Share Capital Liquidity

Share capital liquidity	Year 1	Year 2	Year 3	Year 4	Year 5
Opening balance	-	45,000	45,000	45,000	42,750
New share capital issued	45,000	-	-		
Share interest reinvested	-	-			
Dividends reinvested	-	-	-	-	-
Share capital withdrawals	-	-	-	2,250	2,138
Closing balance	45,000	45,000	45,000	42,750	40,613

10. Set up costs funding

The requirements for overall set up funding would be

Capital funding	Minimum target	Optimum target	Maximum target
Funding requirements			
Purchase of fixed assets	£ 6,000	£ 7,000	£ 9,000
Start-up revenue costs	£ 16,000	£ 18,000	£ 25,000
Working capital (cash flow)	£ 13,000	£ 20,000	£ 21,000
Total	£ 35,000	£ 45,000	£ 55,000
Funded by:			
Community shares	£ 35,000	£ 45,000	£ 55,000
Loans	£ -	£ -	£ -
Revenue grants and gifts	£ -	£ -	
Capital grants & gifts			
Total	£ 35,000	£ 45,000	£ 55,000

Responses to our consultation included 19 individuals (31%) offering in principle to provide loans or donations. 30 individuals (49%) indicated they would be prepared to buy shares, should these be available.

In addition, Wray Institute Trustees have indicated they will be prepared to help with set up funding, in the region of £10,000 as an initial share purchase (although an additional £10,000 is under discussion probably in the form of shares)

The management committee consider that a share offering to raise between £35,000 and £55,000 from the local community to be very feasible

The share offer will be presented to the community at a public meeting in Wray Institute in September. The meeting will update the community with the progress made to date, what the shop will offer (services and range of products) and most importantly describe the Share Offer , the reasons for becoming a member of the society ,how to buy shares and where to find information concerning the offer. Risks will be explained, and a Q&A session will give the community time and opportunity to fully understand the offer. The event has been publicised with a flyer delivered to each house in Wray, notices on village boards, announcements at village events and word of mouth.

11. Other Business Options considered

We considered buying the premises and business from the current owners/proprietors but realised these costs would be beyond likely available funding.

We also considered other premises to locate the shop and Post Office, including Wray Institute, but have decided that the current premises are the only viable option.

- Relocating it to Wray Institute, where space is at a premium, would mean some existing users would have to stop operating, safeguarding and disability access requirements would be very difficult to comply with and we would have less operating and storage space than the current premises are likely to provide
- There is insufficient space in our local pub, The George & Dragon, and parking outside is very restricted
- There are no other suitable premises in the village that could be considered.

12. Timescales

At this stage in proposal development, we can only estimate timescales; however, we are keen to minimise the gap between closure of the current business and the opening of the community shop and Post Office, not least because the Post Office has advised they are only able to leave their equipment unused in the premises for 8 months. The details set out below will be reviewed and updated as necessary on a regular basis:

April 2022	First stage Business Plan reviewed and finalised
May 2022	Current shop and Post Office closes
June 2022	Lease arrangements and value of fixtures, fittings and remaining stock agreed Legal structure agreed
July 2022	Financial, legal & requirements completed Personnel details for paid and voluntary finalised
Aug 2022	CBS Application submitted
Sept 2022	Paid staff recruited, and training started Bank Account opened Launch of the share offer (Independent) Internet connection set up
Oct 2022	Set up funds raised, by loans, donations, shares & grants Volunteers recruited, roles and days/times agreed, and training started Fixtures, fittings and remaining stock purchased
Nov 2022	Potential suppliers contacted, and agreements reached Premises adaptations completed
Dec 2022	Shop re-opens under new management

Experience elsewhere, in villages in similar circumstances, and advice from the Plunkett Foundation, show a realistic 'set up period' is 5-6 months. We believe, given the commitments given already by local residents, we can achieve the above targets.

13. Independent review

We have had independent reviews of this business plan, initially by Plunkett Foundation. The Business Case is 'work in progress'; it will be revised following advice from independent reviewers and to reflect new thinking, new opportunities, and changing circumstances.