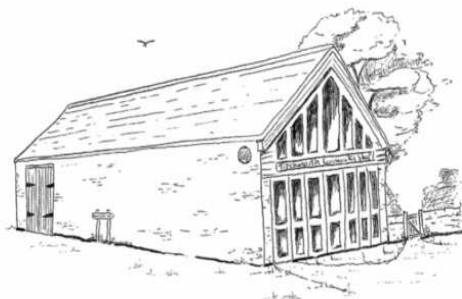




TITCHMARSH VILLAGE SHOP ASSOCIATION LIMITED

BUSINESS PLAN FOR THE PERIOD TO 31 MARCH 2008



Version 3.0 – 25 November 2006

Version Control

Date	Version Number	Description of Change	Author
12 June 06	1.1	Initial Document based on that of Sulgrave Village Shop Association	PGJ
17 June 06	1.2	Updated version following meeting of sub-committee 12 June 2006	PGJ
4 July 06	1.3	Updated version following meeting of committee 3 July 2006 and feedback from R Prior (Sulgrave)	PGJ
8 July 06	2.0	Final version for funding and initiation purposes released to website, Parish Council and other stakeholders	PGJ
13 July 06	2.1	Amendments noted to J Teague	JT
14 July 06	2.2	Amendments noted to J Teague by external reviewer, addition of pen pictures and briefing on public consultation	PGJ
17 July 06	2.3	Amendments made by J Teague for pen pictures	JT
7 August 06	2.4	Minor spelling, edit of executive summary, updates to pen pictures and grants, explanatory paragraph on grant accounting in forecasts	PGJ
25 November 06	3.0	Update of funding table in section 9 and profit and loss section with sensitivity analysis in section 10	PGJ

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1 Executive Summary

1.1 Titchmarsh is a village of approximately 620 people who have not been served by a shop since 1997. It is 3 miles from the nearest town, Thrapston, with a limited bus service so that shopping is difficult for the younger and older members of the village. The Parish Plan in 2005 revealed a perceived need by 85% of the respondents for a village shop to be reintroduced. A follow up survey in Spring 2006 confirmed financial and voluntary support for a shop from a base of 60 responses. This in turn resulted in a public meeting initiated by the Parish Council early in 2006 that led to a committee being formed to develop and expedite the Parish Plan recommendation. This Business Plan, showing the shop needing a funding requirement of £63,000 and an annual turnover of £74,000, is an aid to that agenda.

1.2 The committee has commenced the formation of a company limited by guarantee under the Industrial and Provident Society Acts under the name “Titchmarsh Village Shop Association Limited” (“the shop”). A feasibility study has also been initiated by the Parish Council around the use of the engine house in the centre of the village. Based on the structural work needed on these premises and the timing of grant applications it is anticipated that building work will be undertaken in the last quarter of 2006 and trading will commence in April 2007.

1.3 The committee formed in March has augmented its numbers to take on members of the village with certain skills and is meeting monthly under the chairmanship of Jane Teague. Members are providing services voluntarily, but it is anticipated 2 part time managers will be employed who will be supported by a team of volunteers aided by the 45 people who offered support through the Parish Plan. Financial control over the operations of the shop is to be aided by the use of an EPOS (electronic point of sale) system. An innovative step will be the formation of a youth sub-committee to engage younger members of the village in the shop’s activities.

1.4 Demand for village shops has been driven by changing social attitudes and demographics since the introduction of major supermarkets. There is an appetite for home grown produce, a higher awareness of community and an opportunity to promote local crafts and social interaction in villages. The Titchmarsh Parish Plan noted the village’s age profile had changed over the last 20 years and highlighted the needs of young and old inhabitants. Home working and businesses operating in the village are part of the change too. Visitors to the village for the school and pre-school and passers by from the surrounding villages provide additional catchment for the shop.

1.5 The shop aims to provide a wide range of produce and some services, as well as a drop in café to foster the community interaction. Details of these are set out in section 5 of this plan. Internet facilities, requested in the Parish Plan, as well as post office facilities, will be considered but do not form part of the initial service offering at this stage. It is intended to have the shop open 7 days a week for 60 hours. Although credit cards acceptance and credit generally will not be available, it is planned to aid shoppers by offering a “reverse credit” facility where they can pay a lump sum in advance and draw down on it for miscellaneous purchases.

1.6 The marketing of the shop is being promoted through a number of village newsletters and the village website. Events and promotions are being planned both for the opening and then the continuity of trade. A bulletin was issued to all households in the village in May 2006 advising them of the results of the public meeting, the appointment of the committee and the initial work associated with the engine house.

1.7 The building in which the shop is projected to operate is the engine house located in the heart of the village on the corner of The Green. This is to be made available to the shop by the Parish Council at a peppercorn rent, and expenditure is being scheduled to adapt it to a shop in a manner sympathetic to adjacent dwellings and its historical background. Alterations within the building will include the installation of a kitchen and disabled public toilet. This work is expected to be undertaken towards the end of 2006 with the shop opening for business in April 2007.

1.8 The costs associated with the restoration and adaptation of the building amount to an estimated £40,000, and this forms a major part of the £63,000 the detailed plan has identified as being required to fund the shop's activities in the period between June 2006 and March 2008. A further £11,000 of funding is required to invest in shop equipment, in particular an EPOS system, and the balance is required to cover working capital in the early months of trading.

1.9 The committee is currently exploring a number of options with regard to funding, the principal focus initially being on lottery funding which could provide a substantial part of the cost of restoring and altering the engine house. Further funding opportunities have been identified with other grant bodies, and monies are separately being raised by villagers through loans, donations and fund raising activities. The table in section 9 indicates potential sources of up to £115,000, but in practice it will be a challenge to meet the £63,000 target amount.

1.10 The forecast profit and loss accounts and cashflow show a sustainable operating position with a slight profits over the 5 years to March 2012. The base turnover for the first year of trading is expected to be in the region of £74,000, but growth opportunities may be slightly inhibited by a supermarket development in the neighbouring town and so a prudent view has been taken of future turnover growth. Gross margins based on the experience of sales mix in similar shops have been estimated at 22%, whilst an underlying inflation assumption of 3% has been applied throughout. Sensitivity analysis shows excellent opportunities for improving this further.

1.11 The Titchmarsh Village Shop is an important initiative by the whole village and carries the full support of the Parish Council. It will not be a significant money making venture but will be well placed to meet its aims of meeting the shopping requirements of local residents irrespective of their transport needs, whilst fostering the community spirit and networking that it is recognized needs to be nurtured through an enterprise of this nature.

1.12 The committee is indebted to the village shops of Sulgrave and Catworth which have provided the vision required to take this project forward, and to the finance team of Sulgrave who have provided materials and advice on a range of topics enabling this Business Plan to be drafted. Support has also been gratefully received from Ian Toye of the Village Retail Services Association ("ViRSA"), Sue Moxon of The Shoparound Project, and Brian Mutlow of Enterprise Solutions Northampton. Further materials and ideas have been used from the ViRSA website

Titchmarsh Village Shop Steering Committee
25 November 2006

2 Background

2.1 Titchmarsh is a village (population approximately 620) situated in the administrative district of east Northamptonshire, approximately 10 miles east of Kettering and 14 miles north east of Wellingborough, the nearest major conurbations. The village is also 3 miles from Thrapston and 6 miles from Oundle, these being the nearest market towns.

2.2 Up until 2005 the village only had 2 bus services a week to supplement the schools bus that ran daily during term time. This was inadequate to support those who wished to make trips to the shops in the local towns and caused some hardship amongst those without transport. In 2006 Stagecoach introduced a service that runs 5 times a day every 2 hours to both Thrapston and Oundle which has alleviated the position slightly, but it is not clear how long this facility might be sustained in an ever changing county budget.

2.3 20 years ago the village had three shops. The last of these closed in 1997 as its owners had decided that it was no longer viable to operate the business from leasehold premises. This facility was considered to be an important service and a vital part of the community and its loss was a matter of general concern, but at that time there was little appetite to deal with the loss.

2.4 Currently villagers can draw their grocery supplies from the following areas;

- The Co-Ops in Thrapston and Oundle
- The village shops in Barnwell and Aldwinckle
- The 2 filling stations at Thrapston and the one at Raunds
- The supermarkets at Kettering, Wellingborough, Rushden and Corby

2.5 In 2005 community representatives carried out a strategic review of the village under the Parish Plan project and canvassed the whole community on perceived needs. Responses covered 77% of the village households and 70% of the inhabitants. The results were disclosed in the Titchmarsh Parish Plan, which was published in late 2005. A village shop was identified as a key requirement by 85% of those who replied.

2.6 As part of the action plan for the Titchmarsh Parish Plan, the Parish Council was tasked with investigating the options available for the establishment of a village shop, pop-in café and internet café. Accordingly the Parish Council initiated a questionnaire early in 2006 seeking more detailed information about villagers' intentions with regard to supporting such a venture both financially and as volunteer staff. The majority of the 60 completed questionnaires returned indicated support for the venture. Pursuant to this the Council organized an open public meeting on 12 March 2006 to test public support, and at this meeting support for the concept was ratified and an initial committee elected to take the project forward. This committee has been augmented by subsequent volunteers and has been instrumental in the formation of this business plan.

2.7 In order to provide a corporate framework in which to operate, an association known as Titchmarsh Village Shop Association Ltd. (“the Association”) is being incorporated with limited liability registered under the Industrial and Provident Societies Acts 1965 – 1978 with the object to establish and maintain a village shop in Titchmarsh. As this is a community project, it is intended that profits are not for distribution to members but will be reinvested in the enterprise to improve and expand its services to the village and the surrounding area, with any subsequent surpluses being used to support local charities and activities. A governance process around such a distribution involving the wider village is currently being drafted.

2.8 As part of the proposals put before the public meeting, the Parish Council have approved a feasibility study for the use of the engine house situated in the heart of the village as a suitable premises for the activity. These premises will require some conversion. Further details concerning them are set out in section 7 of this plan.

2.9 The Association is in discussion with the Parish Council for a legal arrangement to occupy the premises which would include an initial period of 20 months on a peppercorn rent covering the period up to 31 March 2008. It is proposed that the shop will be run for this initial period in order to discover the level of support it gains from the village and surrounding communities. A financial plan has been prepared for this period together with outline projections for following years.

2.10 The results of trading in the initial period will be evaluated and more permanent future plans will be presented at the first annual general meeting of the village shareholders once the first trading year’s results to 31 March 2008 have been audited, this being anticipated as falling in August 2008.

2.11 In the event that the trade is deemed unsuccessful, the premises will be surrendered back to the parish council who will use the property to meet other local community needs. Moneys raised on loans and grants will similarly be returned where required to wind down the full investment position subject to availability of funds at that point.

2.12 The committee has already initiated a number of steps to establish the shop and identified a timeframe of 10 months between 1 May 2006 and 31 March 2007 being the period necessary to obtain the required property and licensing consents and to effect the structural changes necessary on the premises prior to their opening. Consequently it is envisaged that the “Titchmarsh Village Shop” will start trading in April 2007.

3 Management

3.1 The Committee of the village shop was initiated at the open public meeting on 12 March 2006 and initially staffed by volunteers who put themselves forward on that day. Since then additional members have been co-opted and others stepped back as the roles and duties have been further defined.

3.2 The Committee in November 2006 consists of volunteers recruited from the village as follows:

Jane Teague	Chairman
Peter James	Treasurer
Sue Greasley	Secretary
Anita Dunn)
Diane Ellis)
Simon Eve) Executive Members
Jo Hunter-Islip)
Jackie Rowe)

3.3 These people combine the relevant business skills, experience and qualifications in Purchasing, Retailing, Marketing, Finance and Human Resources. These are given below in further detail in paragraphs 3.13 to 3.18 below. Specific roles will be allocated to the members of the Committee as the trading duties are defined and the project moves from one of project management to general trading.

3.4 Under the rules of the Association the Committee will stand for formal election by the members to act as the Management Committee for the first twelve months of trading. It is envisaged that this will occur in March 2007 just prior to the first year's trading and then in August 2008 when the first year's results will have been audited and the first annual general meeting can be held.

3.5 It is proposed to recruit 2 part time paid managers to run the shop to be assisted by volunteers from the village. The volunteers will be organized to participate in the day to day operational functions of selling, purchasing, stock control and accounting. The management of the shop will be controlled and guided by the Committee which will include the Shop Managers. According to the Parish Plan survey 45 members of the village indicated they would be prepared to provide their services as volunteers.

3.6 The 2 part time managers will be employed under normal terms of retail employment and they will be answerable to the Committee as a whole. A member of the Committee will be appointed as direct liaison for the managers.

3.7 The Committee is currently meeting monthly and will continue to do so up till the first day's trading in April 2007. It is envisaged that this monthly arrangement will continue under the formative period of the first year of trading but will relax to a bi-monthly or quarterly basis after March 2008.

3.8 Management controls will be established over the key risk areas and staff will be trained in the operation of systems and procedures as set out in a Procedures Manual which is being prepared. It is planned that the shop systems will include an electronic point of sale (“EPOS”) facility incorporating a barcode reader and a cash register linked to a back office computer.

Youth Sub-Committee

3.9 As part of the governance process it is proposed to set up a youth sub-committee. The aim of such a committee would be to;

- Engage the youth of the village in the running of the shop
- Foster the sense of village community at youth as well as adult levels
- Provide the youth of the village with experience in social management and wider social skills

3.10 The structure of the sub-committee is envisaged as follows;

- a chairman aged between 18 and 25
- a committee of 6 members with an upper age limit of 21 and lower one of 10
- a present adult from the committee who would act as informer but not influencer
- the chairman would sit ex officio on the committee and represent the views of the sub-committee to that group

3.11 The remit to this group would be to advise and make recommendations on inter alia;

- Produce
- Theme weeks
- Opening hours
- Brand
- Volunteer arrangements

They would also be encouraged to initiate and deliver materials, for example for a particular theme week.

3.12 It will be necessary for the chairman of the sub-committee as well as members of the committee to secure the necessary clearances from the Child Protection agencies, which may be carried out in parallel with the clearances for the Village Youth Group when that is formally initiated. The presence of the adult observer as well as the chairman will meet the attendance requirements of that legislation.

Committee skills and capabilities

3.13 As mentioned in paragraph 3.3 above the members of the committee bring a number of skills to support the management and running of an enterprise of this nature. Short biographies of each are set out in paragraphs 3.14 to 3.21 of the unabridged version of this report.

4 Market and competition

4.1 Titchmarsh is situated in rural east Northamptonshire; the Village Shop will serve an immediate geographical area of three villages (namely Titchmarsh, Clopton and Thorpe Waterville) which with neighbouring farms and hamlets give a combined population of nearly 1000 (about 300 households). None of the villages in this area has a general store or post office and the nearest supermarkets are in Thrapston (3 miles) and Oundle (6 miles).

4.2 In addition to trade from this geographic area, the shop is expected to attract custom from visitors to Titchmarsh such as ramblers and cyclists. Also the village hosts two reputable educational establishments, namely the Titchmarsh Church of England Primary School and the Titchmarsh Pre School, which are used widely by families outside the village. It is expected that parents dropping and collecting their children at these schools would make considerable use of the shop for refreshment and miscellaneous purchases. The Village Shop is situated conveniently in the centre of the village within a short walking distance of both the school and the pre-school.

4.3 The village contains a number of businesses including office based businesses which bring workers into the area. A further recent development has been the emergence of home working where a number of residents, who used to solely commute to distant towns and cities, are increasingly working from home one or two days a week and bringing increased presence during the day.

4.4 Whereas most people rely on supermarkets for their weekly provisions, there are increasing signs of social and economic trends moving against the dominance of the supermarket and there has been an increase in local shopping from specialty stores. People also are becoming more aware of green environmental, social and health issues such as:

- the local sourcing of goods
- the use of preservatives/chemicals in food production and preparation
- freshness and quality of the ingredients
- increasing cost of motoring and transport, and their environmental impact
- the power of the supermarkets and fair trading policies

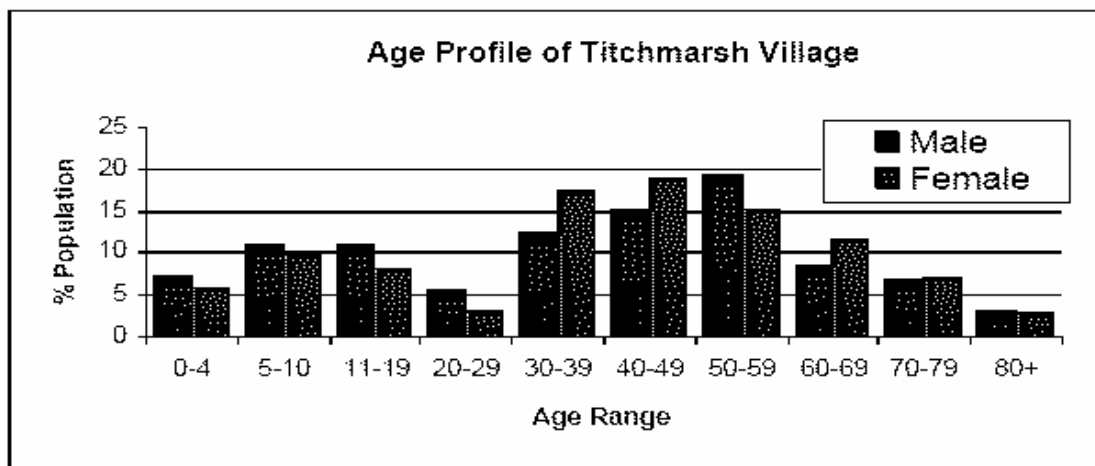
4.5 Within rural communities, and particularly in Titchmarsh, there is a great desire to defend the sense of community that has been undermined by the rationalization and polarization of resources into the major conurbations. There is also a substantial section of the rural population, low paid and fixed income residents, that still depends on diminishing or non-existent local transport for access to shops and other services, for them a local shop is necessary for their day to day requirements. The existence of a shop, as also of the church, school and pubs, is indicative of a community's vitality.

4.6 A trend has been established in the UK in the last 3 or 4 years of village shops being reopened, or being taken over by the village community, and proving to be very successful. As well as the financial aid increasingly available, support through the Village Retail Services Association and its website has provided guidance to many communities. The ViRSA website provides many case studies of successful deployment. The committee has availed itself of this facility and made fact finding tours of village shops at Catworth and Sulgrave who have proved helpful in their own right in ideas and working materials.

4.7 The Titchmarsh Village Shop will appeal to all of the considerations noted above by being a local convenient shop offering a friendly service and providing not only a selected range of everyday provisions but also a choice of fresh locally produced quality goods. It will not try to compete with the supermarkets on price.

4.8 The lack of a community focal point during the day was a particular issue raised in the Parish Plan. The café facilities will help re-foster that community contact, invigorate and promote the various social groups around the village set up under the Parish Plan, and allow interaction between members of the village which otherwise would not take place. Amongst other social changes, it would bring people back on to the streets as they go to and from the shop and promote interaction throughout the village as well as within the shop precincts.

4.9 The Parish Plan revealed the age profile of the village as being as follows;



The analysis of ages suggests that there are more young people than in many similar village communities. Over a quarter of villagers are under twenty, and this is a change to the profile 20 years previously when the village was in decline, and the shops were closing.

4.10 The shop is also intended to become a medium for the promotion and sale of local crafts and re engender enthusiasm for the traditional skills operated within the village.

4.11 Some challenge to the trade of the new shop is expected to occur in 2009-2010 owing to the introduction of another supermarket in the growing township of Thrapston 3 miles away. The pressures are not expected to be as great as those caused by the opening of the big supermarkets in the 80's and 90's but it is likely to have an impact on the outside catchment opportunities for the shop. Consequently a cautious approach has been taken in the forecasts to recognize this and trading levels set out in section 10 of this plan are forecast through to 2012 at a level some 4% below the suggested guidelines.

4.12 At the same time new supermarket development is seen as increasingly counter-productive to town and village community, and the committee will take an active part in scrutinizing and challenging any proposals for supermarket expansion in Thrapston or local environs, even though a conservative view has been adopted for the purposes of budgeting.

5 Products and services

5.1 This section considers the products and services to be offered under the following headings;

- Objectives 5.2
- Products 5.3 – 5.6
- Services 5.7 – 5.8
- Refreshments 5.9 – 5.12
- Internet 5.13
- Opening hours 5.14 – 5.15
- Methods of payment 5.16

Objectives

5.2 The Titchmarsh Village Shop will select its merchandise and provide services based on the following considerations

- providing a community service,
- offering a selection of fresh and quality goods,
- sourcing from local suppliers,
- pricing to achieve a mix of sales, stock turn and profit.
- purchasing arrangements with the Coop and Tesco under their Corporate Responsibility Community services

Products

5.3 The range of merchandise will be a varied selection of essential and impulse purchases. Stock will be changed on a seasonal basis with special promotions to improve sales in slow periods. The main stock categories will be:

- Dairy and frozen packaged goods
- Grocery, fresh fruit and vegetables
- Household and toiletries
- OTC medicines and convenience items
- Specialist bakery, cakes and biscuits
- Delicatessen and preserves
- Newspapers, magazines, greetings cards and stationery
- Village crafts

5.4 Goods will not be priced against the supermarkets but will be comparable with similar community and independent shops. There will be a good range of specialist and delicatessen items which will achieve a higher margin than other product categories.

5.5 It is an express part of the plan that the shop will not trade in its early months in alcohol or tobacco. These are high security risk products, carry rigorous licensing requirements, and could indirectly be in competition with the local public houses. Only when trade has been operating for a reasonable period and feedback obtained from emerging customers will this policy be reevaluated, probably at the end of the first year of trading.

5.6 The merchandising plan for the first period of trading is in the attached Appendix C.

Services

5.7 Initially the services which the shop is expected to act as an agency for will be dry cleaning and shoe repairs. As other opportunities present themselves the shop managers in consultation with the committee may extend the range offered.

5.8 It is possible that the shop will extend its services to include a Post Office. This depends on the appetite of the government and Royal Mail to promote such a facility and the wish of the residents to take advantage of it. Initial discussions are underway with ViRSA on the options available to the committee. Such facilities would require additional spend on security and staff, which have not been incorporated in the plan at this point; grants are however available to fund much of this extra cost were it to be undertaken.

Refreshments

5.9 It is also intended to provide a café service which will be offered throughout the day and will serve the following;

- Teas, coffees and other hot beverages
- Soft drinks
- Toast and teacakes
- Sandwiches including toasted sandwiches
- Cakes and fresh produce

5.10 The necessary steps will be undertaken to register the premises with Environmental Health and to train the managers and volunteers with the requirements of Hygiene, Health & Safety legislation. This training will also be extended where appropriate to those members of the village who wish to contribute baked produce for the café and for open sale.

5.11 As part of the Environmental Health standards a toilet needs to be made available within the premises, and this is part of the specification set out in section 7. Cleanliness standards will be required around this and they may form part of the responsibilities of volunteers.

5.12 The café service was thought to be a requirement for the village by 45% of those responding to the Parish Plan survey. The service also appears to operate successfully for number of other village shops according to the ViRSA case studies. However the benefit to the community of this service may need to be measured against the demands made on volunteer staff as the shop enters its first year of trading and the service adjusted accordingly.

Internet

5.13 An internet café was listed as one of the requirements of the Parish Plan findings, though support for this facility was only 15%. The public meeting and views expressed to the committee have similarly been cold. A telephone line will be secured for the premises and broadband subscribed, but further investigation will be required before this service is introduced.

Opening Hours

5.14 The opening hours will be flexed to meet the demand of the customers and the willingness of volunteers to support it. The hours that seem to have worked best for Sulgrave suggest a possible pattern that the Titchmarsh Shop may follow which may be summarized as;

Monday – Friday	8.30am – 6.00pm
Saturday	8.30am – 3.00pm
Sunday	9.00am – 12.00pm

This would mean a service equating to 60 hours a week. The ability to service such hours of course will depend on the support given by volunteers in the local community. No decision has been made with regard to Bank Holidays at this stage.

5.15 The volunteers as mentioned in paragraph 3.5 above will be under the direction of the shop managers and will undertake various duties associated with manning the till, stocktaking, refilling the shelves, carrying out health & safety duties and other activities according to a standard list of duties. The rostering of the volunteers will be handled by a member of the committee with volunteers being required to seek their own substitutes when indisposed.

Methods of payment

5.16 It is intended that the shop's receipts will be primarily driven by cash, and no credit card facilities will be offered. However in order to make the shop as user friendly as possible a reverse credit facility will be offered along the lines currently operating in Sulgrave where customers pay up front a £50 slab from which they can draw down their purchases. This provides members of the village with the flexibility of last minute purchasing whilst ensuring the shop resources do not have to expend time and effort on the recovery of debt.

6 Marketing

6.1 As a community project, awareness in the village is naturally already high. Marketing has been undertaken to support various fundraising activities. In May 2006 a leaflet was issued to all members of the village updating them on the progress of the development of the village shop proposals and the current activities.

6.2 The village has a very effective website – www.titchmarsh.info – and this is being used as a vehicle to report the progress on the shop and draw public comment on the development plans. When trading has commenced a separate web page will display the shop hours, promote volunteers and advertise promotional theme weeks.

6.3 The project has been mentioned in the local newsletter, “The Titchmarsh Times” and the opportunity will be taken to keep villagers apprised of progress through this medium as well as the web site.

6.4 The shop will adopt a logo and style that will be used on letterheads, leaflets and flyers. This corporate identity will be designed to be used also as labeling for “own brand” products and gift items to extend awareness of the Titchmarsh enterprise.

6.5 As part of the promotion of the opening day of the shop, press and radio coverage will be sought throughout Northamptonshire, securing reporting in particular from the Evening Telegraph in the Kettering and Wellingborough editions.

6.6 Ongoing advertising and announcements of activities will be conducted through the web site, a network of village newsletters, church benefice magazines and free distribution publications such as “The Villager” and the “Nene Valley News”.

6.7 Special events and seasonal activities will be organized to promote the use of the shop and as fundraising exercises in some instances. Liaison will be made with other social groups in the village, and an option currently being explored is working with the wine appreciation society to facilitate the launch.

7 Premises

Outline

7.1 The proposed premises for the shop comprise the building known as the engine house where the Titchmarsh horse drawn fire engine used to be housed. It is located on the corner of High Street and The Green directly opposite the Dog & Partridge public house.

7.2 In recent years it has been used as a storage facility for members of the village. The building dates from the 19th century and comprises a single unit of 48 square metres and a vaulted roof. The fabric has been maintained in reasonable order for storage but would need remediation to bring it up to a standard for using as retail premises and café.

7.3 The building is of historical interest and a plaque attached to the outside of the building advises readers of its history. During the 1950's it was used as a base for Marshall Booth to sell groceries and vegetables to the village and surrounding villages. The full history of the building will be established as part of a community history project, perhaps under the guidance of the village's recently formed Local Historical Society.

Title

7.4 The ownership of the property is deemed to lie with the parish council, and they approved a feasibility study for its use by the Titchmarsh Village Shop Association under a legal arrangement with a peppercorn rent to facilitate the opening and operation of a village shop, further to the recommendations of the Parish Plan and the general meeting. Notices to quit will have to be served on the existing tenants who use it as a storage facility, and full possession would be expected to be attained in the last quarter of 2006.

External Design

7.5 Although not a listed building, it is intended to convert the building sympathetically to its rural surroundings. The nearby dwellings are a mix of different styles and there is no predominant trend in this part of the village, with old and new side-by-side. The committee has discussed all aspects of the design with the Conservation Officer and observed all requirements and suggestions. These include;

- The existing south and east elevations remaining unchanged.
- The west elevation forming the boundary to the village pound, now a village garden for all villagers to enjoy and owned by the Parish Council.
- The insertion of glazed panels to the north elevation, which will be the entrance to the shop, designed to emulate the glazed panels on a nearby dwelling in Manor Farm Court, as well as to allow as much natural light into the building as possible.
- leveling of grass forecourt area to north elevation to facilitate serving of refreshments;
- creation of new access through garden boundary wall to allow access to garden from shop forecourt.
- creation of new pavement around part of the premises to facilitate pedestrian/disabled access

Internal Design

7.6 The internal building works will include:

- connection to water, electricity and gas supplies;
- modification of north elevation to create shop entrance door and glazed window panels to side and to gable above;
- installation of roof lights;
- installation of two new doorways to west elevation into garden area, one from the kitchen and one from the shop;
- creation of two new doorways through internal partition wall of former engine house to create kitchen/store and disabled access WC;
- the addition of a partial mezzanine floor to house an office and provide some storage

Timetable

7.7 The period between June and November 2006 will be taken up with securing the necessary building consents, putting the project out for tender, and securing the appropriate funding. It is intended that work would commence mid-December/early January and be complete at the end of February 2007. The East Northamptonshire Council website on 4 August 2006 has indicated that planning consent has been given for the development.

8 Capital Requirement

8.1 The financial forecasts are set out in the attached Appendix. These show the funding requirements for the period to March 2008 as being as follows;

	10 Months to 31 March 2007 £'000	Year to 31 March 2008 £'000
Capital expenditure on the premises	40.0	-
Capital expenditure on shop equipment	11.0	0.7
Initial working capital for stock	2.0	4.5
Contingency	5.0	
Total funding requirements (per forecasts)	58.0	5.2

The table shows a total requirement in the 22 months to March 2008 of £63,000, of which £58,000 may be required before the store starts trading on 1 April 2007.

Capital expenditure

8.2 The forecast capital expenditure on the premises reflects the expense necessary to render the building safe and fit for use, as well supply required utility services, provide kitchen, toilet and office facilities, and adapt the exterior for access and light. These changes all require the necessary planning consents, building regulations and health and safety assessments. Initial estimates have suggested that costs up to £40,000 are likely to be incurred, the major parts of which would include the following:

	£'000
Preliminary costs (architectural drawings)	0.6
Building regulations	0.5
Planning permission	0.2
Deed registration	0.1
Utility linkages (water/gas/electric/phone)	5.0
Building modifications	30.0
Signage	1.0
Other associated costs	2.6
Total costs associated with premises	40.0

The forecast prepared in June 2006 anticipates that the necessary consents will have been obtained by November 2006 and that the structural work will be undertaken in the first quarter of 2007, with the majority of the cash outflows taking place in February and March 2007.

8.3 The capital spend on equipment will be primarily for chillers and the computer EPOS system required to control the income and expenditure of the shop and provide the credit management facilities. It is not envisaged at this stage that any equipment will be leased, though suppliers may provide chillers FOC to promote their products. Details of the expected capital spend on equipment is set out in appendix D.

Working Capital

8.4 The experience at Sulgrave has indicated that the average stock turn is 12 and this would suggest an underlying stock requirement of £5,500 based on turnover of £82,000 pa and a gross margin of 22%. (ie £63,000/12). From an initial trading position where £2,000 of base stock at opening is expected, with further stock being carried on suppliers' credit through the months, the maximum stock levels are expected just before Christmas 2007 to peak at £7,000 before reducing to the forecast £5,300 at March 2008. This seasonality replicates that experienced at Sulgrave.

8.5 Extra storage space is expected to be secured from the landlords of the Dog & Partridge. This will not require capital outlay but will require the payment of rent which is to be incorporated in the profit and loss forecast.

8.6 Some of the funding of the stock will come from trade creditors. It has been assumed that a 15 day period of credit will be obtained in total for the shop's purchases. Total creditor balances at the end of the first year of trading are expected to be in the region of £2,340

8.7 The total cash outlay is ultimately dependant on the cash inflows to support the project. These are addressed in the following section. In particular the contingency element of £5,000 which may be needed to deal with delayed opening, is intended to be covered by overdraft facilities.

9 Funding

9.1 The funding requirements of the business are initially driven by the costs associated with bringing the premises up to standard for retail use. Grants are being investigated through a number of mediums, but the principal source at this stage is seen as a grant from lottery funding.

9.2 The capital requirements set out in the previous section indicate a need over the 22 months of £63,000. The amounts applied for, expected and secured at this stage can be summarized as follows;

Funder	Applied for £'000	Expected £'000	Secured* £'000	Comment
National Heritage Lottery	42.5	10.0	-	Main grant not successful; other opportunities being explored.
Northampton County Council Voluntary Sector Support Unit	18.0	15.5	-	Provisional approval; January decision
ViRSA Village CORE Programme	45.0	36.0	-	Taking the form of a loan of £18k and £18k pump priming. Late autumn decision
Welland Capital	4.0	4.0	4.0	Paid September
Shoparound Project	2.0	2.0	2.0	Confirmed in writing
Other small grants	15.0	5.0	0.5	Various timings on decision
Fund Raising	5.0	5.0	5.0	Achieved to date
Loans	2.0	2.0	1.0	Soft terms at this point
Donations	1.0	1.0	1.0	Some loans converted
Share capital	0.3	0.3	0.1	Paid up by committee
Bank overdraft	15.0	10.0	-	Under negotiation

**Date of assessment 25 November 2006*

9.3 Naturally it would be preferable to increase the funds from donations and grants in order to reduce the level of interest bearing loans and overdraft. However there is a limit to the generosity of villagers and this has to be tempered with the commercial objectives of the association.

9.4 The share capital of the Industrial & Provident Society will be made up of shares of £5, and the forecast assumes that 50 people in the village will subscribe to them.

9.5 Medium term loans supplied by the villagers have been assumed to be repayable over 5 years commencing on 1 October 2007. Interest at 6.5 per cent per annum has been provided for although it is expected that a proportion of these loans might be provided by the members of the Association either interest free or at a lower rate. A sum of £500 has been loaned by the Parish Council as seed money but they require repayment by 31 March 2007.

9.6 An Overdraft facility is to be sought to meet the fluctuations in Cash Flow during the course of a trading year, and negotiations are currently underway with the Co-operative Bank.

10 Forecast Sales and Profit and Loss

10.1 The funding, sales forecasts and profit and loss forecasts have been based on the business plan and experience of the Sulgrave Village Shop Association Limited, which started trading in September 2004. The shop at Sulgrave has a similar customer base and product offering and their expertise in the first 15 months of their own trading has informed the figures put together for the Titchmarsh plan.

10.2 The forecast results can be summarized as follows;

	Years ending 31 March					
	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000
Trading						
Sales	-	74	84	86	89	92
Cost of sales	-	(58)	(65)	(67)	(69)	(71)
Gross margin	-	16	18	19	20	20
Overheads	(0)	(19)	(21)	(22)	(22)	(23)
Fundraising	4	5	5	5	5	5
Profit	4	2	2	2	2	2

Revenue and gross profit

10.3 The revenue assessment has been taken from two bases;

- takings of £9 (excl VAT) per week from each household within the village, plus 20% additional sales from outside the village. This was the basis adopted by Sulgrave and proved reasonably accurate by their outturn against budget
- takings of £4.32 per week from 2/3rds of the population of the village and its realistic catchment area plus £10,000 per annum for passing trade. This is a recommendation issued by Oxfordshire Rural Community Council (“ORCC”)

10.4 In applying the Sulgrave formula two adjustments have to be applied to reflect differing circumstances. Firstly 28% of Sulgrave’s sales relate to alcohol and tobacco; as these do not form part of the initial product offering this suggests that £6.50 per week rather than £9.00 might be a better basis for assessment. Secondly the catchment from outside the village will be a lesser percentage as Titchmarsh is 80% larger than Sulgrave and has a smaller catchment area with 3 against 8 villages providing additional income. An assessment of +5% rather than +20% seems more prudent in these circumstances. The formula on this basis applied to the 240 households of Titchmarsh yields £85,000.

10.5 In applying the ORCC formula, the alcohol and tobacco adjustment should also be made reducing the takings to £3.11 a week. This applied to Titchmarsh and Clopton’s populations of 665 plus the £10,000 yields £82,000. In the event the budgeted amount of £74,000 for the year to March 2008 reflects the run up to trade necessary in the first 4 months as the shop establishes itself in the community; the ratio of 10% reduction in first year is consistent also with ORCC guidelines.

10.6 Sales are categorized into general merchandise (95% of sales) and refreshments from the café (5% of sales). All sales will be for cash only; there will be no facilities to offer credit or payment by charge card, such flexibility being rendered instead through reverse credit (see next paragraph)

10.7 It is being proposed to offer a facility known as “reverse credit”. This has no impact on profit and loss but improves cash flow and flexibility of the shop to meet local needs. This involves customers paying up front for say £50 of goods and then drawing down on this payment for their purchases. This can be managed through the capabilities of an EPOS till and it is intended to leverage off this for the village.

10.8 Allowances for markdown, wastage and other losses have been made by each category of merchandise. At this stage building on Sulgrave’s experience and mix of sales a gross margin of 22% is expected across all product ranges including the refreshment section. Details of the individual margins are set out in appendix C.

10.9 In forecasting forward for future years, recognition has been made of the potential challenge to the trade of the shop arising from a new supermarket opening in Thrapston. The growth in 2009 should be 14% made up of 3% inflation and 11% movement to full trading. However an increase of 10% has been applied recognizing a 4% erosion of sales base as a consequence of the new supermarket changing buying patterns both within and without the village. Future growth after 2009 is based on inflation of 3%.

Stock purchasing

10.10 Purchasing will be from local sources, cash and carry outlets and the major supermarkets according to the terms that can be negotiated under schemes operated by their Corporate Responsibility programmes. Negotiations are currently underway with Tesco and the Coop to establish the nature and reach of these terms.

Overheads

10.11 Payroll liability is based on the expected contracts of employment offered to the shop managers. Expenses are based on actual information and estimates of likely activity costs. All overheads are assumed to increase by 3 per cent per annum.

Depreciation

10.12 Provision for depreciation on fixed assets is provisionally set at:

Shop fittings and equipment	10% per annum on cost
EPOS and computer equipment	20% per annum on cost

Interest Charges

10.13 Interest on overdraft facility is assumed to be at 7.5% per annum payable quarterly in arrears.

10.14 Loans will be a mix of funds provided by villagers interest free, and on a commercial basis; giving an average interest payable of 6.5% per annum. Interest will be payable quarterly in arrears.

Grants and fund raising

10.15 The initial treatment of grants and fund raising in the forecasts had been to treat them as part of the capital structure of the balance sheet, and not incorporate them as part of the trading result. However this resulted in the cashflow and the profit and loss account being significantly different and potentially confusing to the reader. Accordingly the forecast profit and loss account has been adjusted to reflect the guidance of Standard Statement of Accounting Practice No4 and potential contributions to capital costs, notably for the building and equipment, have been treated as an offset to cost, depreciation charges being applied solely to the net balance.

Forecast cashflow

10.16 The forecast cashflow arising from trading and other activities can be summarized thus;

	Years ending 31 March					
	2007	2008	2009	2010	2011	2012
	£'000	£'000	£'000	£'000	£'000	£'000
Cashflow						
Receipts	63	75	88	91	93	96
Payments	(58)	(79)	(86)	(89)	(91)	(94)
Total	5	(4)	2	2	2	2
Cash balance at year end	5	1	3	5	7	9

10.17 The cashflows now broadly mirror the movement of profits shown in the profit and loss account. The amount of depreciation in the profit and loss account is a non-cash movement which offsets additional cash outflows on loan repayments and capital spend. The cashflows generated would be sufficient to meet loans repayments should these be necessary from the ViRSA Core Funding programme outlined in paragraph 9.2 above.

10.18 The cashflow forecast shows that the initial foundations for the shop appear to be commercially viable and provide a platform for further opportunities which are discussed in the sensitivity analysis below.

Sensitivity analysis

10.19 A sensitivity analysis has been prepared below for the project. The purpose of the analysis is to illustrate a series of “what if” options and the impact these would have on the results and cashflow of the shop.

10.20 The analysis can be summarized as follows;

	Years ending 31 March				
	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000
Profit and loss	2.2	2.0	2.0	1.9	1.9
Cashflow	(3.9)	1.9	2.1	2.0	2.0
ViRSA £18k loan (balance sheet) interest - P&L	(1.3) (1.1)	(1.4) (1.0)	(1.5) (0.9)	(1.6) (0.8)	(1.7) (0.7)
£10k extra turnover	2.0	2.0	2.0	2.0	2.0
Other grants	5.0	5.0	5.0	5.0	5.0
Extra 8 hrs manager	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)

10.21 In section 9 reference has been made to a loan option from the ViRSA core programme. This has not been built into the forecast. The figures above show £2.5k flowing out per year based on a 10 year payback period, which given the figures in paragraph 10.16 suggest that this form of funding can be accommodated comfortably within the base model. The interest charges would be also covered within the profit and loss figures.

10.22 In preparing this forecast conservative steps have been taken throughout the plan to ensure that the turnover has been realistically positioned. The caution exercised equally represents opportunity for the shop to develop a much wider turnover from a sound operating platform. These opportunities include;

- £5k per annum extra revenues from supermarket competition not occurring (4.11)
- sales of tobacco and alcohol, excluded from the initial assumptions, provide potential additional sales based on ViRSA guidelines and Sulgrave experience of c £33k. (10.4)
- Post office facilities would likely lead to an increase in revenues, both from Post Office products as well as from more demand for core products. A range of £10k to £20k additional revenue is possible from this facility were it to be approved

The sensitivity analysis shows the impact on profit and cashflow of each £10k is to add approximately £2k to the bottom line based on the margins of 22% outlined in paragraph 10.8. The total opportunities of £58k turnover identified point to additional profit and cash capability of up to £13k per annum.

10.23 In section 3.6, reference is made to the intention to appoint two part time managers to help run the shop. The expense of the manager is the most significant cost for the shop, accounting for 62% of the overhead. The current forecast has assumed a level of 30 hours split between the two, but ideally the committee would prefer to employ someone full time. The sensitivity analysis indicates that an extra 8 hours would add c £3,000 to the costs, which would be brought in were the turnover opportunities above transpire, additional grant finding be given towards wage costs, or the Post Office contribute to costs. Equally if the returns fall short of initial expectations then the hours demanded of the managers would be tempered to balance the books.

End of plan

APPENDICES

- A Overview Cash flow & Profit Forecast to 31 March 2012
- B Integrated Cash flow & Profit Forecast to 31 March 2012
- C Sales Mix & Margin Modeling
- D Capital expenditure
- E Assumptions
- F Audit Trail of amendments

Appendices are on an excel spreadsheet and are available on separate request. Some of this data is commercially sensitive and therefore the committee reserve the right to limit their distribution.