



# Yetholm Community Shop Limited

Registered with the Financial Conduct Authority as a Community Benefit Society under No.8414, registration date: 15 June 2020 (Companies House No.RS008414)

## Community Shares Offer

- Open from 26 October 2020 – 21 November 2020
- Fundraising objectives: £120,000 or more (£90,000 minimum, £204,000 maximum)
- Minimum individual shareholding £25
- Maximum individual shareholding £12,500
- One vote per shareholder

### **CAPITAL AT RISK WARNING:**

You could lose some, or all, of the money you invest in this share offer, without recourse to the Financial Services Compensation Scheme or the Financial Ombudsman Service.



## Chair's message

We all know that our village shop is much more than a convenience store. It holds a central place in the fabric of daily life in Yetholm and its district. To lose the shop would be a grave impoverishment of our community, economically and socially.

Yet, in today's conditions, the private ownership business model followed by our shop over many years has become unsustainable. The Steering Group's belief is that the community ownership model is the way forward. This model is now favoured in Scottish Government policy, and support is available in terms of financing, specialised enterprise structures, and income tax incentives for social investors.

Using these resources, our Steering Group's vision for a revitalised village shop has been set out in our social enterprise plan. We envisage implementing a programme of very necessary repairs to the shop premises, upgrading its fittings, equipment and layout, making it an attractive place to shop not just for our own community but also for the increasing number of staycationers, walkers and other visitors, recapitalising the business and gradually bringing it back into profit by reducing overheads through the use of volunteers while maintaining employment for existing permanent staff.

The Covid emergency has demonstrated the value of the shop in the community's resilience effort. However, lockdown and distancing have made the Steering Group's work far more laborious than expected, but we have persevered, and successfully secured our first objective, our Scottish Land Fund grant offer of £114,000. Unfortunately, the pandemic has also meant that the smaller further tranche of grant funding envisaged for our project has become, for the time being, very much harder to find. We were very gratified by the community's response to our request for expressions of interest in providing financial support, totalling some £120,000 to date – but we now need to find a bit more than that to see us through the current scarcity of grant-funding opportunities. The figures involved are set out more specifically in the "Our Share Offer" section on page 7. We have to go forward now, because if we haven't utilised our Land Fund grant money by March 2021 we will lose it. So we would now ask everyone in the community, including those who have already declared their support, to see if they can't stretch to that little bit more, and get us over the line!

**Alastair Hirst**

**The capital raised through this Community Shares offer is needed to support immediate repairs to the shop building and refurbishment works. It will provide much needed working capital in the earlier periods of trading, before the business starts to generate a surplus.**

**In the longer term we plan to invest further in the shop. Any trading surpluses will be put back into the business and into projects that benefit the village community.**

## **Our community**

The Yetholm Village Shop and Post Office has been a great asset to the Yetholm villages and the surrounding district for many years. The current owners wish to retire and there is a real danger that the shop might close. The possibility of community ownership was considered, and the Yetholm Community Shop Steering Group was formed in August 2019 to consult with the community and to evaluate options.

With financial support from the Scottish Land Fund the Steering Group was able to commission a feasibility study and develop a social enterprise plan for community ownership of the shop. A community survey in October 2019 and a 'drop-in' consultation event in February 2020 confirmed that there was strong support for keeping the village shop as a going concern through community ownership. With advice from the Plunkett Foundation we have registered a Community Benefit Society, a legal framework that enables community membership and collective ownership of a business.

Our target community for membership is primarily individuals or businesses in Yetholm and the surrounding area, defined as the area covered by the Yetholm and District Community Council. The area is classified as 'remote rural' – we are 8 miles from Kelso, our nearest town, and surrounded by farmland, with the Special Landscape Area of the Cheviot hills to our south. We attract many tourists and visitors who help support 2 hotels, a hostel, several B&B's and a caravan park. The population of the villages is just over 600 people.

## **The Management Committee**

Members of the Steering Group have become the initial Management Committee of the new Community Benefit Society. Currently there are 7 members:

- Alastair Hirst, a retired lawyer and trustee of the Scottish Borders Community Development Company.
- Kay Greenhorn, a former senior manager in the insurance industry.
- Neil McIntyre, a former senior manager in the financial services industry specialising in risk management.
- Susan Stewart, a retired Community Nurse Manager and current Community Council Chair.
- Graeme Wallace, a retired senior manager in the oil and petrochemical industry and a current Community Councillor
- Karon Phillipps, who has 20 years' experience as a chief executive, chair and non-executive board member of local, regional and national charities, and nearly 10 years' experience in running her own consultancy specialising in fund-raising.
- Janice Gillies, who is the manageress of the shop under its present owners, having worked there for 21 years, and is a life-long local resident.

## Our plans

A full social enterprise plan, including financial projections for the project, is available on the [www.yetholmonline.org](http://www.yetholmonline.org) – Yetholm Village Shop. We propose to make improvements to the shop layout and to the appearance of the store. But its prime purpose, as a convenience store and Post Office and as a focal point for community news and views, will continue. We plan to retain the existing staff in the shop, supported by volunteers as necessary, and to bring the business back to profit through introduction of efficiencies and present-day retail methods and thinking.

The shop property is valued at £95,000 and with legal fees the purchase cost is £97,500. There are pressing and other essential repairs required to the property, plus the costs of refurbishing and recapitalising the shop, bringing the overall development costs requirement to £272,846. We envisage employing a part-time Development Consultant to support the Community Shop in the development stage. The consultant's remit is likely to cover support and advice on the re-fit works, modernising the shop equipment, extending and upgrading the product lines on offer, marketing, customer service and presentation, and training and updating staff and volunteers.

The overall costs will be supported by a £114,000 grant contribution from the Scottish Land Fund, and we look to obtain in excess of £120,000 from the Community Shares offer and other community sources.

As regards the physical fabric of the shop property, the Management Committee is proposing, following acquisition, a 3-stage development programme:

- 1. Essential initial repairs**, part-funded by the Scottish Land Fund, and shop refit. Work on the exterior items (roof, chimney, etc.) is planned for early in the first year of operation. Work on the internal items is planned for later in that year, subject to availability of materials and tradesmen; and during the period of these works it will probably be necessary for a reduced shop service to be provided from temporary accommodation. The estimated cost of the works for this stage is about £100,000.
- 2. Less critical but necessary medium-term works**, including renewal of the shop frontage and other items of building work, at an estimated cost of about £35,000. These works will need to be deferred to the second and third years of operation – unless response to the share offer, and/or success in securing further grant funding, is enough to finance these further works, or some of them, at an earlier date.
- 3. Longer-term improvements** (replacement of the kitchen, upgrades to water supply and other utilities and outbuildings) are estimated to cost a further £10,500.

The Society may re-invest any trading surpluses to support the costs of stages 2 and 3 above, and will seek to maximise any opportunities for further grant funding. Ownership of the property is a common condition of eligibility for grant money. In anticipation of this, we have pending applications with the Regeneration Capital Grant Fund, and the Prince's Countryside Fund, and we will also be applying to the Scottish Borders Council Communities Fund and the Community Climate Asset Fund. We expect other funding possibilities will present themselves in the coming months, and we will pursue them. In this way we would hope to cover the "other funders" tranche of funding envisaged in our social enterprise plan. In the meantime it is hard to predict how successful these applications will be in current economic circumstances. Even if successful, they may yield significantly less than what we asked for, and in any case we will not know any of the outcomes before 2021.

Loan funding for community-owned businesses may also be available, but the Management Committee are reluctant to plan on that basis.

More details and estimated costs are included in our social enterprise plan.

Community Shareholders' capital will be invested in developing the property as indicated above, ensuring that the enterprise has attractive and welcoming premises. A proportion of Members' capital will be retained as working capital, to ensure that the business has enough cash available to purchase opening shop stock and meet its needs in the earlier periods of trading.

Once the business is established and running, our financial projections show that it will generate a surplus. This will be used to develop financial reserves, and the Management Committee will determine on an ongoing basis how much will be invested in the refurbishment programme, whether there is sufficient surplus to pay interest on shareholdings to Members, and how much capital is available to be withdrawn by Members.

## Our Society

Yetholm Community Shop Limited is registered on the Financial Conduct Authority's Mutuals Register as a Community Benefit Society. As such, it is an independent entity, owned and controlled by its shareholding Members, **each of whom has one vote at General Meetings** of the Society, **regardless of the number of shares that Member holds**.

The Society is governed by its Rules which state that the objects of the Society shall be to carry on business for the benefit of the community of Yetholm and District by providing retail services and any other service that may be of social benefit to that community. The Rules are available on [www.yetholmonline.org](http://www.yetholmonline.org) – Yetholm Village Shop, and they describe procedures for Annual General Meetings, the election of the Management Committee and other matters.

The value of each share in the Society is £25, and individual Members may hold as many Shares as they wish (up to a £12,500 limit). The value of a share cannot go up, and shares cannot be sold or transferred. Potentially the value of the share can go down if the Society encounters difficult trading conditions.

Community Shares are withdrawable under certain circumstances. Members may apply to redeem their shares, resign from Membership and get their money back. The Management Committee will determine in advance what value of shares may be withdrawn in any given financial year, and the conditions for withdrawal, in accordance with the Society's Rules. Members must initially hold their shares for a minimum period of 3 years.

The Society's assets, in particular the land and buildings of the shop, are subject to an asset-lock and may not be sold or transferred for private profit or benefit. In the worst case, if the Society got into financial difficulties and had to cease trading, the Rules allow asset transfers to another non-profit community company or charity. If the Society were to close, it is possible that its Members would receive back only a proportion of their original investment, or nothing if there were no residual assets.

Under the Rules, the first Management Committee consists of the Society's founders, but subsequently the shareholding Members elect the Committee at the AGM, and all Members of the Society are eligible to stand for election. The Committee has between 3 and 10 members and may co-opt additional members if required. Committee members serve for 3 years on a voluntary and unpaid basis, although reasonable expenses incurred on Society business may be reimbursed. The Committee elects from its membership a Chair, Vice-Chair, Treasurer and Secretary. Management Committee members are bound by a code of conduct which is an attachment to the Rules.

### Benefits of Membership

- Active participation in the project to Save Our Shop!
- Supporting the wider social and business fabric of the Yetholm community
- A voice in the governance of the Society and what it does
- Opportunities to serve on the Management Committee
- Entitlement to interest on Members' shares, if the Management Committee so decides
- Possibility of Social Investment Tax Relief on individual members' income tax liability (see box on page 12)

## Our Share Offer

All residents or owners of residential property in the Yetholm and District Community Council area may apply to become Members of the Community Benefit Society, sharing ownership of the shop. We will also welcome Supporter Members living outside the immediate area if they back our plans, subject to local Members always holding a majority of the shares issued. Supporter Members have the same rights to attend and vote at the AGM as local Members. Our objective is to be open and inclusive to all members of our local community. Membership is available to individuals who must be over the age of 16. Joint membership is not available – but your partner is invited to sign up too!

A corporate or unincorporated body or business may apply for membership and appoint an individual as its representative to attend and vote at the AGM.

The value of each share has been set at £25, and the minimum holding for this offer is one share.

We are hoping that members who can afford a larger shareholding will purchase multiple shares, and the maximum holding has been set at 500 shares (£12,500).

Here we should make it clear that there are those in the community who have stated an interest in contributing to the project by making donations, as opposed to, or in addition to, purchasing shares. For the purpose of the financial objectives set out below, the amounts of any such donations will be aggregated with the amounts received as proceeds of the share offer. If the project does not go ahead, donations will be refunded in the same way as share purchase moneys.

The key financial objectives for the share offer are the following:

**£ 90,000:** This is the minimum amount threshold. If it is not raised from the community now, the Management Committee will not proceed with the project.

**£ 120,000:** This is the aggregate amount (rounded down) achieved in the community's Expressions of Interest, and is the amount shown in the table of Purchase and Development Costs and Funding in the project's social enterprise plan.

Raising this amount, but no more, from the community now would leave us with an "other-funder" contribution of between £30,000 and £40,000 still to be raised from other potential sources of grant funding (ignoring the costs of the longer-term works described as Phase 2 in the plan). As mentioned in Our Plans page 5 above, we have made, and are continuing to make, applications to other funders.

When it was drawn up, the plan assumed – reasonably enough at the time - that by autumn 2020 the Covid emergency would have abated, and funders would be returning to their normal patterns of support for community projects. However it is now becoming clear that this is not happening as soon as expected. Sources of grant money have not dried up completely, but the current scarcity is likely to continue well into 2021 at least.

In pursuing our other-funder applications, we are handicapped at the moment by not being the owner of the shop building, yet we need to have secured the community share-purchase/donation contribution before we go ahead with the purchase of the building.

Moreover we cannot postpone our community share offer until other grant funding prospects improve, because our Scottish Land Fund grant of £114,000 must be used by March 2021.

So we now have to ask the community to go above and beyond the £120,000 already pledged, to reduce our reliance on other-funder prospects. We count on our supporters following through on their Expressions of Interest, or even increasing their level of support if they can, and we also believe that new, additional supporters will come forward.

If this other-funder £30 - 40,000 can be covered by the community now, then, when other funding sources do re-open and are successfully tapped by us, we can utilise any further grant money secured from them to move on with the remaining Phase 2 of the development plan. If this amount cannot now be covered, then of course we can always go back to the community at a later stage in search of whatever further funding we still then need – but this we would wish to avoid if at all possible.

If however we cannot even raise £120,000 from the present share offer, then the Management Committee will need to decide, on the basis of the information then available, whether or not the project can viably be taken forward.

**£ 204,000:** This is the maximum needed under our entire development plan. If it is achieved while the share offer is still open, the offer will close.

Funds received from investors/donors will be held in a separate bank account, and will not be used by the Society until the minimum amount threshold has been passed, and the Management Committee has decided that the project can go ahead.

At the time of the share offer opening the Management Committee has the Scottish Land Fund's grant offer of £114,000 which is sufficient to enable the purchase of the shop property. However, while agreements are in place, the Society does not yet have title to the property, and in the event that we are unable to complete the purchase, we would not be able to deliver the social enterprise plan. In these circumstances donations would be refunded, as would the shareholders' capital.

This Community Shares offer will open to prospective Members of the Society on 26 October 2020. The closing date will be 21 November 2020. The Management Committee may decide to extend the share offer period if necessary.

## Our money

Financial projections have been prepared for four trading years, 2021 – 2024. A loss is incurred in the first year, partly due to the costs of temporary accommodation and reduced sales during the refurbishment project. In the second year trading results approach break-even. From 2023 the shop is projected to generate a modest surplus, which it is anticipated will grow year-on-year. A full description is available in the social enterprise plan.

The Treasurer and Management Committee will prepare Annual Accounts for presentation to Members at the Annual General Meeting, along with other annual reports and plans for the future. The Annual Accounts form part of the Society's annual return to the Financial Conduct Authority.

The Society may pay interest to shareholding Members, but it is not obliged to do so, and it can only pay interest from trading profits. The Management Committee has first to consider the long-term interests of the Society, the need to maintain prudent reserves and the Society's commitment to community benefit. The Management Committee may recommend to the Members at an AGM that interest should be paid in the following year. The Society's Rules limit the amount that may be paid to 5% (or 2% over base rate if greater).

In practice there are plans for a rolling programme of investment in the property and the business, and there is no expectation that interest will be payable in the first three years of trading.

The Society's Rules allow for the withdrawal of Members' share capital after a minimum of three years, on three months' notice of withdrawal and resignation of Membership. The Management Committee may only permit withdrawals from trading profits, reserves or new share capital from Members. The Committee may decide to set a maximum total withdrawal for the financial year, and will look to implement any such decision on a first-come first-served basis, but will not be bound to do so on that basis.

The Management Committee is responsible for the financial viability of the Society and the need to maintain prudent reserves. At its sole discretion it may suspend the right to withdraw share capital wholly or partially, either indefinitely or for a fixed period.

In practice after three years' trading there may be some scope for a limited budget for share withdrawals, but no guarantees can be given by the Management Committee at this time.

## **FAQs**

### **Why is the optimum target for community funding in excess of £120,000, when it only costs £95,000 to buy the shop and the Scottish Land Fund grant already covers that?**

The primary reason for this is that the present condition of the shop requires – as our professional advisers have indicated – something like £100,000's worth of work to be done in order to make the premises fit for purpose. Plainly it is pointless for the community to acquire a shop at a low price, if it harbours problems of safety, soundness and appearance which, if not dealt with, will in future years become more and more expensive to remedy, and more and more of a turn-off to potential customers. If an asset is to be owned, and potentially used, by an entire community, its condition should be fit for purpose right from the start.

### **What about the upstairs space (the former coffee shop)?**

Our plan does not rely on any income generated by the upstairs floor of the shop premises. For the time being it is to be seen simply as an attractive piece of “community space”, available for any number of possible occasional events or activities. If in the future there is to be a dedicated use for this space, we would need to consider what might attract grant funding, for instance a visitor centre, or an adult learning facility – but our priority at the moment is to secure the shop itself, and we can only do one thing at a time!

### **When will I get my shares, or the acknowledgement of my donation?**

Notification of the shares allotted will be made after the Share Offer closes, and will be followed by the issue of share certificates. Donations will be acknowledged as soon as possible after they are credited to the Society's bank account.

### **Who will staff the shop?**

We hope to retain existing paid staff, supported by volunteers. We will need to alter some staffing patterns and hours of opening, and we have taken initial professional HR advice, although no objections in principle have emerged from our consultations with the existing staff members. The Management Committee expect to appoint Barbara Maltby as manager of the Post Office counter on an interim basis after the buy-out until the official transfer procedures are completed.

### **What happens if the business is not successful?**

Research by the Plunkett Foundation shows that community shops are a resilient form of business, with a 94% success rate. Should the business fail, its assets, including the property, are subject to an asset-lock and can only be transferred to another Society, Charity or Social Landlord with a similar asset restriction.

### **Am I liable if things go wrong?**

No. Members are liable only up to the value of their shareholding, and you cannot lose more than the initial value of your share if the business fails.

### **Who runs the business?**

The Management Committee is legally responsible for the way the business and the Society are run. It delegates some or all of the day-to-day responsibility for running the store to the Shop Manager/ess and the shop staff. The Manager/ess reports to a nominated member of the Management Committee.

### **How do I invest?**

By (1) completing the applicable part of the Share Application/Donation form accompanying this Share Offer document (both sides/pages of the form), and by submitting it as specified on the form; then (2) making payment as specified on the form for the number of shares applied for, at £25 per share.

### **How do I make payment for my shareholding?**

By cash, cheque or bank transfer, as specified in the Share Application/Donation form accompanying this document.



The Society will be applying to HMRC for advance assurance that investors will qualify for Social Investment Tax Relief (SITR). We will inform potential investors of the results of this application.

<https://www.gov.uk/guidance/venture-capital-schemes-tax-relief-for-investors#tax-reliefs-you-can-claim>

If the Society is successful in registering for SITR shareholders may be entitled, as individual taxpayers, to claim tax relief on 30% of their investment in the Society.

If you are interested in this opportunity you should take independent financial advice.

## RISKS AND RIGHTS

Community share offers are exempt from, or outside the scope of, statutory regulations that apply to the public offer of shares and other financial promotions. Applicants have no recourse to the Financial Services Compensation Scheme, or the Financial Ombudsman Service.

Members should be aware that their investment in Yetholm Community Shop Ltd is primarily a social investment for the benefit of the community, and not an investment for profit.

Your share capital is fully at risk, and you could lose some or all of the money you invest if the Society gets into financial difficulties.

### Further information:

Paper copies of the Social Enterprise Plan and the Society's Rules can be obtained from Alastair Hirst or Kay Greenhorn at their addresses as stated on the Share Application/Donation form accompanying this document.

### Acknowledgments:

The Management Committee is grateful to the Plunkett Foundation, the Scottish Land Fund, Community Share Scotland, and Scottish Borders Community Development Company ("The Bridge") – and to Yetholm Primary School and numerous other individual members of the local community – for their advice and assistance in progressing the buy-out project to its present stage.

