



Management Committee Reports for the 2023 AGM

Below are the Management Committee's reports, as required by article 4.4 of the Society's Rules, on its performance during the previous financial year, that is, from July 2022 to June 2023; on its plans for the current year and going forward; and on the state of its membership and the membership strategy.

1. Performance for the year July 2022 - June 2023

Over the first half of this period the shop operations were on decant in the Youth Hall, and we only moved back into our own premises in December 2022, on practical completion of the refurbishment and extension works. These were carried out by Swintons in Hawick, under the supervision of our architect and QS, and proceeded largely as planned, although one or two surprises had to be dealt with as extras. The one-year maintenance period will expire at the end of this month. We expect the outstanding work items and snagging to be completed by then or shortly thereafter, and the final account to be prepared. For the time being the final cost of the works is estimated by our QS to be of the order of £217,636 + VAT. This amount, plus or minus any adjustments resulting from the final account, and plus professional fees and suppliers' invoices paid directly, will produce an overall cost for refurbishment and extension which will exceed the grant funding we originally obtained for the works, totalling £223,710. We should be able to cover any difference from our own reserves.

The shop interior has now become an attractive space, and we have acquired a valuable increase in the area for display and storage. The re-design and re-paving of the shop forecourt has removed a long-standing access hazard, and enhances the external appearance of the premises. Our current plans envisage a re-jigging of the front area inside the shop, to make better use of space.

On the financial side, this last year has been particularly difficult for small retail businesses, primarily because of macro-economic factors producing inflationary increases in suppliers' prices for their goods and services, particularly electricity and other utilities, higher payroll costs, and people simply finding it much more difficult generally to cover their normal expenses. We ourselves have been no exception to this. Also we have seen some changes in social habits adverse to our bottom line, for instance there has been a steep drop in our sales of tobacco products, and newspapers and magazines are increasingly being read on-line rather than in the physical copies we sell in the shop. Against this background our turnover has increased against the previous year's figures, but so have

our costs, and we have not made as much progress as we had hoped in reducing our original trading account deficit. This will be clear from the accounts and the Treasurer's report.

On staffing, the shop has benefitted from 815.25 volunteer hours provided by individual volunteers at various times over the year in customer-facing roles, and by some 200 volunteer hours in regular back-office tasks. In addition, there have been numerous unrecorded hours of assistance by occasional volunteers in one-off tasks, such as the move of stock and equipment back to our own premises at the end of the decant period. With the paid staff, Kay Manley left us to go back to full-time employment, and she has been replaced by Emma Green, but otherwise we still have had the core group of Karen Cockburn and Christine Cowan under the management of Louisa O'Brien as before, with occasional backup from two others as needed, on zero-hour contracts.

On membership of the Management Committee, we suffered the sad loss of our founder member and Vice-Chair Neil McIntyre last January, and at the Special General Meeting held on 7 March 2023 Andrew Torrance and Neil MacPherson were elected members of the Committee. Otherwise membership of the Committee and offices held on it continued unchanged throughout the rest of the financial year.

Social Investment Tax Relief certificates and claim forms were issued in July 2022 to shareholders who had expressed a wish to claim this relief, following receipt of authority from HMRC for the Society to do so.

We owe many thank-yous. First to the loyal core group of regular volunteers, as well as the others who have contributed at various times; and also to our paid staff, and particularly our manager, who have soldiered on through the disruptions caused by Covid and our decant. Their effort and commitment have been essential. We are also grateful to James Barnes for sharing with us his merchandising expertise. Our thanks also to our construction professionals who have responded gamely to the challenges and surprises thrown up by our old and irregularly-shaped listed premises, and to our Councillors and others who have helped us to navigate the requirements of the regulators in St Boswells. Similarly we have to thank the Youth Hall for generously accommodating us for the best part of 6 months, and also our neighbours who patiently put up with the building works next door to them.

2. Plans for the Current Year and Going Forward

As from the start of the current year, July 2023, the bulk of the refurbishment and extension work is behind us, our modernised premises are attractive and well-lit, fitted out with new chillers and other equipment, and well-stocked with products. The business is well-financed, and operating 7 days a week. In effect the Management Committee has now accomplished all it set out to do back in 2020. The heavy lifting is behind us, and the shop is well set up to go forward successfully, looking to build on an annual turnover running at about £250,000, under an experienced and energetic manager, unencumbered by borrowings and with a still reasonable level of capital reserves - all this in spite of the continuing economic headwinds which have destroyed so many small enterprises up and down the country, including a number of community shops, supported, like ourselves, by the Plunkett Foundation.

Our execution of the community buy-out has received plaudits nationally, as in the Autumn 2023 issue of The Herald's Business Quarterly.

However, some challenges remain.

The first challenge is **succession to the current Management Committee**. Over the past year or so we have lost 3 important members as result of serious illness, and this has placed significant additional burdens on the others. Of the current 4 members, three have been in harness since the start of the project back in 2019. They are now battle-weary, after four strenuous years dealing with grant funders, architects, planners, contractors, Post Office officials and the vagaries of their Horizon system, banks, and a wide range of other operating issues, including the logistics of the decant. They feel they have now done their bit, and it is now time to step back from the front line (although not necessarily from providing continuing support to the Management Committee and in the shop). These three are Alastair Hirst, Kay Greenhorn and Susan Stewart. No new candidate for election to the Committee has come forward at this AGM, and this is a disappointment. It is essential that new (and younger) leadership comes onto the Committee over the coming months. In the next few weeks we plan to lay before the community and potential joiners more specific information on what membership of the Management Committee might entail in terms of tasks and commitments. This issue is now a priority.

The second challenge is the **lack of volunteers**. When, back in 2019, a community-wide survey was conducted on the future of the shop, more than 40 individuals expressed a willingness to volunteer. Accordingly the original social enterprise plan developed from that survey envisaged that half of the hours needed to operate the shop would be provided by paid employees and the other half by volunteers from the community. Cost projections were based on that. This 50/50 paid/volunteer split has never actually been achieved. Now, on the current winter operating norm of 100 hours per week, as many as 80 hours come from paid employees, and only about 20 from volunteers. This is a serious imbalance. We have to budget for it at the moment, but it is plainly unsustainable. The remedy here lies in the community's own hands. Again we plan to lay before the community more specific information on what is needed and the ways it could be delivered. This also is a priority issue for the next few months.

The third challenge is the **Post Office**. At present it is normally open 6 days a week, offering 18 hours of counter service. We ourselves have to meet all the infrastructure and staffing costs of the PO counter, and in return the PO pays us a small amount of commission on each transaction (plus a fixed amount of subsidy because we are remote and rural). **Our payroll costs for staffing the PO counter are roughly 20% of our total payroll costs** (now budgeted for at about £61,000) – **but the remuneration we receive from the PO runs at only £7,500 or so a year, which represents no more than 2% or 3 % of our total income**. It is now clear to us that the efforts of our own PO counter staff unaided, however diligent, are never going to be enough to eliminate this cost/remuneration imbalance, which is plainly unsustainable.

The level of PO opening time we currently offer to our community here is simply a luxury we cannot afford, and is completely out of character with comparable village communities. No other village community has as many as 6 PO opening days or 18 hours of service per week. Even a modest-sized town as big as Melrose only gets 5 hours of service a week, spread over 4 visits by a mobile PO van; Earlston gets 4 hours a week from 2 visits from a van; Gordon gets 45 minutes a week with 1 van

visit a week. Ancrum and Morebattle have what is called an "Outreach" service where they provide their own physical PO counter which is manned by a visiting PO employee for a few hours each week - Ancrum gets 3 hours a week spread over 2 visits, and Morebattle gets 6 hours also over 2 visits.

In spite of our large number of service hours, we are severely restricted by the PO in the range of services we can offer. In spite of our requests, we are not allowed to handle parcels business except for Royal Mail, and we are not allowed to hold stocks of any foreign currency or Travel Money Cards. The public is being encouraged by the PO to source these services directly on-line, by-passing their local PO counters.

We had a meeting last week with the PO Scotland Manager as well as our PO Local Manager. They say there are various possible mitigations here, ranging from a cut in opening days and hours to several more radical solutions. We are promised more detailed information about options and expect to have that shortly. It is clear however that significant changes are needed in any event. Finding the way forward on this is another priority issue for us.

On our trading account performance so far this year, our budget for 2023-24 was set ambitiously to produce a significant reduction of last year's deficit. However, for Q1 (July to September) our turnover was £67,687 - pretty much in line with the comparable figure for last year - but we have a deficit of about £4,000. Q2 will cover the run-up to Christmas, with its usual uptick in trading, so we can hope to recover some lost ground.

3. The state of the membership and the membership strategy

The number of shareholders in our Society now stands at 210, reflecting the passing of several members.

If new individuals or organisations wishing to associate themselves with the Society's vision and objectives apply for membership, our practice will be to issue one single share to them against payment of £25, the same par value as that of the shares initially offered. On that basis we would welcome new supporters.

As our original share offer raised funds well up to target levels, and with the support of various donors and grant funders, we have not had to seek further community share capital - in spite of considerable cost increases over the difficult years since October 2020. This does not preclude a further share offer to the community generally at some future point, but at present the Management Committee has no plans for that.

The Management Committee

14 November 2023