Report on public meeting held on 15 November 2021 and extracts from SOS group's business case for community purchase of the shop and post office

1. This report is based on documents provided by the Save our Shop (SOS) group following a public meeting held at Orleton Village Hall on 15 November 2021. **NB. Please note that all financial figures have been provided by the SOS group and have not been checked by the parish council.**

2. An extract from the SOS group report on the public meeting states:

The meeting had been widely advertised through flyers delivered to as many households as possible throughout the village in the previous two weeks. There had also been posters around the village and notices in both the village Facebook page and NextDoor. There was an attendance of 78 residents.

The original preferred option had been the creation of a Community Benefit Society, raising half the capital required and then applying for the government Community Ownership Fund. However, it has become clear that this option no longer realistic: although pledges had been received of around £155,000 this was still £100,000 short of the amount required and it seemed unlikely that this would be raised in the next few months. We have also been informed that we are very unlikely to be awarded the grant as it has become clear that this is aimed at ventures which have been adversely affected by the Covid Situation, whereas Orleton would not be considered as a deprived area and profits from the village shop have significantly increased during the last 18 months. An alternative grant was explored but this focuses on areas of high deprivation, which Orleton is not.

The alternative option of requesting the Parish Council to buy the shop through a loan from the Public Works Loan Board would enable all the capital to be acquired at a low rate of interest (around 2.5%), fixed for the duration of the loan. It would be paid back out of the profits of the shop, the rental income from the self-contained flat above. The financial figures provided had been based on three possible scenarios: the profit level being maintained at the current raise, allowing for a 20% drop in the recent increase, and at the pre-Covid level. In the absolutely worst-case scenario of the shop failing to make a profit, the interest on the loan would be covered by an increase in the precept of £28 per year, which equated to around 50p per household, or less than the cost of a trip to the Post Office in Ludlow or Leominster

If purchased by the Parish Council the shop could be overseen at a strategic level by a Management Committee which could then decide on the preferred model of day-to-day operation, whether by installing a tenant or by appointing paid staff with or without volunteers. Several people have already indicated an interest in volunteering in the shop so the latter is a realistic possibility and would reduce staffing costs.

This option has the advantage that it would be relatively quick to implement if the Parish Council were to support it.

3. Based on advice from the Parish Clerk and the Herefordshire Association of Local Councils, the Parish Council did have the necessary legal powers to act. It was not possible to acquire just the shop premises as there is a planning restriction requiring the shop and flat to be kept together, though it was possible that either a private buyer or indeed the Parish Council could apply for change of use in the course of time. The question of the attractiveness of the shop to a private buyer given the relatively narrow profit margins was debated, meaning the continuance of the shop could be at some risk, though there could be scope for improving these margins in the future. The meeting recognised the importance of the presence of the Post Office within the village and for surrounding communities and the need to keep the shop open in order to guarantee this. It was highlighted that, should the

Parish Council purchase the shop, it would be vital to purchase it for the right price and to identify the best possible management model. There are a number of best practice examples we can look at in this regard both nationally (where around 95% of community shops succeed) and locally (e.g. Wellington, which has won awards). The option of using the money pledged so far to offset the size of the loan from the Public Works Loan Board was raised but [the SOS group] *explained that we had been very reliably informed that this would pose extremely difficult legal entanglements which in themselves could be expensive to sort out, regarding the payment of interest and just who owned what. We had been strongly advised that the simplest way was for the Parish Council should apply for the full amount of capital.*

It was asked whether anyone at the meeting was not in favour of keeping the shop open: all wished to see it survive.

There were no votes cast for creating a Community Benefit Society, five abstentions (two being members of the parish council) and 74 votes in favour of asking the Parish Council to buy the shop.

4. Extracts from the SOS group's business plan state:

4.1 The Orleton Village Shop and Post Office is a hugely valued village asset, and one which [the vendors] *have run for over 20 years. The property consists of a shop and Post Office on the ground floor and a three-bedroom flat on the first floor.*

In addition to the practical benefits and convenience of having a shop and post office in the village, it reduces our carbon footprint by reducing the need to travel, provides a focal point for the village which increases a sense of belonging and community cohesion, and provides a place for people to meet and to share information, helping to reduce social isolation and maintain a daily routine. The Post Office in particular draws people from surrounding villages, provides essential services to many, and contributes significantly to the shop's financial stability. Having these services in the village also boosts house prices.

The shop is also a community hub. It provides a central place for people to catch up with one another, promoting a cohesive, supportive and friendly community; for many, it also provides an essential routine and an opportunity to get out of the house for some in picking up newspapers/milk/etc. This also has the practical and environmental benefit of reducing the need for car travel. This community element of the shop would be enhanced by retaining it in community ownership. For example, it would:

• provide a central place for information to be shared about community activities, events and local issues;

• maintain opportunities for local employment (and create additional ones);

• offer the potential for providing additional community services (e.g. access to a computer for those who do not have one at home; supporting fundraising activities by local groups; outlet for products made within the local community);

• provide volunteering and work experience opportunities – people have indicated they would like to take up the opportunity for the structure and social interaction.

At a larger scale, the purchase of Orleton's Village Shop and Post Office on behalf of the community would contribute to the strategic objectives set out in Herefordshire Council's County Plan 2020-24:

• Environment: a local shop considerably reduces the need for travel by car as many can walk; even for those who do travel by car, the journey is much shorter (less than a mile, compared to a round trip of around 12 miles to the nearest towns of Ludlow or Leominster).

• Community: as explained above, retaining the Shop and Post Office helps Orleton to remain a thriving community capable of supporting those vulnerable people living within it.

• Economy: retaining the shop and Post Office retains local employment.

4.2 Under community ownership, there is also the potential to exploit new opportunities identified below, whilst mitigating some of the weaknesses through increased community loyalty.

Strengths	***Opportunities***
Existing, profitable business – a new owner can take over seamlessly and reasonably expect to continue making a similar profit *Significant community support as shown by the surveys and numbers quoted above* *Convenience of having a shop on the doorstep* *Post Office services are highly prized* *As petrol prices increase, the higher costs in the village shop will be further offset by avoiding a 13-mile roundtrip to the supermarket*	*The recent village survey identified a number of opportunities for further developing the business: more local produce; a better range of fruit & veg; eco products and refills (e.g. milk, dried foods, cleaning products), and less plastic packaging; Fairtrade goods; organic items; locally cooked ready meals; an extension/review of opening hours; more deli; accepting card payments for any amount.* *The flat above the shop: provides an opportunity for steady rental income, estate agents consulted are confident it would let easily.* *The new housing being built by the school will increase the potential market by around 10% (an additional 39 houses).*
Weaknesses	***Threats***
Prices are inevitably higher than supermarkets as overheads are greater *Limited space inevitably restricts what can be offered* *Could choose to refit with newer fridges and freezers*	*The Sainsbury's at Woofferton (but there has been no change in turnover since it opened)* *People returning to supermarkets as the threat of Covid recedes* *New supermarket on the Ludlow bypass*

We envisage that a community management committee would be elected to oversee the shop's management (operating similarly to the management committees of The Boot, the Recreation Association or the Village Hall, for example). This would ensure that the shop and post office are run for the benefit of the whole community, and that opportunities to support the community are taken.

The management committee would not be expected to take a role in the day-to-day management of the shop and post office. This would be undertaken by a combination of paid and voluntary staff, and could be done under either a tenancy model or by appointing a manager. It is proposed that, should *the Parish Council decide to proceed in principle with purchasing the shop, work on the management model be done in parallel with any further consultation required in order to test the views of those members of the community not present at the meeting.*

4.3 [The SOS group's business plan anticipates a loan requirement for £460,000 to purchase the shop and post office, which includes legal fees, stamp duty and operating capital.]

This would involve the Parish Council's taking out a Public Works Loan Board loan (currently running at around 2.5% interest) for the whole value of the property and working capital. The Parish Council would then pay off the loan over 25-40 years from the shop's profits (profits are calculated after staff's wages and other essential ongoing costs are paid), with a back-stop of increasing the precept if the shop generated insufficient free cash (scenario modelling based on the shorter 25-year payback would suggest the most this is likely to be is £14 per household for any year that sufficient profits were not made, although it could go up to £28; both amounts are only likely if nobody volunteers in the shop, which current indications suggest is highly unlikely).

Any profits remaining after making the loan repayments could be used to develop the business, reduce the precept or to establish a Community Fund that village groups could bid into to support their activities. Once the loan is repaid, all shop profits could be used in this way. In this scenario, the shop would be run in much the same way as the Village Hall and the Recreation Ground, through an arms-length management committee that would take strategic responsibility and oversight, employing a manager to run the day-to-day business.

Were the Parish Council to purchase the shop, the loan repayments would ideally need to be made from the shop's profits. Based on current Public Works Loan Board rates of 2.5% (they vary pre-purchase but are fixed for the duration of the loan upon purchase), the loan repayments would be around £25,000 per year on a 25-year payback and £19,000 per year on a 40 year payback.

4.4 Clearly, in the worst-case scenarios, there is a potential shortfall in the amount of money available to pay off the loan. In this case, the Parish Council would need to raise the precept to cover any loss. Based on our best estimates, we believe that this would amount to £14 per Band D property for each £5,000 that needs to be raised. The above modelling would suggest the most this is likely to be is £14 per household for any year that sufficient profits were not made, although it could go up to £28; both amounts are only likely if nobody volunteers in the shop, which current indications suggest is highly unlikely.

Irrespective of the anticipated profit, it is recommended that the precept be raised by £20 per Band D property in the first year to build a financial cushion and protect against unforeseen problems. This equates to less than 50p per week, which could be saved back in petrol from not having to go to Ludlow or Leominster to access to the Post Office.

3.5 Risks and mitigation

Risk	***Mitigation (Parish Council purchase)***
Failure to act quickly enough to purchase the shop	*Work closely with Parish Clerk and HALC to ensure processes are as smooth as possible; potentially, a final decision could be reached in February, depending on the Parish Council's views on the level of public support at the meeting on 15th November*
Failure to secure funds	*Work closely with Parish Clerk and HALC as part of progressing this option. If HALC recommends the loan application to the Secretary of State, it is likely to be successful.*

Failure to appoint a suitable manager	*People within the community with relevant skills have indicated that they would be interested*
The shop/PO requires significant investment for repairs or maintenance	*Structural survey will be undertaken prior to purchase.* *Potential access to grant funding for ongoing repairs, maintenance and refitting.* *Proposal to build up reserves for such eventualities.* *PC has the option to increase precept if grants and reserves cannot fund the requirement*
Shop fails in any one year to make a profit/does not have sufficient 'free cash' each year following loan repayments	*Shop has a long history of making a consistent profit. Modelling above shows that, with volunteer support, it is unlikely that loan repayments could not be covered from the shop profits. If they could not be, the Parish Council could make a small increase in the precept (£14 per Band D property for each £5,000 needed)*[1]
Shop/PO fails consistently to make a profit/have sufficient 'free cash' to service a loan	*Keep shop/PO open and use Parish Precept to 'top up' funds (£14 per Band D property for every £5,000 needed)*[2] *Use the space for alternative community purpose and pay off loan through Parish Precept* *Sell the 'bricks and mortar' for residual value, probably paying off around 75% of the original loan*

4. Next steps: reaching a decision

On 18 November 2021 the parish council will consider the request of the public meeting on 15 November that the Parish Council purchase the shop and post office.

If the decision is taken to purchase the shop in principle, a formal consultation by the parish council is required as part of the process of obtaining a PWLB loan. The parish council will need to present its own business case, which can be done via a flyer delivered to households in the parish. The SoS group may be able to help distribute the flyer. Other parishes have undertaken a formal parish poll of electors.

In 2020-21 a Band D household in the parish had a parish council precept of £69.49 contributing to a precept of £25,500.

The strategy for managing the shop and post office should be decided before undertaking the consultation, as this will inform the business case. A structural survey will need to be commissioned.

The PWLB application pack is reviewed by HALC before being submitted to the Secretary of State for the Department of Communities and Local Government. The time taken by DCLG to decide on the loan application is not known - recent loan applications have reportedly taken around 4 weeks.

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Document prepared by Clerk and Responsible Financial Officer on 17 November 2021 based on information and papers provided by the SOS group on 16 and 17 November 2021.