UPPER TWEED COMMUNITY ENTERPRISE LTD

CHAIRMAN’S REPORT AND TREASURER’S REPORT FOR THE SECOND ANNUAL MEMBERS’ MEETING (AMM)

TUESDAY 31st AUGUST 2021

*This report has been edited since first being published online*

**CHAIRMAN’S REPORT**

This second Chairman’s report covers the period from the end of December 2019 until the end of March 2021 – that this is more than 12 months is accounted for by the change in our year-end reporting date registered with the FCA (Financial Conduct Authority). We moved this from the end of December to the end of March to tie in with the tax year and to avoid having to do the annual stocktake in the Christmas and New Year holiday period.

Both last year and this we delayed the AMM in the hope of having an unrestricted public meeting. While it was certainly not possible last year, it could just have been feasible this year, but the Board considered it too uncertain to plan a physical meeting and has once again chosen to use Zoom video technology.

In my first report I made reference to the shop’s activities under Covid-19, despite the pandemic falling outside the official reporting period, as it seemed too big an issue to ignore entirely. So there’s a degree of repetition if I report that from the start of the pandemic in March 2020 until now, the shop has responded with considerable energy, enthusiasm and dedication to the challenges thrown up by Covid-19. It has also seized opportunities.

I refer you to the Treasurer’s report for the financial detail but in summary the shop management moved with commendable swiftness in setting up deliveries for the vulnerable and isolated, buying a van, and setting up a hardship fund to help those in the community in financial difficulty. Our great advantage is that we are a small team that can take decisions and implement them immediately. The shop received a “motion of congratulation” from our MSP Christine Grahame in the Scottish Parliament for its work on welfare.

Lockdown also coincided with a decision to go to Lanark market every Monday for fresh fruit and vegetables. These rapidly became a strong seller which helped almost double our monthly sales from £18,000 to £38,000.

The shop has also been active pursuing grants, whether or not Covid related.

Other activities of note include the removal of a sprawling ash tree in the rear garden: thanks to Andrew Jenkins for the tree surgery and to a large team of volunteers who helped carry every last log and twig out through the shop. Activities of this nature demonstrate the willing capacity for locals to help out when needed.

A litter picking initiative was launched in the summer holidays whereby schoolchildren could fill a bucket with roadside litter in exchange for an ice cream.

During the last few months the committee has been actively looking at the feasibility of extending the shop building into the garden. To help us with this Bill Sheridan has been co-opted onto the Board as project manager. I regard the extension as a very important development, not least because the rear of the shop currently occupies several buildings and straddles several levels, linked by uneven and unsafe steps. As responsible employers we have to do something about this, in the process increasing the floor area of the shop itself. It will be a complex operation which will require the shop to move for a few months. More details will be available in due course.

One part of the process will be a second share issue, mainly aimed at those new to the village who wish to have a stake in the village shop. I will in due course be asking all shareholders and supporters to put me in touch with possible new shareholders.

It is with sadness that I report that former Board member Tony Butcher died earlier this year. Tony provided keen and unquestioning support in the early days of setting up the shop. I can also report that Sir David Younger has decided to step down from the Board. David, too, was a great help in the early days. I am pleased to say that Bill Sheridan and Camilla Younger have both agreed to step up onto the Board. You will get a chance to agree these appointments shortly, but it may be worth listing the existing Board members, that is myself (Chairman); Simon Edwards (Secretary); Donald Stewart (Treasurer) and Jen McBeth (in her capacity as shop manager)

The shop management committee meets monthly to assess progress, look at the figures, and address any concerns. The meeting minutes are published under UTCE Ltd on the shop website <http://broughtonvillagestore.co.uk/>. Full contact details are available on the website – if anyone has any concerns they would like to address please let us know as soon as possible. In the meantime I commend to you the resolutions in the AMM agenda and hope these receive your full support.

It only remains for me to thank the shop staff for their dedicated service and for the large amount of work done by the UTCE Board and Shop Management Committee over the lifetime of this project.

***Christopher Lambton***

**TREASURERS REPORT**

**Second trading period for 15mths trading from 1 January 2020 to 31 March 2021**

* Note to the trading period. As mentioned previously, we moved the financial year-end from end Dec to end Mar. Primarily, due to the need for stock taking to be undertaken, and doing so over the festive period was not ideal.
* (*Figures in brackets are for 6mths trading to 31/12/19)*
* Total sales are £453K (£108K)
* Cost of sales – i.e. purchases are £344K (£93K).
* Stock levels have risen from £8K to £23K
* Gross profit of £124K (£23K)
* Expenditure (Salaries and admin expenses) totals £117K (£50K).
* Add in grants and donations of £27K (£11K)
* Operating Profit of £32K compared to an Operating Loss of £16K.

**Notes to Balance Sheet**

* Net Assets - £82K (£50K)
* Cash balances are £101K (£39K)
* Shop continues to be classed as ‘Heritable Property’ and valued at £3.5K with SLF grant funding noted. Note 5 explains further but realistically property is worth at least £70K
* As mentioned last year, once / if shop is extended then we would have it re-valued. We can then increase net worth by at least £70K as per accountant’s advice.
* Creditors – Amounts falling due after more than one Year. Bounce-back Loan of £27K which is explained in more detail later.

**Trading with Covid-19**

* The above comments are very much figure-driven, so I would also like to provide some context to the financials.
* The shop has continued to trade throughout the pandemic. You will all be aware that at the outset we had to re-think how we all shop for groceries and essentials. ‘Shop local’ became a theme and Broughton Village Store very much adapted to and developed this. Most notably, staff used their cars to pick up supplies. Customers were encouraged to call in and make their orders, which were then delivered by staff and an array of volunteers.
* We therefore brought forward our plans with a used van being purchased for £4.5K which was very much out of necessity.
* In short, I would want to take this opportunity for a huge vote of thanks to Jen, all staff and volunteers who have helped in any and every way they could to keep the shop going.
* Welfare Funds – Since last summer the shop has wanted to ensure that we helped anyone or family within our pre-defined catchment area that was financially disadvantaged from the lockdown. This was carefully managed by the shop staff and quite often a card was pre-loaded with credit and the individual could come into the shop and spend appropriately. Hence causing no discussion or debate at the till which could lead to embarrassment for either party. We also provided healthy lunches for kids of primary and secondary school age when school holidays were on. To date funds continue to be credited to the Treasurers account (separate from the shop trading account) and shop costs are re-imbursed. This act has not only helped those in difficulty but has also been received exceptionally well by our funding partners.
* Committee – not only have we been in daily / weekly / monthly communication throughout but have managed to master the vagaries of Zoom and have held monthly meetings without fail since Lockdown with a couple of meetings in committee members gardens when permitted.

**Grants & Bounceback Loan**

To provide some backdrop - It is worth mentioning that the shop had monthly sales of £18K in Jan 2020 (pre-pandemic), but by May the same year, we had £38k in monthly sales.

Whilst very positive news, cashflow had to be managed carefully. As such, we needed to be aware of potential grant opportunities and apply. As follows.

* In short, 5 Grants applied for with 4 successful
* Scottish Land Fund - March 2020. A revenue assistance grant of £5K was awarded
* Third Sector Resilience Fund - April 2020. Encouraged by SLF to apply. Again, to assist large cash movement swings we were seeing as more stock had to be bought to match customer demands. Grant awarded of £7.5K
* Scottish Borders Council - June 2020. Open to all businesses who wished to apply. Grant awarded of £10K
* SSE – Clyde Wind Farm - March 2021. For the eagle eyed amongst us tonight…. This grant is not shown in the y/e accounts to March 2021 as per accountant’s advice. The grant is to assist with the professional costs with exploring extending to the rear of the shop. With no expenses presented til after year-end, the grant is to be shown on y/e 2022. Grant awarded of £17.5K
* Bounce-back Loan - March 2021. Accepted for a loan of £27K. (Based on 25% of revenue for our first trading period). Why take on debt? – Nothing to pay back for first 12mths, then repaid back over 5 years at a Flat Rate of 2.5% (which is very competitive). We can pay this loan back without any penalty interest at any point. We also took advice from Sandra MacCaskill who helped with funding to buy the shop, who indicated that normally, debt for a venture such as BVS would be at a rate 2-3 x higher. Our accountant was also in agreement that a small element of debt was/is manageable and to contribute to shop extension costs if grant monies fell short.

**Appointment of Auditors**

Charles Gray & Co Accountants continue to assist us with the accounts, payroll, NIC and pension. This has been invaluable, and Charles and his team have continued to provide excellent support knowing that this is a community effort.

Again, the rules that we need to follow do ask that we present to the audience tonight the option as to whether or not an independent auditor should also be appointed. If this is required, then we would need to have the auditor’s details confirmed and what their fees will be to audit the books. Furthermore, we can’t publish the accounts after tonight’s meeting if an auditor is requested. So quite simply….can I ask for a vote by way of a show of hands.

**Plans for the forthcoming year**

* Keep the sales steady and the improved margins maintained – G/P is 27% (22%) / Salaries are 21% of sales (33%). In short salaries are up but more is being bought when in-store.
* In conjunction with Community Shares Scotland, potentially a 2nd share offer particularly for those new to Broughton and the surrounding area.
* Agree to proceed with development to the rear of the shop, or not (costs and ensuring appropriately funded). I would also wish to put on record our thanks to Bill Sheridan who stepped up to assist with managing and co-ordinating the shop extension plans and providing invaluable monthly feedback.
* Inflation – Cost of Sales have and continue to increase. For example, we have seen a £4K increase from May to July 2021 on our monthly cost of sales. Financial prudence will continue and costs managed.
* Continue providing a comprehensive array of products from fresh produce to staples to fine wines and cheeses. This will continue to be developed
* Retain staff
* Continue to encourage customer feedback
* Consider further grant options for revenue and capital purposes as and when.
* Seek new committee members to assist either on specific projects, ad-hoc or on a more involved basis.

***Donald Stewart***