

Plunkett Foundation Impact Report

2021

The community business sector grew 3% in 2021
with around 840 businesses trading across
the UK by the end of the year.

Despite the disruption of the pandemic, interest
in starting a new community business has grown
by 26% over the last two years.

The number of community shops and pubs has grown
over the last twenty years:
in 2001 there were just 67 community shops
and 4 community pubs;
by 2021 there were 413 community shops
and 147 community pubs.

Community businesses have excellent survival rates.
For shops, the long-term survival rate is 92.5%
(12 out of every 13 survive).

To put these numbers into context,
for the average UK small- and medium-sized
enterprises the five year survival rate is 44%.

www.plunkett.co.uk

Share Offer

OUR VILLAGE
NEEDS
YOUR HELP
TO ESTABLISH
THE





Share Offer Summary

**We have done our best to ensure
that the information
in this brochure
is accurate and helpful.**

**However, please be aware that none
of the information provided is
either investment or tax advice.**

**You may wish to speak to
a financial adviser
before investing in our
Community Benefit Society Shares.**

Much Marcle Community Shop Ltd is offering the sale of shares to build and open a shop, café and Post Office on a site near the A449/B4215 crossroads.

The opening date of the share offer was **26 May 2022**; it has been decided by the Steering Group that the share offer will remain open until further notice.

The minimum investment per individual is £10 which provides 1 share. The maximum statutory investment per individual is £100,000 which provides 10,000 shares. We are seeking a minimum of £125,000 from this offer with an optimum of £150,000.

Much Marcle Community Shop Ltd is a Community Benefit Society registered with the Financial Conduct Authority (FCA). Its registered number is 8400 and the Registered Office will be at the shop. Shareholders become members of the Society and regardless of the number of shares held each member has one vote at the Annual General Meeting (AGM) of the Society.

A Community Benefit Society is registered with, but not authorised by, the Financial Conduct Authority and therefore the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. Because your investment could carry a risk, please consider it carefully and, if needed, seek independent financial advice.

You are advised to read this document in conjunction with the Much Marcle Community Shop Ltd Business Plan, including its 10 years financial projections. Copies of the Business Plan and our Plunkett Foundation and FCA approved Model Rules for Community Ownership are available on our website:

www.muchmarcle.shop.org



This Share Offer brochure:

- ◆ explains the Community Share Offer and provides information about the Much Marcle Community Shop project
- ◆ outlines what we are seeking to do and why this is important to our community
- ◆ invites you to become a member of the Society and invest in Much Marcle Community Shop Ltd.
- ◆ follows the guidelines of the Plunkett Foundation for Community share offers and has been produced and endorsed by the Steering Group for Much Marcle Community Shop Ltd.

Who we are . . .

The Steering Group has been formed by local volunteers who came together after a public meeting in 2019 when there was unanimous agreement that we should try to set up a Community Shop following the closure of the long-established village shop. We formed a Community Benefit Society which was registered with the Financial Conduct Authority (No 8400) on 11 May 2020. Our plan is to build a village shop, café and post office to serve the communities of Much Marcle and the surrounding areas.

Collectively, the current Steering Group brings together a broad range of business skills and experience which they are voluntarily providing for the benefit of this project. Other than their commitment to buy shares in the Shop and Café, they have no other vested interests.

The project has been supported from the outset by Much Marcle Parish Council, the Councillor for our ward on Herefordshire Council, the Parochial Church Council, Hellens Produce Market, and by many individuals who want to see this community project come to fruition. So far, one-off donations, generous standing orders and our regular fund-raising activities have helped with start-up costs. We are also exploring other sources of financial help for the capital cost of building the shop and café. However, all applications for grants and loans will be dependent on evidence of community commitment to the project - which is why we are inviting you to show your support in this way.

We are being advised by the Plunkett Foundation, who have helped more than 300 communities open and operate community-owned pubs and shops.

Our vision . . .

We aim to serve our community by developing a sustainable shop, Post Office and café and to create a friendly social hub in Much Marcle.



Why should you invest ?

Our vision anticipates the following benefits to our community:

- ◆ Social isolation will be reduced by providing in the café and in the shop a friendly social hub where people can meet neighbours and make new friends
- ◆ Support residents without transport by giving them access to affordable essentials without the need for car travel
- ◆ Reduce the need to use cars and travel 11 miles or more to buy essential provisions, thus saving on fuel costs, time and pollution
- ◆ Provide free bicycle and car parking if needed
- ◆ Encourage people to take daily exercise in their walk to the shop
- ◆ Provide easily accessible Post Office services, including access to cash
- ◆ Promote the sale of locally produced fruit, vegetables and home-made produce — thus reducing food miles and supporting local businesses and producers
- ◆ Provide a drop-in centre for community information - such as Citizens Advice, church welfare and other services
- ◆ Create at least one full-time job opportunity
- ◆ Provide opportunities for volunteering, helping to build networks of friends and contacts
- ◆ Provide work experience for students from local schools and youth organisations such as The Duke of Edinburgh Award
- ◆ Encourage local enterprise and support charitable causes through the provision of a bookable 'pop-up shop' within the shop
- ◆ Support the village school by offering the 'pop-up shop' as an outlet for their young enterprise activities and by stocking recommended school equipment
- ◆ Reduce anxiety about availability of essentials during a crisis like the Covid 19 pandemic
- ◆ Improve house-price values by reinstating an important community asset, as listed in the Much Marcle Neighbourhood Development Plan 2018-2031
- ◆ Organise regular events to attract residents and new customers to the shop
- ◆ Support village events, such as the Steam Rally, Large Model Air Show and Hellens Music and Hellens Garden Festivals by ensuring that merchandise meets the needs of the different groups who attend these events
- ◆ Provide other useful services for residents, such as a local advertisements and local events board, dry-cleaning, photocopying, a water-stop for dogs and a hot-drinks stop for humans.



We are confident that our plans provide a sustainable foundation for the Much Marcle Community Shop. According to research by the Plunkett Foundation, of the large number of community shops which have been opened in the last five years, 93% are still trading whereas only 44% of small commercial enterprises are still trading.

There is strong evidence that community ownership, with its volunteer support and engagement, is a very successful business model. We feel that the café area and the incorporated Post Office will be a further big help in increasing general turnover. The Society will employ a full-time manager. Local volunteers will not only fulfill the remaining staff requirements but also form the core of a future loyal customer base.

The building will be energy efficient and as low-cost to run as possible. The ways we plan to minimise environmental impacts are further outlined in our Business Plan: www.muchmarcleshop.org

We want to create an enjoyable shopping experience with a light and airy internal space. The village shop will provide goods and services which will meet the whole range of the shopping needs and interests of parish residents and of the adjacent parishes as well as visitors to the local area.

There will be an emphasis on supplying local produce at a fair price. Being community-owned means that we have the flexibility to stock any items which the community wants to support.

The business is forecast to run profitably on a sustainable basis from the second year onwards.

For further information about our trading projections, please consult our Ten-year Business Plan: www.muchmarcleshop.org

WHAT IS A Community Benefit Society?

Community Benefit Societies are member-owned organisations which seek to provide benefits for the communities they serve. Our Society will be owned by its member shareholders under the name of **Much Marcle Community Shop Ltd** and can carry out business only for the benefit of the Much Marcle wider community.

Trading profits will be reinvested to maintain and improve our facilities, to fund share withdrawals or support other community projects. Finally, if all community objectives are satisfied, the Management Committee can, at its discretion, pay a modest interest to shareholders although it is not our plan to do so in the initial phase of development.

A Community Benefit Society is an equitable organisation, with every member having just one vote, irrespective of how many shares they hold. Business decisions will be made by a Management Committee of up to twelve members, including a Chair, Secretary and Treasurer, elected annually by and from the membership at the AGM.

The Investment

We estimate that the total cost of building the shop and café, fitting out and stocking it, will be over £300,000. To date we have received budget costing as outlined in the Business Plan and we will be seeking formal tenders shortly, following on from pre-planning advice. In addition to equity capital raised by this Share Offer, we have identified potential grants.

However, it is essential that we have community support with our Share Issue because winning grants will depend on this.



Our Target

The share issue needs to reach at least £125,000 before the Society considers it a success; £150,000 would be the optimum. Continuing local fundraising efforts such as our regular presence at Hellens Produce Market during 2022 are also a potential source of funds.

The more funding that Much Marcle Community Shop can raise from members, the less it will need to secure through a loan and grants - and the sooner we will be able to invest in the enterprise for the benefit of the community. We hope to be able to open the new shop and café in February 2024, but this is heavily contingent on being successful with the Share Offer, general fundraising, gaining grants, on the pandemic, planning process and on the construction schedule.

What happens if we are not successful in this Share Issue?

In the event of not reaching the minimum figure of £125,000, provided that we are confident we can achieve our other fundraising targets, we will extend the Share Offer until we are in a position to start work, but the project may be delayed.

If, finally, we cannot raise enough through shares, capital grants, loan, and donations, work on the new shop and café will not begin. *The share investment will be returned in full.*

Until then, shareholder funds will be held as restricted funds and not used for any other purpose.

Is this a sound proposition and is the business viable?

We believe that our Business Plan represents a sound business proposition showing a potential modest surplus from year 2 of trading onwards. Our expectation, based on the experience of similar community enterprises, is that with the support of the village there is no reason why we cannot succeed as a community shop, Post Office and café.

A successful Share issue will demonstrate community support and make our grant applications far more likely to succeed. We have also been inspired by the experience of more than 300 similar community-owned shops and community pubs that are already trading profitably.

The Share Offer

Shares are priced at £10 and the minimum investment is 1 share.

The statutory maximum number of shares per person is 10,000 shares.

All members have one vote and are entitled to have a say in how the Society is run. Any person over 16 years of age and who supports the Society's vision can apply for Shares. Organisations who support the project can also apply.

Community Shares such as these can be issued only by societies which are subject to the Co-operative and Community Benefit Societies Act 2014.

This Act allows societies to issue Community Shares, otherwise known as 'withdrawable' shares. These Shares are not transferable except on the death or bankruptcy of the shareholder.



What are the tax benefits?

There are a number of tax relief schemes available to members of Community Benefit Societies, all designed to encourage investment in community projects and/or start-up businesses.

The Steering Group believes that this Share Offer meets the requirements of the Seed Enterprise Investment Scheme (SEIS).

Under this scheme, investors may be able to claim the following tax benefits regardless of the rate of tax they pay, provided they have paid sufficient tax to cover the amount being reclaimed:

- Investors can obtain 50% relief on income tax on the cost of shares, on a maximum annual investment of £100,000.
- Loss Relief - Should the company go bankrupt, investors may claim loss relief on their investment and can choose to set the loss amount, less any income tax relief already given, against their income.
- 100% inheritance tax relief (provided the investments have been held for at least two years at time of death).

This will include both tax paid in the year in which the investment is made and the preceding year. The business has to trade for four months before a formal application for qualification for the relief can be made by the business. The relevant form will then be provided, enabling you to make the

appropriate claim to HMRC for tax relief at that time. This means for example:

You invest £1,000, you can claim £500 tax relief the year you made the investment; therefore, your net investment cost is £500.
Your tax liability for the year is £10,000 (tax that you actually pay) and you invest £10,000; your tax liability reduces to £5,000 therefore your net investment is £5,000.

To qualify for tax relief, the shares have to be held for a minimum of three years. This very generous support by the government to investors in community projects and small start-up businesses recognises the risk involved. We hope that this will encourage strong interest in supporting the share issue.

Shares may be withdrawn at face value after a minimum period of three years (or such other period as the Management Committee may decide) and at the absolute discretion of the Management Committee having regard to the needs of the business and only if trading conditions allow. Withdrawals must be funded from the profits or reserves of the business, or from new share capital raised. From year 4 onwards, the Management Committee

may specify a maximum total withdrawal of the share capital for each financial year.

All withdrawals must be funded from trading profits, reserves, or new share capital raised from members, having regard to the long-term interest of the Society, the need to maintain prudent reserves and the Society's commitment to community benefit. These conditions are

explained in our Model Rules of Community Ownership (Paragraph 8: Share Capital).

Much Marcle Community Shop Ltd is subject to an asset lock ('restriction on use'). Therefore the Society cannot be sold for the benefit of its member shareholders.

For further information, please refer to the Model Rules of Community Ownership (Paragraph 7.5 Restriction on Use).

It is the aim of the Society to attract as wide a membership as possible from within our local community and further afield because this will mean maximum involvement and interest in ensuring that the business will succeed and be valued by all. Anyone with an interest in, or connection with, our project can buy shares.

Financial Returns and the Social Dividend

Our Model Rules allow interest to be paid on shares but given the aims of the project, the current Steering Group intends to reinvest any surplus in the community rather than pay interest.

Over time, members can review this policy. Subject to HMRC approval, you may be able to receive up to 50% tax relief on your investment if you are a UK taxpayer.

However, it is best to think of community shares as an investment in the future well-being of the community. This enterprise is

not an exercise in generating financial profits for shareholders. Its intention is to generate other forms of social dividend for the community. To qualify for tax relief, the investment must be personal and individual and not by a company.

If you wish to make an SEIS qualifying share purchase, make sure you tick the relevant box on the application form.

For further details of SEIS tax relief you should read the HMRC guidance; you may wish to take independent tax advice.

Please note that although we believe that this Share Offer qualifies for the SEIS, the amount of tax relief, if any, cannot be guaranteed by the Society.



Risks

The key risks for the Society are:

inadequate funding

dependency on a volunteer workforce

For a more comprehensive list of risks and how we intend to mitigate them, we refer you to our Business Plan. Please note that any trading activity is vulnerable to changing or unanticipated risk. However, very few community shops within the Plunkett Foundation network have failed; community-owned shops have proved to be more resilient than those opened for profit alone. The Society share offer is exempt from the Financial Services and Markets Act 2000 or subsidiary regulations; this means you have no right of complaint to an ombudsman and you could lose some or all of the money you invest.

A community benefit society is registered with, but not authorised by, the Financial Conduct Authority and therefore the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme.

Membership benefits

Each member will receive their own Membership Card once the shop opens. This will entitle them to varying 'member offers' in the shop and café.

In common with other community shops, members will play a key role in ensuring that the shop and café is successful, not only by volunteering and being actively involved in helping run the business, but also by using the shop regularly and contributing to its overall trading success. We will use member offers to make membership both rewarding and fun.

We want you to enjoy using your Community Shop and Café.

How do I become a Shareholder in our Community Benefit Society?

Please complete and return the Share Application Form to:

The Membership Secretary
Much Marcle Community Shop Ltd
Swan Cottage
Much Marcle
HR8 2LY

*Please use one Share Application Form for each person.
Alternatively, the Form can be completed online.*

Further copies of the Application Form, of the Share Offer Document, of our Business Plan, and of our Model Rules of Community Ownership are available from our website. For more information visit:

www.muchmarcleshop.org

