



**Plunkett
Foundation**

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Community Shops

A better form of business
2019



About this publication

Community Shops: A better form of business is the most extensive and comprehensive research report to have been produced on the community shop sector in the UK. It was first published in 2011, and has become a much anticipated annual report ever since, growing with additional information year on year. Initially intended to be an internal document, the report now serves as a start-up guide for new groups, a benchmarking tool for existing community shops, and is used by funders and support organisations (including Plunkett Foundation) to future-proof services and investment decisions concerning community shops.

The data collection, analysis and report-writing was undertaken by Plunkett Foundation staff and advisers. This work was only made possible by the generous contribution from Power to Change Research Institute.

Methodology

To compile this report, Plunkett Foundation adopted a revised methodology and accompanied it with an ongoing process of data validation to ensure that historic records are as up to date as possible.

The data was gathered from:

- Plunkett Foundation Records that record all shops engaging with the Foundation over a considerable period of years.
- Access to 227 Financial Conduct Authority records through AR30 Returns, to examine public financial data.
- A redesigned survey which received 107 responses.
- Telephone interviews with shops to explore aspects of shop activity in more detail to inform survey and other data.
- A focus group of shops to validate and illuminate findings.
- Post Office data on the number of community shops offering postal services.

KEY FACTS

In 2018:

- **16** new shops opened
- There were **363** community shops trading in the UK by the close of the year
- The total share capital raised from their communities by newly opening shops in 2018 was **£541,000**
- Community shops have an average **£153,500** p.a. turnover, representing over **£50 million** in total for the sector
- There are approximately **160** full-time and **860** part-time staff employed within the community shop sector
- Averaging at around **20** volunteers per shop, the sector has a workforce of around **6,000-7,000** volunteers
- The majority of community shops have between **100** and **300** members/shareholders
- The long term survival rate of community shops was **94%**



Foreword

As Plunkett's Centenary ambassador, I am proud to provide the foreword for this year's Plunkett's Community Shops; A Better Form of Business. In my view, community shops truly are a 'better form of business' a thought, reinforced by the findings of this report.

Across the UK, we are seeing more and more rural communities turning to the community business model to provide much needed services. Although retailing may be their primary purpose, community shops provide so much more than just a place to purchase essential groceries. This report shows how they offer a range of services and play a vital role in tackling loneliness, social isolation. Furthermore they provide training and employment opportunities, supporting local businesses and benefiting the environment.

I am proud to see community shops return to a healthy growth rate, after a recent dip in openings, demonstrating the long-term resilience of the model. Community shops could arguably be seen

as the mainstay of the community business sector and we have so much to learn from them. The longevity of the community shop sector means that other community groups are inspired to use the community business model to tackle whatever their individual challenge might be. Community shops are resilient, but we cannot be complacent. We need to work together to keep them at the forefront of community retailing so they remain flexible and adaptable, meeting the needs of the communities they serve – for the next 100 years.

Happy centenary to Plunkett and every one of the 363 community shops making a difference in their communities.



Charlie Luxton
Plunkett Foundation
Centenary Ambassador



What is a community shop?



Since 1919, Plunkett Foundation has been advocating communities taking control of assets and services that are important to them and as a means for tackling wider social and community problems.

A community shop is just that – it's a business owned and controlled by a large number of people from within the community for community benefit.

Community shops are owned by members (also known as shareholders) and are run democratically on the basis of one-member-one-vote. Membership is voluntary, affordable and open to all, and is the way to ensure the community has a genuine say in how the business is run. This is what gives community shops their longevity. The active control and input by the business's members ensures it is continually adapting and serving the needs of its members and wider community.

Once in community ownership, an elected committee or board will continue to represent the wider membership and determine how the business is managed. The committee will either delegate the day-to-day management of the business to a team of paid staff and volunteers (a managed

shop), or sublet to a tenant who will operate the business within a framework set by the community (a tenanted shop).

Community shops often go beyond providing basic retail provisions, and provide a wide range of additional services such as post offices and cafés. In addition they become a hive of community and voluntary activity, providing a focal point for community events and services. Community shops actively promote inclusion and take care to involve people of all ages and backgrounds and particularly look out for those most vulnerable in society. They play an active role in addressing isolation and loneliness through the creation of employment and volunteering opportunities.

1. Growth

1.1 Sector size

In 2018, 16 new community shops opened and 2 closed. This marks a return to the trend in consistent growth since 1996 after a small fall in the total number of shops recorded in 2017, a year which also saw the lowest number recorded for shops reaching trading (4).

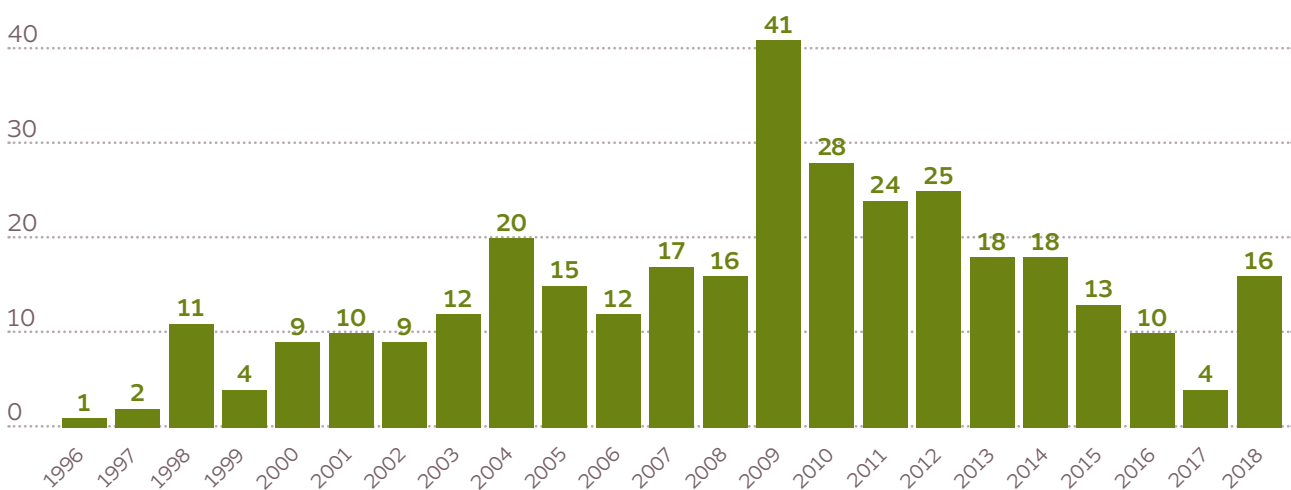
Of the 16 shops opening in 2018, 8 (50%) comprised a shop only, 7 (44%) were a shop and café and 1 opened as a community centre, library and shop.

The total number of community shops trading at the end of the year was 363. This figure represents a net¹ increase of 17 from the 346 shops recorded in 2017.

Figure 1.1 Total number of community shops trading by year



Figure 1.2 Number of community shops opening for trading by year



Source: Plunkett Foundation Records / 2019 Plunkett Foundation Survey

¹ With 16 openings and 2 closures, the expectation is a net gain of 14 shops since 2017. However further research has revealed the existence of an additional 3 community shops and these have been added to the 2018 record

1.2 Regional distribution

The distribution of community shops shows the highest density in South West England with an overall bias to Southern and Central England and progressively lower densities in English regions moving northwards.

Wales and Scotland have significant numbers of existing shops, with Scotland showing a relatively high 2018 Plunkett Foundation enquiry rate (17).

Northern Ireland does not appear to have embraced the community shop movement on any scale.

Existing data does not explain variations in these distributions, however, it would be reasonable to attribute differences to factors such as:

- The presence of successful shops relatively locally that stimulate other communities to 'have a go', creating a cluster

- Settlement patterns and population distributions: there needs to be sufficient local critical mass in terms of a customer and volunteer base
- The accessibility of other shops: most community shops are within 6 or less miles of another general store or supermarket but there may be issues such as poor transport links or difficult terrain
- Sufficient community capacity and cohesion, and the availability of enough volunteers to successfully set up and run a shop
- The extent to which external help and support is available and accessible (be this third sector, public sector or other support).

Figure 1.3 The geography of community shops: regional distribution

Region	Trading in 2018 at the close of the year	Closures in 2018	New openings in 2018	Number of new enquiries to Plunkett Foundation in 2018	Total population: ONS* 2018 mid-year estimates
South West	117	0	4	15	5.60m
South East	77	1	4	19	9.13m
London	-	-	-	-	8.91m
East of England	42	1	1	9	6.20m
West Midlands	26	0	1	4	5.90m
East Midlands	20	0	3	4	4.80m
Yorkshire & the Humber	12	0	0	8	5.48m
North West	13	0	1	6	7.29m
North East	3	0	0	0	2.66m
Scotland	32	0	1	17	5.44m
Wales	20	0	1	4	3.14m
Northern Ireland	1	0	0	0	1.88m
Total	363	2	16	86	

Source: Plunkett Foundation Records

*ONS = Office for National Statistics

1.3 New shops/cafés in 2018

Analysis of set-up costs and sources of funding for the 16 new shops that started trading in 2018 shows substantial variations depending on the size of the shop and café (if there is a café), and whether the premises were purchased, rented, built, gifted, subsidised etc.

The new shops used a mixture of grants, loans/ mortgages, local donations/fundraising and community shares to raise the required finance to open their business. The 15 new businesses that provided data raised a total between £1.25m and £1.3m to reach trading, of which:

- 42% was raised through community shares (£541,000)
- 43% was raised through grant awards (£548,500)
- 6% was raised through donations and other sources and activities (£76,000)
- Approximately 9% was raised through loans or mortgages (circa £110,000 – precise loan figures unavailable)
- Some projects raised more than the capital cost required to reach trading, to kick-start their reserves.

It is significant to note that community shares and grant finance make up the backbone (85%) of the set-up funding for the new shops opening. Only 4 shops chose to take on debt finance and 7 reported receiving donations and other sources of finance.

Nine (60%) of the 15 new shops that provided detailed data had to find funding of up to £50,000, five shops having to raise between £100,000 and £200,000, and just one large project requiring £285,000. The same kind of variation is evident in the grant finance secured – from £5000 to £126,000 – mainly correlating in size with the overall raise required, but not always.

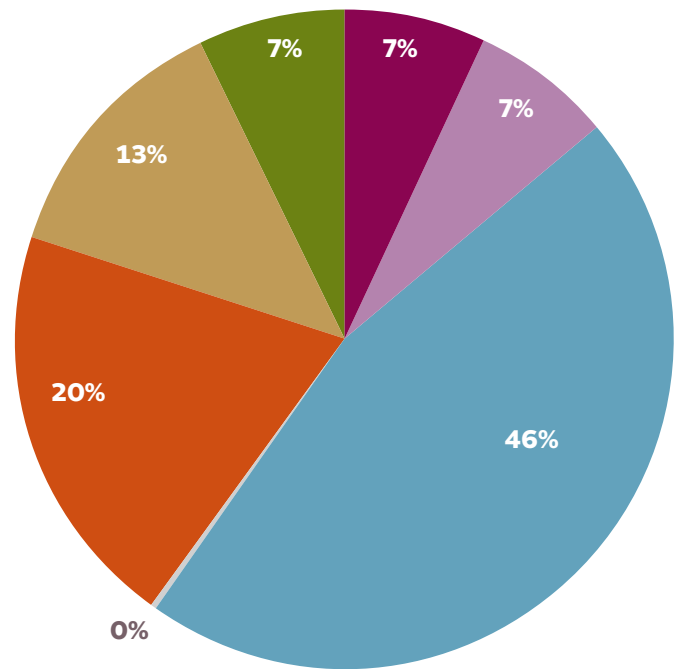
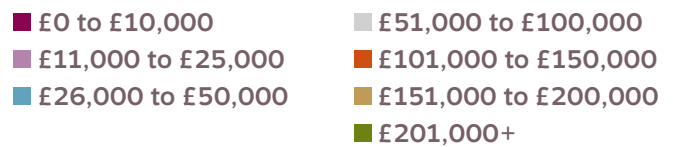


Figure 1.4 Set-up costs to reach trading in 2018



Source: 2019 Plunkett Foundation Community Shops Survey from 15 records



1.3.1 Community shares in new shops

Of the 16 shops and cafés that opened in 2018, 14 offered community shares, through which they raised a total of £541,000 (approximately half the total capital required). Of these:

- 3 shops (21%) gained up to 100 shareholders, 9 (64%) gained 101-200 shareholders and a further 2 (14%) gained 201-300 shareholders
- There appears to be no direct relationship between the scale of total funding needed and the share capital raised, with the share quotient ranging from 19% to 100% of the total raise
- Nor is there a direct correlation with the number of shareholders, for example the two shops gaining 201–300 shareholders had an overall funding requirement of £50,000 and £285,000 respectively
- However, those recording 1–100 shareholders all sought to raise less than £50,000, so a modest overall target appears to translate into a modest number of shareholders.

INSIGHT

Crowle Community Shop in Worcestershire, one of the shops that opened in 2018, is a good example of a group using multiple sources of finance to reach trading status.

£30,000 was raised within the community via shares and other local fundraising activities and they also managed to secure sponsorship and financial support from a range of local businesses and other community organisations as well.

To match their “local” efforts, the group managed to secure nearly £80,000 in grants from a wide range of county-based, regional and national funders.

1.4 New activity

The Plunkett Foundation received 86 enquiries from groups considering the creation of a community shop in 2018, of which 28 received further advice and support from the Foundation. This also suggests a return to a trend of growth, with an increase of 36 enquiries (72%) over the 50 recorded in 2017.

Plunkett records suggest a ratio of 7 to 1 in the conversion of enquiries for shops into those that reach trading. On this basis it is reasonable to expect around 12 of the 86 new enquiries to eventually open as shops.

1.5 Closures in 2018

The two shops which closed in 2018 were located in small rural communities. The closures can mostly be put down to falling levels of local custom. However, a lack of succession planning; with no new committee members, volunteers or other willing supporters coming forward to take the business forward did also play a part.

Both businesses that closed in 2018 were located in local churches, not an uncommon siting for a shop in a smaller community where a lack of alternative premises are available to host the business. It is however worth noting that in the case of one of the closures, that although there is no longer a shop trading in the community the space continues to be utilised for community meetings and other social activities which shows that it is still meeting local needs.



2. Business model

2.1 Legal structures

Community shops trade, employ staff, manage volunteers, and enter into contracts and financial agreements. Therefore, they require a legal entity to protect the individuals running the business by giving them 'limited liability', and to ensure they are compliant with legal necessities such as tax, insurance, trading standards and employment rights.

Plunkett recommends that community shops adopt legal structures which enable genuine community ownership with equal and democratic control. This would include:

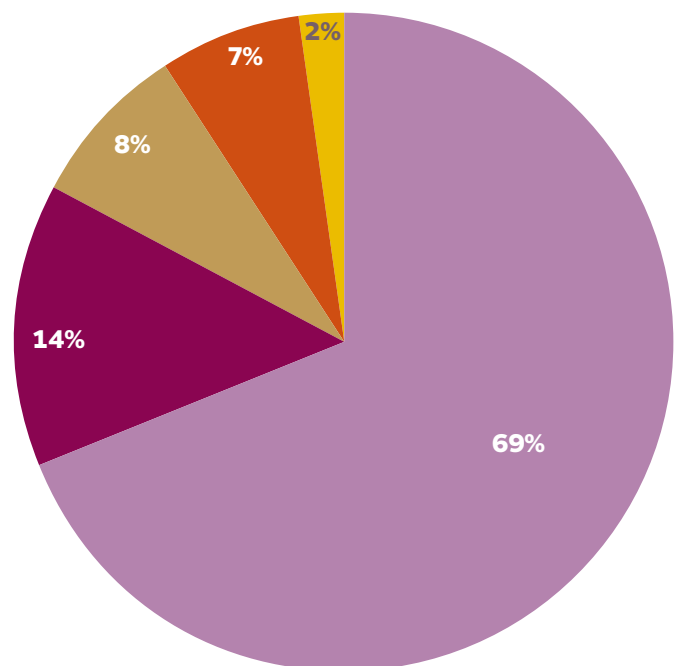
- Open and voluntary membership.
- A management committee drawn from members of the community
- The community clearly represented with the majority of members coming from it and having a genuine say in how the business is run, preferably with one member one vote
- Ideally, there should be an asset lock
- Trading should meet the community's identified needs and represent a long-term commitment
- A commitment to re-investing profits in the local community.

Legal structures which allow for this include Community Benefit Societies (CBS), Co-operative Societies, Companies Limited by Guarantee, and Community Interest Companies and may also include a Private Company Limited by Shares if the above criteria can be established.

From the 2019 survey, the pattern of community shop legal structures remains broadly as reported in previous years, with the CBS model being most popular (69%):

- The most significant change is an additional 16 CBSs: up from 234 in 2017, to 250 in 2018
- Community Interest Companies and Companies Limited by Guarantee were up from 49 to 50 and 30 to 31 respectively.

Figure 2.1
Legal structures adopted by community shops



Community Benefit Society	250
Company limited by guarantee	50
Community Interest Company	31
Co-operative Society	6
Other	26

Source: Plunkett Foundation records





The popularity of the CBS model is that it exists to benefit the wider and collective interests of a community and emphasises member involvement. The benefits of having a larger membership base include:

- A greater number of customers who are likely to use the business regularly
- A greater pool of people to call on as volunteers
- A greater range of expertise to elect onto the management committee.

A small membership can leave groups vulnerable when volunteer numbers reduce, or when the original directors or committee members are no longer able or willing to serve.

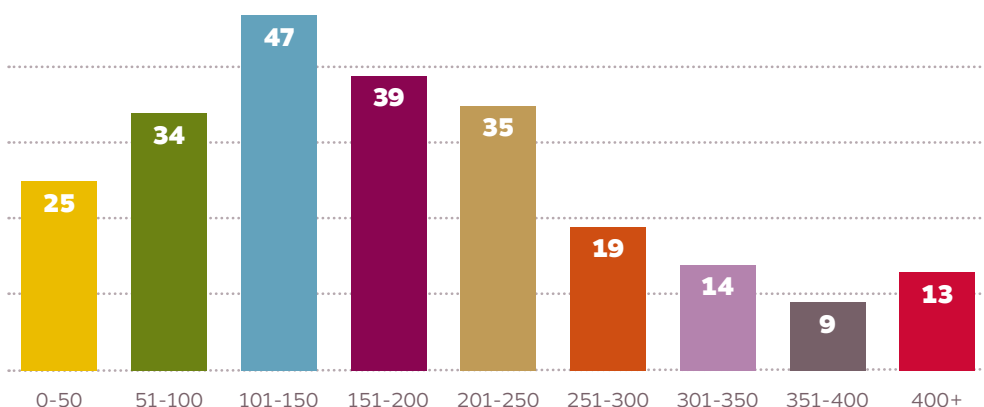
A further reason for the popularity of the CBS model is that under current legislation it is the only legal structure (other than a Co-operative Society) that can issue community shares, so that its members can also become shareholders. Having ‘invested’ members is one positive means to foster community engagement and support for community enterprises.

The 2019 Plunkett survey of 107 shops showed that just 16% (17) have no members. Combining data from FCA annual returns with the 2019 Plunkett survey to give a sample of 235 shops, the majority (60%) of community shops have between 100 and 300 shareholders.

Of 98 shops reporting they hold share capital:

- 28% hold relatively modest community investment of £5000 or less (this may reflect historic factors)
- 55% reported between £5,000 and £50,000 in share capital
- 9% hold between £50,000 and £100,000, and a further 3% between £100-200,000
- 5 shops (5%) reported they hold over £200,000 in community investment.

Figure 2.2
Community shops: member/shareholder numbers



Source: 2019 Plunkett Foundation Survey / Financial Conduct Authority AR30 Data combined: sample 235



2.2 Community shop premises

Community shops occupy a wide range of premises type and size. There is still a large proportion based in former village shop premises (2019 survey: 31%) but communities have been establishing shops in converted premises (of wonderful variety, including pub outbuildings, churches and freight containers) and increasingly in new-builds. Conversions and new-builds offer the advantage of more bespoke retail space, improved parking and access, plus opportunities to combine the shop with additional community or commercial activity, and often at a lower freehold cost.

Of the 16 shops reaching trading in 2018, 7 (44%) are new builds, while 8 have established themselves in non-purpose built buildings (portacabins, shipping container, village hall and converted buildings). Only one is situated in a previous shop, possibly demonstrating the problems associated with existing premises which are frequently too expensive, too small or too difficult for the community to acquire, as they often incorporate living quarters.

Looking at types of tenure, the recent survey has shown a broadly 50/50 distribution between owned and rented premises, although 11 respondents indicated that although they had 'purchased' they also paid rent which suggests that they may have purchased a building (for example a portacabin) but not the land on which the building is sited.

INSIGHT

When the old village shop closed, a group of residents in Ide Hill, Kent looked at the various options for a community-run shop (including purchasing the old shop, which was considered too expensive and with little parking).

In 2011 they purchased a shipping container and parked it in the village hall carpark, from where they ran a community shop and post office for two years, until they had raised enough funds from villagers and local businesses to build a brand-new purpose-built shop next to the Hall. The shop is owned and run by a Community Interest Company with 150 members.

With café and post office and a fabulous view, the shop is thriving with a large, committed and happy team of volunteers, and is now building an extension.

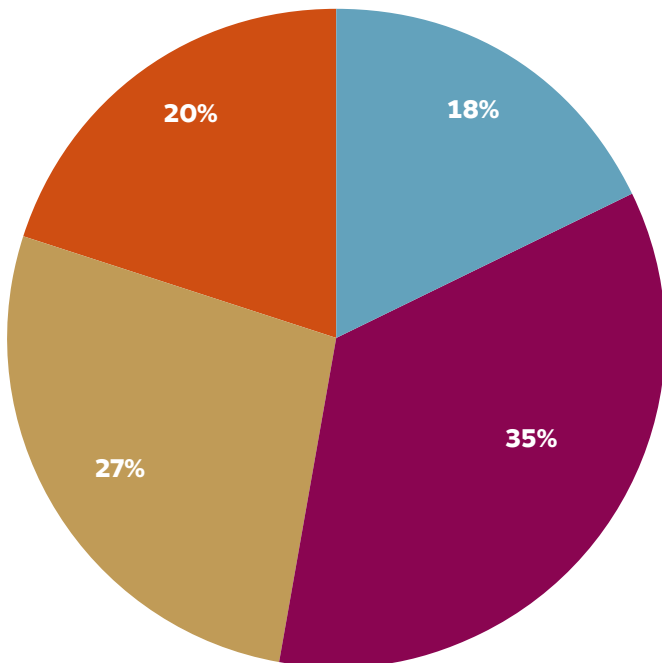
2.3 Distribution of surplus profit

Given that the business model for a community shop is based on the ideal of distribution of net profit to its community (and in most cases this key principle is embedded in its legal structure), it is worth analysing where these profits (if any) are applied.

The overall pattern of net profit use (where present) reflects the relatively modest scale of such profits for many shops, given that many reinvest in the business and/or build their reserves. In this way they still fulfil their mission by strengthening their long-term survival and ensuring their communities retain the vital asset of a local shop. However, in addition to this, 28% of the shops who responded to the 2019 survey also managed to donate some of their profits to charity or community projects.



Figure 2.3
Community shops: use of profits



■ No profits	28
■ Reinvest in business	54
■ Reserves	42
■ Donate to charity or community projects	30

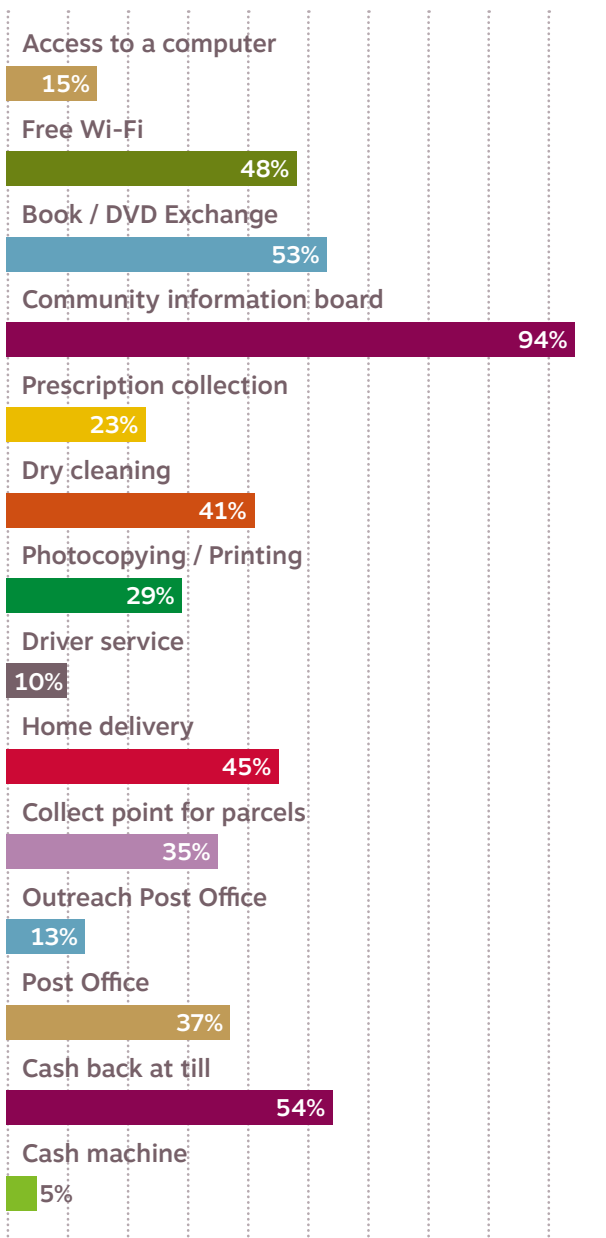
*Please note: some shops report multiple uses of profits.
 Source: 2019 Plunkett Foundation survey from 107 responses*

3. Services and facilities

3.1 Core services offer by community shops

Community shops are acknowledged widely to provide more than a basic shopping experience. Typically, they provide a wide range of informal as well as formal services and provide support for the community, as well as providing a general store.

Figure 3.1
Core services offered by
number of community shops



In addition to the services identified in the chart, respondents to the 2019 survey listed a wide diversity of specific and sometimes one-off examples of services offered that reflect local needs. These include:

- hosting events
- providing a bottle bank
- food banks
- tourist and visitor information
- a citizens advice outreach service
- providing advertisements and ticket sales for local events
- selling fishing permits
- selling tickets for a community bus service
- a launderette
- a chiropody service
- a beauty therapist
- antique sales
- bike hire.



3.2 Products sold

Virtually every community shop will stock a basic grocery and household offering as well as standard fresh produce (fruit and vegetables, milk, bread etc.). In addition the large majority sell newspapers, stationery, medicines, fresh meat and freshly baked goods. The latest Plunkett research shows a slightly lower proportion stocking cigarettes and tobacco (69%), while 71% sell crafts and gifts. By drawing on a variety of suppliers, including national wholesalers for basic groceries to specialist and local suppliers, they can tailor their stock to the needs of their community. This generally means using 20-30 suppliers (though this is very variable) and adds to their diversity, meaning that no one community shop will look or feel the same as another.

As in previous years, latest research has shown that the vast majority of community shops (2018: 93%) stock and sell local food. Shops rank this service not just as one of their best lines of profit, but report it as helping to engage the local community, promoting the local economy and benefiting the environment through lower food miles.

INSIGHT

The Shop at Strood Green in Surrey has just celebrated its 10th anniversary which, as manager Christine Nolan says, is a big achievement in the current climate. “We opened in 2009 after lots of fundraising to get up and running. Since then, the shop has grown and we’ve grown with it – a bigger team, more products and an extension built to house our busy café. We’re open seven days a week and as well as being an ‘emergency shop’ stocking all the basics we also have a really unique selection of local goods. We can’t compete with the big supermarkets on price, but what we do offer is diversity and an experience that feels a bit different.

We find that visitors from outside the area are always interested in the local produce we sell. As well as wine from Denbies and gin from Silent Pool, we support some very small independent suppliers, such as St Joans Dairy ice cream from Reigate and Kokoh chocolate from Ewhurst. We bake our own bread, and our customers come in specially for our freshly baked, locally made sausage rolls. We stock local eggs and honey, and when our neighbours have a glut of fruit and veg – apples or plums, for instance – we’ll sell those too!”



3.3 Café facilities

Café facilities are a popular addition to community shops and most that can find room for even the smallest café/seating area will do so. They are regarded as important for stimulating social interaction, increasing footfall, improving profitability (café products generally having higher margins) and addressing isolation and loneliness.

Of the 44 shops who reported to the 2019 Plunkett Foundation Survey that they offered café services (41% of total respondents):

- 31 (70%) offer a limited menu that generally means coffee, tea, cake and possibly sandwiches or pre-packed foods
- the balance (13) offer a wider choice and generally include dishes prepared on the premises including hot foods, in addition to teas, coffees etc.
- and an additional 4 shops reported not having a café but offering teas and coffees (4%).

Although not universal, most cafés run entirely by volunteers offer limited menus and conversely, those offering wider menus typically involve paid staff to some extent. This reflects Plunkett adviser experience that many volunteers are comfortable working in a shop even without supervision, but fewer feel confident to lead in providing catering services, hence reliance in part or whole on paid staff.

3.4 Postal services

In 2018 a total of 217 out of 363 community shops (60%) offered postal services, varying from full-time provision from a secure counter to part-time outreach services. Currently 55 (15%) of the shops are offering outreach services, the remainder being integral to the shop services and provided via either community post office or PO Local contracts. Increasingly a Post Office is viewed by new-start community shops as a service to the community rather than an income generator.

INSIGHT

After the former shop in Ilmington shut, a church that had also closed its doors turned out to be suitable premises. Local people worked tirelessly for over two years to create a community shop, opening in 2015 and extended in 2016 to create a café. Current chairman Tim Allen says, “We are fortunate to have two pubs in the village, yet the café complements these and offers somewhere for people who might be reluctant to go to the pub on their own, somewhere for people with very young children to enjoy a change of scene, or a place for families to enjoy a relaxed breakfast or lunch. We also attract walkers, cyclists, visitors, and artisans working in the village.

“Running a café has accompanying challenges. Our shop can run for some 50% of the time without paid staff present, but volunteers are more cautious about catering and prefer to have staff present. This means investment in paid staff and modest financial margins. The reward is a welcoming, friendly and informal meeting space. And, as one of our more senior citizens says about volunteering in a busy slot in the café, ‘it helps keep the Alzheimer’s at bay’: a jest, but one that also gives insight into the many benefits that stem from community enterprises.”



4. People



4.1 Governance

The great majority of community shops are managed directly by the community via a management committee elected by the members, with less than 5% managed by a private tenant. As well as overseeing the business's strategic direction and financial performance, the management committee also recruits staff or volunteers, or a combination of the two, to handle the day-to-day management of the shop. From the 2019 survey of 107 shops:

- 60% are managed day-to-day by paid staff (this can be full or part time, and doesn't preclude volunteer support)
- 37% are managed by volunteers
- 3% are run by a private tenant.

Respondents interpreted management in varying ways so some identified that volunteers led day-to-day management, but that the shop employs paid staff also, while other shops delegate this to a paid manager.

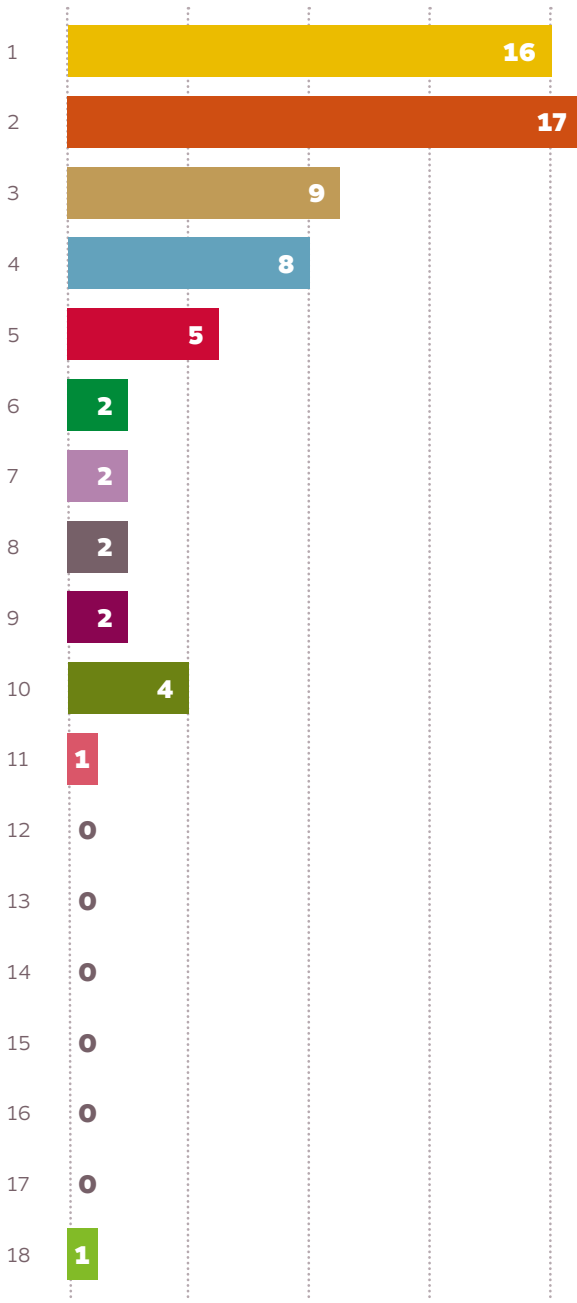
4.2 Employed staff

Paid staff can create a sense of stability, control and continuity to the running of the shop and this will give some peace of mind to the management committee that the business is being effectively run without the need for their daily intervention.

Less than half of community shops surveyed in 2018 employ full-time members of staff (of the 107 shops responding, 31 reported one full-time staff member, a further 8 employ two full-time staff and one shop employs 3 full-time staff). The majority prefer to employ one or several part-time staff.



Figure 4.1
Number of community shops by number employing part-time staff



Source: 2019 Plunkett Foundation Survey from 107 responses

4.2.1 Employment policies

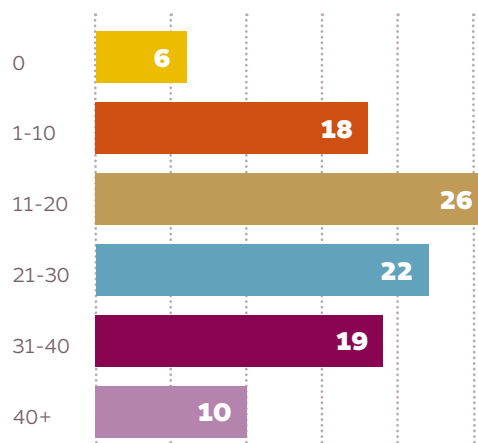
As employers, community enterprises are as responsible as any other employer for the well-being of their staff and in meeting employer responsibilities and statutory requirements. The 2019 survey on employment policies (with 101 respondents) showed that many but by no means all community shops are establishing employment policies to address key aspects of employer liabilities:

- 75% offer staff contracts
- 61% keep staff training records
- 60% have a staff grievance policy
- 52% have an equalities policy
- 47% have a system to set staff pay and conditions
- 41% carry out staff appraisals.

4.3 Volunteers

Most community shops are reliant on a core (and often relatively modest) number of volunteers who underpin the effective operation of the enterprise. Volunteers spread the workload, keeping costs low, and help add to the vibrancy and sociable environment on the shop floor. In the 2019 survey, only 6 of 107 shops had no volunteers, while 63% reported volunteer numbers of between 11 and 40.

Figure 4.2
Number of community shops by number of regular front-line volunteers



Source: 2019 Plunkett Foundation Survey from 107 responses

In addition to 'front-line' volunteers, the shops were also asked how many volunteers they had working behind the scenes (this could be assistance with marketing, accounting, driving to cash-and-carry, etc.). The majority (76%) had 1 to 10 'back-room' volunteers, while 8% had more than 10 and 16% had none.

Translating all this into weekly volunteer hours shows the crucial role that volunteers play in sustaining community shops. Of the 107 shops surveyed, 59% estimated they benefited from over 50 volunteer hours per week and 19% received volunteer support for 40-50 hours per week, while 21% reported less than 40 hours' volunteer coverage.

This research has not quantified the value of volunteer input, but if translated into an equivalent staff cost even at the minimum wage, it would render many community shops unviable.

Retaining volunteers is therefore a significant factor within community shop governance and many shops work hard to make their volunteers feel valued and integral to the business.

A community shop also relies on volunteers at committee/board level. The management committee is responsible for strategic direction, overseeing the business, employing staff, troubleshooting,



reporting to members/shareholders, and fulfilling legal obligations such as the AGM, annual filing of returns and annual accounts. The number of people taking these roles is significant – 67% of shops responding to the 2019 survey have between 5 and 9 people voluntarily taking on committee and/or company secretary roles, with 12% having 9 to 12 people, and only 8% operating with four or less committee members.



Annual Staff and Volunteers BBQ – Hinton St George Shop, Somerset

INSIGHT

Retaining volunteers

As well as ideas such as holding social gatherings, offering achievement awards, personal development opportunities and participation in problem solving, community shops can offer creative schemes such as that run by North Curry Community Café in Somerset. Twice a year the management committee work out how much surplus profit they can afford to distribute, and this is converted to a monetary amount per point. Charities designated by each volunteer are then sent a cheque for the amount 'earned' (they have slightly altered their model rules to allow them to benefit charities from a wider area but they are usually Somerset based).

5. Impact



5.1 Community cohesion

On the basis of the evidence collected by Plunkett on volunteering in community shops, a cautious estimate for the number of volunteers supporting the 363 shops is in the region of 6,000–7,000 people (assuming an average per shop of around 20 volunteers – and our survey evidence suggests that many shops rely on substantially more than 20 volunteers).

There are well researched and documented benefits for projects, individuals and communities that stem from volunteering. These benefits extend to personal wellbeing for individuals, for example through the social contact, sense of purpose and confidence that successful volunteering brings, through to wider community cohesion benefits that accrue when people come together with a sense of purpose to contribute to their community.

5.2 Overcoming isolation

A successful community shop is not just a place to purchase goods – it also provides an informal community hub for people to socialise, potentially reducing isolation through:

- Activities such as art classes, knitting groups, walking groups, café meet-ups, soup lunches, IT classes, and surgeries such as policing and healthcare
- Well-maintained community noticeboards to encourage participation in community groups and activities
- Predominantly local volunteers and staff being aware of anyone in the community needing support
- Home delivery, carry-to-car services, prescription collection, and other support services
- Volunteering as a route to interacting with others, for newcomers and those who have suffered bereavement or redundancy, are recovering from poor health or need to find a way to interact with others.

5.3 Engaging young people

Community shops play an important role in providing employment opportunities and work experience for young people (many aged under 18 years old). From the 2019 survey, around 400 young people are employed part-time, seasonally or full-time, or are being offered work experience through volunteering, or schemes such as the Duke of Edinburgh (DofE) Award Scheme or the Welsh Baccaulaureate.

The shops offer these opportunities enthusiastically: 55% of the 107 respondents engage young people through DofE and 42% through other types of volunteering, while 21% employ under-18s and 9% provide work experience or apprenticeship.

Projecting this data across all 363 community shops recorded must be treated with care but if this pattern is replicated, then it is reasonable to cautiously estimate that over 1000 young people per year are gaining work experience by volunteering or employment through community shops.

5.4 Supporting the environment

Having a community shop in a rural location can significantly reduce the number of times individuals need to drive to access alternative retail services, and therefore save a calculable amount of car miles and emissions.

Also by promoting and selling local food, community shops not only shorten the delivery chain and save food miles, but raise awareness of where people's food comes from. Local produce is less likely to be intensively farmed and small farms also more readily adopt environmentally friendly practices.

Community shops are also becoming more aware of the need to recycle where possible, and often offer re-usable bags as well as introducing policies to reduce plastic.





INSIGHT

Houghton & Wyton shop in Cambridgeshire drafted their own Impact Measurement System, aimed at understanding the effect of the shop's existence to improve community cohesiveness and the local environment. This includes:

1. Measurement of statistics such as

- Number and frequency of volunteers
- Number of new volunteers
- Number of people engaged in village organisations
- Number of shop visits
- Number of local suppliers
- Number of plastic bags sold

These measurements can be updated by period to monitor trends, and even to set targets.

2. Surveys carried out with customers to include:

- Questions from the Cabinet Office Community Life Survey
- Questions based on Campaign to End Loneliness measurement tools
- Questions about frequency of use of shop services (to compare with out-of-village trips).

5.5 Boosting the local economy

Community shops offer a resilient form of business that can help regenerate the local economy for several reasons:

- Purchasing from local suppliers
- Creating employment opportunities
- Offering training opportunities to staff and volunteers
- Improving access to other local services
- Raising money for local charities either through fundraising or surplus profits
- Encouraging collective investment via community shares in the local economy.



6. Financial performance



6.1 Turnover

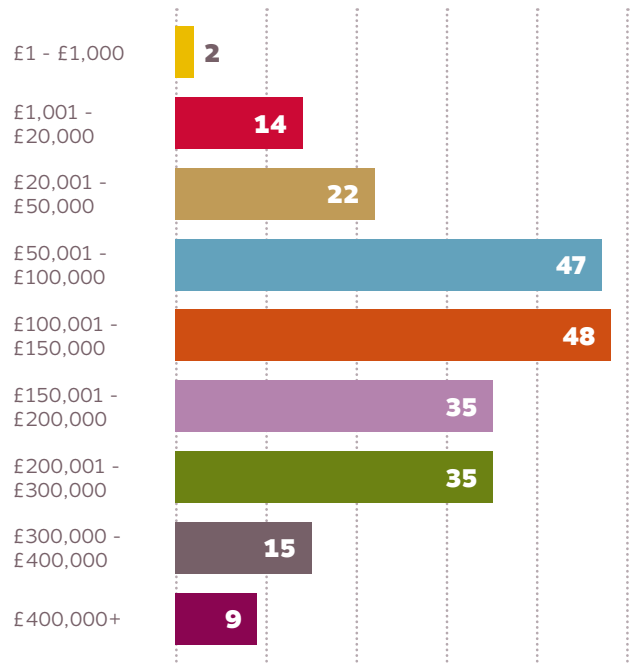
The data for the range and distribution of annual shop turnover has been gathered from a sample of 227 AR30 returns made by shops to the Financial Conduct Authority for financial years ending either in 2016, 2017 or 2018. AR30 returns are required from Community Benefit Societies and Co-operative Societies. Our analysis shows:

- The largest proportion of community shops, 57%, had an annual turnover in the range £50,001-£200,000 for the year sampled
- 22% of the shops had a turnover of between £200,001 and £400,000 in the sampled year
- 17% of shops had a turnover between £1 and £50,000 for the year sampled
- The remaining 4% had a turnover of £400,001 or more in the sampled year.

Although not fully researched, there are likely to be specific reasons for turnovers exceeding £400,000, such as diversified activities that in one case includes a mail order service to sell locally made garments.

Total turnover for this sample of 227 was approximately £35m, giving an approximate average turnover for the years sampled of £153,500. Although needing caution given that figures are drawn from a sample taken over three recent years, if this average is applied to the full contingent of 363 shops, then annual turnover for this sector equates to more than £50 million.

Figure 6.1
Number of community shops by turnover reported in 2016,2017 Or 2018



Source: FCA AR30 returns: Sample 227 records

6.2 Profit and loss

Analysis of the profit and loss performance for the same 227 shops (AR30 returns to Financial Conduct Authority for financial years ending either in 2016, 2017 or 2018), shows that:

- 74% of these shops are making a profit or at least breaking even in the year recorded
- 105 shops (62%) of those making a profit recording net profits of between £1 and £5,000
- 26% of shops reported a loss in the year recorded
- 43 shops (74%) of those making a loss recording that loss as between -£1 and -£5,000 in the year recorded.

There is no direct relationship between turnover levels and profit or loss: some smaller shops generate significant profits in proportion to their turnover, and some of the largest shops in turnover terms recorded a loss for the year recorded.

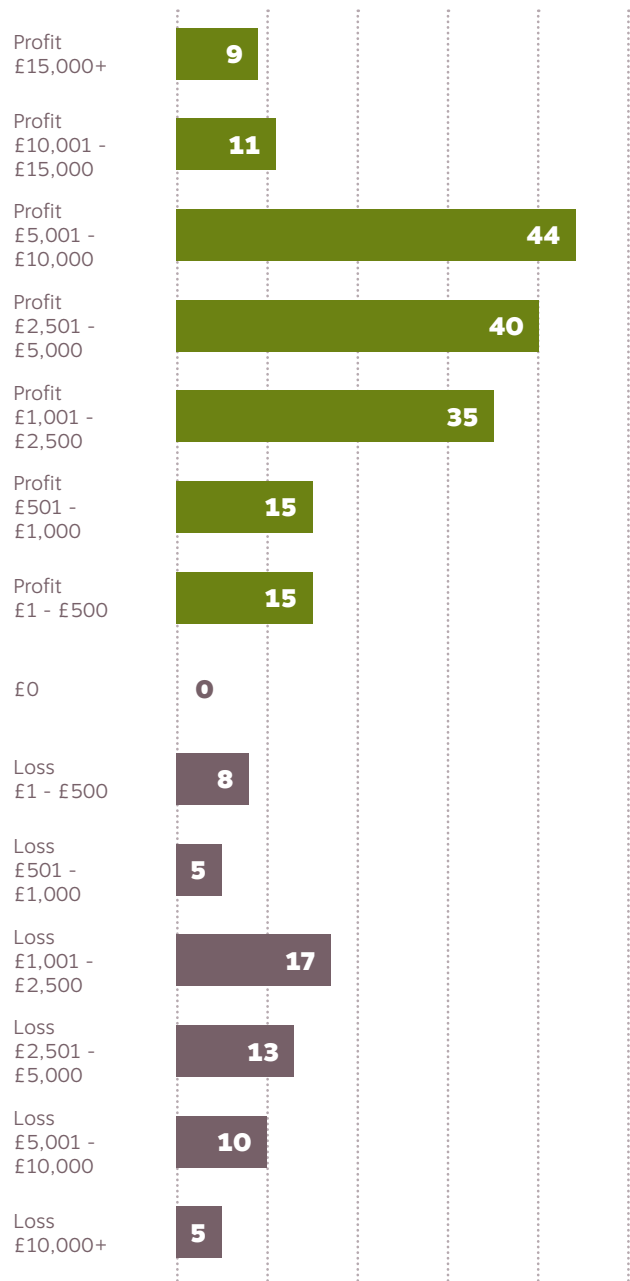
The implications of making a loss are wide ranging: in some cases, shops are supported through donations or grants so the implications are not severe, and in other cases, a one-year loss can be addressed in subsequent years by vigilance in managing factors such as waste and stock levels (and therefore costs), or through effective marketing and community engagement.

Overall, the figures suggest that most community shops trade on modest margins and that very few generate a profit exceeding £10,000. However, despite this the sector shows remarkable durability, chiefly no doubt due to community ownership and commitment, and the use of volunteers for elements of management and day-to-day operation.

Later in this report the section on sector concerns and priorities provides further insight into the effects of this modest profitability.



Figure 6.2
Number of community shops by profits / losses as reported in 2016, 2017 or 2018



Source: FCA AR30 returns from 227 records

6.3 Rents, loans and mortgage overheads

Those shops that own the land and building outright without mortgages or other loans or rents are generally the most secure given that they have an asset that is unencumbered and under normal circumstances, valuable.

Viable and well-run shops that have loans, mortgages or rents to pay have an extra overhead cost to address, but the data suggests that many manage these costs effectively.

Community shops appear to avoid debt capital. Only 19 shops from a sample of 107 respondents (18%) recorded outstanding loans or mortgages. Of these, 8 reported debt of up to £20,000, a further 8 had debt of up to £80,000 and a further 3 recorded loan/mortgages of over £80,000.

Approximately half of community shops rent their premises. There are substantial variations in both the nature and the security offered by the tenancy agreement, and in the length of tenure.

Of the 59 shops in the 2019 survey that rent their premises, 47% had between one and 10 years left of their tenure arrangement, 15% had more than 10 years, 22% had an annual or no formal agreement, and 14% were in the position of less than one year left on their agreement. Uncertainty about future security of tenure is potentially destabilising for shops. Tenancy or rent reviews, or changes of landlord, are often 'tipping points' that either galvanise communities to review and strengthen the community enterprise, or occasionally, act as catalysts for closure.

The variation in monthly rents is substantial, with the largest proportion paying up to £100 per month (this would include peppercorn rents) and rising to rents of over £800 per month. (These figures exclude circumstances where the community has purchased a building such as a portacabin but pays for siting the shop on land other than that owned by the community.)



6.4 Ongoing fundraising

A significant proportion of shops (52%) have sought donations, grants or other funding to support profitability, maintenance or to replace equipment. This probably reflects that there are insufficient funds generated for additional expenses, due to most shops' modest net profits.

Additionally, 2 shops indicated they accessed grants to help fund staff salaries and one shop targets raising £6000 p.a. to sustain the business.

6.5 Use of financial and stock management systems

Given challenging economic and retail circumstances and modest net profits, effective management of finances, stock and waste is crucial and therefore shops need effective systems to understand and manage:

- Sales and turnover, and trends in sales
- Stock levels in response both to demand and to aid cash flow by avoiding holding excess stock and therefore tying up too much capital
- Waste at a detailed level. The difference to a shop with £200,000 annual turnover between 1% and 2% waste is £2,000, substantial to most shops sitting between a profit of £5,000 and a loss of £5,000 per year.

One key tool to aid this level of management is the use of an EPOS system (Electronic Point of Sale system). Nearly 80% of responding shops have an EPOS system, the majority of whom use it to review and manage their financial performance and monitor stock levels.



7. Sector confidence and priorities

Survey respondents (2019 Plunkett Foundation Survey) were asked both about how confident they felt about the next 12 months for the success of their shops, and about priorities and concerns looking forward. The responses give a snapshot of the health of the sector:

- 86% of responding shops report that they are confident or very confident about their short-term future despite recording challenges and concerns in the coming year
- 11% of responding shops recorded concerns about the next year
- 72% of responding shops identify a need to sustain or increase volunteer commitment over the next 12 months
- 72% of responding shops are seeking to either sustain or improve profitability
- Around 20% of shops record concerns about affording repair or refurbishment costs, and/or costs in replacing essential equipment
- 9% of respondents record concerns about insecure tenure associated with leasing arrangements.

Figure 7.1

Major concerns of community shops over the next 12 months by number of shops responding



Source: 2019 Plunkett Foundation Survey from 107 Responses. Please note: Respondents were asked for multiple responses

Complying with GDPR legislation, Plunkett Foundation has been reviewing all data held by the foundation, looking at both current and historic records. This process has led to some records being changed or removed from our system over the past 12 months. Minor anomalies that have been noted in this report, when comparing year on year data can be attributed to this data management activity.

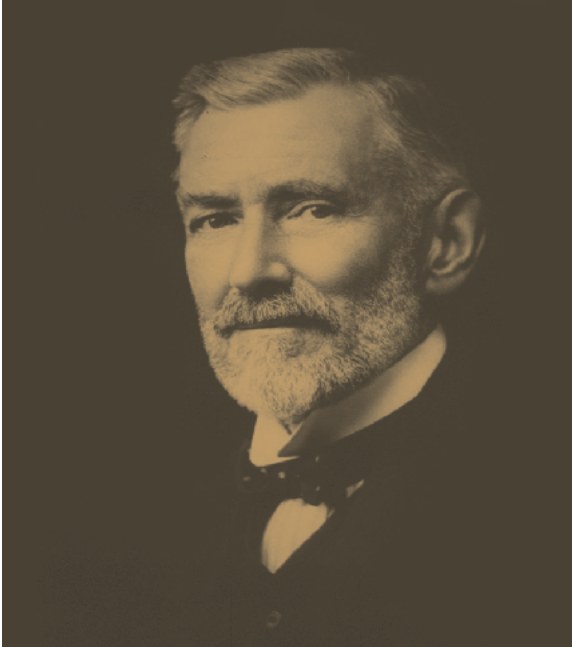




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About Plunkett Foundation

Established in 1919, Plunkett Foundation helps communities to take control of their challenges and overcome them through co-operation and collaboration. We support people, predominantly in rural areas, to set up and run community businesses: enterprises that are owned and run democratically by large numbers of people in their community. They help people to tackle a range of issues such as isolation, loneliness and poverty, and come in many forms including shops, cafés, pubs and land-based initiatives, and anything in between.

If you share our values, ask us about becoming a member

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