

**Report on the Society’s performance in its 2020-21 financial year**

Progress on the buy-out has been publicized to the community in the various News Updates issued over the course of the year, but here are the main points on performance.

The Society was incorporated and registered with the Financial Conduct Authority on 15 June 2020. Its financial year runs from 1 July to 30 June, and its first financial year runs from incorporation to 30 June 2021.

Under the Society’s Rules, the founder members of the Society – Alastair Hirst, Susan Stewart, Kay Greenhorn and Neil McIntyre - constituted its first Management Committee, and they were joined by Graeme Wallace who also had served on the original steering committee. Later in the year Karon Phillips joined the Management Committee as a co-optee and fund-raising specialist. She retired in January 2021 as funding sufficient for the Society to take forward its plans had then been secured and there was no continuing need for her expert input. We are very grateful for her contribution to the Committee’s work.

Our Scottish Land Fund Grant of £114,000 was formally awarded in September 2020, most of it to fund the purchase of the village shop premises and business from Maltby Trading Ltd.

In October 2020 the Society launched its community share offer. This offer was successful, eliciting £119,075 in share subscriptions and £33,966 in donations. We received a grant of £2,233 from Community Share Scotland towards the costs of the offer.

In November 2020 our solicitors submitted to Maltby Trading Limited the legal documentation for the purchase. Although the sale price had been pre-agreed in principle between buyer and seller in accordance with a professional valuation obtained, and although the sale was essentially a friendly transaction, nonetheless it took until March 2021 for missives to be settled. Actual transfer of the premises and business took place on 22 March 2021. This was the Society’s first day of trading.

On that date the Society also took over the employment of Janice Gillies, the then shop manager, and the four other paid staff members. On 13 June 2021 Mrs Gillies retired, having most helpfully assisted us through the immediate post-transfer period. The day-to-day operational management of the shop was then fronted by the two senior employees, Vera Kelly and Karen Cockburn, under the general direction and supervision of Kay Greenhorn and the other Management Committee members having a direct involvement in operational matters.

The process of identifying and engaging volunteers to work in the shop was then in hand, but the actual induction of volunteers on the counter did not commence until well into June 2021.

The introduction of up-to-date retail technology – assisted by a grant of £3,445 from Scotland Loves Local - was a central feature of these first months of trading, and, in particular, an EPOS point of sale till system, a new card-reader, and the Xero accounting system. A particular challenge was the EPOS system: it had to be installed, particulars of a very wide range of stock had to be loaded into it, and the shop staff instructed on how to use it - while at the same time the shop had to maintain a normal level of service to our customers, local and visitors. Some major items of equipment, particularly chiller units, had to be replaced at quite short notice, and a malfunctioning water heating system had to be repaired.

Relationships with the main suppliers, Filshill for general groceries and alcohol products, and Menzies for newspapers and magazines, were progressively, and sometimes laboriously, transferred over to the Society, and the usual range of utilities suppliers had also to be transferred over or replaced.

The alcohol licence for the premises was duly transferred to the Society as of 5 April 2021.

On the transfer to the Society of the Post Office branch, it was not possible to progress this in advance of the transfer date of 22 March 2021, because prior to that date the Society did not own the premises. The formal application for transfer was elaborate, and the completion of it was fraught with IT issues, but we successfully passed the financial assessment stage on 19 May 2021, and the subsequent suitability assessment interview on 28 May 2021. The actual transfer date for the PO business remained subject to the availability of PO auditors and trainers for on-site attendance, and Covid constraints were a major obstacle here. In the meantime, by agreement with the PO, and with Maltby Trading, Barbara Maltby remained, formally, the Postmistress, while the Society staffed the counter and was entitled to the revenue from it.

As regards the refurbishment of the shop premises, the urgent repairs identified by our consultants, such as roofing works, were completed by the end of the 2020-21 financial year. However, as regards the main improvement works outlined in our Social Enterprise Plan, very little progress was achieved on the ground in this first year. As with so much of this project, progress was seriously handicapped by Covid-related constraints. In January 2021 however, we received the good news that our application to the Regeneration Capital Grant Fund had been recommended for acceptance; and in due course this recommendation was duly approved by the grantor authority. This means that we have £133,710 potentially available towards the cost of the main improvement works, to be disbursed to us in instalments reflecting completion of the successive stages of the works. This award means that we may be able to accomplish all the works outlined in our social enterprise plan (that is, Phase 1, and Phase 2 without deferral) – but this is subject to the uncertainties of construction cost increases in the meantime and inflationary pressures generally. The award does however also mean that we have to go through the quite elaborate public procurement processes, and for this we will need a level of outside professional assistance rather greater than what we originally envisaged.

Against this background our financial statements for this first financial year reflect a completely abnormal period. For the first nine months of the year all the Society could do was plan and prepare in face of a seriously delayed transfer date. This left little more than three months for actual trading, from 22 March to 30 June.

As can be seen from the accounts prepared by our accountants, Douglas Home & Co, and available on our webpage on yetholmonline.org, we recorded a technical profit of £724 for the entire period of the first financial year: our revenue from turnover and other income (including grants) was slightly above our cost of sales and expenditure, around the £84,000 level. Our administrative expenditure plus finance costs totalling about £32,500 includes significant pre-buy-out expenses, such as survey and legal costs, anticipatory replacement of defective equipment, as well as abnormal or one-off post-buy-out costs, such as urgent repairs to premises, and IT hardware.

All in all, major progress has been achieved in our inaugural year, and in this we must record our thanks to our outside funders (the Scottish Land Fund, Community Share Scotland and Scotland Loves Local), and to the Plunkett Foundation for advice and guidance.

The Society is also hugely grateful to our supporters in the local community, whether donors, purchasers of shares or customers, to Roy & Barbara Maltby, to our colleagues in the Morebattle village shop, to the children in Yetholm Primary School who suggested designs for our logo - as well as to our paid staff and our volunteers in the shop and elsewhere who have stood by us throughout the challenges of this initial period.

The Management Committee

15 November 2021