

WORCESTER POLYTECHNIC INSTITUTE



# Economic Development Through Asset Transfer

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## Final Report

An Interactive Qualifying Project proposal to be submitted to the faculty  
of Worcester Polytechnic Institute in partial fulfillment of the requirements  
for the Degree of Bachelor of Science.

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## **Abstract**

This project examined the concept of asset transfer, and its applications to Ms. Joanna Benson's request for a building to house her charity shop in the borough of Merton. Emphasis was placed on formulating a business plan, which was identified as a key component of an asset transfer proposal. Data collected through research and interviews allowed the group to provide the sponsor with a nearly complete business plan, as well as recommendations for how to create a successful asset transfer proposal.

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**Sponsors:** Naomi Martin

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## Executive Summary

Asset transfer is a process through which municipal property can be acquired in the United Kingdom. It can act as a vehicle for community economic development by giving small charitable organizations, or any organizations that will positively impact a community, opportunities to utilize unused government property. In order for an individual or community based organization to acquire a property, the petitioning individual or organization must appeal to the local government and prove that their venture will be beneficial to the greater community. Our sponsor, the Commonsides Community Development Trust, is currently serving as a temporary home to Ms. Joanna Benson's Pollards Hill Thrift Shop in the Pollards Hill neighborhood of the Borough of Merton. Ms. Benson is seeking to expand her shop through asset transfer and acquire an already existing, under-utilized building across the street from her current location in the New Horizon Centre. In order to best help Ms. Benson accomplish her goals, background research was performed on the process of asset transfer, business plans and models, case studies of successful instances of asset transfer in the United Kingdom, and the general demographics in Merton, especially in the area of Pollards Hill.

The Commonsides Community Development Trust believes that the Pollards Hill Thrift Shop has the ability to positively impact the community if the asset transfer is successful. The overall goal of the project was to conduct research on asset transfer proposals and the main components of the proposals in order to help prepare Ms. Benson to create a persuasive, effective proposal to present to the Borough of Merton. This project had three main objectives: (1) to determine the components of successful asset transfers, (2) to determine the requirements for asset transfer proposals in Merton, and (3) to work collaboratively with Ms. Benson to create a business plan template. At the completion of our seven weeks in London, the team accomplished the previously mentioned objectives and presented our results of our research, along with recommendations for Ms. Benson to create a strong proposal and have a smooth transition in the expansion of the shop.

Background literature was used in order to provide a foundation of information to build off of once the team arrived in the United Kingdom. By analyzing governmental economic plans such as the London Development Agency's "Sustaining Success," the group gained a better understanding as to what asset transfer is and its purpose. Organizations that give back to the community, such as charity shops, youth groups, or social enterprises, are key players in

revitalizing some of the lower income areas in London. Asset transfer grants local governments the power to turn over or lease properties that currently have no use to organizations, such as the ones previously mentioned, that will benefit the community. Researching previous asset transfer cases, such as the cases in the “Quirk Review,” was a vital step in further improving our knowledge of what a proposal might contain. Once a basic understanding of successful cases was achieved, it was crucial to understand what the Borough of Merton was like demographically. The last census in 2001 gave us a better understanding of the borough, and, more specifically, the Pollards Hill area. It became evident that Pollards Hill had some of the highest unemployment and single parent rates in the entire borough. Based on the census figures and research on asset transfer, it seemed that asset transfer to facilitate the growth of a charity shop in Pollards Hill was a feasible goal. In our background research, we also focused on the structure of business plans. A business plan is one of the major components of an asset transfer proposal, as it shows that a business is sustainable and will have a positive impact on the community. After the team had acquired a background on asset transfer and the Borough of Merton, a methodology was formulated with the objectives of the project in mind.

One of our main methodologies was archival research. Much of our data and background knowledge was acquired through analysis of various source documents such as government reports, asset transfer case studies, and sample business plans. A second methodology used to obtain additional information was interviews. We conducted interviews with our sponsor, a local government official on the subject of asset transfer, and various Mitcham charity shop managers. The data gathered from all sources was helpful in providing the basic background knowledge we needed to help formulate a business plan template, and to help Ms. Benson prepare her proposal for the local Council. From our interview with Mr. Howard Joy from the Merton Council, we learned that the borough only conducts asset transfers in the form of leasehold rather than freehold. A series of informal interviews with Ms. Benson allowed the group to transcribe verbal details about her goals for the shop, such as her desire to reduce waste in the Pollards Hill neighborhood by at least 2%. This allowed the group to create a nearly complete template, including the executive summary, company summary, products, and management summary sections of the business plan. Our informal interviews with Ms. Benson also enabled the group to channel her passion towards a more professionally written proposal. In addition to formal research and interviewing, a mentoring relationship was established between Ms. Benson and the

group. Ms. Benson taught us many things, the most important of which is to always persevere. As we were her students, we also acted as Ms. Benson's mentors by suggesting ways to make her proposal unique and powerful, yet professional, such as the addition of personal testimonials into the Social Impact Report. Through the use of these methods, the group was able to apply key findings to further strengthen Ms. Benson's proposal.

By analyzing previous asset transfer case studies, the group determined that each case is unique and that there is no specific set of guidelines pertaining to the process. Due to a lack of existing instructions for going through the process, Ms. Benson can meld the strongest points from similar previous cases with her own unique attributes to create a persuasive proposal. For example, the organizations from the case studies that had solid financial predictions for their businesses, along with community backing, were highly successful. A professional business plan is an important component of an asset transfer proposal. It is not just the who, what, where, and why of a business; a business plan contains formal analyses and reasonable predictions to reinforce the basic idea behind the business. In order to learn more about the various sections of a business plan, the group performed archival research and found some mock business plans. These sample plans served as the foundation of the business plan template created for Ms. Benson's use.

The mock business plans we found contained seven sections: Executive Summary, Company Summary, Products, Market Analysis, Strategy and Implementation Summary, Management Summary, and Financial Plan. The Executive Summary is the first thing potential investors will read in the business plan and it should be a summary of key points from the plan. In the Company Summary section, a general overview of the business is given, which details location and operating hours, as well as other critical information. The Products section contains information about what goods or brands the business will sell and how they will sell them. The Market Analysis section is a breakdown of the target market that the business will be serving. This includes information regarding chosen location demographics and a list of the nearest existing competitors. The Strategy and Implementation Summary outlines an action plan for the business and explains how the business will achieve its goals. In the Management Summary section, the managerial organization of the business is described and the credentials of all key personnel are listed. Finally, the Financial Plan contains numerical analyses, such as a Sales Forecast, Profit/Loss Forecast, and Cash Flow analysis. A summary of each portion of the

business plan was created to serve as a reference tool to assist Ms. Benson in the completion of the business plan template. These summaries include: the basic content of the section, such as any sub-sections that should be included, any analyses that should be included to provide statistics and measurable goals, along with examples from mock business plans so that Ms. Benson could gain an idea of what the sections contain.

The deliverables and recommendations were created to provide Ms. Benson with a solid foundation on which to build her proposal. The sections of the business plan that we were able to mostly complete were the Products, Market Analysis, and Management Summary. The remaining four sections are lacking specific data, and therefore, we provided Ms. Benson with instructions to follow to fill these gaps. For example, in the Company Summary, we instructed Ms. Benson to add the names and positions of any additional shop personnel, as well as their qualifications. In the Financial Plan, there are instructions detailing the use of Microsoft Excel templates to perform the Profit/Loss and Cash Flow analyses. Along with written instructions, examples and figures were inserted to serve as a guide for Ms. Benson. For example, the group used sales amounts provided by Ms. Benson as the basis for the Sales Forecast and used an estimated 3% annual growth rate over a period of three years to extrapolate the data. Because they are merely educated guesses, the estimates used throughout the financial analyses will have to be edited by Ms. Benson in order to better reflect actual shop activity.

Our team left three sets recommendations to Ms. Benson at the end of the project: council recommendations, internal recommendations, and external recommendations. For council recommendations, we mainly suggested that Ms. Benson continue to strive to maintain a good relationship with the Council. There have been many setbacks in the dealings with the Council, but if leasehold is awarded, Ms. Benson will have to work hand in hand with the Council for many years to come. Therefore, it is very important to maintain a good relationship. The second set of recommendations was internal recommendations. The first was to set up a tagging and inventory system for the goods that come in and out of the shop. This will help with future sales forecasts and financial analyses, along with helping to prevent theft. Another internal recommendation was to obtain a business mentor. Usually, there are many trials in the road during the first year for a new business, and a business mentor may be able to help alleviate some common mistakes that new businesses make. The final set of recommendations was external recommendations. These recommendations include the Pollards Hill community as a

whole. One thing that the Council takes very serious in asset transfer proposals is the community impact of the organization. If Ms. Benson could hold a fundraiser to donate funds for the renovations of the shop, it would get the community involved, raising their awareness in regards to the shop and proposal. It would also show the Council that the community is behind the Pollards Hill Thrift Shop. The recommendations and deliverables will allow Ms. Benson to further strengthen her asset transfer case.

Overall, the group learned a great deal about the concept and process of asset transfers in the United Kingdom. We also learned about the importance behind a strong, coherent, and professional business plan, and how that can affect the overall proposal. Finally, the group also learned how to work with people of different backgrounds, as well as how to tailor interviewing styles based on the situation.



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## Introduction

For the past decade, local economic development policy in London has sought to address long standing economic inequalities. In 2005, the London Development Agency published an economic development strategy entitled: “Sustaining Success.” The strategy focused on four major areas of improvement: places and infrastructure, people, marketing and promoting London, and enterprise (LDA, 2005). Urban development policies, which were set up to regenerate low-income communities, have emphasized the role of social enterprises in particular. In contrast to typical commercial businesses, a social enterprise uses the majority of its profits to further social or environmental goals (Owusu, 2006). These goals include giving back to the community through various means.

One way local governments can encourage the growth of social enterprises is through asset transfer. In an asset transfer, a local government can lease or transfer ownership of municipal buildings or land to burgeoning social enterprises. In encouraging asset transfer, local economic development policy in London has sought to address long standing economic inequalities by allowing local government to help lower start up costs for new social enterprises and, in more general terms, help promote community growth and prosperity.

The Commonside Community Development Trust was founded in 2002 in order to promote urban development in the Pollards Hill area. The Trust is a community focused, asset based organization that leads new initiatives for the development of the Pollards Hill community (Development Trust Association, 2009). Current initiatives include the *Aim High* and *Lunch Club* programs. The *Aim High* program is for teenage mothers who are not prepared for the responsibilities of becoming a mother. The program gives these young mothers a support system of other women who are facing the same challenges, along with skills that will help them become successful and prepare them for future employment. *Lunch Club* is a popular program for senior citizens, providing freshly cooked meals and activities. There is also support staff on hand available to the senior citizens. Transportation, which can be an issue for elderly community members, is provided (Development Trust Association, 2009). The Commonside Community Development Trust also currently supports the Pollards Hill Thrift Shop, which is run by Ms. Joanna Benson. The shop is open on Tuesdays in a rented space in the New Horizon

building, where Commonsides is located. The Pollards Hill Thrift Shop is a second-hand shop that provides an alternative, more economically friendly store for community members.

Ms. Benson is currently in the process of preparing an asset transfer proposal. The Pollards Hill Thrift Shop is in need of a permanent space that will allow growth and more convenient hours. She is petitioning the Council for an unused public toilet block directly across the street from the New Horizon Centre. This is an ideal location because the shop will not be moving far and will still serve the same community members that it currently does. There are several low-income housing complexes in the area and a store such as the Pollards Hill Thrift Shop could positively impact the community. However, there are obstacles to this vision. Asset transfer can be a complex process, since the Merton Council takes into consideration the following questions: “Is it the right property, will the new business be sustainable there? Is it the right place, is there accessibility? Is it the right condition, will it create the right environment for service delivery?” (Borough of Merton Council, 2006, p. 18). The proposal also has to convince the Council that the Pollards Hill Thrift Shop has a viable business plan and that the social enterprise would benefit local residents.

Our goal in this project is to help Ms. Benson better understand the asset transfer process in Merton by relaying information to her that we have acquired through case studies and interviews. This will help her organize a cogent proposal to the Merton Council containing all of the aspects that they will be looking for. We also worked collaboratively with Ms. Benson to devise a viable business plan. In order to achieve this, we conducted archival research to gain a better understanding of the parts of a business plan. Then, a series of informal interviews between Ms. Benson and ourselves allowed us to put her ideas into an appropriately formatted and professionally organized business plan. In order to help her plan her shop’s operation, we interviewed other local second-hand shop owners to gain a better understanding of how these shops work and their impact on local communities. This will help Ms. Benson to make a case to the local government on the community benefits of the transfer.

In conducting our research, we hoped to establish a peer mentoring relationship with Ms. Benson, one that might teach us how to deal with age and cultural boundaries. We relayed our experiences and findings in reflective writing pieces from each group member. The final deliverables of this project included a template for the shop’s business plan, which should help Ms. Benson achieve a successful asset transfer for the expansion of the Pollards Hill Thrift Shop.

## Literature Review

### Economic Development in London

Like many other major cities in the world impacted by the financial crisis, London has drafted a plan for economic improvement and development for the span of 2005-2016. The plan, compiled by the London Development Agency, outlines an Economic Development Strategy (EDS) focusing on: Places and Infrastructure, People, Enterprise, and Marketing and promoting London (LDA, 2005). Of these four focus areas, the two most relevant to our project are people and enterprise. While the EDS lists multiple plans for action relating to improving the lives of London citizens, one of the specific goals of the strategy is to tackle barriers to employment by “Support[ing] the development of voluntary and community sector training providers” (LDA, 2005, pg. 76). Joanna’s plan for the shop fits into this strategy by giving volunteers an opportunity to learn skills that are transferable to paid jobs, thus encouraging volunteers to eventually enter the work force. The LDA also promotes services to “address barriers faced by particular clients groups (including, BME [Black and Minority Ethnic] and women-owned enterprises, voluntary and community sector organizations and social enterprises)” (LDA, 2005, p.78). Joanna stands to benefit from the LDA’s initiatives due to the fact that her business is both owned by a woman and a form of social enterprise.

Another report, entitled “Social Enterprise Skills for Inclusion,” provides insight on some of the exact benefits that social enterprises can have on a community, as well as some of the barriers social enterprises face. The following statement, written by Freda Owusu from the Skills for Economic Inclusion Network (SKEIN), states that the report “foster[s] an understanding of social enterprise among council officers” (Owusu, 2006, p. 3). The SKEIN report references the Local Government Association (LGA) survey, which lists the various barriers community enterprise owners encounter: “lack of funding, political support and awareness of opportunities” (LGA, 2001; Owusu, 2006, p. 6). If a social enterprise is able to overcome these barriers the impact on the community could be great. The SKEIN report also references a survey conducted by the Department of Trade and Industry (DTI) which found that, “over 50% of social enterprises are located in the 40% most deprived areas and “play a role in urban regeneration” (DTI, 2005) (Owusu, 2006, p. 5). Both “Sustaining Success” and “Social Enterprise Skills for Inclusion” yield very convincing arguments for the expansion of the Pollards Hill Thrift Shop

through asset transfer because of its location in a deprived area and its focus on supporting the local community.

## **Asset Transfer: Definition and Basic Process**

To become a successful small business owner, Ms. Benson first has to obtain a building to house her shop. Across the street from her temporary location there is an unused public restroom, which is in disrepair. Her goal is to convince the local council to donate this building to her to be fixed up and eventually become her permanent thrift shop location. This process is called asset transfer. The asset transfer process can be utilized to stimulate an increase in social enterprises, which play a large role in economic revitalization plans such as the LDA's plan, "Sustaining Success."

Asset transfer is a very prominent and involved process in England. In its broadest form it is defined as "the process of the transfer of the ownership (or leasehold) of property or land from one party to another" (Finance Hub Programme, 2005, p. 1). Often in England, the transfer of assets occurs from the local government to an organization. Typically, in order to get the process started, the individual or organization seeking land and/or buildings must present an asset transfer proposal to the local government, often in the specific borough in which the property is located. The proposal should include a professional business plan and a social impact report. The borough council then determines if the business meets the needs of the community as outlined in government documents. In a recent study, Barry Quirk, Lewisham Council's Chief Executive Officer, studied nine examples of asset transfer in towns throughout England. He published his findings in *Making Assets Work: The Quirk Review* (2006). We have reviewed and studied his findings to understand more about successful asset transfer proposals.

There are two cases that stand out for their similarities to what we wish to accomplish. The first case, which involved Gamblesby Village Hall in Cumbria, shows that asset transfer can assist in community revitalization. According to the case study, Gamblesby was facing a severe decline both as a community and economically. An action group was put together, and they devised a plan to acquire and revitalize their local village hall from the local council. They succeeded in acquiring the property and placed it in the ownership of a local trust, which was unnamed in the study. Overall, the project succeeded in revitalizing the community, allowing "local people to develop skills and increased confidence that may open up future avenues for



collective activity to benefit the village” (Quirk, 2006). This case parallels Joanna’s in that one of the major goals is revitalization of a declining community.

The second case involved the Heywood Market Traders Committee. The committee took control of their local market space to prevent its closure by the local council. Later on, the MAGIC (Market Action Group In the Community) Trust was formed in conjunction with proposed redevelopment ideas, which were submitted to the council. The MAGIC Trust came up with a business plan “to show how they would run the market profitably and identified an additional need for a base for community activity and training” (Quirk, 2006). The proposal was originally turned down by the local council, on the grounds that it was not the most profitable option, but, eventually the decision was reversed “on the basis that their bid would provide the greatest wider benefit to the people of Heywood” (Quirk, 2006). Since then, the market has become extremely profitable, with the case study stating “current trader occupancy is 100 per cent at a time when many markets are failing” (Quirk, 2006). A major highlight of this case that relates to Joanna’s is the fact that the trust organization that was formed created a business plan to prove to the council that their plans would benefit the community as a whole, as well as create a profitable business.

## **The Borough of Merton**

The next logical step for us in this research was to understand how asset transfer is applied in the borough of Merton. Merton is a small borough southwest of London (see Figure 2) that was formed from three separate boroughs: Mitcham, Wimbledon, and Merton and Morden Urban District (Merton Council, 2006). It is a predominately white community, with minority populations from Africa, the Middle East, and Asia (London Councils, 2009). Income levels range from £29,000-£34,000 (Merton Council, 2006). It should be noted that the west part of the borough, which includes the wards of Wimbledon Park, Village, and Hillside has a higher income range than the east side, which includes the wards of Figges Marsh, Pollards Hill (the area our group will be working in), St. Helier, and Cricket Green (Merton Council, 2006). Residents of the west part of the borough are more white-collar, while the east part of the borough is more blue-collar (Merton Council, 2006). Politically, the borough is quite evenly split between the Labour and Conservative parties, with the Conservative Party holding just three more seats on the local council than the Labour Party (London Councils, 2009).

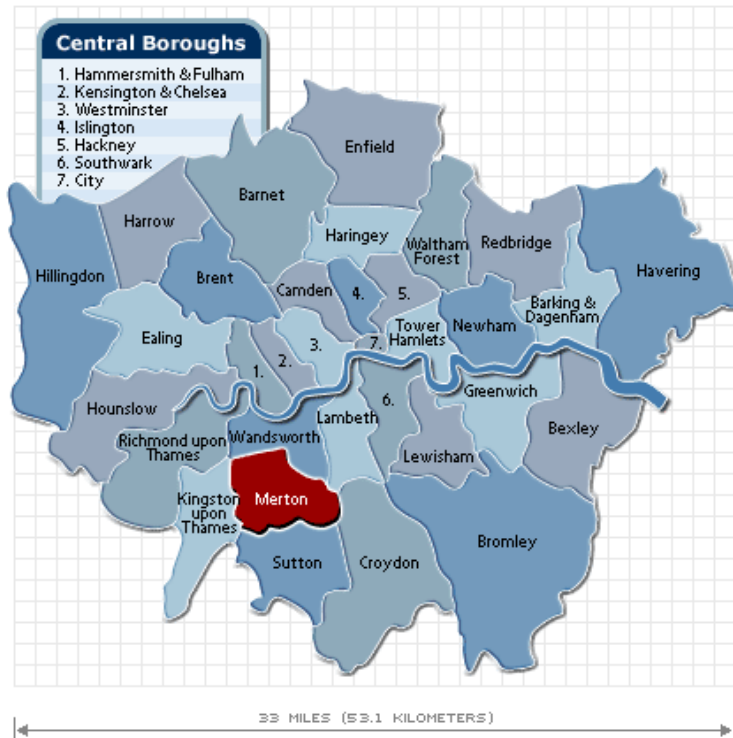


Figure 1: Location of Merton in London (London Town, 2009)

## Asset Transfer in Merton

The Merton Council is the main governing body of the borough. Specifically, the Property Management and Review Division is responsible for assessing asset transfer proposals in the borough. The Merton Council’s procedures for asset management are written up in the London Borough of Merton Corporate Asset Management Plan 2006-2009. According to this document, those seeking to purchase space and start a business must present a well-crafted proposal to the council that convinces them that the new business will benefit the community. Otherwise, the Council will keep control of the property and maintain it for future disposal. Once received by the Council, the Capital Prioritisation and Options Appraisal Process begins. In this process, properties are evaluated for possible transfer status on an annual basis. “Since 2002, the Council has implemented an asset management review programme that assesses 20% of its operational buildings annually” (Borough of Merton Council, 2006). A basic flowchart (Figure 2) outlines this process:

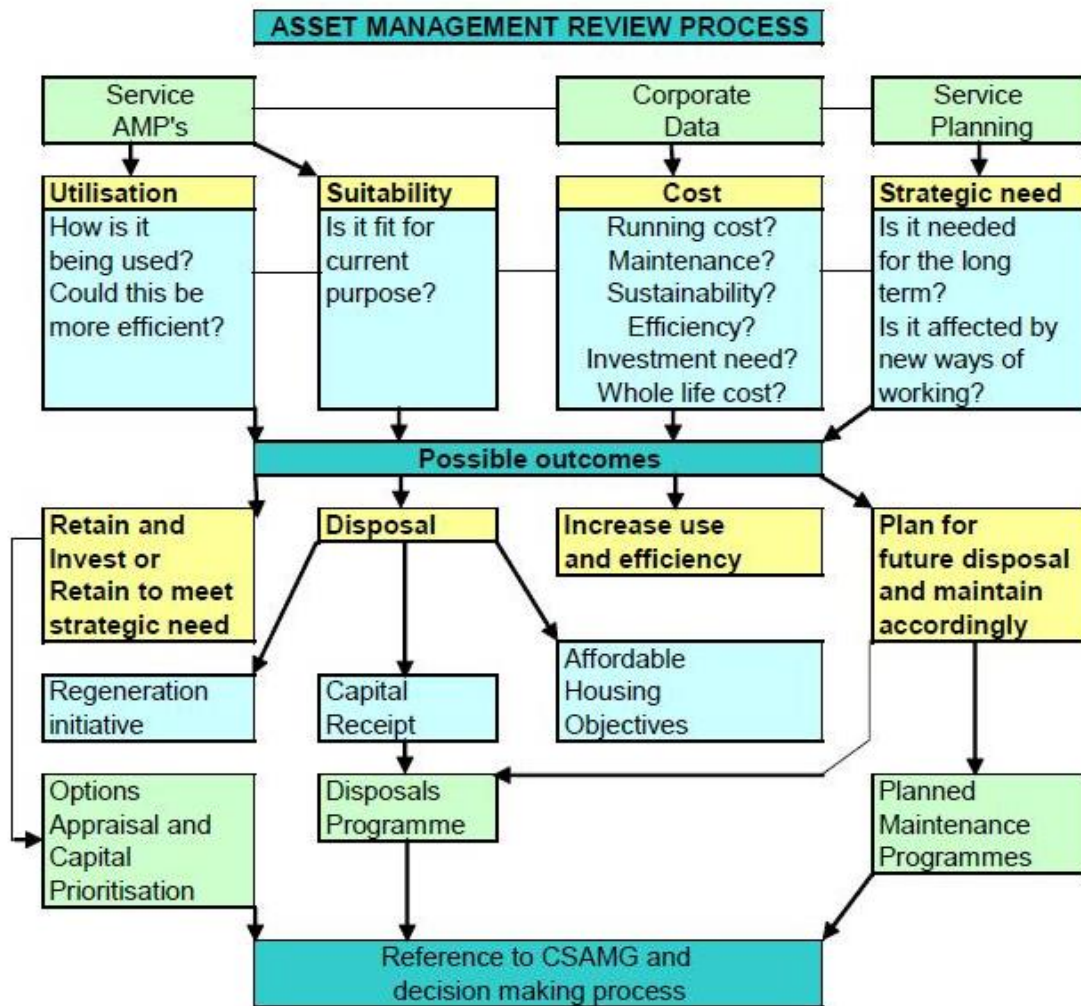


Figure 2: Asset Transfer Process in Merton (Borough of Merton Council, 2006)

The process of the flow chart reflects the process by which the Council determines “whether the property represents value for money to the authority” (Borough of Merton Council, 2006). Some of these questions include assessments into the costs (i.e. maintenance, sustainability, etc.), utilization (is the property being used most efficiently?), suitability (is the property fit for its current purpose?), and strategic need (is the property needed for the long term?). Once the property has been appraised, it is either kept by the Council and renovated (if necessary), or it is disposed or set aside to be disposed at a later date. The following flow chart outlines the disposal process:

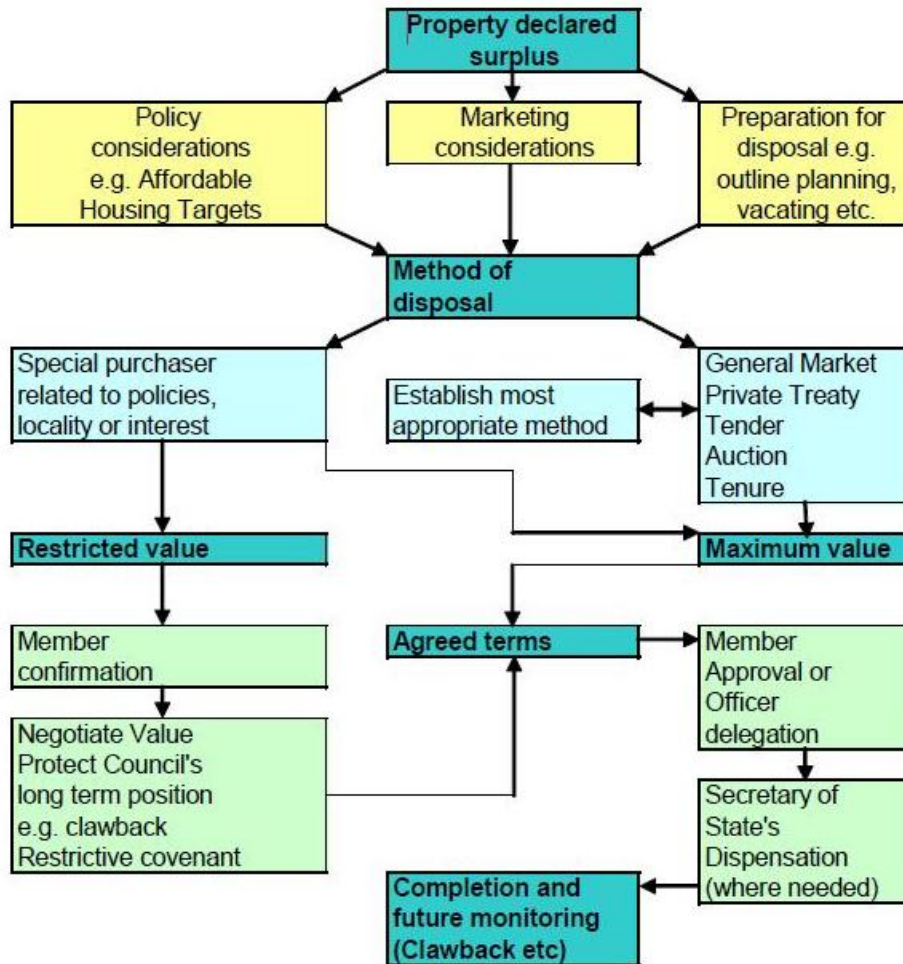


Figure 3: Property Disposal Process Flowchart (Borough of Merton Council, 2006)

Typically, council-owned property is either disposed by a general sale or by negotiations with a group that has a specific need or interest. In the case of asset transfer, Ms. Benson would qualify as a party that had a specific need or interest. In her case, that interest would be a property located in the Pollards Hill area where she could operate her store.

This entire review procedure can determine whether or not the local authorities will relinquish rights to a given building to the community or group requesting the building in an asset transfer. In our case, however, it seems as if the property in question is no longer wanted by the government, seeing as how it has been neglected for some time. The property has gone largely unnoticed, as evidenced in correspondences with members of the Council, which suggests that it is not a part of the Capital Prioritisation and Options Appraisal Process. At the outset of our project, our group was not able to find any information in regards to the protocol for properties that are no longer wanted by the government, and how that affects the asset

transfer as a whole. This meant that a key objective would be to do further research on the criteria for a successful asset transfer and to help Ms. Benson better understand the process. In addition, Ms. Benson was not at the outset familiar with specific groups involved with the overall process, including whom to submit the proposal to, what other groups besides the Merton Council and the Property Management and Review Division, if any, would be involved in the overall process, and whether or not this process was transparent (meaning, accessible to the public). This would also need to be addressed.

## **Merton's Renewal Strategy**

Asset transfer may be key in providing many benefits to community growth in Merton. In 2005, the Merton Partnership published "Merton's Neighbourhood Renewal Strategy" (MNRS), a document that provides a vision of an improved borough. The plan is designed to outline action for 2005-2010 focusing on improving Mitcham and East Merton (Pollards Hill is considered part of East Merton) (Merton Partnership, 2005). The MNRS targets three major types of renewal for the eastern part of Merton: economic renewal, social renewal, and quality of life improvement (Merton Partnership, 2005). According to the background research done for the MNRS, the population of East Merton has suffered from "unemployment, long term unemployment and benefit dependence" (Merton Partnership, 2005, p. 10). When determining which wards of Merton should receive the most attention and action from the plan, the main factor considered was the index of "multiple deprivation." Through data gathered from the 2004 Indices of Deprivation:

The conclusion drawn from the above evidence is that the designated Neighbourhood Renewal area in East Merton should comprise the following wards: Lavender, Cricket Green, Figges Marsh, Ravensbury, Pollards Hill, St Helier, Longthornton and Graveney (Merton Partnership, 2005, p. 6).

The MNRS goes on to list details of the action plan for creating sustainable communities in Mitcham and East Merton. These plans include a variety of initiatives for neighborhood renewal, divided into four categories: social cohesion, quality of life, economic renewal, and the overall process. For the purposes of our project, the more important categories to analyze are social cohesion and economic renewal. For example, one of the initiatives under the "social cohesion" category is to increase community participation in volunteer programs (Merton

Partnership, 2005). This can tie into Ms. Benson's asset transfer request in that her shop will provide volunteer opportunities for residents in the area to fulfill. Another facet of the renewal strategy is to promote and sustain business growth in Merton. This also ties into Ms. Benson's problem by allowing another new business to be created. All in all, this renewal strategy provides Ms. Benson with concrete support for the expansion of the Pollards Hill Thrift Shop.

### **Commonside's role in the Pollards Hill Thrift Shop**

One of the many organizations involved in the aforementioned Merton Renewal Strategy is the Commonside Community Development Trust. One example of Commonside's community projects is supporting the Pollards Hill Thrift Shop. The shop is currently only open on Tuesdays and Ms. Benson, the volunteer who runs the shop, has aspirations to move the shop to a permanent location in order to expand the enterprise. The Pollards Hill Thrift Shop is a social enterprise whose main goal is to empower the community by giving back, in this case through the sale of secondhand goods. Profits generated are donated directly back to the community in the form of project funding. Commonside specifically took this project under its wing, since they supported the shop since Ms. Benson came up with the idea to open it, and they plan to support her through the asset transfer process. The shop is currently only open once a week, but Ms. Benson hopes that if she gains the access to the new property that she will be able to be more reliable to the community by opening five days a week. Due to the increase in storage space, she will be able to acquire more goods to sell and expand the variety of inventory. The shop has several volunteers that move the goods in and out of storage into the rental space every Tuesday. With the expansion of the store, there may be opportunities to offer volunteer experience to the community to help run the shop from day to day.

### **The Pollards Hill Thrift Shop and Merton's Renewal Strategy**

Ms. Benson's Pollards Hill Thrift Shop expansion fit into Merton's Neighbourhood Renewal Strategy quite nicely due to its location. The current economic times seemed to indicate a need for a store such as the Pollards Hill Thrift Shop (Merton Partnership, 2005). One of the major goals of the MNRS is to increase the number of local jobs. When the Pollards Hill Thrift Shop is expanded, it will most likely require more volunteers, thus providing work experience for those seeking to re-enter the work force. Ms. Benson has many ideas to work with the

community; she does not just want to create a charity shop. She stated in an email, “I hope we can achieve new beginnings and supply this area with the means to help itself, not only for the environment, but for people seeking a way into work through volunteering and money to help projects within the Pollards Hill area.” Two other goals of the MNRS are to increase community participation and build and strengthen relations between communities, which, as Ms. Benson makes clear, is also a personal goal (Merton Partnership, 2005).

## **The Target Location for the Shop**

Ms. Benson identified the disused toilet block across the street from the New Horizon Centre as her desired location for her expanded Pollards Hill Thrift Shop. The building is part of a Transport for London (TfL) bus stop. The location would make an ideal charity shop location due to the numerous low-income housing complexes in the area and its proximity to the bus stop.

## **Business Plans**

In order to run a successful business, Ms. Benson is going to need a solid business plan to follow. Therefore, another objective of our work was to investigate the features of a business plan and obtain the required information for the plan once in London.

BusinessLink.gov.uk (2009) indicated that there are 5 components in a business plan that must be included. First is the executive summary, which outlines the key points of the entire plan. The next component is a short description of the business opportunity. This includes a basic overview of the business, and it describes the products and services as simply as possible. Next is the marketing and sales strategy portion. This section includes details about how one is going to position themselves in the market, pricing of various goods, how the business will sell its goods, and finally how the owner plans to promote the business. After that, there is a management team and personnel section. This is where all of the credentials of the people involved in the business are located. The next section is operations, which describes the actual facility and its information technology systems (if they are necessary to the business). The final portion of the business plan includes the financial forecasts. This section contains all of the numerical data about budgets, future sales, and profit forecasts, and any other financial data.

At the outset of this project, we had a broad sense of these components, but we knew we would need to do further research on business planning once in London. Thus, identifying the features and strategies of business plans was a key objective.

## **Business Registration Types**

A key component of building a strong business plan is choosing the right type of business registration. In the United Kingdom, there are many different legal classifications of organizations that new business owners can choose from. One of our objectives was to find out more about these designations and to recommend a potential type for the Pollards Hill Thrift Shop.



## Methods

The main goal of our project was to help Ms. Joanna Benson, a volunteer for the Commonsense Community Development Trust, acquire a municipally owned toilet block through the process of asset transfer so that she might establish a small, viable charity shop for second hand goods. The team assisted Ms. Benson by drafting a formal business plan and performing archival research on the process of asset transfer.

There were three main project objectives:

- 1) To determine components of successful asset transfers.
- 2) Determine the requirements for asset transfer proposals in Merton.
  1. How are asset transfer proposals handled by the Merton Council?
  2. Does the type of legal business registration effect the proposal?
- 3) Work collaboratively with Ms. Benson to create a professional business plan template.
  1. What are the key strategies of a successful business plan?
  2. What is Ms Benson's business plan lacking? What documents, such as: financial forecasts, marketing strategies, current finances, and building plans, does Ms. Benson currently have that could be utilized?
  3. How are other charity shops run? What are their marketing strategies?

### Objective 1: Determining components of successful asset transfers

The main method used for this objective was archival research. Through Ms. Benson we acquired many documents and website links on topics related to asset transfer, business registration, business plans, and social impact reports. Additional documents were provided by a representative from the Asset Transfer Unit, Stephen Rolph. We analyzed these links and documents for information on how asset transfer works as a vehicle for community empowerment, why it is best to register under certain legal entities, and what Ms. Benson's business plan should include so that the Council has all the information they need to make the decision when she hands over the completed proposal.

We also examined previous case studies and examples, using the Quirk Review as a starting point. We reviewed his findings to help us understand the components of the process—who might be involved, how the process might work, and what some of the outcomes might be.

## **Objective 2: Requirements of asset transfer proposals in Merton**

This objective was very crucial in putting together the proposal. Even though the research and analysis of previous asset transfer cases helped to provide a foundation for the proposal, it did not provide specifics that the borough will require. The research questions are:

1. How are asset transfer proposals handled by the Merton Council?
2. Does the type of legal business registration affect the proposal?

In order to answer these questions we interviewed Howard Joy, a member of the Merton Council, using purposeful sampling (Doyle, 2006). We also studied websites and documents that explained general asset transfer proposal requirements and types of business registrations available in the UK.

### **Merton Council Member Interview:**

First, we interviewed Merton Council member Howard Joy, who is the Property Manager for the borough, to clarify how asset transfer works specifically in Merton. We asked:

- What is the specific procedure that the council goes through when addressing an asset transfer proposal?
- What are the identifiable aspects of a proposal that the council specifically looks for?
- What does the council consider “community benefit” in an asset transfer proposal?
- Who is typically involved in the asset transfer decision making process?

A more detailed outline is located in Appendix 1, which includes follow up questions.

One of the major topics we focused on was the different business registration categories in the UK. After researching the various classifications, we made a list of the positive and negative aspects of registering Ms Benson’s business as each business type. An important part of the business plan and overall asset transfer proposal is declaring the type of business one is going

to manage. By analyzing online guides and the documentation from Ms. Benson, we helped her decide on the proper classification for her shop. Two of the main sources we used were the Governance and Participation web site, which broke down each business registration type and the Business Link Web page, which went into detail on social enterprises.

### **Objective 3: Work collaboratively with Ms. Benson to create a professional business plan template**

Objective 3 is the most complex in regards to our methodology. There are several different research questions that fall under this objective such as:

1. What are the features and strategies for writing a good business plan?
2. What is Ms Benson's business plan lacking? What documents (financial forecasts, marketing strategies, current finances, and building plans) does Ms. Benson currently have that could be utilized?
3. How are other charity shops run? What are their marketing strategies?

A combination of methods was used to answer these questions: interviews, archival research on business writing, and organization and classification of existing files.

#### **Question 1: Archival Research was completed in order to gain an understanding of the features and strategies for a good business plan**

A very important subject that we needed to gain more background knowledge on is the basic structure of a business plan in the UK. Most of the data we had initially acquired related to how business proposals are written and presented in the United States. We realized that the UK may have very different standards and processes for creating and accepting business plans, therefore we needed far more detail in regards to business plan structures. We referenced various UK-based web sources containing sample business plans, as well as key sources from WPI's Department of Management Engineering. Gaining access to sample business plans that originated in the UK provided us with a variety of tools to further help Ms. Benson.

**Question 2: After determining the key components of business plans, we then classified Joanna's documents to determine where they might fit into a business plan and where she might be missing information. This information was used to organize existing materials and develop a list of further research Joanna would need in order to write a business plan.**

At first, we took all of the documents that Ms. Benson gave to us and organized them according to what part of the business plan they best fit into. This allowed us to gain a better understanding as to which sections had appropriate documents and which did not. The group then went to Ms. Benson to ask her for the documents that were missing, and to direct us as to where the documents could be found.

**Question 3: In order to gain a better understanding of how larger shops worked we interviewed managers or assistant managers from other local charity shops: Scope, Guild Community Shop, and the British Red Cross.**

We prepared a semi-structured interview, in which there was a set of questions that shaped the conversation, but the format of interviewing was not rigid and there were opportunities to use probing questions to elicit more information.

Once again, for this method, we used purposeful sampling (Doyle, 2006). This allowed us to interview people that we thought would be helpful to hear from because of their experience in the volunteer and charity shop fields, while giving us the flexibility to talk to people that were willing to talk to us.

These interviews were important to help us understand how a charity shop is run. The managers were able to fill us in on parts of their business plans. It was helpful to see how the various shops handle employment. Mandy, from the SCOPE Shop in Mitcham, Jill from the local Guild Community Shop and Brittany from the British Red Cross were all interviewed. The questions addressed were:

1. How do you promote the shop in the community?
2. How much of your employment base is volunteers? What do they get out of this work experience?
3. What do you do with items that you can't sell?
4. Does the money you raise in the shops go back to the community, or does it go elsewhere for other causes?
5. What kind of impact do you think shops like yours have on the community?

## Results and Analysis

### Objective 1: To determine components of successful asset transfer cases in London

While we were not able to acquire information on cases in the Borough of Merton specifically, our research uncovered various cases across the United Kingdom that provided some interesting insight into the outcomes of asset transfer cases. Table 1 (see below) is organized into the following categories: the specific case study, background information, parties involved in the case, sources of financial backing, and the overall outcome.

Case Study	Background	Groups Involved	Financial Backing (if available)	Outcome
Goodwin Development Trust Limited, Hull (Finance Hub Programme, 2002)	Goodwin City Counsel tired of former Council Old People's Home being unused.	Goodwin Resource Centre Association, Council Old People's Home, Goodwin City Council	Using mainly SRB (single regeneration budget) and ERDF (European Regional Development Fund) Goodwin refurbished the building at a cost of £375,000	Over the last seven years as a direct and indirect result of the transfer of a council "asset" Goodwin has grown into a multi-million pound a year business with assets approaching £10m. The Goodwin Centre is held by the lease to remain a charitable organization. They offer social care, assisting the development of communities, and enterprise training. Created 341 new jobs.
Acacia Avenue Community	Local government	Local Authority and Ashfield	Big Lottery Fund's	Community Centre is set to

Centre (Asset Transfer Unit, 2009)	sought to revitalize interest in a community centre that had fallen into disrepair	Community Radio and Media Training	Community Assets Programme	re-open in 2010 with some pilot programs to assess what the community wants/needs from the new centre.
Teversal Manor Rooms (Asset Transfer Unit, 2009)	Friends of Teversal wanted to take over running of Teversal Manor Rooms from Council	Friends of Teversal and Ashfield District Council	Fundraising by Friends of Teversal as well as lottery and local council	There was concern in regards to finances and whether or not the organization would be sustainable  Friends of Teversal negotiated a 10 year lease on the property in question. They included a 6 month “get out” clause in the event that things did not go well with their plans.
Halifax Opportunities Trust (Finance Hub Programme, 2000)	Partnered with Calderdale Council to acquire a building from Yorkshire Forward to create a business innovation centre	Halifax Opportunities Trust, Calderdale Council, and Yorkshire Forward	Urban 11 programme and Calderdale Council’s section 106 (planning gain)	Property was passed to council (due to issues with state aid policy), where it was refurbished and then passed to Halifax Opportunities Trust on a 25 year lease for a peppercorn rent. Halifax Opportunities Trust did have involvement in the development and design of the building.

<p>Blacon Community Trust (Finance Hub Programme, 2009)</p>	<p>Blacon Community Trust requested a building to operate out of in the community they worked in. There was initial skepticism at first, which required convincing on the part of the Trust, in order for the building to be transferred at less than market value. The Council recognized the Trust as a social organization but did not want to hand over the property. An agreement was made on a 7 year lease at no cost. The Trust is still working on obtaining the property completely.</p>	<p>Blacon Community Trust and the local council</p>	<p>N/A</p>	<p>Blacon Community Trust “negotiated a 7 year lease at nil cost although still harbours a long-term intention to own the building outright.”</p>
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Table 1: Observed Case Studies

During our analysis of previous asset transfer case studies, we discovered that while we were trying to find similarities in successful asset transfer cases, there are, in fact, more differences than similarities between cases. The chart above only shows the basics of these asset transfer cases. Because the studies do not go in depth, they do not contain full proposals. However, we still learned a lot from studying these cases. Since the whole process of asset transfer is decentralized, each borough has its own standards. Thus, the group concluded that there is no specific protocol or guidelines in place in the UK for asset transfer. However, we did identify the various types of transfer that may be possible, the involvement of the local

government, the use to which the assets have been put, social impact, and suggested recommendations.

### **Type of Transfer**

Not all asset transfers are true transfers of property ownership. Instead, some of these cases ended with the negotiation of a lease between the borough and the group involved. In one case, the Blacon Community Trust finished their asset transfer in a 7-year lease at no cost, yet, according to the case study, they seek to eventually own the property (Finance Hub Programme, 2009). Three main learning points from the document that would apply to Joanna are:

- Make the business case from day one and draft a comprehensive business plan.
- Work with both junior and senior staff to ensure that all decision makers and influencers are fully onside.
- Forget about negotiating terms until later stages – trying to seal a bargain too soon will tend to jeopardize the deal (Improvement and Development Agency, 2007).

### **Government Involvement**

Another interesting point observed during research was the varying levels of government involvement in these cases. Some cases had very little government involvement, in which the local government merely facilitated the asset transfer. On the other hand, other cases, specifically the Halifax Opportunities Trust (Finance Hub Programme, 2000) and Teversal Manor Room (Asset Transfer Unit, 2009) case studies, showed that the government can be an invaluable asset, providing funds and assistance to the group receiving the given property. An interesting thing to note is that in the case of the Acacia Avenue Community Centre, the government actually sought out a community partner for the asset transfer. In regards to finances, another bit of information gleaned from these case studies showed that funds used to finance these projects come not only from the local government, but also from larger grant organizations, such as the Big Lottery Fund. This data could be used to help Ms. Benson with a starting point from which she could secure funds to help make her plan a reality.



## **The Use of the Asset Transfers**

Most of the asset transfer case studies that were reviewed were primarily oriented towards expanding space for social enterprises that operated within the community. However, there were a few cases that did more than just provide space for a social enterprise. For example, in the case of the Acacia Avenue Community Centre, the space involved not only houses Ashfield Community Radio and Media Training (the organization which acquired the space), but other groups that want to rent out space for other initiatives within the community as well. In addition, once the centre re-opens in 2010, “there will be a range of pilot activities to identify local needs and determine a future activity plan – the intention being to empower the community to determine the shape of the Centre’s service offer for the foreseeable future in keeping with the underlying spirit of community asset transfer” (Asset Transfer Unit, 2009).

Another case worth noting involved the Halifax Opportunities Trust in West Yorks. Partnered with the Calderdale Council, the Trust had property transferred to their possession via the Calderdale Council, who renovated the property with their funds. The property, the Elsie Whitely Building, now houses the Halifax Opportunities Trust, while providing space for new businesses to rent out, as well as lending other business support and training facilities (Asset Transfer Unit, 2009). Although Ms. Benson will be acquiring building space only for her shop, it is still worth noting that asset transfers can serve multiple groups within a community.

## **Social Impact**

One final minor fact worth noting is that one of these cases resulted in the creation of over 300 jobs, something that is important to Joanna. Granted, Joanna’s shop would be employing volunteers, but it is still interesting to note that these cases do have some sort of impact on the community, as well as proof that the asset transfer process can assist in economic development at the community level.

## **Recommendations**

The case studies that are detailed above include recommendations and advice in formulating a successful proposal, based on the nature of the case. Some of this advice includes making a comprehensive business plan, gathering support and advocates early on in the process,

persevering throughout the entire process, and having the courage to take risks in order to achieve one's goals. While these are somewhat general, the research conducted on this topic strengthened much of the process that had occurred throughout the project. In addition to this, we uncovered information from the Asset Transfer Unit website, which provided additional details that can contribute to asset transfer proposals, including sources of funding for asset transfer projects (i.e. grants or loans), ways to demonstrate how an organization impacts a community, such as creating case studies or testimonials (which Ms. Benson is currently working on), and gathering community support for an asset transfer. Between the case studies and the ATU web site, Ms. Benson has a good amount of information to help strengthen her asset transfer proposal.

## **Objective 2: Determine the requirements for asset transfer proposals in Merton**

### **Question 1: How are asset transfer proposals handled by the Merton Council?**

Although the group was able to find data on successful asset transfer cases across the United Kingdom, we wanted to speak to someone in the Borough of Merton who could clarify the specific process by which the borough considers asset transfer cases. We were able to schedule an interview with Howard Joy, who works in the Borough of Merton as the Property Management and Review Manager. He is in charge of all of the borough's property including properties occupied by the community. During the course of our interview, he clarified some details as to how the borough deals with asset transfer. The notes from the interview can be found in Appendix 5.

One of the critical pieces of information we learned was that the Council only deals with transfers through leaseholds. In a leasehold scenario, the building/property is leased from the Council to the community organization and the organization does not own the property outright. The Council uses the leasehold approach to asset transfer for various reasons, including protecting the best interests of the community and business owners. Another reason for this is to assure that the land would be used to benefit the community. Mr. Joy also explained that they wanted to promote an underlying notion of letting people "do what they are good at," while the Council handles the risks involved with managing the property. The Council views property ownership as a massive responsibility, and, as a result, they see leaseholds as a way of relieving individuals of some of the burdens associated with ownership by having the Council absorb

some of the responsibility for the property. In many cases, they will renovate the property and make sure that building is properly up to code. This is not always the case, but Joanna may find that the Council will give her some financial aid and assistance in the conversion of the toilet block to the shop, if there are no restrictions forbidding change of use.

In addition to providing more information about the concept of leaseholds, our interview also shed some light on exactly how the Council makes decisions on asset transfer proposals. The Council receives applications from numerous community sector organizations on a daily basis. Each proposal that comes in is subjected to a selection process. This process is likened to “matchmaking,” where an organization is matched to a property based on the needs of the particular organization. The majority of the cases will go to the Council with a specific building in mind, however, Joanna’s case is somewhat unique because the property she would like to acquire is not on the list of unused buildings that the Council has. The Council was not even aware of the building, and the original building plans are not available. This may make it difficult to determine if there are any restrictions placed on the building, such as dealing with change of use. A new representative from the Council that was just recently assigned to Joanna’s case, Graham Masson, is undertaking the investigation of the building to determine if there are any restrictions in place. Many bodies within the Council, including the Team Corporate Services Committee, review the applications to determine the best compatibilities. Mr. Joy noted that the borough does keep important credentials in mind during this process, such as financial history and credibility of the individual/group seeking the lease. Joanna has been a member of the Pollards Hill Community for most of her life and has given back in numerous ways. She was the Green Champion award recipient in 2008. She has also been the manager of various charity shops in Mitcham, giving her the credentials to run the shop. In addition, she has the support of the Commonsides Community Development Trust behind her, which is a well-known and reliable trust in the Pollards Hill Community. However, this backs up the necessity for a professional business plan in Ms. Benson’s proposal to the council.

## **Question 2: Does the type of legal business registration affect the proposal?**

### ***Business Types***

We identified the following types of businesses in the United Kingdom: Association, Charitable Incorporated Organisation (CIO), Trust, Partnership, Company Limited by Guarantee,

Company Limited by Shares, Community Interest Company, Industrial and Provident Society, and Limited Liability Partnership (Banks, 2004). While many of these apply mostly to those starting larger corporations, the newly introduced Charitable Incorporated Organisation status is the most feasible option for the Pollards Hill Thrift Shop.

### *Charitable Incorporated Organisation (CIO)*

The Charitable Incorporated Organisation business type was first introduced in the United Kingdom Charity Commission's Charities Act in 2006 (Charity Commission, 2009). The CIO seeks to feature many of the benefits and advantages of a corporation, while providing more flexibility and less regulation for charity owners. Even though the CIO framework was first introduced in 2006, the Office of the Third Sector had consultations on model constitutions open until December 10, 2008 (Charity Commission, 2009). Because of the ongoing discussions, the Charitable Incorporated Organisation business type is expected to be available to those seeking registration in late 2009 (there is no current date set as of right now).

There are many benefits to becoming a CIO that Ms. Benson will have available to her as a small business owner. Some of the major advantages that a CIO holds over the more traditional business types include simple registration, one annual return, lower filing costs for charities, and many other benefits that help empower smaller charities (Charity Commission, 2009). Many of the proposed qualities of the CIO will help Ms. Benson as the owner of the Pollards Hill Thrift Shop. For example, for a CIO there is a simplified registration process in which the business will only need to be registered with the Charities Commission, where as any other type of company would also need to register with the Companies House (Charity Commission, 2009). This means that Ms. Benson will only have to worry about one set of paperwork, which includes a governing document and the registration application form (Charity Commission, 2009). The governing document is a rulebook for how the charity will operate, and the application form can be completed and submitted online (Charity Commission, 2009). The government document is unique to charity, and will need to be created by Ms. Benson. Sample governing documents are available from the Charity Commission website: <http://www.charity-commission.gov.uk/>. The amount of paperwork Ms. Benson is responsible for is reduced when it comes to filing the shop's annual return. The annual return consists of three parts, Parts A (Charity Information), B (Financial Information), and C (Summary Information Return), and the Reporting a Serious

Incident (RSI) section (Charity Commission, 2009). The forms a charity must submit to the commission vary according to how much gross income the charity makes per year. The Charity Commission provides a more complete definition: “Gross income is simply the total receipts recorded in the statement of accounts from all sources, excluding the receipt of any endowments” (Charity Commission, 2009). Table 4 shows the required annual return components:

### Charities with financial year ending on or after 01 April 2009

#### Annual Return 2009 - Summary of Requirements

Income in the financial period reported upon	Annual Update/Part A (online/paper form)	Annual Return/Part A (online/paper form)	Reporting Serious Incidents - Declaration (online & paper form)	Financial Information/Part B (online/paper form)	Summary Information Return (online & paper form)	Trustees' Annual Report & Accounts
£10K or less	✓					
>£10K - £25K		✓	✓			
>£25K - £500K		✓	✓			✓
>£500K - £1M		✓	✓	✓		✓
>£1M		✓	✓	✓	✓	✓

Table 2: Annual Return Requirements (Charity Commission, 2009)

A CIO will only have to file a return under charity law, rather than a return under company law AND one under charity law (Charity Commission, 2009). The final benefit to owning a CIO, which is especially appealing to small business owners like Ms. Benson, is the lower costs associated with filing information. For a CIO, the Charities Commission will not make charges for registration and filing of information (Charity Commission, 2009).

With all the main benefits of being a company and the additional ease of operation provided to charities, the Charitable Incorporated Organisation looks to be the best registration option for Ms. Benson. Although the CIO is a relatively new form of business organization, the

information available about it thus far makes it a very appealing option for the Pollards Hill Thrift Shop.

### **Objective 3: Work collaboratively with Ms. Benson to create a professional business plan template**

#### **Question 1: What are the key strategies of a successful business plan?**

The business plan layout that we will be using will be divided into the following sections:

- 1.0 Executive Summary
- 2.0 Company Summary
  - 2.1 Start-up Summary
  - 2.2 Company Location
- 3.0 Products
  - 3.1 Product Description
  - 3.2 Competitive Comparison
- 4.0 Market Analysis Summary
  - 4.1 Market Needs
  - 4.2 Market Trends
  - 4.3 Market Growth
  - 4.4 Main Competitors
    - 4.4.1 Competitive Edge
- 5.0 Strategy and Implementation Summary
  - 5.1 Marketing Strategy
    - 5.1.1 Promotion Strategy
  - 5.2 Sales Strategy
    - 5.2.1 Sales Forecast
- 6.0 Management Summary
  - 6.1 Management Team
- 7.0 Financial Plan
  - 7.1 Projected Sales
  - 7.2 Projected Profit and Loss
  - 7.3 Projected Budget/Cash Flow

## *Executive Summary*

The Executive Summary is the most important part of the business plan. It is the first thing that an audience will read, and it has to encompass important aspects from every section of the plan. It should be a maximum of 2 pages (BusinessLink, 2009). It is crucial to keep this section short and concise, because there are many times where the entire plan will be initially judged based on the summary. It should touch on all of the key aspects of the business, such as a short description of the business, who runs the business, the location, type of business, the purpose, and measurable goals. However, it should not be a summary of the entire business plan. This will make the synopsis seem too crowded for the reader. On the other hand, it should not be just touting the business. Many investors will look right past this, and it will take credibility away from the plan. It should be both informative and persuasive, and make potential investors want to read further. After reading the plan, evaluators or potential investors should have a clear understanding of who the entrepreneur is, what the purpose of the business is, and how the business will be run (BusinessLink, 2009).

After looking at two mock business plans, one for a non-profit youth organization and one for a retail store, it became apparent that there are similarities about the way the executive summaries introduces the business to the reader. For example, the retail clothing business plan describes the business and introduces the purpose of the store immediately within the first paragraph:

Mahogany Western Wear is a new apparel store that caters to the African-American cowboy community in Houston, Texas. As our name suggests our focus is to provide western wear apparel and accessories, and position ourselves as the top retail store servicing this particular market (Palo Alto Ltd., 2009).

Here the paragraph is short and concise, yet it gets across the purpose of the store and the meaning behind the name chosen. The next paragraph elaborates on the purpose with much more specific goals. This is called “operationalizing the purpose,” making the concrete goal measurable and specific, by stating, “Our intentions are to obtain 80% market share and become a central hub of shopping activity for the local African-American cowboy population as well others who enjoy wearing western apparel” (Palo Alto Ltd., 2009). By adding a figure into this goal, it shows that they are going to measure their success, which will help the shop stay on track and accomplish its goals. The third paragraph of the introduction section addresses the location.

This is important to address, especially if the location is going to be an asset for the business, as it will be in Joanna's case, being next to a local bus stop and across the street from the community centre.

Mahogany Western Wear will be located at 13328 1/2 Almeda Rd., Houston, TX in southwest Houston, TX. Mahogany Western Wear has centralized itself directly in position to the residential location and social activities of our target market. We believe that this is critical to our initial success and long-term growth (Palo Alto Ltd., 2009).

Discussed here are where the business will be located, and why the location is so important. They had already introduced their target market in the previous paragraphs as the local African-American cowboy population and others who enjoy wearing western apparel, so it is fine that they just refer to their target market. The location is then connected to the long-term growth of the enterprise.

After the introduction paragraphs, there are three subsections. The first is the objectives of the business, the second is the mission statement, and the third is the keys to success section.

### *Company Summary*

The Company Summary section begins with a short description of the business, which is usually only a few short paragraphs in length. This description should include hours of operation, location, company structure, and a short explanation on how merchandise will be handled (Palo Alto Ltd., 2009). Examples of the information found in the opening of the Company Summary include:

- Mahogany Western Wear is organized as a partnership among the two partners of Chandra E. Miller and Derrick L. McCoy.
- The hours of operation will be Monday - Tuesday 10 a.m. - 6 p.m., Wednesday - Saturday 10 a.m. - 8 p.m., and Sunday 12 p.m. - 6 p.m.
- And, All merchandise will be purchased according to the company's mission and customer focus of outfitting all sizes including women's plus sizes and men's big and tall (Palo Alto Ltd., 2009).



The opening paragraphs in the Company Summary should be very explicit and provide the reader with a fairly complete and concise snapshot of the business. For the Pollards Hill Thrift Shop, the beginning of this section might include information such as:

- The Pollards Hill Thrift Shop is a volunteer-run charity shop selling second hand goods, such as clothing and toys, to the people living in the Pollards Hill Community, and is managed by Joanna Benson.
- The hours of operation are 9 am – 5 pm Monday – Saturday.
- The shop is located in Pollards Hill, across the street from the New Horizon Centre.

After the first few paragraphs, which serve as a glimpse of the business, the section is further broken down into subsections containing more details about the business itself. These subsections are Company Ownership, Start-up Summary, and Company Location and Facilities (Palo Alto Ltd., 2009). The Company Ownership sub-section provides the names of the company owners and the basic responsibilities and titles held by all involved. For example: “Mahogany Western Wear is organized as a partnership among the two partners of Chandra E. Miller and Derrick L. McCoy. Chandra E. Miller will handle all administrative and managerial duties while Derrick L. McCoy acts as a silent partner” (Palo Alto Ltd., 2009). For Ms. Benson’s shop, seeing as she is the sole owner, her Company Ownership section might be something along the lines of: “The Pollards Hill Thrift Shop is organized under a sole owner, Joanna Benson. Joanna Benson will assume all managerial duties.”

The next subsection of the Company Summary is the Start-up Summary. This section is crucial because it details the start-up costs needed and how the company seeks to cover them. Also included in the section is a graph showing the allotment of start-up costs and funding, including renovations. The sample business plan shows how to provide possible investors with a firm starting point for the business. “Mahogany Western Wear's incorporation costs are listed below. The company will start with three months inventory on hand for apparel and accessories as this is the main revenue generator. The majority of the company's assets will reside in inventory. The opening day’s cash on hand balance will be £384” (Palo Alto Ltd., 2009). In the case of the Pollards Hill Thrift Shop, this may be something like: “The Pollards Hill Thrift Shop incorporation costs are listed below. The shop will start with a two-month supply of second-hand

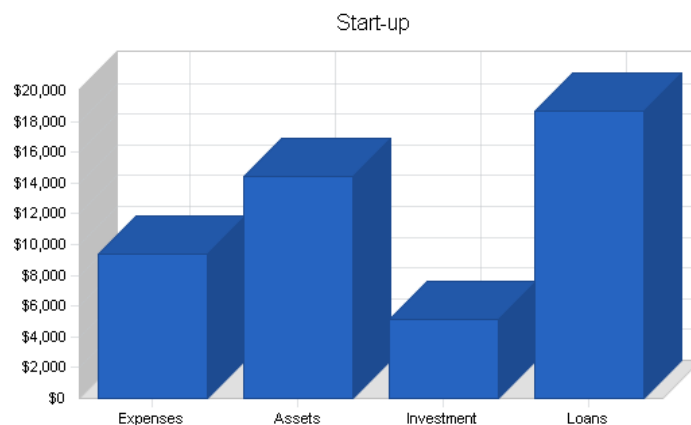
goods and keep the remainder of inventory in storage. The opening day’s cash balance on hand will be £50.”

Once an operating baseline has been established, the plans for funding are introduced. The plans should include exact figures for any external funding sought and the amount of the owner’s personal investment in the business. From the example:

The purpose of this business plan is to secure a £16,700 ACCION loan. This supplemental financing is required to work on site preparation, inventory, and operational expenses. The loan amount appears in the long-term liability row of the start-up summary. Other financing will include an owner’s investment of £5,100 and a short term revolving line of credit of £2,000 for inventory replenishment during months of high receipts (Palo Alto Ltd., 2009).

While the Pollards Hill Thrift Shop is not seeking initial loans, it is seeking initial donations. Because of this, this part of the Start-up Summary might look like this: “The purpose of this business plan is to secure the use of the disused toilet block across the street from the New Horizon Centre in Pollards Hill. Once the building is acquired, the total cost of opening will be £100,000. The funding will come from financial investors and grants from the local government, due to the fact that the building will still be the property of the Council under the leasehold.” This statement is merely an estimate of the start-up costs.

A graph of start-up costs and funding will also aid investors in visualizing the amount required. From the example:



<b>Start-up Funding</b>		<b>Start-up</b>	
<b>Start-up Expenses to Fund</b>	<b>£9,416</b>	Requirements	
<b>Start-up Assets to Fund</b>	<b>£14,384</b>	Start-up Expenses	
<b>Total Funding Required</b>	<b>£23,800</b>	<b>Rent</b>	<b>£1,606</b>
Assets		Grand Opening Event	£400
Non-cash Assets from Start-up	£14,000	<b>Telephone &amp; Utilities (3 months)</b>	<b>£1,575</b>
Cash Requirements from Start-up	£384	Travel - Dallas Market Buying Trip	£350
Additional Cash Raised	£0	Business Insurance	£600
Cash Balance on Starting Date	£384	<b>Advertising &amp; Promotion</b>	<b>£1,010</b>
Total Assets	£14,384	<b>Store Fixtures/Decorations</b>	<b>£1,500</b>
Liabilities and Capital		<b>Computer/Cash Register</b>	<b>£950</b>
Liabilities		<b>Signage (Including Permits)</b>	<b>£400</b>
Current Borrowing	£0	Organizational Dues & Subscriptions	£125
Long-term Liabilities	£16,700	<b>Business/Office Supplies</b>	<b>£400</b>
Accounts Payable (Outstanding Bills)	£0	Other	£500
Other Current Liabilities (interest-free)	£2,000	<b>Total Start-up Expenses</b>	<b>£9,416</b>
Total Liabilities	£18,700	Start-up Assets	
Capital		<b>Cash Required</b>	<b>£384</b>
<b>Planned Investment</b>		<b>Start-up Inventory</b>	<b>£14,000</b>
<b>Owners Investment - Cash</b>	<b>£5,100</b>	Other Current Assets	£0
Other	£0	Long-term Assets	£0
Additional Investment Requirement	£0	<b>Total Assets</b>	<b>£14,384</b>
Total Planned Investment	£5,100	<b>Total Requirements</b>	<b>£23,800</b>
<b>Loss at Start-up (Start-up Expenses)</b>	<b>(£9,416)</b>		
<b>Total Capital</b>	<b>(£4,316)</b>		
Total Capital and Liabilities	£14,384		
<b>Total Funding</b>	<b>£23,800</b>		

Figure 4: Start-up Costs and Accompanying Graph (Palo Alto Ltd., 2009)

For the Pollards Hill Thrift Shop, this graph will not be as complicated because it is a small business, but it will need to encapsulate all the major startup costs and funding sources.

The final sub-section of the company summary is Company Location and Facilities. This section contains a very detailed description of the building and its location. Details such as square footage, address, and why the location was chosen are all factors that should be present in this section (Palo Alto Ltd., 2009). For the Pollards Hill Thrift Shop, this section will include the numerical details as well as its location in the heart of the community and its close proximity to a bus stop.

### *Products*

The Products section of the business plan provides a detailed look at the products the business is going to be selling, how inventory is collected, how the business will be advertised, and a competitive comparison of goods offered (Palo Alto Ltd., 2009). The section begins with a short summary of its sub-sections. The first sub-section is the Product Description. In the example of the Western clothing store, “Mahogany Western Wear will provide a selection of brands that fall within our mission statement. Our goal is to carry a selection of labels from the hardcore western wear to the more sophisticated southwestern styles” (Palo Alto Ltd., 2009). For the Pollards Hill Thrift Shop, the product description might be more along the lines of: “The Pollards Hill Thrift Shop will provide a variety of second-hand goods. Anything from clothing to dishes to toys will be available.”

The next sub-section is the Competitive Comparison, which lists the business’ advantages over similar companies. The example lists such advantages as:

- We will be the first African-American-owned western wear apparel retailer in Houston, TX.
- The 'Mahogany Shopper Card' will entitle customers to a 15% discount after ten purchases.
- We will offer clothing to fit plus-size women and big and tall men (Palo Alto Ltd., 2009).

The Pollards Hill Thrift Shop will have many advantages over its competitors as well, including:

- Located right in the heart of the Pollards Hill community.
- Higher quality goods at lower prices than Mitcham department stores.
- All profits will go directly back into the Pollards Hill community.

After the Competitive Comparison, there is the Sales Literature section, which explains how the business is going to promote itself through paper sources (newspapers, fliers, etc.) (Palo Alto Ltd., 2009). In the case of the Pollards Hill Thrift Shop, most of the advertising will occur through word of mouth in the community. However, it is possible that the shop will also make use of the local newspaper and fliers posted around town. Number of fliers, etc. would be put in the Sales Literature section.

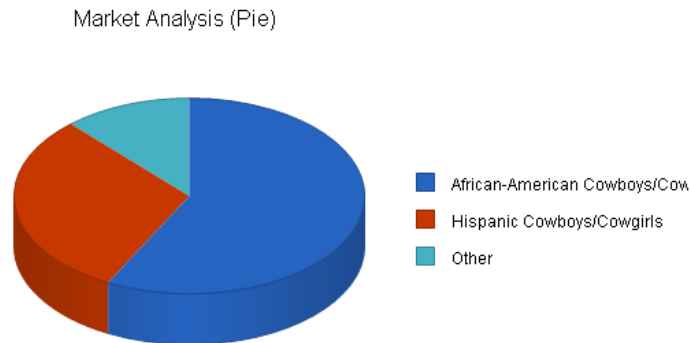
Next in the Products chapter is the Sourcing sub-section (Palo Alto Ltd., 2009). This portion contains details about where the store's inventory will come from. The major source of goods for the example company is "The Dallas Market Center," and the sample provides some background about this large warehouse (Palo Alto Ltd., 2009). The Pollards Hill Thrift Shop receives its entire inventory as donations from local residents, therefore this section would be the place to mention that fact.

The last two sections of the Products section of the business plan are Technology and Future Products (Palo Alto Ltd., 2009). In the Technology sub-section, Mahogany Western Wear describes the technology behind its inventory and pricing system: "For inventory management and point of sale transactions we will utilize Retail I.C.E. (Inventory Control Expert) software." (Palo Alto Ltd., 2009) The Pollards Hill Thrift Shop will use a similar tracker system to keep receipts and inventory. Also, the shop will have a number of staff trained in eBay trading and selling. As for the future products section, it is not very applicable to the Pollards Hill Thrift Shop, as it will not be producing its own line of goods.

### *Market Analysis Summary*

The Market Analysis Summary provides a look at the type of market conditions a business is going to be operating in. The sub-sections are Market Segmentation, Target Marketing Strategy, Market Needs, Market Trends, Market Growth, Industry Analysis, and finally Main Competitors (Palo Alto Ltd., 2009). In the example business plan, a breakdown of the demographics interested in Western apparel is indicated by statistics and an accompanying graph (Palo Alto Ltd., 2009). For Ms. Benson to acquire accurate market data, she will have to conduct some research on the other charity shops in the area. The larger organizations such as the British Red Cross and SCOPE may have their yearly data available online. However, Joanna

knows many of the managers on a personal level, which may allow her to obtain the data by contacting them. This would help her to determine the market audience that she will be targeting.



**Market Analysis**

		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
African-American Cowboys/Cowgirls	10%	18,247	19,981	21,879	23,958	26,234	9.50%
Hispanic Cowboys/Cowgirls	15%	9,682	11,134	12,804	14,725	16,934	15.00%
Other	10%	3,724	4,096	4,506	4,957	5,453	10.00%
Total	11.33%	31,653	35,211	39,189	43,640	48,621	11.33%

Figure 5: Market Analysis Breakdown (Palo Alto Ltd., 2009)

For the Pollards Hill Thrift Shop, young mothers and elderly citizens make up the majority of customers. A demographic breakdown by ethnicity could also be added into this section for the shop. The Target Marketing Strategy is basically a short description of who the business will appeal to. For the Pollards Hill Thrift Shop, marketing will be directed towards the younger generations, especially teenagers, in order to improve their patronage. There has not been a census since 2001, and since the Pollards Hill area has been evolving over the last 8 years, the statistics are outdated. However, if Ms. Benson felt that they accurately displayed the demographics of the Pollards Hill area, she could use those figures in her Market Analysis. For example, the data supports that Pollards Hill has one of the highest “Lone parent with dependents living in home” in all of Merton.

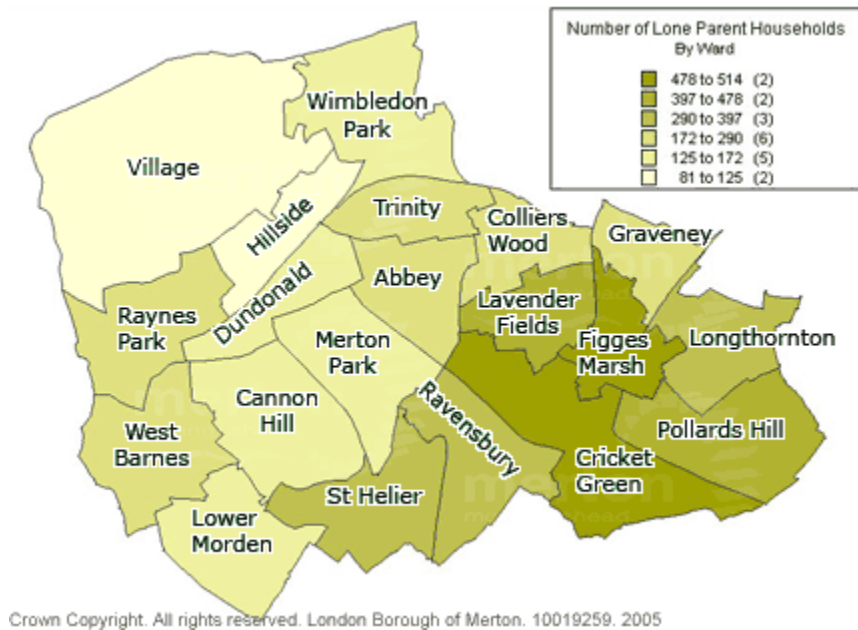


Figure 6: Lone Parent Households by Ward (Merton Council, 2001)

In the Market Needs and Market Trends sections, the example business plan states that “Mahogany will provide a large assortment of sizes to compliment the various body shapes and sizes of the ethnic community. This is a size segment that is missing throughout the larger western wear apparel retailers in the city” (Palo Alto Ltd., 2009). The example plan then goes on to list how the company will address this issue. As for trends, the example notes Houston, Texas as a growing market for start-up companies and remarks on the increase of African-American cowboys (Palo Alto Ltd., 2009). These two sections for the Pollards Hill Community Shop would include the fact that there are no other charity shops within a 2-mile radius of the target location, as well as the fact that the area has seen an increased interest in charity shops due to the economic recession, along with the prevalence of young mothers and an aging population, who are on fixed incomes living in the Pollards Hill area.

For the Market Growth section, the sample business explains why Houston is a prime location. “Houston has also been designated as the best city in the U.S. to start a new business. For three consecutive years, Houston has ranked first in the nation in new business growth, according to American Business Information” (Palo Alto Ltd., 2009). This statement explains why the owners chose Houston as well as demonstrating that the owners performed research before writing out their plan. In the case of the Pollards Hill Community Shop, it will be crucial for Joanna Benson to prove community benefit and that the local market can support her shop.

The final two sections of the Market Analysis Summary are the Industry Analysis and analysis of Main Competitors (Palo Alto Ltd., 2009). In the example, western apparel retailers are broken down into two major categories: Small Specialty Stores and Large Multi-owned Western Wear Retailers (Palo Alto Ltd., 2009). It is very important for a business to know where it fits into the market and know exactly what its role in the community is. The Pollards Hill Thrift Shop is just one of many charity shops in Merton, however it is the only one in the Pollards Hill neighborhood, and it will be owned by the community if the asset transfer is successful. Ms. Benson will be obtaining the building under the conditions of a lease established to keep the shop running in the best interest of the community. The Main Competitors section contains the names and a short synopsis of each similar business in the region. The example plan identifies Cavender's Boot City, the Barbecue Hall of Fame, and Turner Saddlery and lists their distance from the proposed shop and a short description of what they specialize in (Palo Alto Ltd., 2009). The main competitors of the Pollards Hill Community Shop are: SCOPE, British Heart, British Red Cross, and all other charity shop in a 5-mile radius. Primark and Peacock's, which offer cheap clothing, are also competitors. For this section of Joanna's business plan, more details about the goods provided by these competitors could be added.

### *Strategy and Implementation Summary*

The Strategy and Implementation Summary portion of the business plan states what the future business wants to accomplish and how they plan to accomplish it. The retail store begins this paragraph by reinforcing its main objective: "Our intention is to gain 80% of this market share by focusing on our niche positioning, neighborhood location, brand that we sell, southern hospitality and special promotions" (Palo Alto Ltd., 2009). The following subsections go into further detail regarding how they plan to achieve it.

The first section is competitive edge. This is a bulleted list that is easy for the reader to understand, written clearly and concisely.

#### **Competitive Edge**

- The Mahogany Shopper Card which allows the customer a 15% discount after ten purchases.
- Our location in the community will offer closer access to our target customer base.
- We will offer plus sizes for women and big and tall sizes for men (Palo Alto Ltd., 2009).



This section is not long, but it gets across an important point: what makes this store different and how they plan to achieve success in relation to their competition. An example of how this could possibly be related to Joanna's store would be:

### **Competitive Edge**

- The only charity shop within the Pollards Hill Community.
- Proceeds will go directly to projects in Pollards Hill, such as funding a youth football team, funding the "Farm to Table" program, and establishing a mentor at the Commonsides Community Development Trust for young mothers (this creates competitive edge because people would rather have their money affect their own community).
- Prices will be lower than bigger thrift shops, such as British Red Cross, so that the people with a lower income in Pollards Hill will be able to afford going to the shop. Ms. Benson will be able to accomplish this because the goods are all donations and there is no cost associated with them. There have also been financial donations to the shop that help allow Ms. Benson so keep the prices low. The larger charity shops tend to increase the prices to raise the maximum amount for the charities.

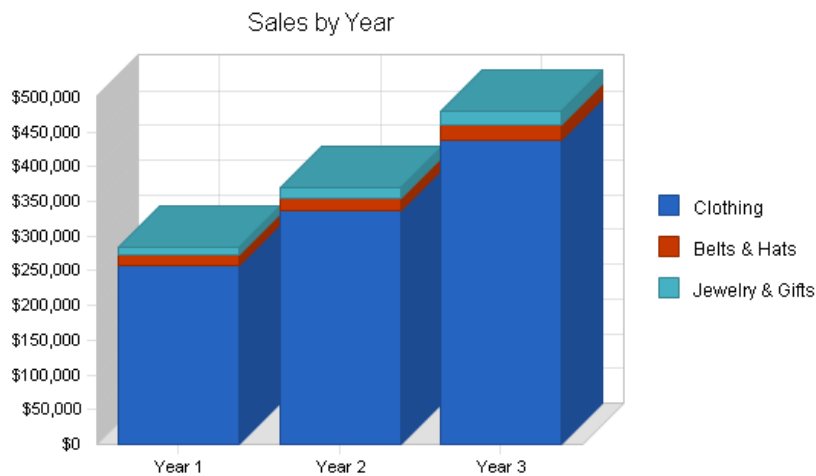
The next subsection is the Marketing Strategy. This section includes the pricing strategy and the promotional strategy. There should be one sentence at the beginning of this section that clearly describes the marketing strategy. The mock business plan wrote, "Our marketing strategy will focus heavily on sales promotion, niche positioning in the market and customer service with loyalty and retention in sales" (Palo Alto Ltd., 2009). This would be very similar to the plan that Ms. Benson will use. She plans on promoting in the community by passing out fliers to every house once a month. She is relying on her location, which is across from the local community centre and next to a bus stop, to help her bring people into the shop. Ms. Benson believes that, by being personable and reliable, she will be able to have a high customer return rate from the people in the community. It is important to comment on the budget in this section as well. For example, "The marketing budget will not exceed 5% of our gross annual sales" (Palo Alto Ltd., 2009).

The promotional plan will be essential to helping the Pollards Hill Thrift Shop expand and grow. Promotion is not only a great way to expand a customer base, but it is also necessary when making a proposal to possible financiers. There are three major components in a strong promotional strategy: Research, Strategy, and Forecasts (Nottingham Council for Voluntary Service, 2009). In order to determine which promotional techniques to use, it is important to research and identify the operating environment for a new business. This includes determining

your real and potential clients and assessing any competitors (Nottingham Council for Voluntary Service, 2009). Once current and potential clients are identified, the business owner must decide how to best reach the target audience. In Joanna’s case, she needs to address her target clients, taking into consideration the people who will be donating and the people who will be purchasing from the shop. Mostly, it is women who use the shop, which is an important factor. She plans on advertising in the local newspaper, *The Guardian*, to help bring in donations. She will be relying on word of mouth as another useful tool in her promotion strategy. Finally, a sales forecast must be created that indicates the future of the business after promotional procedures are enacted (Nottingham Council for Voluntary Service, 2009). An example of a sales forecast would be:

The following table and chart give a highlight on forecasted sales. We expect sales to start off conservatively and increase extensively during the Christmas holiday shopping season and during the months of The Houston Livestock Show and Rodeo.

Mahogany Western Wear has planned for a rate of growth at 15% for the first year as we build name recognition and status in the community. In the second and third year we look to see an increase of revenue of 20% as we gain a larger percentage of the market share and increase our customer base beyond the southwest part of the city (Palo Alto Ltd., 2009).



## Sales Forecast

	Year 1	Year 2	Year 3
Unit Sales			
Clothing	5,175	6,728	8,746
Belts & Hats	285	371	482
Jewelry & Gifts	560	728	946
Total Unit Sales	6,020	7,826	10,173

	Year 1	Year 2	Year 3
Unit Prices			
Clothing	£50.00	£50.00	£50.00
Belts & Hats	£50.00	£50.00	£50.00
Jewelry & Gifts	£20.00	£20.00	£20.00

Sales			
Clothing	£258,750	£336,375	£437,288
Belts & Hats	£14,250	£18,525	£24,083
Jewelry & Gifts	£11,200	£14,560	£18,920
Total Sales	£284,200	£369,460	£480,290

	Year 1	Year 2	Year 3
Direct Unit Costs			
Clothing	£25.00	£25.00	£25.00
Belts & Hats	£25.00	£25.00	£25.00
Jewelry & Gifts	£10.00	£10.00	£10.00

Direct Cost of Sales			
Clothing	£129,375	£168,188	£218,644
Belts & Hats	£7,125	£9,263	£12,041
Jewelry & Gifts	£5,600	£7,280	£9,460
Subtotal Direct Cost of Sales	£142,100	£184,730	£240,145

**Figure 7: Sales Forecast and Accompanying Graph (Palo Alto Ltd., 2009)**

A forecast such as this would be created based off of the data that the shop currently has, and then expanded to include predictions for the future. The growth rate for future years would be based off predictions, such as 15% or 20%. This would be crucial for Ms. Benson to include because it would allow her to show potential investors and the Merton Council the extent of the items that are sold in the shop.

The last subsection would be a milestone plan. This would include a graph that shows the progress of the shop and specific dates and time frames for when certain goals would be achieved. The milestone section would show organization and commitment and would help Joanna show the Council her perseverance in working towards acquiring this shop, even though the process has taken longer than expected. An example of the chart would look like this:

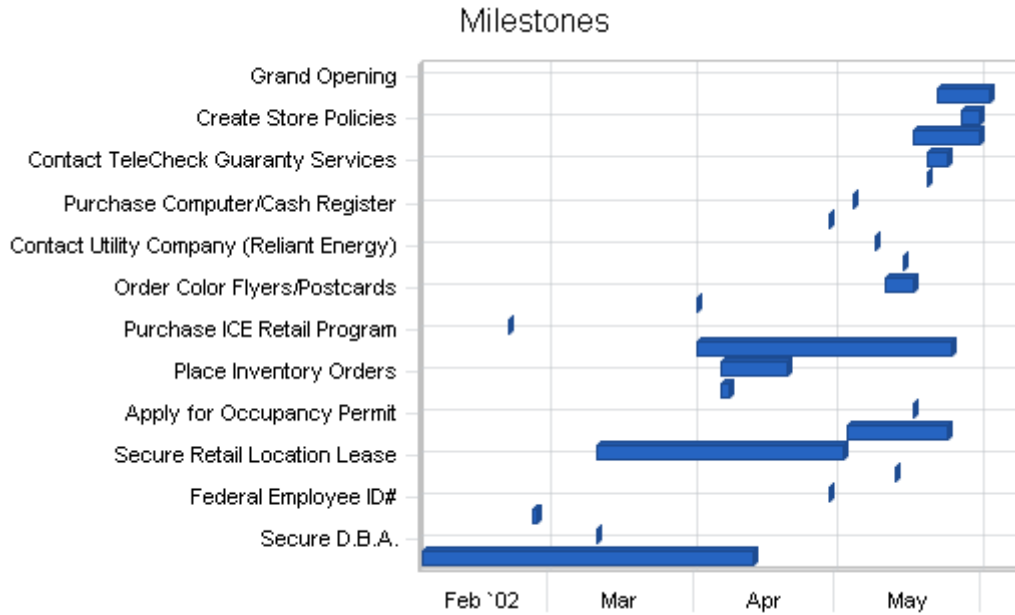


Figure 8: Milestone Timeline (Palo Alto Ltd., 2009)

### Management Summary

The Management Summary is where the organizational structure of the business plan is addressed. The accreditations of key personnel, such as the manager, are included, along with a personnel plan. The first subsection is the organizational structure. An example would be:

Mahogany Western Wear is a small business and therefore requires a simple organizational structure. Chandra Miller will act a general manager. All decisions are made in-line with the company objectives. Employee tasks are delegated based upon their level of expertise, creativity, strengths and weaknesses (Palo Alto Ltd., 2009).

This would be very similar to what the structure of the Pollards Hill Thrift Shop would look like. Ms. Benson would act as the general manager. However, the staffing after this point would be volunteers. Their tasks would be delegated according to their personal skills and level of expertise. Ms. Benson has noted that she will try to customize the training of each volunteer towards his or her own personal goals. Some of the volunteers will have goals to reenter the work force, whereas others may have some disabilities and are just looking for volunteer experience.

The personnel plan is an important aspect to include, since it will go over any salaries that will need to be paid. This plan will also include details about employee training and

recruitment. For the Pollards Hill Thrift Shop there will be no salaries at first; once the shop is on its feet, Ms. Benson plans on receiving a salary. Once the shop is stable, Ms. Benson would like to help fund a paid position at Commonsides. This position would be a guide to train new young mothers and to show them they have options other than staying at home. There may also be costs that need to be taken into consideration during the training of the volunteers. For example, will food be provided during training? Once the shop is financially stable, a personnel plan will be added to the business plan. An example from a non-profit organization mock business plan looks like this:

### Personnel Plan

Position	Year 1	Year 2	Year 3
Executive Director	£30,000	£30,000	£30,000
Fundraising/Grant Coordinator	£24,000	£24,000	£24,000
Mentor Recruitment Coordinator	£24,000	£24,000	£24,000
Youth Referral Coordinator	£24,000	£24,000	£24,000
Office Manager	£20,400	£20,400	£20,400
Total People	5	5	5
Total Payroll	£122,400	£122,400	£122,400

Table 3: Personnel Plan (Palo Alto Ltd., 2009)

### Financial Plan

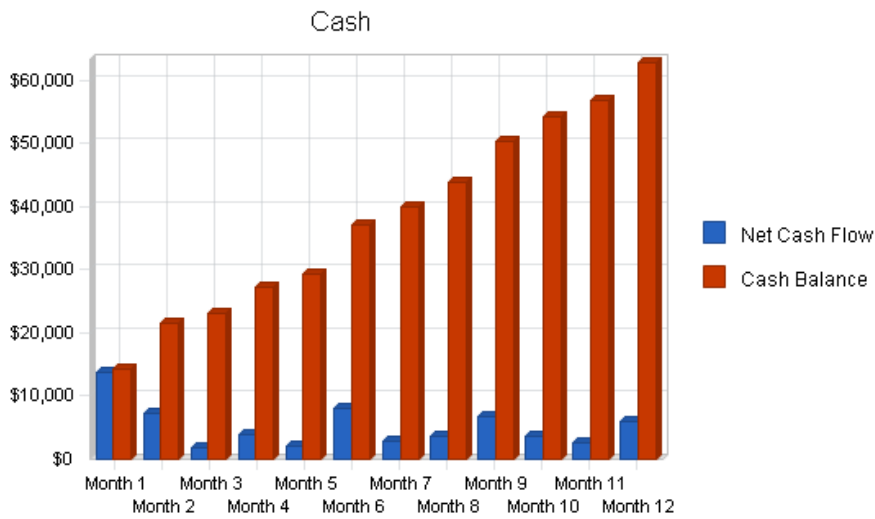
A strong financial analysis is essential to a successful business plan, since it describes a business through numbers. The main sections of a financial analysis include the following: budgets, cash flow forecasts, working capital needed, and assumptions (Nottingham Council for Voluntary Service, 2009). Essentially, a budget contains a plan for how the business is going to spend its initial money and future profits. The budget shows the expenses and it must also include the income. For example, in expenses chart 1.3 (below), there are various things that need to be taken into consideration. Ms. Benson would have to pay utilities, phone bill, and any marketing and sales expenses, such as the cost to print the fliers that she plans to hand out monthly. These costs will be in addition to the rent that she currently pays, and she will have to make sure that she addresses this in her financial forecast.

Cash flow forecasts should show the cash balance and monthly cash flow patterns for at least the first 12 to 18 months (Business Link UK, 2009). The cash flow forecast needs to

demonstrate that the owner/business has enough working cash to maintain the business during one of the hardest times for a company, the first year. An example of this is below (see Cash Flow 1.4). Other financial forecasts to include are a profit and loss forecast (see Profit/Loss Forecast below 1.2) (Business Link UK, 2009). Details about the Cash Flow and Profit/Loss Forecasts can be seen in our business plan in our Deliverables chapter. Carefully assessing the amount of working capital needed is critical when seeking funding for a business. Providing an exact amount or a very close estimate of how much one needs to start their business will help banks and other sources take business proposals more seriously. It is wise for the business owner to factor any personal financing into the capital amount (Business Link UK, 2009). Finally, assumptions (see Assumptions 1.1) must be made about where, financially, the business will be in three to five years (Business Link UK, 2009). These predictions must be reasonable and accurately reflect any major changes in organization structure or change in business type. All of the financial analyses are displayed as graphs in the business plan. This allows the information to be interpreted more easily as seen below.

**Projected Cash Flow**

The following table shows projected cash flow.



Pro Forma Cash Flow

	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			

Cash Sales	£284,200	£369,460	£480,290
Subtotal Cash from Operations	£284,200	£369,460	£480,290
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	£0	£0	£0
New Current Borrowing	£0	£0	£0
New Other Liabilities (interest-free)	£0	£0	£0
New Long-term Liabilities	£0	£0	£0
Sales of Other Current Assets	£0	£0	£0
Sales of Long-term Assets	£0	£0	£0
New Investment Received	£0	£0	£0
Subtotal Cash Received	£284,200	£369,460	£480,290
Expenditures			
	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	£44,115	£48,527	£53,379
Bill Payments	£174,454	£244,577	£315,576
Subtotal Spent on Operations	£218,569	£293,103	£368,955
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	£0	£0	£0
Principal Repayment of Current Borrowing	£0	£0	£0
Other Liabilities Principal Repayment	£0	£0	£0
Long-term Liabilities Principal Repayment	£3,300	£3,300	£3,300
Purchase Other Current Assets	£0	£0	£0
Purchase Long-term Assets	£0	£0	£0
Dividends	£0	£0	£0
Subtotal Cash Spent	£221,869	£296,403	£372,255
Net Cash Flow	£62,331	£73,057	£108,035
Cash Balance	£62,715	£135,771	£243,806

Figure 9: Cash Flow Figures and Accompanying Graph (Palo Alto Ltd., 2009)

The graphical representation is much clearer to interpret than the chart because it is easier on the eye, and will be used when an investor is looking over the financial portion of a business plan. The cash flow analysis is looking at the cycle of money going in and out of the business. An example of a simple cash flow analysis is to compare the total unpaid purchases to the total sales due at the end of the month. If the unpaid purchases are higher, this indicates a problem with the sales flow.

A break even analysis would also be advantageous for Ms. Benson to provide, since it would show that she is aware of how much she needs to acquire in sales to break even. A break-even analysis table has been completed on the basis of average costs/prices. With fixed costs of £5,800, ~£47 in average sales, and £23 in average variable costs, we need £11,700 per month in sales to break even (Palo Alto Ltd., 2009).

This is a good example that shows how the figures are used. The table and graph can be seen below in our appendices under Break Even Analysis 1.7.

**Question 2: What is Ms Benson's business plan lacking? What documents does Ms. Benson currently have that could be utilized?**

Ms. Benson had previously started a basic business plan for her shop and provided our group with the bits and pieces she had written. Ms. Benson's documents were largely incomplete and somewhat disorganized when we first received them. In order to better determine which pieces of a strong business plan Ms. Benson already possessed, as well as which pieces still needed to be created, we created a chart that described the business plan sections, what documents we had, documents that we still needed, and follow-up questions. This allowed us to see exactly what we had and what we still needed to research. The chart was very useful in helping us draft interview questions for Ms. Benson regarding the gaps in her business plan. The full chart can be found in Appendix 2. Below is an abbreviated chart of some of the information that was lacking and how we filled the gaps.



Information Lacking	Action Plan
A clear and concise mission statement that would convey the shops purpose.	During interviews with Ms. Benson the group helped her establish measurable goals and a clear purpose for the shop. And she turned this information into her mission statement. Which can be seen in our deliverable business plan
Financial Documentation	The group went over the importance of keeping track of financial documents in order to complete many of the financial analyses. Ms. Benson was able to find some documentation. The group set her up with file keeping to help her remain organized.
Market Analysis strategy	Ms. Benson knows a lot about the market she is targeting in her head. She has always lived in the Pollards Hill area and knows the people really well. The census data is out of date; however, if there is other documentation of the community demographics that the community centre may have Joanna will add that into the business plan to back up her own knowledge.

Table 4: Gaps in Ms. Benson's Business Plan

**Question 3: How are other charity shops run? What are their marketing strategies? What are their operations like?**

The interviews of the three charity shop managers were conducted in order to gain a better understanding as to how charity shops work, what some of their promotional strategies are, and how they operate. We interviewed shop managers in the Mitcham town centre, which is approximately two miles away from Pollards Hill, where Ms. Benson will be opening her shop. However, the close proximity should not be a major threat to Ms. Benson since the other shops are all within view of each other and are able to coexist.

<b>Shop Name and description</b>	<b>Promotion Strategies</b>	<b>Employment</b>	<b>What they do with their Profits</b>	<b>Social Impact</b>
SCOPE A large international shop selling mainly clothing	National Campaign Clean, organized shop	Manager/asst. manager Volunteers	Research for cerebral palsy	Helps the local economy Sells quality goods at a low price
Guild Community Shop A smaller, independent shop that sells everything from books to buttons	Word of mouth Reliability	Manager Volunteers	Mitcham community projects	Helps people who are being affected by the recession
British Red Cross A large international shop that sells mainly clothing but some books and various goods such as dishware.	National Logo Fliers Well known	Manager Volunteers	Supports a wheelchair company in Mitcham In times of crisis the money goes to the national funds	Helps the low income surrounding area The donations go to a good cause

Table 5: Charity Shop Interview Key Points

The first interview was at the SCOPE charity shop; we interviewed the assistant manager, Mandy. She explained that SCOPE was an international organization that supported the research for cerebral palsy. However, money from the shop mostly goes to helping the cause in the immediate area. Their promotional strategy relies mostly on a national campaign. The shop tries to remain clean and organized so that it will be attractive to people walking by. There is one general manager and two assistant managers. The rest of the work base is volunteers from the Mitcham community. All of the unused goods are recycled to other SCOPE shops. This is more environmentally friendly than throwing them into a landfill. The store sells mainly clothing. Mandy noted, “We often receive some very nice quality pieces of clothing that allow people in the community to obtain articles of clothing that they would not be able to afford otherwise.” This shop has a similar inventory to Ms. Benson’s, and the Pollards Hill Thrift Shop would also have a similar employment plan. The promotional strategy would not be similar, due to the fact that the Pollards Hill Thrift Shop would be independent and not part of a national organization.

The second shop that we visited was the Guild Community Shop, where we interviewed the manager, Jill. The promotional strategy of this shop was very different from that of SCOPE.

The Guild Community Shop is independently run and has no ties to any larger organizations. This shop is the most similar to what the Pollards Hill Community Thrift Shop will be like. The promotional strategy is based mainly around word of mouth, reliability, and a reputation for being personable. Jill stated, “On a rainy day I will boil a pot of water for tea for the elderly when then come in.” This shows a level of intimacy that most shops do not have, which is something Ms. Benson plans on integrating into her own shop by working to help the community the shop is located in. There is only one manager, and the rest of the staff is comprised of volunteers. This shop has goods that many other shops do not carry anymore, such as buttons and sewing needles, among other miscellaneous items. This shop’s target clientele is the elderly residents of Mitcham. The social impact that this shop has on the community is that they offer an inexpensive alternative to larger stores for people who are affected by the recession.

The last shop that we interviewed at was the British Red Cross; we interviewed an assistant manager, Brittany. The promotional strategy of this shop is unique from the others due to its well-known name. They mainly rely on national campaigns and the reliability of the British Red Cross logo to comfort people that their money is going to good causes. The proceeds from this particular shop go to Wimbledon to a company that makes wheelchairs for the disabled. Yet, if there is a crisis somewhere in the world, the Red Cross is usually the first on the scene, and the proceeds are then directed to the national fund. There is a manager and a few assistant managers but the shop is maintained by volunteers, similar to the other shops. Unused goods are recycled to other Red Cross shops throughout the United Kingdom. The store socially impacts the area of Mitcham, but also has the power to help people in need across the world through the Red Cross Foundation, which sets this shop aside from the others.

There are aspects from all of the shops mentioned above that will be taken and adapted for Ms. Benson to use in her shop. She wants to have a clean and organized look such as SCOPE, a personable feel such as Guild, and a reliable name such as the Red Cross. She knows that the Pollards Hill Thrift Shop will never be on the level of the Red Cross; however, for the people of the Pollards Hill Community the name should be just as reliable. As previously mentioned, she plans to use fliers to get the word out regarding the shop. All unused goods will be donated to third world countries following the example of the Guild Community Shop. Ms. Benson’s employment plan is to mainly rely on volunteers from the community to run the shop and maintain it. Eventually, she plans to allot a salary for herself in the budget.

Joanna's shop will be very different from the shops above because her profits will go directly to the Pollards Hill Community. These other shops are not within walking distance and the people living in the Pollards Hill area are not likely to bring their unwanted goods via public transportation. There are many young mothers and elderly residents in the area. If they all donate their unwanted goods, the items in the shop will be items that are practical for other young mothers or elderly people. Even though the other stores are relatively close, Joanna's shop fills a niche that is needed within Pollards Hill.

## Deliverables

### Business Plan Template

After assembling information on business plans, other shops' strategies, asset transfer requirements, and Joanna's business through interviews, we used this information to write as many portions of the business plan as possible. In the portions that lacked information we left examples to follow.

# Pollards Hill Thrift Shop Business Plan

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## 1.0 EXECUTIVE SUMMARY

**Section Description:** The Executive Summary is the first section the Council will read and it acts as an overview of the business plan. This section should contain short summaries of:

- Introduce the shop and its purpose (paragraph 1)
- Including your products and/or services (paragraph 1)
- A description of your company (paragraph 1, opening sentence)
- your mission statement and objectives (paragraph 2)
- your competition (paragraph 3)
- Location (paragraph 4)
- The target market (paragraph 4)
- Your business's management and operations (paragraph 5) (Ward, 2009)

Because this section is the first part of the business plan deciding members of the Council will read, it should immediately grab their attention so that they will want to read the remainder of the plan. It should address the goal to be self sustaining and meet the community's needs.

The Pollards Hill Thrift Shop is a secondhand store that sells goods, such as adults' and children's clothing, toys, and books, to lower income members of the Pollards Hill community. The purpose of the shop is to provide low cost items to families who could not otherwise afford toys or garments for their children. Another purpose is to recycle unwanted goods from the community and to make a small profit that can then be returned to the community by supporting a variety of community projects.

The Pollards Hill Thrift Shop's mission is to provide the Pollards Hill area with an economically friendly and reliable alternative for low income local residents regarding used clothing, books, toys, and assorted household items where the profits are returned to the neighborhood in the form of various projects based on the needs of the community. Three different objectives were set forth to help keep the shop working towards its mission.

- Business: To provide affordable, second-hand goods to the Pollards Hill community.
- Marketing: To expand public knowledge of the Pollards Hill Thrift Shop through the use of verbal and written promotion.
- Financial: To operate in a positive cash flow position, while reinvesting profits in community action programs that serve the local youth and elderly populations.

The shop is the only charity shop within the Pollards Hill area. Shops such as: SCOPE, Wimbledon Guild, and the British Red Cross are all located in Mitcham Town Centre, over 2 miles away. The fact that the Pollards Hill Thrift Shop would be the only shop in the immediate area is an advantage because many community residents rely on public transportation, and due to this inconvenience, would not take their unused goods to the surrounding neighborhoods' shops. These community residents would most likely trash their unwanted goods which is very wasteful. This is why one of the shop's main goals is to reduce waste by at least 2% in the Pollards Hill community.

The Pollards Hill Thrift Shop would be located at South Lodge Avenue CR4 {number}, across the street from the New Horizon Centre, where it currently occupies rented space. This is a centralized location in Pollards Hill, located at the Pollards Hill bus stop where the Commonsense Community Development Trust (CCDT) is located. The CCDT has programs for both the elderly and young single mothers, which are the primary and secondary target clients of the shop. The bus stop is frequently used by the majority of the community which comprises the tertiary target client group of the shop. In order to draw these target clients into the shop, the shop plans to use a marketing strategy that includes advertising in the local newspaper along with the distribution of flyers. Even the new facility itself will draw in customers because of the location.

The shop would be managed by Ms. Joanna Benson, who has been an influential member of the Pollards Hill community for over twenty years now. Ms. Benson was the creator of the idea for such a shop in the area after working in other charity shops such as the British Red Cross. The shop will be mostly run by volunteers. Operations such as: sales, cleaning and tagging of the inventory, and distributing flyers would all be handled by trained volunteers.

### **Instructions:**

- Joanna, you will need to add the specific post code {NUMBER} we were unable to find it.

## 2.0 COMPANY SUMMARY

**Section Description:** The Company Summary is a summary of the business itself. It should describe all the important aspects of the company in concise paragraphs and figures. This section explains all the specifics about the company and shows potential investors that the company is somewhat well-founded.

The Pollards Hill Thrift Shop is a volunteer-run charity shop that is managed by Joanna Benson. The company will be registered as a Charitable Incorporated Organization (CIO). The hours of operation are 9 am through 5 pm, Monday through Friday.

The Pollards Hill Thrift Shop is managed by Joanna Benson and will be owned by the community. Ms. Benson will be running the company with an assistant manager {NAME}, a treasurer {NAME}, and various volunteers. In addition, the company will be obtaining a business mentor at the opening to facilitate business operations {The means of how you are obtaining this business mentor needs to go here, see Instruction Bullet 2}.

### Instructions:

- Joanna, please fill in the names of your personnel in the provided spaces, {NAME}
- You also need to write a description of how you plan to obtain a business mentor, and who will be providing the funding. Naomi mentioned this during our presentation and details merely need to be added.

## 2.1 STARTUP SUMMARY

The Pollards Hill Thrift Shop incorporation costs are listed below. The shop will start with a two month supply of second-hand goods and keep the remainder of its current inventory in storage. The opening day's cash balance on hand will be £{X amount}.

The purpose of this business plan is to secure the use of the unused toilet block on South Lodge Avenue. After acquiring the toilet block through the process of asset transfer, the total cost of opening will be £{X amount}. It is estimated that demolition and clearance of the interior of the toilet block will cost £{X amount}, new construction will cost £{X amount}, and cosmetics such as a till, etc. will cost £{X amount}. An owner contribution of £{X amount} will be made and the additional required funding of the remainder will be sought from various donation sources and grants from environmental agencies and the like.

### Instructions:

- Please insert the correct figures into this sections where “£{X amount}” indicates

## 2.2 COMPANY LOCATION

{Insert opening sentence, see Instruction Bullet 1} Ms. Benson’s shop will be located across the street from the New Horizon Centre in the Pollards Hill community. The facility has not yet been renovated but plans are in place to do so once Ms. Benson obtains the premises. The Pollards Hill Community Shop will include a large and open sales floor, customer restrooms, and a small kitchenette {Add any additional features that the shop may have, see Instruction Bullet 2}.

As stated above, Ms. Benson’s shop will be supported by donations from local citizens. She will be accepting any and all unused products still in useable condition that could be beneficial to others. Inventory will either be collected by donations brought to Ms Benson’s shop or products she finds in local rubbish piles.

### **Instructions:**

- Joanna, please put the actual address of the shop/toilet block at the beginning of this section. “The Pollards Hill Thrift Shop will be located at (address)...”
- Also, please list anything else the shop might have in it once construction is complete.

## 3.0 PRODUCTS

**Section Description:** The Products section clearly describes what products the business is going to sell, how it will sell them, and competitive edge, in comparison to other shops. This section gives potential investors an idea of the contributions of the business to consumers and will help them determine that the market does indeed need the Pollards Hill Thrift Shop.

### 3.1 PRODUCT DESCRIPTION

The Pollards Hill Thrift Shop will provide the community with a selection of adult and children’s clothing, some of the articles of clothing include: seasonal jackets, dresses, sweatshirts, t-shirts, jeans, skirts, sneakers, and sandals. The shop also sells books, ranging from children’s books to travel books, and toys such as dolls and stuffed animals. Inventory will be acquired through the donations of local citizens, or by finding abandoned but useable goods in rubbish piles. These goods will be thoroughly cleaned and refurbished before being resold at a much reduced price to the general public.



### 3.2 COMPETITIVE COMPARISON

The Pollards Hill Thrift Shop will be located in the heart of this low income community. This is beneficial to the community because most residents do not have cars and using other transportation may be difficult. Having this shop closer than any other thrift store will save time, energy, and unwanted stress. The advantage Ms. Benson will be offering is higher quality goods at lower prices than the other charity shops in Mitcham Centre. Ms. Benson will redirect all profits from her shop back into the Pollards Hill community. There is no cost in obtaining the goods because they are all donations. Ms. Benson is going to target the prices at what the Pollards Hill community can afford. Donations to the shop are already in excess and once the shop is advertized, it never has been in the past, it is believed by the management of the shop that even more donations will be acquired. By keeping the prices low, the customers will be able to buy more of what they need. In many of the other charity shops in the surrounding neighborhoods, prices are a bit higher and make it more difficult for customers such as those in the Pollards Hill community to purchase multiple items.

There are no other charity shops within a 2-mile radius of the target location and the Pollards Hill area has seen an increased interest in charity shops due to the economic recession. The closest charity shops to the target location are SCOPE, The British Red Cross, and the Wimbledon Guild Community Shop; however, these are all located in the Mitcham town centre, a distance of at least 5 miles from Pollards Hill.

### 4.0 MARKET ANALYSIS

**Section Description:** The Market Analysis shows that the business owner has done his/her homework. This section is a main one that potential investors look at; however, this section is most useful, perhaps, for the business owner. This section's describes the target market and then addresses: Market Needs, Market Trends, and Market Growth. The final factor addressed in the Market Analysis is the shop's competition.

The primary target customer group of the Pollards Hill Thrift Shop will be single mothers in the Pollards Hill community. As a large demographic sector in Pollards Hill is single mothers, who face an increased financial burden from raising children; we believe they will frequent the shop for low prices on clothes for themselves and their children.

The secondary target customers are women in the 55+ age demographic. This demographic is more inclined to purchase secondhand goods and we expect their patronage to produce a significant contribution to the overall welfare of the shop.

The final target customer group of the Pollards Hill Thrift Shop is listed as other. As popularity about the store increases we expect to see donations and sales of goods to come in from other age groups in the community, both male and female.

#### 4.1 MARKET NEEDS

There are several important needs in the secondhand goods market that are not currently met. Pollards Hill Thrift Shop plans to meet and service those needs.

- Pollards Hill Thrift Shop will provide secondhand goods at extremely low prices to its customers. This will set it apart from most shops, like the British Red Cross, which have a very rigid pricing structure. As evidenced by Figure 1, about half of the Pollards Hill ward contains some of the most deprived areas in Merton. The Pollards Hill Thrift Shop will be located in one of the more underprivileged neighborhoods and will help meet the needs of consumers living there.

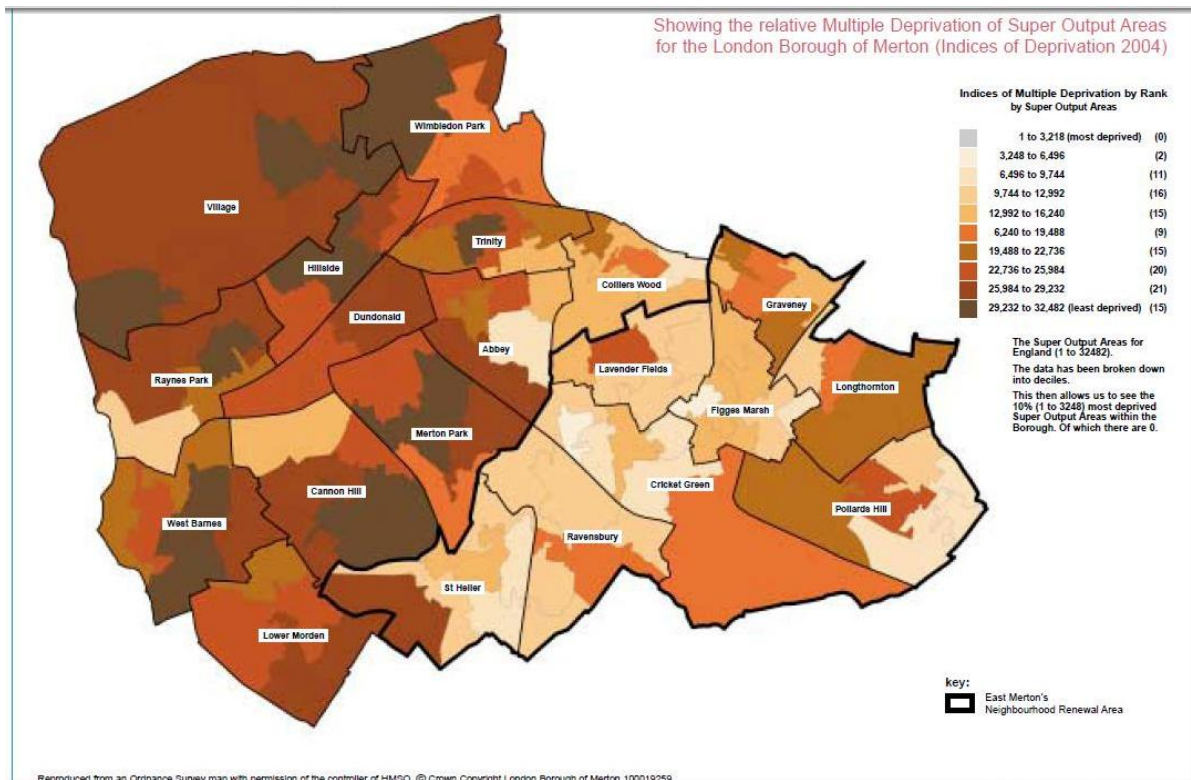


Figure 1: Multiple Deprivation Indices in Merton

- Profits from sales at the Pollards Hill Thrift Shop will go directly back to the community through various charitable schemes and organizations. Other comparable thrift shops send their profits to a national or international fund; therefore communities do not always see the results of their donations and purchases.

#### 4.2 MARKET TRENDS

Secondhand goods stores are a cheap alternative to finding quality goods at low prices. In times of economic turbulence, like the credit crunch most people are facing currently, secondhand goods stores provide a way to save money for other essentials.

### **Instructions:**

- Joanna, please provide some hard evidence to support the market for your shop, maybe you could obtain documents from the other charity shops in the areas.

### **4.3 MARKET GROWTH**

**Purpose:** Market Growth is essential in determining whether or not it is a good idea to start a business in a given location. Upward market growth means that the area that a business is being established in is experiencing good economic conditions (i.e. jobs are being created, demand is high for a particular kind of good or service, etc.), while downward market growth means the opposite (jobs are being cut, demand is low for a particular kind of good or service, etc.). Due to the downward market jobs are being cut, which means that people will be looking for ways to cut back on spending money. This makes the Pollards Hill Thrift Shop a feasible idea for the area even though there is a downward market, presently.

### **Instructions:**

- Joanna, please visit the Merton Council website and look at the census data for Pollards Hill. This combined with your first-hand knowledge of the area should provide enough information for this section. The information needs to be presented in paragraph form, no charts or tables are necessary, but they can be used if helpful.
- This data comes from current economic data, such as number of jobs recently lost in the community of the Pollards Hill area. Much of the data in this section can be acquired through the Merton Council website: <http://www.merton.gov.uk/>. Any data in this section needs to support the feasibility of opening a charity shop in Pollards Hill, specifically in the target neighborhood.

### **4.4 MAIN COMPETITORS**

Pollards Hill Community Shop has four competitors within a 5 mile radius of its location.

**SCOPE**, which is located in Mitcham, is a secondhand chain store affiliated with the SCOPE Foundation. All of the profits generated from sales go to a central account funding cerebral palsy research. It is quite well-known, and has a nationwide advertising campaign.

**British Heart Foundation**, which is also located in Mitcham, is another shop that is part of a larger organization. Proceeds from this store go towards the greater British Heart Foundation,

which funds research into heart-related issues. Like SCOPE, it is also marketed via a nationwide campaign.

**British Red Cross**, which is affiliated with the international Red Cross organization, is another secondhand store located in Mitcham. Portions of the proceeds from this store go towards the international Red Cross, which provides aid in crises across the globe. However, this branch uses some of its proceeds to fund aid within the United Kingdom as well.

**Wimbledon Guild Shop**, located in Mitcham, is a small local secondhand goods shop. It operates primarily by word-of-mouth, and proceeds from the shop are donated directly back to the local community.

#### 4.4.1 COMPETITIVE EDGE

- The Pollards Hill Thrift Shop would be the only secondhand store in the Pollards Hill area. Other shops are approximately 5 miles away.
- The shop will be run by volunteers from the community to help keep the community's interests in mind.
- The location will allow easy access for the primary, secondary, and tertiary customer bases.
- The shop will provide a range of goods such as clothing, children's toys, books, etc.

### 5.0 STRATEGY AND IMPLEMENTATION SUMMARY

**Section Description:** The Strategy and Implementation Summary details specific strategies for running the business the owner will use. This section is very similar to an action plan, in that it explains how the business will deal with competition, advertise, and most importantly, how the business will remain financially stable. Strategies addressed in this section are Marketing Strategy and the Sales Strategy.

Addressing environmental issues is a key goal for the Pollards Hill Thrift Shop. Ms. Joanna Benson was the Green Champion Award winner in 2008. However, it is also a top priority to give the community self-sufficiency in the more impoverished areas, because the government often gives handouts, but usually without the long-term support. The shop will be able to provide long term support for the community that is fueled by donations and efforts to recycle their own unused goods.

#### 5.1 MARKETING STRATEGY

The marketing strategy of the Pollards Hill Thrift Shop will be mainly focused around sales and donation promotions. These promotions will enhance the shop's centralized location and reliable hours to ensure that a loyal customer base is created throughout the Pollards Hill community.

- The marketing budget will not exceed 1% of the gross annual sales.
- The promotions will remain focused around the mission statement and aim to encourage economic regeneration within the community along with environmental efforts.

There will be no costs associated with determining prices because the goods will be donated. The prices are going to be kept very low in order to make the shop a feasible option for people with lower incomes in the Pollards Hill community.

### 5.1.1 PROMOTION STRATEGY

The promotional strategy will have to take into consideration promoting the shop for sales and promoting donations to the shop. The shop would like to use a creative strategy in order to keep the costs of promoting low.

- An article on the Pollards Hill Thrift shop and its goals to help the community will be published in the local newspaper, *The Guardian*, before the opening of the shop to raise community awareness.
- Fliers will be sent out to every home in Pollards Hill once a month advertising the shop and encouraging people to donate their unused goods.

### 5.2 SALES STRATEGY

- { Insert a description of the tagging procedure, see Instruction Bullet 1 }
- { Insert a description of the Return Policy, see Instruction Bullet 2 }

#### **Instructions:**

Joanna, you need to complete this subsection.

- First, explain the tagging process that will allow you to keep track of the goods that flow in and out of the shop.
- Second, will you have a return policy? If so, describe it here. For example, “The shop will have a 10 day return/exchange policy that will encourage a trusting relationship between the customer base and the shop. This will also help to promote a loyal customer base.” If not, then just delete that bullet point.

### 5.2.1 SALES FORECAST

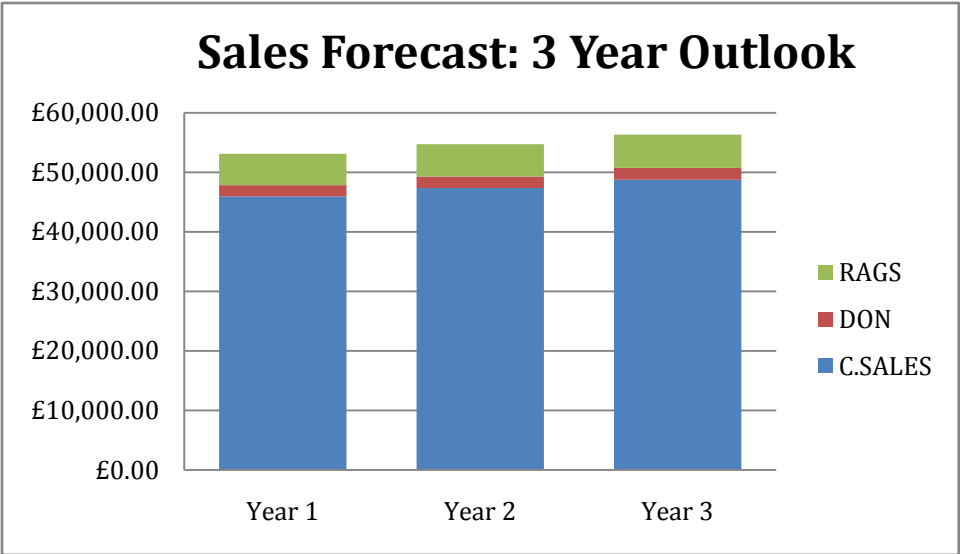
The chart and table below show the predicted sales forecast for the next three years. It is expected that the sales will be highest in the winter months due to higher utility bills. People tend to watch their money a little more closely during these months and would most likely use an economically friendly alternative such as the Pollards Hill Thrift Shop.

The Pollards Hill Thrift Shop plans approximately a 3% growth rate for the first year as the shop will still be creating a name for itself in the community and establishing a loyal customer base.

The second and third year the growth rates are predicted to be approximately 3%, a slight increase due to the previously established trusting relationship between the shop and the community.

**Instructions:**

- The figures in the graph below were calculated using the 3% growth rate that you indicated and the year one values that you provided us with. If you feel as though this needs to be changed after further research and new information is acquired, you can recalculate the figures for years 2 and 3 based off of a different growth rate.



<b>SALES FORECAST FOR POLLARDS HILL THRIFT SHOP</b>													
<b>Year 1</b>													
MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
C.SALES	£4,180.00	£3,868.00	£3,700.00	£3,956.00	£3,850.00	£3,840.00	£4,272.00	£4,250.00	£3,880.00	£3,600.00	£2,980.00	£3,601.00	£45,977.00
DON	£160.00	£180.00	£60.00	£120.00	£165.00	£58.00	£67.00	£48.00	£41.00	£160.00	£250.00	£560.00	£1,869.00
RAGS	£480.00	£369.00	£800.00	£320.00	£600.00	£444.00	£398.00	£360.00	£440.00	£290.00	£520.00	£257.00	£5,278.00
TOTAL	£4,820.00	£4,417.00	£4,560.00	£4,396.00	£4,615.00	£4,342.00	£4,737.00	£4,658.00	£4,361.00	£4,050.00	£3,750.00	£4,418.00	£53,124.00
<b>Year 2</b>													
MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
C.SALES	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£47,356.31
DON	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£1,925.07
RAGS	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£5,436.34
TOTAL	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£54,717.72
<b>Year 3</b>													
MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
C.SALES	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£48,777.00
DON	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£1,982.82
RAGS	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£5,599.43
TOTAL	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£56,359.25

Figure 8: Sales Forecast

## 6.0 MANAGEMENT SUMMARY

**Section Description:** The Management Summary explains how the business will be organized. This section shows how the business will be run, in terms of its operations. For example, the roles that will volunteers play in the shop, such as: a cashier, or cleaning inventory. Potential Investors will look at this section and will probably make decisions off of the credentials of current or future managers, so it is important for the credentials of major staff members to be described thoroughly.

Employees will be encouraged to work within their creative, physical, and intellectual boundaries. All duties will be divided and delegated according to strengths and weaknesses.

The Pollards Hill Thrift Shop is a small business and therefore requires a simple organizational structure. Joanna Benson will act as general manager. All decisions are made in-line with the company objectives. Assisting Ms. Benson will be a volunteer assistant manager and treasurer. Other volunteer positions in the shop will include cashier, inventory, and sales. Volunteer tasks

are delegated based upon the individual's level of expertise, creativity, strengths, and weaknesses.

## **6.1 MANAGEMENT TEAM**

Joanna Benson, the shop's general manager, will be responsible for all administrative functions, promotions, and inventory control. Joanna has lived and worked in Pollards Hill for most of her life, allowing her to be exposed to many of the local citizens. She has had prior experience managing other thrift shops such as the British Heart Foundation and British Red Cross, both of which are located in Mitcham.

{Assistant manager credentials, See Instructions}

{Business mentor credentials, See Instructions}

### **Instructions:**

Joanna, any other management personnel such as an assistant manager or a business mentor, can go in this section. Just say what they will be doing, and note what past experience they have that makes them qualified.

All personnel, including Joanna, will work on a volunteer basis, accepting no general salary. The following list includes tentative titles for upper management positions:

- General Manager
- Assistant Manager
- Business Mentor

## **7.0 FINANCIAL PLAN**

**Section Description:** The Financial Plan contains all of the financial data for the business. Potential investors will look very carefully at this section to be sure that the business will be profitable and sustainable. The information in this section will also help the business owner to stay on top of expenses and achieve desired profit levels.

### **7.1 PROJECTED SALES**

**Purpose:** A sales forecast contains relatively accurate sales predictions based on an estimated yearly growth rate. The purpose of a sales forecast is to allow the business owner to manage inventory and cash flow based on realistic sales



predictions. Essentially, a sales forecast helps a business owner make intelligent decisions regarding the business (Ward, 2009). This would be relevant for you, Joanna, because you have already had a year of business and this forecast will help you gain a better understanding of where the majority of your profits are coming from.

## **Instructions:**

1. Open the Excel document you have titled “FORCAST”
2. The data already entered will be the data for Year 1, label this by typing Year 1 into cell A3
3. A sales-forecast showing a three year period is highly recommended.

To extrapolate the data over a three year span:

1. First, delete the cell that says OP. BAL (unless there is data to put in there, in the version you gave us that row was blank, so we removed it entirely)
2. Next, select the remainder of the cells with data in them, including all labels
3. Once all cells are selected, copy and paste the data two more times below the first set
4. Label the copies Year 2 and Year 3 respectively, above the data as was done with “Year 1”
5. In the individual “Month” columns in Years 2 and 3, type TBD, as monthly data is not known at this time.

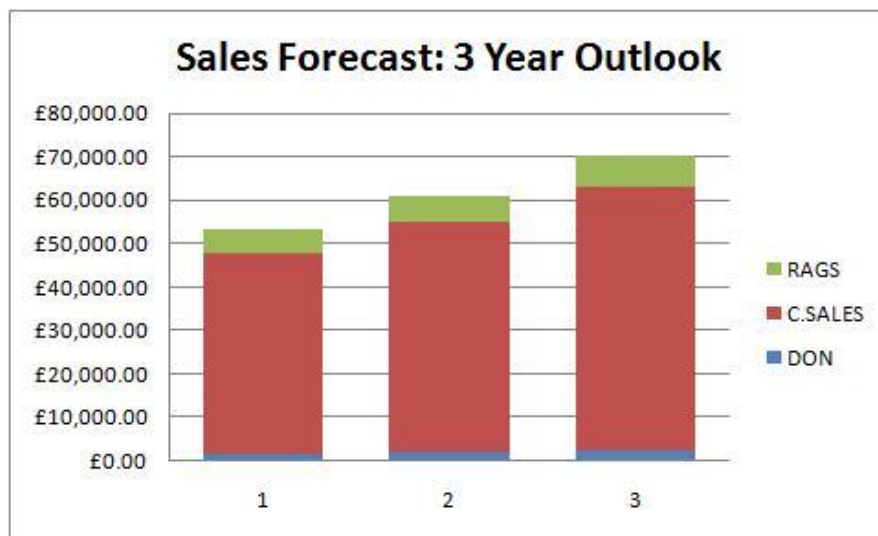
TIP: Only type TBD in one of the month cells and click on the corner of that cell. A black plus sign should appear as your cursor. Click and drag across all cells to automatically fill them in with TBD.

6. In the data sets for Year 2, select the “TOTAL” cell for the “C. SALES” category. Clear whatever is showing in the formula bar and type in: =”Name of C. SALES TOTAL Cell for YEAR 1”+ (“Name of C. SALES TOTAL Cell for YEAR 1” \* .03) without the quotation marks. Hit enter and this should put a total for C. SALES in Year 2 which is equal to a 3% growth rate for the year.
7. To repeat this formula throughout each category in Year 2, click on the corner of the cell with the new C. SALES total in it. You should see the black plus sign again. Drag this down to auto-complete the rest of the rows in Year 2. (Clear any cells that display zeros).
8. Repeat steps 6 and 7 for Year 3, except replace “Name of C. SALES TOTAL Cell for YEAR 1” with the cell name of the C. SALES TOTAL for Year 2.
9. The Sales Forecast data should now be complete (see Figure 9) and ready to be made into a graph.

To make a bar graph showing the three year sales forecast:

1. First, click in any empty cell on the same sheet as the data explained above. Go to “Insert” in the toolbar and select to insert a 2-D stacked column chart.
2. This should place a blank chart area somewhere on the sheet. Right-click inside the blank chart area and select “Select Data” from the pull down menu.

3. In the left-hand side of the “Select Data Source” box that appears (Legend Entries), click the “Add” button. This will bring up the Edit Series Box. In the “Series Name” area, click the “Select Range” button and then click on the cell in Year 1 that says C. SALES in it, hit Enter. For the series value box, hold down the Control (Ctrl) key on the keyboard and then click on the three numerical C. SALES TOTAL cells. Hit Enter. C. SALES should appear on the left-hand side of the “Select Data” box.
4. Repeat step 3 for “DON” and “RAGS” categories.
5. Once all three categories appear in the Legend Entries box, it is time to edit the horizontal-axis labels. Do this by clicking the “Edit” button on the right-hand side of the “Select Data Source” box. In the “Axis Labels” box, click “Select Range” and while holding down the control (Ctrl) key, click on the cells containing “Year 1”, “Year 2”, and “Year 3”. Hit enter.
6. Finally, hit “Ok” to exit the “Select Data Source” box and Voila! Your sales forecast graph should appear!
7. You may notice the graph is missing a title, to fix this easily, click on the exterior edge of the graph frame. Go to the “Chart Tools” Design menu and select the chart layout that has a blue rectangle hovering over the bar graph. Click on that picture and it will reformat your graph to include a title! Just click on the title to edit it as you see fit.



SALES FORECAST FOR POLLARDS HILL THRIFT SHOP													
<b>Year 1</b>													
MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
C.SALES	£4,180.00	£3,868.00	£3,700.00	£3,956.00	£3,850.00	£3,840.00	£4,272.00	£4,250.00	£3,880.00	£3,600.00	£2,980.00	£3,601.00	£45,977.00
DON	£160.00	£180.00	£60.00	£120.00	£165.00	£58.00	£67.00	£48.00	£41.00	£160.00	£250.00	£560.00	£1,869.00
RAGS	£480.00	£369.00	£800.00	£320.00	£600.00	£444.00	£398.00	£360.00	£440.00	£290.00	£520.00	£257.00	£5,278.00
TOTAL	£4,820.00	£4,417.00	£4,560.00	£4,396.00	£4,615.00	£4,342.00	£4,737.00	£4,658.00	£4,361.00	£4,050.00	£3,750.00	£4,418.00	£53,124.00
<b>Year 2</b>													
MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
C.SALES	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£52,873.55
DON	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£2,149.35
RAGS	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£6,069.70
TOTAL	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£61,092.60
<b>Year 3</b>													
MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
C.SALES	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£60,804.58
DON	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£2,471.75
RAGS	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£6,980.16
TOTAL	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	£70,256.49

Figure 9: Sales Forecast

## 7.2 PROJECTED PROFIT AND LOSS

**Purpose:** The Income Statement shows your Revenues, Expenses, and Profit for a particular period. It's a snapshot of your business that shows whether or not your business is profitable at that point in time; Revenue - Expenses = Profit/Loss (Ward, 2009). This will be an important analysis because the expenses of moving into the new toilet block with are greater due to utility bill and other various expenses. This analysis will help show that the business is sustainable.

### Instructions:

1. Open the Excel file titled "Profit-Loss Analysis Template".
2. Fill in the cells with the correct monthly figures for revenue (or sales, in your case) and the cost of sales, which, if all the goods are pure donations, this amount should be zero.
3. The template will automatically calculate your gross profit margin (How much money the shop is actually making before expenditures, as a percentage).

4. Next, fill in all relevant monthly expense categories and cells with the appropriate numbers. Leave any categories you do not use/need as zeros all the way across the rows (see Figure 10).

5. The template will automatically do all the calculating for you and display the shop's net profit (profit after everything paid in and out is considered).

6. The Profit and Loss Forecast is now complete!

PROFIT AND LOSS FORECAST FOR POLLARDS HILL THRIFT SHOP													
Month	1	2	3	4	5	6	7	8	9	10	11	12	Total
Revenue	£4,820.00	£4,417.00	£4,560.00	£4,396.00	£4,615.00	£4,342.00	£4,737.00	£4,658.00	£4,361.00	£4,050.00	£3,750.00	£4,418.00	£53,124.00
Cost of sales	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
<b>Gross profit</b>	4820	4417	4560	4396	4615	4342	4737	4658	4361	4050	3750	4418	£53,124.00
<b>Gross profit margin (%)</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	£1.00
<b>Expenses/overheads</b>													
Premises (rent, rates)	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£780.00
Power (light, heat, electricity, gas)	£1,300.00	£1,300.00	£1,100.00	£1,100.00	£1,100.00	£1,100.00	£1,100.00	£1,100.00	£1,100.00	£1,100.00	£1,300.00	£1,300.00	£14,000.00
Telephone	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£600.00
Insurance	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£9,600.00
Postage and carriage	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
Advertising	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£12,000.00
Interest and bank charges payable	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
Stationery	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
Drawings, wages or salaries	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
Equipment hire	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
Motor expenses	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
Accountancy fees	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
Legal/professional fees	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
Other specific expenses	£300.00	£300.00	£390.00	£400.00	£450.00	£450.00	£460.00	£380.00	£380.00	£400.00	£300.00	£360.00	£4,570.00
Other specific expenses	0	0	0	0	0	0	0	0	0	0	0	0	£0.00
<b>Total expenses/overheads</b>	3515	3515	3405	3415	3465	3465	3475	3395	3395	3415	3515	3575	£41,550.00
<b>Net profit</b>	1305	902	1155	981	1150	877	1262	1263	966	635	235	843	£11,574.00
<b>Net profit margin</b>	27.1%	20.4%	25.3%	22.3%	24.9%	20.2%	26.6%	27.1%	22.2%	15.7%	6.3%	19.1%	£0.22

Figure 10: Profit/Loss Forecast

### 7.3 PROJECTED BUDGET/CASH FLOW

**Purpose:** A cash flow analysis is a method of checking up on your firm's financial health. It is the study of the movement of cash through your business, called a cash budget, to determine patterns of how you take in and pay out money. The goal is to maintain sufficient cash for firm operations from month to month (Peavler, 2009). This analysis will be more helpful once the business is running. There are instructions regarding how to go about this and how to collect the data below. A positive cash flow is something that is important for a business to be able to show.

#### **Instructions:**

1. This type of cash flow analysis is called cash budgeting analysis. It is part of your firm's financial forecasting plan. Determine the amount of cash that will flow into your firm during the month. If you are just starting your business, you should include the beginning balance in cash that you want to have available every month. There would also be the amount of sales you have during the first month. Sales would include both cash sales and sales that you make to your customers who pay on credit. Here's an example you can follow to develop your Schedule of Cash Receipts (Sales Receipts).
2. Determine the amount of cash that will flow out of your firm during the month. You will have expenses. You will probably have to buy office supplies. Other monthly expenses may include advertising, vehicle expenses, and payroll expenses, just to name a few. You will have some quarterly expenses, such as taxes. You may have expenses that just occur occasionally, like purchases of computer equipment, vehicles, or other larger expenses.
3. You want the cash that will flow into your firm (Step 1) to be greater than the cash that will flow out of your firm (Step 2). This means that your monthly cash inflow needs to be greater than your monthly cash outflow so you will have sufficient cash to operate your firm. Here's a blank worksheet you can use to calculate your cash inflow or cash receipts.
4. Your ending balance for the first month becomes the beginning balance for the second month. You do the same type of analysis. Each month, you may have to add more items to your cash flow analysis as your business grows. You need to decide what the minimum ending cash balance is that you find acceptable for your firm and aim toward that figure each month.
5. If your cash flow turns negative for any one month, you will have to borrow money for that month from family or friends, investors, or from a bank or other financial institutions. Then, if your cash flow is positive the next month, you can repay that loan.
6. Keep on doing this each month for your forecasting period. Try to keep your borrowing to a minimum and your cash inflow greater than your outflows. Remember that this cash budget is a financial forecasting document but try to follow it as closely as possible.

## Tips:

1. Take a look at this [article](#). It shows you how to use the cash budget as a part of a comprehensive financial forecasting plan.
2. This [worksheet](#) helps you develop the first part of your cash budget, the Schedule of Cash Receipts. This [blank worksheet](#) gives you space to develop your own Schedule of Cash Receipts.

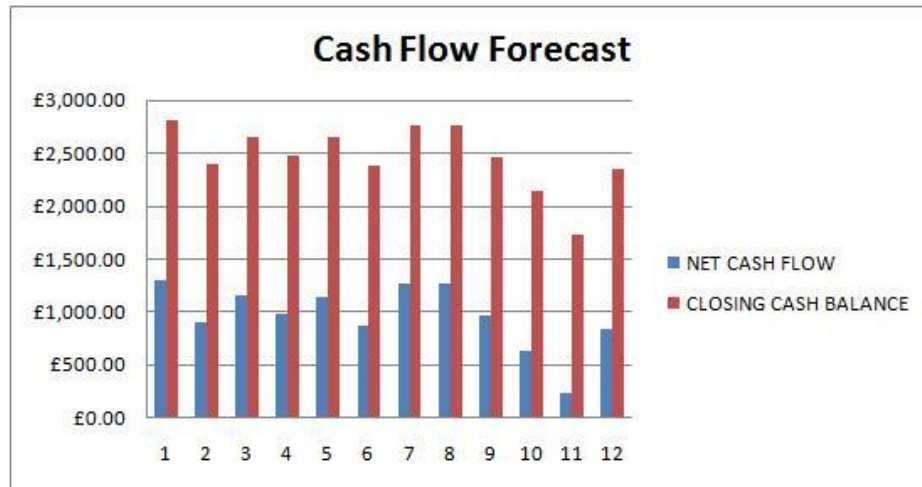
## What You Need:

- Your business computer
- The computerized accounting program you use
- All your sales receipts and expenses

Source: (Peavler, 2009)

To create the Cash Flow forecast graph (see figure 11):

1. First, click in any empty cell on the same sheet as the data explained above. Go to “Insert” in the toolbar and select to insert a 2-D stacked column chart.
2. This should place a blank chart area somewhere on the sheet. Right-click inside the blank chart area and select “Select Data” from the pull down menu.
3. In the left-hand side of the “Select Data Source” box that appears (Legend Entries), click the “Add” button. This will bring up the Edit Series Box. In the “Series Name” area, click the “Select Range” button and then click on the cell that says NET CASH FLOW in it, hit Enter. For the series value box, click on the first number in the NET CASH FLOW row and drag the cursor across the row to select all values, then hit enter.
4. Repeat step 3 for CLOSING CASH BALANCE.
5. Finally, hit “Ok” to exit the “Select Data Source” box and Voila! Your Cash Flow graph should appear!
7. You may notice the graph is missing a title, to fix this easily, click on the exterior edge of the graph frame. Go to the “Chart Tools” Design menu and select the chart layout that has a blue rectangle hovering over the bar graph. Click on that picture and it will reformat your graph to include a title! Just click on the title to edit it as you see fit.



Cash Flow Forecast for the Pollards Hill Thrift Shop													
DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
<b>Receipts</b>													
SALES	£4,180.00	£3,868.00	£3,700.00	£3,956.00	£3,850.00	£3,840.00	£4,272.00	£4,250.00	£3,880.00	£3,600.00	£2,980.00	£3,601.00	£45,977.00
DONATIONS	£160.00	£180.00	£60.00	£120.00	£165.00	£58.00	£67.00	£48.00	£41.00	£160.00	£250.00	£560.00	£1,869.00
RAGS	£480.00	£369.00	£800.00	£320.00	£600.00	£444.00	£398.00	£360.00	£440.00	£290.00	£520.00	£257.00	£5,278.00
<b>CASH INFLOW TOTAL</b>	<b>£4,820.00</b>	<b>£4,417.00</b>	<b>£4,560.00</b>	<b>£4,396.00</b>	<b>£4,615.00</b>	<b>£4,342.00</b>	<b>£4,737.00</b>	<b>£4,658.00</b>	<b>£4,361.00</b>	<b>£4,050.00</b>	<b>£3,750.00</b>	<b>£4,418.00</b>	<b>£53,124.00</b>
<b>Expenditures</b>													
RENT	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£65.00	£780.00
TELEPHONE	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£50.00	£600.00
INSURANCE	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£800.00	£9,600.00
ADVERTISING	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£1,000.00	£12,000.00
PROJECTS	£300.00	£300.00	£390.00	£400.00	£450.00	£450.00	£460.00	£380.00	£380.00	£400.00	£300.00	£360.00	£4,570.00
UTILITIES	£1,300.00	£1,300.00	£1,100.00	£1,100.00	£1,100.00	£1,100.00	£1,100.00	£1,100.00	£1,100.00	£1,100.00	£1,300.00	£1,300.00	£14,000.00
<b>CASH OUTFLOW TOTAL</b>	<b>£3,515.00</b>	<b>£3,515.00</b>	<b>£3,405.00</b>	<b>£3,415.00</b>	<b>£3,465.00</b>	<b>£3,465.00</b>	<b>£3,475.00</b>	<b>£3,395.00</b>	<b>£3,395.00</b>	<b>£3,415.00</b>	<b>£3,515.00</b>	<b>£3,575.00</b>	<b>£41,550.00</b>
<b>NET CASH FLOW</b>	<b>£1,305.00</b>	<b>£902.00</b>	<b>£1,155.00</b>	<b>£981.00</b>	<b>£1,150.00</b>	<b>£877.00</b>	<b>£1,262.00</b>	<b>£1,263.00</b>	<b>£966.00</b>	<b>£635.00</b>	<b>£235.00</b>	<b>£843.00</b>	<b>£11,574.00</b>
OPENING CASH BALANCE	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£1,500.00	£18,000.00
<b>CLOSING CASH BALANCE</b>	<b>£2,805.00</b>	<b>£2,402.00</b>	<b>£2,655.00</b>	<b>£2,481.00</b>	<b>£2,650.00</b>	<b>£2,377.00</b>	<b>£2,762.00</b>	<b>£2,763.00</b>	<b>£2,466.00</b>	<b>£2,135.00</b>	<b>£1,735.00</b>	<b>£2,343.00</b>	<b>£29,574.00</b>

Figure 11: Budget/Sales Forecast

## Social Impact Report

Ms. Benson is putting together a social impact report that will show how the shop is going to affect the community. She has many letters of support that she is planning to use as testimonials. She is planning to use photographs to show the positive impacts that the shop will have on the community, the social environment, and the urban environment. These photographs will show the cycle of a donation. Ms. Benson will first take a picture of an item that may be found in a trash bin, then show the item being cleaned, being sold to a customer, such as a young mother, and then she could show a similar item being returned to the shop as a donation. The group would be unable to document this process, but have talked with Joanna about the steps that need to be taken to create the desired effect.

The shop will have a positive impact on the community because it will be the only charity shop within walking distance of Pollards Hill. Pollards Hill is a low-income neighborhood in Merton and often gets overlooked in comparison to its neighbors Mitcham and Wimbledon. This shop would give community members a chance to purchase items and have the money go directly back to projects within the Pollards Hill community. The shop would also be able to offer volunteer opportunities to people in the community who are looking for work experience. The Commonsides Community Development Trust has a program that works with young mothers and the shop would be able to offer a chance for these young mothers to work part-time in the shop, while gaining work experience and job skills. It would also help people who have been out of the work force for some time transition, at a gentle pace, back into the work force.

The shop would also have an impact on the social environment through its sponsorship of projects. Some of the projects that Ms. Benson plans to take part in include funding a youth football team for the children living in the area. This would give them something productive to do to keep them from getting into trouble. She would also like to take part in the “Farm to Table” program, where young children are taught where food comes from and the process it takes to get from the farm to their own kitchen table. The shop plans to make enough profit to enroll several young children into this program. Eventually, Ms. Benson would like to be able to offer a salaried mentor position at Commonsides.

The shop will also have an enormous impact on the local urban environment. The toilet block is located across the street from the Commonsides Community Development Trust, which is a local community centre. The toilet block building is currently an under-utilized property that



is home to a bus stop. Renovation for the shop would turn the toilet block into an environmentally friendly and presentable building. Ms. Benson would like to eventually add solar panels to the exterior and to have a local graffiti artist paint a mural on the wall with people of all ages and races holding shopping bags with the shop logo. She plans on recycling all unused goods and wants to keep natural light coming into the shop, as well as keep the bus stop outside. The shop has the potential to be a central focus in the Pollards Hill area. Many people in the community simply throw out unused goods, due to the fact that they do not want to carry the goods on a bus to the charity shops in the neighboring areas such as Mitcham. Because the shop is so centrally located, locals would be able to donate goods quite easily, rather than throwing them into the garbage, where they would eventually end up in landfills and harm the environment.

## Conclusions

Throughout the seven weeks here in London, the group researched several topics, including asset transfer, business plans, interview strategies, and how to work collaboratively with others. We realized that asset transfer is not a simple, well defined process that is used to help regenerate communities as we had previously thought after our research on the LDA's "Sustaining Success." Asset transfer is a process that is used to help local governments boost their economy. There is no well defined structure to the process, because each case is so unique. We did learn, however, that there are some general things that contribute to a stronger asset transfer proposal. Some examples include good relations with the local council, strong community backing, and, if necessary, a coherent business plan that outlines key strategies and plans for an organization.

Business plans proved to be much more complex and detailed than we had originally thought. We had a basic understanding of general concepts as to stating the who, what, where, when, and why, but we had no idea about the types of analyses that would need to go into various sections. For example, a market analysis is not just how the business plans to promote itself, it needs to include a sales forecast showing what is being sold and that the sales will increase over the years. In addition, having good records of hard data is necessary for writing several sections of a business plan. For example, Ms. Benson lacked documentation regarding inventory and the pricing of goods in the shop.

Interviewing was an important method used in our project. We learned that there are several different types of interviewing styles, both formal (as in the case of Howard Joy) and informal (such as the charity shop manager interviews). We conducted several informal interviews with Joanna that flowed more like conversations than question and answer sessions. We learned that there are things to look out for in a formal interview, such as getting too far off track, not letting the interviewee know that there will be an end, and body language cues. As an example, body language such as fidgeting with a watch can mean that the interviewee is losing patience. Overall, it was a learning experience to be exposed to two drastically different types of interview methods, as well as knowing how to operate in each situation.

Working collaboratively with people from different educational and socioeconomic backgrounds can be difficult as it is, let alone mentoring them. There can be unpredictable

barriers and difficulties that can affect how problems are solved. It was a learning experience for each one of us and we were all affected in different ways. As a result, the group decided that it would be most effective for each group member write a reflective piece to relay our experiences. These reflective pieces are included below.

### **Karissa**

At the onset of this IQP project, I was very unsure of exactly what we would encounter over in London. Mostly this was due to the fact that we did not know many details of our project in D-Term, and we only made initial contact with our sponsor about two weeks before we left WPI. From our initial e-mail correspondence with Joanna, I quickly gained a sense that she did not have the best grasp on using a computer. As it turns out, she explained in a later e-mail that she does indeed struggle with computers. Before we even met Joanna in person, I could tell that there might be some “educational” differences between her and our group. We were under the impression going into the project that we would assume a kind of mentoring role towards Joanna. Little did we know then, but the mentoring aspect would be a two-way street. We taught Joanna as much as she taught us.

Upon meeting Joanna, I could sense that she was very enthusiastic and full of dreams for her community shop. She was able to verbally get her ideas across quite well, even to the point where I could see the disused toilet block transformed into a lovely charity shop. However, even though it was effortless for Joanna to talk about her goals, she had very little actually written documenting her struggles with the Merton Council thus far. To be honest, Joanna’s lack of substantial data and mediocre organization of the data she did have put me back at first and made me think that it was going to be almost impossible to draft a strong business plan with Joanna’s information. As time went on and we garnered more information from Joanna, the business plan began to take a stronger shape, but it still had severe gaps. In order to fill these gaps, the four of us would go into Commonsidge to interview Joanna. It was clear from our interviews early on that we should refrain from using too many technical terms to avoid confusing or losing Joanna’s train of thought. By explaining things in an easy to follow manner, we were more successful at getting Joanna to pull the thoughts out of her head to give to us. With a better idea of Joanna’s dreams on paper, we mentored Joanna on how to reach her goals and ultimately acquire the toilet block and expand her shop. A professional sounding and looking proposal will give Ms. Benson the edge she needs to sway the council in their transfer decision. Joanna is somewhat resistant to

adhering to formalities because she does not see why the “Council cannot just hand me £100,000 and the toilet block,” however, when dealing with government of any type, a formal approach is very much required. I believe and hope that we taught Joanna the importance of appearing professional in word and deed when dealing with the Merton Council.

Just as we were teachers in a sense, we were also Joanna’s students. One of the biggest lessons I learned from Joanna was that a lot can be accomplished through sheer will and determination. If you are persistent enough, you will eventually obtain your desires. One thing I think we all learned from Joanna was that sometimes a short walk outside can help ground your mind and aid focus. Almost every time we went into work, Joanna would urge us to take a short walk around outside after lunch. I found these strolls refreshing and the sunlight gave me additional energy to make it through the day. Another thing I learned from working with Joanna is that strong connections throughout the community can be extremely useful. Joanna had previously contacted Merton Council members such as Howard Joy and Jacqui Denton, establishing a “foot in the door,” as Joanna put it. Through Joanna’s e-mails, we were able to contact these government officials and this contact eventually led to a very helpful personal interview.

All in all, this IQP was definitely a learning experience in so many ways. It was not without its obstacles, but this project taught me how to better deal with obstacles when they do arise. I learned how to better understand the needs of those that may not have had the same educational experiences I’ve had. I also learned that looking at things in a whole new light can bring some unexpected and welcome results. Working with Ms. Joanna Benson and helping her in expanding her charity shop has been one of the most fulfilling experiences of my life. Joanna is a very inspiring individual and she made me want the project to be successful, for her. Going forward, I personally hope Joanna does acquire the toilet block and is able to create her ideal shop. I also hope that we have left her the tools she needs to make her dream a reality. Finally, I hope that the Pollards Hill Community Shop becomes a major success and Joanna is able to give back even more to the community she loves.

## Coley

When interacting with someone that you are unfamiliar with there are many boundaries that must be surpassed in order to establish a working relationship. In my experience with working with Ms. Joanna Benson there were several boundaries that were put up in the beginning due to

age differences, different educational backgrounds, and different cultural backgrounds. The things that I have learned from Ms. Benson have been priceless however, I have learned a lot in regard to working with someone so different and at the same time learned a lot about myself.

The fact that Ms. Benson is a little older than my mother was a fact that intimidated me at first. I was not sure how to give advice and to remain respectful at the same time. Ms. Benson has passion and energy for her community that is invigorating and very inspiring. However, she does have her own weaknesses as well. The group wanted to help her in order to establish a professional tone, yet she was very turned off by any technical terms or nuances. For example, she stated, "I don't want a boring, black suit, business plan. I want it to stand out and to be different from the other business plans that will be stacked on his (Howard Joy's) desk." It took a while to learn that in order to give her advice we had to make things seem simple and flexible. She was much more willing to be flexible if she thought that there could be a balance between the creativeness she had and the professionalism we were trying to teach her. Typically, a social impact report is a government issued form. However, Joanna wants to use her voice to tell the stories of how the shop has impacted people based on their letters to her. She always wants to use photographs to show the cycle of the goods that pass through the shop. It is important for her to be different and stand out because she does not want the application to fall into a pile of applications that are similar. She wants it to stand out and to relay that passion that she has. It was a learning experience to realize that, yes we had a lot to teach Ms. Benson and show her in regards to the technical aspects, but she had even more passion and creativity to show us. We are all students from a polytechnic institute; we are not the most creative, free minded students. But she helped us break down our boundaries. Her years of experiences that surpassed us by far showed through when she was trying to teach us that she did not want it to be a boring report on a desk; she wanted it to stand out and be slightly different.

Before we came here to London to meet Ms. Benson, we had corresponded with her via email. Our first impression of her was that she was close to illiterate and that we would be in for a tough seven weeks. We judged her mainly by her writing skills. The initial contact email that we received was hard to even understand what she was saying. She did not have complete sentences. There was no capitalization or correct use of grammar. We had written three drafts of our initial contact email and used very formal language. It was surprising to receive her email response with her salutation being, "blessings Joanna." It was a shock to hear her speak the first

day that we arrived. It was incredible. She spoke with confidence and clarity. She knew exactly what she wanted to say and made her point. We were all taken aback at first. I then realized that even though she may not have a college degree, her years of experience have taught her. She is not a dumb woman at all. She is intelligent; she just has difficulty putting her words into writing. This opened my eyes to the fact that people are intelligent in different ways. There are different types of literacy such as professional literacy in comparison to literacy in communication. Joanna may not have professional literacy, she has even stated, “We all know I am illiterate when it comes to this,” but she can communicate verbally with people more effectively than most people that I have encountered. We all bring something to the table and it is a good thing that we all don’t bring the same thing. However, the biggest boundary that this educational difference caused was that we tended to intimidate her at times. I, personally, am a very organized schematic person, I like to have deadlines and have things lay out in a clear logically manner. This intimidated Joanna, she would crack jokes about the way that I like to do things and at first I took some offense to this. I realized that it wasn’t personal. She became closer with Ben due to his more free, laidback mannerisms. So we decided that when she would get frustrated with us due to us trying to get her to conform, we would have Ben go on a walk with her and just talk. He would be able to put things into a perspective that Joanna could appreciate and usually this strategy would work fairly well. However, we were unable to get here to give us all of the documents and information needed to complete the business plan. So our plan is to leave step by step instructions for the sections that we could not complete so that she will be able to if she so chooses.

The final boundary that we had to cross was a cultural one. In the United States, especially in New England, people tend to work at a hushed hurried pace. We soon found out that this was not the way that they worked here in Pollards Hill; well at least Joanna did not. She felt that us coming more than 2 days a week was too much. It is hard to decide whether or not this was a cultural difference or whether or not this was because Joanna can only handle so much. While we were there on those two days she would instruct us to go outside for a walk if we had been inside working for more than an hour. She said that we needed fresh air. At first we found it almost comical because we felt as though we had just gotten to work. I soon realized that this was just a different pace of life. This was how she has done things for over 50 years now and we weren’t going to change that. So we tried to conform to her ways. It was hard at first because we

felt as though we were wasting time. But, it was interesting to learn the different ways people can work and live their lives in different areas. She thought that we were work-a-holics and always thought that we needed a break were we felt as though we weren't getting enough done. This was a cultural difference that I did not expect to face, but I did learn a lot from it. It is important to stay flexible and appreciate the way others do things, even if they are the way that you would necessarily to them. These are lessons that I will definitely take with me into the future.

## **Ben**

Living in London, England and working with Joanna opened my eyes in several different ways. When working with people of another culture, it is nice to get an idea of how they go about their everyday life. Joanna speaks with a heavy English accent. British English is more formal and proper than American English, and with their accent, it can be difficult to understand. Living here for two months, a person quickly becomes familiar with the native tongue and can even pick up some of its habits. For example, instead of saying "call me," I now say "ring me," and chips are crisps. When she talks to us and we don't understand the English style or the English phrase or word for something, Joanna has been very patient with us and will explain it.

It was challenging to work with someone like Joanna for several reasons. She is very driven, passionate, and personable. Unfortunately she lacks the experience and understanding that education gives a person. She couldn't understand some of the words that we used, and she would stop us and ask us to clarify what we meant. If we were talking too fast, she would ask us to repeat ourselves slower for her. Coming from a well-known tech school, which was not easy to get into, I consider myself a fairly intelligent human being. I also consider myself to have "street smarts." I'm not necessarily saying I am better at one or the other, but I can understand most technical terms and am able to break them down. When dealing with Joanna, however, things had to be broken down to very simple terms. It was very frustrating because if Joanna did not understand what we were trying to say, she would be very defensive and less cooperative. So I had to step in, since I was her favorite, and suggest a more personal interview between just her and me. She knows her own strengths and weaknesses, which is beneficial because she is working on improving her weaknesses and using her strengths to her benefit.

Joanna is a very personable woman. In her own words, "I can sell Ice to an Eskimo," and I believe her. She can paint a vivid picture in your head full of emotion and passion that makes

you want to jump up and immediately get to work on it. She is a very capable human being, having raised three children as a single mother. I hope council members understand this and can give her the benefit of the doubt.

While working with Joanna, I became closer to her than any other group member. I believe that this is due in part to the fact that she may have been intimidated by bright young American college students coming over here and trying to run the show. She may have felt quite inadequate and jealous of our grasp on what “educated” government officials were trying to tell her. She was intimidated by Coley’s organizational skills and leadership, as well as Jack and Karissa’s use of big technical words as if they used them in everyday life. I could see this and would try to break down their statements into more down to earth terms that Joanna would be able to comprehend. She understood that we both have learning disabilities and she looked up to me because I have made it this far while dealing with my ADHD. This was about the time she became close to me. I became the group liaison. Joanna got my phone number and email address and would contact me and vice versa.

Some of the difficulties I faced were: at some points it seemed as if I was almost playing two different sides of a game when Joanna didn’t agree with or didn’t understand something we were doing as a group. I would be the one caught in the middle. I felt I would have to explain our reasoning to her and get her consent then return to my group to be questioned about what Joanna thought about it all.

I learned several things overall: first off (and no offense to Joanna), I don’t want to find myself in her predicament. I want to get as much education to prepare myself for life in our current society. I learned that I can be a very social person, I never thought I was before. If I can learn to use that to my advantage, I think I can do well for myself. I realized that I am just about as intelligent as my peers. I can understand what they are trying to tell me and what we have to do, but sometimes it does have to be spelled out for me. I learned that writing is not my strong point, but multiple revisions actually do help. Short, sweet, and to the point is not always the best way to go about writing. Adding as much detail as possible and going into as much depth as possible is usually the way to go. I learned how to communicate with older people, and that relating to them is important to understanding what a person wants and how they want to go about getting there.



## Jack

From a mentoring perspective, this project taught me a great deal about working with other people, especially ones of a different age group and cultural and social background. Prior to our arrival in London, I had assumed that Joanna knew absolutely nothing about what went into an asset transfer, and that we were going to spend a good portion of the project teaching her all the aspects that go into making a successful asset transfer. This assumption was mostly based on our interactions with her via e-mail. She came off as a bit illiterate and inarticulate. This led me to think that she wasn't that smart. I couldn't have been more wrong.

Our first meeting with Joanna was a real wake-up call. She may have lacked formal education, but she was in fact quite articulate about what she wanted out of this project. She also seemed to know more than the group originally thought, providing us with details about business plans that we hadn't even heard of, such as the SWOT analysis. All in all, she came off as very inspirational and devoted, and that feeling was infectious. I expected a lot of back and forth peer coaching to occur during the project.

Due to prior experiences, I didn't have that much concern about mentoring and interacting with someone that was significantly older than me. In the past, my jobs involved contact with people that were much older than myself, in both boss roles and co-worker roles. As far as age was concerned, in my mind it was nothing but a number.

However, I did learn a few things about cross-cultural differences that really changed the way I look at situations. One prime example is manners. I've worked in corporate settings where weekly meetings were all too common. As a result, I was used to going in, getting down to business, and getting what information I needed before getting back to work. I had completely forgotten one thing, which Joanna so humbly pointed out: I forgot to say "good morning" before I began to dive into the discussion. It's pretty amazing how two little words like that can change everything, making a meeting feel a little friendlier. It seems as if in this day and age, people are too busy looking out for themselves to remember even simple common courtesies towards their peers. Another interesting point to note is the laid back style that Joanna presented whenever we met with her. She was not only very polite in greeting us, but always made an issue of making sure we had coffee or tea available when we sat down. Its little things like that that made the process of working with her more enjoyable and comfortable. It's something that people in the United States could take more notice of, that's for sure.

Unfortunately, I would be lying if I said that everything with Joanna was easy. One major roadblock our group faced was in teaching her various ideas that needed to go into her business plan and asset transfer case as a whole. Due to her limited education, Joanna had trouble understanding some concepts that we presented to her, most prominently the financial analysis. She tended to dismiss our requests for financial data, and, when we pressed harder, she closed off more. This may have been due to a lack of education. We may have inadvertently made her plans seem more difficult to achieve than she originally thought. Nevertheless, it soon became apparent that our normal method of working by interviewing and getting straight answers would not work too well with her. We decided to change our approach by being more colloquial and laid back, which she responded to quite well. It was something that I was definitely not used to, since when I work I expect that people will answer my questions and get to the point, however everyone in the group, myself included, adapted to the situation and learned something important in the process.

All in all, Joanna taught me something very important that I had forgotten. All those sayings from childhood, like “don’t forget to stop and smell the roses” or “don’t judge a book by its cover,” they are there for a reason. In today’s world, in the culture that we as Americans live in, it can be easy to forget this sometimes. However, it’s these simple ideas that can have more of an impact on success than putting one’s nose to the grindstone.

## Recommendations

With the conclusion of this project, our group left Ms. Benson with a set of recommendations, which are detailed in this section. We have separated our recommendations into three categories: council recommendations, internal recommendations, and external recommendations.

In dealing with the Council, our group recommends that Ms. Benson try and work in tandem with the Council. From our observations over the course of the project, both parties do not necessarily see eye-to-eye on every issue in regards to this asset transfer. In order for Ms. Benson's proposal to be successful, we suggest that she try to understand the entire asset transfer process from the perspective of the Council. She has to play by their rules if she wants to acquire any property, so, although it may be difficult to do so, Ms. Benson must be patient while the Borough of Merton assesses the feasibility of transferring this property to her. Keeping a good relationship with the Council can only lead to good things down the road, such as the Council providing assistance with renovations or getting the shop started.

Next, there are internal matters that we recommend be addressed. In regards to the business plan, the group did write most of the business plan components. However, there were some parts that we could not complete due to a lack of information. Therefore, the group recommends that Ms. Benson follow the step-by-step procedures we outlined in the business plan to finish off the remaining sections. Along those lines, the group also recommends that Ms. Benson organize a system by which she can retain records of contacts, finances, and other important information that is necessary to run a successful business. Through this, she will become a more reputable business owner. The group would also recommend that Ms. Benson hire a business mentor or manager to help her with some of the more managerial tasks that come with owning a business. This will help strengthen the shop as a whole, as well as further educate her about the various aspects of running a shop. However, despite all this, it is imperative that Ms. Benson not give up hope, but that she perseveres. Perseverance is important for a successful asset transfer, since a lot of time and hard work goes into such proposals.

Finally, our group had some recommendations for Ms. Benson in regards to the community. The community plays a large role in asset transfer, since it is the community

residents who will benefit from Ms. Benson's store. She should try and get the community involved with her asset transfer case as much as possible. One suggestion would be to hold a community fundraiser to help raise funds for the renovation of the toilet block. Any other ideas along those lines, in which she raises community awareness, could help Ms. Benson with her proposal to the government if they see that the community approves of her plans for the shop. Hopefully, all of the recommendations we have outlined in this section will help Ms. Benson successfully have this property leased to her.

## Appendices

### Appendix 1: Howard Joy Interview

Interview Guideline for Howard Joy:

- 1) Initial Greetings
  - a. Introduce ourselves
  - b. Explain our Project briefly and our purpose in the interview
- 2) Preamble
  - a. Ask consent
  - b. Ask if we can use his name in our proposal
  - c. Explain that he will be able to go over our interview summary
- 3) Background
  - a. Personal
    - i. Did he grow up in London?
    - ii. What is his education?
    - iii. Does he currently live in the borough of Merton?
  - b. Professional
    - i. How long has he been on the Council?
    - ii. Did he hold any positions on any other council's previously?
- 4) Merton Council's Asset Transfer Process
  - a. How does asset transfer work in Merton?
  - b. Who are the key decision makers?
  - c. What, typically, do they base their decision on?
  - d. How much discretion is there in the process?
  - e. Is there a specific criterion that is held above the others?
  - f. What is the best way to convince the council that a business will be advantageous to the community?
  - g. Are there any other competing proposals for this property?
- 5) Previous Asset Transfer Cases
  - a. Have there been other charity shop cases that were successful? Were there any failures?
  - b. Is the process of asset transfer in the borough of Merton a frequently used tool for community development?
  - c. How many asset transfer cases have you passed in the past year?
- 6) Future of the shop
  - a. If Joanna does get the building and fixes it up is there any chance the council can come in 5 years and take it back?
- 7) Closing
  - a. Summarize the interview
  - b. Thank him for his time

## **Appendix 2: Charity Shop Manager Interviews**

### **Interview of Charity Shop Managers/Assistant Managers**

- 1) How do you promote the shop in the community?
- 2) How much of your employment base is volunteers? What do they get out of this work experience?
- 3) What do you do with items that you can't sell?
- 4) Does the money you raise in the shops go back to the community, or does it go elsewhere for other causes?
- 5) What kind of impact do you think shops like yours have on the community?

### **Interview 1: Assistant Manager: Mandy, SCOPE**

- 1) We don't advertise the shop individually. There is a national SCOPE campaign that is on television though. We mainly try to keep the windows clean and nice while keeping the shop organized to attract customers.
- 2) All of our work force is volunteer-based except for managers and assistant managers.
- 3) Unsold goods are recycled and rags are collected by the rag man.
- 4) SCOPE is for cerebral palsy and the money goes into a central fund but is given back to the community in order to help people with cerebral palsy.
- 5) The store is a good thing in this area because it is a neighborhood of relatively low incomes and many of the residents have been affected by the poor economy. The store also sells quality goods at low prices. There are often brand names and some high quality pieces that come through the store.

### **Interview 2: Manager: Jill, Guild Community Shop**

- 1) The shop is promoted mostly by word of mouth. She herself lives in the area and knows many of the residents. On a rainy day she will put on a cup of tea for the elderly.
- 2) She is the only manager however she does have one deputy on staff. The rest are volunteers.
- 3) The goods are all recycled however; some bad goods do go to the rubbish.

- 4) All of the profits go to the borough. The Guild Community Shop is the only locally run shop that is not under an umbrella from a larger organization.
- 5) The shop has many nearly new goods and in times like these people just can't afford to go to the department stores and buy new goods for everything.

### Interview 3: Assistant Manager: Brittany, British Red Cross

- 1) The shop is promoted by the Red Cross logo along with fliers and being so well known because it it's international status.
- 2) The majority of the work base is volunteers
- 3) The unused goods are recycled and sent to other shops that may be able to sell them.
- 4) The money from this specific British Red Cross going to the disabled wheelchairs company at Wimbledon.
- 5) Second hand shops have a positive impact on the community especially in hard times like these. The second hand shops help areas such as Mitcham that are low income areas. The amount of business fluctuates usually in terms of the donations.

### Appendix 3: Example Numerical Data from Mahogany Western Wear

#### 1.1 General Assumptions

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0

#### 1.2 Pro Forma Profit and Loss

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales	£17,800	£19,050	£19,050	£21,800	£21,800	£26,550	£27,800	£26,500	£27,750	£27,500	£24,300	£24,300
Direct Cost of Sales	£8,900	£9,525	£9,525	£10,900	£10,900	£13,275	£13,900	£13,250	£13,875	£13,750	£12,150	£12,150
Other Production Expenses	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Cost of Sales	£8,900	£9,525	£9,525	£10,900	£10,900	£13,275	£13,900	£13,250	£13,875	£13,750	£12,150	£12,150

Gross Margin	£8,900	£9,525	£9,525	£10,900	£10,900	£13,275	£13,900	£13,250	£13,875	£13,750	£12,150	£12,150
Gross Margin %	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%

### 1.3 Expenses

Payroll	£3,460	£3,460	£3,460	£4,325	£3,460	£3,460	£4,325	£3,460	£3,460	£4,325	£3,460	£3,460
Sales and Marketing and Other Expenses	£1,229	£1,229	£1,579	£1,229	£1,229	£1,229	£1,229	£1,579	£1,229	£1,229	£1,229	£1,229
Depreciation	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Telephone / Pagers/ Cell	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150	£150
Utilities	£375	£375	£375	£375	£375	£375	£375	£375	£375	£375	£375	£375
Payroll Taxes 10%	£346	£346	£346	£433	£346	£346	£433	£346	£346	£433	£346	£346
Other	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
<b>Total Operating Expenses</b>	<b>£5,560</b>	<b>£5,560</b>	<b>£5,910</b>	<b>£6,512</b>	<b>£5,560</b>	<b>£5,560</b>	<b>£6,512</b>	<b>£5,910</b>	<b>£5,560</b>	<b>£6,512</b>	<b>£5,560</b>	<b>£5,560</b>
<b>Profit Before Interest and Taxes</b>	<b>£3,340</b>	<b>£3,965</b>	<b>£3,615</b>	<b>£4,389</b>	<b>£5,340</b>	<b>£7,715</b>	<b>£7,389</b>	<b>£7,340</b>	<b>£8,315</b>	<b>£7,239</b>	<b>£6,590</b>	<b>£6,590</b>
<b>EBITDA</b>	<b>£3,340</b>	<b>£3,965</b>	<b>£3,615</b>	<b>£4,389</b>	<b>£5,340</b>	<b>£7,715</b>	<b>£7,389</b>	<b>£7,340</b>	<b>£8,315</b>	<b>£7,239</b>	<b>£6,590</b>	<b>£6,590</b>
Interest Expense	£137	£135	£132	£130	£128	£125	£123	£121	£119	£116	£114	£112
Taxes Incurred	£961	£1,149	£1,045	£1,278	£1,564	£2,277	£2,180	£2,166	£2,459	£2,137	£1,943	£1,943
<b>Net Profit</b>	<b>£2,242</b>	<b>£2,681</b>	<b>£2,438</b>	<b>£2,981</b>	<b>£3,649</b>	<b>£5,313</b>	<b>£5,086</b>	<b>£5,053</b>	<b>£5,738</b>	<b>£4,986</b>	<b>£4,533</b>	<b>£4,535</b>
<b>Net Profit/Sales</b>	<b>12.60%</b>	<b>14.08%</b>	<b>12.80%</b>	<b>13.67%</b>	<b>16.74%</b>	<b>20.01%</b>	<b>18.29%</b>	<b>19.07%</b>	<b>20.68%</b>	<b>18.13%</b>	<b>18.66%</b>	<b>18.66%</b>

### 1.4 Pro Forma Cash Flow

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received												
Cash from Operations												
Cash Sales	£17,800	£19,050	£19,050	£21,800	£21,800	£26,550	£27,800	£26,500	£27,750	£27,500	£24,300	£24,300
Subtotal Cash from Operations	£17,800	£19,050	£19,050	£21,800	£21,800	£26,550	£27,800	£26,500	£27,750	£27,500	£24,300	£24,300
Additional Cash Received												
Sales Tax, VAT, HST/GST Received	0.00%	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Current Borrowing	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Other Liabilities (interest-free)	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Long-term	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0



Liabilities												
Sales of Other Current Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Sales of Long-term Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Investment Received	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal Cash Received	£17,800	£19,050	£19,050	£21,800	£21,800	£26,550	£27,800	£26,500	£27,750	£27,500	£24,300	£24,300

## 1.5 Expenditures

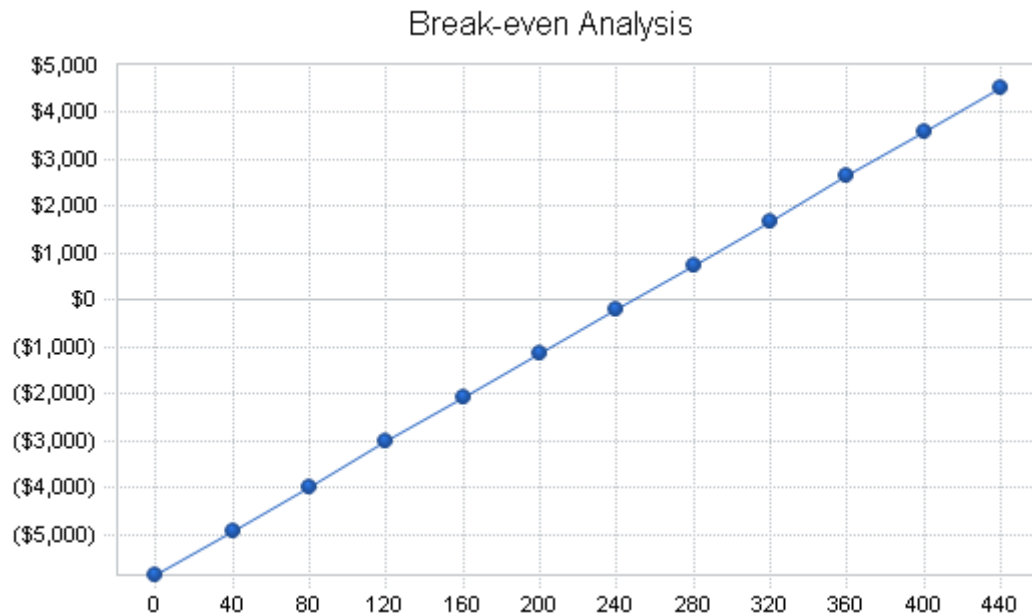
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Expenditures from Operations												
Cash Spending	£3,460	£3,460	£3,460	£4,325	£3,460	£3,460	£4,325	£3,460	£3,460	£4,325	£3,460	£3,460
Bill Payments	£263	£8,078	£13,581	£13,247	£15,963	£14,881	£20,346	£19,017	£17,337	£19,200	£17,935	£14,605
Subtotal Spent on Operations	£3,723	£11,538	£17,041	£17,572	£19,423	£18,341	£24,671	£22,477	£20,797	£23,525	£21,395	£18,065
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Principal Repayment of Current Borrowing	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Liabilities Principal Repayment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Long-term Liabilities Principal Repayment	£275	£275	£275	£275	£275	£275	£275	£275	£275	£275	£275	£275
Purchase Other Current Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Purchase Long-term Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Dividends	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal Cash Spent	£3,998	£11,813	£17,316	£17,847	£19,698	£18,616	£24,946	£22,752	£21,072	£23,800	£21,670	£18,340
Net Cash Flow	£13,802	£7,237	£1,734	£3,953	£2,102	£7,934	£2,854	£3,748	£6,678	£3,700	£2,630	£5,960
Cash Balance	£14,186	£21,423	£23,157	£27,109	£29,212	£37,145	£39,999	£43,748	£50,425	£54,125	£56,755	£62,715

## 1.6 Pro Forma Balance Sheet

	Starting Balances	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets													
Current Assets													
Cash	£384	£14,186	£21,423	£23,157	£27,109	£29,212	£37,145	£39,999	£43,748	£50,425	£54,125	£56,755	£62,715
Inventory	£14,000	£9,790	£10,478	£10,478	£11,990	£11,990	£14,603	£15,290	£14,575	£15,263	£15,125	£13,365	£13,365
Other Current Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Current Assets	£14,384	£23,976	£31,900	£33,634	£39,099	£41,202	£51,748	£55,289	£58,323	£65,688	£69,250	£70,120	£76,080
Long-term Assets													
Long-term Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Accumulated Depreciation	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Long-term Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0

Total Assets	£14,384	£23,976	£31,900	£33,634	£39,099	£41,202	£51,748	£55,289	£58,323	£65,688	£69,250	£70,120	£76,080
Liabilities and Capital		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Liabilities													
Accounts Payable	£0	£7,625	£13,143	£12,714	£15,473	£14,202	£19,710	£18,441	£16,696	£18,599	£17,450	£14,062	£15,762
Current Borrowing	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Current Liabilities	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000	£2,000
Subtotal Current Liabilities	£2,000	£9,625	£15,143	£14,714	£17,473	£16,202	£21,710	£20,441	£18,696	£20,599	£19,450	£16,062	£17,762
Long-term Liabilities	£16,700	£16,425	£16,150	£15,875	£15,600	£15,325	£15,050	£14,775	£14,500	£14,225	£13,950	£13,675	£13,400
Total Liabilities	£18,700	£26,050	£31,293	£30,589	£33,073	£31,527	£36,760	£35,216	£33,196	£34,824	£33,400	£29,737	£31,162
Paid-in Capital	£5,100	£5,100	£5,100	£5,100	£5,100	£5,100	£5,100	£5,100	£5,100	£5,100	£5,100	£5,100	£5,100
Retained Earnings	(£9,416)	(£9,416)	(£9,416)	(£9,416)	(£9,416)	(£9,416)	(£9,416)	(£9,416)	(£9,416)	(£9,416)	(£9,416)	(£9,416)	(£9,416)
Earnings	£0	£2,242	£4,923	£7,361	£10,342	£13,991	£19,304	£24,389	£29,443	£35,180	£40,166	£44,699	£49,234
Total Capital	(£4,316)	(£2,074)	£607	£3,045	£6,026	£9,675	£14,988	£20,073	£25,127	£30,864	£35,850	£40,383	£44,918
Total Liabilities and Capital	£14,384	£23,976	£31,900	£33,634	£39,099	£41,202	£51,748	£55,289	£58,323	£65,688	£69,250	£70,120	£76,080
Net Worth	(£4,316)	(£2,074)	£607	£3,045	£6,026	£9,675	£14,988	£20,073	£25,127	£30,864	£35,850	£40,383	£44,918

## 1.7 Break Even Analysis



Break-even Analysis

Monthly Units Break-even 248

Monthly Revenue Break-even £11,712

Assumptions:

Average Per-Unit Revenue £47.21

Average Per-Unit Variable Cost £23.60  
**Estimated Monthly Fixed Cost £5,856**

Figure 10: Sample Numerical Data (Palo Alto Ltd., 2009)

## Appendix 4: Higgins Chart

Business Plan Portion Q 1.	How it fits into Ms. Benson's Plan	Do we have documents ? Q. 3	What documents are Needed? Q 2.	What Questions need to be asked to Ms. Benson?
Executive Summary	Will describe the purpose of the PHCS and summarize key pieces from the rest of the Business plan. This will be written Last	-From the original Business plan we have key points on the Location and Joanna's qualifications that are key points.		
Aims for the Long Term, subsection of the executive summary	This will include: Organization's History, Mission Statement, Long Term Goals	-No Documents	-No actual Documents are Needed.	<p>8) History of Organization:</p> <ol style="list-style-type: none"> <li>a. How did the shop/idea originate?</li> <li>b. How long has she been running it?</li> <li>c. If you could name key principles guiding your shop, what would it be?</li> <li>d. What is the biggest way the shop helps the community?</li> </ol> <p>9) Long term goals:</p> <ol style="list-style-type: none"> <li>a. What is your mission statement?</li> <li>b. Can you briefly describe what change the charity wants to achieve in society and very roughly how it will go about it?</li> <li>c. Are there any concrete long-term goals you can specify as well?</li> </ol> <p>-Ask her what her Mission statement is</p>

Objectives	Ms. Benson will focus on three objectives or goals on business, marketing, and financial	-No documents	-No documents needed	-What is the main objective for the business? -What is the main objective for your marketing strategy? -What is the main financial goal for the shop?
Company Summary, including products which is a subsection of the Company summary	This will include staffing and organizational structure. Also the operations of the organization of the company will be in this section.	-No current documents	- Documentation of donations? This will explain how products come in. - Documentation of Sales? How products move out. -Is there any documents of the roles of the staff? How many volunteers?	1) Legal and management information: <ol style="list-style-type: none"> <li>a. Key personnel?</li> <li>b. Organisational Structure (charity, company number)?</li> <li>c. Plan of staffing structure including volunteers?</li> </ol> <ul style="list-style-type: none"> <li>- How do you keep track of the products coming in and out of the shop?</li> <li>- What type of operation is run to train the volunteers?</li> </ul>

Marketing Summary	How will Ms. Benson use marketing and promotional strategies to help the shop grow during its expansion	-Power point slides on Marketing strategies. Under the marketing tab in the files - Documentation on Ms. Bensons Award under misc.	-Have there been any articles on the PHCS?	Promotional Strategies: a. Who is going to use your service as well as who will fund you and how will you reach them? b. Research – what conditions will you operate in, who are your real and potential clients, who are your competitors? c. Strategy – how will you reach your target users and what mix of people will you expect? d. Forecast – What are your assumptions about the use of your service?
Strategy and Implementation Summary	-This section will include sales forecast -Milestones -Competitive edge	-No documents	-Are there records of the sales?	-What have you done, and when while you have been trying to establish this shop? -What gives you a competitive edge over the other shops in the area? -Do you have a sales forecast?
Management Summary	-This will include the employment plan	-none	-is there any documentation of the volunteers?	-Will you be giving yourself a salary at first? -will you put into the budget any money for training employees?
Analysis (SWOT)	This will mainly consist of a SWOT analysis. Possible a PEST analysis as well.	-Handouts on SWOT analyses and PEST analyses are in File under SWOT	-No Documents needed	Analysis: - What are your strengths and weaknesses and the opportunities and threats to your shop? -Further probing questions need to be asked such as: -The only threat mentioned was volunteer unreliability, aren't the other charity shops within a 5 mile radius a threat? -Is the lack of current documentation for the shop a weakness that should be considered?

				<ul style="list-style-type: none"> <li>-Are there other opportunities? Such as helping the environment?</li> <li>-Will the shop continue to turn such a profit when it is open 6 days a week?</li> <li>-Should a PEST analyses be included?</li> <li>-Is there an opportunity for this shop to help the Pollards Hill economic renewal?</li> </ul>
Financial Analysis	A financial forecast based on the shop's past year.	-An example financial forecast is located under financial	<ul style="list-style-type: none"> <li>-Are there receipts for donations?</li> <li>-Are there receipts for the donation of the shops profits?</li> <li>-Is there record of a budget?</li> </ul>	<ul style="list-style-type: none"> <li>- Is there a treasurer currently who has kept track of the money?</li> <li>-How much is rent?</li> <li>-How do you decide how to price things?</li> <li>-Are there any costs? If so what?</li> <li>-How much money has been donated in the past year?</li> <li>-How long does it take to turn a profit on a donation?</li> </ul>
Risk Analysis	This part will address risks that the PHCS will face in its expansion and how it will deal with these risks.	-No documents	-No documents	<ol style="list-style-type: none"> <li>1) Risk Analysis: <ol style="list-style-type: none"> <li>a. What risks does the organisation face and how does it deal with them?</li> </ol> </li> </ol>

## Appendix 5: Howard Joy Interview Notes

### Howard Joy Interview Notes

#### 1) Background

##### a. Personal

- i. Do you live and work in Merton?
  1. Mr. Joy lives outside of the Borough
- ii. Have you dealt with many asset transfers in Merton?
  1. “Yes.” Mr. Joy is in charge of all of the borough’s property including swimming pools and the like and those properties occupied by the community.

#### 2) Merton Council’s Asset Transfer Process

- There are two major categories of property which are occupied by the voluntary sector:

- Other community owned buildings besides Vestry Hall
- Merton Vestry Hall, located in Mitcham; an old town hall in which rooms are leased to the voluntary sector.

- Land ownership in England has its origins based on the feudal system:
  - Highest level is “Freehold” in which one owner holds the “strongest” title to a property.
    - Freeholder can provide lease of the property to others
    - And controls the tenants use via terms of lease
  - Next level is “Leasehold,” in which one simply leases the building/property but does not own it outright

- Asset transfer in Merton has so far been mainly dealt with in the form of leaseholds

- The individual rooms within Vestry Hall are let to individual organizations within the voluntary sector.

- The Community Centres are intended to be let by one lease per property. The individual centres are represented by The National Federation of Community Centres

- The Federation has agreed the lease terms in principle and has sought the comments of the individual community centres

- The Borough of Merton uses the “Leasehold” approach for asset transfer

- Reasons for the leasehold approach in Merton:

- Preserve greater interest in the land for the Council to ensure the users are protected
- Community sector properties are usually used by the greater public



- A freehold system would strip the Council of control and ownership of property
  - Leaseholds manage the risk to the government
  - The Council sees leaseholds as protecting owners from themselves, in a sense.
  - Owning a property is a massive responsibility and Council provided leaseholds are seen as a way of relieving people of the burdens associated with outright ownership.
  - Asset transfer of “Freeholds” is not in the best interest of Merton
  - An underlying notion of “Let people do what they are good at”
  - Ideally, the transfer of leaseholds makes life easier for everyone involved
- 
- Council decision process:
    - The Council receives applications from numerous community sector organizations.
    - The Council goes through a selection process similar to that used for all tenants including consideration by Regeneration Partnerships, Team Corporate Services, and others

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