



Business Plan





Media Students from Telford College

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1. BACKGROUND

1.1 Purpose of the Business Plan

This Business Plan has been developed by The Clifton Community Arts Centre Ltd (CCAC) – a Community Benefit Society that operates as Wellington Orbit.

Since its formation in 2013 and in particular since mid 2018 CCAC has made huge strides towards realising its long term aim of providing arts and cultural facilities for the benefit of the community in obtaining a property on lease. This plan foresees the full realisation of the aims of the Society in having the freehold ownership of the property at 1 Station Road (The Premises) in a fully developed state throughout and CCAC aims to achieve that aspiration.

1.2 About CCAC

CCAC is a not for profit charitable Community Benefit Society registered with the Financial Conduct Authority (FCA) on 12 October 2013. Its object is to provide arts and cultural facilities for the benefit of the community. CCAC defines the community as being generally the area of the Telford and Wrekin Unitary Authority but more particularly the market town of Wellington within the borough and its immediate environs.

Although the Rules are sufficiently widely drawn to not identify where the facilities are provided from the Society originally had a target property being a site at Bridge Street in the town that incorporated a former supermarket and the former Clifton Cinema which in the recent past was used by the home furnishing group, Dunelm.

In 2012, Dunelm relocated to an out of town premises and although attempts were made to acquire the site they proved to be abortive and at CCAC's AGM on 22nd July 2016 members authorised the Board to explore alternative properties in the town for its business purpose.

The Premises go back to at least the early eighteenth century being a hotel which was compulsorily purchased in 1849 to make way for the railways. It was substantially renovated in 1901 to construct a bank which through successions of ownership continuously traded until 2016 when it was occupied by HSBC but the branch was closed in August 2016. After prolonged negotiations CCAC were able to obtain a lease on the property in May 2018 and following a lengthy period of redevelopment were able to open its doors to the public on 11th May 2019.

Although CCAC had a lease on the whole of the building, CCAC

has currently only been able to fund a redevelopment of the ground floor which houses a 63 seat cinema and a café/bar area used for community benefit.

CCAC are now looking to acquire the freehold from the landlord who has indicated his willingness to sell and having acquired that to redevelop the upper floors to house inter alia an exhibition area housing overspill café space, a performing arts studio and several multi purpose rooms to be either on long term lets or room hire rates for such purposes as training, rehearsal and meeting. Paragraph 2.5 shows how CCAC intend to acquire the freehold while paragraphs 8.3 – 8.5 outline the financial benefits that accrue from acquiring the freehold in the most cost effective manner.

1.3 Location

The Premises are located in Wellington Town Centre which boasts a Market Square having been granted a Royal Charter in 1244. The Market Square is part of the Wellington Conservation Area which houses many listed buildings. 1 Station Road which while being in the Conservation Area is just a building of local interest, is on the corner of Market Square. Until the 1970's part of the Premises included the trading premises of WH Smith which had since 1918 been owned by the predecessor bank, the Midland Bank and had an address in Market Square. When they relocated the bank expanded into that premises so that the building as a whole is recognised as part of Market Square rather than being on Station Road which essentially is a road down to the railway station that also accommodates the Station Hotel. Besides having excellent transport links to the local railway station with trains running direct to London and frequent services to Shrewsbury, Wolverhampton and Birmingham, the Premises is just five minutes walk from Wellington Bus Station.

1.4 Area and Population

The population of the borough of Telford and Wrekin as a whole is 179,000. Telford was created as a New Town in 1968 and merged together a number of market towns of which the pre-eminent was Wellington. The other major towns were Oakengates, Madeley and Dawley and lesser centres such as Hadley, Ketley, Trench, Donnington and Wrockwardine Wood. The borough also includes some rural areas and incorporates the separate town of Newport which is surrounded by rurality to the North East of the borough. Historically, the main local infrastructure for the major towns was located in Wellington which would be used as the place to go for such things as registrar of births, deaths and marriages,



Wellington Orbit at the heart of the town regeneration plans

driving test etc. Trains would travel direct to London from Wellington but not from elsewhere. Newport was always seen as a stand alone town with no interconnection or interdependence with Wellington. Ironbridge, the birthplace of industry, is a bit of an oddity. Its potential is as a tourist centre and the area has somewhat artificially been redeveloped and is now seen as the sixth market town.

The New Town was granted Enterprise Zone status in the early 1980's with two important developments being the move of the Inland Revenue computer centre to the borough that created a large number of skilled jobs that in turn was reflected in high quality housing in the area of Priorslee that was close to the new offices and rural Newport and semi rural areas next to Wellington that fall in the 10 IMD (Index of Multiple Deprivation) decile. The second was the introduction of Japanese manufacturing businesses into the town being attracted by the Enterprise Zone status. At one time Telford had the highest concentration of Japanese industries in the whole of Europe. The core industries were electronics and automotive components and was a significant boost to employment and the linked service companies created around their introduction into the locality saw unemployment rates fell significantly.

The creation of the New Town generated an artificial "Town Centre" which is located on the south east fringe of the borough. Wellington is located to the north west corner of the borough which gives the town a stand alone presence.

Historically there was some manufacturing and in particular a major employer was the automotive component supplier Sankeys which became part of GKN which was in the township of Hadley immediately to the east of Wellington and the result is that the wards in Wellington that are in the west of the town are less deprived than those to the east. In consequence there are three wards in the town being College that is in IMD 1 and Haygate and Arleston in IMD 2 while neighbouring Hadley and Leegomery is in IMD 1. In contrast Erall where the richer historically lived is in IMD 9 and newly constructed estates in Apley Castle and Shawbirch which border Wellington to the west of the town are in IMD 10.

The area is therefore one of contrasts resulting from history that should not be the guide for the future. That in turn raises the question of a remote Town Centre being the ideal viable configuration for a post Covid world that has accelerated through internet buying. Whatever the case Wellington needs to reidentify itself to address the challenges of the future and not reflect on the past and the historic market towns need to reengineer themselves

to include bespoke independent shops and a vibrant leisure sector to give local opportunities to all citizens and move those areas out of IMD 1 & 2 while also exploiting the environmental target of being carbon neutral by 2030 through establishing retail and leisure opportunities away from the distant Town Centre.

1.5 Our Track Record

To the extent that CCAC lacked a site to provide facilities until the Premises opened for trading on 11th May 2019 it was firmly within fundraising mode for its first five years of trading and its activities were substantially confined to holding periodic film festivals using local room hire and having an awareness presence in the local market.

From these CCAC had built up a membership base in excess of 700 different members and modest reserves but these were nowhere near sufficient to fund the work required on the Premises.

The accounts to 31st December 2021 at Appendix 2 show that in total CCAC have spent approximately £600k in the "Phase 1" redevelopment. This has been fully funded which has been through shares capital, grants (in particular a legacy grant of £150k from Telford and Wrekin Council to commemorate the 50th Anniversary of Telford New Town, legacies and gifts, recharges from HSBC to meet their Head Lease obligations and unsecured debt finance through local investors and also the Social Investor Resonance using the tax incentive arrangement of Social Investment Tax Relief (SITR) .

As a start up business it could be expected that CCAC would trade at less than full capacity but trading is only one element of charity accounting as grants, donations and legacies go into the income and expenditure accounts as can be seen within the latest published accounts at Appendix 2. These elements together with compensation from HSBC for meeting their liabilities under the Head Lease enabled us by the first quarter of 2020 to build up capital and reserves in excess of £200k. The business was then affected like all other businesses by the once in a generation effect of the global pandemic of Covid.

The effect of this is covered in more detail at Part 8, However, while it is imperative that as a charity CCAC are financially robust and carry sufficient reserves to fulfil their charitable objectives prospectively both to cover rainy days and to expand operations this has to be in the context that the business does satisfy its charitable objectives and CCAC's social impact is covered at Part 3.

2. NEED FOR INVESTMENT

2.1 Introduction

The objects of CCAC will not be perfected until and unless the Premises has the amount of additional finance sought. There are two reasons for this being firstly the acquisition of the freehold will enable CCAC to have the best interest in land that there can be. Not only will that eliminate the need to pay rents of over £300k under operating leases and eventually result in no financial outlay on the building once the award has been made or the mortgage has been repaid (see further detail in part 2.5 below) but will also facilitate the ability to obtain grants for further capital improvements as grantors will be satisfied that the economic benefit of the assets will accrue for the totality of the useful economic life without fear of that being reduced through the non renewal of a lease. The second reason is that the funding will make maximum use of the facility rather than having unoccupied and undeveloped space on the upper floors and CCAC's directors would be failing in their fiduciary responsibility if they did not apply their best efforts to ensure all the Premises is being utilised to guarantee the maximum community benefit.

2.2 The Premises

The Premises has its quirky charm stemming from its historic use which has never been to accommodate community art space. Besides being a banking hall and back office and a newsagent it has at various times included a tailor's shop, a music shop, the local base for the Ordnance Survey and solicitors' chambers.

It extends over a basement and three floors with a courtyard within boundary walls sufficiently high to deter intrusion. Various measurements have been provided which include the following:

Basement	1427 sq ft
Ground Floor	2666 sq ft
First Floor	2390 sq ft
Second Floor	1481 sq ft

2.3 Current Usage

The Basement is currently unused except that it houses various utility metres that are periodically inspected. On assumption of the underlease redevelopment of the ground floor was substantially completed. The banking hall and back office were demolished, and the space was used to

provide a 63 seat cinema in the old banking hall while a café/bar was inserted in the back office that also represents the cinema kiosk and booking office as well as displaying local artwork for sale. There was a staff room that has now become the kitchen and staff toilets and a store which have been converted into customer toilets including a disabled toilet with baby changing facilities added in.

While a bank, there were unsuccessful attempts in later years to rent out the upper floors that contained nine and eight rooms respectively. The result of this was access to the upper floors was denied from the banking area with the only access being through a separate front door and staircase. CCAC future proofed this by constructing a separate staircase in a further store room aside the kitchen that had the effect of knocking out an open plan room on the first floor. Two rooms were then adapted to provide an office and a staff rest room but all the other rooms are undeveloped.

No development has taken place on the second floor. Finally, the courtyard, which historically was part of the WH Smith part of the building, was used essentially as a dumping ground for loose material and rubble but had historically housed an outdoor toilet and coal house. This has been cleared out and has been converted into a kitchen garden to provide produce for the kitchen hence reducing food miles.

2.4 Proposed Usage

CCAC have engaged Greenspace Architects Ltd of Ellesmere to produce a feasibility study for the proposed usage of the whole of the building and are seeking quotations for the cost of the redevelopment as cost and our immediate interest in the land will be factors.

Firstly, there are no immediate plans to redevelop the basement. In this part of Wellington, there is a higher than average water table which renders the area liable to flooding in extreme weather. That was insufficient to compromise the location of the safe when the bank was open but to remedy the flooding issue as well as guaranteeing safe evacuation in the case of fire would

¹ HSBC owned the Premises until 2008 when they entered into a sale and leaseback arrangement.

² Social Investment Tax Relief is a tax incentive introduced in 2014 as part of the government's Big Society agenda. It is designed to enable Social Enterprises to access finance at acceptable costs of raising capital through the operation of tax incentives. Uniquely these apply to both share capital and loan stock. It allows an investor to reduce their income tax burden by 30% of the amount invested or to roll over their capital gain by reducing the acquisition cost of shares acquired in the social investment by the capital gain that would otherwise apply on the disposal of the original asset disposed of. The legislation provides for the investee to seek advance assurance that the amounts invested are eligible for relief. CCAC has such assurances and they do not anticipate that the circumstances will change with the share issue and relief will still be available

involve the incurrance of more expenditure than reasonable cash flows would project and hence is not viable.

Final plans will be dependent on budget but we enclose at Appendix 1 architect's drawings for a basic model.

The major issue on the ground floor is to find a location for a lift which CCAC considers to be essential in the long term to afford accessibility for the whole of the community. While we have constructed a staircase to access the upper floors there are issues on its frequency of use because customers would have to traverse the space between the kitchen and servery. The alternative of using the extra front door identified above poses the dual issues of replacing or remodelling the staircase which is incompatible with modern building regulations and the fact that it will have to be a fire door which will need to be closed at all times and can only open outwards. The other issue CCAC have is that this will probably occasion a structural alteration. This is a further factor in obtaining the freehold sooner rather than later as structural alteration require landlord's consent which may well be withheld.

On the first floor, following the removal of the open plan room for the staircase and the existing use of rooms for an office and a staff rest room, there remain six rooms to redevelop and our proposal will be to convert these into four rooms through the removal of stud walls.

Part of the building leading down to the Railway Station has just the one upper floor and contains two rooms at present. CCAC consider this space ideal for conversion to a performing arts studio but may in addition have the flexibility to be converted on appropriate occasions to accommodate conferences and party hire.

The other rooms where conversion into one is considered viable are the two rooms on the corner of the building. Historically the corners were right angled but a feature of the 1901 redevelopment was to replace it with a curved structure which is quite iconic and affords long denied spectacular views towards All Saints Church and its grounds. CCAC envisage this space after the removal of stud walls to be an exhibition area mainly showing arts and crafts but also housing temporary exhibitions and providing overspill space for the café. The remaining two rooms will be multi-functional and will be considered in tandem with the second floor.

At this juncture, though, it is appropriate to reiterate what CCAC is all about in that it provides arts and cultural facilities for the benefit of the community. The obvious corollary to this is that if the community do not want an arts or cultural facility of a particularly type it will not benefit them. It is true that the Cooperative and Community Benefit Societies Act 2014 defines a Community Benefit Society as a Society whose business is or is intended to be conducted for the benefit of the community but that does not exonerate the Board of CCAC from making their best efforts to establish how the facilities can be utilised to afford the maximum benefit for the community.

Broadly, the Board see the utilisation of the remaining rooms to be either studios or workshops or to be multi-purpose having the flexibility to be meeting, training, rehearsal rooms etc. The former are likely to be on fixed terms lets while the latter will be at room hire rates. CCAC are fortunate in having obtained a grant from Social Investment Business to engage a field researcher to go out into the community and meet as many organisations and individuals as possible to ascertain what the demand for these facilities are and that will dictate the appropriate mix between fixed lets and room hire.

2.5 Capital Costs

The full development programme contemplates the acquisition of the freehold and the redevelopment of the upper floors for the sound reasons outlined above. In October 2018 the freeholder changed. The Board have good relations with the landlord who has indicated from the outset that he would be prepared to sell at the right price. It has been agreed that that price shall be £425k with an option in place to be exercised by 30th November 2022.

Originally, CCAC had an internal repairing underlease with HSBC at a rent of £20k per annum. With a change of freeholder and HSBC paying the new landlord a lump sum termination payment CCAC were able to renegotiate a new lease that extended the term to 2030 and obtained significant advantages on its tenure but at the cost of making the lease a full repairing and insurance lease and will the rent has been pegged at £20k per annum up to the original term of June 2023 CCAC will then have to pay rent at an average of £45k per annum.

Telford & Wrekin Council (TWC) have made a submission to the Department for Levelling Up Housing and Communities under the Levelling Up Fund. This is part of the Wellington

Constituency Levelling Up Fund Submission. The amount of the bid for Wellington Orbit is £1,438,540 of which 10% has to be match funded. The money will be spent on the freehold and redevelopment of the upper floors and it is understood that the outcome if the bid will be heard in September. If that bid is to prove to be successful CCAC will receive an amount that should secure the long term future of the society with the dual effect of eliminating rental payments and augmenting income through the whole of the building being income producing.

However, the bid process is competitive and while the project has the full backing of the local MP there can be no guarantee that the bid will succeed and CCAC needs to have contingency plans in place.

CCAC are mindful that the latest accounts show that in creditors over one year they are currently carrying debt in the region of £200k to fund the Phase I stage. There are debt/equity ratio and interest cover policies in place that are included within the Chairman's report and CCAC have produced prospective cash flow projections to ensure that debt cover service ratios are adhered to. These are included at Appendix 3 and show debt service cover ratios which are anticipated not to be required after 2026 as the plan will be to be debt free after then. By the same token CCAC are not looking to achieve the acquisition and improvements solely through acquiring further debt as the income generation prospects will only serve to cover the interest and capital obligations of servicing the debt.

The exception to this will be that acquiring the freehold will enable CCAC to rid themselves of the liability to pay rent. In consequence, as a back up, CCAC had for some time been seeking to secure a commercial mortgage at 65% of the sale price from the social lender, The Charity Bank. This would be immediately cash flow neutral or marginally beneficial up to 2023 and will then secure significant benefits for the residual term of the lease and thereafter. The mortgage would be secured with a guarantee on top and the debt cover service ratios are acceptable bearing in mind also that all current debts is unsecured by the fact that the investors have sought to avail themselves of the benefits arising from qualifying debentures under Social Investment Tax Relief. It should in addition be noted that the income accruing from the upper floors will have a substantial pure income profit from it once the rental obligations are removed that leaves this option robust.

It would then be the intention of CCAC to fund the residue for the freehold through grants and additional share capital.

In fact, negotiations with the Charity Bank were sufficiently advanced

that CCAC had received internal approval from the bank to enter into an agreement when news of the LUF application was received.

Recognising that the bid may fail and also that there may be a delay between the award date and the Option Exercise Date, the Charity Bank have offered CCAC a 12 month bridging loan that can then be converted into a 24 year commercial mortgage and CCAC believe this will cover all options. If the LUF bid succeeds and the money comes at the same time the facility as a whole will not be required. If there is a delay in receiving funds a bridging loan will be used. If the bid fails we will then enter into the commercial mortgage.

There then remains the question of funding the redevelopment. Telford is also a recipient of funding of £22.3m under the New Town Deal of which £3m has been allocated to the regeneration of Wellington as an "opportunity town". If the LUF bid fails CCAC believes that there is the likelihood that a significant sum will be received from this fund and other grants and share funding will be sought while recognising that it is always possible that the redevelopment work may be staggered while such funds crystallise. The minimum, optimum and maximum targets for the Share are dependent upon whether the LUF bid is successful and the amounts to be garnered from alternative sources of funding if the bid fails taking into account that the scope of the project may be modified or staggered

Appendix 3 shows the cash flow projections for a fully developed building which is non debt funded which project that after development there will be strong EBITDA balances which will enable modest cash reserves to be maintained from 2023 to 2026 while historical debt is being paid off and that thereafter significant cash reserves will be built up which should exceed our cash reserves policy which has been set at nine months of estimated operating expenditure amounting to £120k so that in the long term the Society should carry excess surpluses that could be applied to the long term cultural effort within the borough. Appendix 4 reveals the anticipated EBIDTA (earnings before interest depreciation tax and amortisation) for the upper floor redevelopment. In turn Appendices 7 and 8 show profit and loss accounts and balance sheets with explanations of the accounting

treating for both the freehold including a revaluation reserve to comply with a professional valuation of the building after full redevelopment and the netting off of the redevelopment expenditure by grants. These are based on the LUF award succeeding but have validity for alternative financing and are covered in more detail at parts 5 and 8 below.

To reiterate, to the extent that funding relies on tax relief under S1TR, CCAC have advanced assurances from HMRC which they anticipate will hold good.

3. SOCIAL IMPACT AND COMMUNITY BENEFITS

It is difficult to perceive how a community benefit will accrue that does not have at the same time a social benefit.

This Part will endeavour to show how CCAC has so far impacted socially and how this social impact can be increased by the improvements that are planned.

CCAC is registered with the Financial Conduct Authority and the governing legislation in the Co-operative and Community Benefit Societies Act 2014 does not provide for separate registration with the Charity Commission. Rather recognition is delegated to HMRC and CCAC is recognised as such. The parameters of the Charities Act 2011 are applied and CCAC would see their primary charitable purpose to be the advancement of arts and culture within s3 (1) (f) of the Act. Without intellectualising it too much and whether it is a secondary purpose, an ancillary purpose or even a charitable effect, CCAC would recognise the charitable purpose of s3 (1) (e) of the advancement of citizenship or community development to embrace through the explicit reference in s3 (2) (c) (ii) the promotion, inter alia of civic responsibility and volunteering. CCAC operates with a small staff base of ten people of which only one is full time and volunteering is a hugely important part of what CCAC do. CCAC currently has a volunteer base of 56 and has recently been successful in engaging via an Awards for All award from the National Lottery Community Fund a grant of £10,000 to recruit a Volunteer Co-ordinator who is in post. This is seen as a key post and is the first time CCAC has had a person in place who is exclusively devoted to the recruitment, care, development and retention of volunteers.

This should build on our current achievements as opportunities will increase if the redevelopment proceeds. Currently, volunteers work behind the servery and in the kitchen and also act as cinema ushers. The reasons for volunteering are numerous but it should be noted that several volunteers have additional needs and it is heart warming to see how over time a volunteer will develop not only in experience but also in confidence. Several volunteers have moved on to employment on the back of their work at CCAC which gives great satisfaction that the project has improved people's lives both inside and outside the Premises.



Dan, one of 50+ volunteers who help make the Orbit tick

The employment opportunities should not be overlooked as the project has brought extra jobs to the town and has on a couple of occasions proved to be the springboard to career enhancement. CCAC are more than grateful that employees totally embrace the project and put their heart totally into their work. This is not just a job but define who they are.

In terms of the arts CCAC have brought back cinema back to the town for the first time for over 35 years. To watch a film and be immersed in it in the company of others can not be overestimated. It has been mentioned on more than one occasion that the cinema has been the best antidote to the limiting effects of Covid.

Two examples in particular illustrate the impact of cinema on the community.

CCAC plagiarised the tagline of "Back to the Future" to celebrate the emergence from lockdown in May 2022 and showed the movie to sell out audiences. But this was not a question of cinema alone. As far as practical CCAC endeavours to do "cinema plus" and on this occasion displayed a DeLorean car in the Market Square and worked with a local butcher with an American themed menu that produced record café takings. This was built with the release of the Bond film of No Time to Die where we had a screening on 0.07 on the first day of release, displayed an Aston Martin in the Square and had several red carpet events with special cocktails. The previous Bond film was shown in the borough. No Time to Die was a Wellington experience.

The presence of the cinema has enabled local groups to specially book a film in promotion of their activities and as fundraisers and local schools have booked the cinema both as course content and treats for the pupils. There is no doubt that Wellington is a better place for having its cinema back.

And neither is the auditorium confined to just screening of films. CCAC has from the start worked collaboratively with the local All Saints Church who have made a substantial donation as part of the Phase I acquisition cost. A free parents and toddlers session each Tuesday during term time with the showing of cartoons supplementing playtime has proved to be particularly popular and has helped many a family readjust from the isolating times of Covid and restored development opportunities where interaction had previously been restricted.

Other groups meet in the Orbit including the regular meetings of the "Crafty Yarners" on Friday afternoons.

So much more can be done with the upper floor redevelopment. Much will come from the work of the field researcher especially on the room utilisation mix but this is not to say that CCAC has been starved of expressions of interest to date and confidence remains that utilisation of rooms will not be a problem.

This is further exemplified by a recent initiative ring mastered by two directors following advice from a locally born film director that networking is the way to progress in the film industry. This is a casual network meeting in the Cafe area for people who make films as well as watch them. The group consists of film makers, vloggers, podcasters, both pro, semi-pro and hobbyists and is going from strength to strength with several individuals expressing interest in room occupancy once the redevelopment has occurred.



Creators Network in full swing

4. BUSINESS MODEL OVERVIEW

4.1 Principles

Whilst CCAC have set out the projections and assumptions about income and expenditure in this plan, the business model is underpinned by its social objectives and a number of values that are intrinsic to the business.

4.2 Trading Activities

As well as the activities aimed at supporting the community as detailed in Part 3, CCAC also offer further events which seek to make up for the lack of general social and entertainment opportunities in our area.

Our café offers a welcoming space for members of the community to meet up and have a cup of tea.

The café is a space, which:

- Offers food and drink to suit different dietary needs
- Is open 7 days a week.
- Offers a programme of events such as Orbit talks and quiz nights.

More details on the trading activities can be found in Part 5.

4.3 Responding to Local Context

The business model has been developed principally within the local context of Wellington and its environs. As members of the local community directors are sensitive to the needs of the local area. The future for community ownership of 1 Station Road will reflect the enthusiasm that the community has for our existing offering and the potential that they see for it to further develop in the near future.

This part therefore expands on the Area and Population at Part 1.4 above.

Wellington itself includes the following council wards

- Arleston
- College
- Dothill
- Ercall
- Haygate
- Park

Wards that CCAC consider to be the environs where the population could naturally gravitate towards Wellington as opposed to any other centre are

- Admaston and Bratton
- Apley Castle
- Hadley and Leegomery
- Shawbirch
- Wrockwardine

From a borough population of 179000 the borough is projected to rise at a whole to 196900 by 2031 meaning the borough is one of the projected highest growing boroughs in the country.

Appendix 5 shows the anticipated population movement within these 11 wards from actual levels in 2017 to projected levels in 2031. Unfortunately the age profile does not match for the youngest group but it does for the working population and the over 65's. What is particularly noticeable is the 3000 increase in the over 65s in these wards and that has implications for the utilisation of the facilities particularly with regard to afternoon usage. That would indicate that Wellington and its environs will have a considerably larger demographic with extra leisure time in the afternoon and that has implications both on the timing and genre of films and the use of leisure facilities.



Regulars enjoying a pre-movie lunch

5. MARKET REVIEW OF EXISTING AND PROPOSED SERVICES

The reader is advised to read the comments below in conjunction with the Appendices at Appendices 3,4,7 & 8 which will be cross referenced in the commentary below and to refer in addition to the assumptions made at part 8.5 to understand the turnover figures in Appendix 3.

5.1 Cinema

CCAC possesses bespoke Cinema Point of Sale equipment that enables statistics to be computed quite easily reflecting customer behaviour. It was recognised from the start that there would be issues in attracting customers as they became aware of our existence and CCAC became aware of what customers want to see.

The best comparator available was the Old Market Hall cinema at Shrewsbury which is council owned and runs on independent cinema lines and had been in existence for many years and with 80 seats was attracting an annual footfall of over 60000. CCAC's business model was worked on the basis that long term an annual footfall of just under 30000 was realistic considering the various sizes of the towns, relative experiences and capacities.

This has yet to be realised and, beyond the start up issue, all cinema going has been skewed by the Covid pandemic. The gradual return to cinema with original continuing social distancing requirements has imposed industry wide issues with reduced confidence levels for customers and distributors being reluctant to release their best quality films.

CCAC had only been open for less than nine months before the pandemic intervened but from extrapolating national figures CCAC are reassured that there has been organic growth.

Taking the period from opening on 30th June to lockdown on 19th March 2020, footfall was 10667 which would give an annualised figure of 14804 which could be used as the yardstick for 2019.

The trade organisation the UK Cinema Association has reported that the gross cinema receipts stood as £1251.8m for 2019 and £296.7m for 2020. In addition, the industry compiler of statistics, Comscore, have predicted 2021 and 2022 box office receipts to be £560m (actual) and £890m with 2023 being a normal level of box office.

So using these figures the levels for 2020 and 2021 as a percentage of 2019 nationally are:-

- 2020 23.70%
- 2021 44.73%

If 2019 is used as a base, our footfall would be

- 2020 3509
- 2021 6621 (full year)

Our actual footfall has been

- 2020 6420
- 2021 7201

This would suggest we have outperformed the national position in both 2020 and 2021.

This is also reflected in our experience as we become more aware of the community benefit we are providing. Saying we are a cinema is not enough. The community doesn't just want to see a film but they want to see films at a particular time and the two most pertinent factors are the genre and the time of release with the latter affecting the commission rate that the distributors offer which in the early weeks can be unaffordable to a small one screen independent cinema.

CCAC are learning all the time and have established a core audience that are over 45 and have a preference for dramas and are prepared to wait to see the films rather than go on immediate release. This is shown by the fact that in 2022 CCAC has had footfall of 750 for Belfast and 970 for Downton Abbey notwithstanding the fact that this age group has proved to be the most difficult to attract back to the cinema.

As such CCAC remains confident that long term they will be able to meet footfall targets with the return in confidence, an improved film slate and the increased population growth in the borough.

5.2 Café

There are three main food related activities in the café being concessions taken into the cinema (drink, sweets, popcorn etc.), people calling into the café for a coffee and a chat and serving of meals.

On the first the business plan envisages an average spend of £1 per head. Detailed analysis would suggest that this is pessimistic but it depends on the genre, the film time and the demographic but it looks more likely that this should average out at £1.50 per head. A rule of thumb would be people buy more in the evening and adults by more than pensioners. The take will swell when audience figures rise.



Do we serve the best coffee in town?

An average coffee stay will be half an hour which outside the lunch period will leave 360 seats available and that disregards take aways. Essentially, CCAC are looking for 20% average occupancy and see that figure being more than easily achieved once the redevelopment has taken place with the overspill space upstairs and occupants (and their parents) requiring refreshments.

Set meals are targeted at a conservative 60 a week but that excludes special offerings such as the Downton Abbey afternoon teas that numbered 107 for the fortnight at double the target price.

5.3 Miscellaneous Income

CCAC will always receive miscellaneous income from such things as the Telford and Wrekin Community Lottery, donations, quizzes, room hire, talks, sponsorship, advertising, artwork commission and room hire. Every year this will amount to a few thousand. Some of this income will go into a different income stream (see the exhibition area below) but can be expected to increase with the redevelopment.

One source that will particularly be explored is room naming. This is in addition to the current five year deal on seat sponsorship in the cinema where every seat is sponsored and generated nearly £7k in income.

It should also be noted that CCAC have not incorporated into its base cash flow model any income from revenue grants. This is a highly conservative estimate which is unlikely to be the case.

5.4 Redevelopment - General

CCAC have adopted various methodologies to compute the expected income from the redevelopment. This will develop as more factual information is gathered via the field researcher.

The key assumptions are that: -

- Artwork commission will double
- The Performing Arts Studio will be used for just under 50% of its available time
- 4 Rooms will be used for fixed lets with rent averaging out at £155 per annum per square metre which is the rate for a comparator.
- 5 Rooms will be available for room hire and we have restricted to 10-15% occupancy which could be considerably understated.

5.5 Redevelopment - Performing Arts Studio

CCAC have already received numerous expressions of interest across all demographics and can envisage regular occupancy extending from morning, afternoon and evening. CCAC have adopted an hourly charge of £15 per hour which again is conservative. If there was six hours usage a day that comes out at around £23k per annum.

This ignores the fact that the room can be adapted for conferences and parties as well.

5.6 Redevelopment - Exhibition Area

The main income to be derived here will be commission from sales and our norm is 25% + VAT and set fees for any exhibition that takes place which will be individually negotiated.

5.7 Redevelopment - Multi Purpose Rooms

It is here where CCAC will be most informed by the work of the field researcher. There will be up to ten rooms available although it will probably be less because storage will be an issue. CCAC will respond to community demand and will be looking to get the right mix between fixed lets and room hire.

On the former, CCAC have been informed by a bespoke Arts Centre in Wolverhampton within an existing building that has not apparently been structurally adapted which calls into question the need to do any structural alterations until or unless community need justifies it and there is in addition the financial justification to do so. All the rooms in Wolverhampton are on fixed rents and all have been calculated at a rental of £115 per square meter per annum.

Disregarding the Exhibition Area and the Performing Arts Studio CCAC would have 158 square meters of space which would generate income in excess of £18k and in this connection CCAC have been informed by the Arts Council that there is a dearth of studio space in the West Midlands and considering its excellent transport links the Premises would attract interest from a large catchment area.

However, CCAC would consider that they would be falling short in their community ethos if there were no rooms available for room hire and the work of the field researcher will be to establish the community demand with such considerations as frequency and timing so that the appropriate cost efficiency formulas can be considered.

Full details of upper floor cash flows are provided at Appendix 4.



Stephen seems to think so.

6. ABOUT OUR ORGANISATION

6.1 Structure

CCAC is a Community Benefit Society which means that it has to comply with the Co-operative and Community Benefit Societies Act 2014 (described in this Part as “the Act”).

The Act sets narrow parameters to what a Community Benefit Society is by defining it as a Society whose business is conducted or is intended to be conducted for the benefit of the community. That means that a society has to have a business. The fact that it is a not for profit business does not negate that fact. But there is a further limitation in that it is fact conducted or intended to be conducted for the benefit of the community. This is an intentional test. The fact that non members of the community may derive benefit from the business does not negate that test.

The Act then provides that a society must have rules. The Act is semi prescriptive by setting out certain items that must be included in the rules but gives each society the latitude to include other matters so long as they don't contradict the obligatory included matters. These rules have to be approved by the FCA which CCAC's rules are. The rules are at Appendix 9. The Act then goes on to provide that all members of the Society are bound by those Rules.

CCAC's rules provide that a member will become a member in the Society by acquiring shares with a minimum subscription of £10 and a maximum of £100k withdrawable shares imposed by the Act.

The rights to these shares vary from the habitual three rights attached to shares in that the amount invested does not have a right to any dividend or interest. The dividend effectively is a social dividend with each member effectively declaring that they support the object of CCAC in providing facilities of an arts and cultural nature for the benefit of the community. Having said that CCAC is in the process of introducing a “membership scheme” for the Premises and Members in the sense of a person holding a share will gain a further discount.

Secondly, each member has one vote at general meetings regardless of the number of shares held. This is a safeguard to prevent any individual exerting undue influence on the Society through holding the greater number of shares. This does not mean that any member can vote on a matter that is outside the rules of the Society as they are bound by them.

Finally, no member would be entitled by way of a return of share capital to an amount beyond their subscription price. Any surpluses on the dissolution of CCAC will be distribution to organisations with similar objects. Hence a member's liability is limited to their subscription price. Their shares can never exceed their subscription price.

The rules themselves provide that it is the members who control CCAC and being bound by the rules and where appropriate the Act there is a rule that stipulates that that control has to be exercised fairly and equitably.

CCAC is rightly proud that it has around 800 members who have expressed their desire for a premises in Wellington to provide these facilities.

The control the members have extends to the power to appoint, re-elect or terminate the employment of directors with a three year retirement and re-election cycle. The rules provide that it is the directors who manages CCAC's business and how this management is carried out is set out below.

Finally it is confirmed that there are no immediate plans to change the structure and it should be noted that the SISR rule prohibit CCAC from holding a subsidiary which will deny an investor their tax relief until the third anniversary of the last SISR investment. However, providing that CCAC succeed in obtaining the freehold the current intention, providing other tax and financial rules remain unchanged and providing members endorse it, the intention would be to set up a separate company limited by guarantee probably called Wellington Orbit Ltd that will trade from the Premises and pass up trading profits to CCAC by way of Gift Aid while the Premises will remain within CCAC and be bankruptcy remote.



Setting up our AGM in 2022.

All Board Members are members of CCAC. No director draws any remuneration from their directorship or any operational work that they do for CCAC with the exception of Liam McClelland who does 7 hours paid work as a duty manager. To the extent that any Director owns another organisation any transactions between that organisation and CCAC are fully at arm's length and carried out in the ordinary course of business

BOARD MEMBERS



Phillip Morris-Jones MBE

Starting with one car in 1965, Phil built up and expanded the Company Philjo Motors Ltd to include coaches and self-drive vehicles which he sold in 1992 with a purpose built building, 40 staff and 80 vehicles. Phil has been the founder, member, chairman or president of numerous local charitable and community organisations and has been mayor of Wellington on four occasions. In 2008 he was awarded the MBE for community services.



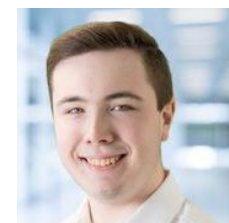
Anne Beresford

Anne grew up in Wellington, where she has fond memories of seeing Fantasia at The Clifton and Dr Doolittle at The Grand Cinema. She is an independent producer working in film and television. She is a graduate of Bristol University and in 2011 she was selected for membership of the prestigious Ateliers du Cinéma Européen. She was for many years a director of arts space "The Wapping Project" and now chairs the Steering Group for Camden Music Hub.



Andy Smith

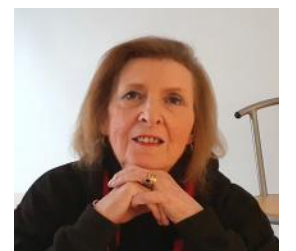
Starting his marketing business over 20 years ago, Andy has been delivering marketing solutions to businesses nationally and internationally from his Telford base. In 2013, he started a new venture, which attracted investment and has quickly become the leading business in its sector with more than 40 locations in the UK & Northern Ireland. Andy is married with two grown-up children, a motorcycle and a love for local life.



Liam McClelland

Liam joined the Orbit as a volunteer back in 2019 and since then has devoted a lot of his time to the Orbit with marketing as well supporting the running of the cafe and cinema. He has taken on a great deal of the responsibility for the Orbit's digital marketing and continues to deliver high-quality graphic design and video production. Outside of Orbit, Liam works full-time as a Software Engineer at Capgemini.

Fiona has worked for over 60 years in theatre arts and television media and is a founder member of the Board. In her formative years she undertook training in ballet, modern dance and drama and was involved in the West London dance and amateur theatre scene. Locally, Fiona teaches LAMDA (London Academy of Music & Dramatic Art) syllabus examinations, is an Equity member as a Theatre Director, and continues to work as a freelance in theatre and television directing professional and non-professional actors and dancers.



Fiona Hunter

Bill gained 15 years professional experience in senior roles in theatre, working for both the Royal Shakespeare Company and the Royal Opera House as well as in London's West End. He is a former Technical Director of the ICC, NIA and Symphony Hall in Birmingham where he was closely involved in the final design, installations and commissioning of all three venues. He was latterly part of the NEC Group's specialist international consultancy division, advising on major public venue projects



Bill Graham

Ray retired in 2013 from HM Revenue & Customs after 37 years' service. His last three appointments were as District Inspector in Oswestry, in Special Compliance Office undertaking high risk investigation work and finally in the Large Business Section in Birmingham as a Customer Relationship Manager being the prime point of contact and leading a team of specialists across the whole raft of taxes for initially major businesses in the Chemicals Healthcare and Pharmaceutical Sector and latterly in the Utilities Sector.



Ray Hughes

Graduating from the University of Cambridge with a Law degree, Rebekah qualified as a Solicitor in 2003 and practiced Commercial Property law. Upon moving to Hebden Bridge in 2009 she studied for a Masters in Culture, Creativity and Entrepreneurship at University of Leeds. Most recently Rebekah managed Hebden Bridge Picture House for nine years, honing her skills in project management, development work and the production of creative programmes and events.



Rebekah Fozard

6.3 Governance

Board Meetings are held at the current time on a monthly basis and will continue to be held as such while CCAC remains in its current state of flux. Long term, however, it is expected that such meetings will change to being held every two months.

Some directors have specific strategic areas which merge with operational tasks in relation to financing and marketing while there are separate subcommittees for Human Resources, Governance and the Phase 2 redevelopment. Each area is a separate agenda item at Board meetings where appropriate decisions are made and resolutions passed.

The rules provide for delegation in managing the business and the Board retain the responsibility for setting the policy and strategy while the day to day operational activities are carried out by the personnel below.

6.4 Staff

CCAC hold contracts of service or for services with 10 persons of which only one is full time.

Key personnel are: -

Damian Breeze – General Manager
Sarah Chard – Office Manager
Lynn Willans – Café Supervisor
Kate Mayo – Volunteer Co-ordinator

A field researcher is in the process of being recruited

Other employees include duty managers, kitchen assistants and cleaners.

The management team report to the Board at each Board Meeting provide feedback through evaluation from the implementation of policies and are encouraged to provide input into the formulation of policies,

6.5 Volunteers

As mentioned before, volunteering is an indispensable part of what CCAC do. Currently 56 people contribute to CCAC mainly in the servery and kitchen and being cinema ushers while some administrative work is also undertaken. Bearing in mind the non-remunerated work of directors it has been estimated that the economic value of the input of volunteers amounts to around £100k and essentially the surpluses of income over expenditure reflect the gift of volunteer's time. This will never be underestimated or undervalued.

6.6 Member Involvement

Beyond their investment in shares, members can be as active in the organisation as much or as little as they like and CCAC have meeting groups in certain operational areas the members can join.

6.7 Partnerships and Collaborations

The qualifying rules for Sitr prohibit participation in partnerships but CCAC are always keen to enter into collaborations with others the most noticeable of which is the Tuesday Parent and Toddlers Group working with All Saints Church.



Members of the team help a customer celebrate a birthday

7. RISK ANALYSIS

CCAC's accounts identify the following risks: -

Risk	Mitigation
The Society will be unable to generate sufficient funds to develop the whole building	Extension of lease obtained to reassure investors. Share campaign to attract further share capital. Creation of Restricted Reserves to earmark funds for redevelopment. Active research of funding opportunities
There will be insufficient unrestricted reserves &/or cash to pay back existing loans	Business plan projections to build up cash reserves. Deferred repayment schedule to assist in business development
The Society will be unable to obtain grants	Preparation of robust and realistic business plans, publication of comprehensive accounts showing sound financial management, clear vision, evidence of need and demonstrable community engagement.
The Society will become insolvent	Build up of unrestricted reserves, buffer of rent deposit
The Society will not be able to attract sufficient volunteers	Support, encouragement and recognition of existing volunteers, sourcing of volunteers from a wide area of outlets. Engagement of volunteer co-ordinator.
The Society will lose its charitable status or be affected by other tax and legislative changes	Monitoring all activities to ensure they are within the rules, liaising with national bodies who lobby government on legislative changes and anomalies.
The Society will have no building after the lease expires	Plans in place to try to acquire the freehold.
The Society will suffer business interruption	Full insurance to cover risks. Re-modelled cash reserves policy building on the impact of the Coronavirus pandemic. Fully researched and costed Cultural Recovery Fund bids and keeping an eye open for other Covid relief measures



Duty Manager Graham meets an unusual visitor for Jurassic Park

8. FINANCIAL INFORMATION

Our last four years' results are:

<i>Income and Expenditure Account</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Sales	18653	192670	301943	150824
Cost of Sales	(1992)	(11915)	(32648)	(38797)
Gross Profit	16571	180755	269295	112027
Overheads	(16608)	(148522)	(165690)	(153009)
Operating Profit	(137)	32233	103605	(40982)
Interest	-	(1212)	(7268)	(6010)
Profit/(Loss)	(137)	31021	96337	(46992)

<i>Balance Sheet</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
Tangible Assets	5928	10889	9923	9104
Intangible Assets	83628	538747	494146	488027
Current Assets	158841	48576	69246	78300
Current Liabilities	(140571)	(128547)	(17769)	(20563)
Net Current & Fixed Assets	107826	468745	555546	554868
Long Term Liabilities	(60236)	(364612)	(343382)	(341541)
Net Assets	47590	105063	212164	213327
Share Capital	39345	65797	76561	124716
Profit and Loss	8245	39266	135603	88611
Total Equity	47590	105063	212164	213327

To the extent that CCAC commenced trading from the Premises in May 2019 the accounts from registration to 2018 are not meaningful.

It should be noted that CCAC charity account adopting Charities SORP. That means that CCAC do not have a trading and profit and loss account but an income and expenditure account which includes all the charity's income whether it is trading or not which means the trading should not be looked at in isolation.

It should also be appreciated from the comments at Part 6 that the rights attached to the shares and CCAC's rules mean that there is little benefit to a member to subscribe more than the minimum share capital. The motivation for the extra subscriptions are the tax benefits from Sitr which require a smaller net outlay than Gift Aid. There is no substance over form treatment for Charity Accounting purposes and the shares are shown for what they are.

However, Sitr is due to be withdrawn at the end of the 2022/23 tax year and if a substitute is not provided prospective support will be more than likely to be by Gift Aid which will go to the income and expenditure account.

8.2 Effect of Covid

Having only commenced trading from the Premises in May 2019 CCAC was building up its trade in line with the popular time for cinema going in the New Year when Oscar releases were doing the rounds which then came to an abrupt halt with enforced closure of cinemas on 19th March 2020. Although reopening occurred in July 2020 there were further periods of lockdown in November 2020 and January through to mid May 2021. Social distancing restrictions continued until 30th September 2021.

No leisure outlet would have survived in this period but for government support which was principally in the form of furloughing although CCAC had to make a redundancy and the Cultural Recovery Fund (CRF) for independent cinemas which ran up to March 2022. The CRF was designed to leave independent cinemas in a break even position through the pandemic but was based on what was considered eligible expenditure. That excluded both depreciation and interest payments. The logic for this is difficult to understand and works against heavily capitalised and debt laden businesses where these types of expenditure were in normal times expected to be covered by income streams. Nevertheless CCAC was denied support here

even though their arguments were accepted in principle.

Some limited support was available on the final tranche of the CRF through a reflation of reserves. CCAC were denied this support as it was stated that it is a mixed arts venue and was excluded. CCAC are hoping that the Arts Council will be sympathetic here because additional share investments which were in place to maximise tax relief in tax years were to be earmarked for future redevelopment but have effectively just maintained reserves.

On the positive side CCAC are not burdened with Business Interruption Loans which would eventually have to be repaid.

8.3 Current Trading Year

CRF support concluded in March 2022 as did the reduced VAT rate and independent cinemas have now been left to their own devices despite the industry projections that audience figures will not recover fully until 2023. For the first quarter of 2022 CCAC made a loss but to ensure that the maximum was recoverable under the CRF a share injection to utilise Sitr to its full in the 2021/22 tax year was not made to 1st April so CCAC had comparable reserves after that. In May then new Downton Abbey film was released that attracted a footfall of nearly 1000 and sales of Top Gun look promising but 2022 does promise to be a difficult year and does emphasise the need to exploit the whole of the building sooner rather than later to maximise earning potential besides expanding community benefit.

8.4 Financial Projections

On 27th February 2020, CCAC were able to secure a Sitr loan of £100k from the social investor Resonance under its West Midlands Sitr Fund aimed at dismantling poverty. This was only secured after exhaustive due diligence which is only right as other people were putting their money at risk. The process involved the construction and maintenance of cash flow projections which have continued to be deployed in CCAC's negotiations with the Charity Bank.

The latest iteration is attached at Appendix 3.

A short summary would be that the closing cash would be

Year	£
2022	31,818
2023	21,360
2024	23,947
2025	50,492
2026	110,178

8.5 Assumptions

The key assumptions are:

- Cinema Sales – we have compared our historic footfall against national trends since the start of the pandemic and our current figures suggest we are 40% ahead of national trends. It is then projected that 2022 will be 70% of the pre-pandemic footfall and then returning in 2023 to the pre pandemic norm. We have then assumed that we are therefore running at 70% of potential and then increased our 2023 figures proportionally. In addition, working on the experience of a local comparator which showed year on year organic growth of 2.3% from start up for the following eight years we have done a further uplift and done an additional 1.5% to reflect the anticipated annual population growth in the borough.
- Café sales – we are anticipating a 50% uplift in sales to cover the additional space upstairs, refreshments associated with the performing arts studio including parent pick up and associated with room hire (including birthday parties) and lets, We are factoring in a Gross Profit Rate of 55% which could be higher depending on the product mix.
- Wages are index linked at an average of 2% per annum on the basis that the current inflation is a short term phenomenon. There is a provision for £2000 additional cleaning but we feel that more effective use of duty manager time can cover the additional time to administer the upper floor. We will be seeking to cover the volunteer co-ordinator wages through revenue grants up to 2025 and then hold sufficient profits to cover this internally.
- Interest – we have put in a protective provision to cover a potential bridging loan. We are anticipating that the Resonance loan of £100,000 to facilitate the funding for the ground floor will be repayable by Gift Aid donations. All other

SITR loans will be repaid provided the investor requests so. We have been advised that lenders will be happy to convert £46k of loans into shares and others may follow. The intention is to be debt free by 2026.

- We have factored in increases of 10%, 10% and 15% for extra insurance repairs and utilities while several other debits remain static reflecting the fact that the building is not currently been utilised to its full capacity.
- We are anticipating that we will have an annual increase in fixed asset additions not covered by grants of £2k per annum after redevelopment subject to a provision of £60k for new seating and projection equipment which we anticipate coming to the end of its useful economic life in 2030.
- We are working on the basis that the upper floor redevelopment will conclude after the end of the second quarter of 2023.

The effect of the impact of having the upper floors available for use can be seen from appendix 4 and the basis for these assumptions can be related back to paragraphs 5.4 to 5.7



Manager Damian goes Back to the Future

Wellington
Orbit