



Business Plan for Stroud Subscription Rooms

A business plan in support of the Stroud Trust bid to take on the management of the Subscription Rooms

Locality

33 Corsham Street, London N1 6DR
Limited Company no. 2787912
Charity no. 1036460

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Executive Summary

The purpose of this business plan is to support the bid from the Stroud Trust (the Trust) to take on the management of the Subscription Rooms (Sub Rooms). This is in response to Stroud District Council's (SDC) expression of interest request for organisations to come forward with proposals for the future use of the Sub Rooms starting from June / July 2018.

This business plan is supported by a range of appendices including a 5-year profit and loss account and 5-year cashflow forecast, staff budget and capital development budget. Furthermore, the financial forecasts have been based on detailed analysis of existing budgets, case study analysis and assumptions (outlined later on). They also draw on the direct experience of members of the Trust in the management of arts, leisure and cultural events and venues. All the budgets and forecasts have also been subject to sensitivity analysis to ensure that the proposal is robust and that the Trust's management of the Sub Rooms is sustainable.

As an independent charitable company, the Trust will be community-led and deliver a wide range of services, activities and programming within the Sub Rooms and the wider community of Stroud Town and Stroud District. It is incorporated as a company with charitable Objects and will be registered with the Charity Commission with opportunities for the community to apply to join the board of trustees. There are also a range of ways for community involvement with the Trust including a 'Friends group' - with promotional benefits and discounts - and various working groups.

The Trust also aims to take on other venues and assets through management or ownership to broaden the arts, culture and leisure 'beyond the Sub Rooms'. One key benefit is that the Trust will be able to achieve economies of scale with Trust staff working across sites and with shared back-office and management functions. Furthermore, the Trust's goal to take on management and ownership of other assets in the Town and District is as a direct result of the ongoing pressures on public investment in arts, culture and leisure - this is a strategic response that will ensure ongoing delivery and future savings to the public purse through community ownership.

A detailed timeline is provided later on in the plan, but the ownership of the Sub Rooms is based on the transfer of the freehold of the building from SDC to Stroud Town Council (STC) and the provision of a 30-year lease from STC to the Trust. This stage is expected to take place before the end of March 2018, with the Trust gaining access to the Sub Rooms around April to June 2018.

From this point, there will be a period of closure - of 9 to 12 months - to allow for repairs, interior remodelling and refurbishment of the Sub Rooms. This work will create a vibrant, open and accessible community hub providing arts, culture and leisure under Trust management and will be open to all from April 2019.

Because the Sub Rooms is a listed building, STC and the Trust have taken advice from SDC Head of Planning regarding interior and exterior remodelling and adjustments. This is discussed later on in this business plan.

Introduction

Structure of this Business Plan

This business plan is structured into two sections:

Section 1 - Context, vision and mission and why we are submitting this proposal

This section focuses on the current context in Stroud, including the strategic response of the Trust to take on the management and ownership of assets to alleviate pressures on council budgets, as well as how the Trust's proposal supports regional, sub-regional and local policies and strategies.

The vision of the Trust and the mission for the Sub Rooms is outlined and case studies are also presented to demonstrate that - through partnership and investment - community-led arts, culture and leisure venues can be accessible to all, vibrant *and* viable.

Section 2 - Business model, viability and governance

This section outlines the business model - *how* the Trust will generate income - and what is different from the existing model. This section also explains the financial model and assumptions that have been used to generate a model that is viable.

Section 2 also sets out the position of the Trust in terms of 'Transfer of Undertakings (Protection of Employment) Regulations 2006' (TUPE).

As part of the Trust's ongoing commitment to providing arts, culture and leisure activity through the Sub Rooms as a 'community hub', section 2 includes an outline of how the Trust intends to provide, enhance and extend the current offer and programming within the Sub Rooms and into the community.

There is also a statement on the Trust's commitment to environmental sustainability in order to both reduce the carbon impact of the Sub Rooms and reduce energy costs. The Trust structure, its people and governance structures are explained in detail in the appendices, including 'pen-portraits' and full CVs. The final part of this section provides a development timeline - starting from this autumn until the Trust opens the new community hub in 2019.

There are a series of appendices in support of this business plan including 5-year profit and loss (P&L) accounts, 5-year cashflow forecast, capital development budget, staffing budget and project timeline line (Gantt chart).

Support from Stroud Town Council

The Trust have worked closely with Stroud Town Council to develop this bid, drawing on their experience of property ownership and management, and previous asset transfers. As partners in this bid offer experience of managing community buildings plus financial stability and transparency¹.

¹ Stroud Town Council audited accounts, 2015-16 - <http://stroudtown.gov.uk/wp-content/uploads/Annual-return-yr-end-310316.pdf>

As part of its commitment to the Sub Rooms and supporting the Trust in its bid, the Town Council have offered - and continue to offer - a range of support to the Trust. This has included:

- Strategic support and advice
- Funding and project management of this business plan, bid development and capacity building support for the Trust
- Commissioning of a Structural Survey of the building
- Securing quotes for capital development and refurbishment
- Providing office space and administrative support, including liaising with SDC
- Agreement from STC to continue supporting the Trust including:
 - Payment of buildings insurance on behalf of the Trust for the duration of the lease - current budgeted figure by STC of £7,500 per annum
 - A budget to pay for legal fees and other costs associated with the transfer
 - A contribution of up to £50,000 for capital and / or revenue costs
- Match funding of £2,500 - with in-kind support from Create Gloucester - for a project to create a cultural strategy for Stroud, linking with the Trust (supported by an Arts Council grant of £14,750)

This support from STC underlines the commitment and confidence the Council has in the Trust and its proposal to take on the Sub Rooms, as well as other future assets in the Town. Public consultation has also demonstrated a strong desire for the building to remain in public ownership - transferring the freehold to the Town Council meets this aim.

Business Plan Assumptions

At the time of writing and preparation of the business and financial model certain key information was unavailable. Therefore, certain assumptions had to be made in lieu of this information - these are listed below and explained in detail later on in this business plan:

- There is a successful freehold asset transfer of the Sub Rooms from Stroud District Council to the Town Council for a nominal sum (£1) subject to contract
- The Town Council will issue a 30-year, full repairing lease, at peppercorn rent to Stroud Trust subject to contract
- The Town Council will cover its own legal fees and other costs associated with the transfer (budget £6,000)
- The Town Council will contribute £50,000 to the Trust for capital and revenues costs
- The Town Council will cover the building insurance costs for the Trust for the duration of the lease (30-years)
- There is a capital grant - a one-off 'dowry' - to the Trust of £450,000 from Stroud District Council and if necessary, this grant will be held by the Town Council
- The Sub Rooms will close for 9-12 months after successful transfer from SDC to STC and subsequent signing of the lease to the Trust. This is to allow for interior repairs, remodelling and refurbishment of the new community hub
- There is no transfer of existing job roles from SDC into the new organisation
- Should TUPE be proven to apply, the Trust would expect SDC to meet the cost of any severance subject to TUPE
- The Trust as a charity will secure 80% relief on business rates and will request 100% relief from Stroud District Council

This business plan and financial model was developed by Locality for Stroud Town Council and for the Stroud Trust in support of its bid to take on the Sub Rooms and develop it into a community hub.

Locality is the national network of ambitious and enterprising community-led organisations, working together to help neighbourhoods thrive with 600 members in England².

² <http://locality.org.uk/>

SECTION 1 - CONTEXT, VISION AND MISSION AND WHY WE ARE SUBMITTING OUR BID

“The Reform Act of 1832 created the Borough of Stroud, with an entitlement to elect two members of Parliament” (Hearfield, 2015³). As one of the leading hopefuls, William Henry Hyett led the way to the development of a new public building funded through subscriptions - the Subscriptions Rooms.

Since its completion in 1834, the Sub Rooms have been a place for ‘lectures, concerts and circuses’ and carried on being a venue for debate, discussion and fundraising. Periods of refurbishment have supported local ‘tradesmen and suppliers’, but the Sub Rooms have also faced periods of financial difficulty. It has however remained a constant within Stroud life and contributed to the war effort through fundraising bazaars and festivals for the Great War and was requisitioned by the Air Ministry for the Second World War.

The Sub Rooms has also had different managers and owners historically, until the ownership was transferred to the Stroud Urban District Council in 1962⁴ and since then has been at “the centre of the town’s social and intellectual life”.

This heritage, history and principles have formed the basis of this business plan and the bid from the Trust to take on the management of the Sub Rooms. These principles include community ‘ownership’ and management - custodianship of both the building and its contribution to artistic, cultural, leisure and civic life within the District. Furthermore, as an independent community-led charity - the commitment to supporting local ‘tradesmen and suppliers’ (businesses and artists) is more relevant than ever during times of increasing global, national and local economic challenges.

These principles have formed the basis of the vision and mission of the Trust and for the Sub Rooms, now and for the next 180 years, so that the Sub Rooms can remain at the centre of the town’s social and intellectual life.

Vision and Mission Statements: Stroud Trust and the Sub Rooms

The purpose of this business plan is to demonstrate the viability, enhanced community and cultural offering and long-term sustainability of the Sub Rooms. It has been developed by first understanding the vision for Stroud - from the Trust and its partners - and then developing a mission statement for the Sub Rooms. The aim was to create an over-arching vision for the Trust and Stroud and, as part of the Trust’s activities, a mission for the Sub Rooms.

The development of both the vision and mission was achieved through discussion, engagement and consultation - the mission of the Stroud Subscription Rooms is:

“To deliver an arts & cultural experience for all, which will inspire, enrich & entertain”

This mission sits under an over-arching vision for the Stroud Trust:

“Stroud will be nationally recognised for its dynamic approach & excellence in the provision of arts, culture and leisure”

³ Extracts, events and dates taken from *Stroud Subscription Rooms: 1832-1950*, Marion Hearfield (2015), published by Stroud Local History Society - <http://www.stroudlocalhistorysociety.org.uk/people-places/buildings/sub-rooms/>

⁴ Marion Hearfield, Stroud Subscription Rooms, p.43

This over-arching vision for the Trust encompasses a series of goals that underpin the culture and ethos of the partners involved in its development. These goals form a set of principles that will enable the Trust, its partners and stakeholders to come together and deliver benefits for all in Stroud Town and Stroud District:

Stroud Trust Goals - the Trust will:

- work with others to cultivate a positive and creative environment which will support and develop a range of cultural activities across the district, from the traditional to the experimental
- actively promote economic opportunities involved in the development and promotion of arts, culture and leisure in the district
- foster and manage a diverse range of arts, culture and leisure activities across the district that are inclusive, participatory and of high quality; openly available and accessible to all
- lead and manage a portfolio of assets acquired through ‘community asset transfer’ to both relieve pressure on the public purse and ensure continued access to arts, culture and leisure
- ensure that the district’s reputation as a place of radical deliberation and unconventional thinking is reflected across its programmed activities and events
- evolve as a platform and a facilitator for a range of independent and emergent cultural activity - it will not seek to be the sole provider or originator of the arts, culture and leisure offer across the district but work in partnership

Working in Partnership: The Trust and Stroud District Council

The Trust, through its structure and vision for Stroud Town and Stroud District - and working in partnership with SDC - can deliver a thriving, dynamic and attractive Sub Rooms as a prime venue within what Stroud District offers.

There is significant scope for a revived Sub Rooms to enhance tourism and the local economy. Data on the Sub Rooms for tickets sales over a three-year period shows, that of 1,000 performances, half capacity or better was achieved for only 5% of events⁵. A better utilised and better attended facility would strengthen the community, local culture and the wider local economy.

The GB Tourism Survey (2015) found that average spend per visit was £48.78. When visiting venues or festivals, either for the day or overnight, spending is generated on tickets, food, beverages, programmes and also on other leisure and recreational attractions, retail, food and drink and transport or parking costs.

A recent study of The Stag Community Arts Centre in Sevenoaks (Kent)⁶, which employs 20 full time equivalent staff, estimated a visitor spend of £7.6 million in the local economy, which either creates or supports an additional 140 full time equivalent jobs.

⁵ ProVenueDatabox Report - Event dates: 01/04/2014 - 31/03/2017 provided by Paul Taylor, SDC

⁶ *Economic Impact Assessment of The Stag Community Arts Centre*, AECOM Ltd for Sevenoaks Town Council, January 2017

Similarly, the estimated £144 million spend from tourism in the Stroud district, supporting jobs and businesses, could be grown⁷.

The Stag was acquired by Sevenoaks Town Council in 2008, in a town of 19,000 people, and re-invented as a Community Arts Centre. A total investment of £500,000 has been put into The Stag by the local council and a charity which invests its returns back into The Stag. It now has an annual turnover in excess of £1 million.

Case Studies

There are many examples of sustainable, community-led centres, working in partnership with their local councils, and the Trust and Stroud Town Council believe that they are proposing a business model that will make for a stronger offering and secure a viable and sustainable Sub Rooms that also generates added value to the local economy.

Other examples of community-led arts and cultural venues that have contributed to the development of the business model, business plan and financial forecast include:

Trinity Community Arts

<https://www.3ca.org.uk/>

Based in Lawrence Hill Bristol and operating in a Grade II Listed Historic Landmark, the vision for Trinity Community Arts, “*is for everyone to have the opportunity to access and shape arts and culture*”.

The Trinity Centre is used by over 50,000 people annually and through their mission “*to empower communities through arts*”, they are a leading participatory art space providing a “*progressive programme of live music and performance, creative workshops, heritage learning, educational and well-being activities*”. Trinity Community Arts (TCA) also provide free hall-space for community groups to allow others to follow their passions and realise their ideas.

The Ludlow Assembly Rooms

<https://ludlowassemblyrooms.co.uk/>

The Ludlow Assembly Rooms in Shropshire are based in a building dating back to 1840, around the time the Sub Rooms opened. After restoration it opened its doors in May 1993 as a result of a period of campaigning based on the belief that their “*rural community deserved its own place of entertainment*”.

After a limited line-up of entertainment, they have expanded their programme over the years and, “*beyond all expectations*”, they provide a film or live event almost every night of the year and with an estimated footfall of 200,000 per year. Based on a survey conducted by Sheffield University in 2005⁸, it is estimated the venue supports the local economy by around £3million a year.

⁷ *The Economic Impact of Gloucestershire's Visitor Economy 2014: Stroud District*, The South West Research Company Ltd for Stroud District Council

⁸ *Economic impact study of West Midlands theatre*, Sheffield University (2005) - <http://councillors.herefordshire.gov.uk/documents/s50004380/Ref%20doc%201%20Economic%20Impact%20Study.pdf>

Both TCA and the Assembly Rooms have vibrant venues - with high footfall in the case of the Ludlow Assembly Rooms and significant grant funded community projects and programmes in the case of TCA.

These venues, alongside visits by Trust members to other venues, have shaped the new business model for the Sub Rooms - taking the best of what is available and shaping it for Stroud.

How the Stroud Trust delivers on key regional and sub regional strategies

The Trust vision is that, “*Stroud will be nationally recognised for its dynamic approach & excellence in the provision of arts, culture and leisure*”.

Central to this proposition is the role the Trust will play in delivering against and supporting key strategic plans at a district, county and regional level. The Trust will support and assist in the delivery of the following key strategies reports and consultation processes:

Strategy / Report / Consultation document	Section / Page	Stroud Trust role in delivery/support
Stroud District Council, Jobs & Growth Plan 2013-18 ⁹	<i>Our Commitments</i> , page 2	Support the creation of additional jobs in the creative industries through developing the critical mass of venues and attracting additional inward investment through the promotion of high profile events and festivals of national interest
	<i>Skills, training & Apprenticeships</i> , page 5	Work alongside South Gloucestershire and Stroud College (SGS) to provide internships and apprenticeships across a range of occupational and experiential areas
Stroud District Council, A Heritage Strategy for Stroud District: Consultation Paper (July 2017) ¹⁰	<i>Objectives</i> , page 6	<p>The Trust will support all three of the Objectives:</p> <ol style="list-style-type: none"> 1) to maximise the contribution that the historic environment makes to the character of the district, its economic wellbeing and the quality of the life of its communities 2) to identify ways to positively address the issues and pressures that are facing our heritage assets 3) to maximise opportunities for the historic environment to help deliver the District Councils wider corporate objectives, including those of the local plan <p>In addition, the three drivers of understanding heritage, capitalising on it and positive management of it, are in-line with the vision and goals of the Trust</p>

⁹ Stroud District Council, Jobs & Growth Plan 2013-18 - <https://www.stroud.gov.uk/media/3249/stroud-district-council-jobs-and-growth-plan-2013-2018.pdf>

¹⁰ Stroud District Council, A Heritage Strategy for Stroud District: Consultation Paper (July 2017)¹⁰ - https://www.stroud.gov.uk/media/355967/consultation-draft-heritage-strategy_july-2017.pdf

The Economic Impact of Gloucestershire's visitor economy 2014 ¹¹	Stroud - <i>Day visits in the county</i>	The Trust delivery programme will ensure a significant boost to visitor numbers with a strong 'day visit spend' of £90.8M in Stroud (2014), with day visit numbers at 2.8M.
<i>Stroud Connects: A Cultural Strategy for Stroud, Stroud Town Council</i>		<p>Currently under development this strategy is funded by Arts Council England with match funding from STC and in-kind support from Create Gloucestershire. Based on the debate that there is little strategic context for the management of cultural venues the Sub Rooms will feature in this strategy</p> <p>The aim is to devise a formalised Cultural Strategy:</p> <ul style="list-style-type: none"> • to audit cultural provision, public spaces and activity within the town • to appraise opportunities for development and collaboration • to provide a framework for the direction of cultural provision in Stroud • to provide a context for funding priorities • to promote collaboration
Stroud Corporate Delivery Plan 2017-2021(8) ¹²	<i>Economy, page 3 'Our four year focus'</i>	<p>Promote investment to create rewarding jobs that benefit the local area, with a focus on environmental technologies, engineering and manufacturing, creative industries and high quality social care</p> <p>Promote investment in our high streets and regeneration sites to help sustain and enhance our distinct and varied service provision and cultural heritage</p>
	<i>Delivery. Page 7, Key Actions 2017/18</i>	Transfer community buildings and other assets to local organisations as part of implementing our property assets strategy
<i>Interim Arts and Culture Strategy, Stroud District Council</i>	Unpublished Interim Report, Community Services and Licensing Committee	<p>District wide arts and culture strategy under development by the SDC Arts and Culture Task and Finish Group and the work of the SDC Tourism Task and Finish Group.</p> <p>The Trust will support objectives of the emerging strategy to enable and facilitate in the arts, attracting funding and co-ordinating festival activities. The Task and Finish Group is due to provide its final strategy report in December 2017.</p>

¹¹ The Economic Impact of Gloucestershire's visitor economy 2014, Stroud District Council

¹² Stroud Corporate Delivery Plan 2017-2021 <https://www.stroud.gov.uk/media/355844/corporate-delivery-plan-cdp-2017-21.pdf>

<p><i>The Future of Town Centres</i></p>	<p>David Lowin, Principal Planning Officer</p>	<p>A Town Centres Strategy agreed on 14 September 2017 in supporting discussions with town councils and key stakeholders to take forward its recommendations and related projects designed to improve our town centres.</p> <p>This furthers the District Council aims to improve the 'safety, vitality and viability of our town centres' as set out in Local Plan SO3. Stroud is identified as the sole Principal Town Centre.</p> <p>The Trust will support the development of Stroud as a destination to eat out, spend time and contribute to the 'experiential economy' recognising the importance of the rise of 'cafe culture' and the growth of leisure uses and spending.</p> <p>https://www.stroud.gov.uk/media/356249/item-12-appendix-a-future-of-town-centres.pdf</p>
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Appendix 1 contains a table of further information and links to reports linking the creative and cultural agenda and specific issues for youth, older adults and economic and social inclusion / disadvantage across Stroud.

SECTION 2 - BUSINESS MODEL, VIABILITY AND GOVERNANCE

This section focuses on *how* the vision and mission will be delivered and is based on a robust business model built on the experience of the Trust and its partners in delivering arts and cultural events, set-up and management of theatre, cinema and other venues. Furthermore, this model is supported by field visits to other similar venues, benchmarking of Locality members and the track record of Locality in supporting community anchor organisations.

It starts by focusing on the financial model and assumptions behind it and explains through annotated charts how the Trust will generate income through the Sub Rooms and the types of income. This is based on the model of an independent charitable company owning or managing assets and achieving financial sustainability through a mixed-income model that was previously unachievable to SDC.

The next part of this section focuses on the interior remodelling that is needed to increase the bar and café capacity as this was a key weakness in the current business model. Linked to this is the need for repair and refurbishment of the Sub Rooms and these capital costs are shown in Appendix 2 under the tab 'Capital Development Budget'. It must be noted that these figures are indicative and are subject to full valuations and tendering to finalise costs.

Financial Model

The financial model that has been produced is based on the principle of sound financial management - balancing income and expenditure - and delivery through a 'not-for-private profit' model. The Trust will deliver projects, provide services and generate a profit that will be reinvested back into the Sub Rooms. This reinvestment includes providing funding for capital development and refurbishment - ensuring the building is attractive and welcoming - and into project and programme delivery to ensure the Trust meets its charitable aims and goals.

Business Model Assumptions

While every attempt has been made to make this business plan and financial model as attractive as possible (future cost savings to SDC, reduction of future asset liabilities to SDC and ongoing arts and cultural offering) it had to be both realistic and robust and minimise the risk of business failure and loss of a valuable community and cultural asset.

The business and financial model is based on the following assumptions that are built in from the start:

- There is a successful freehold asset transfer of the Sub Rooms from Stroud District Council to the Town Council at a nominal amount (£1), subject to contract

If successful - and the Trust bid is accepted - it is expected that the freehold transfer from SDC to STC will take place during the winter of 2017-18 with completion in the Spring. This will be for a nominal amount of £1 and subject to contract and information provided relating to Appendix 3 - Schedule of Safety and Inspection Certificates.

- The Town Council will issue a 30-year, full repairing lease, at a peppercorn rent to Stroud Trust, subject to contract

During the process of the freehold transfer, arrangements for the lease from STC to the Trust will take place - it is expected that the lease will come into effect immediately by April 2018

- The Town Council will contribute up to £6,000 towards legal fees and other costs associated with the transfer

These costs are likely to include solicitor's fees, surveys and other professional costs and will be for the process of managing the transfer from SDC to STC and the drafting of Heads of Terms and other lease arrangements between the Town Council and the Trust.

It is assumed the SDC will cover its own legal costs and that the Trust will take separate legal advice and fund these costs.

- The Town Council will contribute £50,000 to the Trust for capital and revenue costs

This will be used for professional fees, refurbishment, revenue funding for staff and working capital for business sustainability

- The Town Council will cover the building insurance costs for the Trust for the duration of the lease (30-years)

This does not include contents, public liability or other insurances - the Trust is to make its own arrangements

- There is a capital grant - a one-off 'dowry' - to the Trust of £450,000 from Stroud District Council and if necessary, this grant will be held by the Town Council

The grant will be used as an investment for working capital *and* for capital development works (see 5-Year P&L and Capital Development Budget tabs in Appendix 2). The capital development grant will be used for repairs, remodelling and refurbishment of the Sub Rooms.

- The Sub Rooms will close for 9-12 months after successful transfer from SDC to STC and subsequent signing of the lease to the Trust. This is to allow for interior repairs, remodelling and refurbishment of the new community hub (estimated closure from April 2018 to March 2019)

The closure will enable the Trust to remodel the inside of the Sub Rooms so that it is a more 'open' as a space and community hub - inviting walk-in customers and passing trade - and more efficient as a café and bar area.

This period will also enable the Trust to fully develop its arts programme and community projects, carry out community engagement and deliver a range of community-based activity.

- There is no transfer of existing job roles from SDC into the new organisation

Based on the financial model any transfer of job roles and associated pension costs into the new organisation will place an unsustainable burden on the viability of the Sub Rooms as a community run venue - see separate note on TUPE below.

Should TUPE be proven to do apply, the Trust would expect SDC to meet the cost of any severance subject to TUPE

- The Trust as a charity will secure 80% relief on business rates and will request 100% relief from Stroud District Council

The current financial model allows for 80% rates relief and this is shown under Overheads.

The Trust Business Model for the Sub Rooms

Based the above assumptions, case study analysis, experience of the Trust members and income and expenditure figures for the current Subscription Rooms operations, we have devised the model shown in Appendix 2.

The key tabs are '5-Year P&L' and '5-Year Cashflow Forecast' which show the respective income and direct expenditure for the management of the Sub Rooms and overheads.

The plan shows that the Sub Rooms will be closed for 9-12months for renovations with no income or associated expenditure. There are some 'overhead' / on-going costs and these have been 'capitalised' and shown in the tab 'Capital Development Budget'.

During the closure year it is expected that the Trust will generate some income mainly from fundraising, grants and donations as well as a through a crowdfunding campaign. These are shown in column D where it is indicated that the Sub Rooms will be closed for 9-12months.

There is also an assumption that 2 grants will be made available for working capital and capital developments (renovations). This includes £50,000 from STC for capital and revenue costs and £450,000 from SDC with the split from SDC as follows:

- £200,000 - working capital grant
- £250,000 - capital development grant

Finally, the first full year of operations and trading for the Sub Rooms will be from April 2019 - the full P&L and cashflow forecasts are outlined below.

5-Year P&L Tab - summary

Table 1 below shows that in the full year of trading for year 1 (April 2019 to March 2020), the Sub Rooms will generate £490k of income. This income is set to increase gradually through a combination of in-house delivery of events, maximising the improved bar and café area and securing a range of grants to fund community projects. These grants will also include an element of 'full cost recovery' allowing the Trust to secure funding against its core costs.

It is expected that - while income is growing annually - expenditure will outstrip income until year 4 of trading and with only a modest profit of £7.8k being posted with the breakeven point for the Sub Rooms are expected to occur during the financial year ending (FYE) 2022-23.

Furthermore, what is not shown in the financial model is the effect of the economies of scale when the Trust takes on other income generating activities / assets. It is expected that Trust staff will be working across a range of projects and a range of sites with efficiencies in terms of back-office costs and best use of staff time during quieter periods.

Table 1 - 5-Year P&L Summary

	06/18 to 04/19	Year 1	Year 2	Year 3	Year 4	Year 5
Income	£57,000	£490,070	£584,710	£726,783	£821,423	£872,155
Total Overheads & Expenditure	£23,506	£575,680	£647,199	£752,362	£813,580	£847,558
Net Profit/(Loss)	£33,494	(£85,610)	(£62,489)	(£25,579)	£7,843	£24,597
P&L After Grant	£251,494	£132,390	£69,901	£44,322	£52,165	£76,762

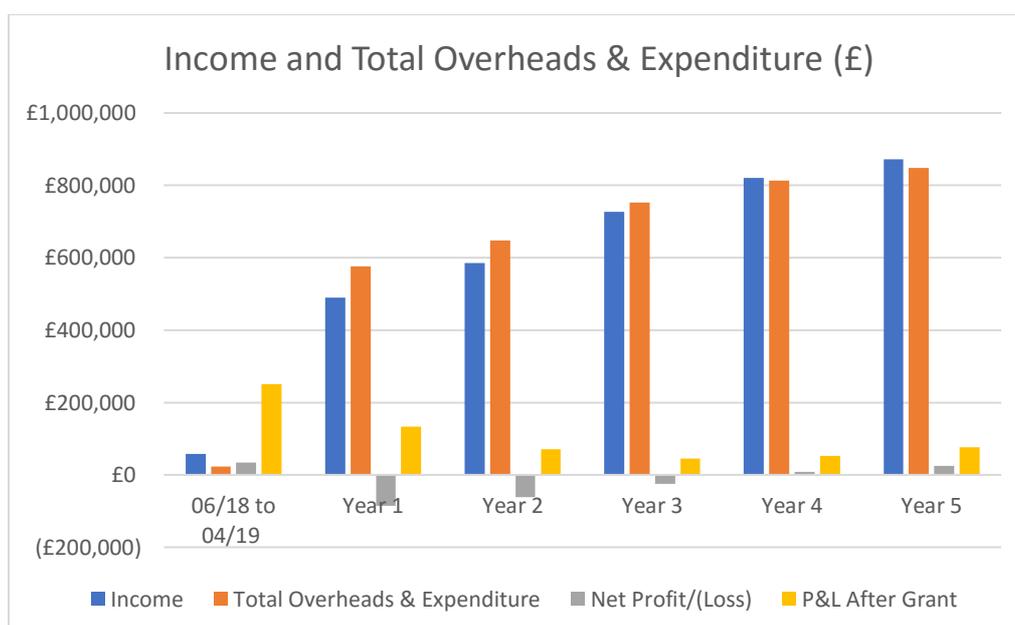
Based on this forecast it is critical that an injection of cash is made in the form of working capital to ‘cashflow’ the Sub Rooms so that it is viable by breakeven point.

The final row shows the P&L after the capital grant has been made which is made up of a cash injection of £200k from Stroud District Council and £18k from STC (the remainder of the balance, £32k, is used to fund a Trust Fundraiser post hosted by STC, this is subject to approval from council members).

Image 1 is a bar chart with four columns illustrating:

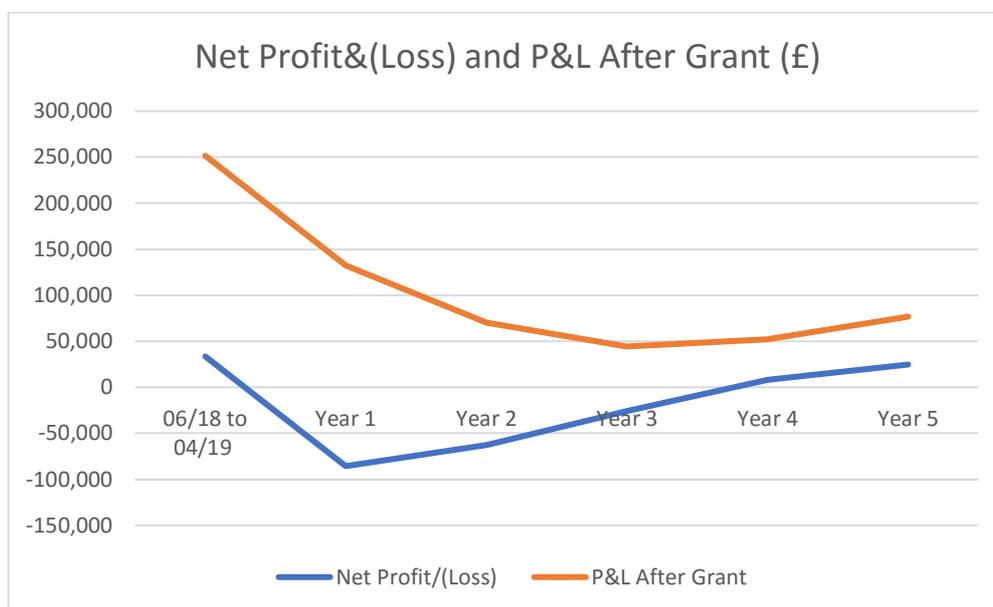
1. The total income
2. Total overheads and (direct) expenditure
3. The *net* profit or loss position
4. The profit or loss position *after the grant*

Image 1 - Income and Total Overheads and Expenditure



This capital injection provides a cash ‘buffer’ to the Trust so that it can meet its obligations and continue trading. Image 2 shows the trend line for the *net profit/loss* figures and the profit/loss figures *after the grant*.

Image 2 - Net Profit/(Loss) and P&L After the Grant



What the chart shows is that - without the grant - the Trust enters a loss-making position within the first year of opening the Sub Rooms and that by year 4, the Sub Rooms will generate a profit. However, this does not account for the accumulated losses over the 3 years.

5-Year Cashflow Forecast

When forecasting the cash position of the Sub Rooms over 5 years - and based on the 5-Year P&L - the Sub Rooms will post a loss of over £86k in year 1, £62k in year 2, £26k in year 3 and post a modest profit in year 4 (see Image 3).

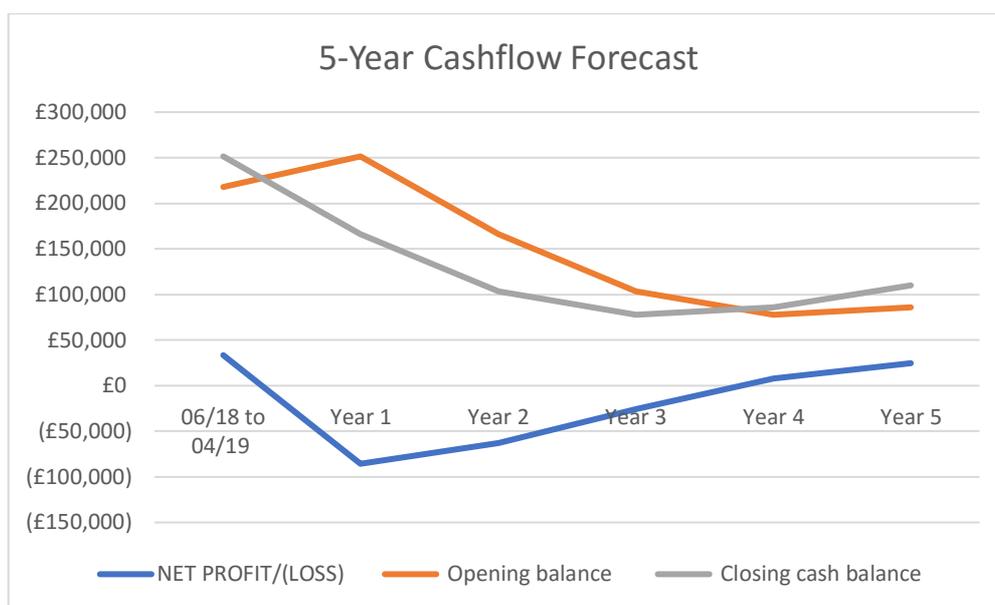
Image 3 - 5-Year Cashflow Forecast

	06/18 to 04/19	Year 1	Year 2	Year 3	Year 4	Year 5
NET PROFIT/(LOSS)	£33,494	(£85,610)	(£62,489)	(£25,579)	£7,843	£24,597
Opening balance	218,000	251,494	165,885	103,395	77,816	85,659
Net cash surplus / (deficit) for year	251,494	165,885	103,395	77,816	85,659	110,256
Closing cash balance	251,494	165,885	103,395	77,816	85,659	110,256

With the £218k of grant as working capital, the cashflow position is improved markedly with an opening cash balance in FYE 2018-19 of £251k that is gradually reduced - decreasing to a low of £77k in year 4 (FYE 2022-23) before increasing again.

The final chart (Image 4) shows the trendline for the cash position of the Sub Rooms and how the closing cash balance (surplus) stay positive over the 5-years with an upturn expected from year 4.

Image 4 - Trendline Over 5-Years for Net P&L, Opening and Closing Cash Balances



Building Remodelling, Repairs and Refurbishment

Stroud Town Council commissioned O’Brien and Price (Stroud) to carry out a structural survey of the Sub Rooms which was completed in August 2017 (see Appendix 4). The surveyor is familiar with the building having previously looked at the building for SDC in 1998 and 2002.

The survey highlighted a number of maintenance issues which will need to be addressed to ensure that the property is fit for purpose and can be leased to the Trust without a large maintenance liability.

The main item of concern is the roof coverings which “have reached the end of their serviceable life”. The main costs budgeted for relate to repairs to both the main slate roof and the smaller flat roof and masonry repairs.

A number of building renovations are proposed to support the new business plan and have been included in the capital budget. One of the failings of the current operation is the limited size of the bars and café, which have a negative impact on income from food and drink. The development of the community hub space allows for a significantly remodelled interior and glazing the ‘porte-cochère’ to allow for a more open space and cater for passing trade.

Listed building consent will be required for any changes to the building so a pre-application site meeting was held with the Head of Planning, Conservation Officer and Building Control, which established that the proposed alterations are likely to be acceptable in planning terms. O’Brien and Price (Stroud) have confirmed that the changes are all structurally feasible.

At the time of writing, no detailed drawings for the interior remodelling were available, these will be produced if the Trust is successful in its bid.

Based on discussions and reports, the main improvements involve:

- Opening up the ground floor on the right-hand side behind the George Room to accommodate a large bar/café and relocating the toilets to the left-hand side (the space currently used for the Tourist Information Centre would be remodelled as a flexible space for community events and workshops)
- Removing the bar from the Kendrick Room to create a flexible space for community events and workshops
- Glazing the porte-cochère to create an open public face for the building, with potential to limit heat loss
- Raising the ceiling over main stairwell to restore the historic form
- Reconfiguring the entrance to the Kendrick Room from the stairs to improve accessibility.
- Installing balustrading and replacing decking to make the balcony over the porte-cochère accessible
- Installing new balustrading to ballroom balcony to comply with building regulations
- Install new bigger commercial kitchen area where 'Mr Twitchett's' cafe is currently situated, to service new improved catering offer

Why we decided to close the Sub Rooms

During early discussions - and after visits to the Sub Rooms and assessment of the interior layout and business performance (especially in the café and bar areas) - it was felt that interior remodelling was the only option to ensure that the Sub Rooms would be commercially viable *without* ongoing public 'subsidy'.

The Trust therefore agreed that closing the Sub Rooms for up to 12months was the best option when considering the need to secure planning permission, finalise capital development budgets, enter into procurement process with local suppliers where possible, the project management and phasing of the development work. It is likely that the development work may take longer than 12months - this is explored in Appendix 5, the Risk Register.

This decision to close was driven by the need to remodel the interior so that it was more open - with greater capacity and flexibility - and to make the space more commercially viable. There is also the potential risk of loss of space for existing groups and continuity with artists and agents - this is explored in the Risk Register.

Note on TUPE

The Trust has taken advice through STC's Employment Law advisors after notifying its proposal to close the Sub Rooms for 9-12months for renovations. During the closure period the only personnel operating on the site will be a temporary security contractor and independent contractors engaged in the refurbishment of the building.

The Trust will appoint an interim project manager on a part time basis after approximately 3-6 months of closure to oversee capital development works, fundraising and community engagement. STC will employ a fundraiser on behalf of the Trust using a portion of its grant.

It is the view of the advisors that the suspension of activities during the period of closure for renovations is sufficiently lengthy so as to exclude TUPE and that the nature and timescale of recruitment is consistent with the suspension of activities and the exclusion of TUPE.

Staffing

Based on the experience of Trust members in the management of arts, cultural and leisure venues and events and examination of other models, the Trust feels that a staffing structure with flexible roles located across various sites and locations within the District is the most sustainable option. These staff will be employed by the Trust and located at the Sub Rooms after the new Sub Rooms opens.

Throughout the closure year there will be no staff based at the Sub Rooms (other than the contractors engaged in the refurbishment) with future staff for the Sub Rooms employed around 1-2 months before the opening. This is to allow time for induction, training and preparation for the opening of the Sub Rooms in April 2019. It is also expected that there will not be a full complement of staff from the beginning of April 2019 - we have made some provision in the financial forecast for this.

The only member of staff employed in advance of the 3 months will be the Trust Project Manager. Their post will be based in the Trust office and they will lead of the project management of the capital development work and supporting the Fundraiser. It is also the goal of the Trust to take on other assets, and so staff will work across several sites which will achieve economies of scale in terms of 'back office' costs and support a more integrated approach to programming of events across the District.

Trust staff roles will also be supported by trained volunteers that will provide benefits to the Trust by providing a committed and flexible support team as well as benefits to volunteers including social integration, skills development and training.

Community and Cultural Offer

It is the mission of the Sub Rooms,

“To deliver an arts & cultural experience for all, which will inspire, enrich & entertain”

The Trust, through the Sub Rooms, will retain and enhance community access and provide a varied cultural offer. The principle of community access and a varied cultural offer are enshrined both in the goals of the Trust and its charitable Objects.

Community access will therefore be achieved through the Sub Rooms operating as a community hub. It will support the establishment of an 'Arts Forum' for Stroud that will help existing groups access space during the closure of the Sub Rooms and contribute to ongoing community access once the new Sub Rooms are opened.

It is also the intention of the Trust to secure various revenue grants to support community outreach and engagement and to provide community arts activities at the Sub Rooms. Further community access to the Sub Rooms will also be enhanced by volunteering opportunities and ensuring a varied cultural offer that is aligned to the strategy. This will be supported by the Forum and integrated with the Fringe and other arts, cultural and leisure events in the Town and District.

The business model also places emphasis on programming of live events and workshops, live relays, screenings and partner hires. This mixed programme therefore allows for a diverse range of activities that will sit alongside community events, fundraising and lectures.

Environmental Sustainability

As part of a commitment to environmental sustainability, the Trust will seek ways to reduce its carbon footprint. These include potentially installing photovoltaic (PV) cells on the roof of the Sub Rooms and improved glazing and insulation. It is already in the plans of the Trust to explore the potential to glaze the porte-cochère as this will open up the interior space.

This work is subject to planning approval and consent and available budgets to carry out the work. The Trust has already consulted with the Chief Planning Officer on the porte-cochère and has two outline proposals in place - the potential cost of the porte-cochère is listed in the tab 'Capital Development Budget' in Appendix 2.

Installing both PV cells on the roof and glazing the porte-cochère will also save on energy costs that will contribute to ongoing viability of the Subs. These savings are not currently shown in the financial forecast.

The Stroud Trust

The Stroud Trust is an independent community-led charitable company that is currently in the process of registering with the charity commission.

The Trust may also establish a subsidiary trading arm (possibly a Community Interest Company, CIC) to form an entertainment agency enabling the trust to work closely with local promoters and performers.

Finally, and dependent on funding requirements, the Trust may consider working with the local community to establish a Community Benefit Society (CBS or 'Society') the primary objective of the Society would be to raise funds for the Stroud Trust. Funds raised by the Society could be used for the refurbishment of the Sub Rooms or acquiring other assets in the future.

Why we have chosen this model

This structure has been chosen because it provides the best balance between community accountability and control, alongside a structure that will enable the Trust to run the Sub Rooms as a sustainable arts and community hub. The trustees will make decisions based on a strategic plan, detailed action plan and updated versions of this business plan and financial model. This structure will enable them to be responsive to current need, while planning ahead for the future delivery of activities and sustainability of the Sub Rooms.

Furthermore, this structure is 'tax efficient' while enabling the Sub Rooms to trade as a charitable company and the trustees will be applying for 100% rate relief from SDC.

From research¹³ some of the other benefits of moving to a charitable company model were identified as:

- Fundraising via Gift Aid on charitable donations
- Fundraising from a far wider range of grant-giving bodies including trusts and foundations
- The potential to build partnerships to enhance and build the sustainability of the Trust's offer

The impact of adopting a Trust model include:

- A Trust model can have a greater sense of identity, stronger branding and is able to communicate with existing and new customer groups more effectively
- A more commercially sensitive approach to pricing is possible
- Autonomy of decision-making by the board of trustees means the Trust is more 'fleet of foot' and can respond to opportunities quickly
- Although in other examples there was no financial or governance relationship, Trusts retained close links with their local authorities and worked in partnership

The Trust will therefore be responsible for the ongoing management of the Sub Rooms as an arts, culture and leisure community hub. The Trust will ensure that the Sub Rooms is run prudently - seeking to generate a profit that will be reinvested into the facilities and programming - and build up surpluses in line with the charity's reserves policy.

The current Trust committee is made up of representatives from the Stroud Fringe CIC, George's Square Rooms, an independent expert and is supported by STC. These 6 founder members may be joined by additional trustees that will bring a particular set of skills to the trustee board - the optimum number, skills and experience mix will be determined if the bid is successful.

Below is a list of the key people involved in establishing the Trust, with a brief outline of their expertise and skills. The Trust has also had support from Locality in the preparation of this business plan, 5-year profit and loss forecast and preparation for the bid in response to the EOI. Locality has also supported the Trust in the development of its vision and mission statement for the Sub Rooms and provided support with stakeholder mapping and with governance structure.

Stroud Trust - committee members

John Bloxsom MBA is an experienced strategic manager and leader with a track record in service transformation and non-executive roles. John is a PRINCE2 qualified project manager, a former strategic director and head of housing services. For 15 years he has provided consultancy and programme management support in the charity, private and public sectors.

John is also Vice Chair of Two Rivers Housing, a trustee of Uplands Care Services and a member of Stroud Town Council. John co-ordinated production of the Stroud Town Centre Neighbourhood Development Plan adopted in October 2016.

¹³ West Sussex Music Trust case study - <https://www.local.gov.uk/west-sussex-music-trust>

Julie Ellison MBA is a business adviser, educator and entrepreneur, she has over 15 years' experience supporting the start-up and growth of social enterprises and has worked with national and international partners to develop ecosystems of support for social entrepreneurs in the UK and EU. Julie is currently working at Bath Spa University as a lecturer in Social Innovation and Enterprise and was the Third Sector Entrepreneur in Residence at the University of Bristol (2013-16).

Julie also works as an associate business adviser and consultant for the EU funded Social Enterprise and Innovation Programme in the West of England and is on the Board of Directors of Catalyse Change CIC; a social enterprise providing opportunities for young women to develop careers in Sustainable Development, and Drop in and Make It CIC a new maker space in Stroud.

Julie Howe has experience in branding, positioning, programming and event management. In her role as Co-Director of Stroud Fringe CIC she has grown the festival audience by over 1000% in the last three years. She has managed teams of staff and large budgets in her career spanning 25 years as an Art Director in consumer magazines and newspapers and has worked within the music industry. She has also served as a school governor for over 6 years.

Jess McQuail MA is an experienced senior leader and manager, with a track record in business development, income generation, partnerships and community development. She is currently CEO of Think Global, a national Non-Governmental Organisation (iNGO) working to help people understand -and take action on- global issues. Prior to this, she worked for over 25 years in a variety of NGOs; leading, managing and developing large scale programmes and projects in the UK and overseas.

She has also served as chair and trustee on several Trustee Boards (including a grant giving trust) and raised at least £5 million in the last 5 years for a variety of organisations. Jess has a BSc in Psychology, an MA in Social Work and a post graduate qualification in leadership and management. She also leads the Stroud Outdoor Pool/Lido Feasibility Study Project Team.

Lucy Vincent was born in Selsley and attended the Rosary School and Stroud Girls' High School. She has a Doctorate in neuroscience and pharmacology from the University of Bordeaux and her research interests have always centred on brain plasticity in different physiological contexts.

She has had a varied career including research and communication, having published 6 books for the well-known French non-fiction publisher Odile Jacob, produced and presented several series of medical and scientific programs for Radio France and been the General Director of external affairs and as well as spokesperson for the largest independent French pharmaceutical company, Servier. Lucy is also a dancer and has created a movement program designed to produce benefits for the brain.

Andy Woods was a founding director of Artrix, a 300-seat arts centre in the small town of Bromsgrove. Over 10 years it grew through a combination of careful management and adventurous programming to a business with a turnover of £1m generated from over 450 annual performances and screenings.

Prior to this Andy was Director of the Guildhall Arts Centre, where he oversaw the conversion of Gloucester's Guildhall to arts use and developed a programme of arts events and activities designed to meet the particular needs and aspirations of Gloucester's diverse communities.

Full CVs for the committee members are also available - see Appendix 6.

Stroud Trust - structure

The Trust will have a Chair and Vice-chair, a Treasurer, Company Secretary and several working groups such as Fundraising and Finance and Volunteer Management. As well the working groups, the Trust will establish a Sub Rooms Users Group made of local members of the community that will be consulted and involved in shaping programming, organising events, community activities and projects and are likely to be active volunteers in the community hub.

These groups will create opportunities for the community to be actively involved in the management of the Sub Rooms, provide accountability to the community as well as a pool of potential future trustees.

More widely, the Trust anticipates the need for an 'Arts Forum' linked to STC's Arts Council England funded project to create a cultural strategy for Stroud. The aim would be for the Trust to help facilitate the Forum and support local promoters, artists and Sub Rooms users to access space and facilities in Stroud. These spaces include Lansdown Hall and St Laurence Church for example.

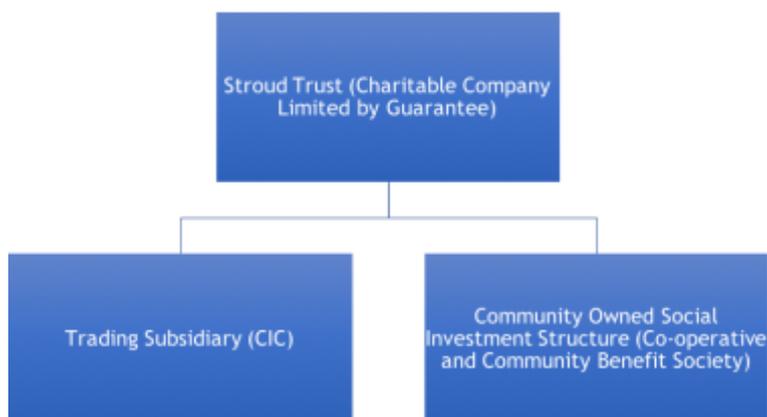
Image 5 below is a diagram showing the structure of the Trust. The intention of the group is to set up a range of vehicles to take on the management of other venues in the future and to create a trading subsidiary for income generation. The profits of this subsidiary will be passed to the Trust to 'cross subsidise' other less profitable or loss-making activities that support the Trusts vision.

Finally, the Trust intends to set up a community owned investment structure - a Cooperative or Community Benefit Society (CBS or 'Society') - as a vehicle to raise investment through a community share offer.

The Society will issue withdrawable but non-transferable shares to members of the community to generate capital for development projects and provide and also financial returns to its members. Historically, the primary motive for shareholders has been less about a financial gain through interest or dividend payments, but more about investing in their community, pride and ownership. Currently there is no budgeted income in the financial model as it is expected the Society will be set up if the bid is successful and to focus on raising investment capital¹⁴.

¹⁴ It is also worth noting that Stroud Town Council has indicated that it could potentially provide investment drawn from the Public Works Loan Board (PWLB). This is currently subject to discussion and agreement for councillors.

Image 5 - Stroud Trust Charity Structure



In-line with other similar venues the Trust will also establish a ‘Friends’ group for the Sub Rooms. The purpose is to create a further opportunity to support the Sub Rooms and create ‘ownership’ within members who want to support arts, culture, leisure in Stroud and the District as well the heritage value of the Sub Rooms.

Friends will be offered a chance to sign up on an annual basis or one-off lifetime membership of the group which will have a constitution. Friends will also qualify for discounts, special events and screenings as a benefit of supporting the Sub Rooms and to recognise the value of their contribution to the future of the Sub Rooms.

Stroud Fringe CIC

Stroud Fringe is a not-for-profit free music and arts festival that aims to attract an audience from its local and wider community, especially those that don’t usually engage in the arts. The festival has five outdoor stages, a procession and curates programming including music from all genres, comedy, film, literature, visual art, circus arts, performance art, children’s workshops and street food. It has visitor numbers of around 20,000 over the weekend and income of around £100,000 per annum. The mission of Stroud Fringe is to become a nationally recognised festival, showcasing the area to visitors and encouraging growth and investment.

Key Partners

The Trust has been working very closely with STC for nearly 12months to develop the initial proposal, appoint Locality and develop this business plan and bid. STC has provided support (outlined previously) and Locality has been working with the Trust and STC to develop this business plan, financial and business model and also provided capacity building support to the Trust. This engagement will continue.

Subs Community Association

Local supporters, user groups and small producers, brought together through the public campaign to support the Sub Rooms, have formed the Subs Community Association and it has also submitted an EOI. The Trust has engaged with SCA in the process of preparing this bid as it is formed of established users and businesses that are important to its future.

Future Asset Acquisition

One of the Trust's goals is to build a portfolio of assets through community asset transfer to enable the Trust to foster a diverse range of activities for all across the district that are both inclusive and participatory. The Trust will therefore provide an 'infrastructure' for the community ownership and management of assets across Stroud District.

Furthermore, this approach is central to the future sustainability of the Trust - the benefits are twofold:

1. There will be cost savings to the Trust in terms of 'back-office' management systems and Trust staff working across several sites
2. Joint promotion, programming and maximal use of capacity across sites enhances income potential

The 'umbrella' structure of the Trust, its staff, governance and business model will enable it to also set up different structures for the ownership and management of assets for community benefit through arts, culture and leisure.

Options include setting up trading subsidiaries such as community interest companies¹⁵ for trading or 'community investment vehicles' such as co-operative and community benefit societies¹⁶ to raise funding and investment, provide shares *and* ownership to members of the community¹⁷.

Increased community ownership of assets across the district will also relieve the pressure on the public purse in terms of ongoing building maintenance and revenue costs, enable more effective use of staff and volunteers, ensure a joined-up community arts and cultural offer and target areas of disadvantage to use arts, culture and leisure to improve the lives of local people.

The above benefits can be achieved because of the structure of the Trust, its business model as a community hub and that it can access grants and other investment for capital and revenue and project funding that SDC is unable to access.

Development Timeline

Appendix 7 contains a Gantt chart (Project Timeline) with key project milestones which include a period of time for the establishment of the Trust, transfer of the freehold from SDC to the Town and Council and simultaneous development of Heads of Terms and lease development between the Town Council and the Trust.

Other key milestones include the closure of the Sub Rooms for up to 12months for repair, remodelling and refurbishment and the recruitment of Trust staff and volunteers in advance of opening of the Sub Rooms as a community hub in 2019.

The Trust agreed that closing the Sub Rooms for up to 12months was the preferred option when considering the need to secure planning permission, finalise capital development budgets, enter into procurement process with local suppliers where possible, the project management and phasing of the development work.

¹⁵ Office of the Regulator of Community Interest Companies -

<https://www.gov.uk/government/organisations/office-of-the-regulator-of-community-interest-companies>

¹⁶ Information on the Financial Conduct Authority about the Co-operative and Community Benefit Societies Act 2014 - <https://www.fca.org.uk/firms/registered-societies-introduction/co-operative-community-benefit-societies-act-2014>

¹⁷ The Community Shares Unit website established by Locality & Co-ops UK - <http://communityshares.org.uk/>

These steps are outlined briefly below with estimated dates:

- **October 2017 to January 2018** - await the outcome of the Trust bid
- **Winter 2017 / 2018** - discussions about the transfer of freehold from SDC to SCT and negotiation of lease arrangements with the Trust
- **December 2017 to March 2018** - Registration of the Trust with the Charity Commission
- **December 2018 onwards** - start of fundraising by the Trust to include:
 - Community crowdfunding campaign to raise awareness of the Trust and proposals for the Sub Rooms and raise funds for the first 12mths. This will enable the Trust to recruit and train volunteers, employ key staff and put on events and activities in the lead up to reopening in 2019
 - Capital development fundraising to include applications to Power to Change
 - Revenue fundraising for community projects and programmes
- **April / June 2018** - 30-year lease signed by the Trust on a full repairing basis
- **April / June 2018** - closure of the Sub Rooms for 12months for repair, remodelling and refurbishment
- **May 2018 onwards** - community engagement and consultation activities to include:
 - programming of community-based events during closure using other venues and locations; linking with the Fringe and other festivals to raise awareness and generate income and ensure continuity of relationships with agents and artists
 - consultation on programming of events from when the Sub Rooms opens in 2019
- **March 2019 to May 2019** - preparation for opening of the new Sub Rooms as a community hub - includes a period of test trading and events, final staff recruitment and training of volunteers and 'bedding in' the team
- **June 2019** - grand opening of the Sub Rooms

These dates are subject to a successful bid and transfer of the freehold to STC and lease to the Trust in time for an April / June 2018 closure of the Sub Rooms. Furthermore, to kick-start the development the one-off capital grant will also need to be in place by March 2018.

APPENDICES

This Business plan is supported by the following appendices:

1. Table with links to Reports linking the creative / cultural agenda and specific issue for youth, older adults and economic and social inclusion / disadvantage across Stroud
2. Financial Model (5-year P&L, Staffing - Roles and Budget, Capital Development Budget)
3. Schedule of Safety and Inspection Certificates
4. O'Brien and Price Structural Survey Report August 2017.pdf
5. Risk Register
6. Stroud Trust Charity - committee member CVs
7. Project Timeline 2017-2019