



## BUSINESS CASE

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## **1.0 EXECUTIVE SUMMARY**

The Bridge Centre for Visual Arts is a charitable company that provides community access to wet studio space, pottery kilns, printing press, painting and digital media equipment and the expertise of a creative community of professional artists. Based in a community building at 280 Hundens Lane, the company has grown out of a voluntary group of arts professionals who came together following the closure of Darlington Arts Centre. The group has been running for 3 years and has established a successful programme of arts courses, workshops and events. The group acts as duty manager of the building and members deliver the 'Arts on Prescription' project known as the Open Art Studio on behalf of Darlington Borough Council. The building also currently accommodates the Adult Services CAP project.

### **A Sustainable Creative Community**

The Bridge building at 280 Hundens Lane is registered as a Community Asset under the Assets of Community Value (England) Regulations 2012. It is owned by Darlington Borough Council and is under threat of closure from September 2016 under the Mid Term Financial Plan when funding for the Open Art Studio and the Centre's repair and maintenance budget are expected to cease.

This decision has precipitated the Bridge Centre for Visual Arts to establish an Advisory Group drawn from members, stakeholders and partners. Collectively the group has expertise in quantity surveying and property management, accounting, fundraising, marketing and company administration as well as significant visual arts and project management experience.

The group has undertaken an options appraisal with external facilitation. This business case is the outcome of the appraisal which considered a range of options for the Bridge organisation including (i) doing nothing; (ii) doing the minimum; and (iii) doing something. Doing nothing would result in closure. Doing the minimum - to take on a lease on the building and seek to continue to run it as now - is not financially viable. The third option is predicated on owning the building and operating a co-operative voluntary business model

that requires no staffing and which can be sustained with or without the CAP project, the future of which is currently uncertain. The business and financial model, which is sustainable, is outlined in section 2.0

The proposal offers many benefits – both to the Council and to the community of Darlington. Selling 280 Hundens Lane to the Bridge Centre for Visual Arts will generate a cash receipt for Darlington Borough Council. It will preserve and improve a community asset for the benefit of the people of the town and provide a positive PR story at a time when many community-run organisations are closing because of the cuts. The new Bridge Centre will open in Spring 2017 in advance of the redeveloped Darlington Hippodrome and Hullaballoon and would support community engagement and audience development activities that are required by the Heritage Lottery Fund and Arts Council England, thereby fostering good relations with those strategic partners.

### **Equality**

The building is located in one of the poorer wards in a residential area. The majority of users are from DL1 postcodes, reaching communities that do not traditionally participate in heritage and the arts (especially theatre). The Bridge attracts diverse groups including people with mental health and learning difficulties, people who are not in employment or education and retired people. Through creative classes they are stimulated, build self-esteem, a sense of purpose, practical skills and enjoyment. The positive benefits of art are well known. Active involvement in art exercises the mind and supports health and well-being, the creative equivalent of going to the gym.

### **A 15 year plan**

A plan is in place to complete the purchase by the end of this calendar year while work continues to build the capacity of the organisation and develop the management and operational structures that will be required. Key milestones are outlined in section 5.0

The Bridge Centre for Visual Arts has commissioned a valuation and condition survey of the building and is in the process of securing investment to buy and

improve the building and provide working capital. The funding will come from three sources: earned income, a grant from the Community Business Fund and a loan secured on the building over a period of 15 years, whilst maintaining a reserve contingency fund.

The Bridge intends to invest £50,000 into improving the building – removing asbestos, replacing the roof, windows and boiler, fitting out a kitchen and enclosing the rear garden to provide additional let-able space. The building will be more economical to run and have the capacity to generate more income – through a combination of member services, events and letting of space for courses.

The financial projections assume a 5% annual increase in productivity from 2019 and allow for a 3% increase in costs annually.

The business case addresses three key interdependent risks at this stage: (i) building the Bridge's organisational capacity; (ii) securing a positive indication from the Council that it will consider an offer to sell the building to the Bridge as a community asset; and (iii) securing the finance. These are outlined in section 6.0. A full risk register will be prepared as the next stage.

The Bridge organisation has been through a period of significant growth and change in the last 6 months. The group's determination has been tested. While the pressure to change has been externally motivated, the group has the intrinsic motivation and drive to realise this project for the long term.

## 2.0 BUSINESS MODEL

### **Studio membership**

Darlington and the surrounding area (which looks to Darlington as its main centre) The new business model is based on selling access to the visual art studios, equipment and expertise through membership and education. The model is based on Northern Print<sup>1</sup> in Newcastle upon Tyne, which has a print studio for members and offers a range of training courses.

Northern Print started as an open access studio for printmakers in North Shields in 1994. It undertook a step change in 2006 to move into a newly refurbished building in Ouseburn in Newcastle. The objects of the charity are to foster awareness, skills, knowledge, understanding and appreciation of the visual arts with specific but not exclusive reference to printmaking for the benefit of the general public. The Northern Print Studio has 175 members and 961 participants in adult fee-paying classes. This activity generates £78,000 earned income. The ambition at the Bridge is to achieve one third of this volume and scale – with realistic targets of securing 50 members and 300 fee-paying participants.

Following the Northern Print model, members of the Bridge Centre for Visual Arts will first complete a course at the Centre in their chosen area (digital media & photography, ceramics, textiles, print-making or painting) and then undertake an induction in the use of the facilities. Membership is annual and a session fee is also payable for each use of the facilities. Technical support can be booked in advance.

### ***Indicative pricing strategy***

*Annual membership fee - £52 - £1 per week*

*One-off induction fee - £9.40 during induction week, £19.40 at other times*

*Studio use session fees – half day or evening £9.40; full day £15.50, including wifi and access to kitchen*

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<sup>1</sup> [www.northernprint.org.uk](http://www.northernprint.org.uk)

## **Courses**

In addition the Bridge will hire out studios to freelance professional art tutors (who are also members) to run courses. The hire pattern will be fixed to maximise income capacity. The aim is to let 3 blocks of 10 sessions per annum with an average of 10 people per course – generating 300 participants and an annual income of around £15,000 based on a rental fee of £50 per session per studio with scope to double this over time.

Demand research and engagement with current users will be completed in the next 3 months. There is no competition for the business within the catchment area. NeST in Barnard Castle which offered gallery space and member services (but not studio facilities) in Barnard Castle closed in January 2016. A report prepared Digital City Business and Barnard Castle Vision CIC<sup>2</sup> in 2013 found that visual artists and creatives from Darlington were travelling to Barnard Castle to access member services, showcase their work, participate in and run workshops. NeST engaged some 300 creative entrepreneurs, including 186 visual artists (an increase of 13% from the first report in 2010), 105 of whom were located in Darlington, Barnard Castle, Newton Aycliffe or Richmond. This gives an indication of the potential market for professional artist/tutor members of the Bridge.

The Bridge is already running a programme of art courses so has an existing audience of users and 7 regular tutors on which to build:

### ***Bridge Centre Tutors***

*Andy Taylor*

*Sheila Plews*

*Michelle Douglas*

*Rosi Thornton*

*Helen Pickard*

*Sue Angus*

*Paul Dillon*

Art studio facilities and programmes at Darlington College are exclusive to enrolled students as part of an accredited course whereas courses offered at the Bridge are for recreation. Students leaving sixth form or college who are

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<sup>2</sup> Mapping the Commercial and Creative Industries. Report prepared for Digital City Business and Barnard Castle Vision CIC. November 2013.

interested in maintaining their practice are another target market for the Bridge. The aim is to achieve 10 'young members' aged 18-24.

### **Events**

The third area of activity is events – an area in which the Bridge already has a track record and through which it has already earned £5000 in the last two years. The realistic target is to run up to 10 events per annum, raising at least £500 per event through entry, stall rentals, art sales and refreshments. The events will provide opportunities for taster sessions to support recruitment as well as opportunities to buy and exchange artist materials and master-classes with tutors.

The events will link in to other initiatives at local and national level including Darlington Arts Festival and The Big Draw.

### **Partnership**

The Bridge is keen to continue working with Darlington Borough Council to accommodate the CAP project. In the event that this is not possible it will generate £5000 per annum either through letting space to another partner or increasing income in the three other stands outlined above.

The business model hinges upon owning the building and it being run by the members. This means that overheads are kept to a minimum. An externally-funded development contract will support the business development and membership drive in the first 24 months of operation. Thereafter this will be embedded in the roles and responsibilities of the Board, members and tutors.

### 3.0 OPTIONS APPRAISAL

In anticipation of the projected cuts and potential threat to the Centre's future, the Advisory Group has undertaken an exhaustive options appraisal. This has considered alternative models of operating the Bridge Centre. The publication of the MTFP in February 2016 made the first 5 options not viable. The Council does not wish to continue to operate the building itself. It has proposed withdrawing the budget associated with it and has earmarked funding for boarding up. After further discussions with the Council Option 6, to lease the building on a peppercorn, was also discounted. Following discussions with external funders and Council representatives the only viable option is to buy the building as a community asset. The alternative, doing nothing, will lead to permanent closure of the Centre in September 2016.

**(Option 1) operating with a reduced budget from Darlington Borough Council. This is not viable on current income levels.** Alternative sources of funding would need to be found. Funding may be available through the Big Lottery and County Durham Community Foundation, but the organisation would need to become an incorporated charity and either own, or hold a long term lease on the building in order to be eligible to apply.

**(Option 2) The Bridge Centre for Visual Arts only housing and opening for the Community Art Project (CAP) daytimes Monday to Friday.** This would prevent many of the evening and weekend courses, events and exhibitions organised by the Bridge Centre charity from running. The income generated by those courses is needed to support the running costs of the building. In any case the future funding of the CAP is uncertain under the MTFP. This option is therefore not viable.

**(Option 3) The Bridge Centre for Visual Arts housing and opening only for the Open Art Studio (daytimes, Monday and Friday only).** The proposed MTFP proposes cutting the budget for the Open Art Studio and Creative Darlington budget. In the face of these cuts this option is not viable. Also, in this event the Bridge Centre charity would have no interest.



**(Option 4) The Bridge Centre housing and opening only for the Community Art Project and the Open Art Studio (daytimes, Monday to Friday).** This option would preclude the extra exhibitions, events and courses organised by the Bridge charity and the organisation would have no stake in the building. Given the projected cuts in service this option is not financially viable.

**(Option 5) The Bridge Centre for Visual Arts opening for the Open Art Studio and/or Community Art project in 2016/17 with additional individual or group led activity (daytime, evening or weekend) within the venue becoming the responsibility of another entity (either the Bridge Centre for Visual Arts organisation or another organisation or business with a cultural focus but not Darlington Borough Council).** In this instance Darlington Borough Council would hold responsibility for services it provides at the venue and for the building and grounds, but not hold responsibility for other activities. This is effectively the status quo. It is not ideal, since the Bridge organisation is not currently incorporated and the directors are individually liable. At the same time Darlington Borough Council is responsible for the building, but has no employees on site to manage it. A recent health and safety inspection noted several action points which are being addressed, however, if the building is to continue in operation, then transferring management responsibility to another legal entity through a tenancy agreement would be desirable.

**(Option 6) An independent organisation taking over full responsibility for management and organisation of the Bridge Centre for Visual Arts building.**

Initially it was thought that the council might let the building on a peppercorn lease and maintain an interest in running a reduced arts service within the venue, and/or provide a financial contribution to repairs and maintenance.

Three organisations were approached – the Bridge Centre for Visual Arts charity, Humantics CIC which operates the Forum; and Navigator North which operates vacant spaces as temporary artists' studios. While both Humantics

CIC and Navigator North expressed an interest in being involved in some way, the existing partnership, ownership and community following is with the Bridge Centre for Visual Arts charity. The trustees of the charity want to remain the primary partner. They have a vested interest in the success of the building and are not interested in relocating to another venue.

When the Council advised that it would require a commercial rent in the order of £12k per annum, this option was rejected as not viable. The cost of servicing the lease and ongoing repairs and maintenance on a building which requires capital improvement is not viable.

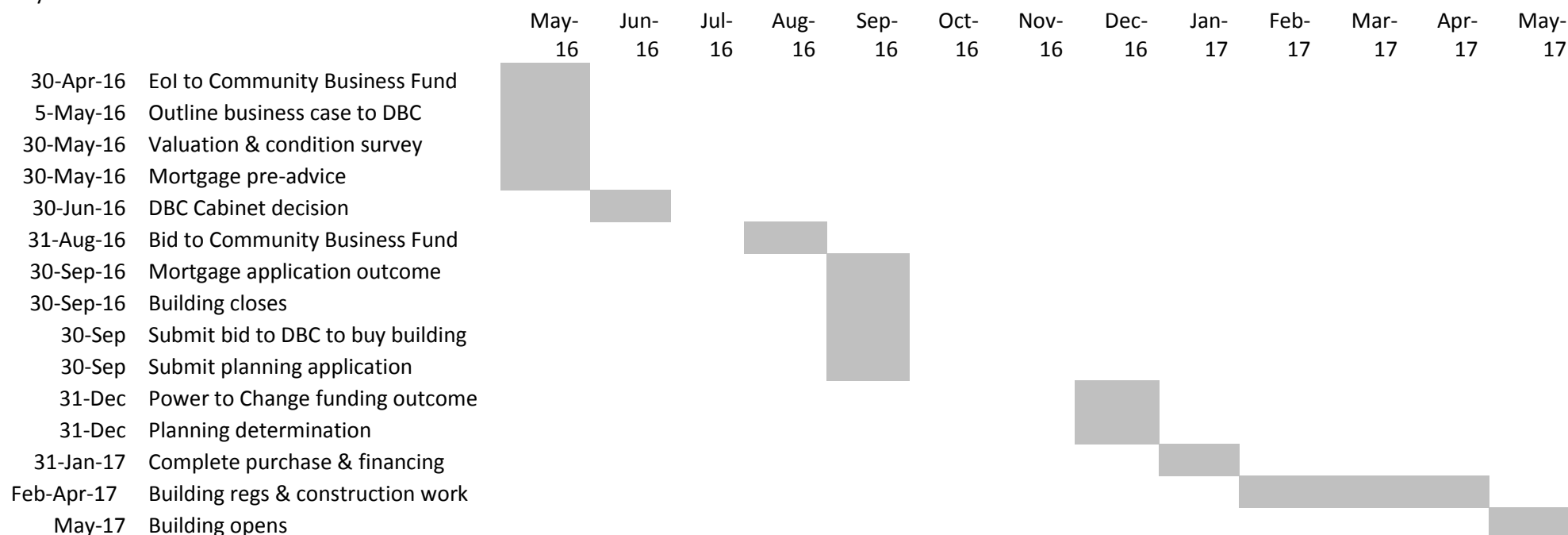
**(Option 7) The solution, articulated here, is for the Bridge Centre for Visual Arts to buy the building with the help of external funding from the Community Business Fund.** The Fund provides up to 75% of the cost of capital and business development costs. Owning the building provides an asset against which to borrow, to make the requisite capital investment and generate working capital to support the first years of operation. By taking a mortgage on the building it can keep repayments to a minimum whilst building up a surplus to repay the loan after 15 years.

This long term approach includes capital investment in improving the building to increase the floor space area to generate additional income and reduce maintenance costs.

Pursuing this option requires investment in time and resources in the next 3 months to complete a condition survey, valuation, costed design proposals, prepare a funding application and business plan with underpinning market research and testing. Key milestones are outlined in section 4.0.

## 4.0 TIMESCALE

### Key milestones



Business development is ongoing throughout this period. A detailed business plan will form part of the submission to the Community Business Fund. Hunter Cowie are preparing the valuation and condition survey. XSite Architecture is preparing costed design proposals. Mortgages for Business are advising on the investment strategy.

## 5.0 FINANCIAL PLAN

Financial sustainability is at the heart of the proposed business case. The figures are based on assumptions about the purchase price and provide an indicative budget for the purchase, refit and operation of the building. The income projections are conservative, but the charity is not planning to take on any employees. Services are contracted in as required with the Board taking responsible for governance and members managing the building on a day-to-day basis. The 'sweat equity' of voluntary time and energy is not quantified in the plan but is estimated to be at least the equivalent to 2 FTE employees.

Income & Expenditure	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22*
<b>Reserves</b>	5,000					
<b>Income</b>						
<b>Carry forward surplus</b>		88,000	9,500	6,840	10,797	15,353
Creative Community membership and session fees	0	3,000	5,000	5,250	5,513	5,788
Events - target av £500 per event - build to 10 events /year	500	3,000	5,000	5,250	5,513	5,788
Courses - Room Hire - target £50 per session for 30 weeks, 10 sessions/week	0	10,000	15,000	15,750	16,538	16,538
Partner contracts eg CAP	0	0	5,000	5,000	5,000	5,000
Financing:						
The Big Lottery Fund Power to Change 75% of £170k project value (capital & development contract)	127,500	0	0			
Bank loan (interest only mortgage @ 5%, 15 year term)	50,000	0	0			
<b>TOTAL</b>	178,000	104,000	39,500	38,090	43,360	48,466

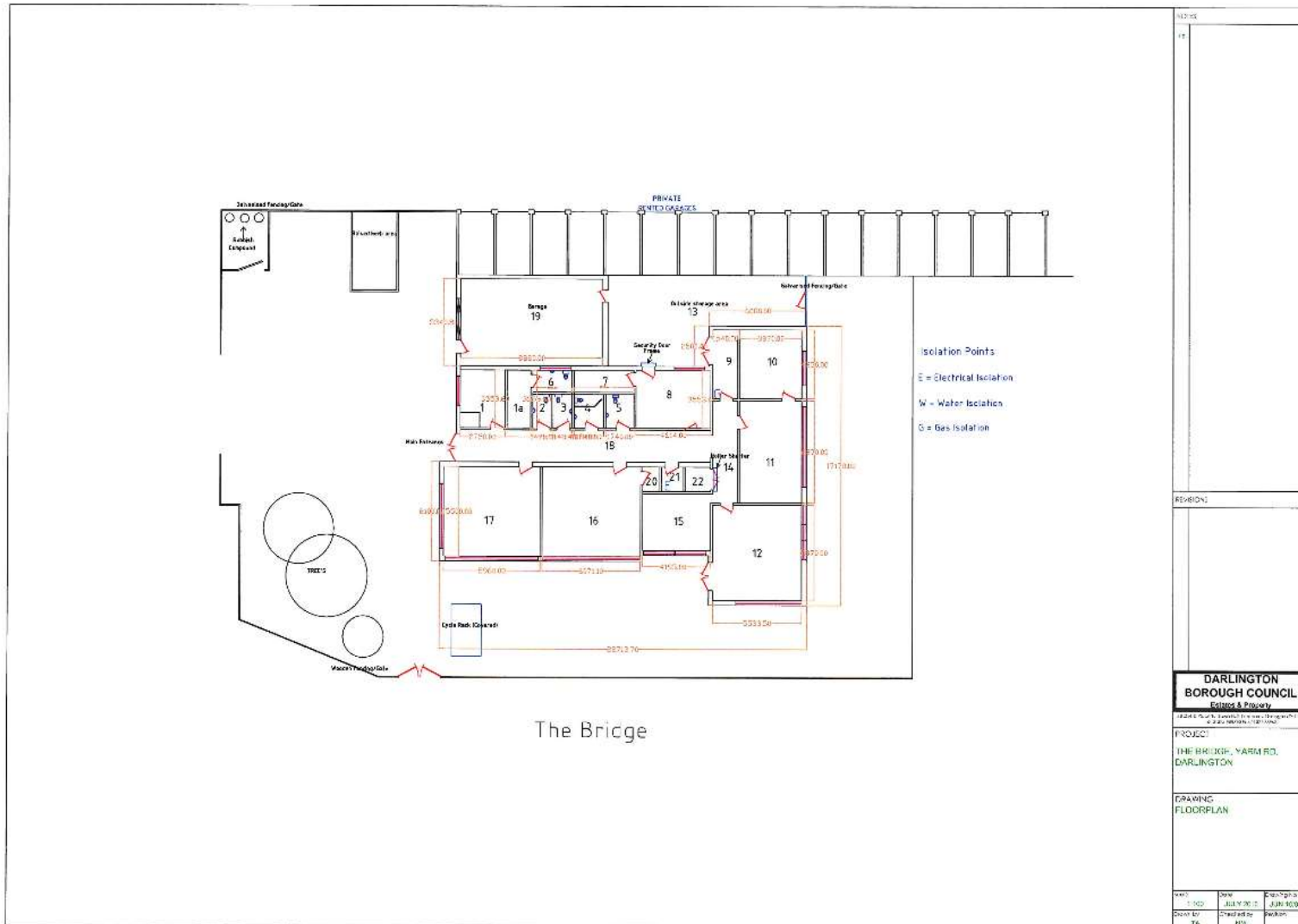
**Expenditure**

Purchase of 280 Hundens Lane	80,000	0	0			
Capital improvements - roof, boiler, glazed courtyard, fit out kitchen and social space redecoration (Design, build & professional fees)		50,000				
Loan payments		2,500	2,500	2,500	2,500	2,500
Building operating costs* (detailed breakdown available)		22,000	22,660	23,793	24,507	25,221
Project management & business development contract	10,000	20,000	10,000	1,000	1,000	1,000
<b>TOTAL</b>	90,000	94,500	32,660	27,293	28,007	28,721
<b>SURPLUS</b>	88,000	9,500	6,840	10,797	15,353	19,746

The projections assume a 5% growth in productivity from 2018 and a 3% increase in costs. The capital improvements is a budget figure and is inclusive of professional fees, planning and building regulation costs. A cost plan is in preparation. The loan repayment value is to be confirmed and is based on a 15 year term at 5% for £50,000 (60% loan to value ratio) interest only. A detailed breakdown of operating costs is available. This is based on current costs and includes all statutory requirements. Some savings have been achieved (in repair and maintenance and cleaning contract) but the costs take account of additional business rates and insurances which are not current payable. The project management and business development is to be let as a fixed price contract for services.

## 6.0 RISK MANAGEMENT

Risk Register									
No	Risk Element	Mitigating Action	By When (Date)	Early Warning Indicator	Owner	Status <i>enter date of previous review</i>	Probability (H/M/L)	Impact (H/M/L)	Current Status
1	Gaps in organisational capacity and expertise	Recruit members with expertise in quantity surveying and building management, fundraising and arts management and accountancy	End of April 2016	Attendance and regularity of Board meetings and progress made with implementation plan	Project manager	Live M	L	M	Advisory Board established to oversee the project. Project manager engaged to support the options appraisal, feasibility and preparation of the business case. Three new Board members recruited.
2	Council declines offer to sell as a Community Asset	Business case submitted to Cabinet for decision	16 June 2016	Feedback from Mary Hall, Senior Engagement Manager	Chair of Board	Live M	M	H	Business case submitted 3 May. Guidance required before further cost and work incurred.
3	Finance not secured	EoI to Community Business Fund; advice from Mortgages for Business	31 August 2016		Chair of Board	Live M	M	H	Proposal meets funders' eligibility requirements. Stage 1 bids require Council decision in principle.



## APPENDIX 1 – ACCOMMODATION SCHEDULE

### The Bridge, Darlington

#### Room area schedule (Approximate Internal Room Dimensions)

(based on DBC Drawing No Jun10.001)

(Room 13 not shown = Outside Storage Area)

(Some dimensions estimated where printed dimension illegible or missing)

Room	Dimension X (m)	Dimension Y (m)	Area (m2)	Area (sq ft)	Room Designation
Room 1	2.75	3.55	9.76	105.08	Office
Room 1a	1.40	3.57	5.00	53.80	WC
Room 2	1.05	2.05	2.15	23.17	WC
Room 3	1.05	2.05	2.15	23.17	WC
Room 4	1.85	2.05	3.79	40.82	WC
Room 5	1.74	2.05	3.57	38.40	WC
Room 6	2.40	1.30	3.12	33.58	WC
Room 7	3.65	1.30	4.75	51.08	Store
Room 8	4.61	3.55	16.37	176.16	Studio
Room 9	1.54	4.23	6.51	70.12	Plant Room
Room 10	3.87	4.23	16.37	176.21	Office
Room 11	3.87	6.27	24.26	261.19	Studio
Room 12	5.53	5.87	32.46	349.41	Studio
Room 14	1.54	6.27	9.66	103.94	Corridor
Room 15	4.20	3.50	14.70	158.23	Studio
Room 16	6.07	5.50	33.39	359.36	Studio
Room 17	5.96	5.50	32.78	352.84	Studio
Room 18	15.30	1.95	29.84	321.14	Corridor
Room 19	8.82	5.34	47.10	506.97	Store
Room 20	1.00	1.45	1.45	15.61	Store
Room 21	1.30	1.45	1.89	20.29	Plant Room
Room 22	1.50	1.45	2.18	23.41	Store
<b>Total Internal Area</b>			<b>303.23</b>	<b>3,263.97</b>	

#### Room Area Totals By Designation

Room Designation	Area (m2)	Area (sq ft)
Office	26.13	281.29
Studio	153.96	1,657.19
Store	55.47	597.07
Plant Room	8.40	90.41
WC	19.78	212.94
Corridor	39.49	425.08
<b>Totals</b>	<b>303.23</b>	<b>3,263.97</b>