



The Cheese and Grain



Location

Frome, Somerset

Founded

2003

Legal structure

Charitable Company Limited by Guarantee

Description of activity

In addition to being a music venue, The Cheese and Grain also hires out the site for markets, weddings and festivals. It has an onsite café and bar, and the building has a number of rooms to hire for local businesses.

Key assets

Café-bar and recording studio.

Employees

18 full-time equivalent (50 part-time)

Volunteers

15

Biggest obstacle to success

Access to funding and training staff.

Overview of The Cheese and Grain

In 1997, Frome Parish Council planned to transform a derelict agricultural market hall, originally built in 1870 (now The Cheese and Grain), into a music venue. Subsequently the parish council negotiated a lease to take over the ownership of the hall from Mendip District Council, who were the owners at the time. The parish council then refurbished the building, including installing a new roof and sound-proofing to reduce noise pollution for local residents. In its first year, however, the new music venue was making a loss. To ensure such a valuable new asset was sustainable, a small local charitable trust was established to take over the operation of the building in 2003, which enabled the business to save on business rates and access new funding opportunities. Furthermore, Frome Town Council (FTC) provided the trust with a grant of £35,000 per annum to operate the venue.

The Cheese and Grain (C&G) is now a not-for-profit, member owned social enterprise and registered charity. Members are all local people, which is a condition of their membership, and although they pay no fees or receive any direct benefits, they have worked with the C&G management team to generate a million pounds of investment for the venue. C&G's main aim is to enhance the social, cultural and economic environment for the community of Frome. In addition to being a music venue, C&G also hire out the site for markets, weddings and festivals. There is also an onsite café and bar, and the building has a number of rooms to hire for local businesses and community groups. The building is leased from the District Council to Frome Parish Council, who in turn sub-lease the building to C&G on a 25-year basis. Users of the venue are primarily from the local community, however, around 60% of visitors attending the live music shows are from outside the area and this brings in significant income to the local economy.



The Cheese and Grain's journey to success

This section summarises the key factors that the C&G attribute to the success of the business and the challenges it has faced along the way.

Maximising revenues whilst maintaining a social focus

Historically, C&G focused on providing business opportunities to the local community. For example, a local microbrewery ran the venue's bar, and a local caterer operated the onsite café. However, when C&G discovered that these services generated the greatest profits in the venue, it decided to bring them both in-house. Subsequently, it established a subsidiary company to operate the bar and café. This was done on the advice of Her Majesty's Revenue and Customs to keep the overall turnover of C&G below the VAT threshold, and therefore minimise the businesses exposure to VAT on the other goods and services it provided. However, financing the establishment of the subsidiary company was challenging. Initially, it was attempted by funding through general cash flow, however when this failed C&G were advised by a financial adviser to borrow the funds via a loan for £22,000. Despite taking on debt, the café and bar soon generated sufficient turnover to service the loan and currently it generates approximately £400,000 of revenue and employs approximately 20 local people.

In 2012, C&G only opened to the local community in the event of a music concert or a market. Therefore, these were the only periods when the café and bar were operating and generating income. Subsequently, to maximise income from these assets C&G considered opening the venue permanently, on a seven days a week basis. In order to achieve this, C&G recognised that it would need a regular number of events in order to attract customers and cover the cost of running the café and bar for the additional time. However, by keeping the café and bar open continuously and organising regular events, it would enable C&G to change from a dedicated music venue to a community hub that the local community could access at any time. C&G were subsequently successful in developing a series of regular events and now opens seven days a week. On days where there are no events such as music concerts, markets or weddings, C&G is still very active with community education classes, business meetings and children's activities such as roller-skating.

The additional footfall from keeping the venue open over seven days has increased revenues considerably. This additional revenue has facilitated C&G to support various local community groups, charities and health professionals in delivering additional events and services, and meets its aim of maximising revenues in order to invest any surplus into services that benefit the local community. For example, C&G hosts 'Healthy Mondays', an informal event providing support to people with long-term illnesses; and every Wednesday C&G hosts a children's roller skating disco organised by a

local community group. Supporting these groups does not generate income for C&G, but is seen as providing a social benefit for the local community which builds trust and leads to greater engagement and understanding of the community's needs.

In addition, where C&G works with other community groups and charities who wish to use the venue, it takes a flexible approach to its fee structure. For example, where a group cannot afford the standard hire fees for the main hall, it applies a 50% reduction to the hire fee on the basis of receiving 50% of the income generated from the event in return.

Innovative ways of accessing and generating funding

C&G highlights how access to funding has always been a challenge, and as a result, it has sought to find innovative solutions to financing the business. For example, C&G received a grant of £35,000 per annum from FTC to subsidise the venue. FTC is a Secular Parish Council and unlike District, Borough and County Councils, it has had no borrowing restrictions placed on it by central government. As such, the council is able to borrow money from the Public Works Loan Board (PWLB) at very low interest rates. C&G therefore approached the town council and proposed that instead of providing the venue with a grant of £35,000 per annum, it could borrow £500,000 from the PWLB for capital investment purposes, which would cost £28,000 per annum in repayments. This would represent a saving of £7,000 per annum to the town council, and would enable C&G to renovate the venue, which in turn would contribute to increased revenues and its financial sustainability. An additional benefit for C&G in receiving funding via this method is that the town council is unable to retract it, compared to the £35,000 annual grant subsidy, which could be withdrawn at any point.

C&G negotiated a second PWLB loan to install a new LED lighting system, sound desk and digital equipment. Not only did this lead to securing much larger musical acts, who previously would have never considered performing at the venue, but also an 80% reduction in electricity costs, resulting in a significant saving in overhead costs and a reduction in the venues carbon footprint. C&G also invested a third PWLB loan, alongside a Power to Change grant, into constructing new assets, i.e. a new recording studio. Professional music acts will be charged to use the studio, the fees from which will be re-invested back into the local community by subsidising local community use. The studio will also be used to train and formally accredit young people from the community, particularly women, in music recording industry skills.

C&G are also looking to invest in a new public announcement (PA) system, at the cost of £40,000, for the main music hall to attract larger music acts and provide a better quality experience. In order to fund this C&G are considering a range of possibilities, including a crowdfunding campaign with the



local community, trustees and supporters of the business, for which the town council will match fund any contributions. Previously, when funding the development of the main stage at the venue, C&G issued five-year bonds with a 5% return on investment to the local community. This represented an opportunity for the local community to engage with C&G and see a return on their investment, making it mutually beneficial for both C&G and the community.

Finally, C&G saw an opportunity to generate additional income from operating a regional box office from the venue. Not only does the box office sell tickets for music concerts and events at C&G, it also sells tickets for events at other venues and festivals and receives 10% of the ticket price as income. In 2016, box office ticket sales generated £8,000 of additional net revenue in this way, and although C&G staff are trained to use the ticketing software, most tickets are sold online via an automated process, which means the cost to run the service is minimal. C&G highlights that running an automated service is a quick way of generating revenues with little overheads and can be particularly beneficial to community businesses that may be vulnerable to cash flow issues.

An engaged a multi-skilled workforce

One of the most important factors to the success of C&G is having an engaged and multi-skilled workforce. Staff are trained to work in the café, bar, box office and multiple other areas so that they can be moved around easily, should resource be needed in other areas of the venue at short notice. This also enables C&G to plan staff rotas more effectively. Commercial knowledge and expertise is also a very important skill set for the successful running of the business. C&G has a large management team, which is heavily relied on. This includes a director, building services manager, programme of activities manager, office and finance manager, and bar and café manager. In addition, it is vitally important to C&G that all staff and volunteers, whether trustees on the board, the management team or volunteers in the café, all work together effectively, generating new ideas for the business and taking responsibility for their work.

Training multi-skilled staff and volunteers, however, has been a challenge for C&G. In particular, technical training courses are prohibitively expensive, and although C&G highlight that there is some government funded training assistance available, it provides comparatively small amounts of funding and is a slow process to go through.

Finally, C&G prides itself on the level of pay it offers its staff. For example, when the café and bar were operated by external organisations, staff were only paid the minimum wage. With C&G now operating the café and bar, a policy was adopted to pay staff as much as the subsidiary company could afford. By taking this approach C&G believes it not only encourages greater productivity, but provides a more sustainable employment option for employees from within

the local community, improving employee retention and raising C&G's reputation with the local community as a good employer.

Future direction

C&G is very proud of the quality of services it provides to the local community and beyond. Looking to the future, it reports it has every reason to be confident about the future, given its societal benefit and the innovative ways it has sourced funding to date. However, sustainability may be affected by a number of external factors, which the business has no control over. For instance, it does not own the building and has a complicated leasing arrangement with the local town council. If this were to change, it could negatively impact on the business. Furthermore, although cash flow is currently not a problem for the C&G, it has experienced cash flow issues in the past, which could reoccur in the future. Nevertheless, as C&G spends very little on servicing debt, it is looking to borrow and invest more in the business moving forward.

Financial information

The following table provides an overview of The Cheese and Grain's income, expenditure and assets for the period 01/04/16 to 31/03/17.

Income	£365,264
Expenditure	£350,469
Difference between income and expenditure	£14,795
Surplus/deficit on ordinary activities before taxation	£14,795
Annual income from grant or subsidy	£21,000
Fixed assets	£41,404
Current assets	Stocks: £2,000 Debtors: £66,556 Cash at bank and in hand: £89
Total	£66,645
Net assets	£52,105

Source: Cheese and Grain Annual Accounts – Companies House