

The Picture House, Campbeltown

Business Plan



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Executive summary

The Picture House was built in 1913 and then upgraded by the original architect (Albert V Gardner) in 1935. It is one of the oldest, purpose-built cinemas in Europe and has always operated as a cinema.

'The Centenary Project' aims to restore the 'A' Listed Picture House to its 1930s glory as an 'atmospheric cinema' and add contemporary facilities which will radically improve the cinemagoing experience and ensure that the venue can operate successfully as a sustainable community-based business.

The restoration work concentrates on the atmospheric main auditorium and the unique front of the building which is designed around a series of oval shapes.

An adjacent small office building, owned by the Picture House, will be completely redeveloped to create a new entrance foyer to the cinema along with a small café area and exhibition gallery/seminar room.

At the rear of the cinema, again using ground owned by the Picture House, a new 53-seat cinema auditorium will be developed. The second screen is a vital part of the redevelopment project because of its impact on the viability of the business, the jobs created, and the range of programming that can be offered.

The fully restored and redeveloped venue will not only provide South Kintyre with an exceptional cinema, cultural and entertainment destination but also a combination of spaces and facilities complementing and working with a range of other venues in Campbeltown and across Argyll.

The Picture House will be the catalyst for the next stage in Campbeltown's regeneration through developing a coordinated approach to programming and marketing the town's assets. It will be a year-round focus for young people, families, older residents and visitors to Kintyre.

The Picture House occupies a critical position on Campbeltown's waterfront, immediately adjacent to the only other A-listed public building in the town, the Burnet Building, and close to the ferry terminal. It is crucial to the first impressions that the town makes on any visitor, arriving by road or sea.

The revitalised Picture House will offer a highly distinctive element in Campbeltown's overall tourism offering, directly complementing both the greatly improved accommodation and catering sectors, the refurbished Town Hall and development of the marina which the cinema overlooks. It also offers the potential to be the catalyst for more integrated and effective collaboration between the different sectors and key players involved in serving the communities of South Kintyre, and attracting visitors and businesses to the area.

The development of the venue as a key cultural and entertainment facility for the community will ensure the future of the Picture House by providing much more than cinema. The project will work in close collaboration with other local venues and facilities including the newly refurbished Town Hall, to ensure that provision is complementary rather than competitive and to minimise duplication of effort. This will ensure that the whole community can benefit from a wider range of activities through a coordinated approach to event management.

1 Organisational summary

1.1 Campbeltown Community Business

In 1987, Campbeltown Community Business Ltd (CCB) was set up especially to acquire and operate the Picture House. CCB is the owner of the Picture House building, the adjacent Annexe, the office buildings in the rear courtyard, and the courtyard itself.

CCB is a registered charity, limited by guarantee, and is managed by a board of volunteer trustees. The company worked to raise funds to renovate and re-equip the Picture House which re-opened on 26 May 1989.

The Board currently has 10 members with a range of expertise including financial management, hospitality management, building development, education, community engagement, digital marketing, and legal matters.

1.2 Concept of the venue as a cultural hub

The Picture House has been a local cinema throughout its first 100 years but with the advent of several complementary digital technologies (projection, sound, automation, distribution, marketing and production) its broader role as a cultural hub for Kintyre will be realized once redevelopment is completed. Live relays and recorded cultural performances were presented in 2014 before closure for restoration and will feature strongly in the reopened Picture House. The technologies can be utilised at the local level by new filmmakers as well as business and community groups. The Picture House is also an eminently suitable small / mid-scale live performance venue for music, drama, and speech related events. It is designed to be much more than 'a local cinema', becoming the principal cultural and entertainment venue for Kintyre and a valuable complement to other facilities in Argyll and Bute, and Scotland in general.

1.3 Key operational developments

1. Organisational changes are being implemented which will result in The Picture House becoming more fully integrated into Campbeltown and Kintyre communities. Partnerships with local businesses and community organisations will continue to develop and strengthen.
2. New release and specialist films will be screened 7-days a week with a choice of performance times each day. Live and recorded performances of international theatre, opera, classical and rock music, comedy, curated exhibitions will be 'screened'. There will be opportunities for small scale live music, drama, poetry, and comedy events in both the large auditorium and to a lesser extent in the second screen.
3. The heritage and story of the Picture House building will be accessible through exhibitions, tours and special publications which tell the story of a very special local cinema through the full history of cinema, from silent movies in 1913 through to the latest digital productions and satellite relays of world class performances.
4. Working with Into Film (the national organization responsible for film education) links with local schools and further education organisations have been developed during 2015 and 2016. An expanded range of education-related activities are anticipated to become a regular feature at the Picture House.

1.4 Partnerships with third parties

The original business plan was built on the basis that CCB would lease the venue to an experienced third party cinema operator. Such an arrangement was expected to bring considerable benefits to the Picture House in terms of expertise, sharing of overhead costs with

other venues, programme booking power with film distributors, and integration into the wider Scottish and UK cinema sector.

The operating lease and accompanying Service Level Agreement was tendered in Autumn 2016 but although three companies expressed interest, none of them ultimately tendered. The fall back option of CCB being the operator is therefore being implemented.

Nevertheless a number of important operating partnerships will, to a large extent, bring the expertise that an experienced cinema operator was expected to add to the Picture House. Key partnerships include:

- INDY Cinema Group - contracted programme booking, management, and technical services from the Edinburgh based company which has been providing the monthly film weekends at the Victoria Hall throughout the Picture House closure period.
- Sound Associates - technical supplier and installer. Back up training, service and call-out provided through a service contract.
- Into Film - film education development. CCB has been working with the Scottish office of Into Film for two years.
- Peach Digital - Glasgow-based digital marketing company specializing in the cinema sector. Developer of the CPH web site.
- Veezi - Cloud-based online cinema ticketing and point of sale systems. Used by CPH since 2014 and at the core of the ticket and catering sales operation.
- Simmers & Co - Oban-based accountancy and audit company.
- Food and drink companies including Bute-based Coffee Conscience, international cinema confectionery company PCO Group, and a number of local or regional suppliers.

Links and partnerships are expected to be developed with a number of local companies in order to provide an integrated package supporting meeting hires, conferences and tourism initiatives.

2 Project background

2.1 Background to the Picture House building

The Picture House is one of the first purpose built cinemas in Scotland. It opened on 26th May 1913. The design is unique, Glasgow School Art Nouveau, comprising concentric ovals, with one of only two similar interiors in the UK. The interior is of equal importance being of unusual 'atmospheric style' design. It survives today as a rare single space, largely unaltered from the 1935 re-modeling by the original architect Albert V. Gardner.

However it was recognised that this historic building required extensive work to preserve its unique features, while keeping pace with modern cinema developments, and providing up-to-date infrastructure in the form of improved heating and energy use, modern toilets, an improved foyer area with adequate space for queuing and mingling, and better kiosk facilities to provide a greater range of cinema food and drinks.

In 2003 the first phase of conservation began. The leaking 1930s windows above the entrance were replaced by a glass screen to give the façade the open look it had in 1913. Over £112,000 was invested in this work by the Heritage Lottery Fund and Historic Scotland.

In 2007 the second phase involved replacing the asbestos roofs of the auditorium and annexe, and making the buildings wind and watertight. Once again the Heritage Lottery Fund and Historic Scotland were the main investors in this work with the Gannochy Trust and others contributing to the total of £150,000.

The Picture House and the then adjacent unused annexe building were Grade-A Listed by Historic Scotland in 2008.

2.2 Restoration and redevelopment of the Picture House

The restoration and redevelopment of the 104 year old cinema includes:

- 1 Restoration of the historic auditorium. Modern standard heating, ventilation and seating installed.
- 2 Restoration of the unique Art Nouveau frontage of the building. The box office function relocated to the new foyer area.
- 3 Redeveloping the former annexe building (also A listed) in order to provide a new and improved foyer and café.
- 4 Creation of a multi-purpose exhibition space / meeting room / education room.
- 5 A second 52-seat cinema auditorium created in the rear courtyard in order to increase programme diversity and serve different audience sectors at minimal extra cost. A state-of-the-art auditorium designed to complement the historic cinema auditorium and provide more flexibility of operation.
- 6 Radically improved energy use throughout including: improved insulation; a biomass wood pellet boiler with gas boiler back up; a 40Kw photo-voltaic array on the cinema roof; zoned heating controls; LED lighting throughout.
- 7 Increased storage for consumables, cleaning equipment and materials, and furniture and equipment to support education and business meetings in various parts of the building.

3 Strategic context

3.1 Creative Scotland

'Cinema is now the most popular public cultural activity in Scotland' (Creative Scotland, 2014-15 Annual Plan, Film & Media supplement)

Creative Scotland's vision outlined in the 10 Year Plan 2014-2024 is:

'We want a Scotland where everyone actively values and celebrates arts and creativity as the heartbeat for our lives and the world in which we live; which continually extends its imagination and ways of doing things; and where the arts, screen and creative industries are confident, connected and thriving.'

Five ambitions and associated priorities are identified, of which the following two ambitions are of greatest relevance to the Picture House project:

'Everyone can access and enjoy artistic and creative experiences' and

'Places and quality of life are transformed through imagination, ambition and an understanding of the potential of creativity'

With reference to Creative Scotland's 10 year Plan, the project aims to ensure that the Picture House contributes to the aims of that plan in several ways:

- Offering residents and visitors access, as audiences and participants, to high quality cultural experiences
- Campbeltown is recognised as the most vulnerable of 90 rural 'at risk' towns in Scotland, and a dedicated, year-round physical focus for cultural engagement is therefore central to enhancing quality of life and to strengthening the town's sense of place.
- By working closely with local schools, the Picture House will offer opportunities to young people to enter the arts, screen and creative industries workforce
- The Picture House will do this by developing, in partnership, and as part of the related Heritage Activities Programme, opportunities for creative learning whether in practical film-making skills, in taking part in and staging live performances, or through a deeper critical understanding of screen media
- The Picture House is already fully equipped with 3D and satellite digital equipment and will use this resource to its fullest capacity to enhance cultural engagement and encourage creativity
- The rebuilt Picture House will have a focus on being environmentally sustainable through energy conservation schemes, and by offering Kintyre residents a quality cultural experience on their doorstep, it will also reduce carbon footprint impacts.

3.2 Highland & Islands Enterprise – Ambitious for Culture

Highlands and Islands Enterprise's *'Ambitious for Culture: Optimising the potential of our cultural, heritage and creative assets'* is one of four core policies including Resilient Rural Communities. The policy aligns well with Creative Scotland's priorities – in particular, the importance of cultural development and strengthening communities in order to realise social and economic growth.

HIE recognises that the region's valuable and distinctive culture can help stimulate growth and underpin regional objectives – for more people to live, work, study and invest in the Highlands and Islands – which are all of fundamental importance in Campbeltown and Kintyre.

The Ambitious for Culture policy emphasises that the aspects of regional culture of most importance to HIE are those which have greatest potential to realise economic and social growth and which are associated with their four priorities of:

- Supporting businesses and social enterprises to shape and realise their growth aspirations
- Strengthening communities and fragile areas
- Developing growth sectors, particularly distinctive regional opportunities
- Creating the conditions for a competitive and low carbon region

HIE is actively working with partners and communities to *'optimise the contribution that heritage assets make to generating 'sense of place' for our communities, enhance regional attractiveness and providing high profile, inspirational and authentic visitor experiences'*. The redevelopment of the Picture House is exactly the kind of project which has the potential to deliver these outcomes, improve regional attractiveness and support population retention and growth.

Through the Ambitious for Culture and other policies, especially Resilient Rural Communities, HIE aims to leverage inward investment to accompany its own contributions which *'enables the development of strategic transformational cultural infrastructure projects, both physical and virtual, particularly where those can be realised in fragile areas'*.

3.3 Historic Scotland

At a national level, the defining principle of Historic Scotland's high level statement on national heritage 'Our Place in Time' (2014) underlines that:

'We need to be ambitious and do more to preserve and maintain the historic environment and to secure the many associated benefits.'

These benefits include the strong contribution that the cultural, social, environmental and economic value of Scotland's heritage makes to national wellbeing. At a more intimate level it also recognised that:

'People cherish places, and the values of the historic environment lie in defining and enhancing that connection of people to a place.'

3.4 Local context

The Campbeltown Picture House has a contributing role as a community asset for Campbeltown and the Kintyre Peninsula. In addition to being a local facility, it is a local business providing direct employment. The Picture House has the potential to play a part in the local visitor economy and to contribute to current economic development strategies for Campbeltown.

In recent years, despite its importance, the Picture House had fallen into disrepair and the building was in desperate need of a comprehensive upgrade. Moreover, unless these issues were addressed soon, more rapid deterioration was bound to occur. Given its prominent position in the town shorefront, any further descent into dilapidation was bound to have a negative economic impact on the local shops and businesses.

Linkages with other initiatives in Campbeltown, primarily under the lead of Argyll & Bute Council, provide a compelling argument that this building should not be allowed to deteriorate to the detriment of the wider regeneration effort being undertaken.

Linkages with other Campbeltown town centre projects include:

- Campbeltown Conservation Area Regeneration Scheme (CARS)
- Campbeltown Townscape Heritage Initiative (THI)

- Argyll & Bute Council's regeneration plan for Campbeltown, Helensburgh, Oban, Rothesay and Dunoon (CHORD)
- The Royal Hotel
- Kintyre Amenity Trust – Old Schoolhouse and the Heritage Centre
- Campbeltown Town Hall
- Repairs and upgrading of private properties by owners utilising the Townscape Heritage Initiative.

The redeveloped Picture House will complement other facilities and businesses in Campbeltown, for example local cafes and hotels, the Town Hall, and venues which have rooms for hire.

The project also relates closely to a number of other key policies and activities being led primarily by Argyll & Bute Council.

1. The Argyll and Bute Structure and Local Plan which supports the regeneration of Campbeltown Town Centre through designated areas for action; policies to protect and enhance listed buildings and conservation areas and their settings.
2. The CPP Community Plan – promoting Regeneration, Economy and Culture, arts and sports under the Vibrant Communities theme.
3. The Corporate Plan of Argyll and Bute Council – which promotes the Town Centre regeneration activities within Campbeltown as a key priority
4. The Kintyre Action Plan: A strategic plan focused on addressing the key economic challenges faced within Kintyre. The actions within this are drawn from the original Yellow Book proposals and the National Government Economic strategy.

With this as a background, CCB is working towards ensuring the building's future whilst reinstating The Picture House as a fully functioning community venue which can meet the current, emerging and aspirational needs of the local population. CCB also consider that this development could act as a catalyst for further town centre development, local employment and inward investment.

3.5 Cinema operation

3.5.1 Film programming

Cinema venues and facilities are constantly being upgraded and new ideas tried. At a recent Europa Cinema Convention it was emphasised that: *'the independent cinema will only maximise attendance and survive through offering an experience over and above other means of viewing now widely available through home viewing, the computer and mobile phone.'*¹

In 2002, 394 feature films were released in cinemas in the UK. By 2016 this had increased to 915 (including 96 event cinema performances) providing a greatly expanded range of films for different audiences. Films now stay 'on screen' for much shorter periods than ten and twenty years ago. For popular films this means that it is important to get as much of the potential audience in to see the film before it stops being screened. For these reasons, and allowing for the increased flexibility of digital projection, having more than a single screen available is clearly preferable.

As a local cinema operating in a remote community the Picture House's programming will concentrate on new release titles ensuring, as far as is practical, that each week there is a film suitable for the core local markets: young children and families; cinemagoers interested in new mainstream films including sequels; and films for older audiences, often dramas or films based on a literary source. A regular addition to the programme would be screening of acclaimed independent, documentary or foreign language films.

¹ This point was emphasised in the recent Mintel research report on cinema which stated that there is *'no room for complacency as home entertainment becomes increasingly sophisticated'*.

3.5.2 Event cinema programming

The screening of live and recorded performances of cultural and entertainment events including opera, theatre, classical and rock music, comedy, ballet, curated museum tours, and television premieres has become an important part of a local cinema's programme, in many instances accounting for 10%-20% of annual ticket income.

Audiences for event cinema are often distinctly different from the regular cinema audience and similarly their purchases at the café bar and concession counter differ from cinema audiences'. The cinema has to adapt to these differences and offer both an appropriate experience and suitable food and drink.

During 2014 the Picture House screened a variety of event cinema performances and began to demonstrate the venue's wider role as a cultural hub in Kintyre. The reopened Picture House will present an average of at least one event cinema performance per month.

3.5.3 Catering

The food and drink offer is an increasingly important factor for cinemas. In some instances café bars or restaurants account for 30% to 50% of the venue's turnover. The provision of a small café bar in the redeveloped Picture House is an essential part of the future viability of the venue. With screenings throughout the day 7-days a week, a variety of audiences will make use of the cinema and many will want to have a coffee or tea, or a glass of wine or beer, as well as the more traditional popcorn and ice cream sold at cinemas.

The catering operation will add to and complement other local cafes, restaurants and hotel catering. However the capacity of the Picture House café bar will be limited and therefore it will remain important to work collaboratively with other local food and drink providers, for example the nearby Bluebell Café or the Royal Hotel.

4 Market analysis

4.1 Campbeltown & Kintyre

South Kintyre is a large area of western Scotland centred on Campbeltown, which is the largest settlement with a population of 4,852 people². The area suffers from twin issues of geographic isolation and an ageing population (with a higher percentage of people aged 70 plus and lower numbers of people of working age when compared to the rest of Argyll and Bute or Scotland).

Due to its remote location, access to the area is dependent on a single road, the A83 (the only major road into and out of the Kintyre peninsula) which is the primary lifeline for all residents and businesses in South Kintyre.

Historically the local economy has been driven by the farming, fishing, whisky, shipbuilding and tourism industries. However the main employment sectors currently are in the wholesale and retail trades, public sector, and manufacturing. The area suffers from high unemployment and is identified as a 'vulnerable area' and an 'area of employment deficit' by both Argyll & Bute Council and Highlands and Islands Enterprise.

In recent years a combination of publicly-funded regeneration initiatives and significant inward investment including the manufacturing of wind turbines at Machrihanish, the development of the new pier in Campbeltown for the transport of timber, the new golf course, hotel upgrades, the new marina (part of Argyll & Bute Council's CHORD regeneration programme), and the development of the Kintyre Way play a significant role in alleviating these conditions.

The Machrihanish Airbase Community Company (MACC) is a company limited by guarantee with charitable status owned and controlled by local people within South Kintyre. The MACC group was launched in 2008 to create a sustainable business within the ex-RAF Machrihanish airbase for the long term future of the area, keeping all revenues raised within the local community. The group now has approximately 700 members and works to create as many jobs and opportunities for the local people and businesses as possible.

MACC currently has around 30 small to medium sized businesses located on site with its key tenants including Wind Towers Scotland, one of the UK's two wind-tower manufacturers and Highlands and Islands Airports Ltd, which operates commercial flights to Glasgow.

Norwegian company, Niri, recently announced that they will construct the first Scottish salmon farm built on land at the Machrihanish Airbase in Kintyre. The development will create up to 20 new jobs with the potential for many more. Production is set to begin later this year with two tanks being built in the former NATO airbase's Gaydon hangar, each expected to produce 1,000 tonnes of salmon a year.

(See Appendix 14.2.1 for details of the many recent improvements in the infrastructure and market conditions in Kintyre.)

South Kintyre has many attractive features which appeal to tourists including stunning wildlife and scenery, excellent fishing, walking and cycling paths as well as three world class golf courses. Most of the outlying villages are idyllic locations for the visitor and have good quality, reasonably priced accommodation available.

The Picture House is one of Campbeltown's main attractions alongside Aqualibrium Leisure Centre, Campbeltown Museum, Springbank and Glen Scotia Whisky Distillery Tours, the Linda McCartney Memorial Garden, and the community run Heritage Centre.

Kintyre has a long history of arts and culture and has a very strong and vibrant artistic community. It is estimated that there are at least 1213 people or 18.67% of the total population

² 2011 Census

directly involved in arts/cultural activity which represents a much higher percentage of people involved in arts and cultural activities than the rest of Scotland or the UK as a whole.

In 2012, a Kintyre Cultural Forum study identified a wide variety of arts and cultural groups operating locally including at least: 40 musical groups, 9 theatre groups, 5 visual arts groups, 3 dance groups, 2 media arts groups and 3 heritage /history groups.

Music remains the most popular art form with the local area hosting a number of world class professional musicians and bands including Willie McCallum a world champion piper, the Kintyre Schools Pipe Band who won the world championship in their grade in 2011 and Campbeltown Brass who were Scottish Youth Band Champions in 2010.

4.2 Assessment of demand

Estimating the potential cinema attendance at The Picture House involves comparing the cinema with UK averages as well as cinemas with similarities to the Campbeltown venue.

The Picture House will operate 7-days a week with a predominantly commercial cinema programme but also including quality specialist films and, importantly, Event Cinema screenings of opera, theatre, music, and other entertainment events.

During weekdays three screenings per day will be offered while on Saturday and Sunday four screenings will be presented. This results in approximately 1,200 screenings per auditorium per year (compared to 310 screenings in previous years at The Picture House).

The following sections utilise differing methodologies for estimating the attendance potential for the redeveloped Picture House.

4.2.1 UK cinema averages

Two metrics widely used throughout the cinema industry to measure the intensity of cinema usage are seat occupancy per year and total annual attendance per screen.

Seat occupancy

The UK average seat occupancy across all cinemas in 2015 was 203. (In 2012 Cineworld's average seat occupancy was 285 and some town centre independent and specialist cinemas achieve seat occupancy rates of 400 to 500.)

The Picture House will have 193 seats (+ 4 wheelchair spaces) in the historic auditorium and 52 seats (+ 2 wheelchair spaces) in the second screen, a total of 245 seats. At the 2015 UK average rate of occupancy this equates to 49,735 annual admissions and, based on 1,200 performances per auditorium, an average occupancy of 17%.

Screen occupancy

Across all UK cinemas the average attendance per screen in 2016 was 41,600. However with three-quarters of UK screens in multiplex cinemas and one quarter of all cinemas in Greater London, the average screen metric is clearly influenced by those two factors and is therefore less useful for estimating the attendance at The Picture House. A more typical level for rural independent local cinemas is 20,000 to 40,000 per screen although a few notable examples – Kino in Hawkhurst, New Park Cinema in Chichester, Regal in Stowmarket – achieve in excess of 60,000 admissions from single screen, independent cinemas.

4.2.2 Comparator cinemas

Every cinema has specific circumstances but useful comparisons can be made to aid the estimation of attendance at the redeveloped Picture House. (See Appendix 11.7)

Each of the cinemas listed below were developed or reopened with Lottery or other public funding assistance.

Thurso Cinema

Edge of town, re-opened 2012, 2 screens, 248 seats, full-time, large bar restaurant.
10-mile radius catchment population: 13,333. Town population: 7,933 (59% of catchment).
Average household income: £34,564. Average age of residents: 42

Admissions per year: 65,000
Admissions per resident: 4.9
Admissions per seat: 262

Birks Cinema, Aberfeldy

Town centre, opened 2013, 1 screen, 104 seats, full-time, mid-scale café bar.
5-mile radius catchment population: 3,661. Town population: 1,986 (54% of catchment).
Average household income: £32,819. Average age of residents: 46

Admissions per year: 32,000
Admissions per resident: 8.7
Admissions per seat: 308

The town gets a substantial number of visitors often staying for a week at a time.

Phoenix Cinema, Oban

Town centre, re-opened 2013, 2 screens, 148 seats + 15 seats, full-time, no café bar.
10-mile radius catchment population: 13,330. Town population: 8,574 (64% of catchment).
Average household income: £32,665. Average age of residents: 43

Admissions per year: 50,000 (estimate)
Admissions per resident: 3.8
Admissions per seat: 338

4.2.3 Event Cinema

Since first appearing in 2006, the Event Cinema market has grown to 5% of the overall global cinema box office. Some exhibitors, especially independent cinemas, are finding that event cinema occupies 20% or more of their box office revenue.

An average of 106 event cinema performances were available to UK cinemas during the three years 2014-2016. Selecting which performances, or opera seasons, to offer is now a task at least as complex as selecting a film programme.

4.3 The redeveloped Picture House

2 screens, 245 seats, full-time, small café bar.
10-mile radius catchment population: 7,068. Town population: 4,852 (69% of catchment).
Average household income: £28,140. Average age of residents: 45

Estimated Admissions per year: **37,500 – Film screenings**
2,500 – Event cinema performances

Admissions per resident: 5.7
Admissions per seat: 163

In comparison to the other towns and cinemas cited above, Campbeltown is the second smallest community and has an average household income 17% below the average of the other five towns (which include relatively prosperous communities in, for example, Thurso).

The catchment area for film screenings already reaches up to Tarbert (37 miles, 50 minutes drivetime, 1179 population) and for Event Cinema and live performances up to Lochgilphead (50 miles, 70 minutes drivetime, 2392 population).

Based on attendances per seat, the projected admissions of 40,000 are 25% below the UK average level of cinemagoing.

The split between attendances in the historic auditorium and the new second screen will depend on the programming and audience preferences. For example, Event Cinema performances are expected to be particularly suitable for the historic auditorium which closely resembles a traditional theatre or concert hall. In contrast, the modern second screen will be much more suitable for more specialist films and for meetings. Overall, the addition of the second screen is expected to contribute 13,000 admissions (approximately one-third of the total) to the overall target for a full year once the redevelopment is complete.

4.4 Marketing activity

4.4.1 Methods

Cinema marketing is concentrated on: web sites; email newsletters; YouTube and Vimeo trailers, teasers and other pre-release material; social media campaigns; and increasingly on mobile / smartphone marketing. Optional marketing methods include printed programme brochures or fliers and press advertising. Although expensive these traditional methods – which have been used successfully for the monthly film weekends at the Victoria Hall – continue to have a useful role for local cinemas such as the Picture House.

Several staff are expected to be involved in marketing activity at the Picture House, with one of the Deputy Managers taking on specific responsibilities for marketing. Additionally the Heritage Activity Coordinator will be involved in a range of public engagement activities which will benefit the overall marketing of the venue.

4.4.2 Target audiences

Cinema audiences

The Picture House will be predominantly a mainstream cinema but will be flexible enough to cater for niche audiences for specialised films and film festivals. Local cinemas are particularly popular with young children, family groups, and 40+ year old audiences.

While the monthly film weekend screenings are not entirely representative, the audience composition has been: 36% adult / 22% senior / 38% child / 3% student.

Event cinema performances

Event cinema covers a broad and expanding range of performances and events which frequently attract audiences who otherwise would not visit a cinema. The Picture House will aim to collaborate with a wide range of local cultural interest groups – drama and music groups, art clubs, comedy promoters, and dance schools.

Food and drink

The Picture House's café bar facilities will open from mid-morning/lunchtime and offer light meals, cakes, coffees and teas, soft and alcoholic drinks throughout the day. The aim will be to make the Picture House a destination for anyone wanting a relaxing place for a light meal, a drink or to meet friends.

Venue hire

The facilities will be marketed to local and regional organisations from the private, public and third sectors. The education / meeting room will be equipped with its own AV system including a large screen monitor capable of screening films for education and festival events.

4.4.3 Film festivals and audience development

Film festivals and special cinema-related events are regularly used to provide highlights to the cinema year. These may be developed and presented by individual organisations such as CCB or may be touring events curated elsewhere.

An annual film festival is proposed as part of the heritage activity plan. The concept of a Classic Film Festival anchored around the 1930s period when 'talkies' arrived and the Picture House was redeveloped by Albert Gardner is designed to focus attention on the heritage of cinema and of the Picture House and cinema architecture in general. Funding will be sought from sources including Creative Scotland, Regional Screen Scotland's Film Festival Fund, and Film Hub Scotland. Film festivals are also suitable events for sponsorship.

Alongside highlights such as film festivals, a general audience development programme starting three months before the Picture House re-opens and continuing for two years will aim to build new audiences for the redeveloped venue. These activities will extend beyond the world of film to include the range of cultural interests available through event cinema performances.

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5 Project delivery

5.1 Vision

Ensure that the Picture House plays a central role in the cultural and social life of Campbeltown and South Kintyre becoming recognised as a hub for heritage and culture in the local area.

5.2 Aims

- 1 Manage and operate the Picture House in a financial sustainable manner, presenting a high quality core programme of films as well as 'live' and recorded relays of cultural performances and events.
- 2 Develop new cultural projects and opportunities, and new audiences
- 3 Enable the Picture House to be available, on a practical and affordable basis, for programming by other cultural groups and promoters
- 4 Work with others to enable the Picture House to play a leading role in the promotion of Campbeltown and South Kintyre

5.3 Developments during the rebuild period

- Integration of future programming with the Heritage Activity Programme, to explore the history of the Picture House itself, and the history of cinema over the century of the Picture House's existence, through educational and outreach programmes that will involve practical film-making and a deeper understanding of film and digital technologies and cultures.
- Integrating the Picture House into a wider venue network for Campbeltown and South Kintyre, to encourage coordinated programming, the matching of event to most suitable venue, and joint promotion of the area's cultural offering, to both residents and visitors.
- Linking with other, new and revived, independent cultural facilities in Argyll and Bute to develop collaborative working in furtherance of the aims of the *Strategic Action Plan for Culture, Heritage and Arts in Argyll and Bute*³ adopted by the Council earlier in 2014.
- Organised and, in collaboration with Film Mobile Scotland/INDY Cinema Group, delivered monthly screenings of new release films in the Victoria Hall.

5.4 Future developments after the relaunch

Using the two screens (historic auditorium and new second screen) to support the widest possible diversity of programming, ensuring that core cinema programming continues seven days a week, throughout the year, while also allowing scope for:

- Satellite relays of 'alternative content'
- Live performances of drama, music, literature, comedy, etc.
- Community film-making
- Screenings of archive material
- Hire as venue for conferences and lectures

Developing, in partnership with others, new cultural offerings:

- Film and Moving Image festivals, seasons and special events. For example: exploring and celebrating 'The Golden Age of Moviemaking'; 'Scotland: the Movie'; 'Young People and Film'. Where possible these will be developed to be shared with, or at the least

³ <http://www.argyll-bute.gov.uk/moderngov/documents/s88061/Culture%20Heritage%20and%20Arts%20Action%20Plan%20-%20Final%20March%202014.pdf>

complement, programmes in Argyll and Bute's other cinema venues and arts centres, in Dunoon, Rothesay, Tobermory and Oban, as well as the Screen Machine programme.

- New and existing 'live' festivals for South Kintyre.
- Film-making opportunities, for young people, for the wider community, for aspirant professionals, working with a specialist educational institution and Into Film⁴.

5.5 Accessibility improvements

The redeveloped Picture House will incorporate many improvements and enhancements to ensure that the venue's facilities and programme is accessible to everyone. Wheelchair access will be available to all areas apart from the balcony in the historic auditorium.

5.5.1 Assistive technology

Both auditoria will be equipped with inductive loop and wireless systems for hard of hearing audience members who use hearing aids equipped with T-switches. The wireless systems can also be used to provide audio description for sight impaired audiences.

5.5.2 Relaxed screenings

At these screenings the film and the cinema environment are adjusted for children with autism spectrum disorders and/or sensory hypersensitivity. Appropriate films are screened and subtle changes to the conventional cinema environment are made. These relaxed screenings have proved popular at many cinemas and initial consultations in Campbeltown suggest that they could become a regular feature at the cinema.

5.6 Energy efficiency improvements

A comprehensive range of improvements are being installed to ensure that the venue is energy efficient and minimises carbon emissions.⁵ These are detailed in the accompanying Design Report. Features such as low energy LED lighting, high quality insulation, zoning controls for a new heating and ventilation, heat recovery ventilation systems, load management controls (which adjust lighting, heating and ventilation according to the occupancy of the building) will be installed.

A wood pellet 'biomass' boiler will provide the main heating for the venue. A 40Kw photovoltaic micro-generation array has been installed on the main cinema roof.

Waste disposal will comply with the Waste (Scotland) Regulations 2012 and efforts made to recycle materials wherever practical.

⁴ Into Film is a film education charity that puts film at the heart of the educational and personal development of children and young people aged 5-19 across the UK. www.intofilm.org/out-of-school-filmmaking

⁵ The UK cinema trade organisation – the UK Cinema Association – has developed an energy efficiency toolkit to enable cinemas to assess and minimise their energy usage. Their surveys indicate that savings of 20-25% could be made in most cinemas.

6 Project resources

6.1 Capital

The restored Picture House is planned to have:

- Full digital, 3D, satellite-linked projection in both auditoria
- A small stage in the historic auditorium for live performances
- Space in the second screen for speech-related events: readings, comedy, illustrated talks
- A foyer cafe where audiences can gather before and after screenings and performances
- A multi-use meeting room / gallery / reception room (seating 12 boardroom style or 20 theatre style)

6.2 Governance

The Memorandum and Articles of Association of CCB were updated in 2014 to bring them in line with current legislation and best practice. Currently there are 10 directors/trustees.

6.3 Personnel

6.3.1 Operational staff

The Picture House Manager (appointed and due to start in June 2017) will have overall responsibility for the management and operation of the Picture House.

Once the 2-screen venue is fully operational, the staffing is expected to rise to 6 full-time equivalents and approximately 10 part-time jobs, a total of 10 full-time equivalents (FTE).

Several members of staff will be allocated additional responsibilities alongside their main role. For example one of the Duty Managers may be responsible for local marketing, or another member of staff may be responsible for developing community and business hires of the venue.

6.3.2 Indirect employment

As part of a network of cultural and tourist organisations and venues in and around Campbeltown, the Picture House is estimated to sustain more than 8 indirect jobs (FTE). Indirect employment will be present in areas such as: taxis, cafe and bar staff, ferry staff, shops, print shops, web developer, delivery drivers, catering suppliers, cleaning contractors, window cleaners, equipment service staff, general building maintenance staff.

Mid-week event cinema performances, especially during the September to May months, will bring audiences into the town centre and contribute to business at local cafes, bars and restaurants.

6.3.3 Additional staff

The Heritage Lottery Fund supported heritage activities programme includes several specialists who are working on projects throughout 2017 and into 2018. These include:

- Heritage Activities Co-ordinator responsible to managing the programme of activities and with specific responsibility for developing the first edition of an annual film festival, due to be presented in March 2018.
- An Archivist investigating the history of the Picture House; curating the documents and artefacts; and developing community archiving projects.
- An author working on a special publication about the history of the Picture House.

- A community filmmaker developing projects with different age groups in Campbeltown and South Kintyre.
- Independent filmmakers producing a short film about the Picture House and its restoration.

Once the Picture House reopens there is the potential to work with other partners, such as the South Kintyre Development Trust and the Kintyre Cultural Forum, to collaborate on a single, area-wide post which will integrate the Picture House's programme, marketing and activities into the wider cultural context. Collaboration along these lines would help ensure continuity of provision and efficient delivery of services.

6.3.4 Trainees, apprenticeships

CBC is working with Skills Development Scotland to ensure that we work to develop roles across the business. There will be a Skills4Growth Audit to highlight the roles and responsibilities required to operate the cinema. For example: Apprenticeships for those seeking their first role; Administration Skills training, Hospitality Training, Technical & Facilities Training and potentially support from Creative Skills Set for more advanced training.

Activities during the redevelopment period including the monthly film weekends have helped to provide experience in a number of technical and organisational skills and start the local filmmaking activities which will, on occasion, provide a route into the media industry.

Cinema staff will be encouraged to take part in the recently launched UK Cinema Association Cinema Operative Apprenticeship scheme which provides an accredited course of training.

6.3.5 Volunteers

Since its formation in 1987, CCB has been run by a volunteer board of directors. The efforts of many volunteers ensured that the Picture House continued as a full-time cinema and has been periodically improved – frontage improvements, roof replacement, conversion to digital projection. The Centenary Project is the largest project they have undertaken and involves an on-going and considerable commitment of time and effort.

The Picture House will work alongside Argyll & Bute TSI and the various volunteer coordinators (funded by the Scottish Government via Shopper-Aide, Inspiralba, South Kintyre Development Trust, and Kintyre Youth Enquiry Service) to identify volunteering opportunities at the cinema. These are envisaged to be primarily on the heritage side of the business e.g. tour guides etc.

After redevelopment, the CCB board will continue to be responsible for the building and its operation. Additionally CCB expects to play a leading role in developing an annual film festival and a range of education and heritage activities. In each instance, volunteers will be recruited to assist with the development and delivery of these additional activities.

Throughout the redevelopment period, starting in February 2015 and continuing until May 2017, volunteers have assisted with the delivery of monthly film weekends at the Victoria Hall. 177 screenings were presented to 8,318 cinemagoers. 159 different films were shown and provided a regular cinema presence in the town during the Picture House closure period.

6.4 Employment during construction

The cinema closed in September 2014 in preparation for the restoration and redevelopment work. The main contractor, Corramore Construction based in Northern Ireland, have endeavoured to employ local labour and sub-contractors. [A copy of Corramore's local labour report is attached as an appendix.]

The Heritage Activities team have been working on the Picture House project since early 2016.

7 Redevelopment project costs

The project costs are outlined below (at 12 May 2017):

Project Costs	QS		Activities
	Estimates	Capital	
A Preliminary costs	5,000		
B Main contractor building works	1,945,000	2,509,262	
C Building Warrant	9,500	4,630	
D Professional fees	277,925	277,925	
Additional fees to date & forecast		69,836	
E Interpretation	46,285	45,623	
F Client Direct (Proj, Sound etc)	214,000	221,914	
G Other costs:			
Project Mgmt, Accountancy, Evaluation, Legal	162,000	187,828	
HLF Activity costs (inc £43,720 p/t Coord)	109,170		109,170
CCF Activity costs			50,000
Robertson Trust Activity costs			15,000
H Inflation	165,000		
J Additional Client Direct Costs			
Courtyard office refurbishment		20,550	
Foyer Furniture & Video Displays		13,567	
Educ Rm Furniture & AV Equip		16,345	
Front Desk & Kitchen Fit Out		27,500	
Extension of time (Corramore + Consultants)		25,000	
Total Costs	2,933,880	3,419,980	174,170

The increase in project costs have been primarily due to:

- Main contractor tenders exceeding QS estimates. Corramore Construction were selected on the basis of both quality (top scoring company) and price (lowest bidder). Their price was 23% above estimated costs. Additional funding was secured from Heritage Lottery Fund and Coastal Communities Fund to assist with these extra costs but savings in the construction programme were still required and the full contingency allocated to construction.
- A series of unbudgeted costs being incurred including technical specialists (paint research, plaster specialists, heritage engineering, legal costs, etc)
- In the absence of a third party cinema operator, additional work has been required to ensure that the Picture House is completed in accordance with original plans. For example the operator had been intended to take on responsibility for much of the technical and catering fit out - these costs are now being borne by CCB.
- The delay in completion of the main contract works has resulted in additional claims for fees from the design team and from the main contractor.

8 Funding

8.1 Funding overview

Project Funding		Capital	Activities
Public/Statutory Funders			
Heritage Lottery Fund	1,100,000	1,284,230	109,170
Creative Scotland	400,000	400,000	
Coastal Communities Fund	359,724	485,682	50,000
Highlands & Islands Enterprise	300,000	300,000	
Argyll & Bute Council + CHORD	150,000	190,000	
Historic Environment Scotland	203,585	203,585	
Historic Environment Scotland Supplementary		20,000	
Architectural Heritage Fund	7,500	7,500	
LEADER		12,272	
Awards for All		9,434	
Creative Scotland Open Project Fund		20,550	
	2,520,809	3,043,253	159,170
		90.4%	
Trusts & foundations			
The Robertson Trust	150,000	150,000	15,000
Other trusts & foundations (see below)	98,000	109,000	
	248,000	259,000	15,000
		7.7%	
Local & Private Fundraising			
Corporate donations	3,000	3,000	
Cinema operator investment	100,000	0	
Seat sponsorship (£250 per seat)	20,135	29,569	
Private donations		9,572	
Platinum/Gold/Silver/Bronze Supporters		20,400	
	123,135	62,541	0
		1.9%	
Total Funding	2,891,944	3,364,794	174,170

There is currently a funding gap of £165,000. Discussions are ongoing with Highlands & Islands Enterprise and Argyll & Bute Council regarding potential additional funding.

RBS Social and Community Capital have arranged a loan facility for £164,000 to cover cashflow during the final stages of the project and, if necessary, to support a funding gap.

8.2 Public fundraising and volunteers

Public fundraising activities currently concentrate on two schemes:

- Seat sponsorship – Individual seats can be sponsored for £250. 114 Seats have already been sponsored.
- Easyfundraising.com web site set up to generate income

In October 2015 a professional fundraiser was appointed by CCB with the aim of generating funds to complete a range of items which are outwith the main construction contract.

The value of volunteer time during the Activity Plan and the construction delivery stage has reached £205,000 (using Heritage Lottery Fund guidelines).

8.3 VAT

CCB is registered for VAT, number 184 1423 18. HMRC have confirmed that VAT would be recoverable on all project development costs.

8.4 Revenue funding

Revenue funding has supported a range of activities since the start of the redevelopment project. Certain aspects of these activities will continue until March 2018.

Revenue funding has been received for the following:

- Coastal Communities Fund – two years of revenue funding @ £25,000 per year to support activities including film weekends during 2015 and 2016.
- The Robertson Trust – one year of revenue funding @ £15,000 per year to support audience and community development activities during 2015 through to mid 2017.
- Creative Scotland's Open Project fund – £11,550 to support monthly film weekends in 2015 and 2016.
- Film Hub Scotland Open Programme fund - £4,050 to support the initial 6 months of film weekends in 2015.
- Heritage Lottery Fund - £107,190 to support a series of activities including archiving, filmmaking, authoring a book, developing a film festival, and relaunching the Picture House.

9 Partnership working and stakeholders

9.1 Strategic local partnerships

Campbeltown has benefited in recent years from two interlinked programmes of regeneration. As one of Argyll and Bute Council's five CHORD towns, Campbeltown has seen the implementation of a far-reaching Townscape Heritage Initiative, major improvements to the main entrance into the town, and plans for a substantial expansion of berthing facilities for leisure yachts. At the same time, and working in close conjunction with the CHORD Programme, the South Kintyre Development Trust (SKDT), formed in 2008 to 'advance sustainable development and the regeneration of the local area', has undertaken, as one of its key projects the restoration of the historic Town Hall in the Main Street. SKDT's Community Action Plan 2012-17 for Campbeltown has, as one of its six themes, ***Making the most of our assets***, and the second priority under that theme is ensuring the successful completion of the Picture House's Centenary Project, to secure the building's future.

More directly, a restored and fully operational Picture House will be able to collaborate with the restored Town Hall to offer combinations of events and programmes, especially with the aim of attracting additional tourists to the area.

At the level of Argyll and Bute Council as a whole, the development of the Picture House, integrated with wider development patterns in the area, accords well with two of the objectives of the adopted Strategic Action Plan for Culture, Heritage and Arts in Argyll and Bute, namely

- To promote co-operation across the sector in the development and delivery of projects
- A structure and delivery mechanism that encourages local engagement and supports local development of the creative industries while mobilising local people to take and support a pan-Argyll approach (achieving balance between local and Argyll-wide priorities and action).

The Strategic Action Plan for Culture, Heritage and Arts as adopted by A&BC has the following vision: 'To establish the whole of Argyll and Bute as an area of cultural and artistic excellence, in order to release their full economic and social value.'

The Picture House will adopt this vision with specific reference to contributing to its achievement in Campbeltown and South Kintyre. CCB was represented on the Cultural Assembly for Argyll and Bute and is currently working with CHArts Kintyre & Gigha. The Strategic Action Plan also notes how culture, heritage and arts can contribute to several key areas of the Council's Single Outcome Agreement:

1. The economy is diverse and thriving
2. We have infrastructure that supports sustainable growth
3. Education, skills and training maximises opportunities for all
4. Children and young people have the best possible start
5. People live active, healthier and independent lives
6. People live in safer and stronger communities

The Picture House will contribute directly to achieving all of these objectives, for example by:

- providing employment (direct and indirect)
- providing stimulating access to culture and entertainment
- providing education, training and skill development opportunities
- providing opportunities for social interaction for all ages

9.2 Campbeltown venue co-ordination

The Town Hall Redevelopment Project includes a fulltime post of Town Hall Manager funded for three years, with reducing funding for a further two. The Manager post is focused on marketing the restored venue and building up a programme of use.

CCB intends to work closely with South Kintyre Development Trust in taking a proactive approach to greater coordination between venues, groups and businesses in the region, for the wider aim of enabling key buildings to be 'anchors' in the greater task of reversing population decline.

The tangible benefits from such an approach could include:

- Providing promotional outlets such as 'Explore Campbeltown' and 'Explore Kintyre & Gigha' with coordinated programmes that avoid awkward clashes and offer attractions to potential visitors throughout the season
- Enabling different venues to host those activities to which they are best suited
- Making it easier for new cultural events to be planned and developed, given the availability of specialist expertise in programming, outreach and marketing
- Helping to resolve issues of matching spaces to needs, for example for heritage facilities.

Two of the key priorities identified in the *Campbeltown Community Action Plan for 2012 - 2017* produced by SKDT are: 'Secure the future of Campbeltown Picture House' and 'Ensure successful completion of the 2013 Centenary Project'.

SKDT has been developed to provide an enabling role, as expressed in the Community Action Plan, the objectives of which include making Campbeltown 'an attractive and vibrant community' with:

- a complementary mix of modern and historic buildings with easy access in and around Campbeltown
- modern facilities that cater for the requirements of the community – education, recreation, culture, health and well being
- assets and attractions that people want to visit year after year

The plan specifically supports the refurbishment of the Picture House, in order to 'retain employment in the area and create a better experience for residents and visitors'.

9.3 Cinema sector partnerships

9.3.1 UK Cinema Association

The UKCA advocates on behalf of the UK cinema sector at international, national, regional and local level. This includes lobbying and working with Government at all levels, with other sectors of the film industry, particularly distribution, as well as working with others to promote the value of cinema to the wider public. In addition the UKCA provides advice and support to individual members on interpreting and adhering to legislation and regulation, and in dealing with day to day operational issues as appropriate. CCB is a member of the UKCA.

9.3.2 Film distributors

Cinemas depend on film distributors to bring high quality and interesting films to the UK and to market them in, hopefully, an appropriate manner. The overwhelming majority of cinema advertising spend comes from film distributors and therefore individual cinemas need to ensure that they benefit from this marketing effort in order to reach audiences efficiently.

9.3.3 Event Cinema producers and distributors

The growing importance of live and recorded relays of cultural performances and events has been accompanied by an increasing number of sources of programme material. Broadcasters, independent theatre companies, and museums are now developing programmes for cinemas.

9.3.4 Into Film – film education

Into Film is a film education charity that puts film at the heart of the educational and personal development of children and young people aged 5-19 across the UK. Their activities include: developing schools film clubs; organizing an annual youth film festival presented in cinemas throughout the UK; out of school filmmaking; teacher training and professional development courses; and provision of up to date teaching resources on a wide range of films.

9.3.5 Regional Screen Scotland

Regional Screen Scotland (RSS) is the development agency for cinema facilities and organisations in Scotland – from independent cinemas to film clubs and film festivals. RSS is currently organising an Argyll and Bute Screen Forum involving Campbeltown Picture House, Oban Phoenix, The Tower in Helensburgh, Dunoon Burgh Hall, Discovery Cinema in Rothesay and RSS.

9.3.6 Film Hub Scotland

As part of the BFI's Film Audience Network, Film Hub Scotland has been set up to extend film choice, increase and broaden film audiences, and enhance opportunities for audiences to engage with and learn about film. The Picture House is a member of Film Hub Scotland.

9.3.7 Scottish Screen Archive

As part of the National Libraries of Scotland, the Scottish Screen Archive is Scotland's national moving image collection. The Archive plan to work with the Picture House in developing access to the large amount of historic records that were recently discovered and which they consider to provide a unique insight into the development of cinema in Scotland from the early days of silent film up to the present day.

10 Financial appraisal

10.1 Assumptions & Performance Indicators

The key assumptions for the cinema budget are:

	Campbeltown (2017)	UK (2016)
Average ticket price	£5.10	£6.00
Average concession sales per person	£1.30	£1.91
Average café bar sales per person	£1.70	
Seat occupancy rate / year	163	203
Average number of screenings per auditorium	1,200	900 – 1,800
Film hire %	45%	42% – 46%
Concession sales GP%	70%	
Café bar GP%	50%	
Screen advertising as a % Box Office takings	3.5%	5%
Booking Fee as a % Box Office takings	0.5%	
Ticket stationery / admission (pence)	0.1p	
PRS/PPL as a % Box Office takings	1%	1%
Marketing as a % of Box Office	3%	

Financial figures are shown ex-VAT

10.2 Payroll

The payroll for the redeveloped Picture House is detailed in the table below. The hours required in each area of the venue plus the pay rates are all based on commercial experience at cinemas such as Aurora Leisure and represent an efficient allocation of staff time. The redevelopment of the Picture House has taken into account the need to have an efficient, easy to manage building in order to keep staffing costs to an acceptably low level.

Note that the budgets assume that all staff are paid and that volunteers are not required in order to make the venue viable. However it is expected that on some occasions and for some tasks volunteers will supplement the paid staff. For example during festivals and possibly during some Event Cinema performances where additional staffing is required.

10.3 Ticket pricing

Campbeltown and Kintyre is a comparatively low income area. The average household income in the area within a 10 miles radius of Campbeltown is £28,140 compared to £33,127 for Argyll & Bute as a whole.⁶ Ticket pricing therefore aims to strike a balance between being affordable and at the same time generating sufficient income for the Picture House to be sustainable. The projected pricing (2017 prices) is detailed in Section 10.5 below.

As the web site and ticketing system⁷ develop further, a points-based membership or loyalty scheme will be introduced to replace the current scheme. This will allow customers to accumulate points from all their purchases at the Picture House.

⁶ Data from CACI 'Vital Statistics', base year 2013.

⁷ The ticketing system is Veezi, a lower cost version of leading system Vista, designed specifically for smaller cinemas.

10.4 Memberships and hire income

10.4.1 Friends and loyalty schemes

The budget forecasts 500 Friends paying at least £10 each per year, producing an ex-VAT income of **£4,165**.

The future of the Friends scheme and the possible introduction of a points based rewards Loyalty scheme will be examined over the summer months once the Picture House Manager takes up their post.

10.4.2 Hire of facilities

The redeveloped facilities will provide Kintyre and the wider Argyll and Bute area with a valuable and welcoming new venue for many different organisations to meet. Similarly the small second screen, increased foyer area, general purpose room and café bar create a suitable space for childrens' parties, especially at weekends. The table below illustrates a preliminary hire income budget. All hires in the income budget are for 09:00 - 17:00 weekdays, apart from childrens' parties which would normally be at weekends:

	Rate/session (incl. VAT)	N° hires	Gross	Net (ex-VAT)
Screen 1	3hrs			
Commercial hires	750	2	1,500	1,250
Third sector hires	500	4	2,000	1,667
Local voluntary organisations	250	4	1,000	833
Cultural promotions (80:20 split) 100 x £10	200	4	800	667
Screen 2	3hrs			
Commercial hires	400	4	1,600	1,333
Third sector hires	250	6	1,500	1,250
Local voluntary organisations	125	15	1,875	1,563
Kids parties (film hire extra)	100	10	1,000	833
Education/Meeting room	3hrs			
Commercial hires	60	10	600	500
Third sector hires	40	20	800	667
Local voluntary organisations	20	30	600	500
			Total	£ 9,813

Local competition

The refurbished Town Hall also offers its facilities for hire to a wide variety of community and commercial organisations. The main hall is suitable for use by local groups for community and social events and the marketing concentrates on attracting private functions and small conferences. For example weddings and receptions, funerals, indoor markets, and licenced dances. The Town Hall is able to host small-scale performances especially during local festivals when venues are in great demand, but the layout and acoustics of the room are not ideal for this purpose. The Picture House and South Kintyre Development Trust, which manages the Town Hall, plan to work together to maximise the benefits of each facility by coordinating events to minimise clashes and providing special cinema screenings for conference groups or wedding parties.

10.5 Baseline annual budget

PROJECTED SEATING STATISTICS			
	Seats	Capacity/Week	Annual Admissions
Screen 1	193	2.90	29,104
Screen 2	52	4.00	10,816
Total	245	3.45	39,920

PROJECTED PRICING			
	£ Inc VAT	£ Exc VAT	% of Sales
Adult Peak	8.00	6.67	20%
Adult Matinee	6.50	5.42	10%
Senior	7.00	5.83	10%
Senior Matinee	5.50	4.58	15%
Teenage 13-16	5.50	4.58	20%
12 and Under	5.50	4.58	20%
Family			0%
Kids Cinema Club	3.00	2.50	5%
Ave Film Ticket Price *	6.13	5.10	100%
Ave Product Sales - Films	3.00	2.50	
Ave Event Cinema Ticket Price	14.00	11.67	
Ave Product Sales - Event	3.00	2.50	

* Ave cinema ticket price in 2015 £7.19 (5.99 ex VAT) so CPH 2017 prices are 15% lower than 2015 average

TOTAL INCOME		
Box Office Income - Film		188,854
Box Office Income - Event Cinema		35,000
Venue Hire	Revised projection	9,813
Friends of the Picture House	500 members @ £10 pa (inc VAT)	4,167
Screen Advertising	3.5%	7,835
Booking Fee Income	50p per adv booking 15% of tickets sold online	2,994
3D Glasses Supplement @ £1.00	7.5% of admissions £1.50 inc VAT	3,750
Concession & Café Bar Sales - Film		92,500
Concession & Café Bar Sales - Event Cinema		7,500
Renewable Heat Incentive (wood pellet boiler system)		14,000
Feed in tariff PV array		2,500
Total Income		368,912

VARIABLE COSTS		
Film Hire	45.0%	84,984
Film Hire - Event Cinema	50.0%	17,500
Film Transport	1% x Film Hire	850
Marketing	2.5% of Box Office Ave £105 pwk	5,596
Veezi charges	£125.00 pm + 30p per ticket sold online	3,296
Peach Digital - Hosting	£62.50 pm	750
Peach Digital - Tech Support	£87.50 pm	1,050
MyMovies	£50.00 pm	600
Ticket Stationery		100
Food & Drink cost of Sales	26.5%	26,500
Venue hire support costs	25% of revenue	2,453
PRS / PPL	1% x Box Office	2,239
3D Glasses cost	£1.00	2,775
Total Variable Costs		148,694

PAYROLL & SERVICE CONTRACT COSTS	
Salary Costs + Mgr Incentive	112,458
On-costs (pension, NI, SSP/SMP, Holiday Pay)	16,763
Training	500
INDY Cinema Group programming & technical services contract	10,800
Ellis Whittam Contract (HR)	2,000
Audit & Accountancy (Simmers & Co)	5,000
Total Payroll Costs	147,521

TOTAL OVERHEADS	
Rates (4% x turnover)	14,756
Electricity	15,000
Deduct saving from electricity from PV array	-7,000
Additional maintenance for PV array	500
Wood Pellets / Gas	10,000
Telephone	800
Broadband	1,200
Water	600
Projection equipment managed service contract / lease / rental	0
Projection consumables (lamps, etc)	2,000
Cinema Next VPF fee (£105pm)	1,260
Contract Services (projection service, IT, M&E service, etc)	3,000
Repairs & Renewals (as per HLF Mgmt & Maintenance Plan)	16,700
Specialist cleaning	500
Consumables and Disposables	1,250
Computers (hardware & software)	500
Insurance (current quote Nov 2016)	8,500
Banking Costs	500
Credit card processing costs	2,000
Licences Levies & Subscriptions	800
Uniforms	400
Postage	100
Printing & Stationery	800
Cleaning materials	1,000
Travel (inc lodging)	2,000
Governance Costs	500
General Expenses	2,000
Total Overheads	64,910
Trading Profit	
	7,788

10.6 Five-year budget summary

	Inflation	Pre-opening 3 months	2017 6 months	2018	2019	2020	2021
Cinema admissions			17,500	36,000	37,000	37,000	37,000
Event Cinema admissions			750	2,000	2,500	3,000	3,000
Total admissions			18,250	38,000	39,500	40,000	40,000
Average Ticket Price - Cinema	1.5%		5.10	5.18	5.26	5.34	5.42
Average Ticket Price - Event Cinema	1.5%		11.67	11.84	12.02	12.20	12.38
Projected Income							
Box office - Cinema			89,323	186,506	194,562	197,481	200,443
Box office - Event Cinema			8,750	23,683	30,048	36,599	37,148
Total Box Office Income			98,073	210,190	224,611	234,079	237,591
Concessions - Cinema	1.0%		43,750	90,900	93,425	93,425	93,425
Concessions - Event Cinema	3.0%		1,875	5,150	6,438	7,725	7,725
Café bar			6,000	14,500	16,500	18,750	21,000
Café bar (alcohol)			1,500	3,000	3,500	3,750	4,000
Total Retail Income			53,125	113,550	119,863	123,650	126,150
Revenue Funding (HLF, HIE)		5,000	18,750	17,500	11,250	2,500	-
Screen advertising @ 3.5%		-	3,433	7,357	7,861	8,193	8,316
Energy RHI & PV Feed In		-	8,250	16,000	15,500	15,000	14,500
Venue Hires	10.0%	-	4,906	10,794	11,873	13,060	14,366
Other (3D glasses etc)	2.0%	-	5,455	11,129	11,351	11,579	11,810
Total Income		5,000	191,992	386,519	402,309	408,061	412,733
Variable Costs							
Film Rental @ 45%	0.0%	-	40,195	83,928	87,553	88,866	90,199
Event Cinema Fee @ 50%	0.0%	-	4,375	11,842	15,024	18,299	18,574
Retail Purchases @ 26.5%	2.0%	-	12,091	25,453	26,464	26,805	26,805
Café Bar Purchases @ 26.5%	2.0%	-	1,590	3,843	4,373	4,969	5,565
Marketing	2.0%	2,000	5,696	11,621	11,853	12,090	12,332
Other costs (PRS, 3D, etc)	2.0%	3,000	3,733	7,616	7,768	7,924	8,082
Total Cost of Sales		5,000	67,681	144,302	153,035	158,953	161,557
Payroll & Service Contracts Costs							
Payroll	2.0%	18,500	64,860	132,315	134,961	134,661	137,354
Programming & Tech Services	3.0%	2,000	5,400	11,124	11,458	11,801	12,155
HR & Finance Services	2.0%		3,500	7,140	7,283	7,428	7,577
Operational Mentoring		5,850	8,250	-	-	-	-
Total Payroll		26,350	82,010	150,579	153,702	153,891	157,086
Overhead Costs							
Rates (100% discount) @ 4%			0	0	0	0	0
Water rates			500	1,000	1,000	1,000	1,000
Utilities (Heat, Light, Tel, etc)	2.0%	3,000	10,550	21,522	21,952	22,391	22,839
C2 Projection lease/rental			5,833	10,000	10,000	10,000	10,000
Projector lamps, VPF payments	2.0%		1,630	3,325	3,392	3,460	3,529
Building maintenance (HLF plan)	2.0%		10,975	22,389	22,837	23,294	23,759
Insurance & finance costs	2.0%	2,000	5,500	11,220	11,444	11,673	11,907
Other overheads	2.0%	2,000	3,800	7,752	7,907	8,065	8,226
Total Overheads		7,000	38,788	77,208	78,532	79,883	81,261
Total Expenditure		38,350	188,479	372,089	385,269	392,727	399,904
Surplus retained		(33,350)	3,513	14,430	17,040	15,335	12,829

10.7 Operating budget notes

- 1 Screen advertising income is based on a quotation from Pearl & Dean, 17 June 2014 and is for a maximum of 10 minutes of advertising per screening.
- 2 Only 7.5% of admissions are included as 3D screenings. 40-45 films are released in 3D each year and typically these films are among the more popular titles each year. Overall, cinemas earned 11% of box office income from 3D films during 2015. Generally, local cinemas earn a lower portion of their income from 3D films compared to multiplexes.
- 3 The Renewable Heat Incentive is payable if a wood pellet boiler is installed and paid for by non-government funding. The Incentive is payable for 20 years (inflation adjusted, government guaranteed) from the point at which the installation is registered. CCB is currently examining whether the company will be eligible for RHI payments.
- 4 Film hire is set at 45% which is towards the upper end of the rental percentage a cinema would expect to pay. However it allows for two factors: the higher rental rate demanded for new films early in their release; and the impact of paying minimum guarantees for underperforming films.
- 5 Payroll costs are based on pay rates comparable with other local cinemas.
- 6 Business rates for cinemas are calculated as 4% of turnover in accordance with Practice Note 12, Valuation of Cinemas, Scottish Assessors Association, 2010. However 100% Small Business Rates Relief is available for businesses in Central Campbeltown. Therefore the business rates are shown as zero. (Charitable status companies, including CCB, are usually entitled to mandatory 80% discount on business rates. 100% discount is discretionary.)
- 7 Legal and professional fees includes the human resources services of Ellis Whittam.
- 8 Overheads account for 18% of turnover. Payroll accounts for 30%. These figures are higher than experienced by larger cinemas with a higher level of attendance and associated income.
- 9 The trading profit represents the income retained by CCB.

10.8 Annual cash flow analysis

The cash flow illustration below makes use of the typical Scottish cinema seasonal variation in attendance. Peak months of April and July coincide with school holidays.

Month	Jan	Feb	Mar	Apr	May	Jun
Percentage(%)	8.6	8.2	5.7	10.4	8.9	7.5
Month	Jul	Aug	Sep	Oct	Nov	Dec
Percentage(%)	12.5	8.9	6.1	8.9	6.8	7.5

11 Monitoring and evaluation

An outline monitoring and evaluation plan is included as Appendix 14.1.4. It will be the Picture House Manager's responsibility to carry out the majority of the monitoring and evaluation activities which are then reported to the CCB Board which has the responsibility to funders to ensure that the data is collected and reported.

Attendance data for the cinema up to 28 August 2014 is available and can be used to benchmark performance at the redeveloped venue.

11.1 Performance indicators

In addition to routine financial management the cinema business operates with several well-understood performance indicators.

11.1.1 Key performance drivers (targets)

Figures which underpin budget forecasting include: Average Ticket Price; Film Hire %; Retail spend per person; Retail Sales Margin %; Seat occupancy; Screen occupancy.

These measure can be assessed in comparison with industry benchmarks and other broadly similar cinemas in Scotland.

11.1.2 Key Performance Indicators (KPIs)

Measures used to assess actual performance include: Attendances; Ticket Sales Income; Film Hire %; Spend per person; Retail Sales Margin %; Café Bar Sales Margin %.

11.2 Surveys

Audience and customer surveys will be carried out on-line (via services such as Survey Monkey) and using paper-based questionnaires or response cards. Questionnaire surveys will be supported by meetings with the public which may take the form of invited focus groups or of general public meetings.

The various public engagement activities planned around the heritage of the Picture House will allow further informal feedback to be gathered and combined with the survey information.

11.3 Impacts

An impact assessment framework will be developed during the delivery phase so that a systematic evaluation of the redeveloped Picture House can be implemented and maintained for at least five years after the project completion. The framework will be appropriate for the scale of the organisation and the staffing levels.

11.4 Industry networking

Participation in cinema trade organisations and events will reduce the effects of operating in a remote rural location such as Campbeltown. The Picture House is a member of the UK Cinema Association and is an active member of the Scottish branch. Allowance has been made in the budgets for some staff attendance and cinema industry conferences and trade shows.

11.5 Evaluation plan

See appendix 14.1.4

12 Risk analysis

Nature of the risk	Probability	Consequences	Mitigation / Actions / Completion
1 Building risk – Delivery Phase			
1.1 Restoration of auditorium encounters structural difficulties	Low	Additional time required to complete project. Cost over-run. Project may require adjustment.	Detailed structural and conservation investigations carried out by structural engineers at Stage D, and prior to tenders being issued. All issues addressed. Completion due 30 June 2017
1.2 Roof structure problems when installing new ventilation plant and acoustic treatment	Low	Strengthening of roof structure required. Additional time and costs	Structural investigations following Stage D have confirmed strengthening requirements for the new work. All issues addressed. Completed
1.3 Ground movement following demolition of rear annex and balcony stairwell	Low	Delay to the project. Stabilisation works required. Additional piling required for new foyer, café bar, second screen.	Test pits and site investigation work has been carried out to establish ground conditions. Completed according to engineers' plans
1.4 Asbestos discovered	Low	Project delay while asbestos removed. Additional costs.	Initial non-invasive asbestos survey carried out during Stage C. A subsequent refurbishment survey has been completed. No asbestos found
1.5 Contractor unable to complete project	Medium	If contractor becomes insolvent or encounters other difficulties, the project would stop until another contractor was secured.	Tendering process has sought references on several aspects of the contractor's previous work. Insurance against contractor failure will be sought. Practical Completion scheduled for 30 June 2017
1.5 Sub-contractor failure to meet required standard of work	Medium	In an extreme case, works may have to be redone in order to rectify problems	Careful and regular monitoring of on-site work by QS, Lead Consultant / Architect, and engineer team Ongoing - work completed satisfactorily to date
1.6 Redevelopment work over-runs expected timescale	Medium	Late re-opening of the Picture House would affect cash flow forecasts and potentially incur additional costs. Some funding has specific end-dates and work attributed to these funds must be completed by those dates.	Regular progress meetings. On-site project management to report progress to QS, Architect and Client Project Manager. Delays in completing the building works will delay the fit out and reopening until September 2017
1.7 Redevelopment work exceeds budget	Medium	Inability to complete the project as originally anticipated. Some facilities incomplete.	Fixed price contract will be issued. Continuous QS and Architect monitoring of the project. Delays and unexpected problems with damp walls/dry rot will result in modest cost over-run, partly met by contingency

2 Financial risk – Delivery Phase			
2.1 Failure to raise adequate funds	High	Depending on the scale of the shortfall, the project may require modification with some elements eliminated which in turn could affect viability. If the shortfall is large the project may be cancelled.	Continual liaison with funders to ensure they are aware of the current state of the funding and estimated costs for the project. Fundraising efforts continue throughout the redevelopment project. Board members allocated to specific fundraising initiatives. Professional fundraiser appointed. Currently approx. £150,000 shortfall in funding. RBS Social & Community Capital loan in place to assist with cashflow.
2.2 Cost increases exceed budget capacity	High	Re-scoping aspects of the restoration and redevelopment works. Certain items leased rather than purchased. Loans required in order to continue with project.	QS estimates include above normal levels of contingency (5% design, 10% construction, 15% for restoration of historic cinema building works). Liaison with funders regarding possible increased support. Additional funding has been secured from Heritage Lottery Fund, Coastal Communities Fund, Creative Scotland, Historic Environment Scotland. Negotiations ongoing with Highlands & Islands Enterprise and Argyll & Bute Council. New funding secured from Awards for All and LEADER. CCB continuing with fundraising.
2.3 Tenders come in above expected budget	High	Value engineering required to identify areas where costs can be reduced or eliminated. Possible delay in issuing contracts and delayed start of on-site work.	As above, QS estimated costs are based on current (Q2 2014) prices and prudent inflationary increase are built in. Cost estimates have been thoroughly reviewed since previous scheme was submitted. Lowest cost tender was 23% above QS estimates resulting in 3 month delay to start and subsequent negotiations regarding funding.
2.4 Cash flow management difficulties	Medium	Intermittent payment difficulties leading to strained relationship with contractors and/or non-performance of tasks on due dates	Regular updates and monitoring of the work progress by QS and Project Co-ordinator. Regular liaison with funders to ensure timely payment of grant instalments. Negotiate cash flow assistance from funders and/or bank. Cash flow managed by Project Manager. No requirement to date for overdraft facility although this is anticipated during H2 2017.

3 Economic risk – Operational Phase			
3.1 Continuing impact of depressed economy	Medium	Operation of the cinema adversely affected as audiences decide not to attend.	Special pricing and offers to attract audiences from vulnerable sectors of the resident population. Seek funding to support additional marketing. HLF Resilient Heritage and HIE match funding will support the initial 2 years of operation, allowing the Picture House to become established.
3.2 Unemployment rate increases in Campbeltown	Low	Unemployment levels are already high and if increased would put more pressure on consumer spending, adversely affecting the cinema income.	New businesses are starting in the town and some other infrastructure projects are scheduled to start. Visitor market to be prioritized and encouraged to attend through exhibition of restoration works – promote the uniqueness of the cinema and the redevelopment work. Sensitive pricing, efficient marketing and flexible programming all planned
3.3 Decline in visitor numbers	Low / Medium	Although visitors currently do not constitute a large portion of Picture House’s audience, they are a necessary addition and their loss would be harmful. Considerable marketing effort now in place for Kintyre in order to boost visitor numbers.	Partnerships with other organisations in Kintyre to promote the cinema along with other attractions. Develop packages which include incentives to visit the cinema. Develop specific marketing initiatives for the visitor market. Partnerships with local businesses are a priority for development by the CPH Manager
4 Market risk – Operational Phase			
4.1 Decline in popularity of cinemagoing	Low	If a general trend then the Picture House would need to diversify more towards live events, hires of facilities and increase income from the cafe bar.	The most consistent trend in cinemagoing for the past two decades has been the increase in the number of 40+ year old cinemagoers. Campbeltown has a older age profile than the Scottish average. The Picture House would emphasise programming and schemes to encourage regular attendance of older audiences while at the same time promoting family cinemagoing. UK cinemagoing continues to be popular - attendances in March 2017 were at the highest level for 46 years. However, dominance of a small number of major ‘hits’ is a concern and will be mitigated by a broadly based programme.
4.2 Event Cinema declines in popularity	Low	Declining income from a high earning programme strand. Reduced income from bar sales.	Avoid overcrowding the event cinema programme with one or more strands, for example too much theatre or opera and not enough ballet, rock music, etc. Appeal to many different potential audiences. Avoid branding

			<p>everything with one label, encourage diverse audiences. Avoid clashes with prominent local events and festivals.</p> <p>Approx. 100 event cinema performances are available annually and cover many artforms. No indication that the screenings are declining in popularity.</p>
4.3 Failure to change perception of Picture House as outdated	Low (Medium if second screen not developed)	Inability to attract the young audience (under 40 years old) who are much less interested in heritage and much more concerned to have a modern cinema experience	<p>The new foyer, café bar and second screen will be developed to modern cinema standards. The historic cinema need not be the auditorium of choice for some audiences. Careful local marketing which does not over-emphasise the heritage aspects of the venue.</p> <p>The Picture House has been radically improved and enhanced. Effectively it is a new venue and will operate as such while retaining key heritage elements.</p>
4.4 Poor performance of key films	Medium	Strain on annual operating budgets due to lower income from some of the annual Top 20 films which all cinemas rely on.	<p>Encourage and promote a diverse range of films throughout the year. Ensure that audiences always have a choice of 3-5 films each week.</p> <p>Programming partnership with INDY Cinema Group ensures access to a broad range of films.</p>
5 Management risk – Operational Phase			
5.1 Inability to attract key personnel	Low	Difficulty securing expertise required to run the cinema effectively and with marketing flair. Lack of management expertise. Lack of financial skills. Lack of connections to the wider cinema sector.	<p>Provide an encouraging operational environment and promote good relations between the Board, management, staff and volunteers. Ensure that all individuals associated with the Picture House are kept informed of current trading, future developments, etc.</p> <p>Experienced and enthusiastic CPH Manager has been recruited. High standard of applicants attracted for Manager post.</p>
5.2 Failure to lease to experienced operator	Medium	There are only a few suitably expert cinema operators who would be interested in taking on the Picture House, although that situation would change once redevelopment is complete. Without a third party operator, the Board may consider returning to direct operation of the venue and employing a new manager.	<p>Continue to work closely with Rob Arthur / Aurora Leisure who has already proved his commitment to the future of the Picture House. Strengthen CCB board so that if a suitable operator cannot be attracted, CCB will take on management and operation of the Picture House.</p> <p>Following an open tender process, 3 companies expressed interest but ultimately none tendered. CCB is therefore the operator.</p>
5.3 Inability of operator to meet SLA	Medium	The Service Level Agreement is at the heart of the cultural hub concept and failure to	Develop the SLA in partnership with the cinema operator and selected stakeholders. Encourage

		meet the objectives would harm perceptions of what the Picture House intends to be and how it operates.	partnerships and links to other local businesses. SLA targets will now be the responsibility of CCB
5.4 Rob Arthur ceases to be involved with the Picture House	Low	Rob Arthur is a key person in the development of the new style of operation of the cinema. His involvement has brought about a 30% increase in attendances against a UK market that has struggled in 2014. His expertise and contacts have allowed many changes to be implemented speedily and relatively easily.	There are at least three options if Rob Arthur, for whatever reason, is no longer involved: a) The Picture House reverts to being a stand-alone cinema operation managed by CCB - This is the current situation b) Another experienced cinema operator is sought to lease the Picture House - Tendering did not result in another company expressing interest c) A local Campbeltown town centre venues consortium could be formed to manage and operate the Picture House, the Town Hall, the Victoria Hall and perhaps other venues. Benefits might include shared overheads, staffing and marketing.
6 Legal risk – Operational Phase			
6.1 Changes in legislation	Low	Some legislative changes may affect the operation of cinemas throughout Scotland, for example changes in the Performing Rights Society charges, or in waste disposal regulations, or in employment regulations.	Continue to support the efforts of organisations such as the Cinema Exhibitors Association who represent the cinema sector and lobby government on issues affecting the whole sector. Participate in UK Cinema Association Scottish Branch meetings to keep up to date with potential legislative impacts.
7 Technical risk – Operational Phase			
7.1 Cinema technology advances	Low	Digital technologies advance continuously and there is a risk that without regular re-investment the cinema may find that it cannot screen certain films or live relays.	Ensure that a sinking fund <u>and</u> a fundraising strategy for equipment upgrades and replacement is in place. Plan for future upgrades rather than respond to crises. Proposed managed service agreement (Sony) includes technical upgrades for 5 years with option to exchange or replace equipment Cinema technology continues to advance each year and the new equipment being installed will be 'current technology' but avoids high risk new approaches.