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Case study on loan finance: Pafiliwn Bont

'The loan has helped secure the sustainability of the business, strengthening the marketing plan substantially. Knowing that many people have looked closely at the business plan has also given us more confidence as a business.'

PAFILIWN BONT MANAGER

Background

Pafiliwn Cyf, a company limited by guarantee, was established in 2004 to redevelop Pafiliwn Bont, a large venue for concerts and other events. The Pavilion was originally built in 1967 by Sir David James, a wealthy entrepreneur from the village of Pontrhydfendigaid. Sir David had a vision to establish an internationally recognised Eisteddfod and concert venue to act as a focus for regenerating the rural area in the heart of Wales. Throughout the 1960s and 70s, the 'Bont' as it's known locally, became a focus for the rural communities of Mid-Wales, particularly young people as it hosted a number of high profile pop concerts.

However, over the years there were no funds available for major maintenance or upgrading of the facilities and the Pavilion deteriorated, along with the public's perception of it. In 2000, the venue was declined a licence for performances because of the condition of the electrical wiring and it had to be closed. Shortly after this, it was badly damaged by a fire and left derelict.

Enthusiastic local volunteers have been successful in securing £2.5m of grant funding over the last four years to redevelop the



Pavilion to a high standard. Work began in 2005 and the venue was ready to host the Pantyfedwen Eisteddfod in May 2006. Since then, the company has begun to attract a number of bookings with demand increasing. Typical bookings include the University of Wales Students Union's May Ball, seven TV productions using the Pavilion as a studio facility, weddings and concert performances (of all types from pop to classical) and political conferences.

The Pavilion is based in a 15 acre site with a large car parking area (for around 300 cars plus 30 coaches) and surrounding fields suitable for camping and further development.

The facilities consist of a ground floor auditorium; foyer, reception and meeting area; first floor offices and bar; ground floor 'green room' and storage, and a dressing/general area.

Pafiliwn Cyf has a 50 year lease from the Eisteddfod Trust and its core objectives are to manage Pafiliwn as a not for profit business, to promote the venue to users, and ensure income from events to maintain the business. It currently has an annual income of approximately £70,000 with a target of £100,000. An Objective 1 bid entitled 'Pafiliwn Bont - Catalyst for Regeneration' was successful and secured funds to re-develop the building. Jobs and running costs are funded by income from events.

Organisational structure

Pafiliwn Cyf employs three full-time equivalent paid staff members (two full-time and two part-time) and has two volunteers who carry out ground maintenance. The company is governed by a board of directors that is made up of ten volunteers, all of which have strong links with the local community. The board has a range of skills including experience in business, TV, marketing, events management, law and finance.

Why loan finance?

The aim of applying for loan finance was to invest in technical equipment to make the business more attractive to users and to be able to demand higher fees for the use of the equipment. The marketing pitch is strengthened by having equipment that is needed by clients, whilst saving them money by not having to bring it themselves. As a result, more robust marketing for TV production work was put in place. In the long term, the equipment will pay for itself in ten years. Therefore, creating additional income helps maintain and run the building which is the main function of Pafiliwn Cyf.

Before embarking on a loan application, a business plan had already been prepared for the Welsh European Funding Office (WEFO)



for Objective 1 funding. However, after scrutinising the first plan, a strengthened one was prepared for the Communities Investment Fund (CIF) application (see below) with the help of an accountancy firm.

The company looked at applying to various trusts and foundations and the Arts Council of Wales before deciding on loan finance for the next stage of development. They already had an overdraft facility with a bank and looked at bank loans but felt that CIF was more suitable because of its low interest rates and it fitted the objectives of Pafiliwn Cyf as a community business.

The Communities Investment Fund (CIF)

The Communities Investment Fund provides flexible loans to social enterprises and community and voluntary organisations seeking to combat social exclusion and develop their income generating capacity through asset development, revenue costs and business skills.

The Fund is available to community based organisations engaging in, or seeking to develop, income-generating activity where income is retained within the organisation and not distributed to its members. Organisations must be in Objective 1 Communities First areas, or 60 per cent of the people they serve must be based in such areas.

As part of the application process, the company received support from the CIF team in terms of scrutinising the business plan and they conducted a feasibility study. The CIF also paid the accountancy firm's fees for the business plan.

First contact was made in September 2006, however, staff changes caused a delay and the funds were received in February 2008.

Support

A number of partner organisations have been involved and have supported the loan application process including the Local Authority (Ceredigion County Council), WEFO and the Board of Directors. Being based in a Communities First area¹ means that there are more grants and funding opportunities available, as well as more support. The company has strong links with the Communities First officers and they work together on a number of projects.

Local impact

On the whole, the business has had a massive effect on the social and economic impact of the local area by bringing people in to the restaurants, pubs, local hotels and shop. For example, during the 'Motorbike Enduro', Tregaron garage was quoted as having the best weekend on record for petrol sales and the local shop has a usual income of £300 on a Sunday but that increases to £1500 on an event weekend. The village caravan park has been re-developed and upgraded to a 3-star self-catering chalet park with 30 rooms, providing up to 60 beds. The upmarket potential has been due to the Pafiliwn.

The benefits are even felt 15 miles away in Aberystwyth, with 60 film crew staying for three nights in low season for example.

Local designers, printers and local radio are used for advertising and local builders, electricians and security firms are also used. A catering firm has been set up to supply the Pafiliwn, and local SMEs are invited to attend local produce and craft fairs.

Pafiliwn Cyf also encourages local groups to use the facilities and hope that more spin-off community enterprises will be created, eg, Bont Horse Fair (Ffair Geffylau Bont) was an annual event until 50 years ago but last year it was resurrected and held in the Pafiliwn so an important part of local tradition has been kick started.

The future

Currently, the Pafiliwn is almost at the point of being sustainable. Once Objective 1 funds end in June, building work will finish and the company will concentrate on maintaining the sustainability of the business.

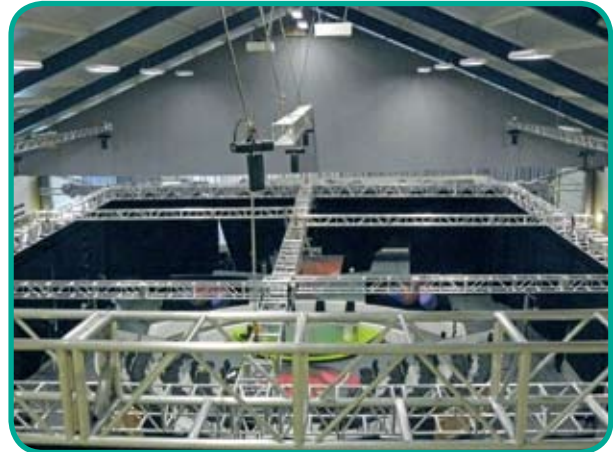
To work towards sustainability they have ensured that they have a robust marketing plan and also owning more in-house equipment will save on hire fee money which will help towards sustainability in the long run.



¹ Communities First is a National Assembly initiative, aimed at regenerating Wales' most deprived communities, through a long-term committed programme. More information is available from: www.communitiesfirst.info or <http://new.wales.gov.uk/topics/housingandcommunity/regeneration/communitiesfirst>.

Top tips for loan finance

- Organisations need to have robust procedures in place to manage loan finance.
- Look at the business plan carefully – don't forget to include the loan payments in the business plan and financial forecasts for the business.
- Experience of grant application forms and business planning, and creating financial projections is essential for loan finance.
- 'Don't do it alone' – it's important to have the advice and support of a business adviser.
- Identify and plan for the risks of loan finance. The critical success factor is making enough income to pay the loan repayments. In this case, the investment should ensure income increases and it has strengthened the 'saleability' and 'marketability' of the Pafiliwn.
- You need to be a quick learner, flexible and able to think things through.



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This case study was completed in May 2008.

