



HONITON COMMUNITY COMPLEX

INVESTMENT PLAN – HONITON TOWN COUNCIL FUNDING

Introduction

1. At its inception Honiton Community Complex (HCC) signed a lease with Honiton Town Council (HTC), under which HTC were required to pay a proportion of operating costs on a quarterly basis. This agreement worked mutually well for the first 2/3 years, until HTC decided to question the basis of the invoices submitted, as a consequence of which no invoices were paid for two and a half years, totalling c. £42,000. HCC tried to take HTC to arbitration, but these efforts failed, costing the charity c. £18,000 in legal fees. Talks did however take place and a payment of £20,000 was made by HTC in full and final settlement. The total loss to HCC (deficit plus legal costs) was therefore in the region of £40,000.
2. Following this final settlement talks were initiated in October 2019 with representatives of HTC, fully minuted, with a view to agreeing an alternative method of funding, viz an annual figure, to replace the requirement for HTC to pay their proportion of operating costs under the lease, as this had been such a bone of contention between the two parties. Several such meetings took place between October 2019 and June 2020, but, despite some agreement over the principle between the negotiating parties, the issue never appeared on the HTC meetings agenda and was therefore never discussed. Consequently to date (i.e. 10 months later) no alternative funding proposals have been tabled by the Council, which makes forward planning difficult for the HCC Board of Directors.
3. The matter was brought to a head when the Chairman of HCC wrote to the Chair of HTC stating that, following the Coronavirus outbreak and the consequent losses incurred by the charity, it would not be possible for the Beehive to be re-opened without HTC agreeing to support HCC through a change in the lease, thereby providing an annual payment in the region of £45,000. HCC required a decision to be made at the HTC meeting of 10th August, but the Council chose to defer the matter to their meeting on 14th September, with urgent talks to take place prior to that meeting and for the Chair of HCC to address the meeting and to provide a business plan for the spending of the amount requested. Unfortunately no such meeting has taken place, as the terms requested by HCC were unable to be met.

Current Financial Position of HCC

4. Original plans for the financial future of HCC included regular rentals of the office space at the Beehive. These projections quoted a 'transfer of running costs (from the Council) already precepted' to the tune of £20,000, with the Registrars renting office space at a rate of £25,000 p.a. and Robert Owen Communities (ROC) £17,500. This meant that the charity would have a sound financial base on which to operate, enabling them to build up reserves whilst they had limited staff, providing security later in the term of the lease, as staff numbers inevitably increased.
5. However, neither the Registrar nor ROC took up the option, resulting in an annual shortfall of £42,500 on those original projections. We are not aware of the efforts made

by the Council to find alternative renters, but, as quoted on the Council website, HTC was a party to guaranteeing those income amounts. The charity therefore suffers to the tune of that sum *every year*.

6. Funding shortfalls, together with the losses incurred over the dispute with HTC and during the Coronavirus epidemic, have left HCC in a precarious financial position. The Board of Trustees are determined that they will not go into any form of liquidation being insolvent. However, the reserves have now reached a position whereby liquidation is a real possibility in the near future. As a consequence HCC does not believe that, with the restrictions and additional costs which will be incurred in order to comply with Coronavirus requirements, the re-opening of the Beehive by HCC is a feasible option without financial support from the Council.
7. Forecasts for 2020/2021 and 2021/2022 are attached at Appendices A and B. It will be seen from these budgets that HCC, with virtually no income whatsoever, has been incurring average fixed costs of c. £5,700 each month during lockdown, despite Government support through 80% payments for furloughed staff. These losses will increase as the furlough payments reduce. The Government grant of £25,000 at the beginning of lockdown has offset most of those losses to date, but as we move forward and Government support wanes the losses will begin to become much more critical. The charity's reserves are therefore now reducing at a rate that cannot be sustained, if it is to remain solvent.

Re-opening the Beehive

8. The provision of cinema, theatre, live streaming and live performances represents a significant proportion of HCC's income, which in turn enables the charity to meet its obligations to subsidise local community organisations. However, the Coronavirus restrictions that will need to be put in place will create a large dent in revenues. Cinema may be able to start around November, but audience numbers will probably be restricted, currently to no more than about 50. It may be possible to provide more than one showing, but that would involve additional costs, particularly in respect of cleaning. Due to Coronavirus there is also a dearth currently of 'blockbuster' films that would attract larger audiences.
9. It is not possible to estimate exactly when live performances will be able to resume. These can be significant sources of revenue for the more popular or well-known acts, but with current estimates for resumption being mid-2021 it could be almost 12 months before HCC can benefit from these performance events again. Critically these events also contribute significant amounts to revenue through bar takings.
10. In the meantime our staff will need to be taken out of furlough, meaning the charity will have to pay their salaries. Covid regulations will require additional cleaning, which is already a major element of cost for the charity, and we will need to introduce social distancing requirements etc, which impact upon the size of audiences we will be able to allow into the auditorium.
11. The lack of income from cinematic and live performances leaves HCC with just room hires as a source of income. It is possible that the responsibility for cleaning could be made a requirement for hirers after each hiring, relieving HCC of the cost liability, however HCC would remain responsible if that was not undertaken to the necessary

standard. Most hirers use the rooms at charity rates, (incidentally meaning significant losses to the charity compared to commercial rates), and we believe they would be unlikely to be in a position to pay additional premiums for cleaning.

12. The cost of re-opening will therefore be considerable and is not sustainable by the charity in the longer term. This means that, whilst the Beehive could be reopened tomorrow, it would soon need to be shut again due to the losses being sustained by HCC.

How HTC contributions would be spent

13. HCC is making every attempt to generate funds, beyond just obtaining revenue from Beehive activities. Within the budget at Appendix B it will be seen that additional income is anticipated from sponsorship and donations; a team of volunteers were making serious efforts to recruit sponsors and encourage donations, but were foiled by the onset of Covid. These efforts will resume once the crisis is over, and plans exist for the introduction of fundraising events into the programme, but even with some significant input from these sources it will be seen from the budget that, without any HTC support being included, HCC would be making a loss of over £50,000 during that year. It is not anticipated that subsequent years will be significantly different, so HCC would need to make very substantial efforts to remain solvent.
14. HCC staff are a highly motivated and energetic team, working many hours beyond those for which they are contracted. HCC would like to be able to recompense those staff for the actual effort they put in, not just for their current contracted hours; however, that will be impossible without a significant injection of funding.
15. Due to the demographic of current volunteers HCC has also identified the need for additional staffing hours to cover Duty Manager, which is a key responsibility currently covered mainly by volunteers, and staff offering to do extra (voluntary) hours. This has been included within employment costs in the budget at Appendix B as from July 2021.
16. The additional funding from HTC will therefore ensure that the charity can remain financially viable, whilst securing and properly remunerating the staff needed to provide the extensive programme of activities and performances that currently exists. Without such support the town will lose a resource that has developed a great reputation as a venue, not just within the East Devon area, but from much further afield.

The Cost to HTC of Running the Beehive

17. By our own calculations, if HTC was to take over the running of the Beehive and was restricted to room hires only, without benefitting from the additional income that performance events brings, they will take on all the costs of running the building, 90% of which is currently paid for by HCC. The income from room hires is wholly insufficient to cover all these costs and, dependent upon which scenario plays out and how HTC approaches the issue of staffing, the potential cost to HTC could be very considerable, particularly whilst Covid remains an issue.
18. In respect of staffing it is possible that some of the current staff might be willing to work in the same capacity for HTC. However, almost all those staff receive minimum wage, working as much for the love of the job. It is anticipated that, should HTC take them on as staff members, they would need to pay rates equivalent to similar grades already

working for the Council and possibly need to comply with TUPE regulations. HTC may consider using volunteers, but these would need to be trained and recruited, and they may find current volunteers unwilling to continue working at the Beehive.

19. If HTC is considering the possibility of leasing out the Beehive to another contractor to provide a fuller range of services, it is inconceivable that such an organisation would be able to achieve breakeven themselves without considerable financial support from HTC; other such Centres within the region, providing similar facilities, receive such support and could not themselves survive without it. Contracting out to another organisation would therefore see HTC remain in the same position as now, but with less certainty of a well-run Centre, providing such a varied programme of events.
20. It is notable that HTC have not provided an alternative plan for Beehive services, which denies the public from having an informed debate. HCC would have welcomed the Council's plan, as they would then have been in a position to properly appraise the Council's proposals, and the people of Honiton would have clarity as to the Council's intentions.

Final Comments

21. Without a substantial contribution from the Council it is likely that HCC will have to enter into some form of liquidation and the Council will have to take over the running of the Beehive, with all the attendant costs. HCC is concerned that the Council's plans are to then run the Beehive purely as a room hire facility, without a full performing arts programme. In our estimations the costs of doing so would be prohibitive and not sustainable, even in the short term.
22. Given the potential cost to the people of Honiton of such a course of action it would seem prudent for Councillors to consider the alternative, an agreement to pay an annual sum to HCC. Such an agreement would not only enable the charity to continue to the end of the lease, but also to provide all the benefits to the community of Honiton they have so far been able to enjoy, i.e. a full programme of room hires and performing arts.
23. The people of Honiton will not wish to lose what is their jewel in the crown, a venue which they can enjoy for the variety of opportunity it brings, and of which they can be truly proud. Is the loss of that facility what HTC really wants, or can we come to a sensible compromise which will secure the future of the Beehive, as it is now, for the next four years?

THE BEEHIVE - INCOME EXPENDITURE FORECAST FOR THE YEAR ENDING 31ST MARCH 2021

Appendix 'A'

	1	2	3	4	5	6	7	8	9	10	11	12	Budget Total
	Apr-30	May-31	Jun-30	Jul-31	Aug-31	Sep-30	Oct-31	Nov-30	Dec-31	Jan-31	Feb-28	Mar-31	
	£	£	£	£	£	£	£	£	£	£	£	£	
REVENUE													
Room rents	458	458	458	458	458	458	458	458	458	458	458	462	5,500
Room hires	0	0	0	0	0	0	7,720	7,308	5,662	6,839	6,372	7,253	41,154
HTC Service Recovery Charge	0	0	0	0	0	0	0	0	0	0	0	11,000	11,000
BH Ltd Licence Fee	0	0	0	0	0	0	0	0	0	0	0	5,000	5,000
Event venue hire	0	0	0	0	0	0	0	0	0	0	0	0	0
Net contribution - Box Office	0	0	0	0	0	0	0	0	0	0	0	0	0
Net contribution - Mainstream cinema	0	0	0	0	0	0	0	1,348	643	1,348	643	1,348	5,330
Net contribution - Nostalgic cinema	0	0	0	0	0	0	0	80	80	80	80	80	400
Net contribution - Event cinema	0	0	0	0	0	0	0	712	356	1,068	356	712	3,204
Sundry events	0	0	0	0	0	0	0	900	0	0	0	0	900
Sundry income	0	0	0	0	0	0	0	100	100	100	100	100	500
Donations and sponsors	250	250	250	250	250	250	250	250	250	250	250	4,750	7,500
Grants	25,000	0	500	0	0	0	0	0	0	0	0	0	25,500
Fundraising events	0	0	0	0	0	0	0	0	0	0	0	0	0
Charity Members subscriptions	0	0	0	0	0	0	0	0	0	0	0	550	550
	25,708	708	1,208	708	708	708	8,428	11,156	7,549	10,143	8,259	31,255	106,538
EXPENDITURE													
Donations to Community Groups	0	0	0	0	0	0	0	0	0	0	0	0	0
Employment costs	3,336	2,219	2,219	2,219	2,219	3,022	3,827	8,043	8,043	8,043	8,043	8,043	59,276
Irrecoverable VAT	622	536	704	428	767	498	539	991	1,053	1,086	1,136	1,241	9,601
Postage & stationery	0	0	0	0	0	0	0	100	100	100	100	100	500
Sundry	0	0	0	0	0	0	0	350	350	350	350	350	1,750
Motor, travelling & car park expenses	0	0	0	0	0	0	0	167	167	167	167	167	835
Training	0	0	0	0	0	0	0	30	30	30	30	30	150
Licences and subscriptions	420	420	420	420	420	420	420	420	420	420	420	420	5,040
Equipment & property maintenance	1,421	1,296	388	757	1,246	388	388	1,705	1,603	1,579	2,431	2,544	15,746
Communications	125	125	125	125	125	125	125	125	125	125	125	125	1,500
Energy	410	205	205	205	410	923	1,128	1,128	1,538	1,128	1,128	1,538	9,946
Business rates	0	0	0	0	0	0	0	0	0	256	0	0	256
Water rates	198	198	198	198	198	198	198	198	198	198	198	198	2,376
Waste collection	0	0	0	0	0	0	0	157	157	157	157	157	785
Cleaning	205	0	447	0	0	2,305	1,425	1,425	1,825	1,425	1,425	1,825	12,307
Insurance	393	393	393	393	393	393	393	393	393	393	393	393	4,716
IT & website support	332	332	332	332	332	332	332	465	465	465	465	465	4,649
General publicity	0	0	0	0	0	0	0	70	70	70	70	70	350
Professional fees	400	300	2,050	300	1,300	300	300	300	300	900	300	300	7,050
Provision for termination of lease	667	667	667	667	667	667	667	667	667	667	667	667	8,004
	8,529	6,691	8,148	6,044	8,077	9,571	9,742	16,734	17,504	17,559	17,605	18,633	144,837
Net Income / (Expenditure)	17,179	-5,983	-6,940	-5,336	-7,369	-8,863	-1,314	-5,578	-9,955	-7,416	-9,346	12,622	-38,299

THE BEEHIVE - INCOME AND EXPENDITURE FORECAST FOR THE YEAR ENDING 31ST MARCH 2022

Appendix 'B'

	1	2	3	4	5	6	7	8	9	10	11	12	Budget Total
	Apr-30	May-31	Jun-30	Jul-31	Aug-31	Sep-30	Oct-31	Nov-30	Dec-31	Jan-31	Feb-28	Mar-31	
	£	£	£	£	£	£	£	£	£	£	£	£	
REVENUE													
Room rents	458	458	458	458	458	458	458	458	458	458	458	458	5,496
Room hires	8,509	8,181	8,085	8,235	5,050	8,275	8,882	8,471	6,824	8,000	7,535	8,416	94,463
BH Ltd Licence Fee	0	0	0	0	0	0	0	0	0	0	0	5,000	5,000
Event venue hire	0	500	0	500	0	500	0	500	0	0	1,500	0	3,500
Net contribution - Box Office	1,035	1,764	3,418	1,410	3,418	1,964	2,718	4,226	2,464	-352	1,918	1,156	25,139
Net contribution - Mainstream cinema	1,982	1,982	1,606	1,606	1,571	1,195	1,230	1,571	819	1,571	819	1,571	17,523
Net contribution - Nostalgic cinema	80	80	80	80	80	80	80	80	80	80	80	80	960
Net contribution - Event cinema	356	712	712	712	712	712	712	712	356	1,068	356	712	7,832
Sundry events	100	0	0	0	0	0	0	900	0	0	0	0	1,000
Sundry income	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Donations and sponsors	250	250	3,250	250	250	3,250	250	250	3,250	250	250	3,250	15,000
Grants	0	0	3,000	0	0	10,000	0	0	2,000	0	0	5,000	20,000
Fundraising events	0	0	0	1,800	0	0	0	0	0	0	1,200	0	3,000
Charity Members subscriptions	0	0	0	0	0	0	0	0	0	0	0	550	550
HTC payments	0	0	0	0	0	0	0	0	0	0	0	0	0
	12,870	14,027	20,709	15,151	11,639	26,534	14,430	17,268	16,351	11,175	14,216	26,293	200,663
EXPENDITURE													
Donations to Community Groups	0	0	0	0	0	0	0	0	0	0	0	385	385
Employment costs	9,334	8,043	8,043	10,107	10,107	10,107	10,107	10,107	10,107	10,107	10,107	10,107	116,383
Irrecoverable VAT	1,337	1,230	1,408	1,122	1,502	1,048	1,091	1,089	1,193	1,106	1,276	1,381	14,783
Postage & stationery	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Sundry	350	350	350	350	350	350	350	350	350	350	350	350	4,200
Motor, travelling & car park expenses	175	175	175	175	175	175	175	175	175	175	175	175	2,100
Training	50	50	50	300	300	50	50	50	50	50	50	50	1,100
Licences and subscriptions	450	450	450	450	450	450	450	450	450	450	450	450	5,400
Equipment & property maintenance	2,324	2,199	1,292	1,661	2,149	1,292	1,503	1,493	1,603	1,579	2,431	2,544	22,070
Communications	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Energy	1,750	1,250	1,250	1,250	1,750	1,250	1,250	1,250	1,750	1,250	1,250	1,750	17,000
Business rates	256	256	256	256	256	256	256	256	256	256	0	0	2,560
Water rates	210	210	210	210	210	210	210	210	210	210	210	210	2,520
Waste collection	165	165	165	165	165	165	165	165	165	165	165	165	1,980
Cleaning	1,825	1,825	1,825	1,825	1,825	2,305	1,825	1,825	2,305	1,825	1,825	2,305	23,340
Insurance	421	421	421	421	421	421	421	421	421	421	421	421	5,052
IT & website support	475	475	475	475	475	475	475	475	475	475	475	475	5,700
General publicity	70	70	70	70	70	70	70	70	70	70	70	70	840
Professional fees	1,000	1,000	2,800	1,000	2,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	14,800
Provision for termination of lease	667	667	667	667	667	667	667	667	667	667	667	667	8,004
	21,109	19,086	20,157	20,754	23,122	20,541	20,315	20,303	21,497	20,406	21,172	22,755	251,217
Net Income / (Expenditure)	-8,239	-5,059	552	-5,603	-11,483	5,993	-5,885	-3,035	-5,146	-9,231	-6,956	3,538	-50,554