

**Full Council**

**10 June 2024**

**Beehive Contingency Plan B**

**Purpose of Report**

This report presents Council with an outline of a Contingency Plan B, should Honiton Community Complex (HCC) relinquish its lease of the Beehive, which may include giving 3 months' notice. There is a separate Exempt report which provides detailed financial information and legal advice.

**Recommendation:**

Council is asked to **NOTE** the Contingency Plan B.

**Background:**

1. The Council owns the Beehive building which has been leased to Honiton Community Complex (HCC) for 10 years which lease ends September 2025.
2. HCC leases the Beehive from HTC; the lease was varied March 2021 which amongst other things included the ability for HCC to end its lease giving 3 months' Notice.
3. HCC served 3 months' Notice 7 February 2022 to terminate the lease of the Beehive from Honiton Town Council, later rescinded by Withdrawal Agreement 23 February 2022.
4. Council agreed the principle of underwriting HCC's variable net operating costs from 7 March 2022, at its meeting 28 February 2022; on 12 December 2022 Council Decided to agree the principle of underwriting HCC's costs to 31 March 2023, which was circa £40k (the budget was recast £50k); Full Council agreed (October 2023) to implement a financial safety net mechanism 23/24, which is circa £60k (the budget was recast £40k with remainder £20k from Reserves); and Full Council agreed (April 2024) to implement a financial safety net mechanism 24/25 (£60k has been included in the budget 24/25 to support the Beehive).
5. In terms of financial risks costs that would fall to the Council, if the Beehive is not contracted to a Charity (currently HCC) to operate, and even if the Beehive were to cease operating as a community venue, these include repair/maintenance (c. £11k pa), Business Rates (c. £12k pa), would have included the risk of construction cost repayments to HMRC (c. pro rata £40k pa to end March 2024) and building insurance (c. £4k pa); this does not include operating costs, management time and

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cost. As first reported to Full Council October 2022. A total possible cost to the Council of circa £67k pa excluding net operating costs. This changed end March 2024 when VAT on the build cost is not be payable to HMRC and therefore the cost to the Council becomes circa £27k pa excluding net operating costs.

6. Of course, if continued to be operated by a Charity (HCC) then the Beehive remains open to the public and reputational / community risks may be reduced. In addition, Councillors should consider the results of the July 2022 public consultation, which appears to support continued underwriting of HCC's costs in the short term and operating by a Charity in the long term.
7. The Council's Corporate Risk Assessment and Statement of Internal Control (Significant Risks) highlights risk, which were approved by Full Council 13 May 2024:
  - a. [CORPORATE RISK ASSESSMENT \(honiton.gov.uk\)](https://www.honiton.gov.uk/corporate-risk-assessment)
  - b. [Statement of Internal Control 13.5.24.pdf \(honiton.gov.uk\)](https://www.honiton.gov.uk/statement-of-internal-control-13.5.24.pdf)
8. The Council has previously (February 2022) Decided to financially support HCC (as described above) and to enter a new lease of the Beehive; largely based on the public consultation July 2022.
9. The Council has also previously (February 2022) Decided to continue to let the Beehive as a community/arts venue, rather than other options.
10. The Council Decided to prepare a contingency Plan B: FC 14 August 2023 (23/123).
11. The Beehive Working Group (BWG) has been investigating this Plan B and reports to Council. This report presents the preparations for Plan B to date.
12. A separate report to Council 10 June 24 presents Options for a new arrangement for the Beehive post the current lease which ends September 2025.

### Report:

13. The Council's accountant (Mulberry Associates) and solicitor (Wellers Hedleys) have provided advice which is Exempt and therefore included in a separate report.
14. The Council's professional advisers (Worknest) has been commissioned to assist with the TUPE transfer to HCC staff. To date employment details have not been provided. TUPE transfer of staff will be necessary and protected.
15. The Council's professional advisers (Wellers Hedleys) has been commissioned to assist with governance and legal implications.

16. The Council's professional advisers (Mulberry Associates) has been commissioned to assist with financial management.
17. The Council's professional advisers (Parkinson Partnership) has been commissioned to assist with VAT implications.
18. The Council's valuer (Stratton Creber) has been commissioned to provide valuation advice, building on its initial valuation August 2022.
19. Mulberry Associates has reviewed HCC's accounts (BHL and HCC), which have been used to evaluate financial information.
20. The following options for use of the Beehive upon implementation of Contingency Plan B were evaluated:
  - a. Mothball: cost circa £30k pa: staff costs assumed at 20%
  - b. Room hire: cost circa £18k pa: staff costs assumed at 30%
  - c. Café and Bar: profit circa £30k pa
  - d. Auditorium: cost circa £27k pa: staff costs assumed at 30%
  - e. Cinema: cost circa £8k pa: staff costs assumed at 10%
  - f. Arts events: cost circa £14k pa: staff costs assumed at 10%
21. BHL (bar/café) has made a profit of circa £30k pa, which has been "donated"/transferred to financially support HCC, which is the main income generator.
22. Assumptions: staff costs have been split between services based on a fixed percentage, in the absence of knowledge of the allocation of staff time/costs to each function.
23. The functions/services preferred by the BWG to be provided by the Council should it need to implement Contingency Plan B include the provision of all functions that are currently provided at the Beehive.
24. That being the case, costs are evaluated to be circa £90k net operating cost with circa £60k financial support from the Council's budget and current circa £30k income from the café/bar. Any successful Grant applications would offset that net cost. HTC's costs of operation may be different from HCC's cost. The Council has not yet estimated its own cost/income of operation the Beehive and plans to do that in June 24 to assess tenders/negotiation.
25. Wellers Hedleys advises against the Beehive being operated by the Council, not least because of Business Rates and securing grants.
26. Wellers Hedleys has advised that a Charitable Incorporated Organisation (CIO) should be established for the operation of the Beehive. This path is similar to the

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process in 2014/15 which led to HCC being established and may lead to a similar conclusion to what is already in place (ie a local Charity operator: HCC).

27. Similarly Wellers Hedleys has advised that a company could be established to operate the café/bar, with its profits wholly contributing to the Beehive's operation.
28. There may be operational risks with the implementation of Contingency Plan B for example contribution of volunteers, consistency of staff and continued support by visitors/clients.
29. The Town Council may not have the skills needed to successfully implement Contingency Plan B.
30. There is a risk that the volunteers needed to operate the Beehive may not be available to the Town Council.
31. There is a risk that current staff who manage the Beehive may not be available for TUPE transfer.

**Name: Stephen Hill**

**Post: Town Clerk**

**Month year: 30 May 2024**