

Public Consultation Presentation Material

1 - Statements of the facts.

- From taking control in 2014 to the start of Covid-19, the Honiton Community Centre's (HCC) financial situation was fluctuating with some Honiton Town Council (HTC) contributions to Service Charges, although there were arguments (HCC and HTC) about HTC's service cost financial contribution. HCC entered lockdown with £75k in reserve 31/3/21 including £45k lease termination reserve.
- From 2019 to 2022, the Beehive survived Covid restrictions with Government grants, from March 2021 HTC £15K one off Covid Grant, £10k one off Compromise Payment and annual £10k New Service Charge and donations (inc £35k).
- In a variation to the lease in March 2021, HCC can submit 3 months' notice and HTC will pay HCC a new £10K pa service charge.
- HCC's projections were that due to Covid, there would be insufficient income in 2022 to cover outgoings and therefore on 7th February 2022, HCC gave HTC 3 months notification to wind up the charity and quit the Beehive.
- In March 2022, the Council voted to support HCC for up to 12 months until the end of February 2023, on a 3-month rolling basis, reviewed each month. The support was to take the form of covering the shortfall in HCC's accounts each month. The decision was made to give time for the financial position of HCC to be understood, to develop options for the future of the Beehive and to consult the Honiton community on the options.

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2 – Option 1 To continue to financially support HCC until the end of the 10 year lease in September 2025, to make time for HCC to manage its financial performance back to full independence (with HTC’s £10k pa New Service Charge) if possible.

- Under the variation to the lease, HTC pay HCC a New Service Charge of £10K pa.
- To be able to support HCC further, HTC is planning towards and may need to redirect the 2022/23 budget, which included budget that was to be spent on the town. These include reductions in the amount of money that was to be spent on such things as the town artwork, war memorial, high street regeneration, public engagement, climate budget, gate to plate, allotments and twinning gift.
- In addition to the annual £10K contribution, paying for shortfalls in HCC accounts so far has cost £4K for March, £7.5K for April and £0 for May 2022. All this money comes from the 2022/23 Council Tax.
- HCC anticipate that there will be no shortfall in the June and July accounts. However, August is traditionally a quiet month and there is expected to be a shortfall.
- There are currently no predictions for the rest of the year (to the end of February 2023).
- The accounts of HCC are reviewed each month and at the full town council meeting it considers and decides underwriting and authorisation of HCC net costs. Should the Council consider that the shortfalls are or will be excessive, then HTC may not authorise payments, the likely consequence being that HCC will issue 3 months’ notice of termination of the lease.
- If HCC bring the Beehive into a situation of sustainable profit to the end of the lease, HCC could be invited to retender for a new lease.

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Option 2 - The Beehive continues to be operated by a charity in the longer term.

- This option would enable the Beehive to continue to be operated for the benefit of the town and community, providing an important public facility and events valued by the many.
- the model of having a facility in public ownership but operated by a Charity is the current best practice recognised way to operate such community assets.
- this Option is likely to attract more funding than operated by a local Government organisation (Town Council), less business rates and VAT advantages.
- To demonstrate that the Council secured best value it could invite tenders from Charities to operate the Beehive. HCC would be asked to provide a tender.
- HTC would specify what functions, events and services it wanted the Charity to provide new a lease aligned to what Honiton's community wants from the Beehive.
- Tenderers would be asked what amount of subsidy they would need from the Town Council.

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Option 3 - The Beehive is owned by the Council but leased and managed by and run as a commercial organisation.

- This option (as a whole) would entail the loss of the community venue to Honiton.
- The Option retains the building and its value within the Town Council (so owned by the Council/community).
- The Council would receive a rental income, which could be used to support community services.
- Valuation advice is being obtained for this option and the market for a buyer or new lessee.
- the Beehive was designed as a community venue so the building is not readily suitable for another perhaps commercial purpose (eg leisure, retail, warehousing, light industrial) and some modification works and costs may be necessary.
- a lessee may or may not be found or quickly depending upon the market for leasing.
- The Council has an outstanding loan at £1m and may need to compensate EDDC for alternative use of the land.
- Any receipts remaining could be used to provide community services.
- The Council would need to find Office accommodation.
- The transfer of the freehold of land (for the Beehive), from East Devon District Council (EDDC) to HTC in 2013, contains an option for EDDC to take back the freehold of the land for the sum of £1. This applies at any time if the property is vacant or not used substantially for community purposes for more than six months or if HTC announces that it no longer intends to use the property predominantly for community use. This Option is valid for 100 years. EDDC may decide not to take up this Option or it could be renegotiated if both parties are willing to do so

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Option 4 - The Beehive is sold.

- The building as a community venue is unlikely to be available for community use and would not be owned by the Council/community.
- the Beehive was designed as a community venue so the building is not readily suitable for another perhaps commercial purpose (eg leisure, retail, warehousing, light industrial) and some modification works and costs may be necessary.
- a buyer may or may not be found or quickly depending upon the market for sale.
- The Town Council would receive sale receipt and it is perhaps expected that such receipt should be more than the c. £2m (2014) build cost. The Council has an outstanding loan at £1m and may need to compensate EDDC for alternative use of the land.
- Any receipts remaining could be used to provide community services.
- The Council would need to find Office accommodation.
- The transfer of the freehold of land (for the Beehive), from East Devon District Council (EDDC) to HTC in 2013, contains an option for EDDC to take back the freehold of the land for the sum of £1. This applies at any time if the property is vacant or not used substantially for community purposes for more than six months or if HTC announces that it no longer intends to use the property predominantly for community use. This Option is valid for 100 years. EDDC may decide not to take up this Option or it could be renegotiated if both parties are willing to do so

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Consultation Questionnaire

Please indicate your preference of Options for future use of the Beehive by **ranking** (1, 2, 3 and 4: 1 being the most preferred and 4 being the least preferred) the following Options. This information will help the Town Council reach a decision on the preferred use and then the Council will need to decide how best to implement that. Your preference may not be adopted by the Town council.

Option 1: To continue to financially support HCC until the end of the 10 year lease in September 2025, to make time for HCC to manage its financial performance back to full independence (with HTC's £10k pa service charge) if possible.

Option 2: The Beehive continues to be operated by a charity in the longer term.

Option 3: The Beehive is owned by the Council but leased and managed by and run as a commercial organisation.

Option 4: The Beehive is sold.

Please provide any other comments, including any other options for future use.

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How often do you currently use the Beehive?

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Are you as current Volunteer, staff, Beehive Director or Town Councillor?

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Please provide your name and address. This information will help to establish your home location (eg resident of Honiton parish or not) and eg numbers of responses per household and will be held by the Council for no longer than 12 months then destroyed. If you want your information removed at any time please contact the Council.

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Background Information

Build:

Client HTC with Midas Construction contractor: 2013
Bailey Partnership as Project Manager
Freehold owned by HTC

Loans:

3 PWLB loans
PWLB outstanding loan £853k
Settlement value £1,008k (April 2022)
Interest and Repayment £59k pa

VAT:

VAT on construction costs c. £200k, reclaimed by HTC
If the Beehive is not used by a Charity as a Community Venue within 9 years of construction then 1/10th of VAT may need to be repaid pa
If Beehive is closed and not used as a community venue then VAT is not due
VAT is paid and cannot be reclaimed on business uses
VAT can be reclaimed for non-business uses
If operated by the Council (even if closed) then Business Rates become due at c. £1k pm

Current Use:

Occupied since early 2014
Community venue operated under lease by HCC
Cinema
Cafe/bar
Auditorium
Theatre productions
Shows
Meeting rooms (Tirard and Hayward)
Meeting Charitable Objectives
Town Council Offices
Current long term room hire to Motiv8

Community Venue:

The Beehive provides space for Honiton's community to have events
HCC Charity operates the Beehive as a community venue.
Events /shows /cinema/ parties/ classes
Hire out of rooms for meetings and to Motiv8
Café/bar facility

Legal Agreements:

Lease of Beehive (not including car park) to Honiton Community Complex

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10 years from September 2015 as a Community venue at £1 pa, full repair & maintenance
HTC paid 10% contribution to Service Costs but that is now superseded (March 2021)
Service Level Agreement underpinning Lease and governing services to the community to be provided by HCC
Council Offices excluded from Lease to HCC
Insurance: HTC to insure and charge HCC a percentage contribution
Lease Variation March 2021 includes that leaseholder can give 3 months' notice
HTC paid one-off Covid recovery Grant £15k and £10k Compromise Payment and introduced HTC £10k pa New Service Charge

Structure of Honiton Community Complex (HCC):

Established 2015
Not-for-profit limited company (No. 08409289) with charitable objects registered as Charity (No. 1162412) and governed by Articles of Association.
Currently 6no Directors including 1no Town Council Director
5no paid staff, all but 1no p/t
C. 35no Volunteers
Annual General Meeting

Funding of Building Construction:

Built on land previously owned by EDDC which provided a free to use car park given at £1 for community venue
Public Works Loan Board (PWLB) loans
HTC funding
Total cost 2013/14 c. £2m

Current operational Funding:

HTC £10k pa New Service Charge under lease Variation January 2021
HCC operate and fund
Post Covid recovery not strong bounce back
Income has suffered eg reduced footfall
Since January 2022 net losses c. £5k pm
HCC's policy on reserves is £45k set aside for termination expenses and net assets minimum £30k to enable operation of business
Leaseholder Notice 3 months served on HTC February 2022
HTC agreed the principle February 2022 to underwrite net losses for rolling 3 months period for up to 12 months from 7 March 2022
HTC contributed £4k March 2022; £7.5k April 2022; £0k May 2022; in addition to New Service Charge £10k pa
This is paid from Council Tax 22/23
HTC considers and decides underwriting and authorisation of monthly net cost contribution each month at Full Council

Valuation :

Initial informal valuation advice has been obtained from Stratton Creber, Exeter

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Council Advisors:

Wellers Hedleys – solicitor and community assets

Parkinson Partnership – VAT and PWLB

Stratton Creber - valuation

Mark Mulberry Associates - accountant

Governance:

Representatives from HTC have visited and met with owners/operators at similar venues: The Exchange, Sturminster Newton and The Watermark, Ivybridge

The Council's budget 22/23 and Work Programme are being recast

HTC has formed a Beehive Working Group