

Tel: (01444) 247726  
Fax: (01444) 233707  
Website: <http://www.burgesshill.gov.uk/home>



13 JANUARY 2021

To: **MEMBERS OF THE FINANCE KEY AREA GROUP**

A VIRTUAL MEETING (Zoom) of the FINANCE KEY AREA GROUP will be held Monday 18 JANUARY 2021 at 18.30 hours when your attendance is requested.

Steve Cridland  
Chief Executive Officer

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## Open Forum

Each member of the public is allowed to speak once only in respect of a business item on the agenda and shall not speak for more than three minutes at the discretion of the Chairman. If it appears that the number of speakers is likely to unreasonably delay the disposal of business items on the agenda the Chairman may direct that a member of the public submits a question or comment in writing which shall be answered in due course.

1. **APOLOGIES FOR ABSENCE**
2. **SUBSTITUTES**
3. **DECLARATIONS OF INTEREST**  
In respect of any matter on the agenda.
4. **CHAIRMAN'S ANNOUNCEMENTS**
5. **NOTES OF PREVIOUS MEETING**  
To consider the Notes of the Meeting of the Finance Key Area Group held on 12 November 2020 (previously distributed).
6. **LISTING OF PAYMENTS MADE** A listing of payments made since the last finance meeting can be requested by Members and will be forwarded as a PDF document and/or they can view, via the town council's website, the quarterly £500+ payment schedule.
7. **BUDGET MONITORING REPORT 2020/21 AND DISPOSITION OF SURPLUS**
8. **PRICE INCREASES FOR TOWN COUNCIL GOODS AND SERVICES**
9. **2<sup>nd</sup> DRAFT REVENUE BUDGET 2021/22 INCLUDING BAND D RATE**
10. **BEEHIVE PROJECT**
11. **BURGESS HILL COMMUNITY PARTNERSHIP CIC**
12. **EARMARKED RESERVES**
13. **DATE OF NEXT MEETING**

Members of the Finance Key Area Group: Graham Allan, Andrew Barrett-Miles, Roger Cartwright, Anne Eves, Graham Fairbairn (Responsible Finance Officer - RFO), Janice Henwood, Simon Hicks (Chairman)

## **7. BUDGET MONITORING REPORT 2020/21 and disposition of surplus**

- 7.1 The purpose of this report is for the RFO to update Members with the latest forecast Outturn for the 2020/21 financial year.
- 7.2 The financial year end forecast, as compiled at 31 December 2020, shows an **estimated surplus of just under £63k**. This is made up of a reduction in income of £13k and a decrease in costs of £76k.

### Major movements

*Income:* The Covid pandemic has had a detrimental impact on various income streams covering About Town, HP Shop sales and room lettings totalling some £15k, however, revenue from the burial ground has increased.

*Expenditure:* The effects of the Covid pandemic features quite considerably in a number of areas from events to office cleaning to maintenance contracts and has produced a reduction of expenditure in the region of £40k. In addition, a reduction in Salary costs (£9k), the release of an unrequired provision relating to the uncertainty of income streams (£11k), and the release of a number of 2019/20 unrequired accruals (£5k), has increased the overall reduction in costs to £76k

A summary Monitoring Report is shown at agenda item 7.3 followed by a detailed variance analysis at agenda item 7.4. A full budget monitoring report is shown at appendix 1.

### 7.3 Summary Monitoring Report

<b>MONITORING REPORT 2020/21</b>	<b>31/12/2020</b>	<b>MONTH</b>	<b>9.0</b>
<b>CONSOLIDATED SUMMARY</b>			
	<b>Budget 2020/21</b>	<b>Forecast 2020/21</b>	<b>Variance ON BUDGET</b>
<b>INCOME</b>			
Civic, Corporate, Promotion and staff	£18,874	£18,874	£0
Community Engagement	£9,629	£4,830	£-4,799
Customer Service	£45,217	£40,594	£-4,623
Finance and Administration	£54,500	£50,557	£-3,943
<b>TOTAL INCOME</b>	<b>£128,220</b>	<b>£114,855</b>	<b>£-13,365</b>
<b>EXPENDITURE</b>			
Civic, Corporate (Exclds Beehive Fund)	£629,048	£618,045	£-11,003
Staff and Member	£3,500	£3,500	£0
Community Engagement	£83,180	£56,685	£-26,495
Customer Service	£124,632	£105,932	£-18,700
Finance and Administration	£133,572	£113,640	£-19,932
<b>TOTAL BASE EXPENDITURE</b>	<b>£973,932</b>	<b>£897,802</b>	<b>£-76,130</b>
Beehive Fund	£73,517	£73,517	£0
<b>PRECEPT/NET BUDGETED EXPENDITURE</b>	<b>£919,228</b>	<b>£856,464</b>	<b>£62,765</b>
<b>Surplus / (-deficit)</b>	<b>£0</b>	<b>£62,765</b>	

### 7.4 Variance Analysis 2020/21

	Budget	Actual	Variance	
<b>NET BUDGETED EXPENDITURE</b>	<b>£919,228</b>	<b>£856,464</b>	<b>£62,765</b>	<b>Surplus</b>
<i>Made up of:</i>	<i>Budget</i>	<i>Forecast</i>	<i>Variance</i>	<i>COMMENTS</i>
<b>INCOME</b>				
About Town Income	£9,629	£4,830	-£4,799	Covid related
Burial Ground Income	£28,000	£30,500	£2,500	Higher levels of activity
HP,Shop (NET Position)	£1,300	£271	-£1,029	Covid Related
Interest on balances	£2,000	£500	-£1,500	Rock bottom interest rates
Room lettings/SMR hire/Council Chamber	£15,000	£6,057	-£8,943	Covid related
Balance on all other budget items	£72,291	£72,697	£406	
<b>Total Movement on Income</b>	<b>£128,220</b>	<b>£114,855</b>	<b>-£13,365</b>	<b>DECREASED income</b>
<b>EXPENDITURE</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>	
Audit & Miscellaneous	£17,499	£6,000	-£11,499	Removal of Budget provisions re uncertainty over income
Burgess Hill Community Festival FUND Contr :	£13,000	£5,500	-£7,500	Majority of events cancelled due Covid
Burial Ground	£15,400	£16,760	£1,360	Higher levels of activity
Civic events	£1,500	£100	-£1,400	Unlikely to be any event due Covid
Cleaning Contracts - Office	£12,951	£9,000	-£3,951	Reduced cleaning charges due office Covid office closures
Council Van	£11,000	£7,500	-£3,500	2 out of 3 vehicles owned
Fuel for van	£4,000	£2,750	-£1,250	Less use of vans
Health & Safety	£100	£1,700	£1,600	Covid related
Insurances	£10,650	£9,200	-£1,450	Reduced rates due to competitive tendering
Legion Building - running costs	£5,899	£9,250	£3,351	Planned demolition not until 2021/22. Bus Rates to pay
Maintenance contracts (grounds)	£14,564	£4,000	-£10,564	Less use of 3rd party contractors due Covid
Mid Sussex Assoc of Town Councils-Secretari:	£400	-£600	-£1,000	2019/20 billed in current year giving large credit
Members Allowances	£20,078	£18,462	-£1,616	Less take up by Members
Mobile Maint -new equipment	£3,000	£1,500	-£1,500	Insurance monies have subsidised costs
Remembrance & Armistic Day	£2,000	£2	-£1,998	Event canx due Covid
Repairs & Renewals fund contribution	£9,750	£8,000	-£1,750	Current fund adequate
Salaries	£612,048	£603,445	-£8,603	Staff movements
Site Improvements	£2,000	£1,000	-£1,000	Reduced activity
Storage- external	£2,500	£1,231	-£1,269	Storage of chairs (ex-MSDC) no longer required
Summer Fayre contribution to fund (3043)	£2,200	£500	-£1,700	Canx due Covid
Town Events fund Contrbn (3067)	£7,000	£3,067	-£3,933	Reduced Programme due Covid.Possible further reductions.
Tree Surgery Fund Contribution	£3,250	£9,000	£5,750	The recent tree survey has highlighted a considerable number of trees across BHTC's land that require attention
Workshop	£2,500	£1,250	-£1,250	Less consumable items required
VE Day 75 celebrations	£10,000	£0	-£10,000	Event canx due Covid
Release unrequired provisions	£0	-£5,100	-£5,100	
<b>Balance of all other budget items</b>	<b>£190,643</b>	<b>£184,285</b>	<b>-£6,357</b>	
<b>MOVEMENT ON BASE EXPENDITURE</b>	<b>£973,932</b>	<b>£897,802</b>	<b>-£76,131</b>	<b>DECREASE in expenditure</b>
<b>NET MOVEMENT ON PRECEPT</b>	<b>£845,711</b>	<b>£782,947</b>	<b>£62,765</b>	<b>ESTIMATED YEAR END SURPLUS</b>

Note: the surplus includes the previously agreed transfer of £5k to the Festival Fund.

## 7.5 Disposition of Surplus

There is a standing agreement that all surpluses, unless Members agree otherwise, will be transferred to the Beehive Fund.

## 7.6 RECOMMENDATION

Members are recommended to allocate the current year's surplus to Beehive Fund.

### Risk Implications

Should the surplus be materially less than that currently predicted, future expenditure associated with the Beehive project may need to be revisited.

## **8. PRICE INCREASES FOR TOWN COUNCIL GOODS AND SERVICES**

- 8.1 Inflationary pressures would, ordinarily, cause rates for good and services offered by the Town Council to be reviewed. This would cover About Town advertising, allotments, goods sold in the Help Point, room letting charges and burial ground *Rights* charges. As inflation is negligible and with the effects of the pandemic on residents and businesses, the proposal is keep prices static for 2021/22.

In regard to the burial ground interments (digging fees), negotiations with the contractor are yet to take place, and it is proposed to increase charges no greater than the increased charge, if any, to the Town Council.

### **8.2 RECOMMENDATION**

Members are recommended to approve:

- A) A nil increase across the board for goods and services offered by the Town Council with the exception of burial ground interment charges, and
- B) An increase to the burial ground interment charges by no more than the increase, if any, received from the burial contractor.

#### **Risk Implications**

None

## **9. 2<sup>nd</sup> DRAFT REVENUE BUDGET 2021/22 INCLUDING BAND D RATE**

- 9.1 The purpose of this report is for Members to consider the 2nd Draft Revenue Budget for 2021/22. This report updates the 1<sup>st</sup> draft presented at the November 2020 KAG meeting.
- 9.2 Inflation, where appropriate, has been set at <1% and a 0.41% increase has been confirmed for the movement in the Tax Base.
- 9.3 There are no changes to staffing levels and the salary cost of living rise has been included at 1.0%. The Government has muted a nil pay-rise for public sector workers, however, this has yet to be officially confirmed by the Local Government Employers Association.
- 9.4 **In summary, the draft Precept (Net Budgeted Expenditure) stands at £923,047 giving rise to, after to taking into account the growth in tax base, a Nil movement in the Band D rate which remains at £75.32.**
- 9.5 Revenue has declined by £22k, while base budget costs, excluding amounts allocated to the Beehive Fund, have fallen by £49k. The revenue allocation to the Beehive Fund has increased from £73.5k to £104k (see agenda item 10.) A consolidated summary is shown below followed by a +/- variance analysis. The full budget detail is shown at appendix 2.

## 9.6 Budget 2021/22

<b>CONSOLIDATED SUMMARY</b>		<b>Budget 2020/21</b>	<b>Budget 2021/22</b>	<b>Variance on Prior Year Budget</b>
<b>INCOME</b>				
Civic, Corporate, Promotion and staff		£18,874	£18,874	£0
Community Engagement		£9,629	£5,256	£-4,373
Customer Service		£45,217	£32,614	£-12,603
Finance and Administration		£54,500	£49,500	£-5,000
<b>TOTAL INCOME</b>		<b>£128,220</b>	<b>£106,244</b>	<b>£-21,976</b>
<b>EXPENDITURE</b>				
Civic, Corporate (Exclds Beehive Fund)		£629,048	£625,608	£-3,440
Staff and Member		£3,500	£2,500	£-1,000
Community Engagement		£83,180	£48,280	£-34,900
Customer Service		£124,632	£112,808	£-11,824
Finance and Administration		£133,572	£135,886	£2,315
<b>TOTAL BASE EXPENDITURE</b>		<b>£973,932</b>	<b>£925,082</b>	<b>£-48,850</b>
Beehive Fund		£73,517	£104,209	£30,692
<b>PRECEPT/NET BUDGETED EXPENDITURE</b>		<b>£919,228</b>	<b>£923,047</b>	<b>£3,818</b>
<b>Tax Base</b>		<b>12205.0</b>	<b>12255.0</b>	<b>50.0</b> <b>0.41%</b>
<b>Band D - Actual</b>		<b>£75.32</b>	<b>£75.32</b>	<b>£0.00</b> <b>0.0%</b>

## 9.7 Budget Variance Analysis 2021/22 financial year

<b>PRECEPT</b>			<b>BAND D</b>
2021/22	0.41% increase in Tax	<b>£923,047</b>	<b>£75.32</b>
2020/21		<b>£919,228</b>	<b>£75.32</b>
Increase in Precept		<b>£3,818</b>	<b>£0.00</b> <b>0%</b>

<b>MADE UP OF:</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>	<b>Movement on prior year 2020/21</b>	
<b>Income Movements</b>				
About Town Advertising	£9,629	£5,256	£-4,373	Covid related
Burial Ground Income	£28,000	£29,000	£1,000	Increased business
CC/SMR/Sugery room hire	£15,000	£8,000	£-7,000	Covid related
Environmental Improvements (MSDC)	£7,506	£0	£-7,506	Unlikely this will continue to be funded
Graffiti Contract (WSCC)	£2,047	£0	£-2,047	Partner no longer continuing with contribution
Interest on Balances	£2,000	£500	£-1,500	Record low interest rates
Balance of movements on all other budget items	£64,038	£63,488	£-550	
<b>Total Income</b>	<b>£128,220</b>	<b>£106,244</b>	<b>£-21,976</b>	<b>Decrease in Income</b>
<b>Expenditure Movements</b>				
Audit Fee/Misc	£17,499	£23,874	£6,375	Provision against future income
Burgess Hill Community Festival	£13,000	£8,000	£-5,000	1 off increase of £5k in 2020/21
Burial Ground Loan Repayments	£5,250	£0	£-5,250	Loan to be retired
Grants/Donations Fund contribution - major/minor (3010)	£20,000	£12,000	£-8,000	1 off increase of £8k in 2020/21
Grants/Donations Fund contribution - Green (3011)	£10,000	£0	£-10,000	1 off allocation in 2020/21
Inclusivity initiative	£10,000	£0	£-10,000	1 off allocation in 2020/21
Insurance	£10,650	£9,500	£-1,150	Competitive tendering
Maintenance Contract - grounds	£14,564	£13,500	£-1,064	Less activity at beginning of year due to covid
Non domestic rates - 96 CW	£6,231	£8,500	£2,269	2020/21 is final year of government's retail unit discou
Repairs & Renewals fund contribution	£9,750	£8,000	£-1,750	Enough in fund
Salaries / Oncosts	£612,048	£619,608	£7,560	Cost of living rise @ 1%, increments
Site Improvements	£2,000	£3,000	£1,000	Based on site-management plans
Site Management plans	£2,500	£0	£-2,500	Not required for 2021/22
Storage	£2,500	£1,350	£-1,150	Storage of chairs for Keymer site no longer required
Street Scene / Minor works	£5,000	£0	£-5,000	Exisiting fund (3025) adequate
Town Events	£7,000	£5,000	£-2,000	Reduced programme of events due to Covid
VE Day 75	£10,000	£0	£-10,000	1 off allocation in 2020/21 (event cancelled)
Balance of movements on all other budget items	£215,938	£212,750	£-3,188	Net increase in other items
<b>Base Budget Costs (excl Beehive Fund Contribution)</b>	<b>£973,932</b>	<b>£925,082</b>	<b>£-48,850</b>	<b>Decrease in base costs</b>
Beehive Fund Contribution	£73,517	£104,209	£30,692	See agenda item 10
<b>Precept (Net Budget Expenditure)</b>	<b>£919,228</b>	<b>£923,047</b>	<b>£3,818</b>	<b>Net increase in Precept</b>

## 9.8 RECOMMENDATION

Members are recommended to:

- a) Approve the budget for 2021/22 as presented, and
- b) Recommend to Council a Precept of £923,047

### Risk Implications –

The Revenue Budget continues to include monies (£33k) from partner organisations (MSDC) and although no specific indication has been given that these will be withdrawn, they should be considered a risk.

## 10. BEEHIVE PROJECT

- 10.1 The purpose of this report is to update Members in regards to the progress of the Beehive Project from a financial perspective and its potential impact on the Town Council's finances.

Members will be aware there is a plan to apply for a new loan from the Housing and Communities Department (issued via the Public Works Loan Board – PWLB) and for this loan to be repaid by the Town Council over a 50 year period.

The plan looks to ensure residents do not see an increase in council tax rates as a direct result of the Beehive Project and includes monies from donations, Section 106 funds and the Martlets relocation money (MSDC), giving an overall Beehive “Build” Fund of just under £5 million to fund the first phase of the development.

### 10.2 PWLB Loan

A PWLB loan of £4.4 million is planned with drawdowns over a 3 year period, with the first drawdown in October 2021. At current interest rates (1.91%), this equates to a full year repayment of £136,998. For budgeting purposes, £145,000 has been used to allow for a modest movement in interest rates.

<b>LOAN DRAW DOWN @ 1.91%</b>	Repayment	SAY
Full year interest and principle repaymt pro-rata calc:	<b>£136,998</b>	£145,000
1st draw	31/10/2021	£840,000
2nd draw	01/04/2022	£840,000
3rd draw	01/10/2022	£840,000
4th draw	01/04/2023	£840,000
5th draw	01/10/2023	£1,040,000
Total Loan Draw down		<b>£4,400,000</b>

### 10.3 Loan Repayment Schedule

With the staged drawdown period, the loan repayments for years 21/22 through to 23/24 are less than the full repayment amount.

*Repayment Plan – these amount have been included in the BHTC revenue budget and forecasts*

2021/22	2022/23	2023/24	2024/25	2025/26	Onwards
£11,534	£66,898	£125,008	£145,000	£145,000	£145,000

*Note: although payments will be 6 monthly in arrears, the liability occurs at the point of drawdown and is reflected in the budgets accordingly.*

## 10.4 Beehive Working Capital Fund

Members will be aware there are two funds (Earmarked Reserves) linked to the Beehive Project, the Beehive Fund itself and the Venue Revenue Support Fund. For the sake of clarity going forward, these will now be combined into one “Beehive Working Capital Fund”.

**The purpose of the Beehive Working Capital Fund** is to support the BHTC Revenue Budget as it starts to reflect the costs associated with the repayment of the PWLB loan and the incorporation of an ongoing subsidy to the Beehive CIO from year 2023/24 onwards. Depending upon available resources within this fund, a transfer to a Beehive Build Fund will be made and this will be in the region of £290k.

As at the 31 December 2020, the breakdown of the Beehive Working Capital Fund is as follows:

<b>BEEHIVE WORKING CAPITAL FUND</b> (pre-transfer of funds to Beehive Build Fund)	
Beehive Balance 31/12/2020	£261,034
Balance Venue Revenue Support Fund 31/12/2020	£51,892
Economic support fund - unrequired allocation	<u>35,000</u>
<b>Total from current Beehive Fund (3037)</b>	<b>347,926</b>
2020/21 Surplus	£62,765
Less Retirement of existing Burial Ground Loan	-£22,956
<b>Total balance of Working Capital Fund</b>	<b>£387,735</b>

Notes:

- 1. The existing Burial Ground Loan will be retired to release £5k per annum towards repayment of the Beehive Loan*
- 2. The £35k “Economic Support Fund –unrequired allocation” relates to the original transfer of £73,517 from the Beehive Fund to the Economic Support Fund to assist with town economic initiatives. Expenditure from this fund to-date, however, has been limited with over £35K still remaining in this fund even after the transfer-back of £35k to the Beehive Working Capital Fund. Members are, however, still required to approve the return of the £35k to the Beehive Working Capital Fund and this is included in the recommendations at the end of this agenda item.*
- 3. There is also the potential to transfer in the region of £35K into the Beehive Working Capital Fund from money set-aside towards the new burial ground. This is, however, fully dependent on a successful application to the Local Community Infrastructure Fund (MSDC) for full funding of this project. Should the application be successful, a further £7k per annum from BHTC’s revenue budget could be used towards the Beehive loan repayment. For prudence purposes, these monies are not included in the current plans.*

## 10.5 Beehive Working Capital Fund 2020/21-2025/26

From the table shown below, Members will see in years 21/22 and 22/23, there is a net **transfer-in** of funds from the Town Council’s revenue budgets resulting from a surplus between the amount allocated to the Beehive Working Capital Fund and the actual PWLB loan repayment. This equates to £93k and £45k respectively.

For years 2023/24 to 2025/26, with the Town Council's Revenue Budget including the full level of the loan repayment and an ongoing trading subsidy from the Town Council to the Beehive CIO, the Beehive Working Capital Fund sees a net **transfer-out** of funds back to the Town Council's Revenue Budget.

*Working Capital Fund inclusive of transfer to the Beehive Build Fund of £290k*

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
<b>BEEHIVE WORKING CAPITAL FUND</b>						
<b>B/fwd</b>	<b>£0</b>	<b>£97,087</b>	<b>£189,761</b>	<b>£234,567</b>	<b>£115,600</b>	<b>£42,765</b>
Beehive Balance 31/12/2020	£261,035					
Balance Venue Revenue Support Fund 31/12/2020	£51,892					
2020/21 Surplus	£62,765					
Retirement of existing Burial Ground Loan	-£22,956					
Economic support fund - unrequired allocation	£35,000					
Transfer from BHTC Revenue Budget after Loan Repayment		£92,675	£44,806	£0	£0	£0
BHTC Revenue Budget Subsidy		£0	£0	-£118,968	-£72,835	-£42,765
<b>Transfer to Beehive Build Project</b>	<b>-£290,649</b>					
Net Movement In Year	£97,087	£92,675	£44,806	-£118,968	-£72,835	-£42,765
<b>Balance of Working Capital Fund C/Fwd</b>	<b>£97,087</b>	<b>£189,761</b>	<b>£234,567</b>	<b>£115,600</b>	<b>£42,765</b>	<b>£0</b>

For the periods 2026/27 onwards, the annual shortfall in the Town Council's Revenue Budget, should it continue to subsidise the Beehive at £35km per year, reduces down from an initial £36k deficit through to breakeven by 2030/31. However, there are too many variables such as tax base movements, Band D rate policy, Base Line costs, future income streams and actual subsidy requirements, to make meaningful detailed forecasts.

## 10.6 Beehive Build Fund

The Beehive Build Fund is the fund that will consolidate all income associated with the build itself and is made up of a number of sources of income, these are detailed below.

The current status shows just under a £280k shortfall in the required amount to fund the first stage of the project, however, it should be noted, the first stage is a three year project giving time to find additional sources of funding. In addition, the build cost of £5,273k includes a contingency of £350k and a technical fit-out of £350k that could be funded through alternative finance arrangements.

<b>BEEHIVE BUILD FUND</b>	
Loan (PWLb)	£4,400,000
S106	£142,000
Marlets relocation to MSDC	£117,000
Donations	£43,750
BHTC Transfer-in from Working Capital Fund	£290,649
<b>TOAL FUNDS AVAILABLE</b>	<b>£4,993,399</b>
<b>Phase 1 Build Cost</b>	<b>£5,273,000</b>
<b>Excess/ -Shortfall on Build Cost</b>	<b>-£279,601</b>



## 10.7 Impact of the Beehive project on the Town Council's Revenue Budget

With the inclusion of PWLB loan repayments and Beehive annual trading subsidy, the BHTC Revenue Budget will need to be supported by the Beehive Working Capital Fund to ensure any Band D rises are kept to the greater of inflation or <1% in the years 23/24 onwards. For year 2021/22 and 2022/23, due to the phasing of the loan drawdown and there being no requirement for a trading subsidy (planned Beehive opening not until 23/24), the BHTC Revenue Budget is able to make an annual transfer of £93k and £45k respectively to the Beehive Working Capital Fund (as noted previously).

A consolidated forecast of the impact of the Beehive Project on the Town Council's Revenue Budget is shown below.

There are a number of parameters/assumptions included in the forecast:

- Tax base increases are set to a modest 1% increase per annum.
- Band D rate increases are limited to inflation or <1% whichever is the greater.
- Income stream increases are limited to 0.5% per annum, although in some areas, such as room hire and About Town advertising, 2% has been used to reflect improved performance on the current (Covid) position.
- Expenditure growth is shown between 0.5 and 1.5% per annum.
- No account has been taken in regard to the potential increase in the tax base from the Norther Arc development.
- The Beehive CIO subsidy shown is taken from the Dodds-Mortlock business plan. Additional sensitivity analysis could reduce down the subsidies in the initial year when taking into account the delay in some operational costs such as staff employment, however, any such reduction has been left in as a contribution towards any launch/pre-opening costs.

BUDGET FORECAST	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	ACTUAL	MANUAL				
<b>Tax base increases</b>	2.42%	0.41%	1.00%	1.00%	1.00%	1.00%
<b>TAX BASE</b>	12205.0	12255.0	12377.6	12501.4	12626.4	12752.6
<b>Band D rate increases</b>	2.75%	0.00%	0.90%	0.90%	0.90%	0.90%
<b>Band D rate</b>	£75.32	£75.32	£76.00	£76.68	£77.37	£78.07
<b>PRECEPT LIMIT</b>	<b>£919,228</b>	<b>£923,047</b>	<b>£940,671</b>	<b>£958,628</b>	<b>£976,928</b>	<b>£995,578</b>
<b>Plus TOTAL INCOME</b>	<b>£114,855</b>	<b>£87,370</b>	<b>£88,549</b>	<b>£89,749</b>	<b>£90,971</b>	<b>£92,213</b>
<b>Less TOTAL BHTC OPERATIONAL EXPENDITURE</b>	<b>£897,802</b>	<b>£906,208</b>	<b>£917,516</b>	<b>£928,980</b>	<b>£940,602</b>	<b>£952,384</b>
<b>NET BHTC OPERATION REVENUE BUDGET</b>	<b>£136,282</b>	<b>£104,209</b>	<b>£111,704</b>	<b>£119,397</b>	<b>£127,297</b>	<b>£135,407</b>
Transfer to Economic Support Fund (ex-Covid)	£38,517					
<b>less BEEHIVE LOAN REPAYMENTS/FUND TRANSFERS</b>						
Beehive Loan Repayments		£11,534	£66,898	£125,008	£145,000	£145,000
Contribution to Beehive Working Capital Fund	£35,000	£92,675	£44,806	£0	£0	£0
Beehive Operational Subsidy (Dodds-Morelock)				£113,357	£55,132	£33,172
<b>Transfer from Beehive Working Capital to balance Revenue Budget</b>		£0	£0	-£118,968	-£72,835	-£42,765
<b>SURPLUS/-SHORTFALL</b>	<b>£62,765</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

## 10.8 In Summary

In summary, the Beehive Working Capital Fund will receive surpluses from the Town Council's annual Revenue Budget in the early years. This fund will then be used to support the Town Council's Revenue Budget in later years when the full loan repayment and Beehive CIO trading subsidy has to be included in the Town Council's budget.

## 10.9 RECOMMENDATION

Members are recommended to:

- A) Recommend to Council to approve the application for a £4.4 million loan from the Communities Department subject to completion and successful outcome of the consultation with Burgess Hill Residents,
- B) Approve the Budget Forecast through to 2025/26, and
- C) Agree to the transfer of £35k from the Economic Support Fund to the Beehive Working Capital Fund.

### **Risk Implications** –

There are a number of areas that provide risk to the Town Council and the project itself.

- The majority of the Beehive Build Fund is reliant on 3<sup>rd</sup> party money and requires approval from the Housing and Communities Department for a loan of £4.4 million.
- Material changes to any of the assumptions on which the forecasts are based.
- Construction of large projects are often subject to delay causing forecasts to be revisited and amended.
- An updated cash flow for the Beehive CIO is required which may have implications for the Town Council in the first year of operation, however, the operational nature of the business of receiving advanced ticket sales and bookings, will help to mitigate this.
- Residents may reject the project through the consultation process.

## **11. BURGESS HILL COMMUNITY PARTNERSHIP CIC (Trading Spaces)**

11.1 Members will recall the Burgess Hill Community Partnership CIC was set-up as a vehicle to, where possible, open up various shop units and offer short term leases to interested shop tenants, effectively being a landlord, the first such example being the old William Hill premises which has now been re-opened with 4 new tenants, to include the Burgess Hill Pantry CIO.

The fit-out of the premises is soon to be completed and the final costs will see the original fund of £40k being fully utilised.

Ongoing, the CIC net position, as detailed in the Strategic Development KAG held on 27 July 2020, has been designed to be, at worst, cost neutral as tenant lease rentals should be sufficient to cover running costs. Utilities are being absorbed by the head landlord, New River Retail.

From a cash flow perspective, due to the way the individual tenant leases have been written i.e. tenants will pay their respective lease payments starting in Jan/Feb 2021, the CIC will incur, initially, some costs prior to income being received.

## 11.2 Service Charges from the CIC to the tenants

Service Charges covering cleaning, waste disposal and similar costs is not specifically mentioned within the licences granted to tenants. Clarification from the CIC Directors is required.

## 11.3 Business Rates

An application has been made (Dec 2020) to the District Council to have each shop rated independently. This has the benefit of each shop being eligible for the government's 100% retail discount (due to expire 31/3/2021). In addition, by rating each unit separately, the units, save for Scrapless, will fall below the threshold where business rates are liable.

In regard to Scrapless, due to the size of floor space occupied, and once the 100% retail discount ceases, a tapered level of business rates will be due and payable by the tenant. The government has yet to confirm a replacement, if any, to the current retail discount scheme.

*Communal areas* - communal areas such as toilets and walkways are usually rated at zero, however, there may be some residual areas within the property that attracts Business Rates and will be for the CIC's account. This could be in the region of £7k per annum.

An application has also been submitted to review the rateable value of the premises due to its location in an area with closed shops and half demolished buildings. Any market rent, on which rateable values are based, would be depressed and should give rise to a lowering of the business rate charge.

## 11.4 Impact of Covid on Rental Income

Although the largest tenant, Scrapless, has been able to remain open, the impact of the Covid "stay at home" order will have had a detrimental impact on footfall that could depress sales. The other two tenants are less reliant on footfall as both have an online presence, however, as with many shop businesses, the impact of Covid may well cause trading difficulties and the CIC will need to decide if it wishes to look sympathetically (payment deferral) on a case by case basis in regard to the recovery of rent.

It should be noted, if any such deferral of rent has a material impact on the financial support given by the Town Council to the CIC, this would need approval by the Town Council.

## 11.5 VAT

The CIC is not registered for VAT and will not be charging VAT to its tenants or reclaiming VAT from ongoing running costs.

## 11.6 Provisional Profit & Loss Account – CIC

A draft Profit and Loss Account has been compiled showing the estimated position of the CIC for the balance of the current financial year and for 2021/22.

There are, however, a number of areas that are still to be confirmed:

- The completion date of the Burgess Hill Pantry works to allow occupation
- The level of business rates charges to be levied on the CIC

<b>Burgess Hill Community Partnership CIC</b>		
<b>Draft Profit and Loss Account (Trading Account) for the year to 31/3/2021</b>		
<b>Income</b>	<b>2020/21</b>	<b>2021/22</b>
<b>Rent</b>		
Tenant 1	£495	£1,800
Tenant 2	£2,442	£3,605
Tenant 3	£3,689	£5,445
Tenant 4	£0	£2,400
<b>Total Trading Income</b>	<b>£6,626</b>	<b>£13,250</b>
<b>Expenditure</b>		
Maintenance	£125	£500
Business Rates	£4,784	£7,090
Cleaning	£325	£1,300
Waste Disposal	£126	£504
Administrative expenditure	£150	£600
<b>Total expenditure</b>	<b>£5,510</b>	<b>£9,994</b>
<b>Surplus / Deficit</b>	<b>£1,116</b>	<b>£3,256</b>
<b>Funds</b>		
<b>Funds Brought Forward</b>	<b>£3,591</b>	<b>£4,707</b>
Results from Trading	£1,116	£3,256
<b>Funds C/Fwd</b>	<b>£4,707</b>	<b>£7,963</b>
Notes		
<i>Income for 2020/21 has been prorated to tenant licence start date</i>		
The "Funds Brought Forward" of £3,591 relates to the original CIC set-up fund		

## 11.7 RECOMMENDATION

Members are recommended to note the contents of the report.

## Risk Implications –

### To the CIC

- A shortfall of tenants from which to collect revenues.
- The District Council refuses to rate each shop individually resulting in the full business rates falling on the CIC. This situation is unlikely, but until confirmation has been received from MSDC, this remains a risk.

### To the Town Council

This should be limited as the CIC has been set-up as an independent entity from the Town Council and it will be for Members to decide the level of ongoing support.

It should be noted, at this time, the CIC Business Rates for the current financial year of £16,457 (pre the rating of each unit individually) has, for administrative expediency, been passed through the Town Council's payment system (Interim payment of £1k to-date has been made). Should the District Council refuse to rate each shop individually, as noted above, the full business rates would be for the CIC's account and there would be insufficient resources within the CIC to clear the debt.

## 12. EARMARKED RESERVES

- 12.1 The purpose of this report is to update Members with regard to the status of the Town Council's Earmarked Reserves. A full listing of all the Earmarked Reserves is attached at appendix 3.

### In summary:

Balance B/Fwd 01 April 2020		<b>£579,084</b>
Revenue Contributions to Funds-2020/21	£157,767	
3 <sup>rd</sup> Party Receipts	£ 16,972	
Transfer in from General Reserve	<u>£ 5,606</u>	
<b>Total Income</b>	<b>£180,345</b>	
Less Payments from Funds	(£ 98,204)	
<b>Net Income from Earmarked Reserves</b>		<b>£ 82,141</b>
<b><u>Total Earmarked Reserves as at 31 December 2020</u></b>		<b>£ 661,225</b>
<i>Made up of:</i>		
Closed		£
Restricted		£ 528,773
UnRestricted		<u>£ 132,452</u>
<b>Total</b>		<b><u>£ 661,225</u></b>

### 12.2 RECOMMENDATION

Members are recommended to approve the current status of the earmarked Reserves.

**13. DATE OF NEXT MEETING -** June 2021, date to be confirmed.