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13 June 2022

To: **MEMBERS OF THE STRATEGIC DEVELOPMENT KEY AREA GROUP, BURGESS HILL TOWN COUNCIL**

A **MEETING** of the **STRATEGIC DEVELOPMENT KEY AREA GROUP** will be held online on **17 June 2022 at 19.00 hours**, when your attendance is required.

Steve Cridland
Chief Executive Officer

All papers will be published on our website as usual. Members of the public can attend the meeting by using the Zoom link that will be placed on the town council's website and social media shortly before the meeting takes place.

Filming, recording of Council meetings and use of social media:

During this meeting members of the public may film or record the Committee and officers from the public area only providing it does not disrupt the meeting. The Confidential section of the meeting may not be filmed or recorded.

If a member of the public objects to being recorded, the person(s) filming must stop doing so until that member of the public has finished speaking.

The use of social media is permitted but members of the public are requested to switch their mobile devices to silent for the duration of the meeting.

****PLEASE NOTE THE START TIME OF THE MEETING****

A G E N D A

1. OPEN FORUM

Cllrs Joseph Foster (Chairman), Graham Allen, , Kathleen Willis, Andrew Barrett-Miles, Robert Duggan, Roger Cartwright

Members of the public are invited to put questions or to draw relevant matters to the Council's attention. Each member of the public is allowed to speak once only in respect of a business item on the agenda (whether in the Open Forum or during the meeting) 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.

2. APOLOGIES FOR ABSENCE

3. SUBSTITUTES

4. DECLARATIONS OF INTEREST

In respect of any matter on the agenda.

5. NOTES OF THE STRATEGIC DEVELOPMENT MEETING

Notes of the meeting held on 22 February 2022 (previously distributed).

6. THE PROVISION OF MULTI-PURPOSE COMMUNITY FACILITIES IN BURGESS HILL

The Beehive

1. As members will be aware the Council committed itself to replace, as far as possible, the facilities provided at the Martlets Hall which closed in June 2018 and was demolished by MSDC as part of the proposed New River redevelopment. The plan had always been to build a new community facility and performance venue on the site of the Royal British Legion building in Cyprus Road. This facility came to be known as The Beehive.
2. In January 2019 the Council approved the cost estimate of £5.5m from Greenwoods to build The Beehive which would have delivered what we call Phase 1 and Phase 2 of this project. (see Appendix 1)
3. The project was to be funded by way of a £3m loan from the PWLB with a further £2.5m raised from grants, donations and s106 monies. A professional fundraiser was appointed by the previous administration but his best estimate for raising funds for this project would have left a shortfall of more than £1m leaving delivery of the project in doubt. The

timescale for this fundraising plan also left the project exposed to changing market conditions.

4. The planning application for The Beehive was submitted in August 2019 and approved in January 2020. During 2020 the application to register The Beehive as a charity was made to the Charity Commission and approved.
5. It was during 2020 that the Council reconsidered how The Beehive could be delivered given that there was a clear funding gap in the original financing structure. This led to the decision that the Council should consult the town about taking a £4.8m loan. As the covid pandemic was at the forefront of people's minds it was not considered prudent to carry out this consultation in 2020.
6. During February and March 2021, the Council consulted the town on a new plan for The Beehive which included the potential to expand into the Cyprus Hall building. The Council sought approval from residents for funding the build with a £4.8m loan from the PWLB (on the proviso that we did not increase Council Tax to meet the loan instalments). The consultation received overwhelming support.
7. An application for a £4.8m loan was made and approved in October 2021, albeit that the PWLB granted the approval on 3 loan tranches of £1.6m with each new loan subject to further information. There have been no drawdowns of the loan to date.
8. As members will be aware, the Council tendered for the demolition of the Royal British Legion building and appointed Dorton Group to carry out this work. Demolition is due to commence in July this year.

Change in economic circumstances

9. The original cost estimate for The Beehive (Jan 2019) was made during a period of benign economic conditions. These conditions changed following Brexit, the pandemic, and the war in Ukraine.

Inflation: The UK's main inflation measure in 2019 was running at an annualised rate of 1.8%. It had fallen to an annualised rate of 0.9% by the following year and was at 2.6% in 2021. The current rate of inflation is 9% (the last time it was this high was 1982) and it is expected to rise further, perhaps to 11%.

Interest Rates: Bank of England base rate was 0.75% throughout 2019 falling during the pandemic to 0.1% until December 2021. Since December, interest rates have increased in

0.25% steps to 1.0%. Market expectations are that interest rates will continue to rise possibly to 2.5% during 2023 (you must go back to 2008 before you get to rates at that level).

Supply chain: A combination of Brexit, the global pandemic and the war in Ukraine have combined to create supply chain issues across several sectors but is particularly noticeable in construction materials and energy.

None of the above was predictable when the original cost estimate was made in January 2019.

Revised cost estimate

10. The Council had always made it clear that it would update the cost estimate as it got closer to the point of construction. This was carried out by Greenwoods in May 2022. The total cost of the project has now come out at £9.46m (split: Phase 1 - £8.98m, Phase 2 - £479k) due to the impact of these unforeseeable factors. See Appendix 2.
11. Members can see from the two appendices where the cost increases have occurred. Given current volatile market conditions there can be no certainty that this estimate would hold good until next year though the cost estimate includes £584k for inflation to the mid-point of construction.
12. The impact of this is that it increases the Phases 1 and 2 cost by £3.96m with some risk that this could increase further, especially as Phase 2 only commences in 2025.

Impact of interest rate rise on loan repayment

13. When the loan application was made the PWLB rate was 1.91% (including the Treasury margin on the loan). However, the RFO had prepared a financial forecast which assumed that, when the £4.8m loan was fully drawn down, the repayments would be around £170k per annum based on a blended PWLB rate of circa 2.5% (including the Treasury margin on the loan).
14. The current PWLB rate is 3.45% (at 11th June) which means that the annual instalment would be £201k, some £31k higher than originally forecast. Given market expectations of future interest rate rises it is possible that the annual instalment on a £4.8m loan could rise to around £230k.
15. The RFO considers that an increase in loan repayments of this magnitude would place unreasonable strains on the resources of the Council.

16. The RFO does not believe that the PWLB would approve a loan of £8.8m to cover the increased construction cost but, in any event, the annual repayment on a loan of this magnitude would be more than £400k per annum which is well beyond the capacity of the Council to service.

Implications for The Beehive project

17. In view of the above there is no alternative but to pause the delivery of The Beehive on the Royal British Legion site at this present time. The Council will need to promptly communicate this decision to the town. It could do this in isolation from a plan for alternative provision. However, consideration should be very seriously given to presenting this news with a clear vision for alternative provision that may be delivered in a timely fashion. To do otherwise risks alienating residents and the support that there is for The Beehive project.

Alternative provision

18. The above news is extremely disappointing. But it does not mean that the facilities intended for The Beehive could not be provided at other premises in the town centre either as a long-term solution or as a medium-term measure whilst a revised plan for the RBL site is considered (which may include the intended amalgamation with Cyprus Hall).
19. Two options are worthy of immediate consideration: at the **Park Centre** and **St John's Pavilion**. The footprint of both buildings can be increased to provide additional accommodation at a cost that is affordable and which will provide a range of town centre community facilities.

Park Centre

20. Members will recall that we are the preferred bidders for the Park Centre in partnership with Sussex Clubs For Young People (SCYP) and Clarion Futures. We understand that a decision on the transfer will be made towards the end of June. Park Centre is intended primarily as a youth hub. Some identified users of The Beehive would fall into this category (e.g., dance organisations and youth theatre groups) so would satisfy this requirement. With capital investment there would be scope to make Park Centre available for wider community purposes by building additional rooms.
21. The Park Centre also has a theatre (on the first floor – capacity to be determined) and rooms on the ground and first floor. It also has a small kitchen and café/bar. There is scope to build a ground and first floor extension to the building on the righthand side (facing the building) to accommodate:
- the installation of a modern accessible lift and second staircase,
 - a Changing Places facility and extra WCs,
 - either extensions to the current accommodation on that side or additional rooms or break out areas.

- a first floor foyer (which could be large enough to host a mobile theatre bar), accessible WC on the first floor, and additional rooms.

There is space to build a ground floor extension on the lefthand side of the building to create a larger kitchen area.

22. In addition to the new building work the current rooms could be upgraded and adapted. The auditorium could also be upgraded with raked seating and retractable or modular/demountable stage which should increase its seating capacity. The Business Plan presented to SCYP to WSCC identified estimated minor works expenditure of £140k which could be wrapped up into a more significant capital expenditure programme.
23. The CEO and Leader of the Council are in discussions with SCYP and subject to a positive outcome could move to a design stage relatively soon (assuming also that the bid to WSCC for the transfer of Park Centre is successful). Provisionally it is thought that this work would cost no more than £1.5m (but this is an estimate at this stage).

St John's Pavilion

24. St John's Pavilion occupies land which is owned by St John's Park (Charity Number: 305189). In addition to the pavilion the charity owns the land which contains the cricket pitch and outfield. This land was part of the gift to the town by Emily Temple along with Park Centre. The trustee of the charity is Mid Sussex District Council (MSDC).
25. There is a very strong prospect of Park Centre (St John's Institute) transferring from the trusteeship of West Sussex County Council to SCYP and the Council. Transferring the trusteeship of St John's Park from MSDC to the Council would bring all the Emily Temple bequests under the custodianship of the Council. MSDC would need approve this request in respect of the top half of St John's Park (including the Pavilion). Members are invited to consider whether this is something the Council should pursue.
26. Burgess Hill Cricket Club (BHCC) has had a long-term aspiration to increase the footprint of the Pavilion. This would include adding a first floor to provide substantial community space. This consists of a 77m sq. (820 sq.ft.) community room and an adjoining 125m sq. (1,345 sq. ft) lounge.
27. BHCC has prepared a detailed design (Appendix 3) and are close to submitting a planning application.
28. BHCC only uses the Pavilion 5 months of the year and so there is scope for opening the Pavilion to wider use by the community. The additional community space may have a prime sports or activity focus, but it would be capable of hosting other events and meetings (the installation of a sprung floor in the community space would make it suitable for dance classes for which there is demand in the town)
29. If space could be found or the plans amended to accommodate a Changing Places facility it would increase the accessibility of the park for people with specific special needs (alongside similar provision at the Park Centre this would meet one of the objectives of the Council's Inclusivity project).

30. The estimated cost of this project is between £800k - £900k. Our understanding is that there is no funding available from MSDC to support redevelopment of the Pavilion. Whilst BHCC expects to raise a portion of the monies they are looking for external financial assistance. If the Council was willing to contribute to this it would allow the building project to come forward rapidly.
31. Our willingness to provide a substantial level of financial support assists the argument for a change of trusteeship of the St John's Park charity. Members will have to consider whether the Council was willing to provide the support if MSDC was not prepared to transfer the trusteeship of the charity to the Council.
32. The CEO and Leader of the Council have held a productive meeting with members of the BHCC committee on 7th June about this project. There have been other informal discussions with members of BHCC over the last few months. BHCC would be interested in the Council supporting this project for the benefit of the town and members are invited to consider this request for support.
33. Financial support provided by the Council could be in the range of £600k - £750k.
RFO comment: Should MSDC not be prepared to transfer the trusteeship of the charity to the town council, Members will need to consider the substantial financial and political risk involved in funding a development to which the town council has no ownership, control or say; and with the future of the facility being vested with another local authority who's objectives and aims may not align, always, with that of the town council.
Specialist legal advice must be sought to establish if the charity's articles of association gives long term protection for the future use of the facility.
34. The two buildings (Park Centre and St John's Pavilion) would provide more community facilities than those being delivered at The Beehive in phases 1 and 2. There is no obligation on the Council at this stage to support either or both options but members should consider each on their merits. For clarity, these options were not available when plans for The Beehive started.

Financial risk assessment

35. Taking the two projects together (and accepting that the sums are indicative at this stage) the Council could be potentially borrowing £2.25m. Assuming a PWLB interest rate of 3.95% at drawdown (it is currently 3.45% on 11th June) the annual instalment on a 50-year loan would be £103,519 (when the loan is fully drawn). The instalment is fixed for the loan period and the loan can be settled or part settled early.
36. The Council is currently setting aside £104,000 each year from its budget towards the undrawn loan for The Beehive so can meet this repayment from its existing resources without having to draw on general reserves to support the loan repayments.

37. Members should note that every 0.1% increase in the loan rates adds £1,790 to the annual loan repayment (so at 4.05% it would be £105,309 per annum, at 4.95% it would be £122k per annum).
38. Members approved the demolition of the RBL building at the Annual Council meeting on 17th May and this will save around £9k per annum on business rates which will be added to operating revenues. This, if added to the £104,00 being set aside already, would cover a loan rate of 4.45%.
39. There is the sum of £469k in the earmarked reserves for The Beehive. Around £100k will be used for the demolition of the RBL building and there are some professional fees estimated at £20k to pay. This leaves a fund balance of around £349k. Members may want to consider how this fund balance is used but should bear in mind that the development work on Park Centre will incur professional fees for which the reserve could be used.
40. There is no urgent need to decide on the use of the balance of The Beehive Fund if it is not used on professional fees (see 39 above). However, options worth considering at some point are: settling the loan used to purchase the RBL building (settlement figure £230k) which would release £16k per annum into the Council's operating revenues; holding it as a fund which could be added to for a later development on the RBL and Cyprus Hall site; returning the fund to general reserves for other purposes (for example see 41 and 42 below).
41. Members will also recall that there is a request for a £50k operating subsidy for Park Centre spread over 2 years. This could be met from The Beehive reserve or general reserves or other reserve balances.
42. At the Council meeting on 31st March members resolved to seek funding of £48k from MSDC for the Little Hive project in the front of LIDL. At the MSDC Cabinet meeting the Cabinet members decided not to support this request. This could be met from The Beehive reserve or other reserve balances.
43. There is a General Reserve of £224k, £63k in the Bridge the Gap Fund, and an estimated £70k surplus from the 2021/22 financial year (subject to audit). With the decision to suspend development of The Beehive some monies from these reserves could be used to support immediate programmes such as in 41 and 42 above.
44. In the current financial model, the Council has assumed a 1% increase in the precept each year (i.e., housing growth) and it was this growth that would have bridged the gap between the £104k allocated to The Beehive loan instalment today and the £170k assumed annual repayment when the loan was fully drawn down. A loan requirement of £2.25m means that this incremental increase in the precept will not be required to support a rising loan repayment. Members may wish at some point to review how this headroom can be distributed. This model makes no allowance for the Northern Arc moving into the town's boundaries. Were this to happen it would have, over time, a significant financial benefit for the Council's finances and at that point a revised financial plan would be prepared and set against the Council's priorities as set out in its 10-year vision.

Other options

45. The focus on alternative provision has been directed to Park Centre and St John's Pavilion because these are the buildings that would seem to be more immediately available and within scope. When work commenced on alternatives to the Martlets Hall the previous and current administration did consider alternatives. This included:
- When the RBL was originally purchased it was thought this building could be converted for use as a venue, but it quickly became apparent that it was more useful as a site for redevelopment. It does not have the footprint to provide a theatre and other facilities.
 - There were informal discussions with the Theatre Club about extending the Town Hall onto that site to provide community facilities at this location but there is no desire from the Theatre Club for this and the Council is respectful of its wishes.
 - From time to time, members of the public have stated a preference for building on the former Martlets Hall site. However, this land is in the ownership of MSDC and is not available other than as part of the New River redevelopment under the Masterplan. Unless that position changes it is not available. In any event it would suffer from similar cost constraints as the new build on the RBL site.
 - **Similarly, the former LIDL building is out of scope as it is scheduled to be** redeveloped as part of the New River redevelopment
46. On the face of it, therefore, there is no other suitable site available for redevelopment in the short to medium term other than the two mentioned in this report.
47. It is, of course, open to members to consider doing nothing but this would be contrary to the Town's 10-year vision. The Council has always maintained that there was a shortage of community and cultural provision in the town centre and commissioned consultants to review our needs when the Martlets Hall was being closed. Giving the presence of The Kiln and Signposts in temporary accommodation in the Martlets Shopping Centre it is likely that community needs will increase when they are required to relocate in the future.

The future of the RBL and Cyprus Hall sites

If members decide to move forward with the Park Centre and St John's Pavilion options (or only one of them then there is no need to make any hurried decision over the future of the RBL site. The following points are, however, worth noting and considering:

48. The Neighbourhood Plan designates this part of the town centre as the civic and cultural quarter with the intention of delivering a multi-purpose community centre and arts venue in the quarter.
49. The Cyprus Hall Association has a lease on Cyprus Hall until May 2026.
50. The RBL site has value if sold for commercial development, but this would be contrary to the Neighbourhood Plan and 50% of any gain on

disposal would be shared with the Royal British Legion. Its value is likely to increase the longer it is held.

51. The pause on development on the RBL site provides an opportunity to carry out a further needs assessment to consider how community facilities on the RBL and Cyprus Hall site may be developed in the future. This should consider potential emerging needs (e.g., relocation of community services in temporary buildings – The Kiln, Signposts, The Pantry, BH Community Foodbank etc.) and additional cultural provision (e.g., whether Cyprus Hall might be extended to create a larger theatre by extending onto the RBL site). This study could be developed alongside the development of proposals for Park Centre and St John's Pavilion and should involve the wider community.

Timings

52. The Beehive was scheduled to open in late 2025. If members wished to proceed with the Park Centre and St Johns Pavilion options then, subject to funding, design and planning approval the construction work ought to be deliverable within that timetable.