

## Report to Cabinet and Council

7 October 2021

By the Director of Community Services

### DECISION REQUIRED



Not Exempt

Appendices Exempt (by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972)

## Drill Hall

### Executive Summary

On 30 January 2020, Cabinet considered the future of the Drill Hall because the building was under-utilised and considered suitable for decommissioning. The Cabinet report included a proposal for alternative use, comment on the condition of the building, the poor thermal performance of the building, running costs and its suitability as a community venue.

After reviewing these issues, Cabinet decided to establish whether any organisations or community groups wanted to manage and run the building and to consider any viable bids that might come forward. If no viable bids were forthcoming, the property would be decommissioned and made available for affordable housing.

Expressions of interest were invited from the community and voluntary sectors and a number of potential operators came forward. Following discussions, it is recommended to proceed with a proposal from the Horsham Branch of the Royal British Legion (RBL) who intend to create a home for Horsham's various military and service organisations as well as continue to make the building available for hire by the broader community.

The proposal provides for the building to be upgraded and improved by RBL (RBL Works), which will include improving the property's thermal performance. Initially the building will be let to RBL on a lease for 30 years at a peppercorn rent; however, RBL will have the option to purchase the freehold in the last 6 months of the Lease at a future date, at a value to be determined by the District Valuer. The option to purchase will only be triggered if RBL have completed the RBL Works. If RBL do not commence the RBL Works within 5 years or complete them within 7 years, the Council will have the right to terminate the arrangement.

The Council has a full-time member of staff who supervises the property and lives on site. TUPE does not apply to this role, the member of staff will therefore either be redeployed if there are suitable vacant roles available or their role will be made redundant.

This proposal will ensure that the building is upgraded and used, providing a home for military and service organisations in the District and a venue for other community groups. In recent years, the building has cost the council approximately £45,000 per annum to run and manage, therefore the proposal is also a revenue saving.

## Recommendations

The Cabinet is asked to recommend to Council that:

- i) The Drill Hall is leased to the Horsham Branch, Royal British Legion from 1 April 2022 for a period of up to 30 years.
- ii) To delegate authority to the Director of Place in consultation with Head of Legal & Democratic to finalise the legal documentation and enter into a lease, subject to applicable consents, with the Horsham Branch, Royal British Legion for the Drill Hall.
- iii) To delegate authority to the Director of Place to agree and finalise a schedule of works with the Horsham Branch, Royal British Legion to improve the Drill Hall.

## Reasons for Recommendations

The Horsham Branch, Royal British Legion (RBL) have expressed an interest in running the Drill Hall. This will have the following benefits:

- i) The Drill Hall will continue to be available for community activities and events. The RBL have also expressed an ambition to grow and develop the role of the Drill Hall for the community.
- ii) The fabric of the Drill Hall will be improved and become more energy efficient.
- iii) The Council will make an annual revenue saving.
- iv) It will provide a focal point for the Armed Forces in the District.

## Background Papers

[Districtwide Community Facilities Assessment 2021](#)

**Wards affected:** all wards in Horsham Town.

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## Background Information

### 1 Introduction and Background

- 1.1 The Drill Hall forms part of a transfer to the Council from the Ministry of Defence, of land comprising the Drill Hall, Dukes Square Car Park and other associated buildings in 2001 for the sum of one million pounds. Parts of the title have been sold on, including Mill River Lodge, Lavinia House and Observer Court, which is social housing to the rear of the site. There is a restriction in the title that the site is to be used for community purposes, car parking, hostel or flats (but not market housing). This restriction expires in March 2052.
- 1.2 The building is over 90 years old and while it is in sound structural condition, the building has shortcomings, including that the space lacks flexibility and the building has poor thermal performance. Therefore, substantial expenditure is required to modernise and update the building to make it fit for purpose as a modern facility and to improve the energy efficiency of the building. The Council's budget estimates for this work are in the order of £1m.
- 1.3 The Cabinet considered a report on the future of the Drill Hall at a meeting held on 30 January 2020. At the meeting it was agreed to:
- commission an independent study of the community buildings and facilities across the district and in Horsham Town
  - test whether there were organisations or community groups that wanted to manage and run the Drill Hall and to consider viable bids for its ongoing management
  - decommission the Drill Hall if no viable bids were submitted and to replace it with affordable housing
- 1.4 The Council was contacted by number of community groups and organisations interested in the Drill Hall (a summary is set out below). The RBL are the only organisation to submit and complete the full business case process. An overview of RBL's bid for the Drill Hall is set out below and it is recommended that the Council enter into a lease with RBL.

### 2 Relevant Council policy

- 2.1 The proposal supports the corporate plan because it supports the voluntary sector (3.4.1); ensures that the energy efficiency of the building is improved (4.1.3) and manages the Council's finances prudently (5.3.4).

### 3 Details

- 3.1 The following expressions of interest and bids were submitted for the running of the Drill Hall:

Organisation	Outcome of Expression of Interest/Bid
Horsham Branch, Royal British Legion	Business case submitted and evaluated.

Crawley & Horsham Table Tennis Association	Initial expression of interest withdrawn in favour of working with RBL to prioritise bookings and events as preferential hirers.
Happy Accidents CIC	Initial expression of interest received to run Drill Hall as a community arts venue. Despite obtaining grant funding from the Arts Council to conduct a feasibility study the bid was withdrawn due to Covid-19 and other capacity constraints.

3.2 A summary of the bid prepared by the RBL is set out in the table below and in Appendix 1:

Existing users	RBL state they will wish to retain and expand current regular and ad hoc hirers with the possible exception of use for weddings and parties.
Existing tenants	RBL state they will retain but may need to relocate within the building. Tenants: ASPIRE, Roundabout News, Whistlestop Arts plus two individual artists.
New and future users	RBL state that they will transfer existing users from Edwin Hall while providing a home for other Horsham based 'service' organisations. They also will market the facility more aggressively. They estimate the building to be used as follows: 70% Community use; 20% Military community use and 10% RBL use.
Financial implications	RBL have provided a projected 3-year income and expenditure budget, which shows a small profit by end of Yr 3. RBL believe that with the transfer of paying users from Edwin Hall that they can run the Drill Hall profitably. RBL have confirmed that they can provide capital funding from various sources to undertake the necessary repair and energy efficiency works.
Environmental improvements to the building	RBL are prepared to undertake identified repair works and additional works to improve the building's environmental efficiency. The programme and schedule of repair and environmental improvements would be agreed and set out as part of the lease terms.
Other considerations	Capacity: RBL state that they will set up a Standing Committee to oversee the operation of the Drill Hall. RBL has access and can call on a wide range of professional support from within the Branch and at regional and national level.

3.3 Following the Cabinet decision on 30 January 2020, the Council commissioned an independent study of the community buildings and facilities across the district and in Horsham Town. The commission would assist in documenting the range and availability of community facilities and to understand the impact if the Drill Hall were to be de-commissioned.

3.4 The report's summary with respect to Horsham Town concluded that:

- In Horsham Town, there are 31 facilities available for regular public hire. Of these, 13 have a floor space, which meet the Sport England/Badminton England guidance (158sqm) and all, except one facility (the Drill Hall), are rated either good or average.
- Five have floor space greater than 300m<sup>2</sup>
- Eight are rated as good. Four are rated as average. Only the Drill Hall is rated as below average.
- All facilities, which were audited, report having spare capacity; only Roffey Millennium Hall reports having some latent demand - for daytime (off peak) bookings.
- The majority of Horsham Town residents can either walk or drive to at least one facility
- No other noticeable instances of latent demand or competing requests from user groups were identified from the consultations. Based on this, it would suggest that supply can sufficiently meet current demand.

3.5 Heads of Terms have been provisionally agreed with RBL on the following basis:

- RBL will take a 30 year lease at a peppercorn rent.
- RBL will be responsible for putting and keeping the property in good and substantial repair.
- RBL will be responsible for carrying out works (to be agreed) to address the property's poor thermal performance with a target EPC for the building of B (currently D). These works are to be commenced within 5 years and completed within 7 years. In the event of the tenant not achieving an EPC of B by the expiration of the 7<sup>th</sup> year of the term the rent shall increase to £50,000 per annum.
- The use of the property is as set out in paragraph 3.3 above.
- There shall be no right to assign the lease. Subletting may be undertaken of the whole or part subject to landlord's consent not to be unreasonably withheld.
- During the last 6 months of the term RBL may trigger an option to purchase the freehold of the property at a sum to be determined by the District Valuer on the basis of an ongoing community use. The option is conditional on RBL being in occupation of at least 70% of the building and the building being in good and substantial repair with an EPC of at least B.
- In the event that the restriction detailed in paragraph 1.1 is waived by the MOD, the option to purchase may be brought forward by RBL.
- After the transfer of the freehold, the building shall continue to be used for community purposes. If the property is sold or redeveloped for market housing at any time during a period of 50 years from the transfer of the freehold, the Council shall receive 50% of the difference between the value of the site when sold (or proceeds of sale) less the cost of the energy efficiency works.

- If RBL have not commenced the energy efficiency works within 5 years or completed them within 7 years, the Council will have the option to break the lease and take back the property.

3.6 The balance of the title referred to in paragraph 1.1 above, namely the Dukes Square Car Park, MT garage and QM Studio buildings will be retained by the Council. Options for the redevelopment of MT garages and QM Studio are being explored to provide affordable housing, with the relocation of QM Studio to new premises on site. The draft scheme suggests that 17 affordable units could be built, which would provide much needed town centre accommodation for families in housing need. The plans will be presented for approval by Cabinet in due course.

## **4 Next Steps**

4.1 Following approval, solicitors will need to be instructed to prepare the legal documentation and a schedule of works needs to be agreed with RBL which will form part of the legal documentation.

## **5 Views of the Policy Development Advisory Group and Outcome of Consultations**

5.1 The proposal to transfer the Drill Hall to RBL was discussed by the Leisure and Culture PDAG on the 22 September 2021. All members were invited to attend the PDAG and those that attended were able to consider a presentation from the RBL. The PDAG was generally supportive of the transfer of the Drill Hall. The Overview & Scrutiny Committee were also provided with an update presentation at its meeting on the 19 July 2021.

5.2 The comments of the Director of Corporate Resources are included in this report.

5.3 There is an existing member of staff who supervises the Drill Hall and lives at the property. TUPE does not apply to this role (see paragraph 7.2), therefore the member of staff will either be redeployed (if there are suitable alternative roles available) or their role will be made redundant in accordance with the Council's procedures. Consultation has been undertaken with the member of staff.

5.4 Consultations have taken place with local members and the availability of the opportunity for voluntary groups to take over the premises was widely communicated.

## **6 Other Courses of Action Considered but Rejected**

6.1 Alternative proposals to decommission the building and to develop it for affordable housing were addressed at the Cabinet meeting on the 30<sup>th</sup> January 2020.

## **7 Resource Consequences**

7.1 A decision to allow Horsham Branch, Royal British Legion (RBL) to take over the running of the Drill Hall from April 2022 will remove the costs of running the Drill Hall from the Council's revenue in 2022/23. This has cost the Council approximately £45k a year on average in recent years. It will also remove any future capital and maintenance liabilities, unless RBL hand back the building in the next few years.

- 7.2 It is important to note in this report that should the Council proceed with building a community facility at Highwood, the revenue costs of running even a 'small' Highwood facility are likely to negate savings from the Drill Hall. The findings of the community facility survey indicate that there is plenty of spare capacity in Horsham, especially if the Drill Hall was retained, such that the larger Highwood building would not be necessary.
- 7.3 TUPE does not apply and the Council will either redeploy the member of staff or the role will be made redundant in accordance with Council procedures. Estimated one-off redundancy costs are reported in the exempt appendix. If the member of staff is made redundant and the Highwood facility is operational before the end of the payback period it is possible there will be no revenue saving from the transfer of the Drill Hall.
- 7.4 Furthermore, if RBL take over the Drill Hall it removes any alternative use of the building. The option of converting the Drill Hall into affordable homes would no longer be possible. This means that up to 20 units of affordable housing will not be built. The decision also removes a potential income stream to the Council of up to £125k a year from the Housing Company in the future. This course of action would help reduce the £1.6m budget gap that is currently projected by 2025/26.
- 7.5 In the light of this, the Council's Chief Financial Officer advises the proposal to lease the Drill Hall to the RBL does not make the best financial use of the Council's asset. If the Government goes ahead with the changes to the Council's finances that create the £1.6m financial gap, this will put more financial pressure on other Council-supplied services to close in the next few years.

## **8 Legal Considerations and Implications**

- 8.1 The Council have powers under Sections 123 and 127 of the Local Government Act 1972 to dispose of land in any manner they wish, including sale of their freehold interest, granting a lease or assigning any unexpired term on a lease and granting of easements. The only restriction is that a disposal must be for the best consideration reasonably obtained otherwise consent is required from the Secretary of State.
- 8.2 In ascertaining 'best consideration' the Council is recommended to obtain a realistic valuation at open market so that it can determine whether the proposed price is the best consideration which can be reasonably obtained for the land.
- 8.3 The General Disposal Consent 2003 ("the Consent Order") allows the Council to sell land, in certain circumstances, for less than its market value without having to obtain consent from the Secretary of State for any disposal of land where the difference between the unrestricted value of the interest to be disposed and the consideration accepted is £2m or less. This is known as "an undervalue".
- 8.4 In order for the Consent Order to apply the disposal would need to promote or improve the economic, social or environmental wellbeing of the area. In all cases, disposal at less than best consideration is subject to the condition that the Undervalue does not exceed £2m.

## **9 Risk Assessment**

- 9.1 Although preliminary heads of terms have been agreed with RBL these are conditional on agreement of the schedule of works and, as is always the case with property disposals, there is a risk that the disposal will not complete during the due diligence process.

## **10 Procurement implications**

- 10.1 No implications.

## **11. Equalities and Human Rights implications / Public Sector Equality Duty**

- 11.1 The interests of the staff member have been carefully considered and will continue to be considered as the legal process completes.

- 11.2 The building will continue to be used for community activities.

## **12 Environmental Implications**

- 12.1 The proposal ensures that the environmental shortcomings of the building will be addressed as part of the disposal process.

## **13 Other Considerations**

- 13.1 None