

Report to Cabinet

21 March 2024

By the Cabinet Member for Local Economy and Place

KEY DECISION REQUIRED



Not Exempt

Drill Hall, Horsham

Executive Summary

The Drill Hall is a Council owned and managed facility that is in need of significant investment. It is a well-loved, but massively underutilised facility in the heart of Horsham Town. In 2021, Council agreed that the building would be leased to the Horsham branch of the Royal British Legion for a 30 year period with them having the right to buy the building at the end of that period. In autumn 2022, we were advised that the national body of the Royal British Legion did not support the investment in the building. HDC were approached by Lifespring Church in May 2023 with a proposal to acquire the building on the same terms as agreed with the RBL. Discussions have been ongoing since then, and this report recommends that the building be sold to Lifespring Church.

Lifespring have clear plans for the building, including significant investment and improving the community facilities provided at the venue. Their plans will transform the Drill Hall into their home for the church and a thriving community facility that can be used by the whole community.

The building requires significant investment and there is a genuine risk, particularly if Horsham District Council retains ownership, that the Drill Hall will be required to close for a period of time, with significant investment required to bring it up to an operational level.

Recommendations

The Cabinet is recommended:

- i) To approve that the Drill Hall be sold to Lifespring Church, subject to:
 - a) Lifespring obtaining the appropriate planning use class for the building
 - b) Ministry of Defence approval for the sale
 - c) Appropriate covenants being agreed to ensure that the site remains for community use into the long term, with overage clauses to the benefit of HDC also in place should it ever be sold.
 - d) Completion of the Asset of Community Value process
 - e) A satisfactory sale figure for the property being agreed.
- ii) To delegate authority to the Director of Communities, in consultation with the Cabinet Member for Local Economy and Place, to agree the sale once all of the above conditions have been satisfied

Reasons for Recommendations

- i) To ensure a sustainable future for the Drill Hall.

Background Papers

Lifespring Church Proposal Document

District Wide Community Facilities Assessment 2021

(https://www.horsham.gov.uk/_data/assets/pdf_file/0004/104818/FINAL-REPORT-WITH-EXEC-SUM_V3.pdf)

Wards affected: Horsham Town Wards (Denne, Forest, Trafalgar)

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Background Information

1 Introduction and Background

- 1.1 The Drill Hall forms part of a transfer to Horsham District Council from the Ministry of Defence, of land comprising the Drill Hall, Dukes Square Car Park and other associated buildings in 2001. 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.
- 1.2 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. The proposal to provide affordable housing fell outside of this covenant, although the Ministry of Defence (MOD) confirmed at the time that it was an acceptable use and considered that it fell within the principles of the covenant.
- 1.3 The building was built in 1927 and while it is in sound structural condition, the building has shortcomings, including that the space lacks flexibility and poor thermal performance when comparing it to modern community use buildings. 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.
- 1.4 In January 2020 Cabinet considered a report that recommended that the Drill Hall would be decommissioned, and the site redeveloped for the provision of affordable housing, with the community facilities being provided at a proposed new community facility at Highwood.
- 1.5 Following a significant public response to the proposals, the Council 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 and; decommission the Drill Hall if no viable bids were submitted and to replace it with affordable housing.
- 1.6 Following the conclusion of that process, in October 2021, Council agreed to lease the building to the Horsham branch of the Royal British Legion (RBL) for a period of 30 years, with the RBL having the right to buy the building at the end of that lease period.
- 1.7 In October 2022, the RBL's Head Office advised that they did not support the investment required into the Drill Hall on the basis that it wouldn't deliver sufficient value for money for their members.
- 1.8 Lifespring Church approached Horsham District Council in May 2023 with a proposal to lease the building on the same terms as offered to the RBL for them to use as the home for their Church and to provide a modern community facility.
- 1.9 Discussions have been ongoing since then, and this report recommends the sale of the Drill Hall to Lifespring Church.

2 Relevant Council policy

- 2.1 This recommendation is directly linked to the 'Supporting People and Communities' priority, as it will create a significantly improved community facility in Horsham town centre. It also meets the 'Inspiring Greener Futures' priority, as Lifespring Church will significantly improve the carbon efficiency of the building. It is also in line with 'Always Listening, Learning and Improving' as the recommendation will lead to reduced expenditure for the authority. Furthermore, the basis for the recommendation to retain the building as a community facility is following the strong public reaction to the proposals for housing in 2020.

3 Lifespring proposal

- 3.1 Lifespring Church was established in 2019 and has a congregation of around 200 people. Its vision is to 'Love God, Love People, Love Horsham' and it has the ambition to be based in the heart of Horsham town. Since 2019 it has hired the Capitol Theatre for its Sunday worship, and more recently started hiring the Drill Hall on Sundays. Its administrative base is currently in Southwater, from where they also offer a range of community support services including various advice services and a food bank, in partnership with Horsham Matters.
- 3.2 Lifespring have a clear vision for the Drill Hall. As well as becoming the home for the church, they intend to create a community centre and a conference centre.
- 3.3 The community centre would provide accessible space for use by youth counsellors, social prescribers and community support workers etc. It would also provide a family hub providing support and advice on a whole range of services including employment support, welfare and benefits advice and gambling addiction support.
- 3.4 The conference centre would have a capacity of around 300, and would offer catering facilities, a café and break-out space.
- 3.5 More broadly, they would invest in high quality audio-visual facilities to create a music venue and will also use the facility as an art gallery.
- 3.6 Purchasing the facility would allow them to make a significant Capital investment into the building, that they have estimated to be in the region of £3.5 - £4m.
- 3.7 Lifespring initially approached HDC around the possibility of leasing the building on the same terms as had been offered to the RBL. Whilst undertaking due diligence, it became apparent that this wasn't a practical option as there is a piece of legislation (Places of Worship (Enfranchisement) Act 1920) which sets out that any church that is leased a building by a local authority for a period of 21 years or more, has the right to buy the property at market rate. The investment that Lifespring would need to make would not be viable over a 20 year period and therefore the only option available to the Council is around a sale.

4. Factors for Consideration

- 4.1 Section one of this report sets out the background to the Drill Hall. It is important to recognise the current state of repair of the building. It has not had any significant investment since HDC acquired the building in 2001. Of the four boilers that heat the building, three have failed. The boilers are so old that parts can no longer be

purchased and when the final boiler fails, the building will need to close. Replacing the boilers with new gas boilers is not in line with the Council's carbon net zero aims. We have reached the point where a decision has to be made on the future of the building.

- 4.2 The building's current Energy Performance Certificate (EPC) Rating is D. There is a requirement for all commercial buildings to be C rated by 2027 which is another imperative to invest in the building to ensure it can remain operational.
- 4.3 If HDC decided that it wished to retain the building, there would need to be investment of around £1.5m, at a minimum level to bring it in line with basic standards and to achieve the 2030 net zero target. In addition, there would need to be increased revenue spending for the building in terms of management and marketing.
- 4.4 Furthermore, due to the investment needed to bring the building to a decent standard, there are almost no local organisations with the financial backing to acquire the Drill Hall. Following the January 2020 Cabinet meeting, the Council actively sought proposals for groups to take on and manage the facility, there were only three bodies who developed bids, two of which were withdrawn. This left the RBL as the only offer available to consider.
- 4.5 In the period since the RBL withdrew, Lifespring are the only body to have approached HDC. If the desire is to retain the site for community use, they are the only option, unless HDC wanted to fund it. That said, the building is listed as an Asset of Community Value and there is a formal process that must be followed before a sale is confirmed, which is detailed in paragraph 5.3 below.
- 4.6 A key factor around the Lifespring proposal is that as it will be the home for their church, it will have an inherent high level of use. It will be used for worship on a Sunday, and for various church related activities throughout the week, as well as their advice and support provision. That basic core use for the building places them in a stronger position to succeed in community provision. If the Council was to manage the facility, there would be very little in the way of guaranteed, ongoing usage means that there would have to be a significant focus on filling the venue seven days a week. Lifespring would not have this pressure.
- 4.7 Accepting the Lifespring proposal provides the best guarantee that the venue will receive investment in a more timely manner. Lifespring have made good progress on the development of their plans in accordance with the RIBA stages and subject to Cabinet approving this report, will be able to continue with that planning to commence works to the building in early 2025.

5. Conditions of Sale

- 5.1 The Drill Hall is a complex site and the sale won't be a straightforward process. It is therefore recommended that the sale is approved, subject to a series of conditions being met. The most significant complexity is as a result of a restrictive covenant placed on the site by the MOD which sets out that they will receive 85% of any gain from the disposal of the building for non-community facilities. This covenant is in

place until 2052.

- 5.2 The current HDC Local Plan sets out, regarding the site, that “Proposals that would result in the loss of sites and premises currently or last used for the provision of community facilities or services, leisure or cultural activities for the community will be resisted unless equally usable facilities can be conveniently provided nearby. It will be necessary to demonstrate that continued use of a community facility or service is no longer feasible, taking into account factors such as appropriate marketing, the demand for the use of the site or premises, its quality and usability, and the identification of a potential future occupier.” It is considered that the Lifespring proposal clearly meets this requirement.
- 5.3 It is therefore recommended that the sale is agreed subject to the following conditions being satisfactorily met:

Planning Permission: Lifespring are following the RIBA process for the works to the building and have had positive initial pre-application discussions with the HDC Planning Team. The key planning issue that underlines their ambition is around if any changes are needed to the planning use class. The Drill Hall is currently planning use class F2 (Community buildings) whereas a primary use for a church is planning use class F1. It would therefore need to be established what the primary use of the building would be.

It is not recommended that the sale is subject to the plans for all of the works to the building, simply that Lifespring have the right planning permission to use the Drill Hall for their purposes.

Ministry of Defence Approval: We would need confirmation from the MOD that the Lifespring proposal meets their definition of a community facility. We don't anticipate any issues with this, but the process will need to be complete.

Agreement on future covenants and overage clauses: A key aspect of the sale is to ensure that the Drill Hall is secured as a community facility for the long term future. Covenants will be developed to ensure that the site is secured as a community facility into the long term. Overage clauses will also be developed to the benefit of HDC, should the site be sold for non-community purposes.

An agreed sale price: HDC have had the site valued. Local Authorities are under a legal obligation to achieve Best Value for any asset sale under Section 123 of the Local Government Act 1972.

Completion of the Asset of Community Value Process: The Drill Hall is listed as an Asset of Community Value (ACV). That means that any decision to sell the asset triggers the ACV process. The initial stage will be that the decision to sell the asset is advertised and then organisations have a six week period to advise the Council that they would like to develop a bid for the property. There is then a six month period for them to do this. It doesn't require the authority to sell to other bidders, but their bid needs to be considered alongside the existing proposal.

6 Next Steps

- 6.1 The next steps will be around progressing the matters set out in paragraph 5.3. Lifespring will liaise with the Planning Team around the planning requirements. HDC will commence the ACV process. The Property Team will liaise with the MOD and negotiate the price with Lifespring. External solicitors will be used to develop the covenants and overage clauses, and undertake the works required for the sale.

7 Views of the Policy Development Advisory Group and Outcome of Consultations

- 7.1 The proposal was discussed at the Local Economy and Place Policy Development Advisory Group on 4 March 2024, to which Members of the Housing & Communities and Leisure, Culture and Green Spaces PDAGs were also invited. The group raised no objections around the recommendation that would be made to Cabinet.
- 7.2 An all Member seminar was also held in October 2023 where Lifespring presented their vision for the Drill Hall and took Member questions.
- 7.3 Consultation took place with the community during September/October 2023. The Lifespring proposal was publicised through a joint press release between HDC and Lifespring and was covered in the local media and shared extensively on social media. Officers wrote to all regular users of the Drill Hall to invite feedback and a specific email address set up for public feedback. The overall response was broadly positive that the facility would be improved and community access maintained. The response on social media was similarly positive from an overall perspective. There were a small number of objections, with some people believing that HDC should invest in the building and continue to manage it, and others who objected to a religious organisation acquiring the building. Some objections related to objections to elements of Lifespring's perceived beliefs.
- 7.4 Lifespring engaged directly with current users of the Drill Hall, who expressed their support for the proposals. Lifespring have stated that all the current users of the building will be able to continue to use the building, with the exception of an artist who rents a room there full time. The beer festivals and Sussex Arts Festival will both be able to continue under Lifespring's stewardship.
- 7.5 Prior to the publication of this report, the Leader of the Council and Director of Communities met with Horsham Blueprint, Horsham Society, the Queen's Regiment, the Royal British Legion and the chairmen of Denne, Trafalgar and Forest Neighbourhood Councils on the proposal. They fully understood the recommendations that would be put to Cabinet and indicated their support for the proposal.
- 7.6 The Monitoring Officer and the Director of Resources have been consulted to ensure legal and financial probity.

8 Other Courses of Action Considered but Rejected

- 8.1 There are essentially two other options. The first is for HDC to invest in the facility and manage it as a community centre. This would require significant capital investment and ongoing revenue costs that would not deliver any kind of financial

return. In considering this option, it was recognised that this is a failing building and that it is very likely that when the final boiler fails it will need to be closed for a period of time whilst HDC developed a plan for the building, commissioned architects and produced a costs proposal for both short term capital and long term revenue implications. This would undoubtedly lead to a prolonged period of closure.

- 8.2 The second option is to re-consider the original proposal for the site in 2020 was for it to be redeveloped for the provision of affordable housing. This falls within the allowed uses for the site. There was a significant community backlash to this proposal, and it is not anticipated that there will have been a huge shift in the view of residents regarding this.

9 Resource Consequences

Financial overview

- 9.1 Selling the facility will lead to an ongoing Revenue saving of £60,000 pa. It will also ensure that HDC is not required to meet significant capital costs to maintain the facility in the short term and ongoing revenue costs in the long term. None of these costs would deliver a financial return.
- 9.2 We do not have capacity within the legal team to undertake the necessary contract work so external solicitors will be instructed. The cost of this is estimated to be up to £12,000 and will be funded from within existing Property Budgets.
- 9.3 Any redundancy and pension costs would be offset by salary savings, within a payback time of less than two years.

HR and staffing considerations

- 9.4 HDC has a full time member of staff who is responsible for the Drill Hall. He also lives on site. Subject to consultation, it is unlikely that TUPE provisions would apply and the post would become redundant. The Council's Organisational Change Framework sets out the handling of redeployment efforts and redundancy processes that would have to be followed. The officer would be supported by the Housing Team regarding his housing need.

10 Legal Considerations and Implications

- 10.1 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.
- 10.2 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.

- 10.3 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.

11 Risk Assessment

- 11.1 The most significant risk to HDC is through taking no action. Not proceeding with a sale to Lifespring will expose HDC to significant reputational and financial risks that would develop when the building ceases to become an operational facility through the failure of the boiler system.
- 11.2 There are risks relating to the completion of the sale, should agreement not be reached on the value, covenants or overage clauses. It is considered that the risk of this is relatively low as Lifespring are committed to the site being used as a community facility in the long term. There is also a risk around the MOD not considering the use to meet the community use requirements, although this is considered to be a minimal risk.
- 11.3 There may be a longer term risk around Lifespring not being able to fund all of the works required to operate the building. There is no suggestion today that that is the case. If Lifespring ceased to operate, or had to sell the site, HDC could consider in the future whether it would wish to buy it. That said, this is not considered to be a significant risk in the foreseeable future. Lifespring have access to cash reserves and are able to access funding through borrowing.

12 Procurement implications

- 12.1 There are no procurement implications as a result of this report.

13. Equalities and Human Rights implications / Public Sector Equality Duty

- 13.1 Lifespring will make significant improvements to the building that will make it more accessible to the whole community. The facilities for disabled people will be significantly improved compared to the current offer.
- 13.2 Lifespring have been clear that the facility will be available and accessible to everybody in the community, in line with their vision to 'Love God, Love People, Love Horsham'.
- 13.3 There are no practical barriers to accessing the facility. Lifespring have been clear that all current hirers of the facility will continue to be able to hire the venue for the various uses. They have also been clear that people who represent all of the protected characteristics will be able to hire and use the venue.
- 13.4 There will be a number of uses that may not be acceptable, which would be the case for any hall or event space. For instance, Lifespring have set out that they

won't be hosting wedding receptions. Their view is that people can access more appropriate facilities at a hotel, and therefore that won't be an option at the Drill Hall. There will no doubt be other examples, as there are at all venues.

- 13.5 There may be a perception amongst some people that the facilities at the Drill Hall, and the community support that will be provided by Lifespring may not be accessible to everybody, whatever their protected characteristic.
- 13.6 Lifespring have been clear that the building and their services will be accessible to anybody and any group. That said, there will be some types of advice and support that they will not provide and would simply signpost people to other groups. Officers have discussed these matters at length with Lifespring and are content that they will operate fully in line with the Equality Act 2010.

14 Environmental Implications

- 14.1 As part of their plans to develop the building, Lifespring will be working towards making the building more thermally efficient while also removing the high carbon gas use in line with HDC's 2030 target. The Drill Hall created 34 tonnes of carbon emissions in 2022/23

15 Other Considerations

- 15.1 None.