

CLAIR HALL: REPORT OF INVESTIGATION OF INVESTMENT OPTIONS FOR THE SITE

REPORT OF: CHIEF OFFICERS
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Wards Affected: All
Key Decision: Yes
Report to: Cabinet
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Purpose of Report

1. The Cabinet commissioned a project to investigate options for investment in the Clair Hall site in December 2021. Interim findings were reported to the Cabinet in July 2022. This report summarises the feedback from the sector specialists and professionals and proposes a way forward based on an evaluation of the recommendations from the Council's Lead Advisor (BOP) on the project.

Summary

2. The Clair Hall site continues to play an important role in our community, and it is now hosting the autumn vaccination campaign. This report recognises the importance of the community facilities on the site. It builds on a strong local ambition to make the site a place which, with a variety of uses, may enrich the lives of those in Haywards Heath and surrounding communities.
3. The Council is advised to be cautious as the current high inflation costs. The volatility of market conditions create significant risks to projects of this nature, affecting the ability of interested parties to secure the necessary funding, often making future schemes unviable and work in progress highly challenging. There is a reduced appetite to fund capital projects and less money available. The cost-of-living crisis will also drive a greater risk sensitivity among potential investors/operators which may make it harder to market the opportunity successfully.
4. The surveys of the buildings on the site confirmed there are challenges, especially for the Clair Hall building. These include inefficiencies, and significant repair and maintenance liabilities due principally to the age of the building fabric and services: it would cost £2.9 million in the first five years to bring the buildings up to a modern operational standard.
5. The Lead Advisor (BOP) completed their final stage of research and interviewed a range of market experts and professionals to help inform potential opportunities and options for the site. BOP welcomes the Council's robust, evidence-based approach to navigating what is currently a challenging landscape to deliver investment in cultural facilities. This approach will be welcomed by any potential interested parties.
6. Market experts and professionals gave positive feedback on the Council's success criteria which included commitment that the Council will not sell the site; and any organisation or operation based on the site must be self-funding to avoid being a drain on council taxpayers. The Council recognises that combining a variety of uses on the site may offer the best opportunity to make any culture/leisure offer viable and impactful for residents.

7. BOP continues to note that population growth and high levels of cultural engagement (above the national average) in Haywards Heath make the town attractive to commercial cultural venue operators. They emphasise that attracting necessary investment will have the best chance of successes if the Council works with the market and stays open minded about the solution on what and how to deliver the cultural uses on the site. This is important as risks are much higher in the current economic climate.
8. The report notes that the work on the project to date has delivered a broad range of information and learning that places the Council in a better position to move forward and continue pursuit to the ambition to secure investment for the site. It accepts the recommendations of BOP and proposes next steps.

Recommendations

9. The Cabinet is recommended to:

- (i) Note BOP's final report and carefully consider their recommendations**
- (ii) Request officers to commission a specialist broker/agent to develop a briefing pack (as outlined at para 34-36). This will include the process the Council should adopt to progress the preferred models to maximise the opportunity to secure an appropriate cultural anchor tenant / partner for the site.**
- (iii) Agree that the Member Steering Group is retained to guide the next stage of work.**

Background

10. The Clair Hall site is located in Haywards Heath and includes Clair Hall, the Redwood Centre, and a car park. The hall is a multi-purpose venue comprising a large main hall, a function suite, studio, and bar area. The Redwood Centre is a smaller single-storey building. Both venues are well-known destinations next to Clair Park and continue to play an important part in the lives of residents.
11. Currently, Clair Hall is being used by the NHS, including as an important vaccination centre. The Redwood Centre is currently leased to the Scouts and sub-let to a nursery on weekdays.
12. The Cabinet has had a series of reports on Clair Hall in the last year:
 - In December 2021, the Cabinet carefully considered the findings of a consultation and engagement exercise in which residents expressed ambitions to deliver change on the Clair Hall site. The Cabinet agreed to investigate options to invest in the site and/ or assets on the Clair Hall site. It was agreed that more information and work were required to develop options that ensure the sustainable future of the community facilities on the site.
 - In February 2022, the Cabinet agreed the work programme to develop evidence-based, sustainable investment options supported by a specialist advisor in the arts/culture/leisure sector. The Cabinet established a Members' Steering Group (MSG) to oversee and steer the work.

- In July 2022, The Cabinet received an interim report, comprising a report on the property based on a comprehensive set of site surveys and assessments and a report by the Lead Advisor (BOP consulting, an international consultancy specialising in culture and the creative economy).
13. In July, the Cabinet agreed a set of strategic success criteria as the guidelines for consideration of options in the considering the future of the site. These criteria are shown in full in **Appendix A**.
 14. The success criteria include some non-negotiable positions: the Council will not sell the site; and any organisation or operation based on the site must be self-funding to avoid being a drain on council taxpayers. The Council recognises that combining a variety of uses on the site may offer the best opportunity to make any culture/leisure offer viable and impactful for residents.

Key interim findings

15. The Interim Report in July noted that the location and character of the Clair Hall site are its main strengths: it is a good size, in an attractive position, and has good transport connections. However, the report emphasised that the buildings on the site have challenges, especially the Clair Hall building. These include inefficiencies, and significant repair and maintenance liabilities: it would cost £2.9 million in the first five years to bring the buildings up to a modern operational standard.
16. The BOP report provided data which suggests there is a local audience with an appetite for cultural provision though their wide-ranging interests will need to be met with a diverse offer. The ageing population locally may skew these needs over time, and the local population may look outside the town for their provision in any case.
17. Existing cultural provision was judged to be fairly typical for a town the size of Haywards Heath, with a number of theatres, cinemas, and community centres/halls for hire within reach. BOP highlighted the importance of developing future provision which is different or complementary to the existing and planned provision locally.
18. The Interim Report emphasised that current high inflation costs and the volatility of market conditions create significant risks to projects of this nature and attracting funding may therefore be difficult. In the current funding climate, Haywards Heath may not be seen as a priority area by many key funders and there is a reduced appetite to fund capital projects and less money available.
19. BOP has now completed the final stage of their research and interviewed a wide range of market experts and professionals to help inform potential opportunities and options for the site. Their final report summarises the work undertaken and recommends a way forward. It is included at **Appendix B**. A summary of their conclusions is provided below.

BOP's final findings including feedback from market experts

20. Based on the consultation and engagement with residents, research and surveys done in the first phases of this work it was agreed that the Lead Advisor would seek feedback on the agreed success criteria, gathered intelligence and, in particular, explore three models further through soft market testing:
 - **Model 1:** Refurbishment of the existing buildings on the site by a party who can raise the operational expenditure to maintain and run Clair Hall's existing buildings on a leasehold basis

- **Model 2:** Development of the site by a party who can raise the capital to level the existing buildings and build a new cultural/community facility on a leasehold basis
 - **Model 3:** Development of the site by a party who can develop the site with both a cultural/community facility and facilities with other uses on a leasehold basis
21. This work was undertaken between July and September 2022 and shared during its development with the MSG. It draws on a range of discussions with market experts and operators.
 22. BOP highlights the Council should carefully consider all the feedback received in the context of the economy that emerges from the Covid-19 pandemic, with an economic climate that is volatile, affected by both supply shortages and rising inflation. They flag that the cost-of-living crisis will further impact cultural organisations, their audiences, funders, and prospective investors in equal measure. Thus, many organisations are adopting a cautious approach to risk.
 23. In considering the perceived demand, BOP re-emphasises its interim finding that population growth and high levels of cultural engagement (above the national average) in Haywards Heath make the town attractive to commercial cultural venue operators. Post pandemic, audiences prefer to spend their leisure time locally. It is noted that over 65s, a growing demographic in Mid Sussex, have been slower to return to cultural events.
 24. The BOP report considers the demand for and viability of a range of potential cultural offers at Clair Hall site. The Council success criteria for the site were positively received by the experts and professionals. There is some optimism that the Council could attract an independent cinema, multi-arts centre, or some creative workspaces. Sustaining a standalone theatre would be challenging. They emphasise that flexible space and diverse programming is key to future viability of the space.
 25. Though BOP considers some specific cultural uses (mostly based on the consultation feedback), they emphasise that attracting necessary investment will have the best chance of success if the Council works with the market and stays open minded about the solution on what and how to deliver cultural uses on the site.
 26. The report notes that all the models would require capital investment. BOP considers the potential sources of such investment:
 - Commercial investment in Clair Hall is most likely to come from a private sector investor or property developer who has access to financing through borrowing, for example from institutional lenders such as pension funds, and whose strategy is to undertake new capital projects. Prospective cultural anchor tenants are very unlikely to be able to make substantial investment beyond that required to cover fit-out.
 - Public funding for capital projects is focused on broadening participation in deprived and disengaged areas. Haywards Heath does not fit this profile.
 - Post pandemic, philanthropic funding (from individuals, trusts and foundations) has been heavily focussed on supporting the survival of existing cultural infrastructure through the pandemic. It is considered difficult to raise much by way of capital investment for a project in this way.

27. The operational expenditure requirements raise similar challenges about their source. Rising energy costs affecting operators and their supply chains is a source of concern to current business owners in the target operator markets and may temper demand to take on operation of a cultural facility at the Clair Hall site. BOP says that diversified income streams increase potential for financial sustainability through commercial income.
28. Having considered these factors, the BOP report considers the feasibility/viability of each of the models and the likelihood that they will deliver on the success criteria. Model 3 offers the best opportunity to leverage investment into a cultural facility from private sector and to realise a return on any other development on site. Model 1 is more challenging to deliver, and likely relies on a gradual or phased refurbishment which may not, even over time, meet all the success criteria. Model 1 would also be significantly affected by the rising energy costs. It is highly unlikely that an interested party may be found to take forward Model 2 because of the difficulty of attracting capital and operational investment.
29. BOP has therefore recommended that the Council should consider taking forward Model 3 and Model 1 in tandem. Whilst model 3 may demonstrate the greater potential to deliver impact in terms of the success criteria, BOP recommends keeping the Model 1 option available as it will capture the creativity of the market, add flexibility, and will help maximise the likelihood of success overall.
30. Finally, the report outlines the next steps to take forward those models, focusing initially on the importance of appointing an expert agent or broker to develop the brief which will enable both models to be offered to the market.
31. BOP welcomes the effort the Council put into developing a robust body of evidence and clarity of core purpose. The Council should continue to work closely with and listen to the market. In particular, BOP advises, the Council should resist overplanning or master planning the site before it goes to market. Instead, it would be better placed to spend time developing a brief for the site that focusses on impact and return rather than specific delivery mechanisms for private investors/ developers/ prospective cultural anchor tenants.

Review of options/Proposed way forward

32. In December 2021 when deciding the future of the Clair Hall site, the Cabinet consider the following options:
 - (a) Invest in the site and/or assets on the Clair Hall site
 - (b) Do nothing
 - (c) Close Clair Hall and/or Redwood Centre.
33. The work on the project to date has delivered a broad range of information that places the Council in a better position to move forward and continue pursuit to deliver option (a). There is now a strong evidence base which can inform and be part of next steps:
 - Findings of local consultation and engagement in 2021
 - Property report and independent site surveys
 - Expert advice of local cultural audience and available provision

- Market and expert views of the potential and approach to delivering key business models on the site
 - Case studies and examples of relevant projects using similar models.
34. This report confirms that the outlook for investment projects is highly challenging, and securing funding is likely to be difficult. Based on the advice in the report, Model 2 is highly unlikely to be successful and should therefore no longer be considered. Both Model 1 and 3 should be pursued.
- Model 3 offers the better chance of success in this regard by leveraging other uses and drawing on the acknowledged strengths of the site. It is the most likely to deliver on the success criteria which the Council has agreed.
 - Model 1 is considered by the market to have some potential, particularly if the investment and refurbishment required may be delivered gradually. BOP advises that it may equally offer a pathway to Model 3 over time. Given the uncertainty of the market at this time, it is considered a responsible approach to continue to pursue this model, though acknowledging that it is less likely to deliver on the agreed success criteria.
35. The routes to delivery of both Model 1 and Model 3 are set out in BOP's report, and they are broadly similar. Both would look to the market to identify viable proposals which could proceed concurrently.
36. Therefore, as BOP advises, it is proposed that the Council procures the works with a real estate agent (ideally with experience of securing cultural anchor tenants or in conjunction with a specialist culture broker) to assist in next steps. In the first instance, this will focus on developing a briefing pack for the site which describes the expected deliverables for the site and a legal pack. The brief can build on the feedback from the consultation and engagement and evidence gathered to date. It will need to be of sufficient detail to enable the market to respond, while not being so specific as to close down opportunities. Having a single brief will ensure that equivalent outcomes and expectations can be applied whichever model is considered in accordance with the success criteria.

Recommendations

37. It is proposed that Cabinet notes and carefully considers BOP's recommendations. The work outlined at para 34-36 should become the scope of the next phase of work on this project.
38. Should the Cabinet support this, officers will take this work forward within the existing project budget and report back to the Cabinet with a proposal after Christmas.
39. It is further proposed that the work will continue to be guided by the Member Steering Group.
40. In addition, all further work should recognise that the Clair Hall building is designated an Asset of Community Value (ACV). This will be taken into consideration when planning this work.

Financial Implications

41. The Council is under financial pressure and the current funding position for Clair Hall is not sustainable. As noted in the work to date, there is also no obvious funding source for the development or ongoing provision of the facility. This will be a significant factor in the decision-making about investment options on the site.
42. In December 2021, Cabinet created a reserve of £100,000 to fund the specialist work and advice in this project. The reserve covered the work to date and will be used to cover the cost of developing the briefing pack for the site.

Risk Management Implications

43. Due to high inflation and the volatility of market conditions, planning and delivering property investment projects remain extremely difficult as these factors impact the availability of funding or investors' return on investments, often making many schemes unviable. Many existing projects of this nature report significant cost increases, some to the point they become unviable. This will be monitored and will be a significant factor in the decision-making on the future of the Clair Hall site.
44. The work to date has enabled us to get a richer picture of the impact of the pandemic and the current economic position of the arts, and leisure sector in particular; the impact on residents' habits and needs are still emerging and will be considered further in the next stages.
45. There remain risks and uncertainties around planning for future provision, which will continue to be addressed through an evidence-driven approach as the work examines specific models and opportunities.

Policy Context

46. Planning applications are determined against the policies and guidance within the Development Plan. The following are of direct relevance to the Clair Hall site:
 - (a) District Plan 2014-2031, adopted in 2018
 - (b) Haywards Heath Neighbourhood Plan, adopted in 2016
 - (c) Haywards Heath Town Centre Masterplan (Supplementary Planning Document), adopted in 2021
47. The District Plan sets the vision and strategy for the district and includes policies against which planning applications are determined. In relation to the Clair Hall site, policy DP24: Leisure and Cultural Facilities and Activities provides support for new and/or enhanced leisure and cultural activities and facilities. Proposals that involve a loss of cultural facilities will not be supported unless an assessment has been undertaken which shows the facility is surplus to requirements; or the loss would be replaced by equivalent or better provision in terms of quantity and quality in a suitable location; or the development is for alternative provision where the needs clearly outweigh the loss.
48. In relation to the Clair Hall site, The Haywards Heath Neighbourhood Plan's Policy L1 states: Development resulting in the loss of Clair Hall whilst the facility remains needed and valued by the local community will be resisted unless there is re-provision of an equivalent or better facility within the Town prior to the loss of the existing facilities.

49. The Masterplan identifies Clair Hall as an 'Opportunity Site' for redevelopment. For Clair Hall, the Masterplan requires any redevelopment of the site to be subject to the results of an assessment to establish the need for such a facility and whether these could be re-provided elsewhere (in accordance with DP24 above).
50. The work to date has examined the policy context in detail, and the proposed next steps will have regard to this.

Equality and Customer Service Implications

51. Options developed as part of the feasibility work and presented to the Cabinet will include an Equality Impact Assessment.

Sustainability Implications

52. Government policy requires social as well as economic and environmental objectives to be an integral part of sustainability. Strong, vibrant, and healthy communities need sufficient provision for community facilities including cultural facilities which are easily accessible. Further work will include these considerations and develop option(s) for the most suitable facility on the site.

Background Papers

None.

Strategic Success Criteria

1. At its July meeting, the Cabinet agreed a set of success criteria which will focus the Council's aspirations for the future of the Clair Hall site. The criteria draw on local ambitions for the site and respond to the local context and the financial environment within which any investment ideas would need to be delivered. They are a key element of the project as they will be used in the next phase as the framework for the evaluation of the potential models for the site.
2. In the first instance, the Cabinet agreed a set of non-negotiable positions within which any options will be considered:
 - The Council will not sell the site;
 - Any organisation or operation based on the site must be self-funding to avoid being a drain on council tax payers;
 - The Council recognises that combining a variety of uses on the site may offer the best opportunity to make any culture/leisure offer viable and impactful for residents. This would have to take place within the parameters of the Council's planning and economic development policies and strategies.
3. Strategic success criteria were agreed covering the following areas:
 - **Profile and Ambition** – the level of ambition for the site and what sort of profile MSDC expect to see for it.
 - **Financial** – the financial parameters within which options for the site will be developed.
 - **Strategic Impact** – the social, economic and/or cultural impact that options for this site will deliver and how the use of the site will align with existing strategies.
4. The agreed criteria are shown below; they are not weighted or prioritised other than by being categorised as Essential (shown in bold) or Desirable:

| Profile and Ambition | |
|-----------------------------|--|
| Essential | <p>The use of the site must fill identified gap(s) in local cultural / leisure provision.</p> <p>The site must be flexible, multi-functional and future-proof.</p> <p>The site must offer a memorable and positive first impression.</p> <p>The site and any buildings on it will celebrate the local beauty of the surrounding area by opening up and promoting connectivity with Clair Park.</p> <p>The site will provide a cultural / leisure offer for the whole of the Haywards Heath community (existing and future).</p> |

| | |
|-------------------------|---|
| Desirable | <p>The site will offer a destination with a reach across the district.</p> <p>The site will raise the profile of culture and act as a catalyst for culture/creativity in the town.</p> |
| Financial | |
| Essential | The site will be leased on a long-term basis. |
| Desirable | <p>A financial return to the Council will be realised from the site.</p> <p>No capital investment will be required for the site.</p> |
| Strategic Impact | |
| Essential | <p>The use of the site must enhance town centre living, providing activities and delivering impact during daytime and evening.</p> <p>The site must take measures to reduce carbon emissions, including improvements in energy efficiency and in the design and construction of buildings. This includes new buildings and the conversions of existing buildings.</p> |
| Desirable | <p>The use of the site will act as an exemplar for striking successful partnerships across the public, private and third sectors.</p> <p>The use of the site will contribute to the economic development of Haywards Heath through the creation of employment opportunities.</p> <p>The use of this site will capitalise on the local world-class digital infrastructure.</p> |

5. The Cabinet may choose to update these as work develops and more information is gathered about the opportunities and challenges to deliver a successful, future-proof community facility on the site.