

Parish council help for village halls

The purpose of this information sheet is to look in more detail at the ways in which local councils can provide help to village halls. It includes advice on issues such as funding and governance.



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Thank you to members of the ACRE Network for their input to this Information Sheet



Introduction

Village halls are one of the major forms of community facilities in rural and some urban areas, providing a meeting place at low cost for a wide variety of local organisations and promoting community activities in general. For this reason the relationship between village halls and their local council is important as local councils play a key role in representing and meeting the needs of local people.

Local councils can work with halls to ease the financial burden of running or improving premises and to stimulate new community activities in a number of ways by:

- Helping the governance of the hall by appointing a parish councillor onto the management committee, who can set a good example to others by participating actively at committee meetings and encouraging others to do so, offering practical assistance and reporting back to the council
- Regularly providing funding for hall maintenance from the precept so that the management committee plan more effectively for both regular and intermittent expenditure
- Providing capital funding towards repairs or extensions through loans and grants
- Using the hall for committee or public meetings and recognising the need to pay a full rent
- Helping to identify local needs by encouraging and supporting community consultation
- Helping to develop new activities by arranging joint meetings or providing small pump priming grants to those who want to take ideas forward.

Whether or not local councils help financially, village hall management committees can find it impossible to carry on running the village hall. Rather than wind up the village hall, management committees could ask the local council to take over the management of the village hall. A local council has power to do this but it is under no obligation to do so.

The purpose of this information sheet is to look in more detail at the ways in which local councils can address the above issues. It also looks at the implications of the Local Councils' Standards Regime, for those councillors who are also members of their village hall management committee.

'Local council' is the term used throughout this information sheet to describe the term used in England to describe parish and town councils and in Wales, community or town councils.



1 Financial assistance

Local councils are the first tier of Local Authority with the power under Section 19 of the Local Government (Miscellaneous Provisions) Act 1976 to give financial assistance for work on village halls, or in support of their running expenses. There is no limit on the amount that may be given under this Section. Local councils should ask the recipient to provide a report of the use to which the assistance has been put.

Section 137 of the Local Government Act 1972 (the free resource) must not be used to give grant aid to village halls where a more specific power is available.

1.1 Timescale

When seeking financial assistance, a village hall committee should remember that a local council may not be able to provide the money immediately. A local council normally budgets in November for the following financial year which begins in April, and then must request its precept no later than 1 March. It is essential, therefore, that local councils are given as much warning as possible. This also helps with long term planning for the management committee.

1.2 Presentation of applications

It is also strongly recommended that requests for financial assistance are made in the most organised, detailed and professional way possible. A local council will usually want to see that the project is sensible, that it has been carefully planned, if necessary with professional help and that all other potential sources of assistance are being explored. Requests should always be made in writing, detailing a timescale of the proposal and any other sources of funding sought or made available.

Village hall committees should be as precise as possible in formulating their requests. A vague request for some help towards a project that is being planned for some time in the future can be counter-productive and will normally lead to a request for more detailed information, leading to delay. Your local ACRE network member's village halls adviser should be able to help hall committees formulate their presentation.

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13 How local councils are funded

For most local councils their main or only source of income is from the precept i.e. the instruction which they give each year to the principal ('Billing') authority to collect Council Tax from local residents. Other sources of income include loans (where the council borrows money, charitable funds administered by the council, and funds such as section 106 contributions and the Community Infrastructure Levy often referred to as planning gain.

14 Forms of financial assistance

Accepting funds from the local council does not put the village hall management committee under any obligations to the council other than observing any reasonable conditions which may be required. The local council will ultimately be accountable to the auditor for expenditure of public money.

Precept

The precept is money which can be raised through council taxes by the local council in order to fund various facilities, such as village halls and playing fields. The local council calculates and decides upon its precept on an annual basis.

Grant aid

For relatively small sums of money, it will usually be most appropriate for the local council to pay the grant from its annual precept income. A public subscription can also be raised to fund projects. For larger sums, there are two alternatives: building up a capital fund or borrowing.

Capital fund

A local council can build up a fund over a number of years prior to giving the grant. However, this is usually only possible where a project such as an extension is being planned over a number of years and where it is known well in advance how much the local council will be contributing. The council's auditor will also need to be assured that the local council is accumulating the money for a specific purpose.

Loans

A local council may make a loan to a village hall committee. The following points need to be taken into account:

- The loan could come direct from the council's own annual precept income or from a capital fund.
- A local council can take out a loan and give it to the village hall committee but not make an onward loan*.
- A local council could assist by not charging any interest.
- The members of the management committee of a village hall charity, who are the managing trustees of that charity, have, under certain circumstances, a liability to repay any loans that are taken out by the charity in the event of the charity's funds not being adequate to do so. For this reason it is important that legal advice is taken and the whole committee is aware of all possible implications arising from the loan.

*ACRE is in the process of gaining confirmation of this statement.

It is important that advice is taken and the whole committee is aware of all the possible implications arising from a loan.

15 Guaranteeing loans

Under Section 19 of the Local Government (Miscellaneous Provisions) Act 1976, local councils have acted as guarantors and offered indemnity for loans. However, the council will normally need to secure its own borrowing approval first even if it is offering only a guarantee and not raising a loan.

16 Borrowing approval (or 'loan consent')

If the local council decides to borrow a sum of money and give it to the village hall management committee then it must first apply and obtain borrowing approval from the Secretary of State. Application forms can be obtained from the local office of the County Association of Local Councils (sometimes in the same office as your local ACRE Network member) and must be returned to the County Association who will check the details and forward it to the Department for Communities and Local Government (DCLG). Once

granted approval lasts for six months, which means that the application itself is best made when the funds are actually needed. The County Association will however appreciate forewarning that an application is likely and knowing the approximate size when the council takes a decision. The maximum amount which a local council can borrow is £500,000.

Borrowing approval can be given for:

- the acquisition of land
- carrying out of works on land, including the construction of and undertaking significant works on buildings or other structures
- making a grant for the above purposes.

It cannot be given for moveable assets such as furniture or equipment.

Once borrowing approval is granted by letter the local council can then borrow from 'any willing lender'.

1.7 Public Works Loan Board

In most cases the local council will borrow from the Public Works Loan Board, who offer favourable rates of interest to local authorities and can offer differing periods and terms. For fixed rate loans the maximum period is 50 years, for variable rate loans, 10 years. Applications can be downloaded from the PWLB website. Council clerks can ring and ask for the rate that day and fix the loan then and there, for commencement two days later. Existing small loans from an earlier project can be replaced by larger loans to cover new projects too. For an instant estimate based on current PWLB rates contact the Public Works Loan Board. See Sources of further information and advice for contact details.

Example: a local council has resolved to make a grant of £10,000 to a village hall committee towards the cost of making improvements to the hall. There are 250 band D equivalent properties in the council's area (your district council or unitary authority will tell you how many there are). Having first obtained 'borrowing approval', the council borrows money over 10 years

from the PWLB at a fixed rate of 4.5%.

Using the annuity method of repayment, which ensures equal repayments throughout the term of the loan, would result in the local council having to repay £1,110 per year, for 10 years. This would cost each household in a band D property, with two adults (no discounts), £4.45 per year for 10 years (£1,110 divided by 250).

Calculations of this sort will be extremely useful in helping local councils make decisions, as they show just what the implications are of a given level of financial assistance. The effect can then be considered in relation to the more sizeable principal authority precepts.

1.8 Valued Added Tax (VAT)

A local council may, under Section 33 of the VAT Act 1994, reclaim some or all of the VAT on purchases of equipment or building materials, or building work which it incurs for a village hall. The equipment or work has to be gifted to the hall, in lieu of grant aid, and certain conditions met. These conditions differ where a local council is sole trustee of a village hall charity (i.e. both custodian and managing trustee). The relevant conditions are set out in **ACRE's Information Sheet 18, Village halls and VAT on building work and other purchases.**

Conditions for reclaiming VAT are set out in Information Sheet 18, Village Halls and VAT on building work and other purchases.

2

Planning fees

Under the Town and Country Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) Regulations 2012, a planning application made by or on behalf of a local council will be subject to one-half of the fee amount normally payable.

3 Custodian trusteeship

It may be that under the village hall's governing document the parish council is the custodian (or holding) trustee. The custodian trustee's function is to hold the property and act on the lawful directions of the village hall management committee in transactions affecting the title of the property and to ensure that the hall is used for its charitable purposes.

This form of trusteeship is often preferable to appointing individuals as the local council is a corporate body and exists in perpetuity. It does not die or move away, creating the need for a new appointment to be made. The other alternative, and considered a better option by ACRE the SLCC is to vest (appoint) the Official Custodian for Charities as custodian trustee.

In some cases the parish council will be sole trustee; ie both custodian trustee and village hall management committee.

4 Consulting the community

Consultation in the community is often led by the Parish Council. It enables a community to develop a statement or vision of how a community sees itself developing in the future. It will include any social, environmental, or economic issues that are relevant to the people living in the community. The process of carrying out consultation is often led by the parish council and all individuals and organisations should be consulted including the village hall management committee. The village hall management committee may still wish to carry out their own survey or appraisal to ascertain the particular needs of the hall but the hall should still feature largely in any community plans.

Such consultation exercises are often referred to as a community led plan or parish plan.

5

The appointment of a parish council as sole trustee by a village hall management committee

Occasionally a management committee of a village or community hall finds it impossible to carry on running the village hall. Such situations often arise due to reducing number of Charity Trustees willing to serve on a Management Committee. A well-publicised Public Meeting arranged with the help of the Parish Council may help to recruit new Trustees and also demonstrates good practice in trying to resolve the situation.

Should fears of personal liability be the cause then trustees can be reassured that provided a Trustee acts honestly, in good faith and follows the governing document they should have nothing to fear. The Charity Commission can exonerate any Trustee from liability using section 191 of the Charities Act.

Should all of the above fail to secure an effective and hopefully enthusiastic Committee of Charity trustees the 'last resort' may be to ask the Parish Council (PC) to become the Trustee of the Charity. In actual fact it is possible for any corporate body to become Trustee, but most are unsuitable due to their uncertain period of existence and inappropriate main purposes.

However, the Parish Council is not obliged to accept this role and ACRE Information Sheet 36 states this position. Should the Parish Council agree to do so, their existing relationship with the Village Hall will need to be considered i.e. whether they are currently the custodian trustee.

Hall committees will need to refer to the powers in their Governing document to check if they may appoint the parish council as sole trustee. Few governing documents will include such power so the management committee would have to amend it, either using the power of amendment contained in the governing document or amending the governing document to include the power. Hall committees can use the statutory power of amendment set out in s.280 of the Charities Act 2011.

The Charity Commission has power under Section 80 of the Charities Act 2011 to appoint a parish council as sole trustee of a charity but it will only exercise that power in exceptional circumstances.

ACRE strongly advises hall committees in this position to contact their local ACRE Network Adviser as there are a number of options depending on the constitutional structure of the hall and the existing relationship between the Parish Council and the hall charity. The Network Adviser will also be able to advise as to the appropriate wording of any resolution.

6 Local Councils and the Standards Regime (or 'Ethical Framework')

The Localism Act 2011 requires, as part of the new ethical framework, all local authorities to adopt a Code of Conduct, which all councillors have a duty to follow.

It covers three main parts:

- general provisions and obligations e.g., respecting others' views and confidential matters
- being aware of interests and declaring them
- registration of financial interests as well as gifts and hospitality.

6.1 Members sitting on village hall management committees

When issues relating to a village hall management committee are raised at council, members who sit on that committee may have an interest to declare. Members sitting on the village hall management committee in their own right, not as representatives of the council, must declare their interest. However, where they have been appointed by the council to sit on the committee, they are representatives of the council, at least as far as the council is concerned, so they have no interest to declare. As defined by the Localism Act 2011, this interest will be a disclosable pecuniary interest.

The Code of Conduct adopted by the Council pursuant to the Localism Act may require a councillor with an interest to vacate the council meeting during discussion of this item. The Localism Act 2011 enables a council to grant one or more of its councillors a dispensation, which allows them to speak and vote, even though they have declared an interest. The decision to grant a dispensation should not be taken lightly, but it can be useful where, for example a significant number of councillors are also village hall committee members (such that their exclusion from the council meeting would render any further discussion problematical).

When issues relating to a village hall management committee are raised at council, members who sit on that committee may have an interest to declare.

Where the local council is the sole trustee (i.e., there is not a committee of individual managing trustees) of the village hall charity, this does not amount to an interest for each councillor. However, in certain circumstances a councillor may still have an interest to declare for example, if he or she lives next (or close) to the village hall, and the council is planning some activities or works at the hall which may affect his/her home.

7

General

In order for a village hall matter to be discussed at a local council meeting, the item must be included on the agenda. The management committee should write to the clerk to the council before the meeting date, giving full details and asking for the matter to be included on the agenda. It may help to brief the representative on the village hall management committee and other sympathetic councillors as well.

Local councils can provide advice and information about who in other local authorities deal with matters concerning village halls. For example, where to go for assistance in ensuring the relevant rate reliefs are claimed.

Sources of further information and advice

ACRE and its Network provides an information and advice service for village hall management committees through its network of village hall advisers. A link to the village hall advisers is available on the ACRE website www.acre.org.uk

ACRE produces a range of village hall publications and information sheets to support this service which are available from your local ACRE member.

ACRE publications that may be of interest to readers of this information sheet are listed below:

- **Information Sheet 18:** Village Halls and VAT on building work and other purchases
- **Information Sheet 36:** Village halls run by parish councils as sole trustee

Your Village Hall Management Committee

Useful contacts

National Association of Local Councils

109 Great Russell Street, London, WC1B 3LD
www.nalc.gov.uk

Public Works Loan Board

Eastcheap Court, 11 Philpot Lane, London EC3M 8UD

0845 357 6610

www.pwlb.gov.uk

Email pwlb@dmo.gsi.gov.uk