

BRACEBRIDGE HEATH PARISH COUNCIL

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Report on the future management and operation of Bracebridge Heath Village Hall

Meeting date: 15th March 2022

The context and the need to consider options

There are longstanding issues with the management of the Village Hall which have been ongoing for four years or longer and which seem to have been exacerbated by the Covid-19 pandemic. These issues include but are not limited to:

- Existing and potential new hirers being unable to make contact or receive booking information.
- Invoices are not being sent out in a timely manner.
- Repairs and maintenance have not been carried out. Health and safety matters have been brought to the attention of the Parish Clerk including light fittings falling from the ceiling and water egress from the roof.
- Insurances have not been arranged as required. Parish Council has paid this years' building insurance. It is thought that the Village Hall Management Committee do not currently hold Public Liability Insurance or the legally required Employers' Liability Insurance.
- The hall has not officially reopened since closing in March 2020 but a number of hirers have accessed and used the building.

Despite exhausting all avenues to discuss these issues with the Village Hall Management Committee (VHMC) and to assist in finding additional trustees to join the committee, very little progress has been made. A resolution was made in May 2021 to make a referral to the Charity Commission. A number of official letters and requests were made by the Charity Commission requiring action from the VHMC. It is unclear whether these matters have been attended to. It should be noted that the Charity Commission has specified that documentation issued by the Commission is confidential and its disclosure is prohibited under Sections 54 to 59 of the Charities Act 2011.

In light of these issues, the Council has been considering any action that it might take to effect change in the current circumstances. A resolution was made in October 2021 to seek legal advice from a legal firm which specialises in advising charities and local town and parish councils in legal matters.

Key objectives and outcomes

The Council's main objective is to ensure that the village hall functions as a thriving community space for the benefit of residents and nearby communities. Bracebridge Heath already lacks indoor community space to hire and the effective closure of the village hall exacerbates this problem. The benefits of having a fully functioning hall include:

- Recreational activities – supporting the activities of existing groups such as uniformed organisations.
- Community wellbeing – supporting the development of new groups in the village for example Dementia club and Gingerbread support groups; and the growth of existing organisations such as the U3A.
- Providing space for all community groups to meet. This includes multiple types of groups and organisations across a wide age range

What are the options?

Three options have been identified for the Council to consider:

Option 1

Terminate the lease and serve notice on the VHMC to vacate the building. The hall would then be run by the Council outside of charity status. The Council is in a position to terminate the lease at any time for breach of covenants. This requires serving formal notice on the committee.

Option 2

Attempt to get more trustees and operate within a charity structure. This option would essentially continue with the structure as it is and would require new and / or additional trustees to join the VHMC. This option can also be combined with an element of option 3 – that is to create a Charitable Incorporated Organisation (CIO). An incorporated charity would still need individual trustees to function. However, one of the benefits of this is that trustees are not generally personally liable for any debts or other liabilities that the CIO incurs.

Option 3

Create a Charitable Incorporated Organisation (CIO) - This would be incorporating the existing charity with the Parish Council acting as sole trustee.

Analysis of options

Option 1 – Terminate the lease. Parish Council to manage hall outside of charity status.

Strengths	Weaknesses	Opportunities	Threats
<p>The Parish Council has a proven track record of successfully managing community buildings and facilities. Bringing the village hall into the existing management structure will ensure that the hall is managed well in perpetuity.</p> <p>The existing structure where officers carry out the work which is overseen by the Council or a delegated committee provides a good system of governance.</p> <p>The village hall is not reliant on generating income to continue its operations. It can be supported through the precept raised by the Council.</p>	<p>This option could be costly due to:</p> <ul style="list-style-type: none"> • the need to pay business rates on another property owned by the Council. • Staff costs associated with running the hall. <p>See additional costings information for full details.</p> <p>This option may require an increase in the Council budget and precept and there would be a direct cost to residents through Council Tax.</p>	<p>Potential to look at other uses for the building in addition to use as a hired venue. For example, a parish office or potentially moving the library into the building.</p> <p>Registering for VAT and Opting to Tax will allow the Council to reclaim VAT costs on general construction or repair work to the buildings. It will also potentially enable the Council to recover VAT associated with the expansion and/or refurbishment of its community buildings.</p>	<p>As a result of registering for VAT and 'opting to tax' on both the pavilion and the village hall, the Council would have to charge VAT on its business supplies including supplies currently considered exempt (i.e. hire of the pavilion.) Charging VAT on hires will mean price rises for users of both the pavilion and the village hall. This could lead to a reduction in hires due to price increases.</p> <p><i>It should be noted that an expansion of the existing pavilion building might also result in the Council registering for VAT and opting to tax. The Council should take specific VAT advice in all scenarios.</i></p> <p><i>See additional report provided about reclaiming VAT.</i></p>

Option 2 - Find alternative trustees and operate within the existing charity structure

Strengths	Weaknesses	Opportunities	Threats
<p>With the right trustees and with assistance of the Parish Council, this is a model which works well for many communities. It puts the control of the facility in the hands of those using it.</p> <p>The Parish Council remains separate from the trustees of the charity and the running of the hall. This helps when considering awarding grants to the charity.</p>	<p>Without paid employees, this option can lack the ability to prioritise the needs of the hall. Volunteers do not have to commit a minimum number of hours to running the facility.</p> <p>Volunteer led model can lack quality service provision. Volunteers may lack the knowledge and expertise to navigate the legal, health and safety and financial regulations for running the building.</p> <p>This option requires the co-operation of the Trustees to make effective change.</p>	<p>Ability to access grants aimed towards charities. This could assist in any future redevelopment plans for the building.</p>	<p>Apathy from residents and difficulty in recruiting and retaining volunteers. This a real threat to the future of the hall.</p> <p>Potential volunteers may be discouraged from joining the committee due to the personal liability involved with the current structure.</p> <p>Potential volunteers may be discouraged from joining the committee because of historic issues – involvement of Lincolnshire Police, financial irregularities.</p>

Option 3 - Incorporation of the Charity into a Charitable Incorporated Organisation (CIO)

Strengths	Weaknesses	Opportunities	Threats
<p>Removes most personal liability involved with running of the hall.</p> <p>The Parish Council exists in perpetuity so there would be a consistent body taking responsibility for the hall.</p> <p>Parish Councillors are well acquainted with committee structures and making decisions as a corporate body.</p>	<p>Increased responsibilities for Parish Councillors. Additional time required to attend meetings and deal with operational matters associated with the hall.</p> <p>This option would require Councillors to attend separate meetings of the Charity. Councillors would need to ensure that they 'wear the right hat' when attending meetings and ensure that they prioritise the interests of whichever organisation they are representing at that time.</p> <p>Parish Councillors may not have the skills or experience to run a village hall including meeting the legal, financial, health and safety and operational demands of managing the facility.</p> <p>The Parish Council as sole trustee is not ordinarily able to draw on the resources of the Parish Council and its employees – cleaning, caretaking, financial and legal advice, and management of bookings. These tasks would need to be carried out by Parish Councillors as sole trustee or as a delegated committee.</p>	<p>Ability to access grants aimed towards charities. This could assist in any future redevelopment plans for the building.</p>	<p>Existing parish Councillors may not have the capacity to take on the running of the facility.</p> <p>New Parish Councillors, as a result of a scheduled election may not have the skills, knowledge or experience to run the facility. New Members may also not have interest in running the hall.</p> <p>Both of these threats mean that there is a significant risk that capacity for running the hall could diminish with little notice.</p>

What are the costs?

Note: Options 2 and 3 are likely to cost the same and therefore have not been costed separately.

Option 1 - Terminate the lease. Parish Council to manage hall outside of charity status

The Council should be aware that these are best estimates and are based on the following assumptions:

- The operating costs of the building including utility expenditure and regular maintenance has been benchmarked on the pavilion building and cross checked with previous records held relating to the Village Hall.
- Staffing costs are provided at the current NJC rates of pay for existing employed positions within the Council. This is not an indication of who will carry out such work but gives an estimate of likely costs.
- All costings are real costs excluding inflation.
- A 10% contingency budget is included each year. In addition to this, it is assumed that there will be an additional contingency needed for large repairs. This is excluded from the annual cost as it is assumed that the Council will draw on its earmarked reserves for such purposes.

Assumptions relating to income:

- Hire of facilities is based on hire for 49 weeks of the year
- The Council is provided with best, most likely and worst-case scenarios for income in relation to the hall. Costs shown are presented with most likely scenarios. A sensitivity analysis would inform the Council about how sensitive the decision is to any change in forecast income.

Summary of costs

	Year 1	Recurrent (Year 2 onwards)
Expenditure		
Business rates	£3,000	£3,000
Overheads – Utilities	£4,500	£4,500
Maintenance, cleaning and repair items	£3,100	£2,100
Staffing including management of bookings, invoicing, financial reporting, caretaking and cleaning	£11,502	£10,601
Contingency	£2,500	£2,000
Total expenditure	£24,781	£22,381
Income		
Room hire	£3,430	£7,277
Income less expenditure	-£21,352	-£15,104

In addition to the above costs, there are indirect costs that should be taken into account for option 1. This includes a loss of small business rate relief which is currently available for the Pavilion premises.

	Year 1	Recurrent (Year 2 onwards)
Indirect costs		
Business rates at pavilion	£3,000	£3,000
Total expenditure	£3,000	£3,000
Income less expenditure (including indirect costs)	-£24,352	-£18,104

Option 1 shows that the building will run at a loss recurrently of £15,104 per year. The figures presented above are a prudent estimate of the costs involved with running such a facility. It is possible that additional

income will be generated above the estimates given. However, to be fully informed and proceed with caution, the Council should work on prudent estimates.

The costings for this building have also been cross-referenced with other village halls in the vicinity such as Waddington. The figures published by Waddington Parish Council show that there is a forecast loss of around £4000 for its village hall in 2021/2022 - <https://waddington.parish.lincolnshire.gov.uk/council-business/precept-20202021/2>. This is an established village hall with an established customer base and therefore the income from this facility is unlikely to be replicated in Bracebridge Heath, at least in the first few years.

Option 2 and 3 - Find alternative trustees / Council runs the facility as sole trustee of a Charitable Incorporated Organisation

The costings for these options are very similar in that the facility would be run and managed daily by individuals acting as trustees or on behalf of the Council as a sole trustee.

The Council should be aware that these are best estimates and are based on the following assumptions:

- The operating costs of the building including utility expenditure and regular maintenance has been benchmarked on the pavilion building and cross checked with previous records held relating to the Village Hall.
- Staffing costs are only provided for regular cleaning of the facility. It is assumed that all other work and tasks related to running the building will be undertaken by trustees or other volunteers.
- All costings are real costs excluding inflation.
- A 10% contingency budget is included each year. In addition to this, it is assumed that there will be an additional contingency needed for large repairs. This is excluded from the annual cost as it is assumed that the Council will draw on its earmarked reserves for such purposes.
- As the building will be held by a separate organisation to the Parish council, it is assumed that Small Business Rate relief will apply.

Assumptions relating to income:

- Hire of facilities is based on hire for 49 weeks of the year
- The Council is provided with best, most likely and worst case scenarios for income in relation to the hall. Costs shown are presented with most likely scenarios. The Council will need to consider how sensitive the decision is to any change in forecast income.

Summary of costs

	Year 1	Recurrent (Year 2 onwards)
Expenditure		
Business rates	£0	£0
Overheads – Utilities	£4,500	£4,500
Maintenance, cleaning and repair items	£3,600	£2,600
Staffing – cleaning only	£5,116	£5,116
Licence for booking software	£180	£180
Contingency	£1,300	£1300
Total expenditure	£14,696	£13,696
Income		
Room hire	£3,430	£7,277
Income less expenditure	-£11,266	-£6,420

Options 2 and 3 as presented show a recurrent loss of £6,420 per year. The Council should be aware that the village hall has been running at a loss in 7 of the last 9 years reported to the Charity Commission, albeit a smaller loss (see Appendix B). Previously the village hall had an established customer base and it

should not be assumed that all customers will return. In addition, the historical booking information seen on the Village Hall's Hallmaster public calendar shows that much of the income related to a single customer. See Hallmaster records from October 2019 -

<https://v2.hallmaster.co.uk/Diary/ViewWeeklyDiary/7450?weekStartDttm=Mon%2028%2F10%2F2019&customer=0>. The Council should undertake a sensitivity analysis with any option to ensure that forecasted income is not at undue risk by being generated from limited sources.

The costs above provide for cleaning on a regular basis. In reality, until the charity is generating an income it would not be in a position to offer employment. Alternative options for cleaning the hall would need to be considered in the first instance and until the hall was fully operational.

Individual trustees (as provided in option 2) or the Council as Sole Trustee (as provided in option 3) may wish to seek support in regularising the situation with the hall before it is ready to be advertised for hire. In these circumstances staff time or financial limited support could be offered by the Council in the form of a grant. It should be noted that this has not been provided in the costs above but assuming a similar level of management, caretaking, cleaning and repairs are needed on a short-term basis, the hall would run at a similar loss to that provided in Year 1 of Option 1 i.e. -£18,352.

Appendix A – Income scenarios

Room hire	Rate of hire			
	£ per hour exc VAT			
Main hall	14.00			
Committee rooms	8.50			
income scenarios - year 1				
Year 1	Main hall	Best case	Most likely	Worst case
	Number of hired hours per week	12	5	0
	Forecast annual income (£)	8,232	3,430	0
	Committee rooms	Best case	Most likely	Worst case
	Number of hired hours per week	1	0	0
	Forecast annual income (£)	416.5	0	0
	Total forecasted income (£)	8,648.5	3,430	0
Income Scenarios - Recurrent				
Recurrent (Year 2 onwards)	Main Hall	Best case	Most likely	Worst case
	Number of hired hours per week	15	10	5
	Forecast annual income (£)	10,290	6,860	3,430
	Committee rooms	Best case	Most likely	Worst case
	Number of hired hours per week	2	1	0
	Forecast annual income	833	416.5	0
	Total forecasted income (£)	11,123	7,276.5	3,430

Appendix B - Village Hall financial history as shown on the Charity Commission website

Financial period end date	31/10/2011	31/10/2012	31/10/2013	31/10/2014	31/10/2015
Income	£14,584	£16,402	£16,239	£15,559	£13,320
Expenditure	£16,379	£15,692	£15,092	£18,077	£14,920
Income less expenditure	-£1,795	£710	£1,147	-£2,518	-£1,600

Financial period end date	31/10/2016	31/10/2017	31/10/2018	31/10/2019
Income	£14,280	£8,710	£10,040	£7,450
Expenditure	£14,990	£9,590	£12,290	£10,890
Income less expenditure	-£710	-£880	-£2,250	-£3,440

Sources:

Charity Commission <https://register-of-charities.charitycommission.gov.uk/charity-search/-/charity-details/504355/financial-history> accessed on 12th January 2022

Charity Commission. Print screen taken on 3rd May 2017