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HOOE PARISH COUNCIL

CRITIQUE OF 'APPRAISAL OF OPTIONS FOR HOOE VILLAGE HALL' Published April 2023

**Conducted by
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1. BACKGROUND

During the summer of 2023, I was approached by the Clerk of Hooe Parish Council requesting an independent review of a document prepared by Parish Councillor Steve Crawhurst titled '*Appraisal of Options for Hooe Village Hall – April 2023*'.

The suggestion of a new or improved Village hall has been a topic of discussion between current and former councillors and others in the village for some time, and the council are keen to determine an appropriate course of action.

I was asked to provide a critique of the report, with the emphasis on the financial reasoning contained within it.

To complete this task, I was provided with a copy of the report, and subsequently with a copy of the current year Village Hall budget and projected income. I met with the Clerk and Cllr Crawhurst to clarify what I was requested to do, and to ensure that I had sufficient information to carry out the task.

This report provides that critique, addressing the report section by section. My commentary is limited to the financial aspects of the report (I have no expertise in the actual building or improving of a village hall) and extended to some suggested updates to the report, none of which are significant in relation to its content.

This report is not intended to answer the question as to whether the council should pursue a new Village Hall or improve the existing facility, as that is ultimately a question for the council to answer.

2. THE REPORT

My overall impression of the report is that it is a well thought-out and logically presented document. The report breaks down into sections including an introduction, the background history, the options for consideration, a set of evaluation criteria, assessing the options against these criteria and ends with a set of conclusions.

Supporting the main document are appendices including an analysis of precept data across the Wealden District for 2021/22, a summary of the potential increases to the precept based on various levels of borrowing and information obtained from the United Kingdom Debt Management Office website providing costs for borrowing for the various amounts mentioned in the report using the interest rates as of 7 August 2023.

3. FINANCIAL INFORMATION

The loan interest rates are taken directly from the primary source of borrowing for local authorities, publicly available via www.dmo.gov.uk. It should be noted that the interest rates for Public Works Loan Board (PWLb) loans are updated twice per day, and while fixed for the term of the loan, are based on the rate on the day the borrowing is drawn down. Therefore, while the supporting information was accurate on 7 August 2023, if the council decides on a loan of any amount, the actual cost may be different at the time the loan is taken. The author of the report is correct to point out that borrowing costs for local authorities have increased significantly over the last eighteen months to reflect the wider financial sector and interest rate movements.

One aspect of the report considers a short-term ('bridging') loan. While early repayment of PWLB borrowing is possible, there may be interest rate penalties for doing so, and the council must ensure it takes this into account on reaching any decision relating to short-term borrowing.

The report contains indicative costings for potential buildings and draws on information publicly available on www.costmodelling.com, a widely used website providing costs for various building types across the UK. The price point used is the mid-point in the identified range for the type of building under consideration as of 1 January 2023, and is therefore a logical and realistic source for this information. Other indicative costings are similarly based on either estimates provided by contractors or other industry standard estimates.

Appendix A of the report contains precept data for Town and Parish Councils in the Wealden District for the 2021/22 financial year. This information is also publicly available via www.gov.uk with the current financial year's information accessible via [Council Tax Statistics 2023/24](#).

While not statistically significant, the more up to date data would be more meaningful in terms of comparisons with other local authorities in the area. To calculate average figures, I recommend excluding the Parish Meetings within Wealden (*Parish Meetings are for those areas too small to warrant the establishment of a Parish Council*), and therefore remove Alciston, Selmeston and Little Horsted from the comparison data.

4. EVALUATION CRITERIA

The report uses six broad evaluation criteria – need or demand, size and quality of facilities, planning, finance, operational issues, environment and sustainability – with individual criterion addressed within each category. These appear to be logical and sensible criteria to use to assess the merits of each of the proposals. The report acknowledges that no weighting has been applied to the criteria.

Assessment of the three options against these criteria is open to individual interpretation, but I find no clear anomalies within the application and scoring used. While others may have scored the options differently, I do not think that would have altered the overall outcome of the appraisal.

As noted in the report, if the criteria were weighted, that would potentially alter the outcome, dependant on the significance of the weighting applied. Again, the weighting used is a question for debate, but the absence of weighting in the document suggests no pre-determination to steer the outcome to a particular conclusion.

5. LOAN APPLICATION PROCESS

When a local authority identifies a capital project it requires funding for, it can apply for a PWLB loan. Applications are made to the Department for Levelling-Up, Housing and Communities (DLUHC) and are subject to a prescribed process.

The first, and ultimately most important part of this process, is to establish a clear business case for the project being proposed. The report, and subsequent information provided in terms of current use of the Village Hall, do not appear to establish a clear business case, and evidence to suggest that a new larger facility would be widely used by the community would need to be sought to support this criteria.

The application, once complete and with all supporting documentation, must be submitted to the Chief Executive Officer (CEO) of the East Sussex Association of Local Councils (ESALC) for preliminary sign-off prior to submission to the DLUHC. The CEO's role is to ensure that the lending criteria, as determined within the guidance notes available on the PWLB website, have been met with sufficient documentary evidence.

6. AFFORDABILITY

If proceeding with borrowing, the council will need to provide evidence of current and future budgets to show affordability. While the nature of local authorities is such that services and facilities are provided without necessarily recouping the total cost, larger financial commitments may be expected to demonstrate that they will generate an income to offset some, or all, of the capital cost of establishing the facility.

Equally, ongoing maintenance costs of any facility may be covered, or partially covered, by the income generated on a regular basis. Evidence would suggest that the current hall has minimal regular hirers, and even with occasional one-off hires included, this does not cover the current running costs of the facility. There is no forward budget proposal indicating increased usage and subsequent revenue contained within the document.

Local authorities are largely funded through the precept (*the part of the council tax paid directly to the Town or Parish Council*). This money is paid by residents, and the council has a responsibility to ensure that this public money is spent wisely on providing services and facilities for the benefit of the residents.

While council tax referendum principles (*a maximum level the council tax can be increased by each year*) apply to other tiers of local authorities, these do not apply currently to Town and Parish Councils. Therefore, the council can increase the precept each year by whatever figure it feels it can justify to its residents as representing value for money for them. As such, the council can provide for its residents whatever services and facilities the residents are prepared to pay for.

The size and length of the potential loan are likely to require lending such that the precept will increase significantly for both current and future residents of the village. Evidence of a consultation and positive response from residents to the long-term financial impact of the loan repayments is one of the criteria which will need to be met as part of the loan application process.

7. SUMMARY

The improvement and/or replacement of facilities for the benefit of the local community is one of the core functions of a Parish Council, and the *Appraisal of Options for Hooe Village Hall – April 2023* document sets out a considered and reasonable approach for the assessment of the identified options.

The council's financial position is such that in the absence of any wealthy benefactor(s), the only realistic option for raising the funding for any of the options under consideration is borrowing through the Public Works Loan Board.

However, from the detail contained within the document, the fundamental proof of need and requisite business case for financing appears lacking, and without the evidence to support these aspects, any loan application is likely to fail at the first hurdle of submission to ESALC.

ABOUT THE AUTHOR

I have worked in the local authority sector since 2010, following a nineteen-year career in financial services. During my time in the local authority sector, I have held permanent roles as Clerk and RFO at Willingdon and Jevington Parish Council, Battle Town Council and Crowborough Town Council.

I was contracted by the Surrey and Sussex Association of Local Councils (SSALC) to provide training for Clerks, and since 2018, I have worked as an internal auditor for Mulberry & Co.

I now work full-time for Mulberry & Co as a Local Authority Consultant, providing internal audit services, delivering training and mentoring support for Clerks and Councillors, locum services to Town and Parish Councils and provision of ad-hoc advice.

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