

Report - Holly Cottage

1) Decisions from meeting

- a. Confirm Parish Council's previous decision to accept the Will Bequest for Holly Cottage
- b. Agree in principal borrowing through the Public Works Loan Board and the drafting of an application for approval at the PC meeting in March 2021
- c. Agree process for communication and consultation with our community
- d. Agree to using a rental figure circa 15% below market for the purposes of financial modelling

2) Bequest

The following text is an extract of the Will of JT Relph and was provided by the Executors of the Estate

I give my freehold dwelling house and premises called Holly Cottage, Crosby Ravensworth to the local Council of Crosby Ravensworth to be held by it for the benefit of the inhabitants of the Parish and it is my wish that they should let it to some worthy local family applying the rent so received firstly to keep the premises in a reasonable state of repair and any surplus from the rent to be used for the benefit of the inhabitants of the Parish of Crosby Ravensworth Provided Always that if the gift should fail for any reason and if the local Council of the Parish declines to accept the same then the bequest shall fall into the residue of my estate.

3) Valuation

A valuation of Holly Cottage was carried out by Penrith Farmers & Kidd as part of the Estate Valuation for Probate purposes. This valued the property at £150k with an insurance valuation of £415k.

4) Costs

- a. Legal
The PC will have no legal costs associated with the transfer of the property. There will be a Land Registry cost of £60.
- b. Insurance
The PC will have to insure the property and our Insurer's have been approached. For the purpose of this report we have based the costs on the Old Police House.
- c. Refurbishment
The PC employed Lewis Conservation to carry out a Condition Survey and develop a budget for costs associated with the refurbishment of Holly Cottage. This was completed on 5 December 2020.

The refurbishment proposals cover all aspects of the property and are aimed at achieving a minimum Energy Performance band of E whilst also conserving the character of the property

The property is in need of substantial upgrading including the following major items;

- External re-pointing throughout / lime wet dash (south gable)
- Front porch replacement
- Restoration of windows and installation of secondary glazing
- Demolition of garage and outbuilding
- Replacement of all drainage
- Timber treatment and replacement where necessary
- Replacement of chimney slatings, removal asbestos
- Plasterboard overboarding to ceilings and stud walls
- Plaster repairs throughout
- Replacement of logburners with flue liners
- New kitchen
- Provision of downstairs toilet
- Renew all bathroom fittings
- Oil fired central heating – Air Source Heat Pump not an option in an old property and Pellet boiler deemed unsuitable for rental property due to ongoing maintenance
- Renew all electrical services and install interlinked smoke/heat alarm

The budget costs developed by Lewis Conservation including the fees for project managing the entire process are just over £129k excluding VAT.

No allowance has been made for any contingency figure but Lewis Conservation have recommended given the age of the property and current condition that a further 10% to 12.5% contingency figure is included - the upper figure has been used.

Other financial considerations

- Floor coverings throughout	£3,600 incl VAT
- First Oil Tank delivery	£500
- Garden maintenance throughout period	£1,500 No VAT
- New enlarged access gate	£500 No VAT
Total	£6,100

d. EPC certificate

In order for the PC to rent the property it must achieve a minimum EPC rating of E and have a current certificate. The cost provided by Cumbrian Properties as part of their letting package is £90.

It is worth noting that the Government has an ambition to drive landlords to achieving an EPC rating of D by 2025 and C by 2030. Due to the age and conservation status of the property Lewis Conservation can provide an exemption certificate.

e. Initial letting costs

Estimated costs have been provided by Cumbrian Properties, who handled the letting of the Old Police House for the PC in March 2019.

Introduction / advertising £400

References	£50
Viewings (4 @ £12)	£48
Total	£498 incl VAT

f. Overall project cost

Cost summary	Excl VAT	Incl VAT where appropriate
Legal	£60	£60
Insurance	£500	£500
Refurbishment	£129,087	£154,904
Contingency (12.5%)	£16,136	£19,363
Other costs	£5,500	£6,100
EPC	£75	£90
Initial letting costs	£415	£498
Total	£151,773	£181,515

If VAT is recoverable and is claimed monthly then the PC could utilise the Old Police Station Reserve for short term cash flow to cover the VAT sum.

5) Financing

a. Public Works Loan Board (PWLB)

The PC can access funding via the PWLB as refurbishment of Holly Cottage would be classified as capital works.

The PWLB gives the PC access to a maximum of £500k borrowing over up to 50 years. For the likely funding required for refurbishment interest rates would be fixed at 1.53% over 25yrs to 1.91% over 50 yrs.

An application would need to be made via Cumbria Association of Local Councils with final approval for borrowing made by the Secretary of State via the Department of Communities and Local Government. The following information would be required

- *Copy of full minute of the Full Council Meeting with the resolution to seek the Secretary of State's approval for the proposed borrowing;*
- *Copy of the Council's budget for the current year, and next year (if available), showing the provision made to meet the loan costs;*
- *Full report to the Council or business case. This should include*
 - a. Breakdown of the proposed works, estimated costs*
 - b. financial planning to fund the loan repayments and*
 - c. the steps/options the Council/has in place to mitigate the risk for not being able to afford the loan repayments;*
- *Please provide information on how the Council will*
 - a. afford the loan repayments,*
 - b. breakdown of funding resources,*
 - c. amounts to be used from reserves, and*
 - d. any increase of precept to fund the borrowing;*

- *If the Council precept is to be increased to cover the loan repayment, please confirm the amount and percentage of the planned increase related to the loan only (if possible how much increase for house holders at Band D);*
- *If applicable, please provide evidence of public support to increase the precept to cover the loan repayment (e.g. the result of any consultation).*
- *You still need to provide details how local residents were consulted on the project and associated borrowing even if you are not increasing precept to fund the loan (e.g. newsletter/website/in the agenda of public meeting).*

b. 2021/22 Budgetary Impact

It is a requirement of the PWLB that any 'unallocated balances held by an applying Council beyond those required for the prudent financial management of the council should be used in the project for which borrowing is required'.

Any surplus within the 2020/21 accounts will need to be allocated to Holly Cottage. This is likely to be circa £3,000

The PC 2021/22 Draft Budget includes £2,500 of unallocated balances which will need be allocated to Holly Cottage if the scheme progresses.

6) Future income from rental

Cumbrian Properties have indicated that the likely rental achievable for a 3 bedrooed refurbished property in Crosby Ravensworth would be in the region of £750 - £800 per month. Given that Ted Relph in his Bequest wanted the property to be let to "some worthy local family" then assuming this is discounted by around 15% to make it more affordable rent would be around £650 per month.

7) Borrowing versus Rental income

Using the figures from section 4f less unallocated balances from the 2021/22 budget 5b

Required Borrowing	No VAT	With VAT
Cost summary (from 4f)	£151,773	£181,515
Less unallocated balances (from 5b)	-£5,500	-£5,500
Total	£146,273	£176,015

Interest rates are fixed for term of loan and the term can be up to 50yrs

Term	Interest	VAT not recoverable £150k		VAT recoverable £180k	
		Monthly payment	Monthly surplus	Monthly payment	Monthly surplus
25yrs	1.53%	£620	£48	£722	-£72
30yrs	1.67%	£530	£120	£636	£14
35yrs	1.78%	£480	£170	£576	£74
50 yrs	1.91%	£388	£262	£466	£184

VAT – The Governments guidance on VAT for Parish Council's becomes particularly complicated when looking at housing refurbishment.

Given the uncertainty and the considerable sum involved advice is being sought via Cumbria Association of Local Councils and their retained accountancy advisors.

It is worthy of note that given borrowing costs are fixed for the duration of the term and that rental would be increased in line with inflation the monthly surplus would increase on an annual basis.

8) Community / resident consultation

One of the requirements of the Public Works Loan Board application, even though the PC has no intention of increasing the precept to cover some of the works cost of the project, is that the community must be informed / consulted on the proposed scheme and borrowing.

This can be achieved by;

- Parish Council agenda advertised on village noticeboards and on website
- Parish Council meeting minutes posted on village noticeboards and in the Lyvennet Link.
- An article to be published in the February or March edition of the Lyvennet Link asking for community views on the Councils proposal
- Website – A new page to be created on the PC website specifically for Holly Cottage. This PC report along with Lewis Conservation and PFK reports to be uploaded to the Parish website.