

Hankelow Parish Council

REPORT TO: HANKELow PARISH COUNCIL
DATE: 2 JANUARY 2017
SUBJECT: PURCHASE OF HANKELow METHODIST CHURCH
(LOANS/GRANTS)

1 INTRODUCTION

The Methodist Church Council is proposing to offer Hankelow Methodist Church for sale to the Parish Council so that it can be designated as a community hub for the parish.

The Church Council wishes the Parish Council to purchase the church and then lease it back to the Church Council to enable continuation of Sunday morning services and other church events.

The Church Council's plans for the worship area are to install a moveable communion rail and to adapt the pulpit into a moveable lectern. The cross can also be moveable such that the whole space inside the building can be used as a secular community space for activities, concerts and events.

The national rules of the Methodist Church require that a covenant be placed on the sale of all churches to the effect that no alcohol can be served on the premises; however, the Minister and Superintendent Minister are willing to remove this covenant to allow the building to be available for secular activities.

In the event of the Parish Council not wishing to proceed with purchase, the Church Council will continue to operate the church for the foreseeable future, but it cannot anticipate how long the church congregation will be sufficiently large to enable this to be effected. Under the Community Right to Bid scheme, if the Church were to close in the future, the Parish Council would have the first option to purchase, at that time.

2 REPORT CONTENTS

This is an initial report only and is intended to give Members some information about loan potential and availability of grants if the Parish Council decides that it wishes to purchase Hankelow Methodist Church.

It sets out information from the Public Works Loans Board which has the power to make loans to town and parish councils. The Clerk has also explored the possibility of grants through Lottery Funding.

3 SALE/PURCHASE OF HANKELow METHODIST CHURCH

The insurance value of the building is £340,000 but the market value would be assessed by the surveyor who carries out the 5-yearly building inspection.

As the Parish Council has no funds for this purchase and would not be able to raise this through the precept, either a loan would need to be taken out or a capital grant made to the Council.

4 LOTTERY FUNDING

The Clerk contacted the Big Lottery Fund about the availability of a capital grant, but it no longer has a funding programme for large-scale capital works; even if it had, it would be very unlikely that it would fund the purchase of a building.

It still has a large-grant programme, 'Reaching Communities' which includes an allowance of up to £100,00 for capital expenditure but this is intended to facilitate a revenue programme and a capital-only bid is unlikely to succeed. Moreover, as the hall is to continue its use for religious services, lottery funding would not be permitted for any project where part of the use would be for religious purposes.

The Big Lottery Fund suggested the following organisations might be able to make a grant. The Clerk is awaiting a response from the Foyle Foundation, but grants are not available from the other organisations for this type of project.

- Bernard Sunley Must be a registered charity to qualify.
- Wolfson Only funds work which is charitable.
- Tudor Trust Only funds work which is charitable.
- Henry Smith Charity Organisation size must be £50,000-£2m

5 LOAN THROUGH PUBLIC WORKS LOANS BOARD

If a parish council wishes to take out a loan it generally requires the permission of the Secretary of State who delegates this decision to the local association of local councils, (i.e. Cheshire Association of Local Councils).

A loan may be taken from any source, including interest free loans from individuals, but whatever the source, an approval is required and no mortgage or charge on property is allowed. Moreover, the Council will be required to demonstrate to the Secretary of State that the repayments are affordable and that the project costs being supported exceed £5 per elector.

Loans may be made by the Public Works Loans Board (PWLB) and its rates are considered to be competitive. The PWLB will only lend once a borrowing approval has been obtained. Initial approach for borrowing should be made to the Cheshire Association of Local Councils.

Applications should be made by the Responsible Financial Officer and need to be accompanied by the following documentation and should be submitted one week before the loan is required.

- Blank cancelled cheque or an original bank statement (the original bank statement will be returned)
- Completed direct debit mandate (to start repayments)

Loan Types

There are two types of loan

- (a) Fixed rate loans, on which the rate of interest is fixed for the life of the loan; and
- (b) Variable rate loans, on which the rate of interest is variable at one, three or six monthly intervals. Once chosen, the roll-over period remains unchanged for the life of the loan.

Method of Repayment

There are two repayment methods open to parish and town councils:

- (a) Annuity: Half yearly payments where each payment is of a constant amount inclusive of principal and interest (available on fixed rate loans only).
- (b) Equal instalments of principal (EIP): Half yearly payments where each payment comprises a constant instalment of principal plus a diminishing amount of interest, calculated on the balance of principal then outstanding.

Repayment Periods

A council may choose a minimum period of 1-2 years (dependent on the type of loan) and a maximum of 50 years for a fixed rate loan and 10 years for a variable rate loan.

Fees

The fee for a fixed rate loan is 35P for every £1,000 or part thereof
The fee for a variable rate loan is 45P for every £1,000 or part thereof.

Interest Rates

Interest rates are determined by HM Treasury in accordance with Section 5 of the National Loans Act 1968.

5 DECISION REQUIRED

The Parish Council is asked to consider –

- (a) If it wishes to proceed with arrangements to purchase Hankelow Methodist Church;
- (b) How the purchase is to be funded;
- (c) The timeline for purchase; and
- (d) Financial implications for 2018-2019