
**Minutes of a confidential extraordinary meeting of Luppitt Parish Council
held in the Village Hall on Tuesday, 1 March 2022 at 7 pm**

Present: Cllrs John Thorne (Chair), Michele Turner (Vice-Chair), Beth Hooper, Paul Prettejohn, Brian Pulman, Christine Ryder, Andrew Tucker

In attendance: Rosalind Buxton (Parish Clerk)

Apologies: Cllr Martin Summers

1. Reason for meeting

The meeting was called to discuss the cost implications and contract terms issued by the supplier of the play area equipment (Earth Wrights). The total amount of the order came to just under £30,000 excluding VAT so the total outlay would be just under £36,000 when only £30,000 had been raised. The Parish Council had been unaware that this had been the intention, ie to spend the VAT before it was reclaimed.

As the Parish Council presently only claims back VAT annually (at the end of the financial year of 31 March), this would have meant that the Parish Council would have to carry the cost of the VAT for several months which it was not in a position to do.

The contract was between Luppitt Parish Council and Earth Wrights as the Parish Council would be buying the equipment. A clause in the contract stated that any additional costs that arose during installation would be borne by the customer (the Parish Council) and this was unacceptable.

There was also a tight timescale as the first payment of £17,181 plus VAT had to be paid by 4 March to ensure installation would start during April. If this deadline were to be missed, installation would be delayed until August.

2. VAT Position

DALC's VAT expert had provided comprehensive advice which clarified several points regarding ownership and maintenance. As the Parish Council will be buying the equipment and claiming back the VAT, then the Parish Council will be the owners of the equipment which will be added to the Asset Register. The Parish Council will be responsible for insurance, inspection and maintenance. Parish Councillors were asked if they were agreeable to this and they voted unanimously in favour.

The VAT expert also advised that the Parish Council can reclaim the VAT monthly or quarterly and revert at any time to reclaiming annually. Two payments are due in March totalling £20,768 excluding VAT (total amount payable £24,921.60) and the VAT on these two payments could be reclaimed in April. Assuming that VAT on future payments could be reclaimed monthly, this would result in little or no exposure for the Parish Council.

3. Discussions

Having established the VAT position, the contract was discussed in detail with the main problem being that the Parish Council would be responsible for any unforeseen additional costs. All the money raised would have been spent with the result that there would no money left to cover any additional costs that may arise.

- 3.1** A solution to the problem of covering any additional costs was suggested. It was agreed that Cllr Summers and the parishioner who had organised the fundraising would be asked to follow this up (proposed by Cllr Tucker, seconded by Cllr Turner). There were six votes in favour with one abstention.
- 3.2** If Cllr Summers and the parishioner failed to obtain agreement to the suggested solution, then it was unanimously agreed that the following conditions must be met before proceeding.

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- a) The project must be scaled back to come within budget, ie £30,000 including VAT, and allowance must be made for a 10% contingency sum to cover any unforeseen extra costs (proposed by Cllr Turner, seconded by Cllr Pulman with all in favour).
 - b) If necessary, the other two quotations from Kompan and Sutcliffe should be reconsidered. The Kompan quote was for £29,904.43 including VAT so was within the budget of £30,000.
 - c) The Parish Council would like references from local organisations that have used Earth Wrights to ascertain their opinion – quality of work, ease of project, etc (proposed by Cllr Ryder, seconded by Cllr Hooper with all in favour).

4. Conclusion

- Community Action procedures should be tightened to ensure that communications do not break down at a crucial stage with any future projects.
- The Parish Council must be involved in all negotiations from the start especially if the Parish Council is signing a contract with a supplier.
- There should be a clear understanding that projects should not cost more (including VAT) than the amount that has been raised and that a contingency amount must be put aside for unforeseen additional costs.