

Report Statement

Report Purpose:

12. South Park Pavilion

Author:

Town Clerk

Background

This report is for information.

VAT

The Council has received specialist VAT advice in relation to the new pavilion. The pavilion could attract VAT at 20% on the cost of construction which the Council would be unable to recover unless steps are taken to mitigate this cost. This is a complex issue, and a full report will be provided to the next Council meeting.

In broad terms there are three options for the Council to consider: -

- Proceeding without any mitigation in advance of commencing work – the Council would seek to recover the VAT incurred on the elements of the building that VAT would be charged when the building is in use i.e. the events, wedding venue and café. Using this approach, the Council may be able to reclaim a proportion of the VAT incurred on construction but not all of the cost incurred. Clarification is awaited on whether the Council would require to run and operate the café to maximise the value recovered.
- Opting to Tax – the Council would require to register for VAT and this would only affect the pavilion and our activities in relation to this. This cannot be applied retrospectively, and the Town Council would be required to confirm this approach prior to construction work commencing. The Council would retain control of the building and be able to recover VAT in full on the construction works.
- Transferring the building to a charity for a peppercorn rent (£1) – we would build the building on behalf of the community and then transfer the management maintenance and operation of the building to a charity, which the Town Council would in all likelihood have an involvement in but not full control over. VAT on construction costs would be recovered in full.

The working assumption is that the Town Council will seek to lease the café and venue to external operators who will manage and run these as a commercial venture. The Town Council will consider if it would be appropriate for the Council to form a vehicle to allow us to share in the profits generated by the pavilion for the benefit of our residents and to support the repayment of any loan that is taken out to deliver the pavilion for our residents.

Public Works Loan

It was agreed at Full Council 14th June 2023, to apply for a public works loan for £1,000,000 Over 40 years to fund the remainder of the project.

£548,472 will come from Council Ear Marked Reserves and £1,000,000 from a Public Works Loan to complete the project.

EIP (equal instalments of principal) methods

Borrowing will be over 40 years at a rate of 5.57%, the initial half yearly payment will be £40,196 reducing by £343.83 every 6 months.

Therefore, the first year of the payment would be £80,048.17.

With regards to VAT, if the 'opt to tax' choice is taken the loan will be repaid by an increase in the precept and with income generated from the use of the pavilion. This would therefore mean a lower increase in the precept to pay back the loan.

Initial estimated details of the predicted income of the pavilion can be found below:

Income Generated by the Pavilion.

	2024/25	2025/26	2026/27
Café lease	£15,000	£17,000	£17,000
Room Hire	£15,000	£18,000	£20,000
Events	£28,800	£37,000	£48,000
Total	£58,800	£72,000	£85,000

Café Income

The main secure income will be from leasing the café area to a provider. We estimate this will be approximately £15000 per year (reduction in first year as it may not be a full financial year).

Room Hire Income

There has already been immense interest in room hire for the Pavilion from many local organisations including:

- Social Prescribers (health related organisations)
- Local leisure centre to provide exercise classes
- Private providers for weekly sessions e.g for information sessions.
- Macclesfield College, to run courses and lessons.
- Events such as weddings, birthday parties etc.

We estimate that this income would generate approx £15,000 per annum.

Events

Research has been completed with a local event provider to estimate the approximate income that can be raised from events.

Initially the plan is to plan for one event per calendar month in the first year, with this increasing over the years.

The rationale is to sell tickets for events, and further income will be made on providing a bar and food.

Income	
Ticket Sales	Average £1000
Bar/Food Income	Average £2000
Total over 12 months	£36,000
Expenses for 12 months (cost food/drink, bands and acts, casual event staff approx £600 per event)	£7,200

Events will be varied including:

- Live Music
- Comedy Nights
- Supper Clubs from a range of local providers

Expenses of the Pavilion

Operating Costs

Below is a table with our estimated running costs if we are to create a true community asset.

	2024/25	2025/26	2026/27
Utilities	£10,000	£10,500	£11,000
Maintenance		£5,000	£5,000
Facilities Management	£20,000	£20,000	£20,000
Cost of events	£7,200	£9,000	£12,000
Total	£37,200	£44,500	£48,000

Income and Expenditure over 3 years

	2024/25	2025/26	2026/27
Income	£58,800	£72,000	£85,000
Expenditure	£37,200	£44,500	£48,000
Surplus (to go toward PWLB payment)	£21,600	£27,500	£37,000

Therefore, in year one, the loan payment would be £21,600 from the income generated by the pavilion and £58,448.17 from the precept.