

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 7 APRIL 2004

REPORT OF THE FINANCIAL SERVICES MANAGER

This matter is the responsibility of Executive Councillor Williams (Leader of the Council)

WELLSPRINGS – PARTIAL EXEMPTION UPDATE

Executive Summary

To report that £133,500 of monies previously set aside for the repayment of VAT incurred on the Wellsprings Centre will now not be required, and to approve that these monies are now returned to unallocated capital resources.

1 Introduction

1.1 At the special meeting of the Council held on 22 December 2003 the decision was taken to defer the formation of the Leisure Trust. A consequence of this was that the Council would become liable for the repayment to HM Customs & Excise of £330,000 of irrecoverable VAT. Full Council also approved the supplementary estimate necessary for this payment.

1.2 The breakdown of the expected payment to Customs was as follows:

Year	Revenue £	Capital £	Total £
2002/03	97,000	36,500	133,500
2003/04	82,000	114,500	196,500
Total	179,000	151,000	330,000

2 Progress since December

2.1 Since December, Officers have been looking at a number of ways of trying to reduce the expected payment, this includes changes to the operational aspects relating to Wellsprings and liaison with Customs to confirm whether repayment of this VAT is actually required.

2.2 Potential changes to the operational arrangements for Wellsprings have, in discussions with the Head of Commercial Services, proved to be unworkable and would provide only minor reductions to the expected VAT liability.

2.3 However, discussions with Customs have proved much more fruitful, and it has now been confirmed by Customs that they will not require the expected payment of VAT that related to 2002/03 of £133,500.

2.4 Nationally there is a review of the rules and restrictions applied to local authorities for VAT recovery and although no formal changes to VAT law have been formally made, this concession made to TDBC by not requiring repayment of these monies represents a major change in the stance which they have previously taken with other local authorities.

- 2.5 With regard to the expected repayment of £196,500 relating to 2003/04 Customs have indicated that they will review their treatment of this particular year in September 2004. This, it is hoped, will coincide with the outcome of the national review and may result in further concessions. Although it must be stressed that at this time no guarantees can be made.
- 2.6 Returning to the £133,500 relating to 2002/03, the table above shows that it represented both capital and revenue monies. Executive Councillors have indicated that in order to increase the level of capital resources available to finance future capital schemes it has been requested that the whole of the £133,500 be returned to unallocated capital resources. This will require the approval of a virement of £97,000.
- 2.7 It is proposed that rather than request from Full Council a virement now when the 2003/04 financial year has already finished that approval be sought when the 2003/04 outturn (which will include this item) is reported to the Executive (June 2004). This will enable any other underspends which arise during Q4 to also be transferred to capital resources.
- 3 **Impact on Corporate Priorities**
- 3.1 Changes to capital resources affect all of the Council's services and therefore this report impacts on all Corporate Priorities.
- 4 **Recommendations**
- 4.1 It is recommended that the Executive note that HM Customs and Excise no longer require repayment of £133,500 of VAT and that these monies be returned to unallocated capital resources.

Background Papers:

Executive 22 December 2004 – Establishment of a Leisure Trust.

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