

WIRRAL COUNCIL

CABINET

9 DECEMBER 2009

REPORT OF THE DIRECTOR OF FINANCE

CHANCELLOR'S 2008 PRE-BUDGET STATEMENT - CHANGE IN VAT RATES

1. EXECUTIVE SUMMARY

- 1.1. The Chancellor of the Exchequer in his Pre-Budget Statement 2008 reduced the rate of VAT between 1 December 2008 and 31 December 2009. This report sets out the implications for the Council of the return to the higher rate.

2. CHANCELLOR OF THE EXCHEQUER

- 2.1. On 24 November 2008 the Chancellor presented his Pre-Budget Statement which reduced the level of VAT from 17.5% to 15% for the period 1 December 2008 to 31 December 2009. The implications of this change were reported to Cabinet on 27 November 2008.

3. IMPLICATIONS FOR THE COUNCIL

- 3.1. Any VAT paid or received by the Council for goods and services is effectively passed to Her Majesty's Revenue & Customs, and so is cost-neutral to the Council.
- 3.2. In reviewing Council income some services have VAT added and some are VAT inclusive. In all cases the VAT element was set at 15% from 1 December 2008 and will return to 17.5% from 1 January 2010. However, the benefits from the reduction were treated differently.
 - 3.2.1 For those supplies and services to which VAT is added the % addition was set at 15% from 1 December 2008 and will return to 17.5% from 1 January 2010.
 - 3.2.2 For those supplies and services which are VAT inclusive no changes were made. These charges are primarily within Regeneration for Cultural Services activities and within Technical Services for car parking. The reasons for this were the impact upon service users and the need to offer value for money given the temporary nature of the change:-
 - The services have a high number of users with relatively low charges and so the impact for individuals using the service will be in single figure pence reducing the impact of any benefit.

- The scale of charges for car parking is such that any 'pence' changes would create difficulties for those paying in terms of the correct money and the technology which is based upon coins of a 5p minimum.

3.3. Cabinet agreed on 27 November 2008 that in light of difficulties experienced by retailers as a result of the Credit Crunch that up to £35,000 be used in 2008/09 for assistance with car parking charges prior to, and over, Christmas 2008. A similar scheme for 2009 was agreed by Cabinet on 5 November 2009.

4. FINANCIAL IMPLICATIONS

4.1. The operation of VAT is largely cost-neutral to the Council. The charges for services plus VAT were set at the 15% VAT rate from 1 December 2008 and will return to 17.5% from 1 January 2010.

4.2. The VAT inclusive charges remaining unchanged resulted in the Council benefitting from the VAT reduction by approximately £85,000 over the period (being £35,000 2008/09 and £50,000 for 2009/10). This was less than previously reported due to the impact of the recession and a reduction in cultural services and car parking income.

4.3. The benefit to the Council has been redirected to local people as a consequence of the decisions of Cabinet on 27 November 2008 and 5 November 2009 to provide assistance with car parking charges.

5. STAFFING IMPLICATIONS

5.1. There are no direct staffing implications.

6. EQUAL OPPORTUNITIES IMPLICATIONS

6.1. There are no direct equal opportunities implications.

7. COMMUNITY SAFETY IMPLICATIONS

7.1. There are no direct community safety implications.

8. PLANNING IMPLICATIONS

8.1. There are none arising out of this report.

9. LOCAL MEMBER SUPPORT IMPLICATIONS

9.1. There are no implications for any Members or wards.

10. BACKGROUND PAPERS

10.1. Pre Budget Statement 2008 - Chancellor of the Exchequer - November 2008.

11. **RECOMMENDATIONS**

- 11.1. That the change to VAT for the period 1 December 2008 to 31 December 2009 be noted.
- 11.2. That the restoration of VAT at 17.5% from 1 January 2010 be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

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