

BRITISH TRANSPORT POLICE AUTHORITY

Report to: Strategy, Budget & Performance Monitoring Committee

Date: Friday 6th February 2009

Subject: 2008/2009 Budget – Underspend resulting from VAT decrease

Sponsor: Chief Executive & Clerk

For: Decision

1. BACKGROUND AND INTRODUCTION

- 1.1 At the Authority's meeting on Tuesday 27th January, the Authority had a report from the Chief Constable about the revenue position for 2008/09. In that report, the Chief Constable was forecasting "a net underspend of £2.1M year to date and £2.3M forecast outturn, mainly made up of one off additional income from CTRL and VAT recovered"
- 1.2 The Authority discussed this net underspend. Various options were canvassed, including returning some or all of the underspend to PSA holders.
- 1.3 This report brings forward suggestions as to how that underspend might be treated.
- 1.4 There is a distinction between the additional income from CTRL and monies accruing because of the reduction in VAT. So far as the income from CTRL is concerned, the Authority provides policing services to CTRL in the context of a specific Police Service Agreement. This Agreement defines the level of service that is to be provided and has mechanisms whereby those services are paid for. The Agreement contains provisions relating to both the direct costs and the overhead costs. The income from CTRL which the Chief Constable reported is not additional in that it is payment for services that have been received, and therefore should not be looked at in the same light as the reduced expenditure arising because of the reduction in VAT.

2. TREATING THE VAT UNDERSPEND

- 2.1** The Director of Finance & Corporate Services estimates that this will amount to £225,000. There are two options. The first option is to keep this additional income in a reserve, and use that to offset the Police Service charges for 2009/10. The alternative would be to allocate that money back to PSA holders through a credit note against this year's charges.
- 2.2** The reduction in VAT has applied to all goods and services that BTP purchase. It would therefore be right to give a credit note to each PSA holder, not only those whose charges are derived by reference to the charging model. Attached at Appendix A is a list of all the PSA holders who would benefit from this, showing what proportion of their charge is in relation to the total Authority budget. The Authority will see that the credits vary considerably. If the Authority were minded to do this, the mechanism would be to raise a credit note against the last period invoice, thereby reducing the final payments that PSA holders are expected to make in 2008/09.

3. CONCLUSIONS

- 3.1** At the previous discussions, Members were mindful of the current economic climate, and the pressures that PSA holders were undoubtedly feeling. They were anxious to explore ways in which the Authority might contribute to alleviating some of those pressures. The Authority should bear in mind that, where prices have increased in the past (for example increases in the cost of fuel), the Authority has not approached PSA holders for extra funding.
- 3.2** If the Authority is minded to pass back this underspend, the easiest way would be to retain the funds in a reserve account, and use that to offset next year's PSA charges. This would be the easiest administrative action; PSA holders could be told that this is what the Authority intended to do, assuring them that they would receive the benefit of the reduced VAT for this financial year.

4. DECISION

- 4.1** The Authority is asked to agree not to refund the underspend on VAT to PSA holders this year, but keep it in reserves for use next year, with a view to offsetting the charges to be made to PSA holders in 2009/10