



Meeting Record

Justice Centre VAT finance officers meeting

Date and Time:	6 th February 2025 15.00
Chair:	Sara Ansell, PCC Chief Finance Officer
Attendees:	Jeff Carruthers, WP Chief Finance Officer Mike Kaine, WP Head of Accounting and Financial Control Dawn Lewis-Ward – Finance and Grants Officer, OPCC Edward Robertson – Probation Kalpen Patel – Probation Anna Baxter – WCC Mathew Benson - HMCTS

Agenda Items

1. Welcome and Introductions

1.1 SA welcomed all to the meeting and everyone introduced themselves, including confirmation of the organisations they were representing. It was noted that CPS were not present, as no representative details had been shared.

2. Background Justice Centre VAT

- 2.1 SA confirmed that a report had been presented to the Justice Centre (JC) Board at their last meeting in December, but the issue of JC VAT issue had moved on since that meeting, and asked MK to summarise the latest position.
- 2.2 MK outlined the historical position and understanding that an option to tax was in place for both JC's at the point of their construction. JC partner contributions had historically been raised as a payment request rather than a formal invoice. This raised concerns regarding the treatment of VAT. WP had sought tax advice from BDO, their expert advisors, which had suggested that there might be a historical issue of an under declaration of tax. This was the point at which the report to the JC Board was made.
- 2.3 Since that report, WP have liaised further with HMRC, and it appears that the option to tax for the JC's was never lodged with them. This position removes the historical under-declaration of tax risk.
- 2.4 WP have been recovering VAT on supplies for the JC's, and MK further outlined the impact this had on the partial exemption position for the PCC. BDO have since confirmed that the partial exemption calculation average over the 7 year period, in line with HMRC policy is below the 5% threshold, on the assumption of a new option to tax application being made for 2025/26.
- 2.5 All noted the changed position, since the JC Board report and the removal of the historical risk regarding an under declaration of tax to HMRC.

3. Justice Centre opt to tax 2025/26 onwards.

- 3.1 MK confirmed that the partial exemption calculation and the planned higher capital and planned maintenance investment at the JC's from 2025/26 onwards would require an option to tax being lodged with HMRC for both JC's from 2025/26. WP will work with BDO to action this over the coming weeks.
- 3.2 MK outlined that this would mean that future partner contributions would be charged via an invoice and that VAT would be charged on the partner contributions at the standard rate of 20%.
- 3.3 Invoices are due to be sent out by DLW in early April to all partners.

3.4 SA acknowledged that this change would impact partners in different ways based on their tax status. No partners voiced any specific concerns.

3.5 MB queried the planned increased investment at the JC's and what this would mean for partner contributions, and if partners were aware of any changes. SA confirmed that a budget report for 2025/26 had been presented to Board members in December, and she could share this report with attendees. She outlined that the capital investment and planned maintenance costs in 2025/26 would be met from the healthy sinking fund held for each JC. DLW confirmed that all partners contributions include an element for the replenishment of the sinking fund. However, she noted that whilst they are sufficient to meet costs for 2025/26, future higher contributions may be required to meet costs in the medium term. **Action: SA to share Budget report.**

3.6 SA queried whether there were any critical timings for partners to be notified, to allow for their budget setting processes, especially if for example additional costs were envisaged for sinking fund replenishment. None were confirmed.

3.7 SA agreed to share any significant changes to financial details with colleagues regarding budgets and/or partner contribution. ER queried whether there should be other attendees for board meetings. SA confirmed that her attendance in December at the Board meeting was her first, and she was unsure of all members/processes. However, she did confirm that Andy Wade was the probation board member, Vicky Woodfield WCC and Tracey Jones for HMCTS, and suggested that they be the first point of contact.

3.8 All noted the option to tax plans for 2025/26 and no concerns were raised.

4. AOB

4.1 No further concerns were logged, so the meeting was closed.