



AGENDA ITEM: 9

NORTH WALES FIRE AND RESCUE AUTHORITY EXECUTIVE PANEL

21st May 2007

VAT Fuel Receipts for the Purpose of Paying Mileage Allowance to Members and Officers

**Report by Dawn Docx,
Assistant Chief Officer (Finance & Procurement)**

Purpose of Report

- 1.** At the meeting of the Fire Authority on 18th December 2006, Members requested a paper on the matter of VAT receipts for the purpose of paying mileage allowances.
- 2.** This paper seeks to inform Members of the administrative and other issues that have emerged during the first year of the requirement for VAT receipts.
- 3.** It also seeks to present options to Members so that they can advise the Service how to proceed with regard to administering mileage claims in the future.

Background

- 4.** From the 1st April 2006, Members and Officers have been required to submit VAT invoices for fuel in support of their mileage claims. This is to allow the Fire Authority to continue to reclaim the VAT element of the mileage allowance.



Background *(continued)*

5. A number of difficulties have been encountered by this process:
- Members who submit claims to a number of authorities do not have enough individual receipts to meet all their claims. This was resolved by the Treasurer obtaining a dispensation for photocopies of receipts to be used.
 - The Authority processes an average of 200 travel claims per month, which can take up to 600 hours (£6,400) per year. However, it is not so much the time taken to check the claims that is burdensome but the time taken to return unreceipted claims. The checking of these claims involves line managers at all levels which is time that could be better employed delivering front line services.
 - It is often more cost effective for an employee to use their own vehicles for one off journeys to a training event or 'hot spot' campaign than move brigade vehicles around North Wales. The Fire Brigades Union have highlighted in their regular meetings with management that it is often difficult to submit a VAT receipt pre-dated to the journey when the driver may not know in advance that they need to use their own vehicle.

Options

6. **Option 1**
Pay a lower mileage rate (ex VAT) if a VAT receipt is not submitted

Although this appears to be a solution, the current payroll system does not allow this to be done.



Options *(continued)*

Option 2

Capture the value of all VAT receipts collected and only claim that amount

This would involve some administration but would prevent the need to return and chase claims without VAT receipts. It would also ensure that the only VAT reclaimed would be that supported by receipts.

Option 3

No longer reclaim VAT on mileage paid to Members and Officers

Advantages

- Easier to submit claims for Members and Officers.
- Removes the disincentive to employees to use own car at short notice
- Saves the time and cost involved in administering the system, see above, which can be redirected into other work.

Disadvantage

This would cost the Authority £6,500 per year in unclaimed VAT

Option 4

Continue as at present

Advantage

The Authority can continue to reclaim VAT on mileage claims paid

Disadvantage

As stated above within the background



Recommendation

- 7.** On the cost benefit analysis argument alone, Members are recommended to approve Option 3.