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Derby Care Association

Sent via email:
████████████████████

Team	Commissioning and Delivery
Contact	Gurmail Nizzer
Our ref	VAT Novation
Email	Gurmail.nizzer@derby.gov.uk
Tel	01332 642720
Date	13 February 2025

Dear ██████████

VAT Novation

I hope you are well.

Thank you for your emails, dated 24 January 2025, regarding Value Added Tax (VAT) novation and our really useful partnership discussion and meeting.

The VAT issue has now been looked into by the Council's VAT Officer, as this is a very technical area.

For information, the Council has been approached several times with requests to novate residential care core agreements to an alternative company, to allow for the reclaiming of VAT, which is not possible where the company is established primarily for the delivery of Adult Social Care.

As you know, VAT is a complex and technical area. Following very careful consideration, I am writing to advise that the Council is unfortunately unable to agree to a novation of contracts.

As background information, the Council does not enter into contracts with organisations that are not registered to deliver care and does not commission registered activity via third party organisations. This is a consistent approach, taken corporately across the Council.

Given the difficulties novation would cause with regards to ongoing contract management and the risk to the Council in terms of an indirect relationship with the care provider and enforcing any terms of the contract should there be an issue in delivery, the Council feels that it would not be in the best interests of the Council and its service users to proceed.

Derby City Council, The Council House, Corporation Street, Derby, DE1 2FS.
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In addition, this approach could potentially destabilise the care market, as only the larger organisations would be able to set up a “VAT Group”, meaning that smaller local providers could be seen to have higher fees, as they will include VAT.

Whilst a restructure of delivery arrangements to enable the reclaiming of VAT may appear more financially effective to some providers, it would not meet with the Council’s commissioning requirements or provide the contractual framework for governance of the services provided.

I am sorry this is not the response you were hoping for, but I hope the context and rationale outlined in this letter is helpful.

Yours sincerely,

A solid black rectangular box used to redact the signature of the sender.

Gurmail Nizzer,
Director for Commissioning and Delivery