

North Herts Council

Tax Compliance Framework 2022/23

Introduction

This framework sets out our approach to managing North Herts Council's (The Council's) tax affairs. This strategy, along with our operational governance regarding tax, is approved by our Chief Finance Officer and subject to periodic review by the Leadership Team.

North Herts Council is a Local Authority regulated by statute – largely the Local Government Act 1972 as amended. As a Local Authority, the Council's ability to generate income in competition with the Private Sector is limited. therefore our taxable activities are relatively few.

As a designated 'relevant body' under the Criminal Finances Act 2017, we the Council, acknowledge our responsibilities under this legislation, requiring us to prepare a Tax Strategy that demonstrates:

- 1) Our tax objectives
- 2) Our compliance with all legal requirements in respect of our tax activities and general approach to our tax activities.
- 3) Our commitment to minimising opportunities for tax evasion within our activities

1) North Herts Tax Objectives

As we are a non profit- making organisation, our tax objectives, are to account for the right amount of tax, at the right time, for all taxable activities. This is consistent with our primary responsibility, to ensure the wellbeing of our Community. The Council is accountable through our elected Councillors, and is committed to transparency responsibilities under the Freedom of Information (FOI) Act, transparency regulations and public inspection of our accounts. We will always seek to minimise the tax cost of conducting our business for the benefit of the community, while ensuring our actions are not contradictory to the intent of legislation.

Our Commitment

- Our guiding principles and codes of conduct govern how we manage our tax affairs. These are supported by both underlying detailed governance and risk management frameworks.
- When dealing with tax affairs, we will do so based on sound commercial purposes and will never act in a way that could be considered inconsistent with our understanding of the intention of Parliament, or which could be contrary to any anti abuse legislation.
- Our internal controls and reporting lines aim to ensure that any part of the council intending to undertake a transaction or activity outside the normal course of our business model must always consider the tax implications and consult with the Accountancy Team.
- The Council will not enter into artificial transactions designed to evade tax consequences.

2) Our Compliance with all legal requirements in respect of our tax activities

The Council applies professional care and diligence in the management of our tax risk, and appropriate levels of diligence to the activities of staff, partners, and contractors. We operate in an accurate, timely and transparent manner, in respect of tax activities, and manage our contact with HMRC in an open and collaborative manner.

We engage openly and constructively with HMRC on matters relating to our tax affairs. We share information about our commercial developments or transactions, especially where there are complex tax treatments. Where necessary, we will seek recognised tax advice where we are not certain of the correct approach.

We provide prompt responses to all requests for information from HMRC, including the timely submission of tax returns.

The responsibility for our tax affairs rests with our Chief Finance Officer (“CFO”) who is a member of the Leadership Team.

We are committed to being a responsible and compliant taxpayer, and we do this in two ways:

- We maintain robust internal processes and controls, designed to minimise the risk of errors that could impact the amount of tax we pay. The controls are documented in Appendix A - How we ensure Tax Compliance. These processes and controls are regularly monitored, reviewed, and tested, and underpin the submission of returns prepared for the Council, including in our role as an employer, and the returns we make for our staff.
- Where we contract with suppliers, we ensure that we correctly deal with our tax obligations in respect of payments to them.

In respect of our responsibilities under the Legislation in Criminal Finances Act 2017, we are committed to minimising the opportunity for tax fraud by the Council, our staff, partners, and contractors:

- whether that fraud be by way of evasion, false accounting, fraudulent charging, or recovery of tax - whether corporate or personal.
- in a manner proportional to its level of tax risk and impact.

We believe we have implemented reasonable prevention measures to avoid tax errors and evasion and will review this Tax Strategy annually to demonstrate our commitment.

3) Our commitment to minimising opportunities for tax evasion within our activities

The Council follows six guiding principles to minimise the opportunity for tax evasion or errors within our internal operations.

- a) Risk assessment
- b) Proportionality of risk-based prevention procedures
- c) Top level commitment
- d) Due diligence
- e) Communication (including training)

f) Monitoring and review

a) Risk Assessment

As a Local Authority operating under statute, we believe there is a low level of incentive or opportunity to perpetrate or facilitate tax fraud on a corporate basis. Similarly, we believe there is little opportunity for staff to perpetrate or facilitate tax fraud on a personal basis to a significant level due to our control framework, including segregation of duties and robust internal and external audit arrangements.

Generally, there is a low level of complexity involved in the Councils' transactions, a high level of regulation and, consequently, a low level of opportunity for deliberate tax fraud.

How we Regulate

- We have developed a detailed framework of internal controls, the Financial Regulations, to provide a robust and comprehensive approach to managing risk in relation to the taxation of our activities. This framework is structured to deliver a level of governance and oversight which is consistent with the standards we adopt in all our regulatory frameworks.
- This detailed framework is based on a series of internal controls and internal quality controls.
- The framework, along with our other financial and operational systems, are subject to a rolling independent review by our shared internal audit service (SIAS) with results reported to both our Managing Director and our Finance Audit and Risk Committee.

As a Council, we are not affected by Corporation Tax, we are a net receiver of VAT and we undertake relatively few taxable activities. A few transactions may involve the application of Stamp Duty Land Tax (SDLT).

As an employer, we are involved in

- **PAYE transactions**
- **Contractor payments and**
- **Construction Industry Scheme (CIS) transactions**

But do not believe it is our responsibility to actively assess the tax compliance of other bodies/individuals.

It is unlikely that changes in Tax legislation will have any significant impact on The Councils' finances, including changes to tax rates.. We maintain tax awareness through a retained external tax consultancy helpline provided by CIPFA, regular tax updates from Price Waterhouse Coopers tax consultants, and updates from HMRC.

North Herts Council, therefore, regards itself as a 'low risk' organisation and, additionally, regards the potential impact of tax risks also as 'low'.

b) Proportionality or risk-based prevention procedures

We consider the total elimination of tax risk to be impossible. We believe the current level of risk management is reasonable and proportionate to the level of risk and scale. We operate internal procedures and systems designed to mitigate risk – in the form of published Contract Procurement Rules and Financial Regulations. Our standard forms of contract include the requirement for contractor tax compliance.

We recognise that getting VAT treatment wrong or failing to ensure we adhere to the HMRC guidelines for Partial exemption, could have a financial impact on the Council ,and monitor this as a service risk via our risk management system (Pentana). The risk is reviewed every six months and actions taken to lower the risk wherever possible.

c) Top Level (Senior Management) Commitment

Section 151 of the Local Government Act 1972 requires that “the Council makes arrangements for the proper administration of its financial affairs.”

Financial regulations demonstrate how we meet this requirement, by setting out a clear regulatory and accountability framework for the use of our resources.

Section 114 of the Local Government Act 1988 requires “the Section 151 Officer to report to Full Council and external audit if the Council or one of its officers:

- has made or is about to make a decision which involves the Council incurring expenditure which is unlawful
- has taken or is about to take an unlawful decision which has resulted or would result in a loss or deficiency to the Council; or
- is about to make an unlawful entry in the Council's accounts.

In addition, this strategy, along with our operational governance in relation to our tax affairs, has been approved by our Chief Finance Officer and is subject to periodic review by our Leadership Team.

d) Due Diligence

The Council applies due diligence procedures, taking an appropriate risk-based approach to transactions, through our internal procedures and systems, and suppliers, who perform services on behalf of the Council .

Where transactions are planned that are significant in terms of financial and tax value, additional levels of diligence and scrutiny occur. This additional diligence may take the form of external professional advice, reports to Elected Members, external and/or internal audit consultation.

e) Communication (including training)

Prevention policies and procedures are communicated, embedded, and understood throughout the Council.

Financial transactions are conducted in accordance with the Financial Regulations and Contract Procurement Rules.

The Council operates a Whistle blowing and Money Laundering policy and has a Money Laundering Reporting process.

Appropriate tax training and awareness is provided for staff

Monitoring and Review

The Tax Strategy is subject to annual review by Officers and submitted to the Finance Audit and Risk Committee (FARC) every 2 years or when a significant change in policy is proposed, if that is sooner. Regular Internal and External Audits of all systems and policies takes place. Improvements to policies and procedures are made where necessary and, if significant, will be submitted to FARC.

Roles in the Tax Management Process

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| All Employees | <ul style="list-style-type: none"> • Manage day-to-day income and expenditure and seek advice on VAT and tax treatment from Accountancy Services. • Identify any new income streams or projects relating to their service area, and ensure correct tax treatment • Attend training and awareness sessions, as appropriate. |
| All Members | <ul style="list-style-type: none"> • Comply with all tax requirements and advice. |
| Cabinet | <ul style="list-style-type: none"> • Approve the Tax Strategy. • Support and promote an effective tax management culture. • Constructively review and scrutinise (as appropriate) the tax implications involved in delivering the Councils objectives and making decisions. • Responsible for oversight of Tax Compliance (with Leadership Team). |
| Finance, Audit and Risk Committee (FARC) | <ul style="list-style-type: none"> • Provide independent assurance to the Council on the overall adequacy of the Tax Strategy, including review of proposed amendments to the Strategy prior to its presentation to Cabinet. |
| Shared Internal Audit Service (SIAS) | <ul style="list-style-type: none"> • Provide assurance that tax is being effectively identified and managed. • During all relevant audits, challenge the approach to tax management. • Periodically undertake specific audits of the Council's tax management process and provide an independent objective opinion on its operation and effectiveness. |
| Leadership Team (LT) | <ul style="list-style-type: none"> • Champion an effective Council wide tax management culture. • Ensure all reports consider tax implications as part of financial implications. • Responsible for oversight of tax management within the Council |
| Service Directors | <ul style="list-style-type: none"> • Ensure the correct application of tax is considered in their Directorates when delivering the Council's core objectives and outcomes and confirm annually they have done this as part of the Annual Governance statement process. |
| Service Director - Resources | <ul style="list-style-type: none"> • Corporate champion for tax management. • Promotes the adequate and proper consideration of tax management to senior managers and more widely within the Council. |

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| | <ul style="list-style-type: none"> • Ensures the Internal Audit work plan considers tax management. |
| Controls, Risk and Performance Team | <ul style="list-style-type: none"> • Design and facilitate the implementation of a Tax Strategy within The Council, ensuring it meets the needs of the organisation. • Act as a centre of expertise, providing support and guidance as required • Collate information and prepare reports on tax matters, as necessary. • Develops, supports, and promotes the Council's Financial management software Integra to assist with tax compliance • Facilitates tax Training where required. |
| Service Managers / Project Managers | <ul style="list-style-type: none"> • Responsible for the effective leadership and management of tax in their area of responsibility in line with the Council's Tax Strategy. • Consider tax implications as part of Project Initiation • Seek tax advice from Accountancy Services to ensure compliance. |

Linked documents

Financial Regulations

Contract Procurement Rules

Risk Management Framework

How we ensure Tax Compliance

Whistleblowing Policy

Fraud Policy

Purchase Card Procedure Guide

VAT Manual

Miscellaneous List (Mislist) guide to income

Fees and Charges document

[Dealing with HMRC: Tax compliance - detailed information - GOV.UK \(www.gov.uk\)](http://www.gov.uk)