

# Waverley Borough Council

## Tax Strategy 2020/22

### 1. Introduction

1.1. Waverley Borough Council is a Local Authority regulated by statute – largely the Local Government Act 1972 as amended. As a Local Authority, Waverley’s ability to generate income in competition with the Private Sector is very limited. As a consequence, its taxable activities are relatively few.

1.2. Nevertheless, as a designated ‘relevant body’ under the Legislation in Criminal Finances Act 2017, Waverley acknowledges its responsibilities under this legislation and undertakes to respond appropriately to the Corporate Criminal Offence guidance from HMRC in September 2017. The Legislation in Criminal Finances Act 2017 requires the preparation of a Tax Strategy demonstrating:

- Waverley’s tax motives
- its compliance with all legal requirements in respect of its tax activities
- its general approach to its tax activities
- its commitment to minimising opportunities for tax evasion within its activities

through six guiding principles:

- Risk assessment
- Proportionality of risk-based prevention procedures
- Top level commitment
- Due diligence
- Communication (including training)
- Monitoring and review

### 2. Waverley’s Tax Motives

2.1. As a Local Authority, Waverley is not a profit making organisation. Its tax motives are therefore to account properly, and in timely fashion, for all its taxable activities consistent with its primary responsibilities for the wellbeing of its community. Waverley is accountable through its elected Councillors and is committed to the transparency of its financial affairs including Freedom of Information (FOI), transparency disclosure and public inspection of its accounts. Waverley seeks to minimise the tax cost of conducting its business, for the benefit of its community, while ensuring that any such action is not contradictory to the intent of the legislation. Waverley will not enter into artificial transactions designed to evade tax consequences.

- 2.2. Waverley applies professional care and diligence in the management of its own tax risk and applies appropriate levels of diligence to the activities of its staff, partners and contractors. Waverley operates in an accurate, timely and transparent manner, in respect of its tax activities, and manages its contact with HMRC in an open and collaborative manner.
- 2.3. In respect of its responsibilities under the Legislation in Criminal Finances Act 2017 Waverley is committed to minimising the opportunity for tax fraud by itself, its staff, partners and contractors whether that fraud be:
- by way of evasion, false accounting, fraudulent charging or recovery of tax - whether corporate or personal, and
  - in a manner proportional to its level of tax risk and impact.
- 2.4. Waverley, therefore, has in place reasonable prevention measures to avoid tax evasion, and will prepare its Tax Strategy annually to demonstrate its commitment.

### **3. Risk Assessment**

- 3.1. As a Local Authority operating under statute, Waverley believes there is a low level of incentive or opportunity to perpetrate or facilitate tax fraud on a corporate basis. Similarly it believes there is little opportunity for its staff to perpetrate or facilitate tax fraud on a personal basis to a significant level due to its control framework including segregation of duties and robust internal and external audit arrangements. Generally there is a low level of complexity involved in Waverley's transactions, a high level of regulation and, consequently, a low level of opportunity for deliberate tax fraud.
- 3.2. Waverley is not affected by Corporation Tax, is a net receiver of VAT and its VATable activities typically represent as little as 0.5% (by value) of income. Waverley is involved in few Stamp Duty Land Tax (SDLT) transactions and operates no cash transactions. As an employer Waverley is involved in PAYE transactions, contractor payments and Construction Industry Scheme (CIS) transactions but does not regard itself as responsible for actively assessing the tax compliance of other bodies/individuals.
- 3.3. The likelihood of changes in legislation in respect of tax affecting Local Government on a scale to have any significant impact on Waverley's finances is seen as low, for example changes to tax rates would have virtually no financial impact on Waverley. Waverley maintains tax awareness through a retained external tax consultancy.
- 3.4. Waverley, therefore, regards itself as a 'low risk' organisation and, additionally, regards the potential impact of tax risks also as 'low'.

#### **4. Proportionality or risk-based prevention procedures**

- 4.1. Waverley considers the total elimination of tax risk is impossible. It believes its current level of risk management is reasonable and proportionate to the level of risk and scale. Waverley operates internal procedures and systems designed to mitigate risk – these most notably take the form of published Contract Procedure Rules (CPRs) and Financial Regulations (FRs). Its standard forms of contract include the requirement for contractor tax compliance.

#### **5. Top Level (Senior Management) Commitment**

- 5.1. Section 151 of the Local Government Act 1972 requires that “the Council makes arrangements for the proper administration of its financial affairs. Financial regulations are the means by which the Council meets this requirement by setting out a clear regulatory and accountability framework for the use of its resources.
- 5.2. 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.

#### **6. Due Diligence**

- 6.1. Waverley applies due diligence procedures, taking an appropriate risk based approach, to the mass of transactions it undertakes through its internal procedures and systems and in respect to persons who perform or will perform services on behalf of the Council with regard to tax.
- 6.2. Where transactions are planned which 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 audits etc.

#### **7. Communication (including training)**

- 7.1. Prevention policies and procedures are communicated, embedded and understood throughout the Council.
- 7.2. Financial transactions are conducted in accordance with the Financial Regulations and Contract Procurement Rules.

- 7.3. Waverley operates a Whistle blowing and Money Laundering policy and has a Money Laundering Officer.
- 7.4. Appropriate tax training and awareness is provided for staff and members.

**8. Monitoring and Review**

- 8.1. The Tax Strategy is subject to annual review by Officers and submitted to the Audit Committee 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, are always submitted to the Audit Committee.