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Issue: Tax Arrangements of Senior Public Sector Appointees

Action: To note the current position and actions being taken

Timing: Routine

Background

1. The Chief Secretary to the Treasury published the *Review of Tax Arrangements of Public Sector Appointees* on 23 May 2012. This set out new rules to ensure all central government departments and their arm's length bodies are able to assure themselves that their senior staff and contractors are meeting their tax obligations. The full recommendations are set out at [Appendix A](http://www.hm-treasury.gov.uk/d/tax_pay_appointees_review_230512.pdf) [withheld under Section 21 – the information is already available at http://www.hm-treasury.gov.uk/d/tax_pay_appointees_review_230512.pdf].
2. The recommendations are to be implemented within 3 months with appropriate clauses inserted into all new contracts and contract renewals by 23 August 2012 at the latest.
3. A further review will be carried out in April 2013 to ensure that these recommendations have been successfully implemented. Sanctions will apply to any department that does not comply. These will take the form of a DEL fine of up to five times the salary in question.

Current actions

4. Contacts from HR, Finance, Procurement & Legal have already met and discussed the implications, response and way forward for DECC.
5. The following actions are currently being taken:
 - a. New generic clauses, provided by HM Treasury, are being inserted into all Government Procurement Service (GPS) resource frameworks and will apply to new contracts and contract extensions. These clauses will enable DECC to assure itself that all PAYE obligations are being

complied with by the individual and grant DECC contract managers the power to seek confirmation from the individual upon request.

- b. DECC will insert the same clauses into our standard terms and conditions that generally apply to all new contracts and contract extensions to provide the same level of assurance.
- c. DECC will ask all new contract engagements and contract renewals to sign a “comfort note” to confirm that they accept the new clauses and that their tax arrangements are compliant. Upon request they may be asked to provide more substantial evidence to DECC, failure to do so may result in the termination of their contract and that details may be passed to HMRC for further investigation.
- d. The new tax controls apply to NDPBs and will be raised with procurement representatives at a teleconference scheduled next Thursday.
- e. Similar steps are being taken by the four NDPBs for which DECC has responsibility.
- f. All Groups and NDPBs have been asked to review the contractors that were identified in the previous exercise and whose details were published as part of the review. They have also been asked to provide details of any new hires. This exercise is due to conclude on 31 July at which point HR, Finance & Procurement are due to meet and review the baseline.

Next steps

6. We will continue to work with HMT, DFE and GPS to ensure that DECC is following best practise and develops a robust approach to monitoring the management of new and renewal contracts of all people paid off payroll.
7. We will investigate how these revised terms & conditions could be applied to existing contractors whose contracts have recently been extended or are not due to be renewed until after April 2013.
8. We will provide a further update after 23 August 2012.

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