Causeway Coast & Glens Borough Council

**SPECIAL COUNCIL MEETING TUESDAY 2 NOVEMBER 2021**

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| No. | Item | Decision |
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| **1.** | Apologies | ***Alderman Boyle Councillors Anderson, McAuley, McGlinchey, Peacock*** |
| | | |
| **2.** | Declarations of Interest | ***None*** |
| | | |
| | **'IN COMMITTEE' Item 3** | |
| **3.** | Review of Large Event VAT funding (Verbal briefing by the Interim Finance Director) | ***Received*** |


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**MINUTES OF THE PROCEEDINGS OF THE SPECIAL MEETING OF COUNCIL HELD IN THE COUNCIL CHAMBER AND VIA VIDEO CONFERENCE ON TUESDAY 2 NOVEMBER 2021 AT 6:00PM**

**In the Chair :** The Mayor, Councillor Holmes (C)

**Present :** Alderman Baird (C), Duddy (C), Hillis (C), McKeown (R), Knight-McQuillan (R), S McKillop (C)

Councillors Bateson (R), Beattie (R), Callan (C), Chivers (R), Dallat O'Driscoll (R), Hunter (R), McCandless (C), McGurk (R), MA McKillop (C), McLean (C), McMullan (R), McQuillan (C), C McShane (R), P McShane (C), Mulholland (C), Quigley (C), Schenning (C), Scott (C), Wallace (C), Watton (C), Wilson (C)

**Officers Present :**
D Jackson, Chief Executive (R)
M Smyth, Finance Director (Interim) (C)
R Baker, Director of Leisure and Development (R)
M Quinn, Director of Corporate Services (R)
A McPeake, Director of Environmental Services (R)
P Donaghy, Democratic & Central Services Manager (R)
P O'Brien, Funding Unit Manager (R)
A Ruddy, Audit, Risk and Governance Officer (R)
N Linnegan, Council Solicitor (R)
A McAuley, PR Manager (R)
S Duggan, Civic Committee & Member Services Officer (R)
J Keen, Committee & Member Services Officer (C)
I Owens, Committee & Member Services Officer (R)

**Officers in Attendance :**
J Winfield, ICT Manager (C)
A Lennox, ICT Mobile Operations (C)

**In Attendance:** JJ Tohill, Director of Corporate Services (Finance) Mid Ulster District Council (R)

**Key –** **C** = Attended in the Chamber
**R** = Attended Remotely

The Finance Director (Interim) undertook a roll call.

The Mayor advised Council of its obligations and protocol whilst the meeting was being audio recorded; and with the remote meetings protocol.

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## 1. APOLOGIES

Apologies were received for Alderman Boyle, Councillors Anderson, McAuley, McGlinchey and Peacock.

## 2. DECLARATIONS OF INTEREST

There were no declarations of interest received.

Councillor P McShane stated he had highlighted the Mayor's declarations of interest at the last meeting and asked him to declare an interest.

The Mayor advised Councillor P McShane that if he had a declaration of interest, he would make it.

**MOTION TO PROCEED '*IN COMMITTEE*'**

Proposed by Councillor Callan
Seconded by Alderman Hillis and

**AGREED –** to recommend that Council move, '*In Committee'.*

***The information contained in the following item is restricted in accordance with Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 201***

## 3. REVIEW OF LARGE EVENT VAT FUNDING (VERBAL BRIEFING BY THE INTERIM FINANCE DIRECTOR)

The Finance Director (Interim) presented a review of large event VAT funding via PowerPoint presentation.

The purpose of the presentation, to respond to a Motion from Members from the Council meeting on 29th June 2021:

*That a Special Council meeting is held to discuss VAT element, current status of the issues raised and HMRC advice with the oversight of Finance Director who may wish to seek outside expertise if he considered it necessary.*

The Finance Director (interim) stated he had complete independence in his approach and decision making. All internal and external stakeholders engaged, and willingly supplied information. The review and decisions were supported with independent VAT advice from a VAT specialist based outside Northern Ireland.

The aim of the presentation was to advise Elected Members of the review into the VAT transactions of Large Events, to provide explanation on VAT transactions relating to this event; to provide a current status of the enquiry; to provide next steps; and to invite questions from Elected Members.

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The Finance Director advised that the slides of the presentation will be forwarded to Members after the presentation.

The Finance Director advised that there was 4 questions to consider (i) What are VAT transactions between VAT registered bodies (ii) What is a taxable supply (iii) What is grant funding (iv) What actually happened

The Finance Director take through the VAT transactions of VAT registered businesses and advised, that company A must charge and collect VAT on its invoices, they then pass on to HMRC through their VAT returns. As Causeway Coast and Glens Borough Council is VAT registered, they can claim back any VAT that is charged to us from HMRC through our VAT returns. The end cash benefit result to all 3 parties (Company A, Causeway Coast and Glens Borough Council and HMRC) is nil. It is a complete pass through of cash.

In order for Company A to charge VAT to CC&G, the service must be a taxable supply. There are a number of supplies that do not attract VAT, for example, education, health services, advertising services for charities, dentists, books and grant funding but there are more supplies that do attract VAT, and sponsorship is one of them.

The key points for sponsorship are, that the sponsor has access to special events, that the sponsor receives entertainment or hospitality facilities, that the sponsor has the company logo displayed.

The Director suggested that some members in the chamber may be aware of and received such benefits from events through their attendance supporting and raising awareness for the local area.

The Director advised grant funding is generally recognised as payment freely given with no benefit to the organisation providing it. HMRC provides guidance on Grant Funding, and the key points include: a grant should be freely given with no expectation of direct benefit in return, the funder will not attempt to control how the money is spent beyond seeing that the funds are properly managed.

The Director advised that HMRC recognises instances where payments that are described as grants are really payments for taxable supplies, such as sponsorship. In CC&G the Grant Funding policy and Letter of Offer indicated that a grant was taking place, but it is important to look at what actually happened on the ground.

The Directors advised that CC&G engaged organisations through a Contract for Funding Engagement letter and conditions within the letter expected certain activities, such as, the contractor attends council meetings to discuss event performance and acknowledgement of the CC&G funding through publicity arrangements. The 2019/2020 CC&G Large Event Guidance notes also is clear that significant media and marketing coverage for the council was expected. There were additional benefits provided to CC&G, included Councillor hospitality and involvement at events. Further, CC&G provided unpaid support

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at the events through Health and Safety expertise and further event oversight of some of the activities on the day.

The Director advised Council actually obtained sponsorship that is vatable.

The Director advised that further engagement took place with HMRC that included event engagement and hospitality activities, including YouTube screenshots of the advertising at events.

HMRC has since issued a revised ruling that states the transactions are a taxable supply, and such, VAT must be paid.

External VAT specialist was engaged as support to the director and provided the same paperwork as HMRC, and they believed that it was reasonable that CC&G receives some recognition, and what it did receive, was not sufficiently material to cause a significant benefit to CC&G. They believed the events were Grant Funding. The director advised that they argued CC&G were not in benefit, but through associated running the events such as sweeping the roads, the events were a cost to CC&G.

The Director advised that in VAT, like law, there are interpretations of transactions. VAT cases have progressed through the courts and even when judgements have been made at the highest courts, in time could effectively be overturn. The director advised that sometimes there is no black and white answer.

The Director advised that as HMRC is the authoritative body within this process, CC&G will comply with HMRC, as they have done. Work will begin to ensure that VAT invoices to organisations involved have been fully paid in line with their invoices. CC&G will ensure that all VAT subsequent payments are reclaimed and received from HMRC.

Work will begin to explain and complete this review with interested external stakeholders involved in this process, such as the Northern Ireland Audit Office.

Work has started to enhance cross-departmental communication, alongside a review of internal CC&G policies.

In consultation with Council, Members should consider future engagements at large events and give direction if an event should be grant funded or sponsorship.

The Mayor advised the recommendations made in the presentation would be considered by relevant committees.

The Mayor declared a recess at 6:21pm for Council to consider the information presented.

* **The meeting reconvened at 6:39pm**

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The Mayor invited questions from Elected Members.

In response to comments and questions from Council, the Director of Finance (Interim) provided detailed responses to the following issues raised:

- Causeway Coast and Glens Borough Council had been compliant in payment of VAT. HMRC changed their ruling to state that it had been sponsorship, and that VAT was required to be paid. The change of ruling was a result of additional information being supplied to HMRC.
- There were different processes for grant funding and sponsorship – grant funding did not attract VAT, sponsorship funding would attract VAT. Council does not have a sponsorship Policy, it has a Grant Funding Policy. The Policy would be consulted if sponsorship was to be considered and Elected Members would be consulted.
- The Funding Unit awarded grants, however, HMRC saw extensive advertising benefiting the organisation.
- VAT is open to interpretation, HMRC, the governing Body made a ruling that must be complied with.
- VAT can be reclaimed, there is no loss to Council in cash value. And if VAT is claimed on a vatable supply the Director advised that Council pay the VAT.
- The VAT amounted to almost £100,000. The Director clarified the process for cheque signatories and of controls and advised that the controls has at least 2 people overseeing the payment. That further investigation could be made as to whom specifically made the payments if it is required.
- Invoices received by Council are received correctly. Whether 'sister' organisations also contribute to those awarded by Council, is irrelevant as their contractual arrangements may be different
- If an organisation invoices Council for VAT, Council are obliged to pay.
- Policies are being reviewed.

The Director of Corporate Services, Finance from Mid Ulster District Council advised that he concurred with the Director of Finance (Interim), VAT was a complicated area not fully appreciated by the public or accountants. He advised responses from other Councils varies, most like Causeway Coast and Glens Borough Council, deal with grant funding rather than sponsorship. The grants made to two bodies were VAT registered and advised by HMRC to pay VAT. Most Council's deal with grants and VAT is normally not an issue as most organisations are not VAT registered. The two organisations have been told the funding is not a grant, but sponsorship.

The Director of Corporate Services, Finance from Mid Ulster District Council advised he did recommend the current Policy was revised and could see from the presentation, it was in process.

The Mayor advised the information set out in the presentation would be issued to Elected Members.

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During the course of the meeting, the Finance Director (interim) advised the letter from HMRC would also be shared with Elected Members.

**MOTION TO PROCEED *'IN PUBLIC'***

**AGREED** – to recommend that Committee move *'In Public'.*

The Mayor read the following statement:

*"I am pleased to note that HMRC has now issued a ruling on the transactions at the centre of the review, stating that Council's approach in its treatment of the VAT transactions associated with large events is correct and compliant".*

The Mayor thanked the Finance Director and Officers for their work and thanked The Director of Corporate Services, Finance, Mid Ulster District Council for making himself available for the meeting.

This being all the business, The Mayor thanked everyone for their attendance and the meeting concluded at 7:33pm

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MAYOR

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