

Manchester City Council Report for Resolution

Report to: Economy Scrutiny Committee – 24 February 2016
Subject: Final Report and Recommendations
Report of: Tax Avoidance Task and Finish Group

Summary

This report presents the findings and conclusions of the Tax Avoidance Task and Finish Group. The Task and Finish Group carried out an investigation into the practical measures the Council could take to tackle tax avoidance, including through its procurement process, and how it could influence other organisations to combat tax evasion and aggressive tax avoidance.

Recommendations

The Economy Scrutiny Committee is asked:

To note the findings of the Task and Finish Group and endorse the recommendations as set out in the report.

Wards Affected: All

Contact Officers:

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact the officer above.

Minutes of the Tax Avoidance Task and Finish Group 27 October 2015
Minutes of the Tax Avoidance Task and Finish Group 14 January 2016

Appendices:

Appendix 1 – Terms of Reference of the Task and Finish Group
Appendix 2 – Work Programme of the Task and Finish Group

1.0 Introduction

1.1 The Economy Scrutiny Committee considered an item on Tax Avoidance at its 14 January 2015 meeting and subsequently members submitted a motion to the Council on Tax Avoidance, including the recommendation that Economy Scrutiny Committee establish a Task and Finish Group to explore what practical measures Manchester City Council could implement to tackle tax avoidance, to include a review of procurement policies. This motion was carried by Council on 4 February 2015.

1.2 At its 24 June 2015 meeting the Economy Scrutiny Committee considered a further report on Tax Avoidance, including information on Council policies and public procurement law which governs the procurement of services from any organisation found to be manipulating the UK taxation system. Members agreed that this was a broad issue which they wanted to explore in more depth and agreed to establish a Tax Avoidance Task and Finish Group.

2.0 Membership

2.1 At its 2 September 2015 meeting, Economy Scrutiny Committee agreed to extend the invitation for membership beyond the Economy Scrutiny Committee.

2.2 The membership of the Task and Finish Group was:

Councillors Fletcher-Hackwood, Hacking, Moore (Chair), Peel, Russell, Stone, Strong and Wilson

3.0 Objectives

3.1 The objectives and key lines of enquiry were agreed by the Economy Scrutiny Committee at their 2 September 2015 meeting. The full terms of reference are attached at Appendix 1 to this report.

3.2 The objectives of the Task and Finish Group were:

1. To explore how the City Council can use its influence over national government, the European parliament and other councils and partner organisations to combat tax evasion and aggressive tax avoidance.

2. To explore what practical measures the Council can implement to tackle aggressive tax avoidance

3. To review to what extent the Council's procurement policy can be used to achieve this objective

4.0 Key Lines of Enquiry

4.1 The key lines of enquiry identified were:

1. To gain an understanding as to what actions local authorities can take to tackle aggressive tax avoidance

2. To invite campaign groups to input into achieving the objectives of the group
3. Learning from 'good-practice' in other local authorities
4. Exploring how the Corporate and Social Responsibility aspect of the Council's procurement policy may be used to tackle tax evasion and aggressive tax avoidance.

5.0 Meetings

- 5.1 The Task and Finish Group held 2 substantive meetings. The full detail of what it considered at each meeting can be found in the work programme, attached at Appendix 2.

Meeting Date	Focus
27 October 2015	The Council as an Influencer
14 January 2016	Further issues/issues arising

6.0 To review to what extent the Council's procurement policy can be used to achieve the objective of tackling aggressive tax avoidance

Relevant Key Lines of Enquiry:

1. To gain an understanding as to what actions local authorities can take to tackle aggressive tax avoidance
2. To invite campaign groups to input into achieving the objectives of the group
3. Learning from 'good-practice' in other local authorities
4. Exploring how the Corporate and Social Responsibility aspect of the Council's procurement policy may be used to tackle tax evasion and aggressive tax avoidance.

Members discussed how tax avoidance and tax evasion could be taken into account when tendering for contracts. The Task and Finish Group's discussions and recommendations were communicated to Finance Scrutiny Committee's Ethical Procurement Task and Finish Group by circulating the minutes. In addition, the lead officer for the Ethical Procurement Task and Finish Group and one of its members attended and contributed to the second meeting of the Tax Avoidance Task and Finish Group.

Members received information and advice from officers in the Council's Corporate Procurement service regarding the Council's procurement policy and processes and sought further advice from external organisations on the legislative context within which the Council had to operate and how tax avoidance criteria could be incorporated into procurement processes. They are also sought further information from other Association of Greater Manchester Authorities (AGMA) councils on their progress on implementing the Cabinet Office's Procurement Policy Note: Measures to Promote Tax Compliance (Action Note 03/14). However, none of the authorities who responded to the request for implementation had implemented this.

The Task and Finish Group were advised that there was a legal basis for taking tax avoidance and evasion into account and considered a draft motion from Christian Aid which included recommendations on amendments to the Council's procurement policy. The Head of Corporate Procurement advised that tax avoidance criteria had already been included in the Council's procurement documentation and, while the wording would need to be amended to bring them fully in line with the Christian Aid motion, there were no legal or procurement issues with doing so. The Task and Finish Group requested that the Council's procurement documentation be amended to bring it in line with the Christian Aid motion.

Members noted that the procurement process relied on self-declaration and discussed how the Council could find out if a company had been prosecuted for tax evasion. Members recommended that the Council work more closely with national government to obtain this information and write to the relevant Secretary of State to request that a live list of organisations convicted of tax evasion be made accessible to organisations and individuals. They also agreed to share a template of the letter to the Secretary of State with relevant campaigning organisations and to encourage them, other local authorities and the Local Government Association to also request that the government make this information easily accessible.

Recommendation 1

To welcome the inclusion of tax avoidance criteria in the Council's procurement process and to recommend that the relevant documentation be amended to bring it in line with the Christian Aid motion.

Recommendation 2

To recognise the need to work more closely with national government to obtain information on which organisations are tax evaders and to write to the relevant Secretary of State to request that a live list of organisations convicted of tax evasion be made accessible to organisations and individuals.

Recommendation 3

To share a template of the letter to the Secretary of State with the campaigning organisations and to encourage them, other local authorities and the Local Government Association to also request that the government make this information easily accessible.

7.0 To explore what practical measures the Council can implement to tackle aggressive tax avoidance

Relevant Key Lines of Enquiry:

1. To gain an understanding as to what actions local authorities can take to tackle aggressive tax avoidance
2. To invite campaign groups to input into achieving the objectives of the group

Members considered whether there were any other practical actions which the Council could take to tackle tax avoidance, for example through licensing or planning processes. Members were advised by officers that the Council had little scope to take action on tax avoidance through planning and licensing processes. However, they also considered advice from Professor Williams of Alliance Manchester Business School that the Council could publicise the extent to which companies were involved in aggressive tax avoidance and, during the planning process, could have conversations at an early stage in the process with property companies about their tax arrangements. Members considered the benefits of having robust conversations with companies about tax avoidance and of promoting transparency on tax issues through the planning and licensing process. Members agreed that the relevant issues from the meeting held on 27 October 2015 be raised with the Chairs of the Planning and Licensing Committees and that the minutes be circulated to them.

Recommendation 4

To request that the relevant issues from the meeting held on 27 October 2015 be raised with the Chairs of the Planning and Licensing Committees and that the minutes be circulated to them.

8.0 To explore how the City Council can use its influence over national government, the European parliament and other councils and partner organisations to combat tax evasion and aggressive tax avoidance.

Relevant Key Lines of Enquiry:

1. To gain an understanding as to what actions local authorities can take to tackle aggressive tax avoidance
2. To invite campaign groups to input into achieving the objectives of the group

Members considered information about the work taking place at a national and international level on tax avoidance and agreed on the importance of co-ordinated campaigning on this issue.

The Task and Finish Group invited campaigning organisations to address the Group. Members were advised that Christian Aid and Action Aid would be launching a campaign, urging local authorities to take action to encourage companies who pay their fair share of tax and discourage tax avoiders and evaders. It was requested that Manchester be promoted as a flagship council when the Tax Avoidance campaign was formally launched at the end of the January 2016. Members of the Group supported this in principle and agreed that the Chair would seek wider agreement. Members also recognised the importance of promoting the Council's

work in this area at an Association of Greater Manchester Authorities (AGMA) level and encouraging other AGMA authorities to take action.

Recommendation 5

To recommend that the Council allow Christian Aid and the other development agencies involved to promote the Council's work on tax avoidance and evasion when it launches its campaign at the end of January 2016.

Recommendation 6

To promote the Council's work in tackling tax avoidance and evasion at an Association of Greater Manchester Authorities (AGMA) level and encourage other AGMA authorities to take action.

Members considered their response to the Economy Scrutiny Committee's recommendation on 11 February 2015, which had been referred to the Tax Avoidance Task and Finish Group:

To write to Lord Stephen Green, Dave Hartnett and Margaret Hodge.

A member reported that Margaret Hodge was no longer Chair of the Public Accounts Committee. The Chair recommended that the Task and Finish Group write to the relevant people once it had completed its work and to include information on its work in the correspondence.

Recommendation 7

In response to the Economy Scrutiny Committee's recommendation of 11 February 2015 (To write to Lord Stephen Green, Dave Hartnett and Margaret Hodge) to request that the Committee Support Officer, in conjunction with the Chair, obtain details of the current postholders and write to them and include information on the findings of the Tax Avoidance Task and Finish Group.

The Task and Finish Group considered information on the Fair Tax Mark and heard from representatives of the Fair Tax Mark Campaign. Members welcomed the scheme, which enabled businesses to be accredited for demonstrating that they paid the appropriate, fair amount in taxes. They considered information on whether this was relevant to smaller businesses, given the cost of the scheme and as small businesses were less likely to be tax avoiders. However, members considered that, in some wards, small or medium businesses could be interested in this voluntary scheme and recommended that the District Centres Subgroup investigate whether local businesses were interested in Fair Tax Mark accreditation and how this could be promoted.

Recommendation 8

To recommend that the District Centres Subgroup consider the benefits to local businesses of gaining the Fair Tax Mark and how this could be promoted.

9.0 Acknowledgements

The Tax Avoidance Task and Finish Group would like to thank the following people for their advice and support during its investigation:

Richards Livings, Fair Tax Mark Campaign
Paul Monaghan, Fair Tax Mark Campaign
Professor Karel Williams, Alliance Manchester Business School

Title	Tax Avoidance Task and Finish Group
Membership	Councillors Fletcher-Hackwood, Hacking, Moore (Chair), Peel, Russell, Stone, Strong and Wilson
Lead Executive Members	Councillor Richard Leese
Strategic Directors	Eddie Smith
Lead Officers	Jessica Bowles
Contact officer	Rachel McKeon, Scrutiny Support Officer
Objectives	<p>1. To explore how the City Council can use its influence over national government, the European parliament and other councils and partner organisations to combat tax evasion and aggressive tax avoidance.</p> <p>2. To explore what practical measures the Council can implement to tackle aggressive tax avoidance</p> <p>3. To review to what extent the Council's procurement policy can be used to achieve this objective</p>
Key Lines of Enquiry	<p>1. To gain an understanding as to what actions local authorities can take to tackle aggressive tax avoidance</p> <p>2. To invite campaign groups to input into achieving the objectives of the group</p> <p>3. Learning from 'good-practice' in other local authorities</p> <p>4. Exploring how the Corporate and Social Responsibility aspect of the Council's procurement policy may be used to tackle tax evasion and aggressive tax avoidance.</p>
Operation	This subgroup will report its findings to the Economy Scrutiny Committee by submitting minutes to the Committee. The Committee will be asked to endorse any recommendations from the Subgroup.
Access to Information	<p>Meetings of the Subgroup will be open to members of the media and public except where information that is confidential or exempt from publication is being considered.</p> <p>Papers for the Subgroup will be made available to members of the media and public on the Council's website and the main entrance to the Town Hall except where information which is confidential or exempt from publication is being considered.</p>
Schedule of Meetings	To hold three substantive meetings with one additional meeting to agree the final report.
Commissioned	September 2015

**Economy Scrutiny Committee – Tax Avoidance Task and Finish Group
Work Programme**

Meeting 1 – 27 October 2015 at 5.30 pm				
Item	Purpose	Lead Executive Member	Lead Officer	Comments
The Council as an influencer	To explore how the City Council can use its influence over national government, the European parliament and other councils and partner organisations to combat tax evasion and aggressive tax avoidance. To explore what practical measures the Council can implement to tackle aggressive tax avoidance	Councillor Leese	Eddie Smith/ Jessica Bowles /Ian Brown	
Recommendation of the Economy Scrutiny Committee	To discuss the Task and Finish Group's response to the Economy Scrutiny Committee's recommendation on 11 February 2015: To write to Lord Stephen Green, Dave Hartnett and Margaret Hodge.		Rachel McKeon	
Terms of Reference and Work Programme	To review and agree the Subgroup's work programme, and consider any changes or additions that are necessary.		Rachel McKeon	

Meeting 2 – 14 January 2016				
Item	Purpose	Lead Executive Member	Lead Officer	Comments
Further issues/issues arising	To examine further issues arising. To include: - Procurement Policy Note 03/14 and progress made by other Councils to implement it - Promotion of the Fair Tax Mark among Small and Medium Enterprises (SMEs) - Planning and Licensing Recommendations - Updates from Fair Tax Mark and Christian Aid - Final Recommendations	Councillor Leese	Eddie Smith/ Jessica Bowles /Ian Brown	
Terms of Reference and Work Programme	To review and agree the Subgroup's work programme, and consider any changes or additions that are necessary.		Rachel McKeon	