

ADMINISTRATIVE BURDENS ADVISORY BOARD

Minutes of Advisory Board Meeting 7th February 2017

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13.00 – 17.05

2/66, 1 Horse Guards Road, London, SW1A 2HQ

Advisory Board attendees: Teresa Graham, John Whiting, Roger Southam, Paul Aplin, Alastair Keir, Malcolm Bacchus, Graham Rogers, Rebecca Benneyworth, Allison Harper, Paul Morton

Apologies: Karen Thomson

HMRC & HMT attendees: Jim Harra, Kerrie Spendiff, Sally Munnings, Jas Rai, Minaz Rahman and Asif Bukhsh (Secretariat)

Apologies: Maria Hannan

Guests: Jon Thompson (HMRC Chief Executive), Nick Lodge (Director General Transformation), Theresa Middleton/Ajit Philipose (MTDfB Transformation Programme), Cerys McDonald/Rebecca Hall (EU Transition Unit), Robin Dhinsa/Peter White (Digital Design & Capability), Aaron Yamoah/Nigel Mellor (OTS)

Apologies: Clare Sheehan

Observing: Rachel Pascual (Customer Strategy and Tax Design), Helen Megarry (Adjudicators Office), Sharn Bowen (Business Customer & Strategy)

Welcome and Apologies

Teresa Graham (TG) welcomed everyone to the meeting - noting apologies.

Review of action/issues log

1. TG reviewed the open action items and agreed that all open action points could be closed as they had either been resolved prior to or will be addressed at the meeting with exception of AP085 to be carried forward.
2. Jas Rai (JR) gave an update re car data, advised through the Customer Experience Working Group (CEWG) meeting with Policy, mandation has now been pushed back for a year.

Tell ABAB update

3. Allison Harper (AH) advised the survey was the third one they had commissioned with the aim to build engagement. The initial findings indicated that the majority of businesses held a negative experience of GOV.UK. She advised HMRC have agreed to work with internal stakeholders to address this. She added this experience was echoed in the Customer Mass Market survey as well.
4. TG advised she had met with ExCom and they advised they would work with and support her to feed back to the Cabinet Office the need for change.
5. Malcolm Bacchus (MB) supported action on feedback from the survey and suggested having a follow up survey to repeat the exercise and measure change.

AP: Tell ABAB report to feed into Annual Report.

BREXIT

6. Cerys McDonald (CM) introduced her role as head of the European Union Transition Unit (EUTU) team. CM introduced Rebecca Hall (RH) who leads on engagement and impacts.
7. She gave an overview of aims and objectives of setting HMRCs programme of work and direction in this area. She explained how they are working in partnership with teams across HMRC and with Ministers.
8. CM explained Article 50 would trigger by end of March and there would be a 2 year negotiation window. She explained there would a second white paper from government, setting out the following issues;
Government priorities
Single Market access
Customs Union
European Court of Justice (ECJ)
Immigration
9. CM explained nine work streams had been set up to address Brexit issues as follows:
Customs
VAT
Excise
Direct Tax
Social security
Data sharing
IT systems
Compliance
ECJ

10. They would consider what would be the preferred outcome, what would be the fall-back position, what lead in times would be required for change and what legislation would be needed to support change. They would also consider the option where no deal is reached. One key theme they are looking at are the concerns around 'uncertainty'.
11. RH advised with 'uncertainty' they would consider how they prepare for it and, how they engage with customers on that journey. She would be working to ensure a consistent approach to engagement is taken. This also presented risks and opportunities for the CCR target.
12. TG asked how their work would impact and place pressures on teams in HMRC.
13. CM advised they would work collaboratively to understand issues and embed departmental readiness.
14. John Whiting (JW) questioned the Chancellors view that the CCR target was cost neutral for businesses. Burdens arising from change are seen as real costs to businesses. JW pointed out there was a real fiscal risk with this.
15. Alastair Keir (AK) also stated that Brexit would be an additional challenge to the CCR target. He advised HMRC would have to communicate both real and emotional costs to small businesses.
16. RH advised they would use customer journeys to improve understanding and apply digital solutions where it could benefit. They would consider both the emotional and practical burdens of change.
17. Rebecca Benneyworth (RB) pointed out with the RTI project government worked with big business and ABAB was concerned how the small business voice is heard.
18. RH advised they had looked at lessons from RTI and would look to apply them.
19. TG invited CM and RH to report back to the Board in July.

AP: Brexit to forward look for July

MTD Programme update/Digital Advisory Group

20. Theresa Middleton (TM) gave an update around the response to the consultations for the Making Tax Digital for Business (MTDfB) programme and the revised Impact Assessment (IA). She feedback that generally the response had been in favour of a move to digital. There did remain concerns around pace, capability and cost.
21. TM highlighted the following three points from the IA:
 - The exemption level
 - Consideration of a deferral group
 - Financial support
22. A fiscal impact report in March would look into some of these issues.
23. TM advised spreadsheets would count as a digital document but would still have to interface with software.
24. And for quarterly reporting, three line data reporting had been accepted.
25. TM outlined next steps, with the Budget in March publishing legislation. Following this would be a public beta exercise working with six software suppliers.
26. Paul Aplin (PA) commented while three line data accounts were good there was still a need for compliance which was a cost. He noted the timeline for the beta exercise would not be enough to capture a true picture of impacts or reflect a diverse enough range of businesses.
27. PA advised MTD would get better take up if it was voluntary for small businesses.
28. Malcolm Bacchus (MB) highlighted concerns around costs. He questioned the need for a spreadsheet to interface if it was considered a digital document.
29. MB advised having to report four times a year was a burden.

30. RB commented a longer beta exercise would have given a better picture to understand lessons. She disagreed with MB that quarterly reporting was a burden if the software was robust enough to report accurately in the background without cost to the business.
31. RB advised the Digital Advisory Group are continuing to expose small businesses to decision makers in HMRC.
32. JW asked how support would be given to those digitally excluded. He advised software suppliers were asking for more time.
33. TM advised in the April Board meeting they could cover the public beta exercise and show how it will be representative of the business community. She advised not all software suppliers were at same stage with their offerings and would not require additional time to deliver.
34. TM recognised there was a challenge around communication and time.

AP: Public beta and communication to forward look for April

35. Ajit Philipose (AP) updated the Board on engagement with the CEWG advising three meetings had taken place which considered the IA and methodology. There is a further meeting scheduled for the 13th of February.
36. He advised there was challenge on the SCM and the transitional costs.
37. AP explained in the revised IA they mapped out customer journeys and then compared paper vs digital impacts looking at time vs obligations.
38. AP explained steady state (ongoing) costs was harder to measure due to not having enough statistical data on which to draw conclusions. However further work is planned on segmentation which will look at detail.
39. MB agreed segmentation would give the granularity that current customer journeys lacked. He commented that they would need to map customer journeys in the hundred's.
40. TG asked how costs were tracked.
41. AP advised they were working with the CEWG to engage them in this area.
42. JW gave some criticism on SCM, commenting it was a dated model.
43. RB advised that costs had to consider initial costs as well as looking at the cost equivalence between keeping records.
44. RS advised key was making sure communications were right, that we considered different business types.

2 Step Verification & Business IV

45. Robin Dhinsa (RD) gave background on current development of securely accessing your business account online. The aim of using a 2 step verification (2SV) solution is to ensure we are engaging with the right person.
46. 2SV is currently required for businesses with SA, both for individuals and businesses and there is an optional service to VAT, CT & PAYE customers.
47. It will not be mandated until the product is securely embedded.
48. RD took the Board through some example customer journeys explaining several nuances for each one.
49. RD spoke of the offering to Agents was different from businesses in that they have clients assigned to them and they did not want to use personal/work phones so the team had developed software codes to support access.
50. The software codes are set up once when they connect to the HMRC drive and last 12 months until the token expires, or is renewed.
51. RD advised they had used a 3rd party App but this was limited and HMRC have developed their own App. This will be rolled out to Agents next month. They will support users with targeted communications.

52. Craig Jackson (CJ) introduced Business Identity Verification (BIV) and how it secures data to ensure only the responsible person accesses it. It does this by making the connection between the individual (using Personal IV) and the business entity (using Companies House or internal data).
53. CJ advised the first iteration of Business IV will be rolled out to newly registered SA-Only for Business customers as part of the Business Registration Service from April 2017 aligned to MTDfB priorities
54. RS & MB raised security concerns and how system would deal with certain types of entities like charities as their structures are different.
55. RD advised they would still be able to verify and would have access to the App. He also advised newer technologies were being developed including fingerprint security which would be available in the next 12 months.
56. AK asked if there would be clear support and guidance.
57. RD advised they were looking to provide communication and guidance.
58. TG concluded the Board would welcome reviewing any communications to ensure the messaging was right for businesses.

OTS update

59. JW gave an update on current Office for Tax Simplification (OTS) projects and publications JW introduced Paul Morton (PM) as the new OTS director from the 1st March 2017.
60. PM advised the Corporation Tax review will now be reported on in March.
61. PM advised that the OTS was looking for ideas for short and long term projects. There is a meeting scheduled for the end of February to decide what to look at.
62. Aaron Yamoah (AY) introduced Nigel Mellor (NM) and himself and gave overview of work and invited input from ABAB on the VAT project.
63. MB asked with Brexit what scope there was for simplification.
64. AY advised they had taken Brexit under consideration. NM stated they would look to apply best practise.
65. TG commented it gave the opportunity to look at things anew.
66. NM asked are there teams they should be communicating with
67. Kerrie Spendiff (KS) advised the EUTU team would be a good starting point.
68. TG asked what if the threshold was removed altogether
69. NM advised you would want to exclude some user groups ie hobbyists and take them out of the VAT system.
70. Graham Rogers (GR) asked with Brexit how work would be prioritised.
71. AY advised starting with our terms of reference we would work with teams across HMRC and would welcome them taking an open approach to engagement. AY stated that OTS has mixed engagement with HMRC with some parts of the organisation willing and on board with the OTS agenda and others not so much.
72. KS was keen to know more about this and suggested a meeting to discuss
73. TG asked how do you simplify CT; make it self-serve?
74. PM advised through research and engagement in policy and Brexit may present areas for simplification.

ABAB Priorities

75. TG outlined timetable for delivery of the Annual Report for the end of February, noting however publication may not happen until the end of the following month. She highlighted Tell ABAB as area for development as well as the MTDfB concerns which were sent to the

Economic Affairs Committee. Following a meeting with ExCom group the next priority was to look at building on ABAB's profile.

76. PM suggested highlighting the work of the CEWG in the report.
77. TG added having a section to consider Brexit and the CCR target.
78. RB asked how ABAB could help when the SCM model did not reflect small business well. She questioned if the CCR target was right barometer to measure success when figures can be massaged.
79. TG advised ABAB focus would be to continue to make a noticeable difference for small businesses.

AOB

80. TG advised that the CCR papers could be reviewed by the CEWG/could be discussed at the next board meeting.
81. TG announced the winning ABAB strapline as "Better tax for better business" suggested by MB.

Nick Lodge Transformation

82. TG introduced Nick Lodge (NL) Head of Transformation programme. He gave an outline of the 8 programmes of work undertaken and how it was underpinned by large Data. He advised technology will play a big role in its success.
83. He touched on HMRC's future locations work and the benefit of regional centres. He advised of the development of better compliance tools. He advised of work to replace the customs CHIEF system.
84. TG commented HMRC's 'Once and Done' approach was a good example of where change was for the better. She asked how they considered small businesses.
85. NL advised the aim was to make things easier. An example is GOV.UK where the experience has not always been good but they are looking to improve.
86. RB advised this is one area where ABAB have looked at and could support HMRC with changes.
87. AK asked for views on Digital inclusion.
88. NL advised they would look to provide targeted support and recognised that it would be a challenge to some users.
89. AH asked how support and education would be delivered.
90. NL advised GOV.UK could provide the clarity needed.
91. TG advised ABAB would welcome earlier engagement on programmes of work and more often.

Jon Thompson

92. TG introduced Jon Thompson (JT) as Chief Executive of HMRC. JT thanked ABAB for their work with HMRC. He highlighted the following observations;
 - Delivery Agenda – which has approximately 60 targets to support tax collection
 - Transformation Programme – one of the largest transformation programmes in Europe
 - Leadership – Aiming to improve the leadership perception by staff by improving
 - transparency
 - HMRC in government – Aiming to improve HMRC's relation with government
 - Brexit
93. JT highlighted three features he has found that reflects HMRC's values;
 - Strong compliance structure

- Pride in doing the right thing
- Being customer centric

94. A few ABAB members raised the question of how to improve communications with taxpayers.
95. JT advised this was an area of interest to him and he had commissioned an independent enquiry to review this across HMRC.
96. JT commented he saw HMRC designing customer interaction around choice. ABAB members commented that choice was often a burden having to navigate through options and more targeted support would help reduce admin burdens and support small businesses.
97. JT felt HMRC need to talk more about our successes as an organisation.
98. RB added that HMRC would have to improve and manage expectations better especially around bad news.
99. PA commented with MTD HMRC would face big challenges with supporting customers to go digital on current timescales.
100. TG brought the meeting to a close thanking JT and all other guests for attending the meeting.

Next meeting

The next meeting will be held on the 13th April 2017, from 13.00 – 17.00 in 2/39, 100 Parliament Street.