

Rt Hon Philip Hammond MP Chancellor of the Exchequer **HM Treasury** 1 Horse Guards Road London SW1A 2HQ

27 February 2017

Dear Chancellor

I am writing to outline ACCA (the Association of Chartered Certified Accountants')'s priorities for the Spring Budget.

ACCA has recently concluded a wide-ranging consultation with our members operating at senior levels across all parts of the public and private sector in the UK. Our consultation focused on the priorities of members ahead of the Spring Budget this coming March. Our members' concerns are grouped into three key themes focused on: promoting a longer term and stable planning environment for public sector bodies; encouraging innovation and managed risk taking in the provision of public sector service delivery; and laying the fiscal and monetary foundations for a successful departure from the EU.

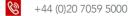
These recommendations are outlined in further detail below:

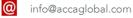
1. Fiscal Commission: The move to one fiscal event a year from 2017 presents an opportunity for the role for a 'Fiscal Commission' to inform policy making in the year building up to the statement in the Autumn. A Fiscal Commission could be made up of private sector employers, professional membership bodies, research bodies and academia with an interest in, and knowledge of, the intricacies of public taxation and spending policy as well as the evidence required to support fiscal decision making. The Commission should have access to draw upon examples of best practice globally, as demonstrated in the public sector of some of the world's most successful economies and should look to develop thematic policy workstreams and respond to HM Treasury consultations.

The recent ACCA report 50 Drivers of Change in the Public Sector provides an example of thought leadership in practice, identifying the emerging drivers of change which will have the biggest impact on the public sector and highlighting the skills that will be required over the period to 2026. This approach could also help to identify and respond to emerging risks in the operating environment of the UK public sector such as including measures to improve the resilience of the sector in the face of higher inflation in the coming years and months.

2. Laying the foundations for a successful departure from the EU: Short-term electoral cycles generally do not support a sound and long-term approach to public and private finance decision making. The likely uncertainty caused by the UK's exit from the EU will exacerbate the problem especially when some key investment decisions are likely to have to be put on hold. At the present time, many parts of the public sector are subject to

ACCA





<u>www.accaglobal.com</u>

annual budget allocations which engender a 'spend it or lose it' attitude and do little to promote longer term strategic thinking. A realignment of the Comprehensive Spending Review assumptions with the impact of the Brexit timetable is inevitable and should be carried out with some urgency.

Clearly, the ability to devolve funding to a regional level is enhanced where there are three to five-year commitments given on departmental budget allocations. This should also encourage longer-term strategic decision making. Whatever the Government can do to mitigate the effects of budgetary uncertainty as we enter the post Article 50 negotiating period would be welcomed by ACCA members in the UK.

On account of the continued uncertainty around the UK's future international trading relationships and the continuity of existing contracts it may be advisable to offer SME focused non-payment insurance products, through an institution such as The British Business Bank to soften the transition and manage ongoing liabilities.

3. Information Governance: Cross-Government initiatives focussed on better data management and governance should be increased. This should include incentives to encourage innovation in information sharing which would help to reduce the inefficiencies engendered by a lack of joined up thinking on information and the use of technology in public service provision, while respecting the role of Data Protection legislation in ensuring privacy for private individuals and organisations. Recent advances in information and communications technology present a once-in-a-generation opportunity for the Government to refocus departmental budget allocations on service delivery transformation.

The Government should replicate the approach of the private sector in utilising technology to increase efficiency and reduce waste. The recent Government Transformation Strategy is to be welcomed in this regard. Future skills requirements also need to be considered as a key part of this. ACCA's Professional Accountants – the Future report highlights the role that accountancy will play in helping organisations to gain efficiencies and business insight from new technology and data.

4. SMEs: The Government should seek business friendly solutions to enhancing UK productivity by, in particular, responding to the clear business needs of Small and Medium Sized Enterprises (SMEs). The Government should consider bringing the penalty systems relating to VAT and PAYE into line with Late Payment legislation and should introduce measures to increase the time to pay PAYE from 19 to 30 days. Additional measures such as allowing SMEs in the services sector to claim bad debt relief equivalent to PAYE & NIC effectively incurred on sales relating to bad debt would also be a step in the right direction.

In addition, SMEs should be provided with the financing options to support increased export activity and more should be done to promote the role of UK Export Finance to SMEs. SMEs will need to better understand the export process in order to adapt their operations and build export capability. As with any period of change and uncertainty, professional accountants

will play a critical and strategic role in bringing much needed stability to business and society as a whole.

5. Consumer Spending: The Government should stimulate consumer spending through measures aimed at protecting disposable income and savings. Anticipated high inflation as a result of depreciation of Sterling will eat into disposable incomes and discourage high levels of consumer spending – a key requisite for strong economic growth. The Government should bear this in mind and pre-empt any slowdown in consumer spending with fiscal measures aimed at protecting and bolstering personal disposable incomes. ACCA therefore supports inflation linked increases to the income tax personal allowance and higher rate threshold by the end of this Parliament. The Chancellor should, however, ensure that the Exchequer is not giving with one hand and taking with another by, for example, increasing the tax base for VAT which will only further erode personal spending power through price increases on top of high inflation.

I would very much welcome the opportunity to discuss further how ACCA and our members can support you and the work of HM Treasury in the years ahead. Please feel free to contact me should you have further questions or comments.

About ACCA

ACCA was established in 1904 and has 188,000 members and 480,000 students in 178 countries. In the UK alone, we have almost 78,000 members and 80,000 students supporting businesses and organisations of all sizes and across all sectors. ACCA works to help members and students to develop successful careers in accounting and business, with the skills required by employers. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure the accountancy profession continues to grow in reputation and influence.

Yours sincerely

Helen Brand