

# Reimagine government



## How a digital government service could give SMEs a boost

**Small and medium-sized enterprises (SMEs) are the engine of job creation and a crucial driver of economic growth. Even in these austere times, the government funds dozens of SME grant schemes, support services and tax reliefs. But too often, the UK's army of emerging entrepreneurs, innovators and traders don't feel the Treasury's love.**

**Indeed, many SMEs view government as a source of bureaucracy, complexity and heavy-handed regulation.**

**But let's reimagine things for a second. Surely there is a way the government can encourage more SMEs to take-up its support initiatives by lightening the data, compliance and regulatory burdens placed upon small businesses?**

### The best of intentions

Look at the situation today from the SME's point of view. The government's idea of quarterly tax reporting and universal pensions is great but, if not delivered well, could prove a distraction from the day-to-day running of a SME business. The government may introduce a business tax break or grant scheme — fantastic! But when the business owner gets to the long-winded application process it can be a turn-off — as are the onerous reports he or she has to submit as a condition of the scheme.

Other government policy unashamedly adds to SMEs' workload. Take, for example, the policy aim of passing more compliance work onto businesses. This fits with the idea of a leaner government and the need to cut public spending. But it also hands companies extra duties such as checking the immigration status of job applicants or tenants. FTSE 100 companies might be able to absorb these responsibilities with ease, but they can be a significant burden for SME owners.

The result: SMEs often find themselves diverted from the task of building successful businesses by the need to deal with many arms of government. Every dreaded interaction with government is accompanied by a separate pile of paperwork, requesting information in a unique format, for submission via a separate system.

Each public body might be confident that it's discharging its duty, but the public sector's broader duty to support Britain's SME sector is badly undermined. Just consider all the different interactions between government and businesses and how much duplication and complexity that creates for SMEs. Think about tax compliance and reliefs, police checks and grant applications for science and innovation. Then you'll need to understand apprenticeship funding and workplace pensions. There's health and safety applications for training support. And of course, if you want to sell to government, you have to negotiate their buying frameworks.

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## Let's reimagine

What if all these interactions could be managed through a simple, digital, citizen-centric service able to replace forms and manage data exchanges all in one place? Life for SMEs would be so much simpler and government could unleash much needed growth.

Instead of asking small businesses for new data for processing inside Whitehall, each central government department should permit managed access to its own data. This would mean that enterprising private sector firms could build simple 'one-stop shop' digital portals to all government services. They could apply the principles of service design to simplify and improve the services for SMEs. This could dramatically reduce government workload and cost.

HMRC has shown the way forward here. In recent years, many companies — KPMG included<sup>1</sup> — have launched digital platforms for SMEs. Now SMEs can centralise their accounting, bookkeeping, tax, payroll, compliance, and performance metrics. I like the way HMRC provides 'application programme interfaces' (APIs). This allows platforms to connect directly into government systems, submitting data and receiving 'kitemarks' to verify compliance. It also makes life easier for HMRC, which can pass the task of calculating tax liabilities over to the private sector. Meanwhile, SMEs benefit from a single dashboard combining and simplifying all their interactions with HMRC.

Here, government has stepped back from the case management business. Imagine if it applied this approach across all its dealings with SMEs.

1. [www.kpmgsmallbusiness.co.uk](http://www.kpmgsmallbusiness.co.uk)

## A more civil service

I believe that other departments that interact with SMEs should follow the lead of HMRC. For example, what if SMEs could check instantly whether individuals were eligible for employment or rental housing? Much easier than inspecting paper documents and completing forms for the Home Office to process.

What if we replaced with apps to submit verified data sourced directly from HMRC or the Land Registry? They could even pre-fill large chunks of the paperwork, greatly easing the burden on applicants.

Such digitally-enabled services can greatly reduce the civil service's workload. They'd use accredited external partners to collate and present relevant information to government bodies. There would be less need to exchange and cross-check data between departments. And service users, on the receiving end of streamlined systems would need less help. So the burden on call centres and complaints systems would fall.

In time perhaps we could extend this to cover other SME relationships. For example, linking directly into banks' systems or connecting to local authorities to manage business rates or Enterprise Zone grants. And all of this could be achieved without any cost to government: SMEs have proved happy to pay modest subscriptions for these services.

There's a clear way forward here; one that would create huge value. And once we've started to realise some of this enormous potential, then SMEs may — at last — start to appreciate the Treasury's love.

If you would like to discuss this report in further detail please contact Adrian Clamp or email us at [reimaginedgovernment@kpmg.co.uk](mailto:reimaginedgovernment@kpmg.co.uk)



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