

# Business Plan 2012–2015

## HM Treasury

31 May 2012

*This plan will be updated annually*



HM TREASURY

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# A) Coalition priorities

## 1. Reduce the structural deficit in a fair and responsible way

- Take action to tackle the deficit in a fair and responsible way, ensure that taxpayers' money is spent responsibly, and get the public finances back on track whilst protecting growth

## 2. Secure an economy that is more resilient, and more balanced between public and private sectors and between regions

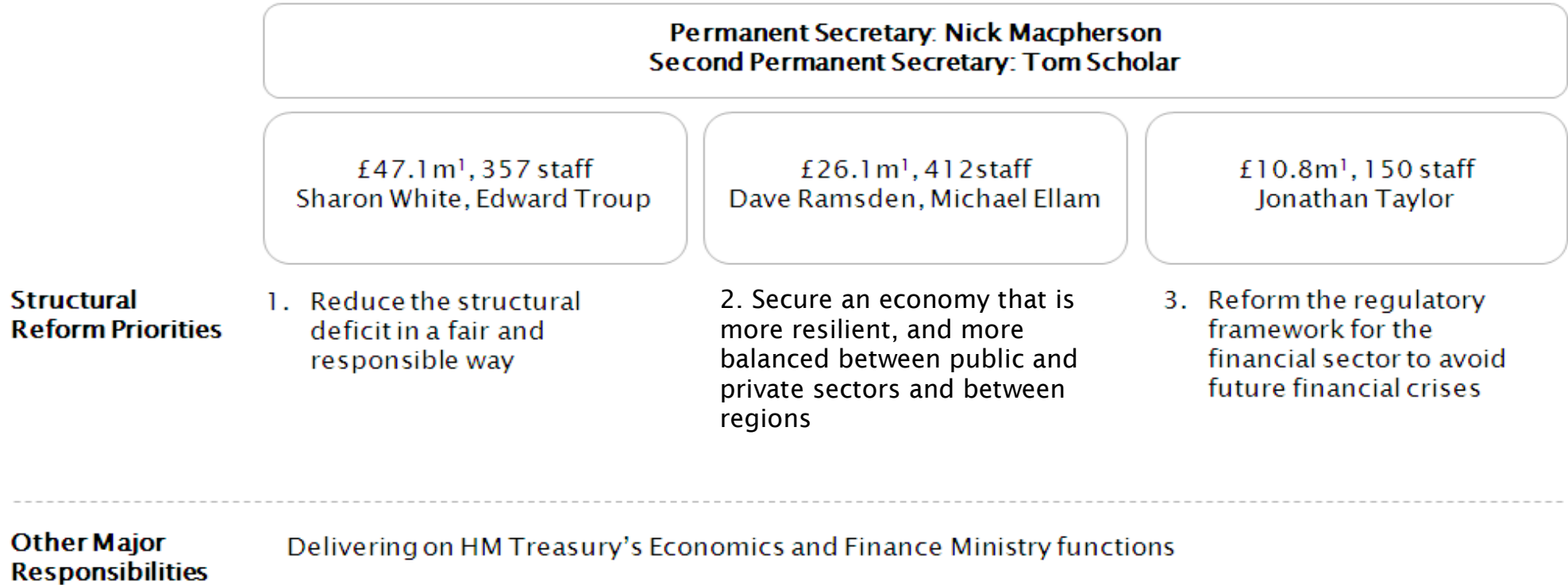
- Take action to boost enterprise, support green growth and build a fairer and more balanced economy to achieve a sustainable distribution of growth across the economy

## 3. Reform the regulatory framework for the financial sector to avoid future financial crises

- Replace the current system of financial regulation with a framework that promotes responsible and sustainable banking, where regulators have greater powers to curb unsustainable lending practices and we take action to promote more competition in the banking sector

## Departmental Responsibilities

This page sets out who in the Department leads on its major responsibilities, including its Coalition priorities.



Notes: 1. Indicative budget allocation 2012/2013.

## B) Structural Reform Plan

This section sets out the key actions the Department will take to implement its Coalition priorities. An implementation report will be published online, setting out progress in completing them.

Additional actions, including contributions to cross-cutting Government agendas such as the Growth Review, can be found in Annex A.

All commitments and end dates relating to legislation and pre-legislative scrutiny are subject to parliamentary timetables.

### 1. Reduce the structural deficit in a fair and responsible way

*Leads: Sharon White, Edward Troup*

<b>ACTIONS</b>		<b>Start</b>	<b>End</b>
<b>1.1</b>	<b>Implement cross-government deficit reduction plan and monitor the implementation of spending risks</b>		
	i. Work with departments on wider reform to public services, while delivering a step-change in the drive for efficiency and value for money	Started	Mar 2015
	ii. Ensure that all major Government investments undergo suitable scrutiny and maximise value for money – using the Major Projects Review Group and Treasury Approval Points	Started	Mar 2015
	iii. Support departments to implement Spending Review 2010 spending settlements and keep total spending within the published Spending Review totals	Started	Mar 2015
<b>1.2</b>	<b>Implement reforms to improve the sustainability of the tax yield</b>		
	i. Ongoing reforms to tax system legislated through the Finance Bill annually	Started	Oct 2012
<b>1.3</b>	<b>Reform public service pensions</b>		
	i. Confirm detailed implementation plan for the increase in employee contributions announced at the Spending Review, in response to the recommendation in the interim report of the Independent Public Service Pensions Commissioner	Started	Apr 2014
	ii. Introduce a Bill to implement the public service pension reforms	Started	Mar 2013
	iii. Ensure all reformed public service pensions are operational	Apr 2013	Apr 2015

## 2. Secure an economy that is more resilient

*Leads: Dave Ramsden, Michael Ellam*

<b>ACTIONS</b>		<b>Start</b>	<b>End</b>
<b>2.1</b>	<b>Increase fairness in taxation, including by increasing the personal allowance from £6,475 to £10,000</b>		
	i. Introduce £1100 cash increase in personal allowance for 2013/14	Apr 2013	Apr 2013
	ii. Introduce a 15% rate of Stamp Duty Land Tax on residential properties over £2million purchased by certain non-natural persons, effective from Budget 2012, to be legislated in Finance Bill 2012.	Started	Oct 2012
	iii. Consult on and introduce an Annual Charge on residential properties over £2million purchased by certain non-natural persons.	Apr 2013	Oct 2013
	iv. Introduce legislation to close down a sub-sale avoidance Stamp Duty Land Tax avoidance scheme, effective from Budget 2012, to be legislated in Finance Bill 2012.	Started	Oct 2012
	v. Evaluate possible minor enhancements to some aspects of the non-domicile reforms that were implemented in April 2012	Started	Apr 2013
	vi. Introduce a statutory definition of tax residence and reforms to ordinary residence	Started	Apr 2013
<b>2.2</b>	<b>Improve UK's ability to tackle tax avoidance</b>		
	i. Consult on a General Anti-Abuse Rule, working with HMRC, with a view to legislation in Finance Bill 2013	Jun 2012	Jul 2013
<b>2.3</b>	<b>Increase competitiveness in the taxation system, including by creating the most competitive corporate tax regime in the G20, while protecting manufacturing</b>		
	i. Reduce corporation tax from 28% to 26% in 2011/12, 24% in 2012/13, 23% in 2013/14 and 22% in 2014/15	Started	Oct 2015
	ii. Introduce a new "above the line" credit to support research and development by large business, improving on the existing R&D tax credit.	Started	Apr 2013

## 2. Secure an economy that is more resilient

*Leads: Dave Ramsden, Michael Ellam*

<b>ACTIONS</b>		<b>Start</b>	<b>End</b>
<b>2.4</b>	<b>Work with BIS and other partners to implement the Government's 'Growth Reviews' supporting sustainable and balanced growth domestically and in the EU, for the life of this Parliament</b>		
	i. Work with BIS and other partners to implement the Government's 'Growth Reviews' supporting sustainable and balanced growth domestically and in the EU, for the life of this Parliament	Started	Apr 2015
<b>2.5</b>	<b>Increase environmental sustainability, including by increasing the proportion of revenue accounted for by environmental taxes</b>		
	i. Support industry by increasing the climate change levy discount on electricity to 90 per cent for climate change agreement participants from 1 April 2013	Started	Oct 2012
<b>2.6</b>	<b>Deliver the local government resource review, including exploring options for local authorities to retain locally collected business rate revenues, working with DCLG</b>		
	i. Deliver the local government resource review, including exploring options for local authorities to retain locally collected business rate revenues, working with DCLG	Started	Apr 2015
<b>2.7</b>	<b>Work to accelerate the process of including housing costs in the inflation target</b>		
	i. Work with the Bank of England through the Consumer Prices Advisory Committee to help deliver a published measure of CPI including housing costs for early 2013.	Started	May 2013
<b>2.8</b>	<b>Support reform in the funding of the devolved administrations to encourage transparency and accountability</b>		
	i. Work with the Scottish Government, Scotland Office, and Her Majesty's Revenue and Customs (HMRC), on implementation details for the finance measures in the Scotland Bill.	Started	Apr 2018
<b>2.9</b>	<b>Introduce measures to improve fairness in public sector pay</b>		
	i. The Independent Pay Review Bodies will report from July 2012 on how public sector pay can be made more responsive to local labour markets	Started	Jul 2012

## 2. Secure an economy that is more resilient

*Leads: Dave Ramsden, Michael Ellam*

<b>ACTIONS</b>	<b>Start</b>	<b>End</b>
<b>2.10 Support the development of new routes of access to finance for SMEs and mid-sized business</b>		
i. Reform Enterprise Investment Scheme and Venture Capital Trusts, subject to state aid approval.	Started	Oct 2012
ii. Re-notify Community Investment Tax Relief to the EU	Started	Oct 2012
iii. Support BIS to successfully award Business Finance Partnership funding allocated to BIS to proposals for the Business Finance Partnership	Started	Nov 2012
iv. Support BIS in delivering the Small Business focused BFP strand	Started	Nov 2012
v. Support BIS's work on implementing the industry-led Taskforce on non-bank lending	Started	Nov 2012
vi. Support BIS's work on the advisory group for access to finance in capital markets / SME bonds	Started	Nov 2012
vii. Support BIS in piloting the best way to introduce a programme of enterprise loans to help young people set up and grow their own businesses	Started	Mar 2013
<b>2.11 Bring forward plans to reduce and reform the stock of regulation for which the Department has overall responsibility, following the Insurance and Financial Services red tape challenge which launches on the RTC website in July 2012</b>		
i. Bring forward plans to reduce and reform the stock of regulation for which the Department has overall responsibility, following the Insurance and Financial Services red tape challenge which launches on the RTC website in July 2012	Started	Jul 2013
<b>2.12 Develop and deliver a National Loan Guarantee Scheme (NLGS)</b>		
i. Engage an independent auditor to give assurance that participating banks are complying with scheme rules	Started	Dec 2012
ii. Manage the ongoing allocation of guarantees, with the second allocation of guarantees being available to banks from July 2012	Started	Mar 2014
<b>2.13 Consult on changes to Money Laundering Regulation</b>		
i. Consult on changes to Money Laundering Regulation	Started	Oct 2012

## 2. Secure an economy that is more resilient

*Leads: Dave Ramsden, Michael Ellam*

<b>ACTIONS</b>	<b>Start</b>	<b>End</b>
<b>2.14 Promote employee share ownership</b>		
i. Conduct an internal review to examine the role of employee ownership in supporting growth and examine options to remove barriers, including tax barriers, to its wider take up	Jul 2012	Dec 2012



### 3. Reform the regulatory framework for the financial sector

*Lead: Jonathan Taylor*

<b>ACTIONS</b>		<b>Start</b>	<b>End</b>
<b>3.1</b>	<b>Establish an independent Banking Commission into banking structural reform, working with BIS</b>		
	i. Publish White Paper setting out how the Government intends to take forward the recommendations of the ICB on reform to the UK banking system	Jul 2012	Jul 2012
	ii. Legislate to implement proposals	Jan 2013	May 2015
<b>3.2</b>	<b>Reform financial regulation giving the Bank of England control of macro-prudential regulation and oversight of micro-prudential regulation</b>		
	i. Legislate to implement proposals to establish a Financial Policy Committee (FPC) in the Bank of England; a Prudential Regulation Authority (PRA) as a subsidiary of the Bank and an independent Financial Conduct Authority (FCA)	Started	Dec 2012
	ii. Develop and consult on detailed proposals for an improved and proportionate system of consumer credit regulation, jointly with BIS	Started	Jun 2013
<b>3.3</b>	<b>Withdraw exceptional public support from financial sector as conditions normalise</b>		
	i. Final date for expiry of debt guaranteed under the Credit Guarantee Scheme	Started	Apr 2014
	ii. Continue, while Scheme remains in operation, to adjust the level of the activity of the Asset Protection Agency to ensure it remains commensurate with the level of fiscal risk posed by the Asset Protection Scheme	Started	Apr 2015
<b>3.4</b>	<b>Foster diversity in financial services, promote financial mutuals and create a more competitive banking industry (the Banking Commission outcome may also promote this objective)</b>		
	i. Legislate to enable financial mutuals greater flexibility to develop and expand by commencing the Co-operative and Community Benefit Societies and Credit Unions Act 2010	Started	Mar 2013
	ii. Assess whether changes are required to update building societies legislation	Started	Mar 2013

## C) Departmental expenditure

### Planned expenditure and major projects <sup>1</sup>

This section sets out the Department's planned expenditure over the Spending Review period, and expected cost for the 2012/13 financial year on the Department's major projects.

Planned Expenditure (£m)	2011/12 (forecast outturn)	2012/13	2013/14	2014/15
<b>Total departmental expenditure limits <sup>2</sup></b>	<b>222.5</b>	<b>217.1</b>	<b>183.5</b>	<b>155.0</b>
Administration spending	146.8	156.9	137.3	120.5
Programme spending	36.9	34.7	32.1	29.3
Capital spending	38.8	25.5	14.1	5.2

Major Projects Expected Cost (Top 4, £m)	2012/13	Whole Life Cost
Equitable Life Scheme	370.0	1,563
OSCAR	4.7	26
Credit easing <sup>3</sup>	4.0	15 - 20
<b>Total (all major projects)</b>	<b>378.7</b>	<b>1,604 - 1,609</b>

#### Definitions:

*Administration spending:* the costs of all central government administration other than the costs of direct frontline service provision

*Programme spending:* spending on activities, goods and services, such as pay and benefits (excl. administration spending as defined above)

*Capital spending:* spending on assets with a lasting value, such as buildings and equipment

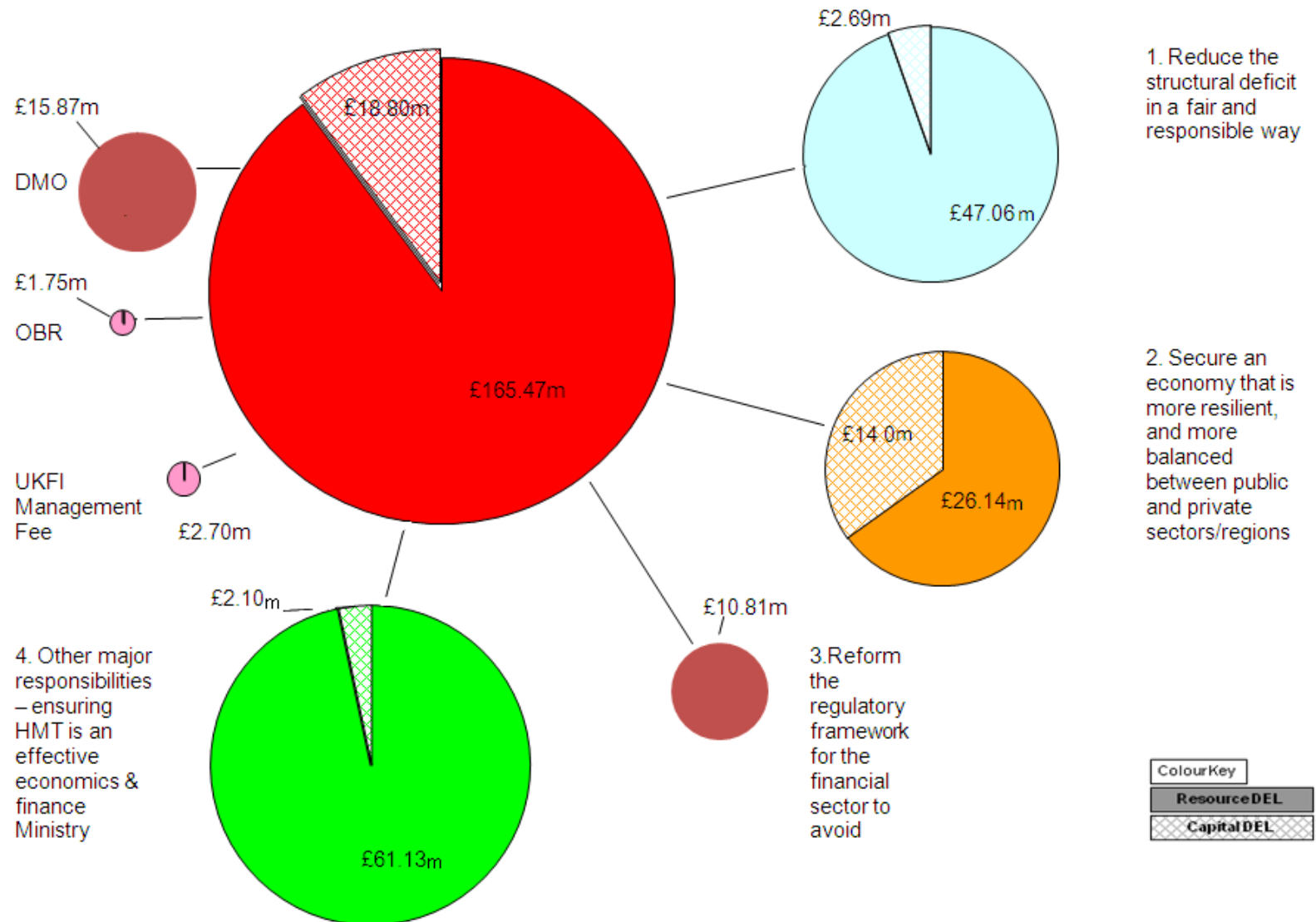
<sup>1</sup> Excludes departmental Annually Managed Expenditure. Numbers may not sum due to rounding

<sup>2</sup> Excludes depreciation

<sup>3</sup> The budget for credit easing does not include the funds to be invested in the Business Finance Partnership Scheme or the income from guarantees provided under the National Loan Guarantee Scheme. It is solely the costs associated with administering the scheme.

# Indicative budget allocation

This chart sets out further detail on how the Department's settlement will be allocated for the 2012/13 financial year across key programmes and activities.



## Departmental efficiency

This data allows the public to compare the Department's operations to other organisations by setting out the cost of common operational areas, and sets out the Department's efficiency plans for 2012/13.

Spending Category	Latest Data (QDS <sup>1</sup> 3 2011)	Actions to improve operational efficiency in 2012/13
<b>HR</b>	1,255 civil servants employed	Continue Strategic Review trajectory towards around 1,000 staff in core HM Treasury by 2014-15 through managing staff turnover (1,255 includes core HMT and its agencies)
<b>Estates</b>	20,000 square metres	Improve efficiency in 1 Horse Guards Road (1HGR) by doubling the occupancy through sharing with Other Departments
<b>Procurement</b>	£21.9m spent	Promote value for money savings through use of central (GPS) contracts/frameworks
<b>Major Projects</b>	£1,489m total contract value	OSCAR project will improve efficiency across government financial management Equitable Life Scheme – ongoing review of scheme processes
<b>Information Technology</b>	£2.42m spent	Maximise the synergies of HM Treasury/Cabinet Office occupancy of 1HGR building with shared Public Sector Flex IT contracts and service delivery provider
<b>Corporate Services</b>	£2.42m spent	Ongoing evaluation of service delivery options against shared service and other alternatives
<b>Fraud, Error and Debt</b>	£0m Fraud, £0m Error and £0m Debt identified	Training for staff to be implemented in accordance with recommendations of Counter Fraud Taskforce
<b>SMEs and Voluntary Organisations</b>	£1.3m spent with SMEs and <£0.01m spent with voluntary and community sector organisations	Promote awareness of SMEs and VCS organisations as potential suppliers of goods and services

<sup>1</sup> Quarterly Data Summary

## D) Transparency

### Indicators

The Department has adopted the following input and impact indicators to help the public assess the effects of policies and reforms on the cost and impact of public services. These indicators, and the data specified in our Open Data Strategy, will be regularly published online.

Description	Type of data
<b>Reduce the structural deficit in a fair and responsible way</b>	
Administration cost of supporting tax and spending policy	Input indicator
Cyclically adjusted current deficit as a percentage of GDP	Impact indicator
Public sector net debt as a percentage of GDP	Impact indicator
Departmental DEL outturn v forecast	Impact indicator
Overall impact of spending, tax, tax credit and benefit changes on households in 2014-15 as a percentage of 2010-11 net income	Impact indicator
<b>Secure an economy growing sustainably, more resilient, and balanced between public and private sectors and between regions</b>	
Administration cost of supporting macroeconomic and fiscal policy	Input indicator
GDP per capita – latest quarter growth on corresponding quarter of previous year	Impact indicator
Business investment as a share of GDP	Impact indicator
UK employment rate	Impact indicator
<b>Reform the regulatory framework for the financial sector to avoid future financial crises</b>	
Administration cost of supporting international engagement and financial services policy	Input indicator
Government shareholdings in banks: RBS, Lloyds Banking Group	Impact indicator

## Open data

This section sets out as a summary HM Treasury's commitment to open data. Further details, including what new datasets will be published when, will be set out in full in HM Treasury's Open Data Strategy, to be published this summer.

HM Treasury's Open Data Strategy shows how the Treasury is meeting all aspects of the Government's Transparency agenda, in particular, continuing to work to embed best practice and to encourage a more open culture. The Strategy provides an insight on the type of transparency datasets which fall under the following categories:

- 'Big Data' – routinely collected and held by the Department as part of its everyday activities or through initiatives.
- 'My Data' – data about individuals held by the Department that is released for access by the individual.
- 'Satisfaction and Experience Data' – data that provides customer insight about levels of satisfaction of public service users.