

Business Plan 2012–2015

HM Treasury

31 May 2012

Annexes

The 2012 Business Plan, and its reporting through the No.10 website, have been streamlined to focus on the Government’s structural reforms. These annexes contain information on cross–Government priorities, additional reform actions and actions from the 2011 business plan that are now complete. The Government will not report systematically on the No.10 website against the activities listed in these annexes, although overall progress will be reported through other publications, such as the Annual Report and Accounts, the Budget and a progress report on sustainable development.

Contents:

Annex A:	Cross–Government priorities	2
Annex B:	Additional departmental actions	5
Annex C:	Completed structural reform actions	8

Annex A) Cross–Government priorities

The Government is committed to driving progress of a number of shared priorities across different departments. HM Treasury is contributing to these priorities through the commitments listed below.

Where set out, numbers in brackets refer to the position of actions in the Structural Reform Plan section of the Business Plan.

1. Growth

- Monitor implementation of the British Bankers Association (BBA) Business Finance Taskforce commitments (including the Business Growth Fund, mentoring network and Small and Medium sized Enterprises lending survey), working with BIS
- Support and implement a Europe 2020 strategy for faster growth and higher employment
- Facilitate the work of the Industry Standards Group chaired by Terry Hill (Arup Group) to drive out duplication and redundancy in technical standards for infrastructure assets, working with BIS and with the support of CLG
- Target up to £20bn of investment from UK pension funds and institutional investors to support investment in UK infrastructure
- Set up an Insurers' Infrastructure Investment Forum to explore ways to ensure that the capital markets provide an efficient and attractive source of debt finance for infrastructure projects. Infrastructure UK will respond to members' proposals and engage with relevant stakeholders, including Credit Rating Agencies
- Pilot reviews during the design and engineering phase of projects to consider what opportunities for interdependencies may exist and how they may be exploited, working with major infrastructure project teams
- Consider using transparent forms of guarantee to support specific projects
- Ensure the delivery of 40 infrastructure investments that are of national importance and significance and critical to growth with DECC, DCMS, DEFRA and DfT. The Chief Secretary will chair a new Cabinet Committee to provide leadership to this work
- Publish an annual update of infrastructure investment pipeline data
- Introduce corporation tax reliefs for the animation, video games and high–end television industries
- Publish annual progress reports in April on the delivery of the Infrastructure Cost Review Programme

- Pilot reviews during the design and engineering phase of major infrastructure projects to consider interdependency opportunities

2. Open Public Services

- As a joint sponsor of Open Public Services with CO, HMT are taking forward:
 - Work on “continuity regimes” to make sure that citizens continue to receive public services when the provider themselves fail.
 - Working jointly with CO to publish an independent review into the Barriers to Choice by December

3. Red Tape Challenge

- Following the Insurance and Financial Services red tape challenge which launches on the RTC website in July 2012, bring forward, and then implement, plans to reduce and reform the stock of regulation for which the Department has overall responsibility

4. Civil Society Compact

- Ensure compliance with the Civil Society Compact, including collaborative working with the civil society sector

5. Sustainable development

- HM Treasury is committed to sustainable economic growth. For growth to be sustainable in the long-term, it must support wellbeing and opportunity for all, and be achieved alongside the objectives of tackling dangerous climate change, and the sustainable use of natural resources. As part of its role as the UK's economics and finance ministry, HM Treasury is central to ensuring that these aims are accounted for in policy appraisal and pursued through policies that deliver value for money and are affordable.
- HM Treasury will:
 - Assess and manage environmental social and economic impacts and opportunities in its policy development and decision making
 - Deliver the actions in the business plan to increase environmental sustainability, including by increasing the proportion of revenue accounted for by environmental taxes
 - Implement the Department's plan to deliver on the Greening Government Commitments, supplying quarterly information and contributing to an annual report on progress
 - Procure from small businesses with the aspiration that 25% of contracts should be awarded to SMEs

Sustainable Development Indicators:

- Economic Prosperity: GDP, GDP per capita, Median household income in real terms

6. Efficiency

- Ensure support for Efficiency and Reform, including efficiency measures to delivery savings and broader reforms to public services
- The Departmental Efficiency part of the Business Plan (in Section C) sets out operational spending, by category, as well as specific actions to improve operational efficiency in 2012/13

Annex B) Additional departmental actions

This section contains additional significant actions that will be taken forward but which are not considered to be major structural reforms for the purpose of the 2012 Business Plan.

The Department's objectives are in bold; the actions the Department will undertake are shown by the bullet points under each objective.

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

Increase transparency in the reporting of public spending

- Implement Phase 1 of Project OSCAR to develop a replacement for the COINS database and deliver improvements to data quality and process
- Implement Phase 2 of Project OSCAR to provide enhancements to the new system, improving flexibility in how public sector financial information can be used

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

Deliver UK economic and financial policy objectives including through active participation in international negotiations

- Deliver an effective and professional Presidency of the G7 group of industrialised nations from January 2013, ensuring that opportunities to progress key UK policy priorities through the G7 Finance Ministers and Central Bank Governors process are maximised, and that UK-hosted G7 events deliver value for money
- Continue to work closely with international partners, other Government departments, and the Bank of England to secure UK objectives at G20 meetings of Finance Ministers and Central Bank Governors and Leaders, under the Mexican and Russian Presidencies of the G20 (in 2012 and 2013 respectively)

Additional departmental actions

- Maintain strong relations with major economies on economic and financial issues, including through the international financial institutions, and encourage ongoing strengthening of economic and financial relations with key emerging markets, particularly China and India

Promote growth and poverty reduction in the developing world and its participation in global affairs

- Work to accelerate the process in relieving Heavily Indebted Poor Countries of their debt
- Support reform of global institutions such as the International Monetary Fund (IMF) in order to increase the involvement of developing countries

Deliver value for money from the EU Budget

- Monitor EU spending during 2012, including proposals for new in-year spending, in order to minimise extra costs and deliver real budgetary restraint for the 2013 EU budget
- Support a restrained, better value for money EU Budget in negotiations for the 2014–2020 Multi-annual Financial Framework.

Deliver a fair and transparent payment for Equitable Life Policyholders

- Contact all eligible policy holders

Work with BIS and other partners to implement the Government's 'Growth Reviews' supporting sustainable and balanced growth domestically and in the EU

- Support and implement a Europe 2020 strategy for faster growth and higher employment
- Facilitate the work of the Industry Standards Group chaired by Terry Hill (Arup Group) to drive out duplication and redundancy in technical standards for infrastructure assets, working with BIS and with the support of CLG
- Target up to £20bn of investment from UK pension funds and institutional investors to support investment in UK infrastructure
- Set up an Insurers' Infrastructure Investment Forum to explore ways to ensure that the capital markets provide an efficient and attractive source of debt finance for infrastructure projects. Infrastructure UK will respond to members' proposals and engage with relevant stakeholders, including Credit Rating Agencies.
- Pilot reviews during the design and engineering phase of projects to consider what opportunities for interdependencies may exist and how they may be exploited, working with major infrastructure project teams

Additional departmental actions

- Consider using transparent forms of guarantee to support specific projects
- Ensure the delivery of 40 infrastructure investments that are of national importance and significance and critical to growth with DECC, DCMS, DEFRA and DfT. The Chief Secretary will chair a new Cabinet Committee to provide leadership to this work
- Publish an annual update of infrastructure investment pipeline data.
- Monitor implementation of the British Bankers Association (BBA) Business Finance Taskforce commitments (including the Business Growth Fund, mentoring network and Small and Medium sized Enterprises lending survey), working with BIS.
- Introduce corporation tax reliefs for the animation, video games and high-end television industries
- Publish annual progress reports in April on the delivery of the Infrastructure Cost Review Programme
- Pilot reviews during the design and engineering phase of major infrastructure projects to consider interdependency opportunities

Final report into reducing the cost of delivery for major infrastructure projects

Support reform in the funding of the devolved administrations to encourage transparency and accountability

- Hold a programme of intergovernmental talks with the Welsh Government to discuss Welsh funding issues set out in the Holtham report. Discussions will proceed alongside the work of the Silk Commission, looking at the case for further devolution in Wales, which will report in late autumn 2012.

Develop and deliver a National Loan Guarantee Scheme (NLGS)

- Manage public engagement relating to the scheme

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

Secure reform to global financial regulation

- Deliver the commitments of the G20 to raise and implement new global standards
- Develop, negotiate and implement EU financial services legislation on regulatory reform and completing the single market, in particular on capital, derivatives and crisis management

Annex C) Completed structural reform actions

Completed actions from the 2011 Business Plan are shown below against each Coalition priority.

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

Implement cross-government deficit reduction plan, while delivering a step change in the drive for efficiency and value for money working with departments on wider reform to public services

- Identify £6bn in-year cuts
- Develop an Emergency Budget to set out the Fiscal Envelope
- Coordinate the 2010 Spending Review, to be implemented over a five year period
- Spending Settlements implemented and in-year cuts confirmed

Introduce an Office for Budget Responsibility

- Establish an interim independent Office for Budget Responsibility (OBR)
- Legislate to secure a statutory OBR through the Budget Responsibility and National Audit Bill
- Interim OBR supports the first Budget through introduction of transparent and independent forecasts
- OBR makes recommendations to the Chancellor on the functions of a statutory OBR
- OBR role refined in consultation with Treasury ministers and in Parliament
- Office for Budget Responsibility Bill passed

Implement reforms to improve the sustainability of the tax yield

- Increase the rates of VAT and insurance premium tax

Consider reform to public service pensions

- Launch independent commission to undertake fundamental structural review of public service pension provision, led by Lord Hutton
- Interim report published by Independent Public Service Pensions Commission, considering the case for short-term savings within the Spending Review 2010 period consistent with the Government's commitment to protect those on low incomes
- Recommendations published by Independent Public Service Pensions Commission

Completed structural reform actions

- Consider the initial Government response to the final report of the Commission

Increase transparency in the reporting of public spending

- COINS historic dataset published in an open and standardised form
- Fully implement Clear Line of Sight reforms, which ensure that departmental plans, estimates and expenditure outturns are reported in a consistent manner
- Publish COINS dataset for 2010/11

2. Secure an economy growing sustainably, more resilient, and balanced between public and private sectors and between regions

Increase fairness in taxation

- Introduce £1000 cash increase in personal allowance announced for 2011–12
- Introduce £630 cash increase in personal allowance announced for 2012/13
- Introduce additional measures to raise the tax yield including:
 - Increase capital gains tax from 18 to 28% for those liable to income tax at the higher and additional rates
 - Change tax rules for furnished holiday lettings to ensure that they are fully compliant with EU law and are better targeted at businesses that are run commercially
- Reform pension tax relief
- Review effectiveness of the raising of the stamp duty land tax relief for first time buyers

Increase competitiveness in the taxation system, including by creating the most competitive corporate tax regime in the G20, while protecting manufacturing

- Reduce the small profits rate of corporation tax to 20%
- Raise secondary (employer) NI threshold by £21 a week above indexation
- Reform Controlled Foreign Company rules and introduce a Patent Box Regime
- Extension of the Capital Allowance Short Life asset regime from 4 to 8 years

Increase simplicity, including by establishing an Office of Tax Simplification to provide advice to the Chancellor on simplifying the tax system

- Establish the Office of Tax Simplification
- Review tax reliefs to identify those that should be repealed or simplified in order to support the Government's objective for a simpler tax system
- Produce and publish initial findings on areas for simplifying the tax system for small businesses, easing administration and reducing uncertainty for small businesses, including review of IR35
- Commence further tax simplification reviews
- Publish the final report of the small business tax review by Budget 2012

Work with BIS and other partners to set out a cross-government framework for supporting strong, sustainable and balanced growth domestically and in the EU

- Work with BIS to publish a cross-Government growth framework and develop policies that remove barriers to growth
- Work with the Bank of England to monitor implementation of the Project Merlin bank lending targets
- Publish a Local Growth White Paper, together with BIS and Department for Communities and Local Government (CLG), to set out a new approach to locally driven growth
- Publish updated version of the National Infrastructure Plan (including projects and programmes)
- Final report into reducing the cost of delivery for major infrastructure projects
- Publish Government's response to Financing a private sector recovery consultation and work with BIS to help businesses, particularly SMEs, access suitable financing

Increase environmental sustainability, including by increasing the proportion of revenue accounted for by environmental taxes

- Legislate in Finance Bill 2011 (reforms to the Climate Change Levy) to introduce a carbon price floor mechanism in 2013
- Work with Department for Environment, Food and Rural Affairs (DEFRA) and Department of Energy and Climate Change (DECC) to investigate options available to help those in remote rural areas with the cost of fuel
- Introduce dry run connected sustainability reporting from 2010-11, bringing together reporting on carbon emissions, waste management and the use of finite resources, including related expenditure (relates to financial year 2010-11)
- Prepare revised draft sustainability guidance for 2011-12 and consult with departments
- Provide final sustainability guidance for 2011-12, and request agreement from FRAB to amend the Government Financial Reporting Manual for 2011-12, or through other medium, require the mandatory production and publication of sustainability reports for 2011-12
- Explore the potential to replace Air Passenger Duty with a per-flight duty
- Extend Air Passenger duty to business jet passengers for the first time, and consult on the future structure of Air Passenger Duty
- Taking forward the conclusions of the review of the control and use of accumulated and future revenues from the Fossil Fuel Levy in Scotland

Review the taxation of non-domiciled individuals

- Consult on the taxation of non-domiciled individuals and implement reforms

Promote growth and poverty reduction in the developing world and its participation in global affairs

- Review 'vulture fund' legislation
- Review whether to extend the Debt Relief (Developing Countries) Act 2010

Consider with the Bank of England how to include housing costs in the CPI inflation target

Review alcohol taxation to tackle problem drinking

- Informal consultation on alcohol taxation
- Implement new additional duty on high-strength beers (over 7.5% abv)
- Implement new reduced rate of duty for lower strength beers (at or below 2.8% abv) to encourage production and consumption of lower strength product

Deliver value for money from the EU Budget and reform to improve the effectiveness of international institutions

- Adoption of the European Council's negotiating position on the 2011 Budget
- Adoption of the European Parliament's negotiating position on the 2011 Budget
- European Commission published Budget Review
- Negotiate between the European Council and the European Parliament, leading to agreement on the Budget for 2011

Support reform in the funding of the devolved administrations to encourage transparency and accountability

- Work with the Scotland Office and Her Majesty's Revenue and Customs (HMRC) to implement the relevant proposals of the Calman Commission
- Produce a government paper examining rebalancing the Northern Ireland economy including examining potential mechanisms for changing the corporation tax rate in Northern Ireland
- Consider with the Welsh Assembly Government how to take forward the final Holtham report's recommendations

Introduce measures to improve fairness in public sector pay

- Require anyone paid more than the Prime Minister in the centrally funded public sector to have their salary signed off by the Treasury
- Launch independent review into fair pay in the public sector, led by Will Hutton, to address pay disparity
 - Interim report published by Will Hutton Review into fair pay in the public sector
 - Recommendations published by Will Hutton Review into fair pay in the public sector
- Consider the initial Government response to the final report of the review

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

Establish an independent Banking Commission into banking structural reform, working with BIS (SRP 3.1)

- Independent Banking Commission report published

Reform financial regulation giving the Bank of England control of macro-prudential regulation and oversight of micro-prudential regulation

- Develop and consult on 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 consumer protection and markets authority (CPMA)
- Further policy development, taking into account responses to consultation
- Publish and consult on detailed proposals
- Publish draft Bill and White Paper for pre-legislative scrutiny (PLS) subject to Parliamentary timetable

Withdraw exceptional public support from financial sector as conditions normalise

- Reduce Credit Guarantee Scheme maximum upper limit to £83.3 bn

Implement proposals to tackle unacceptable bonuses in the financial services sector

- FSA led revision of remuneration code
- Agree and implement EU Capital Requirement Directive

Introduce a Bank Levy to ensure that the banking sector makes a fair contribution, which reflects the risks they pose to the financial system and the wider economy

- Consult on the introduction of a Bank Levy
- Analyse consultation responses and develop final details of Levy scheme
- Bank Levy introduced
- Enact legislation as part of Finance Bill 2011

Secure reform to global financial regulation

- G20 leaders meeting in Seoul
- EU Capital Requirement Directive agreed
- G20 leaders meeting in France

Work with the Home Office and other departments to establish the Economic Crime Agency (actions transferred to Home Office)

Deliver a fair and transparent payment for Equitable Life policyholders

- Establish the Independent Commission on Equitable Life Payments
- Legislate to introduce Equitable Life payment scheme through the Equitable Life Payments Bill

Through the Consumer Financial Education Body (CFEB), deliver a national financial health check and free national financial advice service, funded through a levy on the financial services sector

- Financial advice service launched, including face to face advice and a new financial health check
- Introduce stronger consumer protections (regulatory reform will also support this outcome) Undertake a joint review with BIS of consumer credit and personal insolvency in the UK, including developing measures to address unfair bank charges