

Business Plan 2011–2015

HM Treasury

November 2010

This plan will be refreshed annually

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A) Vision

Over the lifetime of the Parliament, the Treasury will aim to secure a rebalanced and resilient economy that will create the conditions for sustainable growth. The Treasury will focus on three priorities:

First, heading the Government's drive to **reduce the structural deficit in a fair and responsible way**. The majority of the reduction will be achieved through savings in public spending announced in the Spending Review. The Treasury will support and challenge departments to ensure the spending settlement sticks and will lead directly on a number of measures. There will be greater transparency in forecasting and public spending. However, this alone will be insufficient to deliver the Coalition's priorities. Departments' business plans will set out how they will reform public services. The tax system will be also be reformed to ensure it remains sustainable, helping to put the public finances on a sounder footing.

Secondly, to create the conditions that **secure an economy that is growing sustainably, is more resilient, and is more balanced between public and private sectors and between regions**. Reducing the deficit will support these aims, allowing businesses and households to benefit from lower interest rates and reducing the public money diverted to paying interest on the debt. Capital investment will be protected to maintain and develop a national infrastructure that supports growth.

Reforms to taxation will create a more competitive business environment, reducing and simplifying taxation of businesses, while protecting lower income households. Through investment and reforms, the Government will support a low carbon economy. The department will work with the Department for Business, Innovation and Skills (BIS) to explore how open and efficient markets can be enhanced and how smaller businesses can gain improved access to funding.

Thirdly, the Treasury will **reform the regulatory framework for the financial sector to avoid future crises**. The world economy has been through an unprecedented shock sparked by a crisis in the financial services sector. Within the UK, the Treasury will reform regulation of the financial sector to ensure it is sustainable and responsible – and able to support the wider economic recovery while remaining competitive. When the timing is right, the department will withdraw from the temporary support provided to sustain the sector. But action is also needed internationally to ensure strong, sustainable and balanced growth in the world economy. The Treasury will engage actively in the G20 and the EU to foster greater international cooperation to achieve this. The Treasury will also seek to expand opportunities for trade and promote the UK as a profitable environment for inward investment, including with major emerging markets.

George Osborne, Chancellor of the Exchequer

B) Coalition Priorities

Structural Reform 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 where we achieve a sustainable distribution of growth across the economy, in particular in regions and sectors

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

The current system of financial regulation is replaced 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

B) Coalition Priorities

Other major responsibilities

Reduce the structural deficit in a fair and responsible way

- Embed strong financial management and governance across government

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

- Undertake economic and fiscal analysis to ensure that policy decisions are informed by the best possible advice
- Fund the Government's debt and manage its cash and reserves efficiently and effectively
- Pursue strong, sustainable and balanced growth in the EU and globally

Reform the financial sector to avoid future financial crises

- Work with international partners to counter illicit financing, including money laundering and terrorist financing

B) Coalition Priorities

The Department will no longer...

...duplicate work with other government departments – establishing where the work best fits

The Department will...

...set Public Expenditure plans for the whole Parliament

...withdraw from current exceptional activities to support the financial services sector at the appropriate time

C) Structural Reform Plan

The Coalition is committed to a programme of reform that will turn government on its head. We want to bring about a power shift, taking power away from Whitehall and putting it into the hands of people and communities, and a horizon shift, making the decisions that will equip Britain for long term success. For too long citizens have been treated as passive recipients of centralised, standardised services. This Government is putting citizens back in charge, and Structural Reform Plans are part of this shift of power from government to people.

This section sets out how, and when, the Department will achieve the reforms that are needed to make this happen. Structural Reform Plans are key tools for holding departments to account for the implementation of Programme for Government commitments, replacing the old top-down systems of targets and central micromanagement.

Each month, the Department publishes a simple report on its progress in meeting these commitments. These reports are available on our departmental website and on the Number 10 website.

All legislative timings and subsequent actions are subject to Parliamentary timetable and approval.

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

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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

ACTIONS	Start	End
1.1 Implement cross-government deficit reduction plan, while delivering a step change in the drive for efficiency and value for money and working with departments on wider reform to public services		
i. Identify £6bn in-year cuts	Completed	-
ii. Develop an Emergency Budget to set out fiscal envelope	Completed	-
iii. Coordinate the 2010 Spending Review, to be implemented over a five year period	Completed	-
iv. Ongoing monitoring of implementation of spending settlements and management of spending risks	Apr 2011	Apr 2015
1.2 Introduce an Office for Budget Responsibility		
i. Establish an interim independent Office for Budget Responsibility (OBR)	Completed	-
ii. Legislate to secure a statutory OBR through the Budget Responsibility and National Audit Bill	Started	Jul 2011
iii. Interim OBR supports the first Budget through introduction of transparent and independent forecasts	Completed	-
iv. OBR makes recommendations to the Chancellor on the functions of a statutory OBR	Completed	-
v. OBR role refined in consultation with Treasury ministers and in Parliament	Started	Mar 2011
MILESTONES		
A. £6bn in-year cuts introduced	Complete	-
B. Emergency Budget introduced	Complete	-
C. Spending Review measures announced	Complete	-
D. Spending Settlements implemented and in-year cuts confirmed	Apr 2011	
E. Office for Budget Responsibility Bill passed	Jul 2011	

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

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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

ACTIONS	Start	End
1.3 Implement reforms to improve the sustainability of the tax yield		
i. Increase the rates of VAT and insurance premium tax	Jan 2011	Jan 2011
ii. Ongoing reforms to tax system	Started	Apr 2015
1.4 Consider reform to public service pensions		
i. Launch independent commission to undertake fundamental structural review of public service pension provision, led by Lord Hutton	Started	Mar 2011
ii. 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 Commission	Started	Mar 2011
iii. Consider the initial Government response to the final report of the Commission	Mar 2011	Mar 2011

MILESTONES	
F. 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	Complete
G. Recommendations published by Independent Public Service Pensions Commission	Mar 2011

2. Secure an economy growing sustainably, more resilient, and balanced between public and private sectors and between regions
(p.2 of 7)

Take action to boost enterprise, support green growth and build a fairer and more balanced economy where we achieve a sustainable distribution of growth across the economy, in particular in regions and sectors

ACTIONS	Start	End
2.2 Increase competitiveness in the taxation system, including by creating the most competitive corporate tax regime in the G20, while protecting manufacturing		
i. Reduce corporation tax from 28% to 24% over the course of four financial years	Apr 2011	Apr 2014
ii. Reduce the small profits rate of corporation tax to 20%	Apr 2011	Apr 2011
iii. Raise secondary (employer) NI threshold by £21 a week above indexation	Apr 2011	Apr 2011
iv. Reform Controlled Foreign Company rules and consult with business on taxation of intellectual property	Started	Apr 2012
2.3 Increase simplicity, including by establishing an Office of Tax Simplification to provide advice to the Chancellor on simplifying the tax system		
i. Establish the Office of Tax Simplification	Completed	-
ii. 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	Started	Mar 2011
iii. Produce initial findings on areas for simplifying the tax system for small businesses, easing administration and reducing uncertainty for small businesses, including review of IR35	Started	Mar 2011
iv. Commence further tax simplification reviews	Mar 2011	Mar 2012
MILESTONES		
B. Office of Tax Simplification established	Complete	
C. Consultation on tax policy making	Complete	
D. Interim report published on tax reliefs	Nov 2010	
E. Final report published on tax reliefs	Mar 2011	
F. Interim report published on how to simplify the tax system for small businesses	Mar 2011	

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(p.3 of 7)

Take action to boost enterprise, support green growth and build a fairer and more balanced economy where we achieve a sustainable distribution of growth across the economy, in particular in regions and sectors

ACTIONS	Start	End
2.4 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		
i. Work with BIS to publish a cross-Government growth framework and develop policies that remove barriers to growth	Started	Mar 2011
ii. 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	Completed	-
iii. Publish, and update, a National Infrastructure plan setting out the Government's long-term priorities for infrastructure in the UK and deliver the actions set out in the plan	Started	Ongoing
iv. Publish Government's response to <i>Financing a private sector recovery</i> consultation and work with BIS to help businesses, particularly SMEs, access suitable financing	Started	Mar 2011
v. Promote a Europe 2020 strategy for faster growth and higher employment	Started	2020

MILESTONES		
G. National Infrastructure Plan 2010 published		Complete
H. White papers on growth and local growth published		Complete
I. Final report into reducing the cost of delivery for major infrastructure projects		Dec 2010
J. Updated version of the National Infrastructure Plan published		Dec 2011

2. Secure an economy growing sustainably, more resilient, and balanced between public and private sectors and between regions
(p.7 of 7)

Take action to boost enterprise, support green growth and build a fairer and more balanced economy where we achieve a sustainable distribution of growth across the economy, in particular in regions and sectors

ACTIONS	Start	End
2.12 Support reform in the funding of the devolved administrations to encourage transparency and accountability		
i. Work with the Scotland Office and Her Majesty's Revenue and Customs (HMRC) to implement the relevant proposals of the Calman Commission	Started	Jul 2011
ii. Produce a government paper examining rebalancing the Northern Ireland economy including examining potential mechanisms for changing the corporation tax rate in Northern Ireland	Started	Dec 2010
iii. Consider with Welsh Assembly Government how to take forward the final Holtham report's recommendations	Apr 2011	Dec 2011
2.13 Introduce measures to improve fairness in public sector pay		
i. Require anyone paid more than the Prime Minister in the centrally funded public sector to have their salary signed off by the Treasury	Completed	-
ii. Launch independent review into fair pay in the public sector, led by Will Hutton, to address pay disparity	Started	Mar 2011
iii. Consider the initial Government response to the final report of the review	Mar 2011	Mar 2011
MILESTONES		
P. Measures in place so that anyone paid more than the Prime Minister in the centrally funded public service has their salary signed off by the Treasury	Complete	
Q. Interim report published by Will Hutton Review into fair pay in the public sector	Autumn 2010	
R. Recommendations published by Will Hutton Review into fair pay in the public sector	Mar 2011	

3. Reform the regulatory framework for the financial sector to avoid future financial crises (p.2 of 4)

The current system of financial regulation is replaced 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

ACTIONS	Start	End
3.4 Implement proposals to tackle unacceptable bonuses in the financial services sector (other regulatory reforms may also support this objective)		
i. FSA led revision of remuneration code	Started	Jan 2011
ii. Agree and implement EU Capital Requirement Directive 3	Started	Dec 2010
iii. Develop other measures with potential to bear down on unacceptable remuneration including consideration of Financial Activities Tax	Started	Apr 2015
3.5 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 wider economy		
i. Consult on the introduction of a Bank Levy	Completed	-
ii. Analyse consultation responses and develop final details of Levy scheme	Started	Dec 2010
iii. Bank Levy introduced	Jan 2011	Jan 2011
iv. Enact legislation as part of Finance Bill 11	Apr 2011	Jul 2011
3.6 Secure reform to global financial regulation		
i. Deliver the commitments of the G20 to raise and implement new global standards	The timetable is set internationally	
ii. Develop, negotiate and implement EU financial services legislation on regulatory reform and completing the single market, in particular on capital, derivatives and crisis management		
MILESTONES		
D. Details of Bank Levy published	Complete	
E. G20 leaders meeting in Seoul	Nov 2010	
F. Implementation of Bank Levy	Jan 2011	

3. Reform the regulatory framework for the financial sector to avoid future financial crises (p.4 of 4)

The current system of financial regulation is replaced 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

ACTIONS	Start	End
3.11 Foster diversity in financial services, promote financial mutuals and create a more competitive banking industry (the Banking Commission outcome may also promote this objective)		
i. Implement legislative reforms enabling financial mutuals greater flexibility to develop and expand, including to:	Mar 2011	Dec 2012
a. Complete the passage through Parliament of the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order;		
b. Commence the Co-operative and Community Benefit Societies and Credit Unions Act 2010;		
c. Bring Northern Ireland Credit Unions under FSA regulation;		
d. Enable the greater use of electronic communications by mutuals by making an Order under the Electronic Communications Act 2000;		
e. Assess whether changes are required to update building societies legislation.		
MILESTONES		

D) Departmental expenditure

This section sets out how the Department is spending taxpayers' money as clearly and transparently as possible.

We have included a table to show the Department's planned expenditure over the Spending Review period, as agreed with the Treasury. It is split into money spent on administration (including the cost of running departments themselves), programmes (including the frontline), and capital (for instance information systems). As soon as possible, we will include the proportion of this expenditure that goes to the voluntary and community sector and to small businesses.

By April 2011, each department will also publish a bubble chart setting out in detail how its settlement will be allocated for the 2011/12 financial year, across its key programmes and activities.

Table of spending for 2011/12 to 2014/15

This section sets out the department's planned expenditure over the Spending Review period, as agreed with the Treasury.

£bn ^{1 2 3}	Baseline 2010/11	2011/12	2012/13	2013/14	2014/15
Total departmental expenditure allocation	0.2	0.2	0.2	0.2	0.2
<i>Administration spending⁴</i>	0.2	0.2	0.1	0.1	0.1
<i>Programme spending⁴</i>	0.0	0.0	0.0	0.0	0.0
<i>Capital spending</i>	0.0	0.1	0.0	0.0	0.0
<i>Spend on voluntary and community sector (%)⁵</i>	Data to be confirmed				
<i>Value of contracts to small and medium sized enterprises (%)⁵</i>	Data to be confirmed				

1. Detailed breakdown of these budgets will be published by April 2011

2. Excludes departmental Annually Managed Expenditure

3. Numbers may not sum due to rounding

4. Excludes depreciation

5. To be confirmed at the end of each financial year

Common areas of spend

The indicators below will help the public to judge whether the Department is being run efficiently, and can be compared across departments.

Indicators
Overall:
Cost of operating the department (including procurement, employment cost and property) over time and against projected cost
Number of employees, including breakdown by job type, seniority and their contract type (full time/part time)
Cost of corporate services (including human resources, finance, information and communications technology, communications, procurement) as a percentage of the cost of operating the department
On 3rd party spend:
Property cost per square metre and per employee
Cost of standard desktop computer per employee and number of electronic devices (laptops, desktops, mobile phones etc.) per employee
Value of major areas of spending (office products, travel etc.)
Number and value of major government projects and whether they will be delivered on time and to budget

E) Transparency

Greater transparency across government is at the heart of our commitment to enable the public to hold politicians and public bodies to account, to reduce the deficit and deliver better value for money in public spending.

This section will set out the information that will enable users of public services to choose between providers, and taxpayers to assess the efficiency and productivity of public services, holding them more effectively to account. By publishing a wide range of indicators, we will enable the public to make up their own minds about how departments are performing. We will use transparency to facilitate the choice and democratic accountability which will replace top-down targets and micromanagement.

All the data in this section will be made available free of charge, and we will regularly review whether our published data meets the needs of the public.

This section is published in draft until April 2011 to allow for further consultation.

Information strategy (p. 1 of 4)

To achieve its core objectives, Treasury depends highly on accurate and timely fiscal and economic data; and it publishes a wide range throughout the year. In addition to information published directly by the department, information on the UK economy is also released by other organisations including National Statistics, the Bank of England and the Office for Budget Responsibility. This is consistent with the Treasury's information strategy, which is based on the principles of transparency, timeliness, rigour and objectivity. These principles also extend across the arms length bodies for which Treasury is directly responsible.

Publication of the data allows the success of the Treasury's policies to be evaluated, provides confidence that the state of the economy and public finances are understood, and puts individuals, businesses and other organisations in a position to make decisions based upon the best analysis of public finances and the economy.

The Government's default position is that the public has a right to information and therefore the Treasury will continue to publish data where possible in accordance with the Freedom of Information Act. This builds on the Treasury's high performance in fulfilling its Freedom of Information obligations to date www.justice.gov.uk/publications/freedomofinformationquarterly.htm . Where data is published, it will be in line with the Public Data Principles www.data.gov.uk/wiki/Public_Data_Principles and registered on data.gov.uk.

Over the Parliament, the Treasury is focusing in particular on providing greater transparency around its structural priorities. The department is also using transparency to improve efficiency and effectiveness; this includes participation in Government-wide initiatives on benchmarking and release of spending data. Where public monies are spent, transparency can encourage value for money and accountability. The department recognises there is scope to go further and has agreed to publish (as far as possible) the data asked for in requests to the data unlocking service run by the National Archives.

Information strategy (p. 2 of 4)

Transparency is an important principle for Government so the Treasury will continue to work to embed best practice and encourage a more open culture. To reinforce this, all work on transparency will be taken forward at Board level by Emma Lindsell, Director of Corporate Services.

Key steps Treasury is taking in support of its structural reform priorities are:

Reduce the Structural Deficit in a Fair and Responsible Way

The interim Office for Budget Responsibility (OBR) was established in May 2010 to produce the official economic and fiscal forecasts that underpin the Budget. For the first time, forecast judgements were made independent of ministers. The interim OBR committed to improving transparency, and the bill establishing the permanent OBR requires the OBR to perform its duties transparently. At Budget 2010 the OBR published unprecedented detail on the economic and fiscal forecasts. A full AME forecast was published to the end of the forecast period (2015–16). Details of the labour market (wages and salaries, earnings, employment, public sector employment) and quarterly GDP forecasts were published for the first time. The Chair of the OBR and BRC members were appointed in October 2010 following confirmation by the Treasury Select Committee.

From June 2010, Treasury now publishes historic data from the Combined Online Information System (COINS). This is the most detailed UK public expenditure data ever released, comprising planned departmental spend, outturn and forecast outturn. The historic data currently published are raw and work is underway to make COINS data more accessible to the lay reader.

Information strategy (p. 3 of 4)

Project OSCAR, the Online System for Central Accounting and Reporting, is considering options for the replacement of COINS. Subject to approval, the replacement will improve transparency of public sector financial information, as well as bringing other benefits, including providing greater granularity of data and the ability to analyse better and model information at the centre of government. A concurrent Data and Process Improvement project will improve the quality of reporting through a root and branch review of the definitions, governance, organisation, processes and control of data.

For the first time, the Treasury will be publishing Whole of Government Accounts – full accruals based accounts covering the whole public sector and audited by the National Audit Office. WGA is a consolidation of the accounts of about 1500 bodies from central government, devolved administrations, the health service, local government and public corporations. Accounts will be published for year ended 31 March 2010 in Spring 2011 and then on an annual basis.

From April 2011, the Government will complete full implementation of the Clear Line of Sight reforms. These reforms will make Government's financial reporting simpler and more transparent by better aligning budgets, estimates and resource accounts and rationalising the government spending documents presented to Parliament

Budget 2010 contained, for the first time, an annex containing analysis and data intended to help interested parties understand the impact on households of tax and welfare proposals. Building on this, for the Spending Review, an indicative distributional analysis of public services spend (Resource Department Expenditure Limits (RDEL)), was undertaken and published alongside tax and welfare analysis. For future fiscal events the Government will consider how best to present the impact of changes on households consistent with these aims of transparency.

Information strategy (p. 4 of 4)

Alongside the June Budget the Government published for the first time the document Budget 2010 policy costings providing significantly increased transparency about the methodologies and assumptions used for estimating policy costings. Spending Review 2010 continued this transparency by publishing the document Spending Review 2010 policy costings providing a similar level of detail about Spending Review 2010 AME measure costings.

Reform the financial sector to avoid future financial crises

The Treasury has taken on substantial assets, liabilities and contingencies in response to the financial services crisis. The department discloses these fully in its Annual Report and Accounts, and where appropriate updates this information through Treasury Minutes and the Estimates process.

Input indicators

The indicators set out in this section are just a subset of the data gathered by the Department which will be made transparently available as outlined in the Information Strategy.

The Department will adopt the following input indicators:

Input indicator	When will publication start?	How often will it be published?	How will it be broken down?
Control of Public Spending	April 2011	Annually	National
Cost of supporting formation of tax policy	April 2011	Annually	National
Unit cost of supporting debt management	April 2011	Annually	National
Cost of supporting macroeconomic and fiscal policy that supports the economy	April 2011	Annually	National
Cost of work on international finance and financial stability	April 2011	Annually	National

Impact indicators (p. 1 of 2)

Our impact indicators are designed to help the public to judge whether our policies and reforms are having the effect they want. Further detail on these indicators can be found in our full list of datasets. The Department will adopt the following indicators:

Impact indicator	When will publication start?	How often will it be published?	How will it be broken down?
Reduce the structural deficit in a fair and responsible way			
Cyclically adjusted current deficit	Ongoing	Annually	National
Public sector net debt as percentage of GDP	Ongoing	Monthly	National
Departmental DEL Outturn	Ongoing	Quarterly	National
Secure an economy more resilient and balanced between public and private sectors and between regions			
GDP per capita [adjusted for inflation]	Ongoing	Annually	National
Regional employment rate	Ongoing	Monthly	Regional

Impact indicators (p. 2 of 2)

Impact indicator	When will publication start?	How often will it be published?	How will it be broken down?
Creating a more sustainable financial sector			
Changes to government's financial exposure to the financial sector through its exceptional support measures, notably: <ul style="list-style-type: none"> • Government shareholdings in Royal Bank of Scotland, Lloyds Banking Group; • Government shareholdings in Northern Rock and Bradford and Bingley, and guarantees of certain deposits with those institutions; • The Credit Guarantee Scheme; • The Asset Protection Scheme; • Loans in relation to the resolution of Dunfermline Building Society and Icelandic banks; • Loan to the Financial Services Compensation Scheme; • Government indemnities of Bank of England measures (Special Liquidity Scheme and Asset Purchase Facility) 	Ongoing	Annually	National

Other data

Further details of datasets published by the Department can be found here:

data.gov.uk/data/publishers/Her%20Majesty%27s%20Treasury.

Key data, which will be particularly useful to help people to judge the progress of structural reforms, and help people to make informed choices, includes:

- Public Sector Finances
- Public Expenditure Outturns
- Public Expenditure Statistical Analyses
- Combined Online Information Systems

Treasury publishes a range of other data, which includes, for example:

- UK Official Holdings of International Reserves
- HM Treasury real time data page for energy consumption

The Treasury's organogram may be found on its website at:

www.hm-treasury.gov.uk/about_hmtgroup_organogram.htm