COMPREHENSIVE GROWTH STRATEGY:

UNITED KINGDOM

A. ECONOMIC OBJECTIVE AND KEY POLICY COMMITMENTS

Economic Objective

The UK is taking decisions that will support businesses to invest, export and create jobs – laying the foundations for sustainable economic growth. The government's long-term economic plan has protected the economy through a period of uncertainty and provided the foundations for the recovery. However, the job is not yet done. In order to safeguard the economy for the long-term and build a stronger, more competitive economy and a fairer society, the UK's economic strategy is focused on taking decisive action through:

- **monetary policy and credit easing**: stimulating demand, maintaining price stability and supporting the flow of credit in the economy;
- **deficit reduction**: returning the public finances to a sustainable position and ensuring that sound public finances and fiscal credibility underpin low long-term interest rates, in line with the medium-term fiscal strategy presented at the St Petersburg Summit;
- **reform of the financial system**: improving the regulatory framework to reduce risks to the taxpayer and build the resilience of the system, with financial stability providing a strong basis for positive spillovers to the global economy; and
- **a comprehensive package of structural reforms**: rebalancing and strengthening the UK economy for the future – playing a significant role in reducing imbalances while ensuring sustainable growth – this includes measures to strengthen investment, employment, competition and trade.

The actions set out in the UK's growth strategy – particularly the vital supply-side reforms – illustrate the UK's high ambition and directly contribute to the G20 objective of: stronger, sustainable and balanced growth, and the G20 ambition to lift our collective GDP by more than 2 per cent above the trajectory implied by current policies over the coming 5 years. This will occur through the positive impact on UK's growth and long-term outlook, but also through important positive spillovers that continue to arise to the global economy, via the following channels:

- **strong growth** – through monetary policy and credit easing supporting demand and reduction in risk through improved fiscal credibility;
- **sustainable growth** – through necessary supply-side reforms to address structural weaknesses and improve potential growth, thereby improving the long-term trend rate of growth; implementation of financial regulation reforms to: strengthen bank resilience and end too-big-to-fail, ensuring a more sustainable provision of credit to the economy and improving the stability of London as a global financial centre; and continued fiscal action to ensure public debt is placed on a sustainable, downward path; and
- **balanced growth –** through a focus on the private sector and rebalancing the economy towards net trade and investment.

Key Commitments

1. Continued support for infrastructure investment, for example through the UK Guarantee Scheme, by providing a stable regulatory environment and a transparent infrastructure project pipeline.

2. Unlocking business investment to support investment (particularly for SMEs) in their future.

3. Improving competition policy and removing unnecessary regulation to help stimulate economic growth and innovation.

4. Support for the young and long term unemployed people, to move back into work.

5. Continue to address the housing challenge and build a functioning and stable housing market.

B. ECONOMIC OUTLOOK AND CHALLENGES TO GROWTH

Current and Future Growth Prospects

	Key Indicators[1]					
	2013	2014	2015	2016	2017	2018
Real GDP (% yoy)	1.8	2.7	2.3	2.6	2.6	2.5
Nominal GDP (% yoy)	3.4	5.0	4.0	4.4	4.6	4.5
Output Gap (% of potential output)*	-2.2	-1.4	-1.1	-0.7	-0.3	0.0
Inflation[2] (%, yoy)	2.6	1.9	2.0	2.0	2.0	2.0
Fiscal Balance[3] (% of GDP)**	-6.6	-5.5	-4.2	-2.4	-0.8	0.2
Unemployment[4] (% rate)	7.6	6.8	6.5	6.1	5.7	5.4
Savings (% of GDP)	10.9	12.9	14.0	14.9	15.9	16.5
Investment (% of GDP)	14.5	15.2	15.9	16.6	17.4	18.0
Current Account Balance (% of GDP)	-3.6	-2.3	-1.9	-1.7	-1.5	-1.5

[1]All forecasts and assumptions are from the independent Office for Budget Responsibility's (OBR) publicly available March 2014 Economic and fiscal outlook and supplementary tables, which can be found at: http://budgetresponsibility.org.uk/economic-fiscal-outlook-march-2014/ .Indicators presented on a calendar year basis and as forecasts.

[2]CPI measure of inflation.

[3]Based on the OBR's measure of the 'underlying' public sector net borrowing. This excludes the transfers associated with the Royal Mail Pension Plan in 2012-13 and ongoings between the Exchequer and the Bank of England's Asset Purchase Facility.

[4]LFS unemployment.

Key Drivers

UK annual GDP growth was 3.2%[1] in 2013 and with the recovery now becoming well established, growth has been balanced and broad-based across all main sectors of the economy. In the year to the second quarter of 2014: the services sector grew by 3.2%, the production sector grew by 2.4% and the construction sector grew by 5.6%. The UK continues to take further action (including in this growth strategy) to help businesses to invest, export, and to ensure that growth continues to be balanced across all sectors and throughout the UK. For the seventeenth consecutive month in September, all PMI business surveys were in expansionary territory[2].

As the UK economy stabilises, uncertainty recedes and credit conditions ease, the investment environment will continue to improve. Business investment strengthened in the first half of 2014 with growth of 11% in the year to the second quarter of 2014. The independent Office for Budget Responsibility (OBR) expects investment activity to gather pace this year. OBR's Budget 2014 forecast revises up annual business investment growth to 8.0% in 2014 and 9.2% in 2015.

In the first quarter of 2014 net trade contributed 0.6 percentage points to GDP, followed by no change in Q2. Goods exports to other EU countries are expected to remain subdued. At the same time, UK exporters have continued to expand in other markets, with goods exports to countries outside the EU rising 21% since 2010. Business surveys suggest exports may have risen further over the most recent period.

Household consumption accounts for around two-thirds of UK GDP. In the immediate aftermath of the financial crisis household consumption was constrained by the need to pay down debt, weighing on growth. As confidence has returned and the pace of household deleveraging has eased, consumption has increased and helped drive growth. This is consistent with historical precedent. In recent quarters the contribution of consumption to growth has been smaller than the consumption share of GDP.

Assessment of Obstacles and Challenges to Growth

Public sector net debt (the UK's measure of public debt) is projected to be 74.5% of GDP and 77.3% of GDP in 2013-14 and 2014-15 respectively. Peaking at 78.7% of GDP in 2015-16 – an increase of around 40% since 2007-08 – before falling to 74.2% in 2018-19 (or over £50,000 per household), the highest level of debt since the end of the 1960s. The UK continues to face a long-term challenge in reducing public debt to sustainable levels – an important element to achieving strong, sustainable and balanced growth.

As highlighted in the "Key Drivers" section above, there have been positive developments with regards to business investment. Annual growth in 2013 for business investment and gross fixed capital formation was 5.7% and 4.7% respectively. According to the IMF, total investment as a share of GDP came to 14.5% in 2013, compared to a pre-crisis average of over 17%. Given these challenges, encouraging investment in both infrastructure and small

[1] Quarterly National Accounts, Q2 2014, ONS, September 2014
[2] Markit/CIPS, October 2014.

and medium-sized enterprises (SMEs) is at the heart of the government's economic strategy and crucial to strengthening the economy for the future. In this regard, the OBR projects investment as a share of GDP to rise from 8.1% in 2013 to 10.6% in 2018.

The UK has seen a net increase of over 2 million jobs in the private sector between the first quarter of 2010 and the second quarter of 2014. Over this period, over 5 jobs have been created in the private sector for every public sector job lost. Over the same period all nations and regions of the UK saw an increase in employment. The employment level at the end of 2013 surpassed 30 million and reached its highest ever level in the three months to August 2014. Over the same three month period, the employment rate increased on the quarter to 73.0% to reach its pre-recession peak.

As highlighted by the OECD[3] and the World Bank[4], the UK has the least restrictive product market regulation and the most supportive regulatory and institutional environment for business across the G20. However, the UK understands the importance of ensuring continued progress in addressing policy gaps and since November 2010, the government has set out a programme of structural reforms to remove barriers to growth for businesses and improve competitiveness- including through The Plan for Growth.

In 2013, imports plus exports in the UK as a share of GDP amounted to 60.7% of GDP, which compares to the OECD total of 64.4% of GDP. Although, as noted in the above under "Key Drivers", growth in net trade has been relatively subdued over the last couple of years. In this regard, the UK's economic strategy has had a strong focus on rebalancing the economy towards net trade and investment – therefore, trade is of particular importance to the government.

This government has invested billions of pounds to get Britain building, which has helped to deliver the 475,000 new homes that have been built across the country since 2010. The UK is committed to confronting the risks from our housing market and tackling the long term challenge of housing supply. The government has set out a number of measures in this growth strategy which look to address this challenge by: increasing housing supply so it can better match demand, whilst also ensuring that these homes are affordable and providing more people the opportunity to own their own home.

[3] OECD Product Market Regulation (PMR) database.
[4] World Bank Doing Business 2014 database.

C. POLICY RESPONSES TO LIFT GROWTH

New Macroeconomic Policy Responses (including Reforms to Frameworks)

Monetary policy and credit easing

The UK is committed to carefully calibrating and communicating its **monetary policy settings**, in line with the G20-level agreement. In August 2013, the Bank of England's Monetary Policy Committee (MPC) introduced explicit forward policy guidance to reduce uncertainty about the future path of monetary policy as the economy recovers. That guidance was updated in February 2014. The MPC's forward guidance was updated in February 2014. The MPC sets policy to achieve the 2% inflation target, and, subject to that, to support the Government's economic policies, including those for growth and employment. Despite the sharp fall in unemployment, there remains scope to absorb spare capacity further before raising Bank Rate. When Bank Rate does begin to rise, the appropriate path so as to eliminate slack over the next two to three years and keep inflation close to the target is expected to be gradual. The actual path of Bank Rate over the next few years will, however, depend on economic developments. Even when the economy has returned to normal levels of capacity and inflation is close to the target, the appropriate level of Bank Rate is likely to be materially below the 5% level set on average by the Committee prior to the financial crisis. The MPC intends to maintain the stock of purchased assets at least until the first rise in Bank Rate. Monetary policy may have a role to play in mitigating risks to financial stability, but only as a last line of defence if those risks cannot be contained by the substantial range of policy actions available to the Financial Policy Committee and other regulatory authorities.

The **Funding for Lending Scheme (FLS)**, launched in July 2012, continues to support the supply of credit to the UK economy, with changes in November 2013 re-focusing the FLS on business lending, particularly among SMEs.

Fiscal policy

As set out above in Section A under "Macroeconomic Policy Settings", the UK's fiscal policy setting remains broadly in line with the fiscal strategy set out at the St Petersburg Summit and the clear, credible and specific medium-term consolidation plans set out by the government in 2010: the UK remains committed to reducing the deficit and to restoring debt to a sustainable, downward path.

To support restoring the public finances to sustainability, the UK continues to take action to strengthen the fiscal framework. Following earlier announcements on the **welfare cap**, Budget 2014 capped welfare spending in scope for the years 2015-16 to 2018-19 at the level of the OBR's March 2014 forecast. Further, following the announcement at Autumn Statement 2013, the government is **reviewing the current fiscal policy framework**. The outcome of the review will inform an updated 'Charter for Budget Responsibility', which will be presented to Parliament alongside Autumn Statement 2014. More detail can be found in Annex 1.

Macroprudential policy and financial regulation

In April 2013 the Financial Services Act was passed giving the Bank of England significant new powers, exercised by the FPC, to maintain financial stability by ensuring the system is robust to stress and taking steps to reduce the frequency and severity of periods of stress. Two new actions in 2014 are i) the launch in April of a stress test of the 8 major UK lenders, as part of an EU wide exercise, to ensure the system is robust to stress; and ii) the measures announced in June to address the risk that continued momentum in the housing market could pose to household indebtedness and in turn to the economy and to financial stability. These measures comprised guidance to mortgage lenders on the size of interest rate stress test they should include in mortgage affordability assessments and the imposition of a limit on the proportion of new mortgages that can be extended with loan to income ratios at or greater than 4.5.

In the medium term the FPC has three broad priority areas: the medium-term capital framework for banks; ending 'too big to fail'; and diverse and resilient sources of market-based finance.

Developing and communicating a robust **medium-term capital framework** for banks is a key priority for the FPC. In May 2014, the government transposed the EU Capital Requirements Directive IV into UK law and designated the FPC as the authority to make policy decisions on the countercyclical capital buffer (CCB). In November 2013, the Chancellor requested that the Financial Policy Committee (FPC) undertake a review of the role of a leverage ratio in the UK's capital framework for banks. Having issued a consultation paper on 11 July 2014, the FPC published its final review on 31 October 2014 setting out its proposals for the design of the leverage ratio framework, including its views on the calibration of that framework.

Alongside the global systemically important banks framework of the Financial Stability Board, in the UK the Prudential Regulation Authority (PRA) is responsible for identifying other systemically important institutions, including domestic systemically important banks (D-SIBs). The FPC will review the process for identifying different types of D-SIBs as part of its effort to **end 'too big to fail'.**

The EU Bank Recovery and Resolution Directive (BRRD) was approved by the European Parliament in April 2014, a milestone in the EU legislative framework for the recovery and **resolution of banks and large investment firms**. However, feasible and credible resolution arrangements for non-bank SIFIs are not as developed. In the UK, a resolution regime for Central Counterparty Clearing Houses (CCPs), who are supervised by the Bank of England, is being implemented.

Structural reforms will also enhance resolvability of affected institutions. In the UK, the focus is on ensuring that deposit, payment and overdraft services are continuously available to individuals and small businesses even when a banking group is distressed. These **core services will be ring-fenced from investment banking activities** by 2019 under the Banking Reform Act.

Diverse and resilient sources of market-based finance

Non-bank and market-based provision of finance can offer companies alternatives to, and provide competition for, bank lending and can also help distribute risk exposures among a wider group of counterparties. Nevertheless, activities outside the regulated banking sector could potentially present systemic risks. In June, the FPC conducted a review of the regulatory perimeter, in particular of channels through which stress in selected parts of the non-bank financial system could affect wider UK financial stability. The FPC did not see a need to amend the regulatory perimeter in these areas at this stage but would return to the issue on an annual basis, or sooner, if necessary.

As part of its effort to make markets more robust, the Bank of England announced in June that it will widen access to its liquidity facilities in the coming year to include the largest broker-dealers regulated in the UK and the CCPs authorised to operate in UK markets. The Bank will also look into whether it should further develop its capacity to lend in currencies other than sterling. In addition, the government announced in June a joint review by HM Treasury, the Bank of England and the Financial Conduct Authority (FCA) into the way wholesale financial markets operate.

Well-functioning securitisation markets can also support **market-based finance**. A Bank of England and ECB joint Discussion Paper outlined the case for a better functioning securitisation market in the European Union and suggested policy options to facilitate this.[5] A key recommendation is the development of high-level principles for 'qualifying securitisation' to promote securitisations where risk and payoffs are easily understood.

New Structural Policy Responses

Investment and Infrastructure

Since 2010, the government has worked systematically to address barriers to growth including unlocking business investment, in particular for infrastructure investment and SMEs. These reforms are achieving results. As uncertainty recedes and credit conditions ease, the investment environment will continue to improve. Business investment grew by 3.3% in Q2 2014, reaching the highest level since Q2 2005. Compared to the same quarter a year ago, business investment grew by 11.0 per cent, the fastest rate in over 7 years. The Office for Budget Responsibility's March 2014 forecast suggested business investment might grow by 8.0% in 2014 and 9.2% in 2015; the Bank of England's August 2014 forecast similarly suggested growth of 12.5% in 2014 and 11.3% in 2015. Further, credit conditions are improving for SMEs. According to the Bank of England, reported credit availability for small businesses fell for Q3 but is expected in increase in Q4[6]; and gross lending to SMEs was 28% higher in June (Q2) compared to the same quarter last year.

Investing in Infrastructure

As part of £36 billion worth of planned investment in infrastructure across the country more than 200 infrastructure projects are due to start construction in 2014-15, with the potential support over 150,000 jobs in construction and many thousands more in other sectors following completion.

Since the important establishment of Infrastructure UK (IUK) – a dedicated unit in HM Treasury that provides a stronger focus on the UK's long-term infrastructure priorities – the

[5] Bank of England and European Central Bank (2014), *The case for a better functioning securitisation market in the European Union: a discussion paper*. http://www.bankofengland.co.uk/publications/Documents/news/2014/paper300514.pdf

[6] Credit Conditions Survey 2014 Q3

government has been developing a National Infrastructure Plan for the UK. The latest version of the **National Infrastructure Plan 2013** (NIP 2013), published alongside Autumn Statement 2013, provides an outline of the government's strategy across the energy, transport, flood defence, waste, water and communications infrastructure sectors up to 2020 and beyond.

Also published by IUK, the **Infrastructure Pipeline** presents the most comprehensive overview of planned and potential UK infrastructure investment to date, containing information on over £380 billion of planned public and private sector infrastructure investment. It provides the visibility and improved certainty that investors and the supply chain have been looking for in order to commit to big investments. The Pipeline allows the government to work more effectively, ensuring the UK's infrastructure needs are met and also acts as a prospectus for investors.

The government continues to catalyse private sector participation in infrastructure investment projects, for example taking forward its new approach to Public Private Partnerships – **Private Finance Two (PF2)**. The first PF2 programme is the £700 million privately financed element of the Priority Schools Building Programme with all schools due to be opened by the end of 2017.

The government, through the **UK Guarantees Scheme (UKGS)**, is continuing to provide guarantees aimed at critical infrastructure projects that may have stalled because of adverse credit conditions, rather than due to their commercial or economic viability. The Mersey Gateway Bridge is the fourth guarantee – an announcement from Budget 2014 – to be issued, with construction of the project beginning imminently. The government has further announced up to £1 billion of borrowing by the Greater London Authority for the Northern Line underground extension to Battersea.

The **UK insurance growth action plan**, published alongside Autumn Statement 2013, includes a commitment by UK insurers to work in conjunction with partners with the aim of delivering at least £25 billion of investment in UK infrastructure, including but not restricted to projects in the published Infrastructure Pipeline, over the next 5 years.

Since Autumn Statement 2013, the government has continued to announce further plans to maximise and **accelerate High Speed 2 (HS2)** benefits and **open the Crewe branch of HS2** by 2027, 6 years earlier than planned, and government support for the **Cambridge Gain Share Mechanism.**

<u>Unlocking business investment and SME finance</u>

Business investment is critical to improving productivity and long-run economic growth and therefore the UK continues to take decisive steps to ease the flow of credit to SMEs, through the **FLS** (as highlighted in Section A under the heading of "Macroeconomic Policy Settings"), the Business Finance Partnership (BFP) and the **creation of the British Business Bank**. Autumn Statement 2013 announced that unspent funding from the BFP would provide a further £250 million for the British Business Bank's new schemes, including the Venture Capital Catalyst Fund, Wholesale Guarantees and an Asset Funding Finance Vehicle.

Budget 2014 announced that loans made through peer-to-peer platforms will become **qualifying investments for the tax-advantaged Individual Savings Account (ISA)** wrapper, encouraging the growth of the peer-to-peer sector and thus diversifying the available sources of finance.

The government announced at Autumn Statement 2013 a **package of measures to support SMEs and improve competition in banking**. This included the announcement that it would consult on proposals to require banks to share more information on their SME customers with other lenders through credit reference agencies (CRAs), levelling the playing field for challenger and non-bank lenders. The government confirmed at Budget 2014 that it would legislate and provisions were introduced last month in the Small Business Enterprise and Employment Bill. This should receive Royal Assent early next year and implementation would be later in the year.

The government has also consulted on whether to legislate to require SME lenders to release details on businesses they reject for a loan so that alternative providers can discuss other options with them. The goal is for platforms to be created for alternative lenders to visit to identify SMEs they may wish to finance. The proposals complement the action government is taking to require banks to share information on their SME customers with other lenders through CRAs.

Further, Budget 2014 announced plans to ensure venture capital tax schemes continue to effectively support small and growing businesses and improve access to finance for high-growth potential small and medium-sized companies by making the **Seed enterprise investment scheme (SEIS) permanent.**

To encourage new investors to put money into social enterprises, Budget 2014 announced a rate of 30% income tax relief for **Social Investment Tax Relief**, the same as the rate for the Enterprise Investment Scheme and Venture Capital Trusts. This rate will allow eligible social enterprises to receive a maximum of around £270,000 investment over 3 years

Budget 2014 also includes plans to double the size of the **annual investment allowance (AIA)** to £500,000, from April 2014 until the end of 2015. To further support innovative start-ups and early stage companies to invest in research and development (R&D), Budget 2014 announced that the government will raise the rate of the **R&D tax credit payable** to loss making SME companies.

Further, in April 2014 the main rate of corporation tax was cut again to 21 per cent. This was the latest in a staggered series of cuts which have seen the rate fall from 28 per cent in 2010. Next year it will be cut again to 20 per cent, the joint lowest rate in the G20. Government modelling has shown these cuts, and those to the small profits rate, will boost long-term investment by between 2.5 per cent and 4.5 per cent in the long term (equivalent to £3.6 billion – £6.2 billion in today's prices).

The flow of finance for business investment should also be improved by the macroprudential and regulatory policies discussed above to make the banking system more robust and to promote non-bank sources of finance.

Employment

The UK is undertaking reforms and significant action to provide support and the correct incentives for people to work and to boost labour force participation.

In March 2014, the government accepted the Low Pay Commission's (LPC) recommendations for increases in the **National Minimum Wage (NMW)**, thereby providing positive incentives towards working. As a result, over a million people will see a pay increase.[7] The increase in the minimum wage will help the lowest-waged in the economy, providing a boost to spending power for a significant proportion of the population.

In support of working families, the government is introducing a **new tax-free childcare scheme** and simultaneously rolling out Tax-Free Childcare from autumn 2015, quicker than previously announced. This complements the additional support for childcare being provided in **Universal Credit**. The new support for childcare costs will allow parents, in particular women, to take up work or increase their hours and earnings. Improving the labour market participation of women, and addressing the employment gap between men and women, is a crucial part of promoting job-rich growth. New childcare provision goes hand in hand with the introduction of the **right to request flexible working** for all, and a new system of **shared parental leave**. Evidence from the OECD supports improving the employment prospects of women as a significant contributor to recovery from the economic crisis, and increased provision of affordable high-quality childcare forms the centrepiece of the government's strategy to enable this.

Young people bore the brunt of the economic crisis and ensuring that young people are orientated towards the labour market and able to find employment quickly guarantees they are in the best position to continue in employment in the future. In order to support youth employment, Autumn Statement 2013 announced the **abolition of employer National Insurance contributions (NICs) for under-21 year old employees** earning less than £813 a week from April 2015, making it cheaper for businesses to employ young people and having a particular positive impact on SMEs. Youth unemployment can be a significant contributory factor to slow or minimal growth and the government is committed to ensuring that youth employment can be a motor of growth.

Apprenticeships play a vital role in equipping young people with the skills needed to compete in the labour market and employers need to grow their businesses. Budget 2014 announced the extension of the **Apprenticeship Grants for Employers scheme** until 2016 for over 100,000 grants to employers. This will operate alongside the existing **Youth Contract**, providing support to make it easier for businesses to give young unemployed people a job, training or work experience.

Furthermore, to ensure access to higher education, Autumn Statement 2013 announced that the government will **remove the cap on student numbers at publicly-funded higher education institutions in England by 2015‑16**.

Autumn Statement 2013 confirmed that the government will invest in a **new Help to Work scheme,** which will provide the long-term unemployed with the experience and motivation they need to move back into work and will particularly benefit those at the bottom of the income distribution.

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[7] 'National Minimum Wage 2014 Report', LPC, March 2014.

Competition

Strengthening competition is key to: driving innovation, efficiency and economic growth, bringing greater choice, lower prices and better quality goods for citizens, both within and across borders.

Regulatory reform is a vital part of the UK's growth agenda and the government is reducing the burden of red tape and unnecessary regulation on business, which can restrict growth. There are two main policies which have already succeeded in reducing this burden: the **"One-In Two-Out" policy on new regulation** and the **Red Tape Challenge**. Over the course of this Parliament, the net annual cost to business of domestic regulations has fallen by £1.5 billion

In April 2014, the government introduced a **Small and Micro-Business Assessment**, replacing the previous moratorium on new regulation for micro-businesses and start-ups. This assessment is now a standard element of the government's Impact Assessments, which are assessed by the independent Regulatory Policy Committee.

The functioning of the UK's competition regime is being improved through the creation/establishment of 3 different competition focused bodies: the **Competition and Markets Authority (CMA)** as the UK's lead competition and consumer body, the **UK Competition Network (UKCN)** to co-ordinate sector regulation and competition enforcement and the **UK Regulators' Network (UKRN)** to improve efficiency and consistency of economic regulation and increase awareness of how economic regulation works**.**

Trade

HM Revenue & Customs continues to work closely with the Border Force and other government stakeholders to further reduce impediments to trade. Reducing the cost of doing business and helping business participate in the global economy are features of a number of customs-related initiatives and strategies. The UK enjoys a competitive advantage in terms of customs services, efficiency of the clearing process, the number of days it takes to import or export and customs transparency[8]. However, we are seeking to enhance the Customs automated electronic environment for clearance and regulatory controls to deliver a 'One Government at the Border' approach. This entails the creation of a coordinated and single release process at the border which covers all HM Government activity. As part of this, the government is also beginning to **explore the establishment of an international trade single window** that integrates our existing effective and efficient systems to deliver further benefits.

Promoting free and fair international trade and investment is at the heart of UK policy making, both through our membership of the European Union and in our domestic policy formulation. We strongly support, and are actively involved in, the EU's efforts to negotiate deep and comprehensive liberalising **trade agreements at the multilateral, plurilateral and bilateral levels** as outlined in the EU Growth Strategy. We have concluded significant negotiations with Canada and Singapore and now have **Economic Partnership**

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[8] 'United Kingdom Country/Economic Profile', The Global Enabling Trade Report 2014, April 2014.

Agreements (EPAs) in place with African regional trade blocs. On-going negotiations include the **Transatlantic Trade and Investment Partnership** with the US, FTAs with Japan, India and Mercosur, an Investment Agreement with China, as well as FTA negotiations with non-G20 countries in the ASEAN (Vietnam) and the Mediterranean region (Morocco). The completion of this agenda would increase the share of EU external trade covered by FTAs to two thirds. The UK has been central to the efforts to promote growth and a deepening of the EU's Single Market which we believe has wider spillover benefits for countries outside of the EU.

To help UK exporters take advantage of opportunities and to succeed in new and emerging markets, the UK has significantly increased the support it provides to British businesses. UK Trade and Investment (UKTI) is on course to reach its target of supporting 40,000 businesses in 2013-14, up from 23,600 in 2009-10. The government is also increasing export support in emerging markets: by **increasing UKTI's presence** in India and China through an investment of £6 million in 2014-15 and £3 million in 2015-16; and **establishing British Business Centres** to provide in-market services to SMEs in 6 key emerging markets in 2014-15.

To enable **UK Export Finance (UKEF)** to do more business and deliver more appropriate export finance support to exporters, Autumn Statement 2013 announced the UK will: double UKEF's maximum commitment limit to £50 billion; increase the limit on UKEF-guaranteed bond issuances to $15 billion to ensure that a broad range of competitive finance sources are available for UKEF backed exports; broaden the scope of the existing direct lending scheme and seek to expand the working capital scheme, making it available to more companies; double the number of regionally based Export Finance Advisers to support more SME exporters; and adapt its guarantees so they are suitable for a wider range of potential investors (including insurance and pension funds) in export credits.

Autumn Statement 2013 and Budget 2014 announced further measures to make UKEF more competitive, including through an overhaul of UKEF's direct lending scheme by doubling it to £3 billion, removing the scheme end date, and cutting interest rates to the lowest permitted levels to provide competitive financing that helps UK firms expand overseas. UKEF will also work in partnership with the banks to deliver the enhanced lending scheme, ensuring that smaller companies can benefit from the scheme as well as mid-sized and large businesses.

To help businesses strengthen links with high growth markets and to go further to make the UK an attractive option for business visitors and tourists, Budget 2014 also announced that government will **reform air passenger duty (APD)** by abolishing bands C and D from 1 April 2015. The policies being taken forward to strengthen investment, particularly infrastructure, employment and skills, and increase competition in the UK also have important positive spillovers for trade and competitiveness.

DFID have funded a 10-year HMRC programme, to provide tax and customs capacity building support in developing countries. The first programmes will be in Southern Africa, Tanzania, Ethiopia and Pakistan. The HMRC Capacity Building Unit's work aims to support developing countries to collect the taxes they are owed, improving the investment climate and creating more favourable conditions for domestic and international trade.

There are two policies introduced by HMRC to make it easier for businesses, including SMEs, to trade across borders and increase participation in global value chains. The first: supporting further Authorised Economic Operator (AEO) mutual recognition agreements with third countries to realise additional benefits and encourage wider take up, with an aim to provide businesses with an internationally recognised quality mark which will demonstrate that they operate within a secure supply. The Second: increasing the scope of the Automatic Licensing Verification System (ALVS), which e-enables the write-off of licences, key to improving Border processes and removing administrative burdens.

Other measures

A well-functioning housing market can play a major role in boosting investment and delivering economic growth. Construction, along with investment in infrastructure and regeneration of existing housing can all have a direct impact on economic output. The government is taking decisive action to revive the housing market, boost construction and support families, developers and institutions to invest in new homes.

House building has been critical to the UK's economic recovery and the package of measures announced at Budget 2014 and Autumn Statement 2013 complements existing measures introduced to stimulate economic growth, increase investment and improve housing market stability. The housing market is recovering, like the rest of the economy, having suffered a severe downturn following the financial crisis. As confidence across the economy improves, increased activity in a number of sectors including the housing market can be expected.

There are encouraging signs of a recovery in housing supply with over 475,000 new homes delivered since April 2010 and housing starts in 2013 at their highest since 2007, but there is more to do. To continue to drive this growth forward, the government announced ambitious measures on housing and planning in 2013 and 2014.

The government has comprehensively reformed the planning system with the introduction of the **National Planning Policy Framework** and planning permissions for new housing are now at their highest level since 2007.

Building on this planning reform, in June 2014 the government announced that it would **remove all planning permission obstacles to building on brownfield sites**. The government and Greater London Authority (GLA) will also invest £400m to create **20 new housing zones** on brownfield sites, for potentially up to 50,000 homes in London. The government will also invest £200m to create **10 zones outside of London**.

At Budget 2014 the government announced measures to support the building of over 200,000 new homes. These include helping a further 120,000 households purchase a new-build home by **extending the Help to Buy**; introducing a **new loan scheme to kick-start stalled housing sites** held by SME builders; a new **Urban Development Corporation (UDC)** and an **estate regeneration fund**.

At Autumn Statement 2013 the government introduced a £1 billion, 6 year investment programme to fund infrastructure to unlock new large housing sites. This will support the delivery of up to 250,000 homes. Another key element contributing to economic growth is the government's **affordable housing programme**.

ANNEX 1: ST. PETERSBURG FISCAL TEMPLATE — UPDATE

1. Update on Fiscal Strategy:

The government's long-term economic plan has protected the economy through a period of global uncertainty and provided the foundations for the UK's economic recovery. GDP growth has exceeded forecasts and has been balanced across the main sectors of the economy. However abandoning the government's long-term economic plan and the path towards fiscal sustainability would represent the most significant risk to recovery.

The Office for Budget Responsibility (OBR) expect the 'underlying' deficit to be £24 billion lower over the forecast period than predicted at Autumn Statement 2013. The OBR judge this reflects the improvement in the economic outlook rather than an improvement in the economy's growth potential. As a result there is little change since December 2013 to the structural deficit. The persistence of this structural challenge supports the government's argument that economic growth alone cannot be relied upon to eliminate a structural deficit.

Reflecting the government's commitment to responsible fiscal policy and despite the improved borrowing forecast by the OBR, Budget 2014 set out a fiscally neutral response with the improvement in the fiscal forecast helping to return the public finances to a sustainable position.

2. Medium-term fiscal strategies (required for advanced economies – only if updated):

a. Overall strategy for debt sustainability

   No changes

b. Debt-to-GDP ratio objective

   The government is reviewing the current fiscal policy framework, the outcome of which will inform an updated Charter for Budget Responsibility which will be presented to Parliament alongside Autumn Statement 2014.

c. Intermediate objectives

   No changes

d. Expenditure and revenue reforms

   As set out at Budget 2014, Total Managed Expenditure (TME) in 2016-17 and 2017-18 will continue to fall in real terms at the same rate as over this Parliament. TME in 2018-19 will be held flat in real terms. However, the government will continue to prioritise capital investment over the medium to longer term so Public Sector Gross Investment (PSGI) will increase in line with GDP from 2018-19.

e. Reforms to strengthen the fiscal framework

   Budget 2014 capped welfare spending in scope for the years 2015-16 to 2018-19 at the level of the independent OBR's forecast, as published in their March 2014 'Economic and fiscal outlook'. The welfare cap will ensure that significant increases in spending do not go uncorrected. A forecast margin of 2% above this level will ensure that policy action is not triggered by small fluctuations in the forecast, but will not allow for discretionary policy action which breaches the level of the cap. As set out at Autumn Statement 2013 the cap will apply to all welfare spending in Annually Managed Expenditure with the exception of the state pension and the automatic stabilisers.

Autumn Statement 2013 announced that over the course of 2014 the government will begin a review of the current fiscal framework. At Budget 2010 the government said it would revisit the future of the fiscal framework once the public finances were closer to balance. The current Charter for Budget Responsibility lapses at the end of this Parliament. The fiscal mandate as specified in the Charter is the measure that the OBR uses to assess the government's performance against its targets. The 2014 framework review will consider several questions, including:

- What is the appropriate time horizon for the fiscal mandate once the structural current deficit is closer to balance?
- How fiscal credibility could be further enhanced by a stronger parliamentary commitment to the path of consolidation in 2016-17and 2017-18?

The outcome of the review will inform an updated 'Charter for Budget Responsibility' which will be presented to Parliament alongside Autumn Statement 2014.

3. Medium-term projections, and change since last submission *(required for all members)*:

All numbers given for public sector aggregates (general government plus public corporations) – based on OBR's March 2014 Economic and fiscal outlook***							
	Outturn	**Forecast**					
	2012-13*	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Debt[1]	74.2	74.5	77.3	78.7	78.3	76.5	74.2
ppt change	-1.7	-4.7	-5.3	-6.4	-7.3	-8.3	-
Deficit[2,3]	7.3	6.6	5.5	4.2	2.4	0.8	-0.2
ppt change	-0.5	-0.9	-1.0	-1.3	-1.3	-1.5	-
CAPB[3]	1.0	-2.5	-1.9	-0.6	1.0	2.2	3.0
ppt change	+0.5	-0.2	-0.7	-0.3	-0.4	-0.3	-
Cyclically-adjusted surplus on current budget[4]	-3.5	-2.8	-2.2	-1.5	-0.2	0.7	1.5
ppt change	+0.5	+0.0	-0.5	-0.3	-0.3	-0.1	-

[1]Public sector net debt

[2]Public sector net borrowing

[3]Excludes the transfers associated with the Royal Mail Pension Plan in 2012-13 and ongoing between the Exchequer and the Bank of England's Asset Purchase Facility

All numbers given for public sector aggregates (general government plus public corporations) – based on OBR's March 2014 Economic and fiscal outlook***							
	Outturn	Forecast					
	2012-13*	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19

[4]The UK's fiscal mandate uses this fiscal aggregate

*** Figures presented on a fiscal year basis.**

****Illustrates change between March 2014 forecast and equivalent numbers as set out in March 2013 alongside Budget 2013.**

***** The next forecasts period will be released on the 3rd December. The above numbers are consistent with ESA 95 methodology.**

4. Economic Assumptions, and change since last submission *(required for all members)*:

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for inflation and growth:

	Outturn	Estimate	Projections				
	2012-13*	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Real GDP growth	0.3	2.3	2.6	2.4	2.6	2.6	2.4
*ppt change***	*+0.1*	*+1.5*	*+0.6*	*0.0*	*-0.1*	*-0.2*	-
Nominal GDP growth	1.4	4.7	4.6	3.9	4.6	4.5	4.4
ppt change	*+0.1*	*+1.5*	*+0.6*	*+0.3*	*+0.1*	*-0.1*	-
ST interest rate	0.7	0.5	0.6	1.3	2.0	2.6	3.1
ppt change	*0.0*	*-0.1*	*-0.1*	*+0.4*	*+0.6*	*+0.6*	-
LT interest rate	1.6	2.6	2.9	3.3	3.6	3.9	4.0
ppt change	*-0.2*	*+0.2*	*+0.2*	*0.0*	*0.0*	*0.0*	-

*** Figures presented on a fiscal year basis.**

****Illustrates change between March 2014 forecast and equivalent numbers as set out in March 2013 alongside Budget 2013**

ANNEX 2: NEW POLICY COMMITMENTS

All of the below are new policy commitments.

These areas include:

1. Macroprudential policy/Financial regulation

Strengthening the UK Resolution Regime for Banks and Investment Firms	Transposition of the European Bank Recovery and Resolution Directive (BRRD) in order to further develop the UK regime for resolution of banks and investment firms
Implementation path and expected date of implementation	A consultation on transposition of the BRRD, seeking industry views on the UK's approach to implementation, recently closed. The implementing legislation is now being finalised. The new provisions, will come into force in January 2015. They will include: • A power for the Bank of England to "bail in" the liabilities of a failing bank – cancelling or reducing creditors' claims to the extent necessary to recapitalise the bank. This stabilises the bank, limiting the impact on the economy, and enables the causes of the failure to be addressed. • Enhanced cooperation between European member States and other countries, enabling regulators to manage the failure of large, cross-border banks. • A requirement for banks to meet a minimum requirement for eligible liabilities. This is requirement to hold a certain level of own funds and liabilities that are most easily and credibly loss-absorbing in the event of distress or failure of a bank. Measures to limit the use of public funds to manage the failure of banks, and arrangements to ensure that where there are costs of resolution that cannot be borne by shareholders or creditors, industry meets those costs. • A requirement on banks to ensure that core retail banking services must be in a legally, financially and operationally independent subsidiary from any trading or investment banking activities.
What indicator(s) will be used to measure progress?	Legislation will be in place by January 2015.
Explanation of additionality (where relevant)	The Independent Commission on Banking recommended a number of reforms in order to improve stability and competition in UK banking. The Commission estimated the annual cost of financial crises (based on historical data) at c.2.8% of GDP. These reforms are designed to reduce both the cost and the likelihood of financial crises in the future. However, their precise effect is difficult to determine. It is also difficult to split out the effects of these reforms compared to other reforms introduced as a result of the Commission's recommendation and wider financial sector reforms.

Ring-fencing of core retail banking services	Core retail banking services must be in a legally, financially and operationally independent subsidiary from any trading or investment banking activities
Implementation path and expected date of implementation	Ring-fencing was introduced with the Financial Services (Banking Reform) Act which received royal assent 18 December 2013. Banking reform 'scope of the ring-fence' secondary legislation was laid before Parliament 25th June 2014. Banking Reform Pensions Regulations should be in place by the end of this parliament. The Prudential Regulation Authority expects to publish its rules and supervisory statements during the first half of 2016. Ring-fencing will be in place by the start of 2019.
What indicator(s) will be used to measure progress?	The PRA will work closely with and will monitor the banks to ensure that ring-fencing is implemented.
Explanation of additionality (where relevant)	Ring-fencing supports financial stability by insulating retail and small business deposits and payments services from shocks originating elsewhere in the global financial system and making ring-fenced banks simpler and more resolvable - so core services can be kept running even if a ring-fenced bank or its wider group fails.

2. Investment and Infrastructure

High Speed Rail	Accelerating the delivery, and maximising the benefits of High Speed 2
Implementation path and expected date of implementation	The UK is undertaking a two phase programme for its new High Speed Rail Link between London and major cities in the North of England. Phase One will link London with Birmingham and is planned for completion by 2026. Phase Two will link Birmingham with Manchester and Leeds along two spurs. The government has now accepted the recommendation of the Higgins report that delivery of Phase Two be accelerated. The government is now looking at how to implement this recommendation, which will see the Crewe Spur open by 2027 and Leeds and Manchester Spurs open by 2032. High Speed Two will act as an economic catalyst for growth in the North of England, and procuring Phase Two faster will realise those economic benefits sooner.
What indicator(s) will be used to measure progress?	Work on accelerating Phase Two of High Speed Two is at an early stage and formal metrics have not yet been identified.
Explanation of additionality (where relevant)	Although High Speed 2 has been in planning for many years, Sir David Higgin's report was only published in March 2014. Therefore the decision to accelerate Phase Two so that economic benefits can be realised in the 2020's is a new policy.

Gain Share Mechanism	Introducing a Gain Share Mechanism for Cambridge
Implementation path and expected date of implementation	The Gain Share Deal provides Cambridge with the funds it requires to undertake a series of investments designed to improve the local economy. Funding will begin in 2015-16. Further funding is dependent on the initial government investment having quantifiable results. Further investment decisions will take place every 5-6 years.
What indicator(s) will be used to measure progress?	The government and Cambridge Local Authority will agree a series of indicators to measure the impact of the initial investments. The planned investment will have an immediate positive impact on the number of jobs available.
Explanation of additionality (where relevant)	This is a new policy area.

Changes to planning process	Changes to planning process: Introduction of new Planning Court
Implementation path and expected date of implementation	To speed up the planning system and reduce risks for private sector investors (and therefore encourage them to take on more projects), a new Planning Court was introduced on 6 April 2014.
What indicator(s) will be used to measure progress?	The new Planning Court will speed up projects undertaken at local authority level that are subject to legal challenge, so the exact impact will vary between local authorities. However the time taken to process and deliver planning decisions will be on the public record and scrutinised.
Explanation of additionality (where relevant)	This is a new innovation.

Energy Strike Prices	Using Strike Prices to reduce the uncertainties around energy prices
Implementation path and expected date of implementation	The UK has introduced Strike Prices in the energy market, allowing companies to be more certain of their returns for investment by reducing the uncertainties caused by fluctuations in prices. Initial Strike Prices have now been set through until 2018-19.
What indicator(s) will be used to measure progress?	Progress on Implementation will be reported on by the Department for Energy and Climate Change and should show an increase in investment by energy companies. Energy security is a significant factor in building confidence in markets and successful implementation of this policy should be reflected in confidence in the UK economy.
Explanation of additionality (where relevant)	Although the development of the Strike Price policy has been ongoing for several years, Strike Prices were themselves set in December 2013.

UK Guarantee Scheme	Guarantee issued for the Mersey Gateway Bridge and other projects
Implementation path and expected date of implementation	The issuing of a UK Guarantee has allowed construction of the Mersey Gateway Bridge to begin construction. This project is due for completion in Autumn 2017. The government has further announced up to £1 billion of borrowing by the Greater London Authority for the Northern Line underground extension to Battersea. The government can also confirm it has approved guarantees for Ineos Grangemouth Ethane Import and Storage Facilities (£230/€285m) and Speyside CHP Plant (£48.2m).
What indicator(s) will be used to measure progress?	The Bridge is a Public-Private Partnership project. Metrics for success will include completion on schedule and on budget, with risks to delivery successfully mitigated. Ineos is investing in a (US ethane) gas import terminal as part of its business transformation strategy for its chemicals operations in the UK. A shortage of reliable feedstock from the BP owned 'forties pipeline' had previously threatened to close the plant employing c.800 people. Ineos is one of the largest chemical companies in the world and would rank as the UK's fourth biggest manufacturing business in terms of sales, after Royal Dutch Shell, BP and Unilever (if publicly listed). The guarantee issued to Speyside will be used for the construction of a combined heat and power plant which will generate both electricity and heat.
Explanation of additionality (where relevant)	Although UK Guarantees have been available since 2012 the Guarantee for the Mersey Gateway Bridge was issued in Spring 2014, with Ineos and Speyside signed in Summer 2014.

Venture Capital Catalyst Fund	To increase the availability of later stage VC to SMEs
Implementation path and expected date of implementation	After a successful £25m pilot in 2013, the Catalyst Fund is currently being extended to £125m.
What indicator(s) will be used to measure progress?	Value of investments made by the Catalyst Fund and the associated total lending to smaller business facilitated. *[So far the Catalyst Fund has made 2 investments totalling £13 million to funds with aggregate investment capacity of at least £150 million.]*
Explanation of additionality (where relevant)	The additional funding granted at Autumn Statement was made on the strength of the pipeline of potential investments and will enable the Catalyst Fund to continue to address market gaps in the provision of later stage venture capital.

Wholesale Guarantees	To incentivise banks to lend to smaller businesses by making it more capital-efficient to do so
Implementation path and expected date of implementation	The pilot programme was launched in March 2014 and the first transactions are expected to be structured in Autumn 2014. Subject to the positive outcomes of these, the programme will be opened to further transactions.
What indicator(s) will be used to measure progress?	Bank lending rates to SMEs.
Explanation of additionality (where relevant)	Banks have been reluctant to lend to SMEs, so this programme encourages banks to do so by making lending more capital efficient.

Asset Finance Funding Vehicle	To facilitate the provision of asset finance to smaller businesses
Implementation path and expected date of implementation	The programme is still in the development phase, with ongoing discussions with the European Commission to secure State Aid approval, which is expected later this year.
What indicator(s) will be used to measure progress?	Success rate of smaller businesses securing asset finance funding.
Explanation of additionality (where relevant)	Since the crisis, lease funding has been less available to SMEs from the major bank and there have not been alternative providers to fill the gap. This scheme aims to restore the asset finance market for SMEs as well as diversifying it to promote resilience in the future.

British Business Bank	To make finance markets work better for small firms, allowing them to prosper, grow and support the UK economy
Implementation path and expected date of implementation	The British Business Bank was launched in October 2013 and is bringing the management of all central government schemes into a single institution. The Bank is currently operating out of the Department of Business, Innovation and Skills and expects to be fully operational in Autumn 2014, pending State Aid approval.
What indicator(s) will be used to measure progress?	Total new lending and investment generated by the Bank and number of businesses benefiting both in relation to individual programmes and the Bank as a whole. Business Bank programmes facilitated a total of £2.3bn of new lending and investment in the year to end June 2014. 35,000 businesses are benefiting from its programmes. It aims to unlock £10 billion of finance to business in the next five years.
Explanation of additionality (where relevant)	The funding allocated from the Business Finance Partnership at Autumn Statement 2013 will enable the Bank to address specific gaps in finance markets for smaller businesses, including in later stage venture capital and in the flow of finance from banks and from asset-based finance.

Business Finance Partnership (BFP)	To promote non-bank lending to mid-sized companies and through non-traditional channels to businesses
Implementation path and expected date of implementation	The Business Finance Partnership (BFP) was launched at Autumn Statement 2011. £863 million has been committed to the mid-cap tranche, of which £320.4m has already been invested. £87m was committed to the small business tranche, all of which has been committed to finance providers for smaller businesses.
What indicator(s) will be used to measure progress?	Investments made by the schemes and the additional lending generated to businesses. *[The programme has already generated over £2 billion of lending to businesses.]*
Explanation of additionality (where relevant)	£250 million saved from the scheme was given to the Business Bank for new schemes at Autumn Statement 2013 after the BFP was able to achieve its policy objectives with less than expected funding.

Improving access to SME credit data	The policy will require banks to share data on their SME customers with Credit Reference Agencies (CRAs) and also require CRAs to ensure equal access to that data for lenders
Implementation path and expected date of implementation	The government is legislating to enact this policy. At Autumn Statement the government announced it would consult on proposals to require banks to share more information on their SME customers with other lenders through credit reference agencies (CRAs), levelling the playing field for challenger and non-bank lenders. The government confirmed at Budget 2014 that it would legislate, and provisions were introduced last month in the Small Business Enterprise and Employment Bill. This should receive Royal Assent early next year. Implementation would be later in the year.
What indicator(s) will be used to measure progress?	At present the largest four banks account for over 80 per cent of UK SMEs banking relationships. The proposals are intended to make it easier for SMEs to seek a loan from a lender other than their bank, and this is one of a number of measures the government has introduced, and will continue to introduce, improving competition in banking and access to finance for SMEs.
Explanation of additionality (where relevant)	

Extending ISA-qualifying investments to include peer-to-peer loans	ISAs are savings accounts in which the dividends, gains and interest arising are tax-free. The government has announced that peer-to-peer (P2P) loans will become ISA-qualifying investments. Allowing P2P lending within ISAs should help improve competition by supporting this small but rapidly growing sector
Implementation path and expected date of implementation	The commitment was made in March 2014. Allowing peer-to-peer loans within ISAs will require detailed technical changes to the ISA regulations, which are set out in secondary legislation. The government has consulted with industry on these changes and launched a public consultation in October 2014 to engage with a wide range of stakeholders. The government will then take account of the responses to the consultation when drafting the revised regulations.
What indicator(s) will be used to measure progress?	ISA managers are required to report annually on the types of investments held within the ISAs they manage. The government will therefore be able to monitor the value of peer-to-peer loans held within ISAs in the future. In research conducted by the P2P industry, over 40 per cent of individuals lending via P2P platforms said they would be likely to lend more if they could place their loans into an ISA.
Explanation of additionality (where relevant)	

Increase of the Annual Investment Allowance (AIA)	Increase of the AIA to £500k and extension to 31 December 2015
Implementation path and expected date of implementation	The increased AIA is available on expenditure made from 1 April 2014 for corporation tax and 6 April 2014 for income tax to 31 December 2015, after which it will return to £25,000. This will particularly benefit SME firms, with up to 4.9 million firms – 99.8% of businesses – receiving 100% up-front relief on their qualifying investment in plant and machinery.
What indicator(s) will be used to measure progress?	The measure will be monitored through information collected from tax returns and through regular engagement with businesses and their representative bodies.
Explanation of additionality (where relevant)	The previous £250,000 increased AIA was due to run until 1 January 2015, after which it would drop back to £25,000. The measure increases the AIA from £250,000 to £500,000 from 1 April 2014 for corporation tax and 6 April 2014 for income tax to 31 December 2015, after which it will return to £25,000.

R&D tax credit	Raising the rate of the R&D tax credit payable to loss making SME companies from 11% to 14.5%
Implementation path and expected date of implementation	This measure was introduced in Budget 2014. It has been in effect since 1 April 2014 with the reliefs administered by HMRC. Over the next 5 years this increase will support £1.3 billion of investment in innovation.
What indicator(s) will be used to measure progress?	Uptake of the number of companies claiming the relief and amounts of relief claimed are regularly monitored, and published as National Statistics.
Explanation of additionality (where relevant)	The existing policy was an 11% payable credit for loss-making SMEs on their qualifying R&D expenditure. In Budget 2014, this was increased to 14.5%. This therefore strengthens the previous policy.

Social investment tax relief	This measure was introduced in Budget 2014 with a rate of income tax relief of 30
Implementation path and expected date of implementation	The social investment tax relief applies to qualifying investments made on or after 6 April 2014. This rate will allow eligible social enterprises to receive a maximum of around £270,000 investment over 3 years.
What indicator(s) will be used to measure progress?	The government will evaluate the impact of the relief two years after its introduction.
Explanation of additionality (where relevant)	

Seed enterprise investment	Seed enterprise investment scheme made permanent
Implementation path and expected date of implementation	Legislation to make the Seed enterprise investment scheme (SEIS) permanent was introduced in the Finance Act 2014.
What indicator(s) will be used to measure progress?	HM Revenue and Customs will monitor take up of the reliefs in terms of numbers of investors and investees, amounts of investment and the distribution of levels of investment. This information will be published on HMRC websites in due course.
Explanation of additionality (where relevant)	The measure will support the government's growth agenda by continuing to help small, riskier, early stage UK companies, which may face barriers in raising external finance, to attract investment, making it easier for these companies to become established and to grow.

Financial Technology	Supporting the development of an innovative and Competitive FinTech sector in the UK
Implementation path and expected date of implementation	The government will introduce legislation in the Small Business, Enterprise, and Employment Bill which will require the large banks to forward on details of SMEs rejected for loans to third party platforms that can be accessed by challenger banks and alternative finance providers. This is currently in the Commons Committee Stage. This will help FinTech firms to enter and expand the market for SME lending. We have agreed that the banks will make available transaction-level personal current account date in a standardised format, which will help FinTech companies develop comparison tools. We will launch a major programme of work exploring the potential of digital currencies and associated technology, starting with the launch of a Call for Information. Furthermore, the British Business Bank has entered into a partnership with Innovate Finance (a new trade body representing the FinTech industry in the UK). As announced by the government on 6 August, to enable both government and industry to stay ahead of the curve in this fast-paced sector, the Government Office of Science is conducting a Blackett Review looking ahead 10 years and identifying the technologies, enablers and barriers that will shape the future of the UK FinTech sector. In addition, UK Trade and Investment's marketing strategy on FinTech was also announced on 6 August, which aims to make the UK a destination of choice for setting up a FinTech company and to encourage companies all over the world to use the UK as the springboard for internationalising their FinTech business.
What indicator(s) will be used to measure progress?	Work on FinTech is at a relatively early stage and formal metrics have not yet been identified.
Explanation of additionality (where relevant)	

Business Rates	A series of measures to reduce the burden of business rates, to support businesses investment
Implementation path and expected date of implementation	At Autumn Statement 2013, a series of measures costing £2.5bn (over the next 5 years) were announced to reduce the burden of business rates, to support businesses investment and employment, including: - A 2 per cent cap in inflation increases in business rates in 2014-15 - A continuation of the doubling of Small Business Rate Relief in 2014-15 - Support for the high street, including a £1,000 business rates discount for low value retail premises, pubs and restaurants for two years and a reoccupation relief to get empty shops back into use. - A review investigating long-term reforms to business rates administration. These policies came in effect on 1 April 2014 and remain in place over 2014/15. The relief is being applied by local authorities following legislation and guidance passed by HM Treasury and the Department for Communities and Local Government. Local authorities are being fully reimbursed for any loss of receipts.

What indicator(s) will be used to measure progress?	Local authorities will keep track how much relief is granted to businesses.
Explanation of additionally (where relevant)	

3. Employment

National Minimum Wage	Increasing the Apprentice minimum wage by 2% from October 2014
Implementation path and expected date of implementation	The increase will come in to force from October 2014.
What indicator(s) will be used to measure progress?	There will be a UK wide apprenticeship pay survey conducted in the spring of 2014 and this is likely to be repeated annually. To ensure that employers comply with the NMW rules the government is: • Ensuring that apprentice complaints are being prioritised by HMRC. • Increasing awareness of the minimum wage amongst both employers and apprentices.
Explanation of additionality (where relevant)	

NICs for under-21s	Abolition of employer National Insurance contributions for under-21 employees earning less than £813 a week from April 2015 As a result: an employer will save over £500 for an under 21 year old employee earning £12,000, and over £1,000 for one earning £16,000
Implementation path and expected date of implementation	The abolition of employer NICs for under 21s will come into effect from April 2015. It will be delivered through employers' payroll systems.
What indicator(s) will be used to measure progress?	Data collected by HMRC should be able to show uptake of the NICs relief.
Explanation of additionality (where relevant)	This measure combines with the Youth Contract programme for young people. This measure ensures a significant incentive is given to business to increase hiring of young people. In particular this measure will provide SMEs with more incentives to higher young people and grow their businesses.

Apprenticeship Grants for Employers Scheme	Extending the Apprenticeship Grant for Employers (AGE) scheme to provide over 100,000 grants to employers
Implementation path and expected date of implementation	This is an extension of an existing scheme. An additional £85m will be provided, on top of the existing budget, in the 2014/15 academic year and £85m will be provided for the 2015/16 year.
What indicator(s) will be used to measure progress?	We will monitor progress by looking at the number of AGE grant payments made to employers in 2014/15 and 2015/16.
Explanation of additionality (where relevant)	This is an extension of the AGE scheme that was introduced in 2012. The original programme was very successful and as a result there were calls to extend the programme. This extension will help employers to take on an additional 100,000 apprentices in 2014/15 and 2015/16.

Help to Work	Long-term unemployed people who complete the Work Programme receive additional support to get them back to work. Either an intensive regime of Jobcentre Plus support; daily attendance at the Jobcentre; or a 6-month Community Work Placement
Implementation path and expected date of implementation	The first jobseekers took part in the programme from April 2014, across Britain. The investment will last for four years. The government will invest £700 million over 4 years in a new Help to Work scheme – a package of support aimed at the very long-term unemployed. This will require all Jobseeker's Allowance claimants who are still unemployed after 2 years on the Work Programme to undertake intensive, often daily, activity to improve their employment prospects, or put something back into their community, with swift and severe sanctions for those who fail to comply.
What indicator(s) will be used to measure progress?	The programme will reduce the long term claimant count (the number claiming Jobseekers Allowance for over two years) during its first year. Currently this stands at 180,000.
Explanation of additionality (where relevant)	The Work Programme was previously announced to support people unemployed for over one year. This new measure provides additional support for those who finish the Work Programme without finding employment.

Supporting Work	A package of reforms that will significantly increase the support for and requirements on claimants of out-of-work benefits
Implementation path and expected date of implementation	This work is being delivered in Jobcentres across Britain from April 2014.
What indicator(s) will be used to measure progress?	The claimant count will fall. This will reflect the faster transition into employment for those out of work.

Explanation of additionality (where relevant)	This enhances the existing service offered to the unemployed by introducing intensive job search activity and support earlier.

Tax-free child care	To help working parents with the cost of childcare, and to ensure they are supported to go out to work, if they want to
Implementation path and expected date of implementation	Tax-free childcare was announced in Budget 2013, and the government committed to launching the new scheme from autumn 2015.
What indicator(s) will be used to measure progress?	The scheme will be subject to a post-implementation review two years after its launch. We will also conduct an analysis of the effectiveness of TFC, including the take-up and wider impact on different stakeholders. Specific indicators are under development.
Explanation of additionality (where relevant)	

Universal credit	Additional £200 million support for childcare being provided in Universal Credit
Implementation path and expected date of implementation	£200m of additional childcare support will made available at Autumn Statement 2014 to allow 85% of eligible childcare costs to be claimed by all families in work and on Universal Credit.
What indicator(s) will be used to measure progress?	Those in receipt of Universal Credit and in work will be able to access 85% of eligible childcare costs.
Explanation of additionality (where relevant)	Extension of existing supping for childcare being provided in Universal Credit.

Cap on student numbers	Removal of the cap on student numbers at publicly-funded higher education institutions in England by 2015-16
Implementation path and expected date of implementation	The government will remove the cap on student numbers at publicly-funded higher education institutions in England by 2015-16. For 2014-15, the government will significantly increase the cap for HEFCE-funded institutions by 30,000, allowing those institutions that want to begin expanding straight away to do so, and encouraging competition.
What indicator(s) will be used to measure progress?	UK government will continuously monitor and publish updates on student numbers.
Explanation of additionality (where relevant)	The student number control limits universities to a maximum number of students, although in 2011 reforms were implemented to remove the cap on the highest grade students (ABB+).

	This is the removal of the cap on all student numbers at publically funded institutions. It will enable institutions to recruit an estimated 60,000 young people a year. The graduate wage premium has held up despite expansions in the number of students shows both that the demand for graduates remains high and that higher education is a very good investment for those who want to pursue it. Graduate skills are crucial for future growth in the economy. ONS data shows the percentage of the population classed as graduates has been rising steadily from 17% in 1992, to 38% in 2013. Across the OECD the share of employment that is in high skilled occupations has risen by nearly 20 percent since 1998; the share of employment in low skilled occupations has fallen by more than 12%. Growth accounting analysis indicates that graduate skills accumulation contributed roughly 20% of GDP growth in the UK from 1982-2005 Taking account of indirect benefits (e.g. productivity spillovers from increased innovation) suggests a 1% increase in the share of the workforce with a university degree raises long-run productivity by between 0.2% and 0.5%.

4. Competition

One-in, Two-out	The "One-In Two-Out" policy on new regulation requires that no new regulation is introduced unless it is off-set by deregulation of twice the equivalent value
Implementation path and expected date of implementation	The government continues to implement this key pillar of the deregulatory agenda. The government will report on progress made on reducing the overall net burden of regulation through the One-in, Two-out target and other deregulatory programmes, by the end of the Parliament in 2015.
What indicator(s) will be used to measure progress?	Progress towards the government's deregulatory target as well as new regulation coming into force is published every 6 months in the Statement of New Regulation. All figures are validated by the Independent Regulatory Policy Committee.
Explanation of additionality (where relevant)	The One-In, Two-Out policy continues to reduce significantly the burdens on business from regulation, which requires government Departments to find £2 worth of deregulatory OUTs for every £1 of regulatory INs.

Red Tape Challenge	The Red Tape Challenge is a flagship policy which gets rid of ineffective regulation and asks the public to suggest which existing regulations should be improved or abolished
Implementation path and expected date of implementation	Implementation of regulation identified to be scrapped or improved through the Red Tape Challenge continues and will be reported on by the end of the Parliament in 2015. So far more than 3,000 regulations have been identified for scrapping and improvement– to ensure that outdated, burdensome or over-complicated regulations are abolished or improved –

	with more than 1000 regulations already abolished or improved, with many more due in the coming months.
What indicator(s) will be used to measure progress?	Progress on the Red Tape Challenge target is kept up to date on the Red Tape Challenge webpage: http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/ Final figures will be published by the end of the Parliament in 2015.
Explanation of additionality (where relevant)	The Red Tape Challenge continues to deliver significant returns to the business community; new figures will be compared with the current level of about 800 regulations already abolished or improved.

Small and Micro-business assessments	A new Small and Micro-Business Assessment for all domestic measures came into force on 1 April 2014
Implementation path and expected date of implementation	The assessment replaces a moratorium on new regulation for micro-businesses and start-ups, which was in place until 31 March 2014. This assessment is now a standard element of the government's Impact Assessments.
What indicator(s) will be used to measure progress?	The small and micro-business assessment is an essential part of the government's Impact Assessment template. All government Departments must consider how regulation will impact on small and micro businesses, which is assessed by the independent Regulatory Policy Committee. If at any stage, unnecessary burdens on small businesses are identified, proposals will only be cleared if an exemption is granted to smaller businesses - or if disproportionate burdens on small businesses are fully mitigated. From 1st April 2014, all published Impact Assessments covering new regulation will contain a small and micro-business assessment.
Explanation of additionality (where relevant)	The small and micro business assessment extends the previous exemption of businesses with fewer than 10 employees from burdensome new regulations, to businesses with up to 50 staff.

Creation of the new Competition and Markets Authority (CMA)	The functioning of the UK's competition regime is being improved through the creation of the Competition and Markets Authority (CMA) as the UK's lead competition and consumer body
Implementation path and expected date of implementation	The CMA became fully operational in April 2014 to help stimulate economic growth and innovation and help ensure consumers get a good deal. The CMA was formed from the merger of the UK's existing competition bodies, the Competition Commission and most functions of the Office of Fair Trading. The merged body has stronger powers and more robust decision-making systems and aims to bring greater coherence, flexibility, speed and transparency in the operation of the competition regime. To help ensure the success of the CMA, Autumn Statement 2013 announced an increase in the CMA's funding by £12 million in 2014-15. This additional funding will enable the CMA to deliver a step change in competition enforcement from its first year, tackling cartels more effectively and opening up markets to new entrants, disruptive technologies and greater investment.

What indicator(s) will be used to measure progress?	The CMA has published a number of targets for its activities for 2014/15, and reports on its activities in its annual report at the end of the financial year. The CMA also has a target to derive £10 of direct economic benefit for every £1 spent, and will report on its achievements in that area as well.
Explanation of additionality (where relevant)	The benefit to cost ratio reported for 2012/13 for the Office of Fair Trading (the latest comparable figure available) was 8.7 to 1.

Creation of the UK Competition Network (UKCN)	**The UK Competition Network (UKCN) was established with the aim to both prevent anti-competitive behaviour and further open markets to competition**
Implementation path and expected date of implementation	In December 2013, the CMA and UK sector regulators established the UK Competition Network (UKCN). The UKCN aims to both to prevent anti-competitive behaviour and to open further markets to competition. The UKCN commits these bodies to work together to ensure the consistent and effective use of competition powers across all sectors in the UK economy through: engagement in regular strategic dialogue; sharing of resources and expertise; and co-operation on enforcement and other action.
What indicator(s) will be used to measure progress?	The CMA is required to produce an annual report on concurrency. It has already produced a baseline report which was published in April 2014, which provides information against which progress can be measured. In that report, the CMA also invited interested parties—including parties outside the regulator community—to comment on issues that should be covered in future annual concurrency reports, which may provide additional areas where progress can be measured.
Explanation of additionality (where relevant)	

Creation of the UK Regulation Network (UKRN)	**The UK Regulators' Network (UKRN) was formed to improve efficiency and consistency of economic regulation, and to increase awareness of how economic regulation works**
Implementation path and expected date of implementation	In March 2014, the UK's sector regulators formed the UK Regulators' Network (UKRN). Through joint working, the UKRN will tackle some of the most pressing issues for the regulated sectors. The UKRN's work will be on-going; it published its workplan in May which included: • facilitating efficient multi-sector infrastructure investment projects; • promoting consumer engagement and switching in regulated markets; • assessing cross-sector network resilience and cyber-security; and • developing a clear understanding of the overall affordability of regulated services for consumers.

	The Government is consulting on how it can best support closer cooperation between the regulators.
What indicator(s) will be used to measure progress?	Updates from regulators on areas listed by the UKRN as targets for its work will be one way of measuring success. The government's consultation may also lead to specific measurable action that supports the work of the UKRN.
Explanation of additionality (where relevant)	The UKRN replaced the Joint Regulators Group. Unlike its predecessor, the new group has a fully funded secretariat to ensure that the work plan receives sufficient priority along with expert advisors to provide review and challenge.

5. Trade

Making it easier for businesses, including SMEs, to trade across borders and increase participation in global value chains	Supporting further Authorised Economic Operator (AEO) mutual recognition agreements (MRAs) with third countries
Implementation path and expected date of implementation	The World Customs Organisation's Framework of Standards (WCO SAFE) sets international customs safety and security standards for Authorised Economic Operators (AEO). The EU implemented AEO on 1 January 2008. The standard is applied and recognised across all 28 Member States (MSs). Whilst its WCO origin is based on enhanced safety and security the EU has extended the concept to customs procedures by linking AEO status with access to customs simplifications. The aim is to provide participating business with an internationally recognised quality mark which demonstrates that they operate within a secure supply chain and their internal customs controls and procedures are efficient and compliant. Mutual Recognition agreements are in place with third countries (currently US/Japan/Switzerland) which entitle an EU AEO to faster clearance at the frontier (less control) - this means savings in time and money for our businesses. The agreements are reciprocal but the benefits and to whom they apply may differ between agreements.
What indicator(s) will be used to measure progress?	The Mutual Recognition Agreements are projects coordinated and managed by the EU Commission with MS support and participation. A new agreement was signed with China on 16 May, an identified area of export growth for the UK, and businesses with the appropriate AEO status should see less controls on their goods – positive moves for those businesses where delays can be costly – and more confidence in their supply chains. The UK is participating in an EU-Canada project with an estimated completion date of 2015. HMRC can then focus resources on non-compliant businesses and allow compliant, trusted businesses to enjoy quicker access to customs facilitations and border clearance.
Explanation of additionality (where relevant)	AEO offers opportunities to share security responsibilities with the private sector in exchange for greater facilitation. Such programmes allow Customs to achieve more with less and promote sustainable and long-

	term compliance. Changes to the EU Customs legislation, effective from May 2016, will introduce further benefits for UK businesses.

Making it easier for businesses, including SMEs, to trade across borders and increase participation in global value chains	Increasing the scope of the Automatic Licensing Verification System (ALVS), which e-enables the write-off of licences
Implementation path and expected date of implementation	ALVS is a cross-Government initiative that improves border processes and removes administrative burdens by allowing for the automatic verification of licenses for importers of live animals, products of animal origin (POAO), food not of animal origin (FNAO) and illegal unreported and unregulated (IUU) catch fish. A phased Roll Out commenced in May 2014 and split over 8 phases which will see full implementation before the end of 2014.
What indicator(s) will be used to measure progress?	Replacing NCH manual clearance functions with immediate customs clearance will remove approximately 150,000 documentary checks and associated manual customs releases per annum. Significant trade benefits and administrative cost savings will also be accrued as a result of reduced paperwork and cost of delays incurred by the manual process. Trade customer benefits are estimated at £360,000 per annum). These will start to be recognised partially during the phased roll out and be fully achieved by the end of 2014.
Explanation of additionality (where relevant)	There is also an environmental benefit in the annual removal of an estimated near million pieces of paper from the process (c£9k cost saving - Environmental Waste Calculator) and a potential impact cost (incurred demurrage charges and loss of value) associated with delays to Customs release.

Trade and development	10-year HMRC programme, funded by DFID, to provide tax and customs capacity building support in developing countries. The first programmes will be in Southern Africa, Tanzania, Ethiopia and Pakistan
Implementation path and expected date of implementation	The DFID-funded HMRC Capacity Building Unit's work aims to support developing countries to collect the taxes they are owed, improving the investment climate and creating more favourable conditions for domestic and international trade. The Unit has made substantial progress since it was set up in February 2014. We have hosted delegations from Pakistan and Ethiopia building solid relationships with their tax authorities, and carried out scoping missions to Ethiopia, Tanzania, Rwanda and Pakistan to discuss their needs and priorities for HMRC support. The first long term in-country tax expert was on the ground in Tanzania in July 2014 and we aim to have further long term advisers for Pakistan and Ethiopia in post by the end of 2014. We are also considering further areas where the unit can support global development and trade, including scope to: assist customs authorities to implement the World Trade Organisation agreement on trade facilitation; and to extend its geographic coverage to respond to a number of requests for short and medium term technical assistance.
What indicator(s) will be used to measure progress?	Clear objectives and milestones for projects are established at the outset and include:

	• improved tax policy and administration in partner countries that increases their revenue base and creates sustainable domestic financing • Partner countries' tax reform plans are achieved • Unit is providing timely long and short term assistance to partner countries in line with country need
Explanation of additionality (where relevant)	The most effective way to help developing countries collect the tax they are due is to provide technical support to their tax administrations. This has wider benefits to developing countries administrations and global economic stability and growth. Customs and trade facilitation plays a key role in global trade and projects delivered by the unit may include customs elements on a demand-led basis.

6. Any other structural policy

Removing planning obstacles on brownfield housing sites	**Removal of all planning permission obstacles to building on brownfield sites which are suitable for housing**
Implementation path and expected date of implementation	The government is going to require Local Authorities to remove all unnecessary planning obstacles on over 90% of brownfield sites suitable for housing. The government will create a £5m fund to create the first 100 Local Development Orders (LDOs), removing planning obstacles on the first 10,000 homes. Building on that, the government will compel councils to put LDOs on over 90% of brownfield sites by 2020, and will consult on a range of sanctions to make that happen.
What indicator(s) will be used to measure progress?	Over 90% of brownfield sites will have permitted development rights by 2020. The government will consult on monitoring systems as part of a consultation later this year.
Explanation of additionality (where relevant)	This is a new policy.

New housing zones	**Creation of new housing zones to get brownfield sites shovel-ready, in which Local Authorities bring together land, remove planning obstacles, remediate the land, invest in infrastructure and sell the plots to developers to get them built**
Implementation path and expected date of implementation	The government will offer £400m to support remediation and infrastructure on brownfield sites. In London, the government will: • Make £200m available, match-funded by the Greater London Authority. This will fund 20 housing zones, with capacity for potentially up to 50,000 homes. The government will also: • Provide specialist commercial and planning expertise;

	• Streamline and consider improvements to compulsory purchase powers; and • Work with him to make public sector land available for the zones. Outside London the government will: • Invite bids for £200m funding to fund 10 housing zones; • Provide specialist commercial and planning expertise; • Streamline and reform compulsory purchase powers; and • Work with Local Authorities to make public sector land available for the zones.
What indicator(s) will be used to measure progress?	Government will designate zones on an ongoing basis.
Explanation of additionality (where relevant)	This is a new policy.

Support the building of new homes	A number of measures to support the building of over 200,000 new homes
Implementation path and expected date of implementation	Helping a further 120,000 households purchase a new-build home by extending the Help to Buy: equity loan scheme from April 2016 to March 2020; introducing a new loan scheme to kick-start stalled housing sites held by SME builders which will deliver up to 15,000 units; £200m investment and a new Urban Development Corporation (UDC) to deliver the first new Garden City in England for around 100 years and a £150m estate regeneration fund – to help turn around some of the most deprived housing estates and boost housing supply.
What indicator(s) will be used to measure progress?	The Department of Communities and Local Government continuously review the implementation of housing schemes.
Explanation of additionality (where relevant)	This is a new policy.

Affordable housing	A number of measures to support the building of over 200,000 new homes
Implementation path and expected date of implementation	£4.5 billion of public investment has already delivered 125,000 affordable homes and will deliver a total of 170,000 by 2015. Further funding of £3.3 billion will add another 165,000 affordable homes between 2015 and 2018, making this the fastest rate of affordable housing building over a 3 year period for 20 years.
What indicator(s) will be used to measure progress?	The Department of Communities and Local Government continuously review the implementation of housing schemes.
Explanation of additionality (where relevant)	This is a new policy.