ADJUSTED GROWTH STRATEGY: UNITED KINGDOM

UNITED KINGDOM'S ADJUSTED GROWTH STRATEGY, 2015

The purpose of this document is to highlight changes and new additions to members' ***growth*** *strategies since Brisbane:*

Changes to section A (Economic Objective)[1]

Please discuss changes to the economic objectives, if any.

The government's long-term economic plan has laid the foundations for a stronger economy, and the UK's recovery is now well established. At 4.9% of GDP, the deficit remains too high, and productivity too low. The economy is still too unbalanced and more needs to be done to build up the nations and regions of the UK. In order to ensure economic security and safeguard the economy for the long-term 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;
- **completeing the 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 – this includes measures to strengthen investment and trade.

As a part of its economic policy, the government has announced its intention to improve the UK's productivity performance. Improving productivity is key to increasing living standards and delivering strong growth.

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% above the trajectory implied by policies in place in the Ocotber 2013 IMF WEO 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 by taking action to eliminate the deficit and run an overall surplus to start paying down debt;
- **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 investment across regions and trade.

Please list the top 5 commitments from your growth strategy. These can be from either Brisbane or the current adjusted growth strategy.

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1 All data correct as of 26 October 2015.

Please list the top 5 commitments from your growth strategy. These can be from either Brisbane or the current adjusted growth strategy.

1. Support (public) infrastructure investment through various projects.
2. Improve competition through reducing administrative and regulative burdens.
3. Boost support to help get young people and the long term unemployed people into work through various measures.
4. Build a stable housing market through the creation of new housing zones and a number of other measures.
5. Increase female labour participation.

Changes to section B (Economic Outlook and Challenges to Growth)

Please discuss changes to the economic outlook and challenges, and if desired, highlight any new and existing gaps remaining to be addressed. Add discussion of risk of persistent stagnation, if relevant.

Update table of key indicators as follows:

Key Drivers

The government's fiscal responsibility has allowed monetary activism to support demand in the economy and repair the financial sector. This has been supported by supply-side reform to deliver sustainable increases in standards of living.

The UK's economic recovery is well established. The UK grew by 2.9% in 2014, its best performance since 2005.[2] As the recovery has become established, growth has been more broadly balanced across sectors. There has been widespread growth across all major sectors since the start of 2013. Manufacturing, construction and services all grew strongly in 2014 on a year earlier. The Office for Budget Responsibility (OBR) forecasts GDP growth of 2.4% in 2015 and 2.3% in 2016.[3]

The UK labour market performance continues to be strong. In the 3 months to August, the employment rate rose to record highs of 31.12 million and 73.6%. The OBR forecasts employment to be 31.4 million in 2016, rising each year to reach levels of 32.2 million in 2021. The proportion of those who are inactive has been falling and is lower than it was before the crisis. Encouragingly, the increase in participation has been strong amongst women and older workers. There are more women in work than ever before, with the female working age participation level and rate at their highest ever levels. The number of working-age women participating in the labour force has increased by over 800,000 since the beginning of the crisis. In the past year alone there have been an over 230,000 additional workers aged over 50 in the labour force. Earnings growth is continuing to strengthen with regular pay up 2.8% over the year in the 3 months to August. The OBR forecasts earnings to continue to rise above inflation over the forecast period.

After falling during the crisis, recent UK growth has been more investment rich with business investment increasing as share of GDP. Real business investment has increased from 8.7% of GDP in 2010 to 9.5% of GDP in 2014 and the OBR forecast it to continue to do so.

Weak euro area growth has meant goods exports to EU countries have been subdued, falling by 5.8% since Q1 2008. However UK exports have continued to expand in other markets. The volume of goods exports to outside of the EU has increased by 33.1% since Q1 2008. The value of goods exports to the faster growing BRIC (Brazil, Russia, India, and China) economies has increased by 76.8% since Q1 2008. Exports are forecast to grow by 3.8% in 2015 and 2016. Export growth over the forecast period is offset by import growth. The

[2] All UK economy data from Office for National Statistics (ONS) unless otherwise stated.
[3] 'Economic and fiscal outlook', OBR, July 2015.

OBR's forecast for exports and imports over the forecast period reflects the slowdown in global trade volumes that has been seen since the early 2000s.[4]

House price growth has moderated over the past year, having grown strongly during early 2014, with annual house price growth slowing to 5.2% in July 2015. The OBR forecasts house prices to grow by 5.7% in 2015, followed by 4.1% in 2016, before rising to 5.6% in 2020. There have also been signs of a supply response to housing market activity. Housing starts in H1 2015 are the highest since H2 2007 and completions in H1 2015 the highest since H1 2008.

Household balance sheets have continued to normalise as households have reduced their debt as a proportion of income to 144% in Q2 2015, having peaked at 168% in Q1 2008. While households take on debt over the forecast period they also accumulate assets. This means household net wealth as a proportion of income, which was 7.9 times income in 2014, is forecast by the OBR to increase to 8.5 times income by 2020. The saving ratio, which in the latest data was 4.9% in 2014, is forecast to increase by 1.5 percentage points between 2014 and 2020.

Assessment of Obstacles and Challenges to Growth

The government has made significant progress on reducing the deficit and repairing the public finances. The deficit has more than halved as a percentage of GDP from its post-war peak of 10.2% to reach 4.9% in 2014-15.[5] Debt is forecast to have peaked as a share of GDP at the end of 2014-15.[6] However, debt stands at its highest share of GDP since the late 1960s, and the deficit remains among the highest in advanced economies.[7] The government is taking further action to complete the repair of the public finances to reach an overall surplus in 2019-20.

A large and long-standing productivity gap exists between the UK and other major advanced economies. Output per hour in the UK was 20 percentage points below the G7 average, 32 percentage points below France, 33 percentage points below Germany and 32 percentage points below the US in 2014.[8] The government is committed to reforming the UK economy to make it more productive. The government published a productivity plan in July 2015 with major reforms to improve the UK's infrastructure, tackle failures in the skills system, improve the planning system, encourage long-term finance for productive investment and give cities the governance and powers they need to succeed.[9]

As highlighted in the "Key Drivers" section above, there have been positive developments with regards to business investment. However, total investment as a share of output in 2014 was still lower in the UK than nearly all other major advanced economies.[10] This is addressed in the productivity plan to encourage long-term investment in economic capital, including infrastructure, skills and knowledge. The OBR has revised up business investment growth in 2015 to 6.0%. Business investment is forecast to grow by 7.2% in 2016 and by 6.5% or more in 2017, 2018 and 2019.

The UK's current account deficit at 5.1% of GDP in 2014 contributes to the UK running the largest combined government and current account deficits in the G7. The UK has run a persistent current account deficit for 30 years and a small deficit is sustainable with continued capital inflows. The UK's budget deficit and debt position is in part financed by these capital inflows through purchases of UK government gilts. The government's fiscal

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4 'World Economic Outlook', IMF, April 2015.
5 'Public Sector Finances', ONS, September 2015.
6 'Economic and fiscal outlook', OBR, July 2015.
7 'Three Centuries of Data on the UK Economy', Bank of England data; 'IMF Fiscal Monitor', IMF, October 2015.
8 'International Comparisons of Productivity – First Estimates, 2014', ONS, September 2015.
9 'Fixing the foundations: Creating a more prosperous nation', HM Treasury, July 2015.
10 'Quarterly National Accounts', OECD, June 2015.

plan to complete the repair of the public finances should support a gradual narrowing of the current account deficit and reduce this exposure. The current account deficit is forecast to narrow to -2.9% over the forecast horizon.

Key Indicators

	2014* **	**2015**	**2016**	**2017**	**2018**	**2019**
Real GDP (% yoy)	2.9	2.4	2.3	2.4	2.4	2.4
Nominal GDP (% yoy)	4.7	3.5	4.0	4.3	4.3	4.4
Output Gap (% of GDP)*	-1.0	-0.6	-0.4	-0.2	0.0	0.0
Inflation (%, yoy)	1.5	0.1	1.1	1.6	1.8	1.9
Fiscal Balance (% of GDP)**(^)	-4.9	-3.7	-2.2	-1.2	-0.3	0.4
Unemployment (%)	6.2	5.4	5.1	5.2	5.3	5.4
Savings (% of GDP)	11.8	12.6	14.3	15.6	16.2	16.8
Investment (% of GDP)	16.9	17.6	18.2	18.7	19.2	19.7
Current Account Balance (% of GDP)	-5.1	-5.0	-3.9	-3.1	-3.0	-2.9

***A positive (negative) gap indicates an economy above (below) its potential.**

****A positive (negative) balance indicates a fiscal surplus (deficit).**

***** Indicators can be presented on a fiscal year basis, should they be unavailable for the calendar year.**

^ Indicator has been presented on a financial rather than calendar year basis.

Changes to section C (Policy Responses to Lift Growth)

Please indicate any adjustments to measures taken in Brisbane Growth Strategies as well as new high impact policy measures taken since Brisbane.

Please include both macroeconomic and structural policy responses.

<u>Monetary policy and credit easing</u>

The Monetary Policy Committee (MPC) gave guidance in its February 2014 Inflation Report on how it would seek to achieve the inflation target over the policy horizon. The central message of that guidance remains relevant: given the likely persistence of headwinds weighing on the economy, when Bank Rate did begin to rise, it was expected to do so more gradually than in previous cycles. Moreover, the persistence of those headwinds, together with the legacy of the financial crisis, meant that Bank Rate was expected to remain below average historical levels for some time to come. The actual path Bank Rate would follow over the next few years was uncertain, and would depend on economic circumstances. The MPC's inflation target is symmetric: deviations of inflation below the target are to be treated with the same importance as deviations above it. Were downside risks to materialise the MPC judged in February 2015 that it could decide to expand the Asset Purchase Facility or to cut Bank Rate further towards zero from its current level of 0.5%. The scope for prospective downward adjustments in Bank Rate reflects, in part, the fact that the United Kingdom's banking sector is operating with substantially more capital now than it did in the immediate aftermath of the crisis. Reductions in Bank Rate are therefore less likely to have undesirable effects on the supply of credit to the UK economy than previously judged by the MPC.

Macroprudential policy and financial regulation

In September 2015 the Financial Policy Committee identified the main risks facing the financial system in the United Kingdom as: the global environment; the reduction in market liquidity in some markets; the United Kingdom's current account deficit; the housing market in the United Kingdom; consequences of misconduct in the financial system; and cyber-attack.

The FPC has completed its annual review of risks beyond the core banking sector by considering the channels through which activities undertaken by the non-bank financial system could affect UK financial stability. It has concluded on evidence currently available not to recommend a change in how these activities are regulated. But it has concerns over market liquidity and it intends to undertake a regular deep analysis of a range of activities. This will start over the next year with the investment activity of investment funds and hedge funds, the investment and non-traditional, non-insurance activities of insurance companies, and securities financing and derivatives transactions.

The FPC continues to monitor closely conditions in UK property markets given high household indebtedness. The FPC judges that the policies it introduced in June 2014 to insure against the risk of a marked loosening in underwriting standards and a further significant rise in the number of highly indebted households remain warranted. As it set out in October 2014, HM Treasury will consult on giving to the FPC the power of Direction to limit residential mortgage lending at high loan to value or high debt to income ratios, including interest coverage ratios, for buy-to-let lending. Parliament provided the equivalent powers to the FPC for owner-occupied lending in April 2015.

Addressing misconduct is essential for rebuilding confidence in the financial system. Substantial progress has been made in identifying and addressing misconduct, including through reform both of regulation and market and firm-level structures, systems and controls. Further initiatives are set out in the Fair and Effective Markets Review completed in June 2015, and the United Kingdom is leading work to shape standards internationally through the FSB.

In June 2015 the FPC issued a new recommendation to regulators that focuses on establishing a regular assessment of the resilience to cyber attack of firms at the core of the financial system.

Most of the prudential regulatory reform requirements for banks have been set out — including through the FPC's formal implementation of the leverage ratio requirements it announced last year. The FPC will consider the methodology to determine capital buffers for ring-fenced banks and large building societies, and the overall capital framework for UK banks more broadly, in 2015 H2. This is as part of its medium-term priority of establishing the medium-term capital framework for UK banks that it set out in 2014.

The FPC also has the responsibility for setting cyclical capital requirements, in the form of the countercyclical capital buffer (CCB), on a quarterly basis. In considering the appropriate setting for the CCB, the FPC considered the risks facing the UK financial system set against the still modest recovery in credit extended to UK households and companies, increased resilience of the financial system and the action taken in response to the 2014 stress test of major UK banks. In the light of these, it decided at its September 2015 meeting to leave the countercyclical capital buffer rate for UK exposures unchanged at 0%.

In the July 2015 Budget the government amended the FPC's remit. In relation to the primary financial stability objective, the FPC is asked to continue to broaden its focus beyond the core banking sector, to include systemic risks stemming from all parts of the financial system. The FPC should also identify, monitor and address systemic non-financial risks such as cyber risk, working with other authorities as necessary.

With regard to the FPC's responsibility in relation to support for the Government's economic policy, two new recommendations have been added. Subject to achieving its primary (financial stability) objective, the FPC should:

- Act in a way that, where possible, facilitates the supply of finance for productive investment provided by the UK's financial system. The Committee should consider this when explaining how its actions are consistent with its objectives, and when judging whether its actions could adversely affect the capacity of the financial sector to contribute to the growth of the UK economy in the medium or long term; and
- Act in a way that supports the Government's overall strategy for financial services, in particular by considering how its actions may affect competition, innovation and UK competitiveness. This should be considered when the FPC assesses the costs and benefits of its policy actions.

These are in support of the productivity plan.

Also in support of the productivity plan the government has:

- Asked the Bank, working with HM Treasury, to initiate research to create better measurement of 'finance for productive investment'.
- Asked the PRA and FCA to establish a joint New Bank Unit (which need not be in the form of a 'physical unit') to help prospective banks to enter the market and to support them through the early days of full authorisation.

New Structural Policy Responses

Investment and Infrastructure

The government has continued to emphasise the importance of investment and infrastructure in the UK and implement the strategy as outlined in the updated National Infrastructure Plan (Decemeber 2014), which outlines progress on delivery and sets out its long-term plans for UK infrastructure. A number of policies outlined in the UK's growth strategy continue to be implemented, however there have been adiditonal policy announcements since the November 2014 G20 Summit.

The UK has a thriving social enterprise sector: social enterprise has three-times the start-up rate of mainstream SMEs. In July 2014, the government introduced **Social Investment Tax Relief** (SITR), responding to particular difficulties these organisations face in obtaining finance, and putting them on a more equal footing with other small businesses. The scheme allows investors to claim back 30% of the value of an eligible social investment against their income tax liability. In December 2014, the government announced that it would **expand SITR**, increasing the number of eligible investments and raising the amount of SITR investment an individual social enterprise may receive to £5 million per year up to a maximum of £15 million, subject to agreement by the EU that this is an allowable State aid.

Following on from the £2.7 billion package of measures announced in December 2013, in December 2014 a further £1 billion package (over the next 5 years) to reduce the burden of **business rates** to support businesses investment and employment was announced. These policies came in effect on 1 April 2015. Further, the government has committed to improving the administration of business rates and will complete a long-term and ambitious review of business rates by the end of the year. As part of that review, the Chancellor recently set out major plans to devolve new business rates powers to local authorities to promote growth and prosperity, including allowing local government to retain 100% of the rates they collect, including any growth in their tax base, and giving local authorities the ability to lower the business rates multiplier in their area to boost enterprise and economic activity.

Also in Decemeber 2014 the government announced that it would further incentivise investment in research and development (R&D) by **increasing the rate of the 'above**

the line' R&D expenditure credit from 10% to 11% and will increase the rate of the SME scheme from 225% to 230%, from 1 April 2015.

The British Business Bank is launching a pilot **'Help to Grow'** programme to increase the supply of growth loans to firms that need between £500,000 and £2 million to achieve their potential. In April 2015 the UK announced a request for proposals to deliver the pilot, which will facilitate up to £100 million of finance for growing businesses. Alongside this, the government will continue to use a variety of channels to provide businesses with information about the support already available to them and their options for accessing finance.

In Summer Budget 2015, the Chancellor announced that the government would support business investment by increasing the permanent level of the **Annual Investment Allowance (AIA)** from £25,000 to £200,000 for all qualifying investment in plant and machinery made on or after 1 January 2016. The AIA provides an incentive for firms to invest in plant and machinery by allowing them to reduce their taxable profits by 100% of the value of their investment, up to the AIA limit. Where businesses spend more than the annual limit, any additional qualifying expenditure will attract relief under the normal capital allowances regime, entering either the main rate or the special rate pool, where it will attract writing-down allowances at the 18% or 8% rate respectively.

Further, the UK announced it would **reduce the rate of corporation tax (CT)** from 20% to 19% from 1 April 2017 and then to 18% from 1 April 2020. This rate does not apply to ring fenced profits of oil and gas companies which are subject to different CT rates. Reducing the rate of corporation tax increases the return companies receive on their investment. In this way the CT cuts will support investment and economic growth.

Employment

As mentioned the UK labour market performance continues to be strong. In the 3 months to August, the employment rate rose to record highs of 31.12 million and 73.6%. The OBR forecasts employment to be 31.4 million in 2016, rising each year to reach levels of 32.2 million in 2021. However the government is not complacent and has therefore continued to introduce measures to increase participation in the labour market through improving incentives to work and employ.

To support and reward those in work , the government has prioritised reducing taxes for low and middle-income earners, by announcing significant **increases in the income tax personal allowance.** The personal allowance has already increased from £6,475 in April 2010 to £10,600 in April 2015. July 2015 announced a further increase to £11,000 for 2016-17; and £11,200 for 2017-18. Alongside this, in October 2015 the government **increased the adult National Minimum Wage (NMW)** rate by 3.1% to £6.70, representing the largest real-terms increase since 2006. Further to this in July 2015 the government announced it will **introduce a new National Living Wage** (NLW) for workers aged 25 and above, by introducing a new premium on top of the NMW. From April 2016, the new NLW will be set at £7.20 – a rise of 50p relative to the current NMW rate it will then increase to 60% of median earnings by 2020. The government recognises that this new NLW may increase costs for some businesses. Therefore, from April 2016, the government will **increase the National Insurance contributions (NICs) Employment Allowance** from £2,000 to £3,000 a year. This will help all businesses and charities, particularly smaller ones, with additional wage costs. As a result, up to 90,000 employers will see their employer NICs liability reduced to zero.

Apprentices are at the heart of the government's drive to equip people of all ages with the skills employers need to grow and compete. In December 2014 the government announced **the abolition of employer National Insurance Contributions (NIC) for apprentices under 25 from April 2016**. This will reduce the cost of employing young apprentices, to encourage employers to increase the number of apprentices that they employ. This policy will make it over £500 a year cheaper to employ an apprentice under 25 earning £12,000, or over £1,000 a year cheaper for someone on £16,000. Further to this in October 2015 the governement increased the **apprentice rate** by 57p an hour to £3.30, halving the gap to the 16- 17 rate from October 2015. This will result in an annual salary increase of over £1,000 for a full time worker on the current apprentice rate.

The government is committed to 3 million new apprenticeship starts in England in this Parliament. Apprenticeships already benefit employers, apprentices and the economy. Apprenticeship reforms are designed to address exactly the barrier that employers have identified to taking on apprentices. Employers are designing quality apprenticeship standards that fully meet their skill needs. This will make it easier for them to offer more apprenticeship opportunities in the future. So far over 140 employer-led Trailblazers involving more than 1300 employers have seen 187 standards published. There are more than 160 new standards currently in development. We are taking action to support the growth of apprenticeships to meet our 3 million commitment – working with large and small businesses to begin or expand their programmes.

The public sector will fully play a part in delivering more apprenticeships in England. **Legislation will set targets for public bodies** in relation to apprenticeships. In addition all relevant bids for **government contracts** worth more than £10 million and lasting more than 12 months must demonstrate a clear **commitment to apprenticeships**. To help fund the increase in quantity and quality of apprenticeship training a UK-wide **levy** will be introduced from April 2017 for all larger employers in the public and private sector.

To help young people move into and get on in work the introduction of a new **Youth Obligation** for 18 to 21 year olds on Universal Credit was announced in July 2015. From April 2017, young people will participate in an intensive regime of support from day 1 of their benefit claim, and after 6 months they will be expected to apply for an apprenticeship or traineeship, gain work-based skills, or go on a mandatory work placement to give them the skills they need to move into sustainable employment.

The government is committed to delivering **Tax-Free Childcare** to support parents in the decision to go out to work, or work more, and provide security for their families. The government has been fighting a legal challenge which sought to frustrate delivery, and on 1 July welcomed the UK Supreme Court's judgment that our proposals for delivering the scheme are clearly lawful. As a direct result of a legal challenge, Tax-Free Childcare will now be introduced from early 2017. Formal arrangements have been made between the organisations responsible for delivering the new scheme and the government is pressing ahead to deliver as soon as possible. The government is also committed to introducing **30 hours of free childcare** for the children of working parents from September 2017, with early implementer trials beginning from September 2016. The aim is to encourage parents back into the workplace and to encourage them to increase the number of hours they work. Joint working is taking place across a range of relevant government departments to ensure delivery of this new commitment.

<u>Competition</u>

In the last Parliament, the government embarked on an ambitious deregulatory agenda through flagship programmes such as One-In-Two-Out and the Red Tape Challenge, cutting the net burden of regulation by £2.2 billion per annum. Building on this, the government has committed to cut at least a further £10 billion of red tape on business. The Better Regulation Executive launched the **Cutting Red Tape** programme to help deliver this target, working in partnership with industry to identify and address red tape resulting from legislation and enforcement activities in sectors. Reviews are being conducted on: enhancing the effectiveness of the Anti-Money Laundering and Terrorist Financing regime, Energy, Mineral Extraction, Agriculture, Waste and Care Homes.

Trade

No new measures.

Other measures

Housing

The government has published their productivity plan which includes major reforms to improve the planning system. The package includes a number of policies aimed at speeding up the planning system and bringing more land in. The Secretary of State will **intervene to write Local Plans** for those Local Authorities that do not produce them to arrange for them to be written, and the government will also bring forward proposals to significantly **streamline the length and process of Local Plans**. Alongside this we will **tighten the planning performance regime**, so that Local Authorities making fewer than 50% of decisions on time are at risk of special measures. The package aims to strengthen the guidance to **improve the operation of the duty to cooperate** on key housing and planning issues and consider how policy can **support higher density housing around key commuter hubs** and ensure that **unneeded commercial land can be released for housing**. The government will legislate **to grant automatic permission in principle on brownfield sites** identified on the brownfield registers, allow major mixed-used planning applications with an element of housing to apply to the **Nationally Significant Infrastructure Regime (NSIR)** and '**special measures' for Local Authorities that do not consider minor applications on time**. We will add more **compulsory purchase reforms** to further modernise the system and introduce **fast track certificate process for establishing the principle of development for minor development** proposals and significantly tighten the planning guarantee for minor applications and introduce a **dispute resolution mechanism for section 106 negotiations**. Finally we will repeat our successful target from the previous parliament **to reduce net regulation on housebuilders**.

Actions to reduce global imbalances

The UK continues to aim to reduce global imbalances. As outlined we have plans to reduce government debt to 79.8% of GDP in 2018/19 and have a surplus of 0.3% of GDP for public sector net borrowing in 2018/2019. To address the current account levels, and in the fiscal deficit, the UK announced in November 2013 measures to support UK Export Finance to do more business and deliver more appropriate export finance support to exporters. In addition to make it easier for businesses, including SMEs, to trade across borders and increase participation in global value chains HMRC have introduced two policies: **Supporting further Authorised Economic Operator** and increasing the scope of the **Automatic Licensing Verification System** – updates on these policies can be found in Annex 3.

Actions to reduce income inequality

The UK recognises the importance of reducing income inequality. The government has implemented a number of measures aimed at reducing inequality. Within our growth strategy last year we had measures across employment to reduce inequality: increaseing the apprentice national minimum wage, helping people participate in the labour market through tax-free child care scheme joint with childcare support in Universal credit and help to work scheme. In addition the UK government put forward measures to tackle the lowest income with housing by funding more affordable homes and extending the help to buy.

Actions to manage spillovers from domestic policies

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. 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. 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. A normalisation of monetary policy would take place in the context of a strengthening economy, which has positive spillovers. The first line of defence against financial stability risks is macro-prudential policy. For example, the Financial Policy Committee (FPC) have taken steps to insure against the domestic spillovers from monetary tightening by recommending a mortgage interest rate affordability test, limits on high loan-to-income lending, and incorporating a housing market downturn in bank stress tests. In April 2015 the government gave the FPC powers of direction to place limits on owner-occupied residential mortgage lending, by reference to: (a) loan to value ratios; and (b) debt to income ratios. HM Treasury will consult later this year on equivalent powers in respect of buy-to-let lending. The UK is also compliant with the ESRB recommendation to manage risks from foreign currency lending.

In the July 2015 Budget a new FPC recommendation has been added on external engagement. The FPC should endeavour to fulfil its statutory responsibilities in an open and collaborative fashion, seeking – where appropriate – the views of industry participants, academics, other regulators, and the public. Consultation periods should be in line with public sector best practice; any supporting documentation should be sufficiently detailed and where practicable should include a robust quantitative impact assessment.

ANNEX 1: NEW AND ADJUSTED POLİCY COMMITMENTS FOR 2015

New and Adjusted Commitments since Brisbane

This annex is for describing new measures introduced since Brisbane or Brisbane commitments that have been adjusted or modified.

Please complete a table for each new or adjusted commitment put forward in 2015. We would expect each policy commitment table to be no longer than 1 page.

Investment and Infrastructure

Annual Investment Allowance (AIA):	**Support business investment by increasing the permanent level of the Annual Investment Allowance (AIA).**
Implementation path and expected date of implementation	In Summer Budget 2015, the Chancellor announced that the government would support business investment by increasing the permanent level of the Annual Investment Allowance (AIA) from £25,000 to £200,000 for all qualifying investment in plant and machinery made on or after 1 January 2016.
What indicator(s) will be used to measure progress?	Businesses can disclose whether they are eligible to claim tax relief when they submit their company tax return (CT600).
Explanation of additionality or adjustment (where relevant)	The maximum amount of the AIA was temporarily increased from April 2014 until 31 December 2015 after which it would have returned to £25,000. By committing to increase the permanent amount of the AIA to £200,000 from 1 January 2016, the government commits to further incentivise business investment.

Business Rates:	**A series of measures to reduce the burden of business rates, to support businesses investment.**
Implementation path and expected date of implementation	Following on from the £2.7bn package of measures announced at Autumn Statement 2013, Autumn Statement 2014 announced a further £1 billion package (over the next 5 years) to reduce the burden of business rates to support businesses investment and employment, including: • Continuing the 2 per cent cap in inflation increases in business rates until April 2016; • Continuing the doubling of Small Business Rate Relief until April 2016; and • Increasing the support for the high street by increasing the discount from £1,000 to £1,500 for low value retail premises, pubs and restaurants for two years. These policies came in effect on 1 April 2015. Further, the government has committed to improving the administration of business rates and will complete a long-term and ambitious review of business rates by the end of the year. At the Conservative Party conference, the Chancellor also announced plans to devolve powers from Whitehall to local areas to promote growth and prosperity. Local government will now retain 100% of the business rates they collect, including 100% of any growth in their tax base, and will have the power to cut business rates to boost enterprise and economic activity in their areas. Mayoral authorities will also be given the power to add a capped premium to business rates to pay for new infrasturcute. The government intends to move towards 100% retention of business rates by 2020 and will set out further details at the Spending Review. Reliefs and discounts are applied by local authorities following legislation and guidance passed by HM Treasury and the Department for Communities and Local Government. Local authorities are fully reimbursed for any loss of receipts from the measures announced at Autumn Statement 2013 and 2014. These business rates measures apply in England only.
What indicator(s) will be used to measure progress?	Requisite regulations have been made to ensure the package can be delivered. Local authorities will keep track how much relief/discount is granted to businesses.
Explanation of additionality or adjustment (where relevant)	Autumn Statement 2014 announced a further £1 billion package (over the next 5 years) to reduce the burden of business rates to support businesses investment and employment.

Help to Grow Pilot scheme:	Help to Grow aims to benefit SMEs with high growth potential but are struggling to raise sufficient senior debt with mezzanine style features to fund their growth.
Implementation path and expected date of implementation	Successful applications to the Expressions of Interest will be progressed over the next year.
What indicator(s) will be used to measure progress?	The stock of finance facilitated to smaller businesses through the pilot scheme.
Explanation of additionality or adjustment (where relevant)	The pilot scheme will address the market failures affecting the supply of £0.5-£2m of growth finance.

Corporation Tax:	Corporation Tax reduction to 19 per cent from 2017-18 and 18 % from 2020-21.
Implementation path and expected date of implementation	This measure reduces the corporation tax (CT) main rate from 20 per cent to 19% from 1 April 2017 and then to 18% from 1 April 2020. This rate does not apply to ring fenced profits of oil and gas companies which are subject to different CT rates. Reducing the rate of corporation tax increases the return companies receive on their investment. In this way the CT cuts will support investment and economic growth.
What indicator(s) will be used to measure progress?	The measure is being legislated for in Finance Bill (2) 2015.
Explanation of additionality or adjustment (where relevant)	These cuts build on progress made in the previous parliament, when the headline rate of corporation tax was cut from 28% to 20%.

Research and Development Tax Credits:	Increasing the rate of R and D tax credits.
Implementation path and expected date of implementation	At Autumn Statement 2014, the government announced it would increase the rate of the 'above the line' R&D expenditure credit from 10% to 11% and increase the rate of the SME scheme from 225% to 230%, from 1 April 2015.
What indicator(s) will be used to measure progress?	This measure was legislated for in Finance Act 2015. HMRC publish regular statistics on the take-up on R&D tax credits.
Explanation of additionality or adjustment (where relevant)	R&D tax credits support businesses to invest in Research and Development. These changes increased the incentive to invest.

Employment

Tax-Free Childcare:	To help working parents with the cost of childcare, and to ensure they are supported to go out to work, or work more, if they want to.
Implementation path and expected date of implementation	The government is committed to delivering Tax-Free Childcare to support parents in the decision to go out to work, or work more, and provide security for their families. As announced on 1 July 2015, the government welcomes the UK Supreme Court's judgment that its proposals for delivering the scheme are clearly lawful. As a

	direct result of a legal challenge, Tax-Free Childcare will now be introduced from early 2017. Formal arrangements have been made between the organisations responsible for delivering the new scheme and the government is pressing ahead to deliver as soon as possible. The Childcare Payments Bill, legislating for TFC, received Royal Assent in December 2014. Key regulations setting out the eligibility rules and the way childcare accounts will operate have been made.
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 or adjustment (where relevant)	As above.

30 Hours Free Childcare:	**To provide 30 hours of free childcare for the 3-4 year olds of working parents.**
Implementation path and expected date of implementation	The programme is in the developments phase with joint working across Government Departments. The expectation is that delivery will begin with early implementers in September 2016 and national roll-out from September 2017.
What indicator(s) will be used to measure progress?	The Childcare Bill is currently before Parliament. Metrics have not yet been agreed for the programme.
Explanation of additionality or adjustment (where relevant)	This builds on the existing commitment to 15 hours early learning for 3 and 4 year olds by adding 15 hours of free childcare for the children of working parents.

Tax-free personal allowance:	**Increasing the tax-free personal allowance to £11,000 in 2016-17.**
Implementation path and expected date of implementation	To support and reward those in work, the government has prioritised reducing taxes for low and middle-income earners, by announcing significant increases in the income tax personal allowance. This has already increased from £6,475 in April 2010 to £10,600 for April 2015. Further increases announced in July 2015 increase the personal allowance to £11,000 for 2016-17 and £11,200 for 2017-18.
What indicator(s) will be used to measure progress?	The passing of legislation will confirm the increase.
Explanation of additionality or adjustment (where relevant)	

National Insurance contributions:	Abolition of employer National Insurance contributions for apprentices under 25 on earnings under £815 a week (from April 2016).
Implementation path and expected date of implementation	The abolition of employer NICs for apprentices under 25 was announced at Autumn Statement 2014 and will come into effect from April 2016. 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 or adjustment (where relevant)	

Youth Obligation:	Introducing a Youth Obligation for most 18-21s on Universal Credit from April 2017.
Implementation path and expected date of implementation	The Youth Obligation will be delivered as part of Universal Credit from April 2017.
What indicator(s) will be used to measure progress?	We will be scoping out metrics in the lead up to implementation.
Explanation of additionality or adjustment (where relevant)	We recognise that it is vital that young people are not disengaged from the labour market for too long a period. Therefore, most young people on Universal Credit will participate in an intensive support regime from day one of their claim, including jobsearch learning, interview techniques and structured work preparation. After 6 months they will be expected to apply for an apprenticeship, a traineeship, gain work-based skills or go on a work placement.

National Living Wage:	Increase in the National Living Wage.
Implementation path and expected date of implementation	Policy implemented through secondary legislation to the NMW Act 1998. National Living Wage (NLW) set at £7.20 in April 2016 for all workers over 25. Low Pay Commission asked to advise on the pace of future increases to 60% of median earnings by 2020.
What indicator(s) will be used to measure progress?	The Low Pay Commission will monitor the NLW in their annual reports
Explanation of additionality or adjustment (where relevant)	A new NLW for workers aged 25 and above initially set at £7.20 – a rise of 50p relative to the current National Minimum Wage (NMW) rate. That's a £900 p.a. increase in earnings for a full-time worker on the current NMW. On OBR forecasts a full-time NMW worker will earn over £4800 more by 2020 from the NLW in cash terms, or £4,400 after taking into account inflation. 2.75m low wage workers are expected to benefit directly, and up to 6m could see a pay rise as a result of a ripple effect up the earnings distribution.

Apprentice National Minimum Wage:	Increasing the Apprentice National Minimum Wage rate.
Implementation path and expected date of implementation	On October 1 2015 the Apprentice National Minimum Wage rate increased to £3.30 from £2.73.
What indicator(s) will be used to measure progress?	The impacts of the increase in the Apprentice National Minimum Wage with respect to average earnings, coverage and employment effects will be analysed in the 2016 and 2017 Low Pay Commission reports. A further Apprentice Pay Survey is due to be run after the policy is implemented, though this is still to be confirmed.
Explanation of additionality or adjustment (where relevant)	

Increasing the employment allowance:	Increase the employment allowance by 50%.
Implementation path and expected date of implementation	The Employment Allowance provides a reduction in the employer National Insurance contributions (NICs) liability of businesses and charities. From April 2016, the allowance will be increased by 50%. This means that employers will be able to reduce their NICs liability of up to £3000 a year.
What indicator(s) will be used to measure progress?	The government reviews take up of the scheme on a regular basis.
Explanation of additionality or adjustment (where relevant)	

Increasing the number of apprenticeships :	Commitment to 3 million apprenticeship starts by 2020.
Implementation path and expected date of implementation	A high level plan for apprenticeship growth has been agreed by Ministers at the Earn or Learn taskforce meeting that focused on this commitment on the 2 July. Work is already underway to implement these high level plans and will continue throughout the parliament. A more detailed implementation plan based on the 9 key strands of work identified for apprenticeship growth in the Autumn. The 9 key strands identified for growth are: - Reform implementation - Public sector - Large employers - Higher and Degree Apprenticeships - Small businesses - Communications and Marketing - Pathways to apprenticeships - Funding - System leadership - Quality Progress to date: Public Sector – Legislation within the Enterprise Bill will set targets for public bodies in relation to apprenticeships. Procurement – all relevant bids for government contracts worth more than £10 million and lasting more than 12 months must demonstrate a clear commitment to apprenticeships. Funding – a UK-wide levy will be introduced from April 2017 for all larger employers in public and private sector to help fund the increase in quantity and quality of apprenticeships in England. Quality – Legislation within the Enterprise Bill will protect the term 'apprenticeship' to prevent misuse by providers in England.

<table>
<tr>
<td>What indicator(s) will be used to measure progress?</td>
<td>We will also develop a full dashboard to be developed using interactive dashboards ready for reporting from 2015/16. The dashboard will be circulated at regular intervals throughout the year”. Some metrics can be developed easily, others will require more work. Examples of the areas we will look at include:
<table>
<tr><th>Quantity</th><th>Engagement</th><th>Regular Progress on:</th></tr>
<tr>
<td>• Starts by Level, Age, SSA, geography, learner characteristics.</td>
<td>• Workplaces with apprentices
• Employers posting vacancies
• New registrations
• Applications for vacancies
• Calls to helpline</td>
<td>• Latest position vs trajectories (3m starts)
• Analysis of funding against forecasts
• New sectors / standards
• Higher/ degree apps
• Conversion rate of calls to helpline</td>
</tr>
<tr><th>Quality</th><th>Funding</th><th>Occasional progress updates and/or developmental work needed</th></tr>
<tr>
<td>• Success/ Achievement rates
• Durations analysis
• Achievements
• Participation</td>
<td>• Funding analysis, including provider analysis</td>
<td>• Annual employer / learners evaluation
• Small/ large/ new employers/ workplaces
• Public sector apprenticeships
• Small/ large employers
• Growing sectors – STEM higher apps, food, farming & agri-tech</td>
</tr>
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<tr>
<td>Explanation of additionality or adjustment (where relevant)</td>
<td>This accelerates the previous Government’s commitment to delivering large numbers of high quality apprenticeships. In the last parliament over 2.3 million apprenticeship starts were delivered. This policy marks a step change to deliver 3 million apprenticeship starts in this parliament.</td>
</tr>
</table>

<u>Competition</u>

Creation of the UK Regulation Network (UKRN):	**Government to review the success of the UKRN.**
Implementation path and expected date of implementation	The UKRN has been established and has been operational for 18 months.
What indicator(s) will be used to measure progress?	UK Government will review the success of the UKRN in 2016
Explanation of additionality or adjustment (where relevant)	

Cutting Red Tape programme:	**The new Cutting Red Tape programme will review a number of sectors to find and remove overly burdensome regulation and enforcement.**
Implementation path and expected date of implementation	The government has recently launched a new Cutting Red Tape programme, which will work in partnership with industry to identify and address red tape resulting from legislation and enforcement activities in sectors. The Cutting Red Tape website was launched in Summer 2015.
What indicator(s) will be used to measure progress?	The government will report on its progress at the end of each review. Savings identified and implemented will contribute towards the government’s deregulatory target.

Explanation of additionality or adjustment (where relevant)	The Cutting Red Tape programme will build on previous deregulatory initiatives such as the Red Tape Challenge and Focus on Enforcement programmes. The programme will conduct sector based reviews of both legislation *and* enforcement, and will invite businesses and the public to comment on those aspects they find most burdensome.

Housing

Planning package (Summer Budget Productivity Plan):	**Land supply is the essential pre-condition for increasing housing supply. This package of measures will speed up the planning system and bring more land in.**
Implementation path and expected date of implementation	Measures will be implemented through primary and secondary legislation.
What indicator(s) will be used to measure progress?	DCLG stats on number of homes given planning permission and percentage of applications decided on time.
Explanation of additionality or adjustment (where relevant)	An excessively strict planning system can prevent land and other resources from being used efficiently, impeding growth and productivity. As part of the productivity plan, published on 10 July government announced a package of measures to speed up the planning system and bring more land in.

ANNEX 2: PAST COMMITMENTS – ST. PETERSBURG FISCAL TEMPLATE - UPDATE

Please update as necessary. In particular, please update tables as follows:

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

	Estimate Projections						
	2014-15*	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Gross Debt	88.5	87.6	86.8	85.2	82.8	79.8	76.4
ppt change	-3.3	-5.5	-5.1	-4.2	-3.8	N/A	N/A
Net Debt	80.8	80.3	79.1	77.2	74.7	71.5	68.5
ppt change	+3.5	+1.6	+0.8	+0.7	+0.5	N/A	N/A
Deficit	4.9	3.7	2.2	1.2	0.3	-0.4	-0.5
ppt change	0.0	-0.1	0.0	+0.3	+0.4	N/A	N/A
Primary Balance	-3.4	-2.1	-0.4	0.8	1.7	2.4	2.3
ppt change	-0.5	-0.7	-0.9	-1.2	-1.3	N/A	N/A
CAPB	-2.6	-1.7	-0.2	0.9	1.7	2.4	2.3
ppt change	-0.7	-1.1	-1.2	-1.3	-1.3	N/A	N/A

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

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

	Estimate	Projections					
	2014-15*	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Real GDP growth	3.0	2.2	2.5	2.4	2.4	2.4	2.4
ppt change	+0.4	-0.2	-0.1	-0.2	0.0	-	-
Nominal GDP growth	4.4	3.6	4.1	4.3	4.4	4.5	5.0
ppt change	-0.2	-0.3	-0.5	-0.2	0.0	-	-
ST interest rate**	0.6	0.6	1.2	1.7	2.0	2.2	2.4
ppt change	0.0	-0.7	-0.8	-0.9	-1.1	-	-
LT interest rate***	2.3	2.2	2.5	2.7	2.9	3.0	3.1
ppt change	-0.6	-1.1	-1.1	-1.2	-1.1	-	-

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

** 3-month sterling interbank rate (LIBOR).

*** Weighted average interest rate on conventional gilts.

ANNEX 3: PAST COMMITMENTS – BRISBANE COMMITMENTS

The purpose of these tables is to monitor the implementation of commitments from members' Brisbane growth strategies.

Key Commitments for Monitoring Purposes

The detailed table below is for the monitoring of key commitments, as identified by members. Please complete a table for each key commitment.

Building a stable housing market through creation of new housing zones or other number of measures:			
	Interim Steps for Implementation	Deadline	Status
Detailed implementation path and status	1. A) Legislate for a statutory register of all brownfield land suitable for housing in England in the Housing Bill in the autumn. B) The government will now legislate to grant automatic planning permission in principle on all suitable brownfield land identified on that register, [6226] [6227] subject to a limited number of conditions over key criteria. 2. The Government has committed to building 275,000 homes in the five years from April 2015 to March 2020.	1. Local authorities will be required to have a register once primary legislation has passed. 2. March 2020. 3. Funding available from 2015/16 – 2019/20.	1. A) Housing Bill, Sept 2015. B) Looking for a legislative vehicle.

	3. A) The Chancellors Mansion House speech in 2014 committed £200m of investment funding to Housing Zones outside London plus £200m in London which will be matched by £200m from the Greater London Authority. B) 9 Housing Zones designated in London in February. More will follow, we expect 20 to be in place by Autumn 2015. C) 20 Housing Zones outside London designated at Budget in March 2015. Government has committed to work with a further 8 areas. 4. A) At Budget 2014 the Chancellor announced the extension of the Help to Buy – Equity Loan scheme until 2020. B) In June 2015 the Treasury confirmed that it is providing the Homes & Communities Agency with the 2016/17 allocation of the £6bn committed to extend Help to Buy to at least 2020.	4. Funding available from 2016/17 until 2020.	
Impact of Measure	1. **Remove planning obstacles for brownfield sites** – will provide planning permission for up to 200,000 new homes on brownfield sites. 2. **Affordable Homes** – help those on with lower income afford homes. 3. **Creation of new housing zones** – 20 Housing Zones will have potential for up to 50,000 homes. The first 9 designated areas in London will also provide: • 5 station upgrades, • 5 estate regeneration schemes, • 5 new schools, • 4 new bridges built over water, rail and road to unlock development, • 3 new libraries, • 3 new health facilities, • 2 new civic centres, • 1 major area of employment land re-designated for housing • 1 new church, • 1 new park, • 1 '3G' football pitch (synthetic turf) Outside London: 20 Housing Zones designated, plus 8 we are still working with have potential for up to 45,000 homes. 4. **Extending help to buy** – This measure will provide funding for purchases with mortgages requiring a 5% deposit on new build homes.		

Increase female labour participation:			
	Interim Steps for Implementation	Deadline	Status
Detailed implementation path and status	1. A) Help with childcare costs under Universal Credit (UC) is provided in the form of the childcare costs element. It aligns with the Government's wider offer of 30 hours free early years childcare for 3-4 year olds. B) Removal of the 16 hours work rule: the childcare costs element is available to all lone parents and couples, where both members are in work, regardless of the number of hours they work. C) From April 2016, households on Universal Credit will be able to claim 85% of their eligible childcare costs up to a cap limit.	1. Phased roll-out of UC to Families from November 2014. UC support increased to 85% of eligible costs from April 2016	1. Currently in Universal Credit, working families can claim up to 70% of their eligible childcare costs each month, up to a cap. From April 2016 the rate of support will increase to 85% of eligible costs.
Impact of Measure	1. **Universal Credit** – provides support with the costs of childcare to help make work pay – up to full time work. The removal of the 16 hours worked per week threshold is expected to help up to 100,000 additional families. From April 2016, families on Universal Credit where the lone parent or both parents in a couple are working will be able to claim 85% of their eligible childcare costs up to a cap limit. This change will benefit around 500,000 working families by an average of around £60 per month, once Universal Credit has been fully rolled out. Universal Credit will help lone parents, who are mostly women, work a small number of hours, through increased work allowances and childcare for the first time for those working under 16 hours.		

Support (public) infrastructure investment through various projects:			
	Interim Steps for Implementation	Deadline	Status
Detailed implementation path and status	1. Planning Court introduced 6th April 2014. 2. The Department for Transport (DfT) is continuing to develop a strategic outline business case to help inform a ministerial decision on accelerating delivery of part of the HS2 Phase 2 route. DfT is also preparing the necessary supplementary information such as engineering and environmental mapping to support the development of a Bill for parliament.	1. NA 2. Ministerial decision to be made Autumn 2015, with a view to depositing a hybrid Bill in 2017.	1. Complete 2. Work on the business case and supplementary information is in progress.
Impact of Measure	1. **Changes to planning process** - The new Planning Court has sped up projects that are subject to legal challenge. The time from lodging a claim to reaching a permission decision on papers has fallen by around 47% from 15 weeks (in the 12 months to April 2013) to 8 weeks (in the 12 months to May 2015). The time from requesting to reaching a decision at an oral renewal has also fallen by around 47%, again from 15 weeks (in the 12 months to April 2013) to 8 weeks (in the 12 months to May 2015). The time from lodging a claim to reaching a decision at a final hearing has fallen by around 46% from 54 weeks (in the 12 months to April 2013) to 29 weeks (in the 12 months to May 2015).		

	These changes should be viewed as initial indications. Given that they apply over a relatively short time period and to a small number of cases they should be treated with caution. Percentage figures have been rounded. 2. **Accelerating delivery of part of the HS2 Phase 2** route will allow some of the benefits of Phase 2 to be realised earlier than planned.

Improve competition through reducing administrative and regulative burdens:			
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1. The Red Tape Challenge programme ran in the last Parliament and has now ended. 2. The Small and Micro business Assessment replaced a moratorium on new regulation for micro-businesses and start-ups, which was in place until 31 March 2014.	1. N/A	1. Over 2000 regulations have either been scrapped or improved. Remaining regulations identified but not implemented in the last Parliament will be taken forward in this Parliament by the department owning the legislation. 2. This assessment is now a standard element of the government's Impact Assessments.
Impact of Measure	1. **The Red Tape Challenge** programme identified over 3200 regulations to be scrapped or improved. In December 2014 the government reported on progress made on reducing the overall net burden of regulation through the One-in, Two-out target and other deregulatory programmes such as the Red Tape Challenge. Since January 2011, the annual net burden of regulation on business has fallen by £2.2 billion. The Red Tape Challenge has contributed over £1 billion towards this achievement. 2. 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.		

Boosting support to help get young people and the long-term unemployed into work through various measures:			
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1. The government has invested £700 million over 4 years in a new Help to Work scheme – a package of support aimed at the very long-term unemployed. This requires 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	1. N/A 2. A) Evaluation published March 2015. B) Nov 2015 secure funding for extension to degree and higher apps and publicise	1. Implemented 2. Policy was implemented and AGE extended to December 2015. Currently considering if to extend further and whether to include higher and degree apprenticeships. AGE has now been

	sanctions for those who fail to comply. 2. A) Budget of March 2014 announced further funding for the AGE programme. £85 million for outstanding and continuing commitments and £85 million to extend provision to 2015/16, focussing entirely on small businesses of less than 50 employees under frameworks only. B) April 2015 devolution of AGE in Greater Manchester (£5.1 million) and Devolution of AGE for Sheffield City Region (£2.41 million) C) Final evaluation of AGE programme D) Consider extending to January 2016 and beyond		devolved for Greater Manchester and Sheffield City Region who will allocate according to their own rules for 15/16 year. Final evaluation was published March 2015
Impact of Measure	1. **Help to work -** 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. Long-term Jobseekers Allowance claimants (the number claiming Jobseekers Allowance for over two years) have fallen to 127,700. It should be noted that this figure excludes a small number of UC claimants. However as UC is further rolled out, the numbers excluded from the total will increase. 2. Extending the **Apprenticeship Grant for Employers Scheme** - Data from the Individualised Learner Record (ILR) system showed that more than 84,000 young people had been assisted by the programme by late 2014. Since the programme is on-going, this estimate represents only the latest available snapshot of numbers: the total will have increased since and will further increase throughout 2015/2016. Cost Benefit Analysis suggests that the AGE 16 to 24, despite the additional cost of the grant, generated essentially the same substantial net benefits for apprentices, employers, the economy and public budgets as the wider Apprenticeship programme itself. Targets for the proportion of grants used to support apprenticeships for 16 to 18 year olds and those based in small employers have been consistently exceeded. For the future, AGE 16 to 24 has substantially expanded the pool of smaller employers who say they are willing to recruit young apprentices. However, the number of allocated grants has overrun the number which the original budget anticipated.		

Other Brisbane Commitments

This table is for the monitoring of other Brisbane commitments (non-key commitments). Please complete a table for each commitment.

<u>Macroprudential policy/Financial regulation</u>

Resolution Regime for Banks and Investment Firms:	**Transposition of the 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	BRRD measures 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 failure of large, cross-border banks. - A requirement for banks to meet a minimum requirement for eligible liabilities. Banks are required to hold a certain level of own fund 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 industry meets the costs of resolution that cannot be borne by shareholders or creditors. Industry were consulted on the UK's approach to implementation, and the UK government has passed legislation to implement BRRD measures on 1 January 2015. Minimum requirement for eligible liabilities and related measures are due to be implemented by January 2016, in line with BRRD requirements.
Status of Implementation and Impact	These reforms are designed to reduce both the cost and 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 from 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 approved by Parliament on 23 July 2014. Banking Reform Pensions Regulations secondary legislation was approved by Parliament on 5 March 2015. 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.
Status of Implementation and Impact	The reform is on-track. Impact is not yet observable. Expected impact is that the explicit subsidy received by banks that are seen as 'too big to fail' will be reduced and banks will be easier to resolve.

Investment and Infrastructure

Gain Share Mechanism:	**Gain Share Mechanism for Cambridge.**
Implementation path and expected date of implementation	Plans for independent reviews of the impact of the funding are currently being finalised. Then it will be up to Cambridge (and the other cities with Gain Share mechanisms) to get on with implementing the projects. The first Gateway for Cambridge is in 2019. A decision will be made at this point whether to unlock any more funding for the City, but the overall Gain Share agreement extends far beyond 2018 (until around 2030 in Cambridge's case).
Status of Implementation and Impact	On track. The final details of the policy are still being finalised, and total funding will depend upon the performance of the cities in delivering growth. However, there are currently no plans to adjust the rules of the Gain Share agreement.

Energy Strike Prices:	**Competitive allocation of contracts for renewable electricity producers.**
Implementation path and expected date of implementation	The policy was implemented in 2014/15. Producers of renewable electricity were eligible to bid for contracts for a guaranteed price (a strike price) for their power output.
Status of Implementation and Impact	Complete, the first Contracts For Difference (CFD) auction was held in February 2015, and saw £315m p.a. worth of contracts allocated to over 2.1 GW of renewable projects.

UK Guarantee Scheme:	**To support private investment into UK infrastructure.**
Implementation path and expected date of implementation	The UK Guarantees Scheme was launched in 2012 to support private investment into UK infrastructure. It can provide £40bn worth of guarantees and works by guaranteeing the principal and interest payments of infrastructure debt.
Status of Implementation and Impact	The policy has been fully implemented. Seven projects have received support through the Scheme to date, and a further one has had a guarantee approved. This is a total of £1.7bn in guarantees, supporting projects with a capital value of approximately £4bn. A further 39 projects have been prequalified as being eligible for a guarantee, with a capital value of approximately £34bn. Last year, UKGS underwrote £827m of senior debt for greenfield projects in the UK.

Venture Capital Catalyst Fund:	**To increase the availability of later stage venture capital (VC).**
Implementation path and expected date of implementation	Initially funded with £25m, after its successful pilot the programme was extended to £125m in 2014.
Status of Implementation and Impact	The scheme has been successfully extended, and continues to commit its funding from a strong pipeline. To date it has facilitated £57m of finance (end March 2015).

Enable Guarantees:	**Formally known as Wholesale Guarantees, the scheme aims to incentivize new small business bank lending by using a government-backed portfolio guarantee to increase the commercial attractiveness of small business lending.**
Implementation path and expected date of implementation	The first pilot £125m transaction was completed in Spring 2015. The scheme will now be rolled out.
Status of Implementation and Impact	The first transaction was completed on time and the policy is on track with its roll out, with a good pipeline of interested parties.

Enable Funding:	**Formally known as the Asset Finance Funding Vehicle, the scheme aims to improve the provision of asset and lease finance to smaller businesses.**
Implementation path and expected date of implementation	The first transaction is expected to be completed over summer 2015.
Status of Implementation and Impact	The scheme has a pipeline of interested parties with which it plans to work once the first transaction is completed.

British Business Bank:	**The British Business Bank aims to make finance markets work better for smaller businesses.**
Implementation path and expected date of implementation	The British Business Bank has been fully operational since November 2014. It continues to commit its resources via the range of equity and debt programmes that it administers on a commercial basis.
Status of Implementation and Impact	The Bank became fully operational at its target date after an initial launch in October 2013, and has obtained the relevant State Aid approvals. It remains on track with committing its resources. Its programmes are already delivering significant results, supporting £2.3 billion of finance to over 40,000 small businesses with a further £2.9 billion of finance to mid-caps (end March 2015).
Investment Programmes, including the Business Finance Partnership (BFP):	**The programme supports non-bank and challenger bank lenders in order to increase the supply of finance and diversity in the financial marketplace for smaller businesses and mid-caps.**
Implementation path and expected date of implementation	The Investment Programme was established in 2012 and is committing its funding at a good pace. The BFP (mid-cap tranche) was launched at Autumn Statement 2011 and has fully committed its funding of £863m, increasing the flow of finance to mid-cap firms. The BFP (small business tranche) has fully committed its funding of £87m to 7 finance providers.
Status of Implementation and Impact	The Investment Programme is on track with committing its £400m funding. £238m has been awarded to 9 finance providers. The BFP (mid-cap tranche) has successfully committed all of its funding to schedule. Together, the programme and its private sector partners have already participated in £2.9bn of finance to

	mid-caps. The BFP (small business tranche) has successfully committed all of its funding to schedule. As of end March 2015, over 7,800 loans totalling over £415 million have been made by the 7 lenders.

SME credit data:	**Improving access to SME credit data.**
Implementation path and expected date of implementation	The Policy will be implemented through secondary legislation. Once this is in place Banks and Credit Reference Agencies will need to be designated under that legislation for the policy to take effect.
Status of Implementation and Impact	On track. Secondary legislation will be laid this year.

Extending ISA-qualifying investments to include peer-to-peer loans:	**Change ISA regulations to increase the choice of investments available to consumers, support alternative finance providers and diversify the available sources of finance to businesses.**
Implementation path and expected date of implementation	The government aims to make changes to the ISA regulations (consulting on the draft amendments in autumn 2015) to take effect from 6 April 2016.
Status of Implementation and Impact	Status: On track. The government published the response to the consultation at the Summer Budget and will consult on the draft ISA regulations in autumn. This will increase the choice of investments available to consumers, support alternative finance providers and diversify the available sources of finance to businesses.

R&D Tax Credit:	**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.**
Implementation path and expected date of implementation	This was legislated for in Finance Bill 2014, and took effect from 1 April 2014.
Status of Implementation and Impact	Complete.

Social investment tax relief:	**Expand SITR, increasing the number of eligible investments and raising the amount of SITR investment an individual social enterprise may receive.**
Implementation path and expected date of implementation	Social Investment Tax Relief (SITR) was announced in Budget 2014 and took effect from July 2014.
Status of Implementation and Impact	Status: On track. SITR allows investors to claim back 30% of the value of an eligible social investment against their income tax liability. In December 2014, the government announced that it would

	expand SITR, increasing the number of eligible investments and raising the amount of SITR investment an individual social enterprise may receive to £5 million per year up to a maximum of £15 million, subject to agreement by the EU that this is an allowable State aid.

Seed enterprise investment scheme:	**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.**
Implementation path and expected date of implementation	The Seed Enterprise Investment Scheme (SEIS) was made permanent in the Finance Act 2014.
Status of Implementation and Impact	Status: Complete, made permanent in the Finance Act 2014. Since its introduction, SEIS has supported more than 2,800 companies raise around £250m to develop and grow their business.

Supporting the development of an innovative and Competitive Fintech sector in the UK:	**The UK is being made into a more supportive environment for the development of new Financial Technology (FinTech) firms.**
Implementation path and expected date of implementation	The UK has taken a wide range of steps to support the development of FinTech, including: - Establishing a new Innovation Hub within the Financial Services Regulator to support innovative business models. - Supporting peer-to-peer and crowdfunding through the regulatory and tax systems. - Providing appropriate regulation for legitimate digital currency firms. - Establishing a regulatory "sandbox" for testing innovative FinTech approaches with customers' informed consent. Benchmarking the UK's performance in supporting FinTech against global competitors
Status of Implementation and Impact	On track - the Innovation Hub and regulatory regime for P2P/crowdfunding is established. We are consulting on the digital currency proposals, and the regulator will shortly do so on the sandbox. The benchmarking exercise will launch in the Autumn.

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 has been delivered in Jobcentres across Britain since April 2014.
Status of Implementation and Impact	These measures are ongoing and provide both greater flexibility and support that is better tailored to the individual needs of claimants. A faster transition into employment for those out of work is expected as a result of these measures. The UK has seen a significant fall in the claimant count.

Student numbers:	Removal of the cap on student numbers.
Implementation path and expected date of implementation	Autumn Statement 2013 announced that the government would remove the cap on student numbers at publicly-funded higher education institutions in England by 2015 16.
Status of Implementation and Impact	The cap for 2014-15 was increased by 30,000, allowing those institutions that want to begin expanding straight away to do so, and encouraging competition. The government removed the cap altogether at publicly-funded institutions in England in 2015-16, and also removed it from seven alternative providers with degree-awarding powers. 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 and will enable institutions to recruit more students than ever before -an estimated 45,000 extra a year by 2018-19. The average graduate wage premium remains high despite expansions in the number of graduates, indicating a strong demand for graduates. Alongside the financial returns from Higher Education there are wider societal benefits which provide strong returns to the investment in Higher Education. 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%. 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%.

Employer NICs relief for under-21s:	**Abolition of employer National Insurance contributions for employees under 21 on earnings under £815 a week.**
Implementation path and expected date of implementation	The policy was announced at Autumn Statement 2013 and implemented in April 2015.
Status of Implementation and Impact	This measure has now come into effect (in April 2015). It is estimated that the abolition of Employer NICs for under 21 year olds will benefit employers of almost 1.8 million young people by £332 per employee on average over the year. This policy makes it over £500 a year cheaper to employ an under 21 year old earning £12,000, or over £1,000 a year cheaper for someone on £16,000.

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 has implemented this key pillar of the deregulatory agenda. In December 2014, the government reported on progress made on reducing the overall net burden of regulation through the One-in, Two-out target and other deregulatory programmes. The Independent Regulatory Policy Committee validated all figures over the course of the last Parliament, and will continue do so in this Parliament.
Status of Implementation and Impact	Status: Implemented The measure is achieving its intended outcome to reduce the net burden of regulation on business. Since January 2011, the annual net burden of regulation on business has fallen by £2.2 billion.

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, its funding was increased by £12m in 14/15 and £16m in 15/16. This additional funding was provided to enable the CMA to deliver a step change in competition enforcement, tackling cartels more effectively and opening up markets.
Status of Implementation and Impact	Status: Complete, but work continues to ensure that the UK's competition authorities continue to produce benefits for consumers and remain among the best in the world.

	The CMA remains fully committed to its target of generating £10 of direct benefit to the consumer for every £1 that it spends, a target which has doubled since the OFT's objective in 2013/14 to achieve a 5:1 benefit to cost ratio. The CMA's 2014-15 annual report records that the CMA exceeded its target, generating £11.20 of direct benefit to consumers for every £1 spent. The CMA will continue to report on progress against this target annually. Additionally, in Autumn 2015 the Government will issue a new Strategic Steer for the CMA. The Steer will include an increased focus on identifying and taking action in markets that are important for productivity and innovation. The CMA received a 4-star rating (out of 5 possible stars) from the Global Competition Review in late June.

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 Competition and Markets Authority (CMA) and UK sector regulators established the UK Competition Network (UKCN), which aims to to promote stronger competition for the benefit of consumers and to prevent anti-competitive behaviour in the regulated industries. The UKCN commits these bodies to work together to ensure the consistent and effective use of competition powers through engagement in regular strategic dialogue; sharing of resources and expertise; and co-operation on enforcement and other action.
Status of Implementation and Impact	Status: Complete. In April 2015, the Competition and Markets Authority produced its first Annual Report on concurrency, which suggested that the UKCN had made a good start. There has been an increased focus on case work in regulated sectors, including major market investigations into energy (involving both Ofgem and the CMA) and retail banking (with the FCA working alongside the CMA in the market study into SME banking). The statistics for 14/15 show a material increase in enforcement activity under the prohibitions on anti-competitive agreements and abuse of dominance in the Competition Act 1998, compared with previous years. The CMA will continue to measure UKCN's progress in future concurrency reports.

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	The UK Regulators Network was established in March 2014 to foster closer and more effective collaborative working between the UK's economic regulators. It's objectives are: 1. Coherent and consistent economic regulation across sectors: to give a clear joint view where cross-sector regulatory agreement or consistency is needed and to ensure that our actions deal effectively with cross-sector issues. 2. Affordability and empowerment: to work to understand cross-sector issues related to affordability of services, and work on consumer

	empowerment to ensure that consumers in regulated markets have the information and other tools necessary to engage effectively in markets. 3. A positive environment for efficient investment: to work together to improve the environment for efficient investment in the UKs infrastructure. 4. Efficient regulation: to make better use of scarce expertise and resources in order to improve outcomes or reduce cost. 5. Promotion of competition in the interests of consumers: to work, including with the CMA and through the UKCN, to improve the use of competition and regulatory levers where appropriate, making markets work better to improve outcomes for consumers. 6. Better understanding of the effectiveness of economic regulation: to explain and make best use of economic regulation, helping to raise understanding of what independent economic regulation can achieve, when it works best and how it can improve.
Status of Implementation and Impact	Status: Complete The UKRN is making good progress in co-ordinating cross-sectoral work between the UK's economic regulators. In its first year, the UKRN has produced several papers cataloguing the current status in key areas of common interest across the regulated sectors in the following areas: • Cross-sector infrastructure investment • Consumer engagement and switching • Understanding affordability across sectors • Cross-sector resilience • Market returns and the cost of capital • Regulating for quality This year, the UKRN is continuing work to co-ordinate projects list above, as well as other, priority areas for collaborative working between economic regulators.

Trade

Making it easier for businesses, including SMEs, to trade across borders and increase participation in global value chains:	**Supporting additional Authorised Economic Operator (AEO) mutual recognition agreements (MRAs) with third countries.**
Implementation path and expected date of implementation	The World Customs Organisation's SAFE Framework of Standards sets international customs safety and security standards for Authorised Economic Operators (AEO). The EU implemented its own AEO programme on 1 January 2008. The EU programme extends the WCO standard to customs procedures by linking AEO status with access to customs simplifications. This provides participating businesses with an internationally recognised quality mark which demonstrates that their internal customs controls and procedures are efficient and compliant. Mutual Recognition Agreements (MRAs) are in place between the EU and third countries (currently the US, Japan and Switzerland) which facilitate faster clearance at the frontier (less control) for AEOs - this means savings in time and money for businesses. The agreements are reciprocal but the benefits, and to whom they apply, may differ between agreements.

Status of Implementation and Impact	On track. MRAs are negotiated by the EU Commission with MS support and participation. A new MRA with China will give AEO accredited businesses access to customs facilitations and border clearance benefits from 1 November 2015. Changes to EU customs legislation, effective from May 2016, will introduce further benefits for AEO accredited businesses.

Making it easier for businesses, including SMEs, to trade across borders and increase participation in global value chains:	**Expanding the scope of our Automatic Licensing Verification System (ALVS), which e-enables the verification of import licences.**
Implementation path and expected date of implementation	ALVS is a cross-Government initiative that improves border processes and reduces administrative burdens by allowing for the automatic verification of licenses for importers of live animals, products of animal origin (POAO) and food not of animal origin (FNAO). A phased rollout commenced in May 2014.
Status of Implementation and Impact	Complete. The final phase of ALVS was rolled out on 7 January 2015. ALVS has successfully delivered the envisaged improvements to border processes and reduced administrative burdens.

Trade and development:	**HMRC activities that provide customs capacity building support to developing countries.**
Implementation path and expected date of implementation	HMRC-led capacity building activities support developing countries to collect taxes, implement the World Trade Organisation Trade Facilitation Agreement (TFA), improve the investment climate and create more favourable conditions for domestic and international trade. HMRC has also established a UK-funded 3-year Programme in partnership with the World Customs Organisation (WCO) and the United Nations Committee for Trade and Development (UNCTAD) to support developing countries implement the TFA.
Status of Implementation and Impact	Activities and programme on track. HMRC's Capacity Building Unit is delivering trade and customs-related technical assistance to a number of developing countries' customs and tax administrations. The TFA Programme has supported a number of regional TFA events; agreed a work plan for 2015-16; and developed a series of activity programmes with recipient countries for delivery in the coming months.

ANNEX 4: PRE-BRISBANE COMMITMENTS

Please include a maximum of 5 important structural reform commitments from Action Plans prior to Brisbane. Please also include all relevant monetary and exchange rate commitments. Fiscal commitments will be accounted for in the St. Petersburg Fiscal Template in Annex 2.

Commitment: Monetary & exchange rate policies	
Monetary & exchange rate policies The Bank of England Monetary Policy Committee (MPC) will continue to use the policy rate and the size of its asset purchase programme to achieve price stability.	**Action Plan** *A consistent feature in multiple action plans.*
Rationale for carrying forward	Core to the UK monetary framework.
Update on Progress	The MPC gave guidance in its February 2014 Inflation Report on how it would seek to achieve the inflation target of 2% over the policy horizon. The central message of that guidance remains relevant: given the likely persistence of headwinds weighing on the economy, when Bank Rate did begin to rise, it was expected to do so more gradually than in previous cycles. Moreover, the persistence of those headwinds, together with the legacy of the financial crisis, meant that Bank Rate was expected to remain below average historical levels for some time to come. The actual path Bank Rate would follow over the next few years was uncertain, and would depend on economic circumstances. The MPC’s inflation target is symmetric: deviations of inflation below the target are to be treated with the same importance as deviations above it. Were downside risks to materialise the MPC judged in February 2015 that it could decide to expand the Asset Purchase Facility or to cut Bank Rate further towards zero from its current level of 0.5%. The scope for prospective downward adjustments in Bank Rate reflects, in part, the fact that the United Kingdom’s banking sector is operating with substantially more capital now than it did in the immediate aftermath of the crisis. Reductions in Bank Rate are therefore less likely to have undesirable effects on the supply of credit to the UK economy than previously judged by the MPC.