



**ANNEX A1:
MAPPING OF 2002 SPENDING REVIEW
(2003-06) TO 2000 SPENDING REVIEW
PSA TARGETS (2001-04)**

Annex A1 – Mapping of 2002 Spending Review (2003-06) to 2000 Spending Review PSA targets (2001-04)

| EQUIVALENT SR2000 PSA TARGETS | |
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| Target 1 | By 2004 to raise the trend rate of growth from the current estimate of 2.5 per cent. |
| Target 2 | RPIX inflation to be kept at 2.5 per cent, as specified in the Bank of England's remit. |
| Target 3 | Over the economic cycle to maintain (a) public sector net debt below 40 per cent of GDP and (b) the current budget in balance or surplus. |
| Target 8 & 9 | <p>8 Increase the number of countries participating in the global economy, on the basis of a system of internationally agreed and monitored codes and standards.</p> <p>9 Relief of unsustainable debt by 2004 for all heavily-indebted poor countries (HIPC) committed to poverty reduction, building on the internationally agreed target that three quarters of eligible HIPCs reach decision point by the end of 2000.</p> |
| Target 5 | <p>Improve UK competitiveness by narrowing the productivity gap with US, France, Germany and Japan over the economic cycle (joint target with Department for Trade and Industry).</p> <p>This was a new target in SR2002, and hence there is no corresponding SR2000 target.</p> <p>This was a new target in SR2002, and hence there is no</p> |

| SR2002 PSA TARGETS | |
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| Target 1 | Demonstrate progress by 2004 on the Government's long-term objective of raising the trend rate of growth over the economic cycle from the current estimate of 2.5 per cent and make further progress towards increasing trend growth up to 2006. |
| Target 2 | Inflation to be kept at the target as specified in the remit sent by the Chancellor of the Exchequer to the Governor of the Bank of England (currently 2 per cent CPI). |
| Target 3 | Over this economic cycle, maintain: public sector net debt below 40 per cent of GDP; and the current budget in balance or surplus. |
| Target 4 | <p>Promote increased global prosperity and social justice by:</p> <ul style="list-style-type: none"> • working to increase the number of countries successfully participating in the global economy, on the basis of a system of internationally agreed and monitored codes and standards; • ensuring that three-quarters of all eligible HIPC countries committed to poverty reduction receive irrevocable debt relief by 2006, and working with international partners to make progress towards the United Nations 2015 Millennium Development Goals (joint target with the Department for International Development); and • demonstrating progress towards the Lisbon goals by 2006, by working with our European Union partners to achieve structural economic reform in Europe. |
| Target 5 | Demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness, and narrowing the productivity gap with the US, France and Germany (joint target with the Department for Trade and Industry). |

| EQUIVALENT SR2000 PSA TARGETS | |
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| SR2002 PSA TARGETS | |
| | corresponding SR2000 target. |
| Target 6 | Increase employment over the economic cycle (target contributes to Welfare to Work PSA, and is joint with the Department for Work and Pensions). |
| Target 7 | Make substantial progress towards eradicating child poverty, by reducing the number of children in poverty by at least a quarter by 2004 (joint target with Department for Work and Pensions). |
| Target 4 | Achieve an improvement in value for money in public services year by year. |
| Target 10 | By 2002-03, deliver £1 billion of savings in Government procurement through the Office of Government Commerce. |
| Target 6 | Make sustainable improvements in the economic performance of all English regions, and, over the long term, reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006 (joint target with the Office of the Deputy Prime Minister and the Department for Trade and Industry). |
| Target 7 | Demonstrate progress by Spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle (joint target with the Department for Work and Pensions). |
| Target 8 | Reduce the number of children in low-income households by at least a quarter by 2004, as a contribution towards the broader target of halving child poverty by 2010 and eradicating it by 2020 (joint target with the Department for Work and Pensions). |
| Target 9 | Improve public services by working with departments to help them meet their Public Service Agreement (PSA) targets consistently with the fiscal rules (joint target with the Cabinet Office). |
| Target 10 | By 2005-06, deliver £3 billion of value for money gains in central civil Government procurement through the Office of Government Commerce. |



ANNEX A2:
PERFORMANCE AGAINST
2002 SPENDING REVIEW AND
2000 SPENDING REVIEW
PSA AND SDA TARGETS

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| SR2002 Objective | This PSA target refers directly to HM Treasury's overall aim to raise the rate of sustainable growth, and achieve rising prosperity and a better quality of life, with economic and employment opportunities for all. |
| SR2002 PSA Target | 1 Demonstrate progress by 2004 on the Government's long-term objective of raising the rate of trend growth over the economic cycle from the current estimate of 2.5 per cent and make further progress towards increasing trend growth up to 2006. |
| SDA Target | <p>B1.1 By setting a stable and prudent macroeconomic framework, which fosters economic stability and reduces the variability of output and inflation; and by designing evidence-based policies to support sustainable increases in productivity growth and the employment rate.</p> <p>B1.2 By ensuring that fiscal projections and policy decisions are based on considered economic forecasts underpinned by expert assessment of economic developments, including trend growth and productivity; and using forecasts as a baseline against which to weigh up the risks to macroeconomic stability.</p> |
| Performance Indicator | <p>Trend rate of output (excluding oil and gas extraction) growth over the last complete economic cycle.</p> <p>Source: Trend growth estimates made by HM Treasury based on Office for National Statistics data.</p> |
| Commentary | <p>On course</p> <p>The ultimate indicator of the Treasury's performance in meeting this target is the estimate of the current rate of trend output growth. However, we cannot determine this until we have completed the economic cycle which commenced in mid-1999. An alternative is to report progress over the last, complete economic cycle which ran from 1997H1 to mid-1999. However, this was a very short cycle. Therefore, the Treasury uses a longer period comprising one and a half economic cycles (between the on-trend points in 1997H1 to 2001Q3) to estimate trend output growth over the recent past, and, accordingly, reports progress over this period. The average annual trend output growth over this period was 2.9 per cent per annum, as documented in Budget 2004 (Page: 221, Table B2, Budget 2004, HC301, HM Treasury). This is higher than the average annual trend growth rate of 2.5 per cent estimated over the previous cycle (1986Q2 to 1997H1). The Treasury is therefore comfortably on course to meet this target over the current cycle which is forecast to end in 2006.</p> |
| Quality of data systems | All the underlying data used in the trend growth calculations are sourced from the Office for National Statistics (ONS). |

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| SR2002 Objective | (I) Maintain a stable macroeconomic framework with low inflation. |
| SR2002 PSA Target | 2 Inflation to be kept at the target specified in the remit sent by the Chancellor of the Exchequer to the Bank of England’s Monetary Policy Committee (currently 2 per cent for the 12 month increase in the Consumer Prices Index (CPI)). |
| SDA Target | <p>B2.1 By setting clear, long term policy objectives.</p> <p>B2.2 By following predictable, well-understood procedural rules for fiscal and monetary policy making and ensuring the two are co-ordinated effectively.</p> |
| Performance Indicator | <p>12 month increase in the CPI.</p> <p>The CPI is a measure of the change in the level of prices charged for consumer goods and services. It is constructed on a harmonised basis for all EU Member States. The common European standard is known as the Harmonised Index of Consumer Prices (HICP) and the CPI is the UK’s measure.</p> |
| Commentary | <p>Met-ongoing*</p> <p>From April to November 2003, the inflation target was a RPIX target of 2.5 per cent. During this period, RPIX inflation was, on average, just above target, ranging from 2.5 per cent to 3 per cent. On 10 December 2003, the Chancellor announced details of a new inflation target. The new target is 2 per cent for the 12-month increase in the Consumer Prices Index. Since December 2003 CPI inflation has ranged between 1.1 to 1.4 per cent.</p> |
| Quality of data systems | The CPI data are sourced from the Office of National Statistics. |

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| SR2002 Objective | (II) Maintain sound public finances in accordance with the Code for Fiscal Stability. |
| SR2002 PSA Target | 3 Over this economic cycle, maintain: public sector net debt below 40 per cent of GDP; and the current budget in balance or surplus. |
| SDA Target | <p>B3.1 By planning and controlling public expenditure within firm overall spending limits and revenues to meet the fiscal rules.</p> <p>B3.2 By continuously monitoring the state of the public finances to ensure that any risks to the target are identified as soon as they emerge, and by regularly updating, and publishing forecasts of government revenues and spending in accordance with the provisions of the Code for Fiscal Stability, including cautious assumptions audited by the National Audit Office (NAO).</p> |
| Performance Indicator | <p>Public sector net debt as a percentage of Gross Domestic Product (GDP) at the end of each year of the economic cycle.</p> <p>The average surplus on current budget as a percentage of GDP over the economic cycle.</p> |
| Commentary | <p>On course</p> <p>Public sector net debt was 32.7 per cent of GDP in 2003-04, and is projected to be low and stable over the next five years, stabilising at just under 36.5 per cent of GDP at the end of the projection period - £53 billion below the 40 per cent ceiling set in the sustainable investment rule.</p> <p>The current budget since the start of the current economic cycle in 1999-2000 shows an average annual surplus up to 2003-04 of 0.4 per cent of GDP. Although modest deficits are expected in 2004-05 and 2005-06, the average current budget since 1999-2000 is expected to remain in surplus by 0.1 per cent of GDP by 2005-06. The Government is therefore on course to meet this target on the basis of cautious assumptions.</p> |
| Quality of data systems | Underlying data sourced from the Office for National Statistics. |

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| <p>SR2002 Objective</p> | <p>(III) Promote UK economic prospects by pursuing increased productivity and efficiency in the EU, international financial stability and increased global prosperity, including especially protecting the most vulnerable.</p> |
| <p>SR2002 PSA Target</p> | <p>4 – Part 1: Promote increased global prosperity and social justice by working to increase the number of countries successfully participating in the global economy on the basis of a system of internationally agreed and monitored codes and standards.</p> |
| <p>SDA Target</p> | <p>B4.1 By working with the IMF and others to promote and implement: open trade systems; measures to tackle abuses of the financial system; transparent surveillance of country policies and performance; adherence to internationally agreed codes and standards; and crisis resolution mechanisms.</p> |
| <p>Performance Indicator</p> | <p>The International Monetary Fund (IMF) assesses member countries' compliance with internationally agreed codes and standards through production of Reports on the Observance of Standards and Codes (ROSCs).</p> |
| <p>Commentary</p> | <p>On course</p> <p>As of the end of December 2003, 492 assessments had been prepared for 101 countries, of which 364 had been published. This compares with figures for December 2002 of 343, 89, and 243 respectively, and means that well over half the total membership of the IMF have now undertaken at least one ROSC module.</p> <p>The Treasury has continued to apply pressure and make progress on the full range of issues set out in the Service Delivery agreement. Further information on this is given in the Treasury annual report on the UK and IMF.</p> |
| <p>Quality of data systems</p> | <p>The IMF provides information on the number of ROSCs completed. Further information is available from their website www.imf.org</p> |

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| <p>SR2002 Objective</p> | <p>(III) Promote UK economic prospects by pursuing increased productivity and efficiency in the EU, international financial stability and increased global prosperity, including especially protecting the most vulnerable.</p> |
| <p>SR2002 PSA Target</p> | <p>4 – Part 2: Promote increased global prosperity and social justice by ensuring that three-quarters of all eligible HIPC countries committed to poverty reduction receive irrevocable debt relief by 2006 and working with international partners to make progress towards the United Nations 2015 Millennium Development Goals (joint target with the Department for International Development).</p> |
| <p>SDA Target</p> | <p>B4.2 By working with DFID and other partners to maximise the number of HIPCs that benefit from debt relief by 2006, through: helping HIPCs put in place and implement effective and sustainable poverty reduction strategies and encouraging donors to ensure that HIPC provides a sustainable exit from debt. In particular, working with others to ensure that three quarters of all eligible HIPC countries receive irrevocable debt relief by 2006.</p> |
| <p>Performance Indicator</p> | <p>Number of countries reaching Completion Point as recorded in 'Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation', available on the World Bank website¹.</p> |
| <p>Commentary</p> | <p>HIPC: On course</p> <p>Progress in countries reaching Completion Point in the HIPC Initiative has not been as rapid as previously projected by the International Monetary Fund (IMF) and World Bank. This is partly due to slippage in the policy performance of individual countries. However, a large group of countries are expected by the IMF and World Bank to reach Completion Point by the end of 2004, so it is expected that the target will still be achieved. The Treasury is continuing to work very closely with DfID and other partners to support HIPCs, and the UK remains an influential voice in the G7 and at the Boards of the IMF and World Bank.</p> <p>Millennium Development Goals: Slippage</p> <p>The United Nations Department of Economic and Social Affairs has the remit to report annually on global progress towards the Millennium Development Goals (MDGs). The Treasury uses these annual reports in the context of the PSA target relating to the MDGs.</p> <p>Good progress has been made in some countries. But the global rate of progress is too slow and uneven. There is pressing need for substantial additional aid to meet the MDGs by 2015. The UK has proposed an International Finance Facility to increase aid significantly.</p> |
| <p>Quality of data systems</p> | <p>HIPC element: Decision Point and Completion Point for countries in the HIPC Initiative are determined by the Boards of the IMF and the World Bank and are made public on the websites of these institutions.</p> <p>MDGs element: The data used in assessing progress towards the MDGs are taken from the United Nations.</p> |

¹<http://www.worldbank.org/ipc/progress-to-date.html>

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| <p>SR2002 Objective</p> | <p>(III) Promote UK economic prospects by pursuing increased productivity and efficiency in the EU, international financial stability and increased global prosperity, including especially protecting the most vulnerable.</p> |
| <p>SR2002 PSA Target</p> | <p>4 – Part 3: Promote increased global prosperity and social justice by demonstrating progress towards the Lisbon goals by 2006, by working with our European Union partners to achieve structural economic reform in Europe.</p> |
| <p>SDA Target</p> | <p>B4.3 By working with the EU to control the EU budget and tackle fraud.</p> <p>B4.4 By maximising the economic benefits from enlargement and the Single Market.</p> <p>B4.5 By creating and maintaining pressure for the EU to take effective actions on competition, enterprise, innovation, skills and investment to increase private and public sector productivity and to implement measures to raise employment towards the Lisbon and Stockholm targets.</p> <p>B4.6 By working with international partners to ensure that countries accessing IDA resources and their key donors are committed to and supporting effective and sustainable poverty reduction strategy processes.</p> <p>B4.7 By working with other government departments (especially the Foreign and Commonwealth Office), EU member states, the Commission and the European Parliament towards improving the effectiveness of EC development assistance (joint with the Department for International Development).</p> <p>B4.8 By working with other departments towards the achievement of the agreed target for EU average aid to reach 0.39 per cent by 2006 and the promotion of greater aid effectiveness among donors.</p> |
| <p>Performance Indicator</p> | <p>Progress is measured using Eurostat data for the total EU employment rate (against an EU target of 67 per cent by 2005 and 70 per cent by 2010) and the percentage difference between US and EU labour productivity per hour and per worker.</p> |
| <p>Commentary</p> | <p>Progress against this target is measured through the associated SDAs.</p> <p>B4.3 Met-ongoing The 2004 EU Budget approved in December 2003 was within the expenditure ceilings agreed at the Berlin European Council in 1999. The concept of activity-based budgeting was further developed, and is reflected in ECOFIN’s guidelines for the 2005 Budget. The European Court of Auditors’ annual report commended the reform measures introduced by the Commission with Treasury encouragement, including Directors General’s activity statements.</p> <p>B4.4 and B4.5 Slippage Since the launch of the Lisbon strategy, important steps have been taken to reform the European economy, including modernisation of the EU competition regime, reform of the state aid rules and a range of action in Member States to promote enterprise and employment. However, further action is needed to deliver improved outcomes. Though rising, the EU employment rate stood at just 64.3 per cent in 2002, some way below the target of 70 per cent by 2010 and the interim target of 67 per cent by 2005. Moreover, in 2002, productivity in the US continued to exceed that in the EU, by around 14 per cent on a per hour basis and 19 per cent on a per worker basis.</p> |

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| | <p>The Government believes that further reform is needed to advance the Lisbon goals and will continue to work with its European partners to this end, including through the prospective mid-term review of the Lisbon process, due to conclude in 2005. The Government will also work closely with the newly acceded countries to ensure their effective integration into the Single Market and the EU polity, in general. A detailed assessment of progress and the Government's priorities were set out in <i>Advancing long-term prosperity: economic reform in an enlarged Europe</i>, published by the Treasury in February 2004.</p> <p>B4.6 Met-ongoing The poverty reduction strategy (PRS) approach is now widely adopted in countries accessing World Bank IDA resources. The UK supports the PRS process directly in 34 countries, and works closely with international partners such as the World Bank, IMF and European Commission to ensure these are effective and sustainable.</p> <p>B4.7 and B4.8 On course In January 2004, the General Affairs and External Relations Council approved resource allocation criteria that should improve the targeting of EC aid on poverty reduction. The total value of EC aid increased marginally in real terms, consistent with the Berlin expenditure ceilings. EU aid in total averaged 0.35 per cent of EU GNI in 2002, up from 0.31 per cent in 2001 (a 5.8 per cent change in real terms).</p> |
| Quality of data systems | <p>B4.4 and B4.5 Measurement of progress uses the set of structural indicators produced, maintained and developed by Eurostat, and mandated by the Council of the European Union. The productivity and employment measures used for this PSA target are sourced from the structural indicators section of the Eurostat database.</p> <p>B4.6 Source: DFID 2003 Autumn Performance Report</p> <p>B4.8 Source: Development Cooperation Report.</p> |

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| SR2002 Objective | (IV) Increasing the productivity of the economy. |
| SR2002 PSA Target | 5 Demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the US, France and Germany (joint target with the Department for Trade and Industry). |
| SDA Target | <p>B5.1 By bringing forward a continuing programme of microeconomic reform targeted at the five drivers of productivity performance.</p> <p>B5.2 By ensuring that new and previous reforms are successfully implemented and delivered.</p> <p>B5.3 By working with departments to reform the public services to improve performance and productivity.</p> |
| Performance Indicator | <p>International comparisons of productivity (ICP) data: output per worker and output per hour. The data are produced by the Office for National Statistics (ONS) based on Organisation for Economic Co-operation and Development (OECD) data. Actual trend productivity growth (on a per hour measure) is projected to be 2.25 per cent for the current cycle.</p> <p>Government estimate of trend productivity growth based on ONS data.</p> |
| Commentary | <p>On course</p> <p>Improving productivity is a long-term objective. Given the sensitivity of the headline productivity figures to cyclical change, UK performance is assessed between on trend points.</p> <p>The most recent UK productivity figures show:</p> <ul style="list-style-type: none"> • progress towards raising the trend rate of productivity growth – actual productivity (output per hour) is estimated to have risen by 2.44 per cent in the last cycle compared to 2.05 per cent in the previous cycle; underlying productivity by 2.65 per cent compared to 2.22 per cent; and • some early signs of progress towards narrowing the output per worker productivity gap – for example, the UK now has a similar productivity level as Germany. <p>Recent policies have been developed and implemented in cooperation with DTI, ODPM and DfES.</p> |
| Quality of data systems | <p>The Treasury monitors progress on the productivity gap with data published by the Office for National Statistics on the International Comparisons of Productivity² which are themselves based on OECD data. Small changes in the ICP series are interpreted cautiously to allow for some margin of error in the constituent parts.</p> <p>Trend estimates of productivity are drawn from Treasury estimates (see Table B2 of Budget 2004) that constitute part of the trend growth estimate. The methodology upon which these estimates are based is set out in the Treasury publication 'Trend growth: recent developments and prospects', April 2002. The National Audit Office audits this methodology.</p> |

²www.nationalstatistics.gov.uk/cgi/nugget.asp?id=16/

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| SR2002 Objective | (IV) Increasing the productivity of the economy. |
| SR2002 PSA Target | 6 Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006 (joint target with the Office for the Deputy Prime Minister and the Department for Trade and Industry). |
| SDA Target | <p>B6.1 By furthering cross-departmental research to identify the causes of regional disparities and the most effective policy measures for reducing such disparities.</p> <p>B6.2 By generating relevant information on regional priorities and on the regional impacts of departmental policies.</p> <p>B6.3 By giving a regional focus to the outcomes of future Budget and Spending Review processes, using information on regional priorities, on regional impacts of departmental activities, and on the most effective policy measures, including the scope for further devolution and decentralisation, for addressing regional disparities.</p> <p>B6.4 By continuing to foster strong regional institutions, maximising their freedom and flexibility to deliver their own solutions at local level.</p> |
| Performance Indicator | The main measure for this target is Gross Value Added (GVA) per head in each region. |
| Commentary | <p>On course</p> <p>Significant progress has been made in reviewing the regional policy instruments of the Treasury, Office of the Deputy Prime Minister, the Department for Trade and Industry and other Government Departments. The regional Government Offices, Regional Development Agencies (RDAs) and regional chambers have consulted other regional stakeholders on evidence of the drivers of performance in their region and for explanations of economic disparities. They have been invited by the Treasury to submit Regional Emphasis Documents to inform the development process for the 2004 Spending Review.</p> <p>In addition, a programme of research is being conducted to improve the evidence base on the six key drivers of regional economic performance – skills, investment, innovation, enterprise, competition and employment. Conclusions from the research are being discussed with all appropriate Government departments, as well as regional stakeholders, and are feeding into the 2004 Spending Review.</p> <p>In March 2004, the Treasury, along with the Office of Deputy Prime Minister and the Department of Trade and Industry, published its latest analysis of the historic and recent trends in regional economic performance in <i>Devolving decision making: 2 – Meeting the regional economic challenge: Increasing regional and local flexibility</i>. This document also looked at the delivery challenges facing institutions and policy makers at the regional and local level and set out the next steps necessary to ensure that the regional and local institutional framework is focused on delivering enhanced economic outcomes in the English regions.</p> <p>More information regarding performance against this target can be found in the Office of the Deputy Prime Minister annual report Cm6206.</p> |
| Quality of data systems | To measure performance against the regional economic performance target the trend rate of growth in Gross Value Added (GVA) per head in each region will be estimated for the period 2003-2008. The gap in growth rates will be measured by comparing the average growth rate of regions that currently have above average GVA per head with the average growth rate of regions that currently have below average GVA per head. Annual GVA per head data for each region is only available after a 12-month lag so performance against this target will be reported in 2010. Christopher Allsopp's independent review has made a number of institutional and technical recommendations to ensure that regional data meets the requirements of policy makers and the wider user community. |

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| SR2002 Objective | (V) Secure and innovative, fair dealing, competitive and efficient market in financial services, while striking the right balance with regulation in the public interest. |
| SR2002 PSA Target | There is no PSA target for Objective V. |
| SDA Target | <p>B Objective 5.1 By implementing, with the FSA, the new legislative and regulatory framework established under the Financial Services and Markets Act 2000.</p> <p>B Objective 5.2 By maintaining, with the Bank of England, FSA and authorities abroad, the framework for safeguarding financial stability.</p> <p>B Objective 5.3 By improving the transparency, accessibility and responsiveness of retail financial markets, especially in following up reviews such as that undertaken by Ron Sandler into savings markets and in on-going policy work.</p> <p>B Objective 5.4 By achieving, with our European partners, the EU targets for the single market in financial services (2003 and 2005), and making progress in the WTO round towards more global open trade.</p> <p>B Objective 5.5 By continuing to improve national and international systems for fighting crime, especially money laundering and terrorist financing.</p> |
| Performance Indicator | N/A |
| Commentary | <p>On course</p> <p>Objective 5.1: announced November 2003 a two-year review of FSMA and issued two consultation documents on reducing the regulation of promotions to high net worth and sophisticated investors and on clarifying the boundary of FSA regulation.</p> <p>Objective 5.2: determined, through the work of a Task Force under Sir Andrew Large, that it would not be appropriate for the government to take further statutory powers in connection with a major operational disruption in the financial markets. We have been actively working with the Bank and FSA to improve and test the authorities' capability to respond to a crisis, communicating with private firms and liaising with the private sector.</p> <p>Objective 5.3: on Sandler we have issued a response to our consultation on product specifications; are also working on policy issues such as financial capability and the pensions protection fund; and have enhanced consumer protection and are streamlining regulation around mortgages and insurance.</p> <p>Objective 5.4: successfully negotiated outcomes to a number of EU directives of the Financial Services Action Plan. Secured London as the location for the Lamfalusy level 3 banking committee in January 2004. Pushed for a broadening and deepening of the EU-US regulatory dialogue.</p> <p>Objective 5.5: continued to improve national and international systems for fighting financial crime; working closely with industry to ensure that effective and proportionate systems are in place. Negotiated the FATF's revised recommendations on money laundering and terrorist financing; introduced new Money Laundering Regulations to implement the 2nd EU Money Laundering Directive; and froze the assets of terrorist individuals and organisations.</p> |
| Quality of data systems | N/A |

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| SR2002 Objective | (VI) Expand economic and employment opportunities for all. |
| SR2002 PSA Target | 7 Demonstrate progress by Spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle (joint target with the Department for Work and Pensions). |
| SDA Target | <p>B7.1 By maintaining macroeconomic stability (Objective I).</p> <p>B7.2 By working with the Department for Work and Pensions to develop cost effective policies to help people move from benefits into work, and to ensure that such welfare to work programmes are delivered in a cost effective manner.</p> <p>B7.3 By establishing appropriate incentives to work.</p> <p>Outstanding SR2000 SDA target B1. Achieve a continued reduction in the number of unemployed people over the age of 18 over the economic cycle.</p> |
| Performance Indicator | <p>For employment, seasonally adjusted International Labour Organisation (ILO) employment rates for the working age population of Great Britain (GB), with a judgement as to the economic cycle, as assessed by HM Treasury in the Pre-Budget Report and Budget.</p> <p>For unemployment, seasonally adjusted ILO unemployment rates for the population of GB, aged 16 and over, with a judgement as to the economic cycle, as assessed by HM Treasury in the Pre-Budget Report and Budget.</p> <p>For the SR2000 SDA target, the performance indicator was the seasonally unadjusted ILO unemployment levels of working age people over 18 in Great Britain, with a judgement as to cyclical influences.</p> |
| Commentary | <p>On course.</p> <p>The baseline for this target is spring (March – May) 2003, at which time the employment rate was 74.8 per cent, and the unemployment rate was 5.0 per cent. Latest data, covering December 2003 to February 2004, gives an employment rate of 75.1 per cent, up 0.3 percentage points on spring 2003 levels, and an unemployment rate of 4.8 per cent, down 0.2 percentage points on the baseline figure.</p> <p>The SR2000 SDA target B1 is now being given a final assessment of met-ongoing. The unemployment level of people aged 18 and over in Great Britain was 1,231,000 in December 2003, compared to 1,237,000 in April 2001 (the start of the SR2000 period). This is an open-ended target, and given that the SR2002 PSA target 7 now tracks progress on employment and unemployment, this target will not be reported against in the future.</p> |
| Quality of data systems | <p>UK labour market figures for employment and unemployment are taken from the Labour Force Survey (LFS) and are published by the Office for National Statistics. The definitions used in the LFS are based on internationally agreed standards set by the International Labour Organisation (ILO).</p> |

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| SR2002 Objective | (VII) Promote a fair and efficient tax and benefit system with incentives to work, save and invest. |
| SR2002 PSA Target | 8 Reduce the number of children in low-income households by at least a quarter by 2004 as a contribution towards the broader target of halving child poverty by 2010 and eradicating it by 2020 (joint target with the Department for Work and Pensions). |
| SDA Target | <p>B8.1 By working with the Department for Work and Pensions and Inland Revenue to ensure a secure and uninterrupted family income that makes a sufficient contribution to meeting the 2004 target through tax and benefit reforms, notably through the smooth delivery of the Working Tax Credit and the Child Tax Credit from 2003.</p> <p>B8.2 By working with the Department for Work and Pensions to increase employment and reduce unemployment over the economic cycle (PSA 7).</p> <p>B8.3 For the longer term, by working with the Department for Work and Pensions to implement the conclusions from their consultation on the measurement of child poverty.</p> |
| Performance Indicator | Number of children in low income households by 2004-05. Low-income households are defined as households with income below 60 per cent of contemporary median as reported in the annual Households Below Average Income (HBAI). HBAI statistics cover Great Britain. Progress is reported against the 1998-99 baseline figures and methodology. The baseline is 4.2 million children in low-income households after housing costs (AHC) and 3.1 million before housing costs (BHC). |
| Commentary | <p>On course</p> <p>Between 1998-99 and 2002-03 (the latest data available published in March 2004) the numbers of children in low-income households fell by 0.6 million AHC and 0.5 million BHC. So we are making steady progress towards the target.</p> <p>The latest data do not reflect the full effect of the new tax credits introduced in April 2003 nor the £180 per year increase in the child element of the Child Tax Credit announced in Pre-Budget Report 2003, which takes effect from April 2004. This additional investment of almost £1bn on top of inflation will benefit 7.2 million children in 3.7 million families.</p> <p>As a result of these changes, the Government is on course to meet or exceed the target on a BHC basis. Achieving the target is less certain on an AHC basis. There are uncertainties either way. Analysis by the Institute of Fiscal Studies suggests that the policies in place will enable the Government to make substantial progress on an AHC basis by 2004-05.</p> |
| Quality of data systems | Performance against this target is assessed using the annual Households Below Average Income (HBAI) report published the Department for Work and Pensions under National Statistics. |

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| <p>SR2002 Objective</p> | <p>(VIII) Improve the quality and the cost effectiveness of public services.</p> |
| <p>SR2002 PSA Target</p> | <p>9 Improve public services by working with departments to help them meet their Public Service Agreements (PSA) targets, consistently with the fiscal rules (joint target with the Cabinet Office). The corresponding SR2000 PSA target was to “achieve an improvement in value for money in public services year by year”.</p> |
| <p>SDA Target</p> | <p>HM Treasury and the Prime Minister’s Delivery Unit will work with departments to:</p> <p>B9.1 ensure they have in place effective plans to deliver their PSA targets, with robust milestones and trajectories;</p> <p>B9.2 monitor departments’ performance against their plans and their PSA targets through information gathering, regular meetings at official level, and supporting ministerial discussions; and</p> <p>B9.3 ensure necessary corrective action is taken when delivery is not on track.</p> |
| <p>Performance Indicator</p> | <p>Departments are responsible for delivering their individual SR2002 PSA targets. As such, this target can only be assessed as each target for SR2002 comes to completion.</p> <p>The SR2000 target is monitored using a scorecard approach, based on departmental information.</p> |
| <p>Commentary</p> | <p>Not Yet Assessed</p> <p>SR2002 set stretching outcome-focused targets for key areas of the public services. The Treasury and the Prime Minister’s Delivery Unit are working with Departments to promote and support effective planning and management to deliver PSA targets, although responsibility for delivery of PSA targets rests with departmental Secretaries of State, as set out in the responsibility section of each PSA. Progress towards PSA targets is reported biannually in (spring) Departmental Reports and Autumn Performance Reports, and progress towards the SR2002 PSAs is set out on the PSA Performance website (www.hmtreasury.gov.uk/performance)</p> <p>The equivalent SR2000 PSA Target was “achieve an improvement in value for money in public services year by year.” We are on course to meet this target. SR2000 set value for money targets in every PSA. Departments continue to report good progress against these targets, and the Treasury will publish a detailed final assessment against this target following the end of the SR2000 period (2001-2004). This will be published in due course.</p> |
| <p>Quality of data systems</p> | <p>The PSA Performance Website draws data from departmental systems. These departmental data systems are to be validated by the National Audit Office (NAO) at least once in the lifetime of each PSA target.</p> |

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| SR2002 Objective | (IX) Achieve a high standard of regularity, propriety and accountability in public finance. |
| SR2002 PSA Target | There is no PSA target for Objective IX |
| SDA Target | <p>B Objective 9.1 To develop and maintain an effective financial accounting and reporting framework for the UK central government sector; so maintaining a world-class position in government financial management.</p> <p>B Objective 9.2 To develop and maintain an effective framework for control of public finances promoting high standards of regularity, propriety, value for money and accountability, and reflecting as appropriate best practice in the private sector.</p> <p>B Objective 9.3 To improve the quality of information available for Government decision making by developing and implementing systems and procedures needed to produce consolidated accounts for central government. A measure of success will be to publish the first consolidated Central Government Accounts for 2003-04.</p> <p>B Objective 9.4 To provide the Treasury Accounting Officers with assurance on the internal control system.</p> |
| Performance Indicator | N/A |
| Commentary | <p>B Objective 9.1: On course The number of departmental resource accounts receiving a qualified audit opinion has continued to fall. There have also been improvements in the timeliness of accounts preparation. The framework is being kept up-to-date with Generally Accepted Accounting Practice, in particular with the implementation in 2003-04 of the FRS17 standard on pensions.</p> <p>B Objective 9.2: On course The guidance in Government Accounting on regularity, propriety, value for money and accountability has been reviewed and updated to reflect best practice. In particular, there is a new chapter on risk management and requirements for the statement on internal control. Guidance on Audit Committees has been issued.</p> <p>B Objective 9.3: On course The first dry run Central Government Account (CGA) have been completed and reviewed by the NAO. The second dry run CGA are in progress.</p> <p>B Objective 9.4: Met-ongoing* It has been possible to provide a level of assurance to the TAO on the internal control systems, however, further improvements continue to be made to the level of that assurance.</p> |
| Quality of data systems | N/A |

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| SR2002 Objective | (X) Protect and improve the environment by using instruments that will deliver efficient and sustainable outcomes through evidence-based policies. |
| SR2002 PSA Target | There is no PSA target for Objective X. |
| SDA Target | <p>B Objective 10.1 By working with other departments and with EU partners to appraise the sustainable development implications of policy proposals.</p> <p>B Objective 10.2 By using fiscal instruments to deliver environmental objectives, in accordance with the Statement of Intent on Environmental Taxation, and other instruments where appropriate.</p> |
| Performance Indicator | N/A |
| Commentary | <p>On course</p> <p>A range of measures have been introduced including the climate change levy and associated climate change agreements and targeted spending measures, the aggregates levy, increases in the landfill tax, enhanced capital allowances for energy saving technologies, incentives for domestic energy efficiency, and use of fuel duty and vehicle taxes to incentivise cleaner vehicles and fuels. Budgets 2003 and 2004 have continued to progress this with a long-term framework for duty rates for alternative fuels, an incentive for sulphur free fuels and the extension of climate change agreements.</p> <p>The Treasury has continued to work with others government departments, EU partners and stakeholders in appraising sustainable development implications of policies, particularly on EU and UK legislation and departmental plans being developed in Spending Review 2004.</p> |
| Quality of data systems | N/A |

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| SR2002 Objective | N/A |
| SR2002 PSA Target | By 2005-2006, deliver £3 billion of value for money gains in central civil Government procurement through the Office of Government Commerce. |
| SDA Target | <p>B10.1 By:</p> <ul style="list-style-type: none"> i) directly supporting the successful delivery of projects and programmes by departments; ii) focusing our effort on activities that have high value and high impact for Government; and iii) assisting and leading departments in developing the level of capability they need as clients. <p>B10.2 By:</p> <ul style="list-style-type: none"> i) developing and managing the Gateway process; ii) improving the commercial skills available to departments; iii) improving Government ability to manage supplier relationships; iv) making the Government marketplace more attractive to suppliers in all sectors; v) developing innovative tools and techniques and more effective ways of achieving private sector involvement; vi) helping departments to embed best practice (including operational guidance) and cross-governmental lessons learned in their commercial activities; vii) catalysing collaborative opportunities (including aggregation deals). |
| Performance Indicator | Annual returns on value for money gains reported by central civil government bodies. The reporting is based on methodology agreed with the National Audit Office. |
| Commentary | <p>Not yet assessed.</p> <p>This is a new target, based on annually produced retrospective data, and as such progress is not yet assessed. However, departments have reported gains of £1.649 billion in the three year period ending March 2003 which significantly exceeded the SR2000 PSA target.</p> |
| Quality of data systems | Value for money gains are measured by individual departments and through other methodologies. OGC has published detailed methodological guidance to departments entitled "Value for Money Measurement" which is available on the OGC website at www.ogc.gov.uk . OGC aggregates the data produced by the methodologies to produce the total. |

SR2002 SDA Targets affecting more than one PSA

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| SDA Target | BA.1 Support the development of economic statistics so as to add value to the design of the evidence base for policy. |
| Performance Indicator | Roles and responsibilities of Treasury Ministers as set out in the "Framework for National Statistics". |
| Commentary | <p>Met-ongoing</p> <p>Treasury Ministers have been fully supported to enable them to carry out the roles and responsibilities as set out in the 'Framework' document', which have been properly fulfilled on an ongoing basis. Treasury officials have played an active role in engaging with ONS officials and advising on customer interests and requirements in support of the development of economic statistics.</p> |
| SDA Target | BA.2 Keep Parliament and the public sector well informed about the Government's economic policies and their effects, support policy outcomes by ensuring that effective communication goes hand-in-hand with policy development and communication. |
| Performance Indicator | Pre-Budget and Budget Reports supplementary papers and leaflets, other Treasury publications, including consultation documents and press notices, Ministerial speeches, other material on Treasury website, answers to PQs and Ministerial correspondence, and evidence to Select Committees. |
| Commentary | <p>Met-ongoing</p> <p>In addition to now normal high volume flow of Treasury publications, 2003-04 notably saw publication of the EMU 5 tests assessment together with 18 supporting studies, and the book 'Microeconomic Reform in Britain: Delivering Opportunities for All' which provides a comprehensive guide to the extensive microeconomic reforms implemented to realise the Government's goal of creating a stronger more enterprising economy and a fairer society.</p> <p>The Treasury website fully supports effective communication with up-to-the-minute news/publication and a comprehensive archive. During 2003 traffic on the website tripled, with 38 million pages being downloaded as compared to 12 million in 2002. A particularly notable achievement was the publication on the 9 June 2003 of the 18 EMU studies, the Assessment of the Five Tests Assessment, and related materials on-line, by e-mail, on CD-Rom and in hard copy with complete availability from time of publication onwards.</p> |

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| SDA Target | BA.3 Produce a comprehensive and rigorous five tests assessment by June 2003, which fully reflects the framework detailed in all relevant PSAs. |
| Performance Indicator | N/A |
| Commentary | <p>Met</p> <p>The Treasury met this target in June 2003. The assessment of the five economic tests was published on 9 June 2003 on the day the Chancellor delivered his statement to the House of Commons on EMU. To produce a comprehensive, robust and rigorous assessment of the five economic tests, 18 supporting studies were published alongside the assessment, including 23 submissions on EMU from leading academics. The Treasury made extensive use of the latest analytical modelling techniques and approaches, and the latest economic literature, which was influential in shaping the Treasury's analysis of the key issues. Outside commentators responded extremely favourably to the quality of the analysis.</p> |

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| SDA Target | BA.4 Ensure UK public, private and voluntary sectors are prepared for a managed transition, with minimal disruption, in the event that a decision is made to join the Euro. |
| Performance Indicator | N/A |
| Commentary | <p>Met-ongoing</p> <p>Countrywide consultation on third outline National Changeover Plan (published on 9 June 2003) complete, covering Scotland, Wales, Northern Ireland and the English Regions;</p> <p>Public Sector: Central Government Preparations complete, under regular review and Gateway tested; Local Government guidance issued, 27 local authority plans on target for completion by end Q1 2004-5;</p> <p>Private Sector: Financial Services: banks and large insurers' plans complete, under regular review; Retail sector: key planning stages agreed, confirmation that sector would meet timetable, under regular review; SMEs: targeted information campaign ongoing; euro compatibility built into major ICT purchases on value for money basis;</p> <p>Voluntary sector: NCVO planning guidance issued, key issues identified and under regular review;</p> <p>Communications: Seventh report on euro preparations published in November 2003; Integrated Communication Plan complete, to issue Q1 2004-5.</p> |

| SDA Target | SR2002 SDA C1.1 and SR2000 SDA C1.5 Bank of England: Minimise the cost of holding the Government's foreign currency reserves, while managing risks within the limits agreed between the Bank and the Treasury – performance will be assessed (excluding the impact of exchange rates) against a target of average annual cost over the preceding three years no greater than zero. | | | | | | | | | | | | | | | |
|--|--|---------|---------|---------|---------|-------|---------------------------|-----|----|------|------|--|-----|----|------|------|
| Performance Indicator | Average annual cost over preceding 3 years no greater than zero (quarterly). | | | | | | | | | | | | | | | |
| Commentary | <p>Slippage</p> <p>The net return on the foreign currency reserves is measured on a "mark-to-market" basis (including changes in the capital value of assets and liabilities as well as net interest receipts and borrowing costs).</p> <p>Over the period 1st April 2001 to 31st January 2004 the total net costs on the Government's foreign currency reserves were £484 million. This equates to an average annual cost of £161 million, which represents approximately 0.4 per cent of the reserves.</p> <table border="1" data-bbox="477 943 1410 1176"> <thead> <tr> <th></th> <th>2001-02</th> <th>2002-03</th> <th>2003-04</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Net Cost/Return(£million)</td> <td>-19</td> <td>96</td> <td>-561</td> <td>-484</td> </tr> <tr> <td>of which due to exchange rate and gold price movements</td> <td>209</td> <td>27</td> <td>-442</td> <td>-206</td> </tr> </tbody> </table> <p>Of the total net cost over three years of £484 million, £206 million was due to movements in exchange rates. The most significant factor was the depreciation of the dollar against sterling, which more than offset a rise in the price of gold in 2003-04.</p> <p>The UK issued a US\$3bn five-year Eurobond in June 2003, the first foreign currency issue since 2000. It is estimated this will save the Government approximately £11million in financing costs over the life of the bond and it won Euroweek's "Deal of the Year" and International Financing Review's "Eurobond of the Year".</p> | | 2001-02 | 2002-03 | 2003-04 | Total | Net Cost/Return(£million) | -19 | 96 | -561 | -484 | of which due to exchange rate and gold price movements | 209 | 27 | -442 | -206 |
| | 2001-02 | 2002-03 | 2003-04 | Total | | | | | | | | | | | | |
| Net Cost/Return(£million) | -19 | 96 | -561 | -484 | | | | | | | | | | | | |
| of which due to exchange rate and gold price movements | 209 | 27 | -442 | -206 | | | | | | | | | | | | |

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| <p>SDA Target</p> | <p>C1.2 Debt Management Office: The Debt Management Office has been given the task of delivering its objectives effectively and efficiently and to ensure value for money in its administrative expenditure. More information is set out in its Business Plan for 2002-2003 at http://www.dmo.gov.uk/publications Jointly with the Treasury, the Government's debt management strategy aims to minimise its net financing costs over the long-term while taking into account its risk management objectives for the debt portfolio. Performance of this strategy will be assessed over the business cycle by monitoring the average annual cost of net government debt and behaviour of net financing costs in relation to the Government's debt portfolio risk objectives.</p> |
| <p>Performance Indicator</p> | <p>Comparison of cost to 7.2per cent (the average of the mean annual cost of net government debt over the last three financial years - quarterly)</p> |
| <p>Commentary</p> | <p>Met-ongoing Annual average cost of central government gross debt = 5.53 per cent. Data based on complete information for 2001-02 and 2002-03 and data up to Q4 2003 for 2003-04.</p> |