



Departmental Report of the Chancellor of the Exchequer's smaller Departments

**The Government's Expenditure Plans
1997-98 to 1999-2000
for
HM Treasury**

**Please note
This PDF version has been specially prepared
for the HM Treasury website.
Only the Treasury chapter of the report is reproduced.
The full document (hard copy only)
is available from HMSO.**

**Presented to Parliament by the Chancellor of the Exchequer and
Chief Secretary to the Treasury by Command of Her Majesty
20 March 1997**

This is part of a series of departmental reports (Cm 3602 to 3620), accompanied by the Public Expenditure Statistical Supplement to the Financial Statement and Budget Report, 1996-97 (Cm 3601), which present the Government's expenditure plans for 1997-98 to 1999-2000.

The complete series is also available as a set at a discounted price.

Comments on the coverage or presentation of this report should be sent to:

John Craig
HM Treasury
Allington Towers
19 Allington St
London SW1E 5EB

They will be considered in preparing the 1998 report.

CONTENTS

<i>Introduction</i>	5
<i>1: HM Treasury</i>	7
1.1 Aim And Objectives	7
1.2 Reports on 1996-97 and future targets, plans or milestones	11
1.3 Other Bodies	67
1.4 Royal Mint	67
1.5 Bank Of England	69
1.6 Parliamentary Bodies, Honours And Dignities	72
1.7 Bibliography	73

INTRODUCTION

*BY THE CHANCELLOR OF THE EXCHEQUER,
THE RT HON KENNETH CLARKE QC MP*

This document sets out the performance over 1996-97 and future plans of seven Departments which report to me or my Treasury colleagues. It also covers the Government's net payments to European Community institutions.

HM Customs & Excise and the Inland Revenue are much larger departments and produce separate reports (Cm 3618 and Cm 3619 respectively).

In 1997-98 the seven departments plan to cut their real cost to the taxpayer by 9.9 per cent over 1996-97. Since 1991-92 spending will have fallen by 32.6 per cent in real terms.

Amongst their achievements:

- Since the last trough in the international cycle (1993), UK economic growth has been the highest in the G7. We have had the longest run of low inflation for almost 50 years, and the PSBR has been halved in the last three years.
- The Treasury is breaking new ground in applying PFI principles to its negotiation of a deal to refurbish its headquarters building.
- Awareness of the Office for National Statistics (ONS) is beginning to grow as it pursues its objectives to increase coherence in government statistics and enhance public confidence in the quality, confidentiality and integrity of its products and services.
- I particularly welcomed the launch of National Savings as a Next Steps Executive Agency in July 1996. Agency status will help put focus on the quality of service for the many millions of customers who invest in National Savings' products and on value for money for the taxpayer and cost effective funding for the Government.

I believe that this report will provide the information needed to gauge the departments' performance over 1996-97 and their plans for 1997-98.

KENNETH CLARKE

Chancellor's departments - summary of spending plans (£ million)

	1991-92 outturn	1992-93 outturn	1993-94 outturn	1994-95 outturn	1995-96 outturn outturn	1996-97 estimated	1997-98 plans	1998-99 plans	1999-00 plans
HM Treasury	202	198	191	188	184	188	177	168	173
Customs and Excise	797	879	862	870	858	851	842	848	873
Inland Revenue	2,131	2,065	2,050	1,980	1,949	1,915	1,874	1,906	1,893
National Savings	194	210	199	197	194	182	176	175	175
Registry of Friendly Societies	3	4	3	3	3	8	4	2	1
National Investment and Loans Office	-	-1	-	-1	-1	-	1	1	1
Paymaster	23	26	-2	-2	-1	1	-	-	-
Office for National Statistics	152	97	90	93	103	114	94	98	102
Government Actuary's Department	1	1	-	-	-	-	1	1	1
Total	3,502	3,478	3,393	3,329	3,288	3,259	3,167	3,199	3,218
Net payments to EC Institutions	707	1,912	1,877	1,267	3,246	1,400	2,247	2,392	2,791

1: HM TREASURY

1.1 *AIM AND OBJECTIVES*

The Treasury's aim and objectives for 1997-98 are set by the Chancellor of the Exchequer. They are unchanged from last year and are shown in **Chart 1A** below.

The Treasury's overall aim is to promote rising prosperity based on sustained economic growth.

The Government believes that economic growth is best achieved through allowing market mechanisms to allocate resources. These mechanisms operate best when a combination of permanently low inflation and sound public finance helps to keep interest rates, tax rates and the exchange rate more stable in the long term.

International trade and investment flows also make a vital contribution to growth, particularly for an open economy such as the UK. Exports form 34 per cent of gross domestic product and the UK has the highest ratio of both inward and outward investment to GDP of any leading economy. Consequently the Treasury strives in its international work to promote more open markets and stable macroeconomic policies in other countries.

The Treasury also has a specific objective to maintain the stability, integrity and efficiency of the financial system to assist the smooth functioning of financial markets and the provision of finance for business.

Although the private sector is the engine for producing growth and jobs, the public sector has many vital roles to play. It must raise taxes to fund essential services in ways that do least damage to enterprise. It must provide a welfare net and achieve high standards of health, education and other public services as efficiently as possible to minimise the burden on the taxpayer; and use market mechanisms where appropriate to create the incentives and pressures for efficiency. It must make use of private sector expertise where it can, for instance through the Private Finance Initiative.

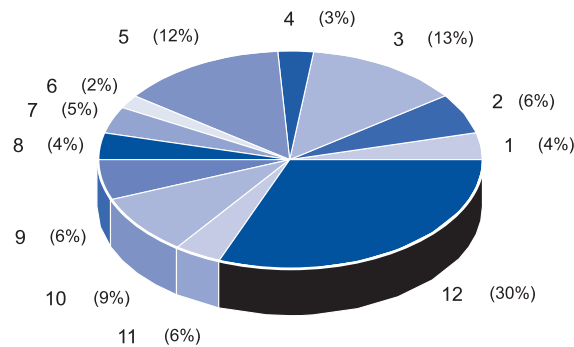
By succeeding in its 12 objectives, the Treasury plans to improve the performance of the economy and the outlook for jobs. This will provide the best background for sustainable growth and ever higher living standards.

Chart IA Treasury’s aims, missions and objectives



Chart 1B Allocation of resources by objective

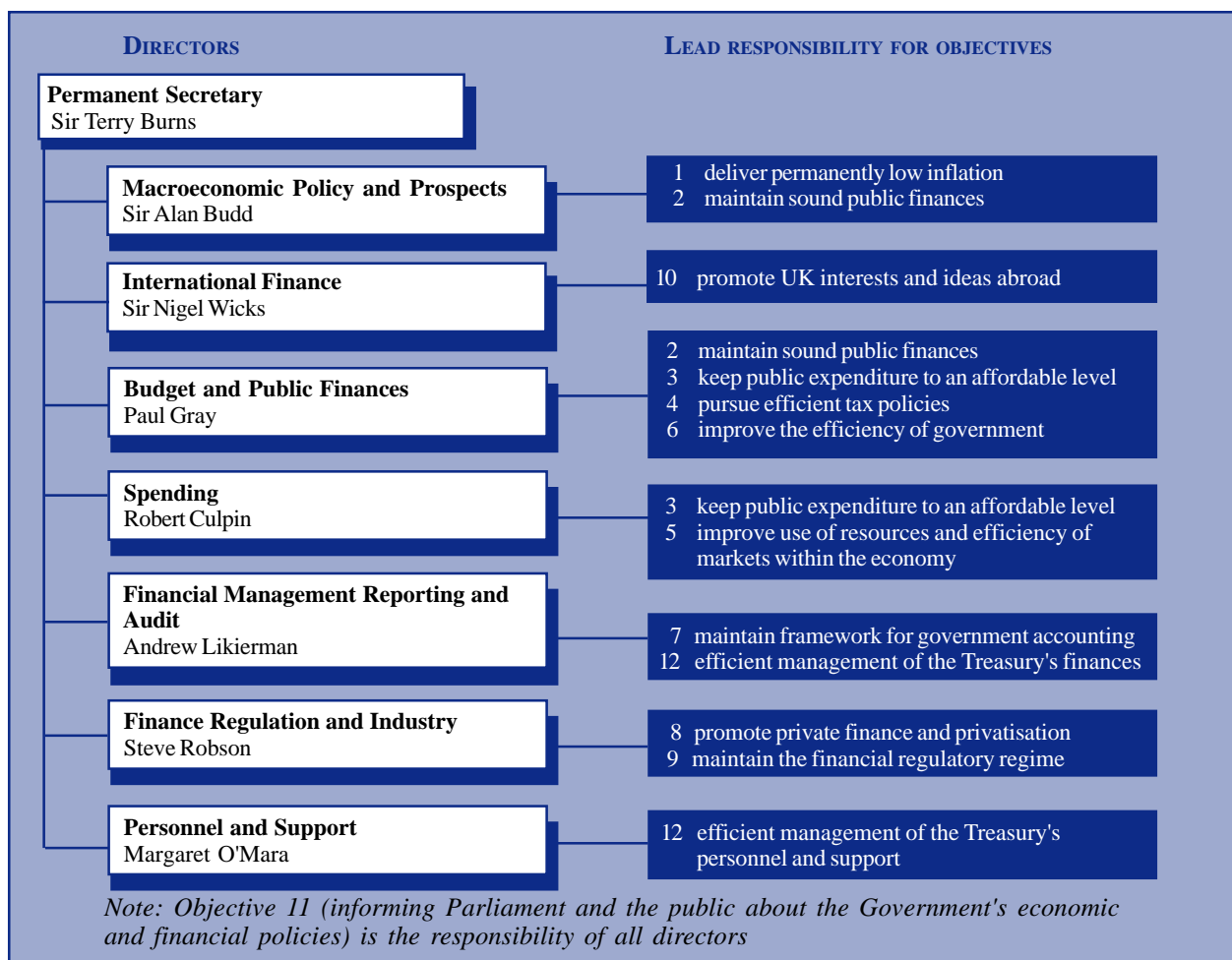
The chart below shows the proportion of the Treasury teams' running costs that is devoted to each of the 12 objectives.



1.1.1 Organisation of the Department

Chart 1C below shows the lead responsibility for each of the 12 objectives.

Chart 1C The Treasury's directorates



Each directorate comprises a number of teams whose specific objectives contribute to meeting one or more of the 12 that are set for the Department as a whole. The senior management structure is shown below in **Chart 1D**.

Chart 1D Senior Management Structure

PERMANENT SECRETARY SIR TERRY BURNS (**)	PERM	Ministerial support	MIN	Nicholas Macpherson
		Communications	COM	Jill Rutter
		Strategy (Strategy, finance and purchasing)	SFP (1)	Nicholas Holgate
MACROECONOMIC POLICY AND PROSPECTS	MPP	Economic prospects	EP	David Savage
Director: SIR ALAN BUDD		Fiscal and macroeconomic policy	FMP	Andrew Kilpatrick
Deputy director: Joe Grice		Economic briefing and analysis	EBA	Chris Kelly
Deputy director: Jon Cunliffe (**)		Inflation and monetary policy	IMP	Stephen Pickford
		Debt and reserves management	DRM	David Deaton
		Economist group management unit	EGMU	Malcolm Bradbury
INTERNATIONAL FINANCE	IFD	EU finances	EUF	Nick Ilett
Director: SIR NIGEL WICKS		EU future strategy	EUS	Sue Owen
Deputy director: Paul McIntyre (**)		EU coordination	EUC	
Deputy director: David Peretz		Developing countries, debt and export finance	DDX	Robin Fellgett
		International financial institutions and Former Soviet Union	IIF	David Roe
		Trade policy and developments	TPD	Simon Brooks
		World economic issues	WEI	
		Regional/country analysis	RCA	
BUDGET AND PUBLIC FINANCES	BPF	General expenditure policy	GEP (*)	John Gieve
Director: PAUL GRAY		General expenditure statistics	GES	David Deaton
Deputy director: Colin Mowl (**)		Exchequer funds and accounts	EFA	Martin Hansford (3)
Deputy director: John Gieve (*)		Public sector finances	PSF	Allen Ritchie
		Budget coordination	BUD	John Dodds
		Tax policy	TP	Phil Wynn Owen
		Tax administration	TA	Mark Parkinson
		Public sector pay policy	PSPP	Ruth Kosmin
		Public service pensions	PSP	Stephen Matthews
SPENDING	S	Aid, diplomacy and intelligence	ADI	Dilwyn Griffiths
Director: ROBERT CULPIN (**)		Defence	D	Sarah Walker
Deputy director: Norman Glass (*) (2)		Agriculture	A	Tim Sutton
Deputy director: Gill Noble		Social security	SS	Joseph Halligan
Deputy director: Alice Perkins		Health	H	Andrew Hudson
Deputy director: Peter Sedgwick		Heritage, territorial and central departments	HTCD	Mark Neale
		Education, employment and training	EIE	Ruth Thompson
		Home and legal	HL	Peter Brook
		Local government	LG	Ian Taylor
		Housing, urban and environment	HUE	Suma Chakrabarti
		Central operational research and economics	CORE (*)	Norman Glass (2)
FINANCIAL MANAGEMENT REPORTING AND AUDIT	FMRA	Treasury officer of accounts	TOA (*)	Jamie Mortimer
Director: ANDREW LIKIERMAN (**)		Central accountancy	CA	David Loweth
Deputy director: Jamie Mortimer (*)		Development of accountancy resources	DART	Duncan Slaughter
		Audit policy and advice	APA	Chris Butler
		Resource accounting and budgeting	RAB	Ros Dunn
		Finance and purchasing (Strategy, finance and purchasing)	SFP (1)	Nicholas Holgate
		Treasury internal audit	TIA	Anne-Marie Jones
FINANCE REGULATION AND INDUSTRY	FRI	Credit institutions	CI	Colin Farthing
Director: STEVE ROBSON		Financial services	FS	Paula Diggle
Deputy director: Brian Rigby		Securities and markets policy	SMP	Jeremy Heywood
Deputy director: Mike Williams		International financial services	IFS	Judith Simpson
Deputy director: Alan Whiting		Industry issues	IND	Craig Pickering
		Private finance	PFU	Peter Wanless
		Transport issues	TR	Adam Sharples
		Privatisation	PN	Harry Bush
		Competition, regulation and energy markets	CRE	Jonathan May
		Procurement policy	PP	John Colling
		Procurement practice	CUP (*)	Brian Rigby
PERSONNEL AND SUPPORT	PS	Personnel management	PM	Don Rayson
Director: MARGARET O'MARA		Information systems	IS	Simon Judge
		Accommodation and security	AS	Ian Cooper
STANDING CROSS DIRECTORATE TEAMS	(4)			

(*) indicates combined deputy director and head of standing team

(**) indicates head of cross-directorate standing team

(1) Nicholas Holgate reports to Sir Terry Burns on strategy, and to Andrew Likierman on finance and purchasing

(2) Supported by Mike Parsonage and Caroline Turk

(3) Martin Hansford reports direct to Sir Terry Burns on Royal Finance matters

(4) These include Treasury Management Board, the Deputy Directors Group and a number of policy-driven teams

1.2 *REPORTS ON 1996-97 AND FUTURE TARGETS, PLANS OR MILESTONES*

OBJECTIVE 1: TO DELIVER PERMANENTLY LOW INFLATION

The objective of the Government's economic policy is to promote sustained economic growth and rising prosperity. As economies work most efficiently when inflation is low and stable, the first objective of the Treasury is to deliver permanently low inflation.

Report on 1996-97

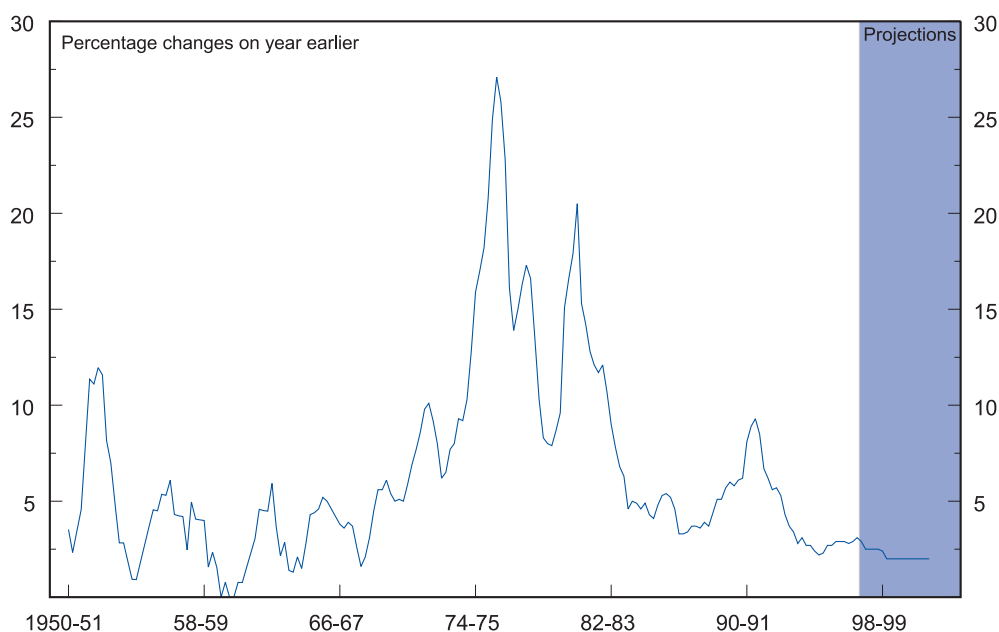
1.2.1 *Main priority*

The main priority is to manage monetary policy to meet the Government's inflation objective. That objective, as set out in the 1996-97 Medium Term Financial Strategy and confirmed in the 1997-98 equivalent, is to achieve underlying inflation of 2½ per cent or less.

1.2.2 *Economic developments*

Underlying inflation (as measured by the RPI excluding mortgage interest payments) averaged 2.9 per cent in 1996 and is illustrated below. The UK has now experienced its longest run of low inflation for 50 years.

Chart 1E *Underlying inflation (Retail Prices Index) less mortgage interest payments*



Gross Domestic Product (GDP) grew by 2.6 per cent in 1996. Unemployment continued to fall and by December 1996 was over one million below its peak in December 1992. The current account of the balance of payments remained close to balance.

1.2.3 *The monetary policy framework*

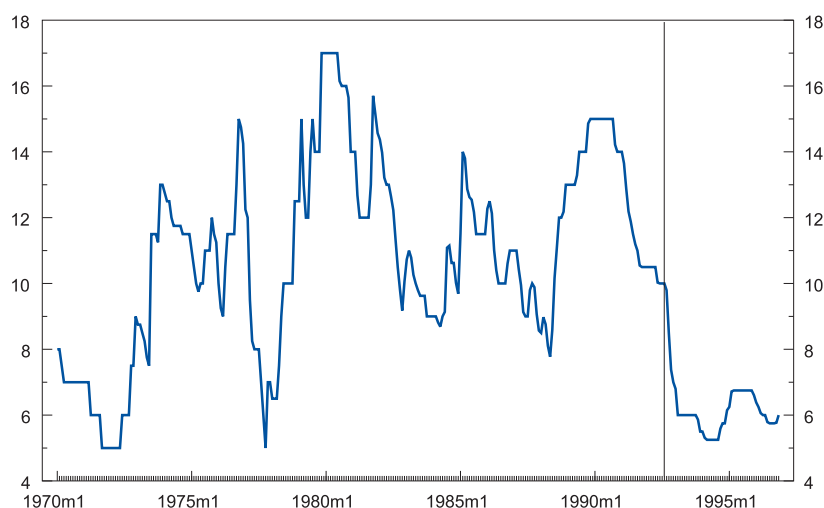
The monetary policy framework, as set out in the Medium Term Financial Strategy, bases interest rate decisions on an assessment of the prospects for inflation up to two years ahead.

Through a series of initiatives, the framework has become increasingly open and is now one of the most transparent in the world. The Bank of England publishes an independent Inflation Report every quarter which monitors progress towards the inflation objective. Minutes of the Chancellor's monetary meetings with the Governor are published around two weeks after the following meeting. Interest rate changes are always accompanied by a press notice explaining the reasons for the move. These measures enhance the credibility of the policy framework.

The UK's monetary policy framework has been commended by outside commentators. The Organisation for Economic Cooperation and Development (OECD) Annual Survey of the United Kingdom said the framework: "... had improved policy transparency and has proved to be an early warning system for emerging inflationary pressures" (May 1996). The Article IV report of the International Monetary Fund (IMF) said: "The inflation targeting framework for monetary policy has delivered impressive results" (August 1996).

From December 1995, base rates were reduced by one percentage point in four quarter-point steps, in response to indicators of weakening inflation pressures and a slowdown in growth. Interest rates were raised in October 1996 in response to new evidence showing an acceleration in output. This rise in rates, as in September 1994, was designed to pre-empt any build up in inflationary pressures.

Chart 1F *Base rates since 1970*



1.2.4 *Economic monitoring and forecasting*

The Treasury monitors economic developments closely and makes regular assessments of economic prospects, including the outlook for inflation. During 1996:

- two economic forecasts were published, in June and November, as required under the 1975 Industry Act;
- the Treasury's Panel of Independent Forecasters produced two reports on the current position of and future prospects for the UK economy, as well as a special report on trend output and the output gap;
- development of the Treasury's model of the UK economy has continued.

1.2.5 *Changes in organisation*

As noted in the 1995 Departmental Report (Cm 2817), one of the outcomes of the Treasury's FER (Fundamental Expenditure Review) was that all work on inflation and monetary policy would be brought together within a single macroeconomic directorate. This was completed in 1995 and has strengthened the Department's ability to deliver permanently low inflation in 1996.

1.2.6 *Future targets, plans or milestones*

Monetary policy will continue to be aimed at achieving underlying inflation of 2½ per cent or less. To this end, the Treasury will:

- monitor economic and financial developments continuously and publish economic forecasts twice a year;
- make regular assessments of the appropriate stance of monetary policy in the light of current developments and prospects both at home and abroad;
- continue to receive reports from the Panel of Independent Forecasters and to hold informal discussions with economists from academic institutions, industry and the City; and
- keep under review the institutional and analytical framework for monetary policy.

1.2.7 *Monetary stance*

Interest rate advice will continue to be based on an assessment of the prospects for underlying inflation up to two years ahead, taking account of a wide range of information, including monetary and other financial indicators and indicators of activity and costs.

OBJECTIVE 2: TO MAINTAIN SOUND PUBLIC FINANCES

Sound public finances make an important contribution to macroeconomic stability. They thus contribute to the Treasury's overall aim by making it easier for businesses and individuals to be able to plan ahead with confidence.

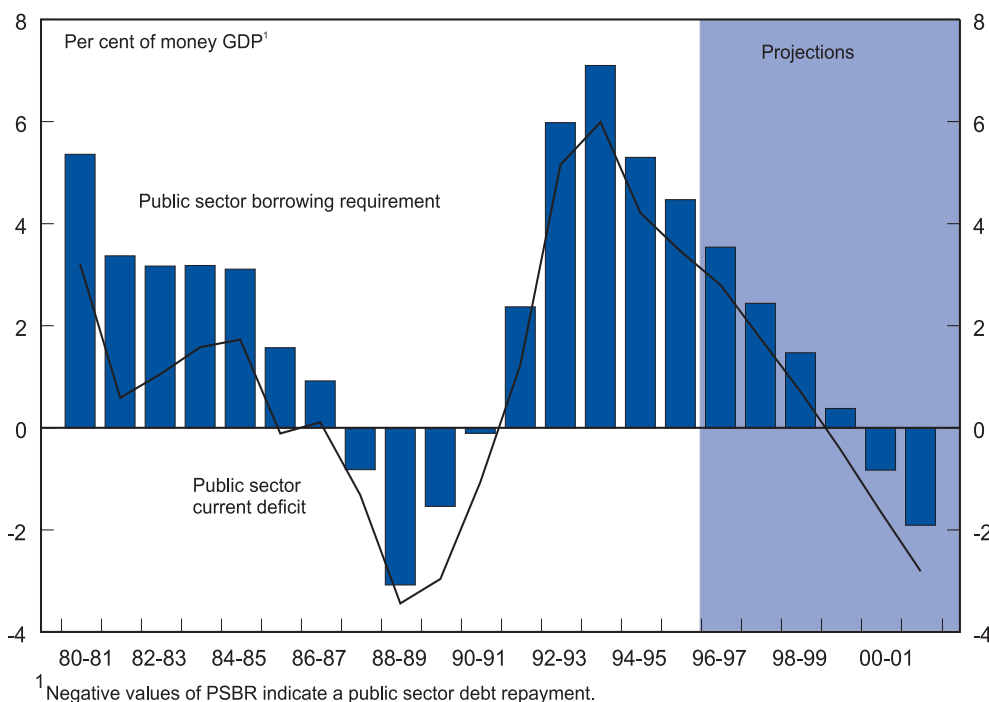
Report on 1996-97

1.2.8 Main priorities

The main priorities identified in the last Departmental Report were to:

- keep under review the role of fiscal policy, the objectives for the budget balance, spending and the tax burden;
- to assess the outlook for the public finances on unchanged plans, taking account of the effects of the cycle and consider what changes may be needed to discretionary tax and spending policies both to maintain sound public finances and to reduce taxation when it is prudent to do so;
- to oversee the 1996-97 borrowing programme and keep the gilt market under review to ensure that debt continues to be financed in such a way as to minimise cost and risk to the Exchequer while ensuring consistency with monetary policy; and to prepare for the introduction of a gilts strips market.

Chart 1G Public sector borrowing requirement and current deficit



1.2.9 Recent developments

The Public Sector Borrowing Requirement (PSBR) for 1995-96 turned out nearly £3 billion higher than forecast in the November 1995 Budget, mainly as a result of a shortfall of tax revenues on forecast. This represented a continuation of the pattern of the previous year, when taxes were lower than expected.

There has been some recovery in tax revenues during 1996-97 and growth in receipts for the year is now forecast at a higher rate than projected a year before. But due to the lower starting point this will still leave total receipts at a lower level than forecast in the 1995 Budget.

Public expenditure is slightly higher than the previous Budget forecast, with a small overspend expected on the Control Total as a consequence of unanticipated costs of combating Bovine Spongiform Encephalopathy (BSE). The PSBR for 1996-97 is now expected to be £26½ billion, 3½ per cent of GDP, which is about half the level of 1993-94.

1.2.10 Role of fiscal policy

The Treasury has kept under review the role of fiscal policy as part of the process of preparing the Budget. The Government's fiscal objective, as set out in the 1997-98 Medium Term Financial Strategy, was reaffirmed to be "to bring the PSBR back towards balance over the medium term, and in particular to ensure that when the economy is on trend the public sector borrows no more than is required to finance its net capital spending" (paragraph 2.09 Financial Statement and Budget Report 1997-98). The projections in the November 1996 Budget showed borrowing falling below net capital spending in 1999-2000, with the PSBR close to balance in that year.

1.2.11. Budgetary discipline in stage three of Economic and Monetary Union

The Treasury has participated in discussions on budgetary discipline in stage three of Economic and Monetary Union (EMU), the so-called Stability Pact. The opt-out negotiated at Maastricht allows the UK a choice at the appropriate time whether or not to participate in EMU.

Ahead of that decision, the UK has been involved in negotiations which are intended to provide clear guidance on the operation of surveillance and the excessive deficits procedure in stage three of EMU. The guiding principle of the Stability Pact is to ensure budget deficits remain low and are consistent with the Treasury's objective of achieving sound public finances. Discussions are continuing with a view to agreeing detailed texts by the summer of 1997.

1.2.12 The balance between current and capital spending and revenue

In recent years, the public sector accounts have made a clearer distinction between current and capital spending (see for example table 4.2 of the Financial Statement and Budget Report 1997-98). The development of resource accounting and budgeting

will contribute to the overall picture of the public finances and in due course will help ensure that decisions on public sector current and capital spending better reflect their economic significance. Resource accounting will be implemented in all government departments by 1998.

1.2.13 *Objectives for government expenditure and receipts*

In the light of developments on tax and spending in the year after the 1995 Budget, and in order to maintain the PSBR on a clear downward track towards budget balance in the medium term, the 1996 Budget measures represented a net tightening of fiscal policy. As compared with the alternative of maintaining existing policies (keeping to the old spending plans and indexing the tax system, except where there were existing policy commitments), the Budget measures reduced the PSBR by nearly £2 billion in 1997-98, rising to over £5 billion by 1999-2000.

This was achieved by a combination of cash reductions in aggregate spending plans, a “spend-to-save” package of public spending measures to increase tax yield and a balanced package of tax measures. The result will be to maintain public borrowing on a steady downward trend: the PSBR is forecast to fall to £19 billion in 1997-98 and projected to be close to balance in 1999-2000.

1.2.14 *Monitoring the PSBR through the year*

The Treasury has continued to monitor Exchequer cash flows and the PSBR during the year and has maintained the Government’s central accounts accurately and efficiently. An emerging shortfall of tax revenues on the 1995 Budget forecast was quickly identified and the PSBR forecasts for both 1996-97 and 1997-98 were revised upwards in the July Summer Economic Forecast.

1.2.15 *Value Added Tax (VAT) receipts and forecasts*

One of the main reasons for the shortfall of tax revenues on forecast in the past two years has been lower than expected receipts of VAT. A joint Treasury/Customs and Excise working group was set up in early 1996 to inquire into the reasons for the VAT shortfall. Its conclusions were summarised in a box in the 1997-98 FSB (page 69).

VAT receipts now appear to be significantly lower for a given level of spending than in the 1980s. The group identified a number of possible reasons for this, including better tax planning and increasing tax avoidance, worse compliance by traders, tax losses from legal challenges to Customs’ interpretation of the law and larger than expected tax losses from previous changes to the tax regime (in particular changes in the VAT registration threshold). The group’s results have been taken into account in the latest forecasts of VAT receipts.

1.2.16 *Unified Budget*

The Treasury coordinated the Budget delivered in November 1996, setting out new taxation and public spending plans, consistent with the Government’s fiscal objective.

1.2.17 *Debt and reserves management*

In 1996-97, the Treasury's objective has been to oversee the borrowing programme, through sales of gilts and the products of the Department for National Savings (DNS), and to ensure that the Central Government Borrowing Requirement (CGBR) continues to be financed in such a way as to minimise cost to the Exchequer, subject to risk, whilst ensuring consistency with monetary policy.

Changes to the gilts market to increase liquidity, transparency and predictability, following the Debt Management Review in 1995, have been implemented. They have been well received by the market.

Preparations continued for the strips market, now due to start in the second half of 1997. These included developing detailed market procedures and the legislative and contractual framework required for trading strips. In order to promote the liquidity of strippable stocks there were two conversion offers. The open gilt repo market which started in January 1996, continued to develop satisfactorily, with estimated turnover now in excess of £14 billion per day.

National Savings was made an executive agency in July 1996. Offerings of \$2 billion each of five-year fixed and floating rate bonds in July and October for reserves management purposes were well received by the market.

The 1996-97 borrowing programme remains on target fully to finance the CGBR with the chosen debt instruments. Over the year further developments in the market have been implemented to make the market more attractive to investors. These include the introduction of dual actions, improvements to bidding procedures at gilts auctions and further simplification of the gilts tax system.

1.2.19 *Future targets, plans or milestones*

The main tasks for 1997-98 will continue to be:

- to keep under review the role of fiscal policy, the objectives for the budget balance, spending and the tax burden;
- to assess the outlook for the public finances on unchanged plans, taking account of the effects of the cycle, and consider what changes may be needed to discretionary tax and spending policies both to maintain sound public finances; and
- to oversee the 1997-98 borrowing programme and continue to review the Government's debt ratio portfolio and the arrangements for borrowing through gilts and DNS products to ensure that debt continues to be funded in a way which involves least cost, subject to risk, whilst ensuring consistency with monetary policy; and
- to oversee the commencement of the gilts strips market in the second half of 1997.

The fiscal projections in the 1997-98 FSBR provide a benchmark for monitoring fiscal performance. But this cannot be a purely mechanical process and interpretation against the benchmark is required. The economy may, for instance, develop differently from expected or the relationships between aggregate income and spending and tax receipts may change. The Treasury will therefore continue to develop its analysis of underlying trends in the public finances, regularly assessing the need for policy changes to maintain sound public finances.

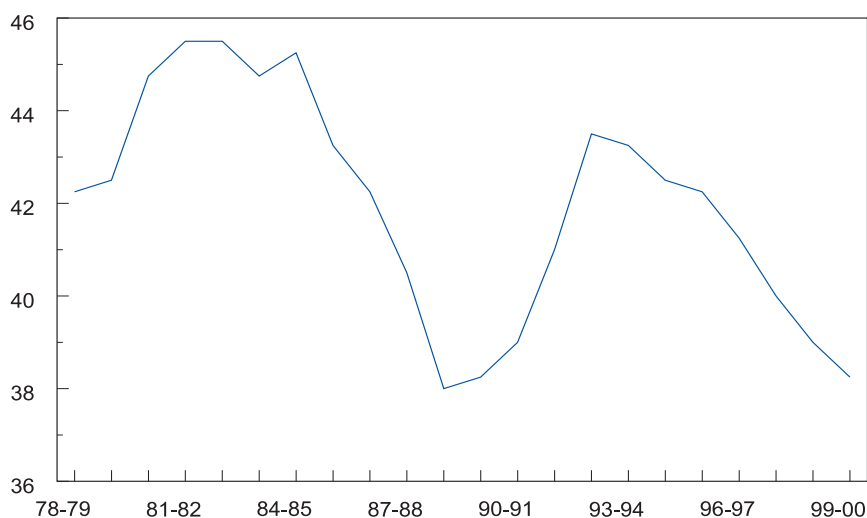
OBJECTIVE 3: TO KEEP PUBLIC EXPENDITURE AT A LEVEL THAT IS AFFORDABLE

The Government’s objective, as set out in the last two Departmental Reports, has been to reduce public spending as a share of national income over time below 40 per cent, so contributing to sound public finances and a low tax burden.

1.2.20 Report on 1996-97

The Government uses general government expenditure (GGE(X)) to measure progress towards this objective. This measure is based on national accounts aggregates. It excludes privatisation proceeds and expenditure out of the National Lottery and nets off receipts of interest. **Chart 1H** below shows how GGE(X) is projected to fall as a proportion of Gross Domestic Product (GDP) over the next three years and compares that with the projections in the 1995 Budget which were the basis of the last Departmental Report.

Chart 1H 1995 GGE(X) as a percentage of GDP (1996 Budget plans)



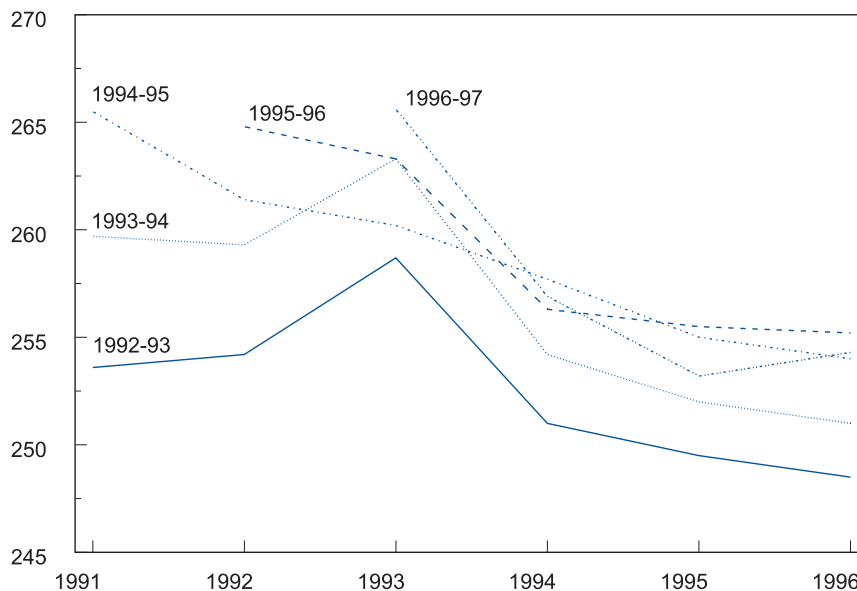
The Control Total, through which the Government plans public spending, is expected to be £500 million higher in 1996-97 than projected in the 1995 Budget. This mainly reflects the unexpected costs of combating BSE which are expected to amount to

£1.25 billion. The Control Total excludes cyclical social security, debt interest and accounting adjustments since these vary due to factors outside the Government's direct control.

The 1996 Public Expenditure Survey established spending plans for the next three years which will ensure that expenditure continues to fall as a proportion of GDP: and that in 1997-98 the Government will meet its target of reducing spending as a share of national income to below 40 per cent:

- for 1997-98 and 1998-99, the Control Total will be reduced by £1.7 billion and £1.9 billion respectively compared with last year's Budget plans;
- the plans are not much changed in real terms from those set out in the 1995 Budget;
- the Control Total is projected to grow by an average of only ½ per cent a year in real terms over the next three years, well within the maximum annual real growth of 1½ per cent established in 1992. **Chart 1J** below shows how the spending plans compare with previous plans.

Chart 1J *The Control Total in real terms, comparison with previous plans*



1.2.21 *Future targets, plans or milestones*

The main tasks for the coming year will be to:

- embody the plans for the 1997-98 financial year in cash limits, monitor and control expenditure against those limits and the forecasts for demand-determined programmes, and seek to ensure that any additions to programmes are kept within the £2½ billion Reserve, so that the Control Total of £266.5 billion is not exceeded;

- review the plans for 1998-99 and 1999-00, and draw up plans for 2000-01, in the 1997 Public Expenditure Survey. The Treasury will ensure that this process takes account of the likely pressures on public spending and the Government's objectives for taxation and borrowing. It will seek to ensure that the new plans remain consistent with the objectives for public spending set out above and continue to keep the GGE(X)/GDP ratio below 40 per cent;
- keep under review the systems and procedures to deliver the Government's public expenditure objectives and ensure that they remain efficient and effective; and
- maintain the public expenditure database and provide analyses of public spending to parliament and the public; and also ensure that the data are collected on the basis of appropriate definitions.

OBJECTIVE 4: TO PURSUE TAX POLICIES WHICH GENERATE SUFFICIENT REVENUE WHILE DOING THE LEAST DAMAGE TO THE ECONOMY AND ENCOURAGING ENTERPRISE

Tax policies seek to maintain revenues at a level consistent with sound public finances, while raising the revenue in ways designed to strengthen the long-term performance of the economy. The Government's objectives for tax are set out in detail in paragraph 6.02 of the Financial Statement and Budget Report 1997-98.

1.2.22 Report on 1996-97

In pursuit of these objectives, the 1996 Budget included measures to maintain and strengthen a broad tax base,

- by phasing out tax relief for profit related pay, which has done the pump-priming job for which it was intended;
- closing a range of direct and indirect tax loopholes, especially in respect of VAT; and
- introducing "spend to save" measures.

All are intended to ensure that the tax system is applied evenly and fairly and to improve compliance.

The revenue which these measures have raised, coupled with adjustments to some indirect tax rates and firm control of public spending, has enabled further progress to be made on:

- cutting the basic rate of income tax and the small companies' corporation tax rate; and

- cutting inheritance tax to allow more wealth to pass between generations and to encourage thrift and enterprise.

Further Budget changes:

- simplify the administration of the tax system through a variety of measures; and
- improve the environment, through a package of measures intended both to provide incentives to use less polluting fuel and vehicles, and to make users more aware of the external costs of using different fuels.

Good progress has also been made on each aspect of the other work in pursuit of this objective identified in the 1996 report (1.2.21). Working closely with the Inland Revenue, Customs and Excise, and other relevant Government departments as appropriate, this has included:

- ensuring that the 1995 Budget measures were carried through to legislation;
- keeping under review the environmental aspects of taxation, which led to a package of environmental tax measures in the 1996 Budget designed to reduce vehicle emissions, including a planned reduction in VED for lorries meeting certain particulate emission standards;
- continuing to work closely with Customs and Excise in seeking to bring closer together the excise duty rates in different European Union (EU) states and assessing the EU Commission's proposals for a VAT definitive system. Treasury officials also participated in Commissioner Monti's "High Level Group" of EU officials, which discussed general taxation matters in the second half of 1996;
- the completion and evaluation of the pilot project to test the role the private sector could play in drafting tax legislation;
- continuing progress in closer working between the Inland Revenue, Customs and DSS, to streamline the operation of the tax system; and
- the taking of a further step in the 1996 Budget towards a comprehensive simplification of the direct tax code, when the Chancellor announced the next steps in the major project.

1.2.23 Future targets, plans or milestones

The main objectives for the year ahead, working closely with the Inland Revenue and Customs and Excise, are to:-

- ensure the 1996 Budget measures are carried through into legislation;
- frame 1997 Budget measures in line with the Government's objectives for tax, taking account of the Government's wider fiscal, economic, social environmental or other objectives as appropriate;

- keep options for further environmental tax reform under review;
- continue to ensure that UK interests are advanced in EU tax matters, including any follow up to the Monti Group, and discussions on the VAT definitive system, excise duty minimum rates and the energy products directive; and
- pursue further improvements in the efficiency of tax administration and simplification of tax.

OBJECTIVE 5: TO PROMOTE POLICIES AND PUBLIC EXPENDITURE PRIORITIES WHICH IMPROVE THE USE OF RESOURCES AND EFFICIENCY OF MARKETS THROUGHOUT THE ECONOMY WITHIN AN AFFORDABLE LEVEL OF PUBLIC EXPENDITURE

This objective lies at the heart of the Treasury's mission to make the economy work better and to make people better off. It means promoting policies and, subject to what the country can afford, public expenditure priorities which raise GDP and the quality of life.

There are many ways of doing this.

- **Using public resources efficiently** - Public spending can be used directly to produce new resources (e.g. infrastructure) or increase the productivity of existing resources (e.g. human capital). Getting the most out of limited resources by producing more, or better, public sector outputs for given inputs or the same output for fewer inputs (e.g. through better public procurement) is vital.
- **Better public sector decision-making** - Improving public sector efficiency through better public sector decision-making is an important element of the Treasury's relationship with other government departments and is reflected in the Treasury's efforts to ensure that departments' systems are geared towards taking better decisions on policies and expenditure.
- **Making markets work better** - Well-functioning markets work to promote economic efficiency. It is not only expenditure policies that impact on markets. The Treasury works to ensure that other interventions in the economy, for example in the area of competition policy, regulation and corporate governance, by developing and improving the operation of markets, contribute to the UK's supply-side performance.
- **Improving the labour market** - One market which is of particular importance for the welfare of everyone and for a more productive economy is the labour market. Improving people's ability and motivation to work effectively requires a range of measures which both improve human capital on the one hand and remove the barriers to looking for and finding work on the other hand.

Report on 1996/7

1.2.24 Using public sector resources efficiently

The Treasury has worked with a wide range of departments to improve the use of public sector resources. The Private Finance Initiative (PFI) (see Objective 8) is an increasingly important technique for improving the value for money in the procurement of public services. Progress under the PFI is accelerating. Treasury officials have worked closely with departments on the key contracts agreed in the last year on roads, rail, prisons, the health service and government IT services and vehicles.

The Treasury works closely with departments to improve the **effectiveness and efficiency of public spending**. Examples are work:

- with the Department of the Environment (DoE) on the evaluation of the Single Regeneration Budget (through which £1.3 billion was spent in 1995-96);
- with the Department of Trade and Industry (DTI) on reviews of business support, with a spend of £370 million, following the Prime Minister's *Your Business Matters*. In the 1995 Competitiveness white paper, the Government asked private sector bodies representing small businesses to organise a UK conference on small firms to involve the small firms sector in generating policies to help them. After a series of 11 regional *Your Business Matters* conferences throughout the UK, the series culminated in a national conference attended by the Prime Minister on 11 March 1996. The Government and the small business representative bodies will consider whether to repeat this major programme of consultation and discussion with small businesses in 1998;
- with the Department of Social Security (DSS) to target social security better through more effective anti-fraud programmes on which £400 million is to be spent in 1997-98;
- with the Department for Education and Employment (DfEE) on the Government's input into the Dearing Inquiry into higher education which is looking at a range of issues about the future of the sector, including funding standards and research; £6 billion has been spent on higher education in 1996-97;
- with the Department of Health (DoH) on the growth in expenditure on pharmaceuticals on which expenditure stood at £4 billion in 1996-97, the NHS white paper *A Service with Ambitions*, and reforms of primary care, mental health and social services;
- with legal departments to improve the cost effectiveness of legal aid on which expenditure was running at £4.5 billion in 1996-97;
- with the Home Office to promote the more efficient use of police manpower and resources, where provision stands at £7 billion;

- with Department of National Heritage (DNH) and the territorial departments to review the cost-effectiveness of public support for tourism, currently running at about £250 million.

An important tool for improving the use of public sector resources is **public procurement**. The Government's policy that procurement should be based on value for money, normally through competition, was maintained. Implementation in UK law of the last of seven EC single market directives on procurement was completed. The UK continued to play an active part in the development of proposals for the electronic transmission of procurement information under the European Commission's SIMAP project. Work was put in hand preparing the Government's response to the European Commission's green paper *Public Procurement in the European Union - the Way Forward*.

The Central Unit on Procurement (CUP) continued to support departments in their quest for efficiency and effectiveness through the Government's procurement strategy *Setting New Standards* and the Efficiency Scrutiny *Construction Procurement in Government*. Specific initiatives for departmental procurement were launched which included: departmental procurement change programmes; a benchmarking exercise; and the establishment of "commodity networks" to facilitate the exchange of experience on best practice between departments. Departments reported value for money improvements in 1994-95 (the latest figures available) of £112 million on purchasing expenditure of £3.2 billion.

1.2.25 *Better public-sector decision-making*

Better financial systems, better information and better policy analysis can be expected to lead to better decision-making in the public sector and in this way to the better use of resources. One important source of better financial systems and information is **resource accounting and budgeting** (see Objective 7). Spending teams have been working closely with departments to ensure that the maximum benefit is extracted from the development of resource accounting.

The Treasury also works with departments to improve the **quality of information** about inputs and outputs of departmental programmes. Examples of this are work:

- with the DoH to improve performance measurement in the NHS and social services, particularly promoting evidence-based medicine and improved clinical effectiveness;
- with the territorial departments and the DTI to review the consistency and aptness of the measures used to evaluate the effectiveness of industrial development programmes;
- with the Home Office to improve information on the output and efficiency of the police service;
- with DoE in a joint review of their policy and programme evaluation systems;

- with DfEE and DSS on the evaluation of measures to reduce structural employment.

The Treasury has continued to expand the process of **delegating increased financial responsibility** to departments since it believes that this increases departments' incentives to look for efficiency and economies. After an extensive review, significant increases in capital delegation limits were agreed with departments. Work was also carried out with the DfEE to agree new arrangements that reduce unnecessary restrictions on Training and Enterprise Councils (TECs) and the way they operate (one of last year's plans). This will give TECs greater flexibility to adjust the provision they purchase to meet local needs. The Treasury has also worked with DNH on the development of funding agreements with the Department's Non-Departmental Public Bodies (NDPBs) which will link future funding to the delivery of public policy objectives, particularly the promotion of access to the arts, heritage and sport.

The Treasury took the lead in promoting the greater use of Challenge Funding throughout government. Challenge Funding seeks to achieve greater efficiency and effectiveness in the use of public funds by competition, output-based contracts and partnership as well as levering in complementary private funding. There are now about 50 Challenge Funds in various areas of public spending. The Treasury played its part in the development of the Local Authority Capital Challenge and in schemes such as the Schools Renewal Challenge.

The Treasury has a responsibility for **giving advice on economic appraisal and evaluation** to government as a whole. It has led a review of *Economic Appraisal in Central Government* (the *Green Book*). The review was carried out with other government departments and new guidance will be published in 1997. The Treasury also published a study of the process of setting safety standards in government and, in collaboration with the Interdepartmental Liaison Group on Risk Assessment, is carrying out a review of safety standard setting in departments, beginning with environmental standards.

1.2.26 Making markets work better

The Treasury seeks both to make existing markets work better and to extend the role of market forces where this can be done in such a way as to promote efficiency. The **role of the economic regulators**, in particular, is important in ensuring that the benefits of privatisation are secured, whether in the form of lower prices, better services or improved resource use and the Treasury has worked to ensure that these are secured.

Many of these policies have a European dimension and the Treasury has contributed to ensuring that EU policies in the areas of competition, regulation and state aids support and facilitate domestic policies.

Treasury officials have played a full part in the work across government to increase **UK competitiveness** as indicated in last year's plans. The third Competitiveness white paper *Creating the Enterprise Centre of Europe* was published in June and the Treasury is involved in a number of initiatives set out there. The Treasury itself has sponsorship responsibilities in relation to the UK financial services sector (see

Objective 9). Improving the performance of small and medium sized enterprises has been a particular focus. This has included participation in follow-up to the Prime Minister's *Your Business Matters* conferences and working with the private sector in the Financial Management Working Group to develop a code for company rescues.

It is important that **markets are allowed to work better**. The Treasury has worked with the Department of Transport (DoT) to achieve more efficient use of transport infrastructure through greater use of price signals, and specifically on the preparation of the Transport green paper and Transport Strategy for London.

- with DoE and others on reforms to the housing market, including through reforms embodied in the Housing Act 1996 and the Housing Grants Construction and Regeneration Act 1996 and the encouragement given in the Budget to the transfer of local authority stock to the private sector.

Treasury officials have been closely involved in the work to develop a possible "partnership" scheme for long term care in which individuals would be encouraged to take out long term care insurance. A consultation paper was issued in May and a bill is now in draft, one of last year's plans. A key objective is to raise consumer awareness of the advantages of considering insurance and to stimulate a market in good quality products. The Treasury also led a study to examine the barriers to wider uptake of personal pensions by those currently contracted in to the State Earnings Related Pensions Scheme (SERPS) and is pursuing this work in collaboration with the pensions industry.

More widely the Treasury seeks to ensure that public policy **works with the grain of markets**. It seeks to promote wherever possible, for example, the use of economic instruments to achieve environmental goals and has co-operated with other departments to ensure full account was taken of the costs and benefits to the economy associated with the proposed targets set out in the National Air Quality Strategy and contributed to the economic analysis of a wide range of policy responses to climate change (one of last year's plans).

A very important way of bringing market disciplines to bear on public sector activities is to **privatise** them. The Treasury encourages the privatisation of central government activities by running seminars and providing formal and informal guidance. Examples of Treasury involvement this year include:

- the Recruitment and Assessment Services;
- HMSO;
- the Chessington Computer Centre; and
- the Natural Resources Institute.

1.2.27 *Improving the Labour Market*

The improved performance of the UK labour market and its contribution to the UK's improved economic performance has been commented upon favourably by outside experts such as the OECD and the IMF. Unemployment in the UK has fallen rapidly

as economic growth has picked up, unlike what has happened in other major European economies. Creating a responsive labour market is a vital element in economic performance.

One aspect of creating a responsive labour market is to **improve human capital**. The Treasury has worked with DfEE to improve education and training for 16 to 19-year-olds, the results of which are reflected in the white paper *Learning to Compete*. Learning credits are being introduced in 1998 and work is continuing to remove distortions in the choices made by people at age 16. The Treasury has also participated in a review of basic skills provision, examining the effectiveness and coherence of current policies and the range of employment and education programmes.

Alongside these measures there have been changes intended to **remove the barriers to looking for and finding work**. The Treasury has worked with DfEE and DSS to introduce the Job Seekers' Allowance, the Back to Work Bonus, the Housing Benefit/Council Tax Benefit extended payments scheme, pilots of Earnings Top-Up and an increase in the childcare disregard in Family Credit. Several new pilot programmes were announced in 1996, including Contract Work, Workskill, Parent Plus and a vast extension of Project Work. The reduction of employers' national insurance contributions in 1997-98 will reduce still further non-wage labour costs, which are already low by European standards, in line with the recommendations of the OECD jobs study.

1.2.28 *Future targets plans or milestones*

The Treasury will continue to work with departments to increase the efficiency with which public resources are used, to promote better public decision-making, to make markets work better and to improve the functioning of the labour market.

It will seek to promote policies that facilitate the development of successful enterprises, including their access to finance.

It will continue to explore ways of improving the efficiency with which public services are provided, for example in the NHS and the police service.

It will work:

- with DOE to promote the implementation of the initiative announced in the Budget to transfer local authority housing stock to the private sector;
- with DSS to help implement successfully the DSS change programme in order to improve the efficiency with which DSS deliver their programmes;

It will help to complete the work to design a fair, effective partnership scheme for long term care and, parliamentary time permitting, to see it implemented at the earliest opportunity.

It will continue to promote the Government's procurement policy of value for money in departments and, to that end, support them in matching the highest standards of professionalism in procurement.

OBJECTIVE 6: TO MAINTAIN A FINANCIAL CONTROL SYSTEM WHICH DELIVERS CONTINUING IMPROVEMENTS IN THE EFFICIENCY OF GOVERNMENT.

1.2.29 Report on 1996-97

Added together, but excluding the Ministry of Defence, central government departments cost about £15 billion a year to run and executive non-departmental public bodies another £2 billion. The more efficient they are, the greater the Government's ability to deliver its priorities.

A central government is in some ways like a business. However, most departments do not face competition in the way businesses do. Other ways have to be found to keep them efficient. In the 1994 Civil Service white paper *Continuity and Change*, the Government emphasised the key role of running cost controls in promoting "economic and efficient administration in central government by containing gross administrative costs, including pay, and maintaining downward pressure on the size of the Civil Service." On this efficiency agenda, the Treasury works alongside the OPS.

Tight running cost controls provide the means by which departments are required to seek continuing improvements in efficiency. They can do this in many ways including by holding down input costs (e.g. pay); using outside competition to reduce costs; cutting out redundant work; and improving their internal structures and processes.

The main priorities identified in the 1996 Departmental Report were:

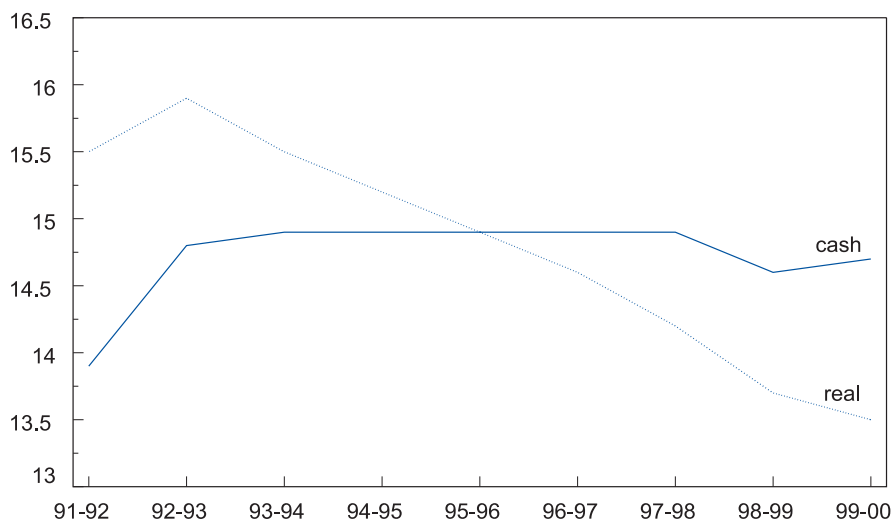
- continuing to set limits on departments' running costs, including paybills, which encourage them to find significant ongoing efficiency improvements;
- ensuring that departments' annual efficiency plans fully support the policy of constraining running costs;
- reviewing the arrangements for constraining the administrative costs of Non -Departmental Public Bodies (NDPBs) to ensure they are subject to the same downward pressure as the rest of government, and ,with the Office of Public Service (OPS), encouraging departments to adopt rigorous procedures for agreeing appropriate objectives and targets for their NDPBs.

The Treasury has continued to constrain the administrative and paybill costs for the Civil Service and other parts of the public sector as a means of obtaining greater efficiency and value for money. The policy that pay and price increases should be covered, or more than covered, by increased efficiency has been continued.

Within the Control Total, provision for the gross running costs of civil departments is £14.9 billion in 1996-97, although underspending will probably reduce the outcome below that level. In the FSBR, provision for future years was set at £14.85 billion in 1997-98, £14.64 billion in 1998-99 and £14.74 billion in

1999-2000. Running cost provision has been reduced by 8½ per cent in real terms since 1992-93, and is set to fall by a further 7 per cent in real terms by 1999-2000, as shown in the chart below, reproduced from the FSBR.

Chart 1K *Gross running costs of civil departments (£ billion)*



The continuing tight control of running costs allowed the Government to announce in the Financial Statement and Borrowing Report 1997-98 substantial additional provision for key priorities, especially for measures to reduce fraud and evasion (£760 million over three years) and for prisons.

The Treasury has continued to work with the OPS in developing the framework for and analysing the efficiency plans which departments produce each spring to show how they will live within their running cost provision. The ways individual departments are responding to the pressure for greater efficiency can be traced in their departmental reports.

In 1996-97, the Treasury helped implement the privatisation of a number of central government functions and continues to provide advice and guidance for departments taking forward other opportunities for privatisation. It also continued to promote the privatisation of those central government activities that do not need to be undertaken by the state.

Research continues to show substantial savings from competitive tendering and contracting out. The Treasury used the survey negotiations, alongside the efficiency plan process, to apply pressure for the use of private sector expertise through contracting out and for efficiency improvements in those areas of government service and support delivery which had not yet been subject to competition.

The Treasury has been working on improving its own analytical techniques for looking at departmental running costs. This creates the basis for better analysis to inform resource allocation decisions in departments and by government as a whole. The results of the initial analytical work are contained in the booklet *Keeping an eye on the government's own costs*. This will be followed up by some comparative projects.

The Treasury has collected information on the administration costs of larger executive Non-Departmental Public Bodies (NDPBs) and used this as a basis for discussion with departments of the efficiency of these bodies. While there is no separate control regime for NDPBs, the Government expects the administration costs of larger NDPBs to fall by about 7 per cent in real terms over the next three years. This pressure on administration costs is complemented by the follow-up to the Efficiency Scrutiny recommendations for strengthening target-setting in these bodies. For the first time, departments are now being required to publish data on administration costs of their larger executive NDPBs in departmental reports.

The Treasury has promoted a more positive and productive relationship between Government departments and the NAO in order to help the adoption of the lessons of good practice emerging from NAO value for money studies.

The Treasury has produced revised guidance on the use of banking services by Government bodies, with a view to promoting the cost-effective use of such services while maintaining proper safeguards for public funds. It has also provided guidance on good internal audit practices and accountancy issues designed amongst other things to improve efficiency within government.

Resource accounting and budgeting will also promote better value for money. Accruals information, including the preparation of balance sheets and use of working capital, will start becoming available for many departments from April next year. Capital charging for property held by departments is being introduced from 1 April 1998. Resource budgeting, introduced in full from 2001-02, will strengthen the broader control framework's basis for improving efficiency.

1.2.30 Future targets, plans or milestones

The priorities for next year will be:

- continuing to set limits on departments' running costs, including paybills, which encourage them to make continuing significant efficiency improvements;
- ensuring that this work is supported by the annual efficiency plans;
- to begin assessing how the extra information available in resource accounting can be fully used in promoting efficiency in departments; and
- carrying out comparative studies of departments' running costs to improve our analysis.

OBJECTIVE 7: TO MAINTAIN A FRAMEWORK FOR GOVERNMENT ACCOUNTING WHICH MAKES CLEAR HOW RESOURCES ARE USED AND PROVIDES EFFECTIVE ACCOUNTABILITY TO PARLIAMENT.

The pursuit of Objective 7 stems from the Treasury's obligation to Parliament to

provide a framework for ensuring propriety and accountability in relation to the use of public money.

To satisfy this obligation, the Treasury has a responsibility to maintain financial accounting, reporting and audit practices which ensure sound financial planning and control, and to develop those practices to secure improvements where necessary.

This objective also contributes towards the responsibility of the Treasury, and the rest of government, for ensuring that public funds are spent in a way that achieves the best value for money.

1.2.31 *Report on 1996-97*

In relation to resource accounting and budgeting, we planned to:

- develop and publish an accounting reference manual;
- continue work on robust principles and mechanics for a resource-based Public Expenditure Survey;
- work with Parliament and its advisors on white paper proposals to align supply and parliamentary reporting to a resource-based planning process; and
- support both the accounting and planning sides by developing guidance to promulgate best practice on objective setting and output and performance measures.

Progress in relation to these plans, and on other fronts, includes:

- establishment of the Financial Reporting Advisory Board (FRAB) to the Treasury under the independent chairmanship of Elwyn Eilledge of BTR plc. Members are -

Mike Barnes	- Audit Commission
Ken Wild	- Deloitte & Touche
Professor David Mayston	- University of York
Caroline Mawhood	- National Audit Office
Graham Jenkinson	- Office for National Statistics
Heather Jackson	- Land Registry
Colin Balmer	- Ministry of Defence
David Deaton	- HM Treasury
Tim Smith MP (observer)	- Committee of Public Accounts
- consideration by the FRAB (prior to publication) of the accounting policies to be used for resource accounting, in the form of the draft accounting reference manual;

- submission of a memorandum to the Treasury Select Committee and the Public Accounts Committee, setting out the Government's views on the operation of a resource-based system of supply, with resource accounts replacing the current appropriation accounts;
- the Treasury Committee (HC 186) and the Committee of Public Accounts (HC 167) published reports on resource accounting and budgeting. They continued to support the thrust of the reforms, which are designed to give Parliament a fuller picture of government's costs and outputs and to help promote better management by government departments. The Government will return to the committees later in 1997 with more detailed proposals, as further decisions are taken. The committees welcomed the initiative of the Government in starting this dialogue with Parliament;
- a continuing dialogue with Parliament on the nature of financial reporting and control. As part of this dialogue the Treasury has submitted to Parliament a review of departmental reports which suggests ways in which these reports might be developed to assist in the presentation of information to Parliament;
- the further development of resource budgeting, involving arrangements for bringing the information from resource accounts and the related Output and Performance Analysis (OPA) statement into the Public Expenditure Survey and in-year control systems (a draft OPA manual has been circulated around government);
- the development of a Whitehall-wide training network to help departments prepare themselves for the implementation of resource accounting and budgeting.

We planned to facilitate the introduction of the new financial reporting requirements for NDPBs and new guidance on internal audit arrangements. New financial reporting requirements for NDPBs were introduced. Moreover, the Government Internal Audit Manual (GIAM) has been completely revised and issued in electronic form for the first time. GIAM sets out the key objectives, standards and practice for the development and conduct of internal audit in government departments, agencies and non-departmental public bodies. There are new sections on audit committees and audit arrangements for NDPBs.

We planned to publish an electronic version of *Government Accounting*. A series of significant amendments to *Government Accounting* were published and, for the first time, the manual will be made available electronically on CD-Rom. The amended version contains six revised chapters, including a major revision to the chapter on banking, and was complemented by a revised edition of the *Banking Manual*.

We planned to complete and implement the results of the review of the Government Accountancy Service. This has been done, clarifying and strengthening the support which the Treasury is able to give departments and their agencies to deliver relevant and well focused accountancy advice.

We planned to improve methods of assessing and enhancing the quality of internal audit services. To that end, the Treasury has worked with internal audit units across government to assist them in performing quality internal audit reviews. A set of benchmarks which auditors can use to measure and compare their performance has been developed.

Accounting guidance on capital charging for property has been developed, setting out the methods departments should employ in calculating capital charges on Civil Estate properties from 1 April 1998.

Guidance on the appointment of auditors in the public sector has been reviewed and updated, to draw departments' attention to the need to follow normal public procurement procedures when appointing accountancy firms for audit assignments.

A conference, jointly arranged by the Treasury and the Civil Service College, was held in March for senior management on combating fraud. A seminar on the use of fraud help lines and hotlines was held in July. Guidance on the prevention of fraud in estates and building services procurement was published in December and followed up by two seminars on the subject in January and February 1997. The 1996-97 analysis of reported fraud in government departments was published in December. The report included general guidance on managing the risk of fraud.

A handbook on regularity and propriety in a financial context was published in November, explaining what those concepts mean in practice and drawing attention to the need for high standards. It was circulated to accounting officers in departments, agencies, non-departmental public bodies and accountable officers in the NHS.

Having contributed to a review of the governance and audit of public bodies, which was published as Cm 3179 - *Spending Public Money: Governance and Audit Issues* - in March 1996, we participated in the consideration of the responses to it which are reflected in the white paper on *The Governance of Public Bodies: A Progress Report* published in February 1997 (Cm 3557).

1.2.32 *Future targets, plans or milestones*

Our key task for 1997-98 will be to maintain progress on the implementation of resource accounting and budgeting. The emphasis will shift increasingly from policy development to implementation, including training and piloting of resource budgeting systems. The dialogue with Parliament is expected to continue during the period.

Guidance on the reporting and accounting requirements for NDPBs, executive agencies and trading funds will be reviewed to ensure consistency with the resource accounting reference manual.

Government Accounting will be updated further to remove unnecessary Treasury controls and to make the document more user-friendly.

The results of a review of the Government Internal Audit Standard will be published.

The new arrangements which were put in place following the review of the Government Accountancy Service will be evaluated.

We will join with the national audit agencies in working to strengthen public sector audit by participating in the Public Audit Forum, which the Government has encouraged the agencies to establish, and in other ways described in *The Governance of Public Bodies: A Progress Report* (Cm 3557, February 1997).

OBJECTIVE 8: TO PROMOTE GREATER USE OF PRIVATE FINANCE IN SUPPORT OF SERVICES CURRENTLY PROVIDED BY THE PUBLIC SECTOR AND PRIVATISING THOSE PARTS OF THE PUBLIC SECTOR WHICH DO NOT NEED TO REMAIN IN PUBLIC OWNERSHIP

Report on 1996-97

1.2.33 Private Finance

The Private Finance Initiative (PFI) provides a means of procuring public services of higher quality and whole-life value for money to the taxpayer from the private sector. Activity under the PFI has increased significantly during 1996-97. Key achievements against last year's targets for the development of the PFI in 1996-97 include:

- reaching £7 billion of agreed PFI deals, including projects in almost every area of the public sector;
- cooperation with the Department of the Environment to enable the development of PFI in the local authority sector;
- the publication, with the Private Finance Panel, of a series of PFI guidances, including *Guidelines for Smoothing the Procurement Process; Risk and Reward; Five Steps to the Appointment of Advisers; PFI in Government Accommodation; Basic Contractual Terms; Writing an Output Specification; Transferability of Equity; and Further Contractual Issues;*
- the introduction of the *PFI in Practice* training course, so far attended by over 2,500 officials;
- the launch of a PFI “partnership for progress” with the CBI;
- a series of regional roadshows undertaken by the Financial Secretary in order to promote and spread expertise in the PFI. These included seminars in Birmingham, Wigan, Leeds, Southampton, Belfast, Newcastle, Bristol and Norwich.

1.2.34 Privatisation

The Government continues to pursue privatisation as a key element of its policies to improve the supply side performance of the economy.

During 1996-97 the Treasury has:

- continued to sell its holdings of debt and equity in privatised companies. In the nine months to 31 December 1996 proceeds totalled £1.2 billion from seven separate transactions;
- worked closely with other departments to complete the privatisation of Railtrack, British Energy and AEA Technology; and to progress the continuing work on rail franchising and the sale of other rail businesses; and
- held seminars involving officials and outside advisers to explore key issues in implementation of privatisation in central government and to spread best practice; published revised guidance on trade sales including management buyouts; and worked with departments to complete a number of central government sales including HMSO and Chessington Computer Centre (see also objective 5).

Future targets, plans or milestones

1.2.35 *Private finance*

In pursuing the PFI policy, the Treasury will be continuing to work closely with the Private Finance Panel and departments to:

- identify new potential PFI projects and services and new areas suitable for privately financed provision;
- press forward with projects that have already been identified;
- remove obstacles to the widespread application of PFI as they arise;
- ensure that experience and lessons learnt from early schemes are applied to future schemes;
- clarify objectives and provide guidance where necessary; and
- disseminate best practice to PFI practitioners, including through appropriate training.

1.2.36 *Privatisation*

In 1997-98 the Treasury will:

- progress the sale of remaining residual debt and equity holdings;
- work with departments on individual privatisation proposals; and
- continue to spread best practice through published guidance and other channels.

OBJECTIVE 9: TO MAINTAIN A REGIME FOR THE REGULATION OF FINANCIAL SERVICES WHICH PRESERVES A STABLE FINANCIAL SYSTEM, HONEST MARKETS AND THE CONFIDENCE OF INVESTORS AND DEPOSITORS, WHILE PROMOTING AN OPEN, EFFICIENT AND COMPETITIVE FINANCIAL SERVICES SECTOR.

Work supporting this objective falls under two areas: the operation of the regulatory system; and efficient and open financial markets.

Regulation is a very necessary element in the development of financial services sector of the economy, creating the right climate for it to flourish. To have confidence, market participants need to know that they are doing business within a stable system which is properly regulated, where fraudulent or dishonest conduct is prohibited and where high standards are maintained. To achieve a financial services sector which operates in the most efficient and economic way, the industry must be competitive both domestically and internationally. Regulation has an important role to play, stimulating competition by maintaining open markets and encouraging innovation. To meet these aims the system of regulation must be effective, efficient and flexible so that it adapts to rapid changes in the market.

With the Bank of England, the Building Societies Commission and the Securities and Investments Board (SIB), the Treasury monitors developments both at home and abroad in banking and financial services and in the operation of the regulatory system. In the light of developments, and their implications for the wider economy, the Treasury keeps under review the legislative and institutional framework for financial supervision and regulation. The Treasury also has direct responsibilities under the Financial Services Act 1986 (FSA).

The Treasury has identified, and will continue to identify, barriers to trade in financial services in overseas markets and advise on and facilitate their removal. The Treasury also keeps under review the factors that affect the City of London's position as Europe's leading financial centre and advises as necessary on measures to strengthen London's competitive position.

Report on 1996-97

1.2.37 The operation of the regulatory system

The Treasury has monitored developments both in the UK and abroad in banking and financial services and in the operation of the regulatory systems applying to them. In doing this, it has taken forward and implemented the plans set out in the 1996 Annual Report, though in a small number of instances (notably in relation to the Undertakings for Collective Investment in Transferable Securities (UCITS) Amending Directive and the Investors Compensation Directive) this has not happened as proposals expected from others have been subject to delay.

Over the last year the Treasury has:

- worked with the regulators to improve the efficiency and effectiveness of the regulatory system, including through lessening its impact on firms where this can be achieved without diminishing necessary protections for depositors and investors. This included an open seminar in September 1996;
- continued to monitor and assess the SIB's discharge of the responsibilities transferred to it under the FSA and to oversee the London Stock Exchange in its role as Competent Authority for UK listing;
- seen the conclusion of the SIB's implementation of its review of 1993;
- secured a strong endorsement of the UK's anti-money laundering systems by the international Financial Action Task Force (FATF);
- continued to service the Financial Services Tribunal, including two specific cases;
- continued to pursue vigorously third parties involved with the collapse of the Barlow Clowes group of companies, and on-going substantial recoveries continued to be made.

In doing this the Treasury has dealt with a significant body of legislation. As envisaged in the 1996 report, this included:

- a number of regulations which were made to facilitate the introduction and operation of the CREST system for the dematerialised transfer of securities;
- the "Post-BCCI" Directive which was implemented on time, amending UK legislation on banks, building societies, friendly societies, financial services and insurance, and giving effect to recommendations in the Bingham Report;
- deregulation Orders, under the Deregulation and Contracting Out Act, facilitating electronic cheque clearing and associated banking reforms as well as others on friendly societies, credit unions and industrial and provident societies;
- an Order under the Trustee Investments Act 1961 to permit those trustees whose investment powers are determined by it to invest up to 75 per cent (rather than 50 per cent) of their trusts' assets in wider range investments;
- regulations under the European Communities Act 1972 to permit the authorisation and incorporation of open ended investment companies (oeics), providing opportunities for exports of this new kind of fund;
- an Order under the FSA to require those carrying out custody business to be authorised and to bring within the scope of the FSA certain activities relating to oeics; and

- a draft Building Societies Bill which was published in March; changes, reflecting subsequent consultation were announced in November. The Bill was republished in December.

Progress was also made on a number of other issues, notably:

- the completion of the technical, policy and legal work necessary to improve flows of information between regulators, law enforcement agencies and the Inland Revenue to facilitate investigations into serious financial misconduct, with a view to legislation at the earliest practical opportunity;
- in support of the Government's initiative to encourage people to make provision for their own long term care needs, the Treasury consulted on a draft Order under the FSA to require those giving advice on all kinds of long term care insurance policies to be authorised under the FSA; and
- deregulation Orders were prepared to repeal the Industrial Assurance Acts and to amend the Trustee Investments Act 1961. Work was started on an order to permit the Central Moneymarkets Office to dematerialise.

1.2.38 *Promoting competition*

The Treasury has pursued a number of activities to address the objective of securing an open, efficient and competitive financial services sector, following the plans and in most cases achieving the specific actions set out in the 1996 report.

The Treasury worked to establish the Chancellor's City Promotion Panel (launched in the autumn of 1995) as a credible and useful forum for discussing City issues. In particular, effort has been put into enabling the Panel to meet its original goal of improving co-ordination of overseas promotional visits; and to support and establish various focus groups to develop views on competitive threats and opportunities facing the City of London and the UK financial services industry generally. The groups deal with : European issues; capital markets issues; money laundering; life assurance; and retail financial services issues.

On the domestic front, the Chancellor announced the introduction of a new system of relief from stamp duty for stock market intermediaries intended to ensure the continued efficiency and competitiveness of the UK equity market. He also announced a major liberalisation of the rules on stamp duty and other taxes affecting the borrowing and lending of UK equities, to enhance liquidity and competition in this market.

In the international field, the Treasury has taken steps to improve efficiency by promoting open and competitive markets. Specific measures include:

- playing a significant part in the efforts to ensure that the 1995 WTO Financial Services Agreement entered into force during 1996; and encouraging the private sector to take a close interest in the negotiations

which will resume in 1997, particularly through British Invisibles' Liberalisation of Trade in Services (LOTIS) Committee;

- helping to secure significant improvements to access for foreign investment companies to manage Japanese public pension funds;
- holding a bilateral meeting with the Japanese Ministry of Finance to discuss aspects of the financial services market in Japan;
- concluding a Memorandum of Understanding between the Treasury, the SIB and the China Securities Regulatory Commission which will increase access to the London Stock Exchange, by enabling Chinese companies to list;
- providing technical advice to the European Commission on proposals to revise the Capital Adequacy Directive; and
- completing negotiations on the Cross-Border Credit Transfers Directive, which sets minimum standards for low value transfers.

A number of steps were taken to improve regulatory efficiency and effectiveness and to facilitate international trade in financial services by developing co-operation with regulators in other countries, in particular by :

- promoting a UK initiative to improve international supervisory co-operation, which was adopted by the G7 at Lyon in June, calling for maximum progress before the Denver summit in June 1997;
- establishing a familiarisation programme on the UK regulatory system for overseas regulators;
- helping to ensure that the recommendations of the FATF were extended to encompass the laundering of the proceeds of all serious crimes and encouraging the adoption by the Commonwealth of a detailed action plan for introducing effective anti-money laundering systems in member countries;
- recognising Delta Government Options Corporation as a recognised Overseas Investment Exchange;
- beginning negotiations on the draft Settlement Finality and Collateral Security Directive, aimed at protecting settlement systems if a participant fails; and
- working with the Foreign and Commonwealth Office (FCO) and with the Department of Trade and Industry (DTI) to promote improved standards of regulation and more effective anti money laundering legislation in Gibraltar, and the UK's Caribbean Dependent Territories.

Future targets, plans or milestones

1.2.39 The operation of the regulatory system

In the year to come, the Treasury intends to continue its general oversight of the financial regulatory system. The Treasury will also keep under review the legislative and institutional framework for financial supervision and regulation in the light of the needs of the wider economy. In particular it will continue to :

- monitor the UK legislative and regulatory framework to ensure that UK financial services markets remain competitive, fair and attractive to investors both in the UK and overseas;
- monitor and assess SIB's discharge of the responsibilities transferred to it under the FSA and oversee the Stock Exchange in its role as Competent Authority for UK Listing;
- consider how deregulation Orders might be used to remove statutory burdens from regulated firms.

A number of specific tasks will help the Treasury to achieve greater regulatory effectiveness. These will include:

- subject to finding Parliamentary time, taking through the Building Societies Bill and legislation to remove unnecessary obstacles to the exchange of information between regulators, law enforcement agencies and the Inland Revenue;
- bringing forward Orders under the Deregulation and Contracting Out Act to amend the Trustee Investments Act to permit SIB to authorise oeics with different kinds of investment powers and in relation to Industrial Assurance to permit the use of modern money transmission techniques. Work will also be completed on a deregulation Order to permit the Central Moneymarkets Office to dematerialise;
- making an Order under the FSA requiring those giving advice on long term care insurance to be authorised;
- bringing forward a programme of action following a review of the implementation of the EU Money Laundering Directive in the UK;
- carrying forward a wide ranging programme of work on the effectiveness of the current regime of regulatory, civil and criminal sanctions and procedures for deterring, investigating and prosecuting financial fraud;
- a review of the current legal and regulatory framework for clearing houses in the UK, with a view to ensuring that this does not impede market innovation;
- passing into law new Exempt Transactions Regulations, to liberalise the rules on corporate debt; and

- ensuring the conclusions of SIB's review of the London Metal Exchange and regulation of the UK metals markets are taken forward expeditiously.

1.2.40 *Promoting competition*

To promote competition and secure open, efficient and competitive financial services markets in the UK and overseas the Treasury will continue and build upon the work done in 1996. In particular, continued efforts will be made to promote competition and to improve regulatory effectiveness by developing co-operation with regulators in other countries. In doing this the Treasury will:

- continue work with the City Promotion Panel, in particular by encouraging wider interests in its activities so as to make it an effective vehicle for selling the City and being a focus for high-level discussions on competitive threats to the City;
- build relationships with overseas regulators, through both the Treasury Familiarisation Programme and the Wilton Park Conference, and ensure that UK interests are met within IOSCO to promote effective and ongoing international regulatory co-operation;
- work with the FCO to improve regulation in the Caribbean Dependent Territories;
- work with the FCO and DTI to help Gibraltar continue its progress in the implementation of EU financial services directives and gain access for its firms to the EU single market;
- work with the Home Office to strengthen the Crown Dependencies' anti-money laundering legislation;
- explore the prospects for extending our network of Memoranda of Understanding (MoUs) with overseas regulators and to monitor the effectiveness of the existing MoUs.

In addition, it will:

- work to meet the G7 remit on improving the arrangements for the supervision of internationally active financial institutions; and complete the G7/G10 study on e-money;
- continue to negotiate in Brussels to provide proper minimum standards, with minimal disruption to existing UK arrangements. Including negotiations on the Winding-Up, Settlement Finality and Collateral Security, Expanded Matrix and Commercial Mortgages Directives and the planned directives to amend the Capital Adequacy Directive and the UCITS Directive;
- work with international partners to establish an effective successor to the Financial Action Task Force to establish and monitor best practice in the world-wide fight against money laundering;

- aim to secure permanent MFN agreement within the WTO on financial services by the end of 1997, by encouraging lobbying by practitioners, direct lobbying of key third countries and ensuring EU member states remain committed to a successful outcome;
- start work on implementing the Cross-Border Credit Transfers and Investor Compensation Directives;
- continue efforts with DTI to secure a successful conclusion to OECD-based negotiations on a multilateral agreement on investment, which will provide for high standards of liberalisation and protection of cross-border investment among signatories, by mid-1997; and
- continue to play a lead role in the OECD Committee on Capital Movements and Invisibles Transactions, to encourage further liberalisation among OECD members and applicants for OECD membership.

OBJECTIVE 10: TO KEEP ABREAST OF DEVELOPMENTS IN OTHER COUNTRIES AND PROMOTE UK ECONOMIC INTERESTS AND IDEAS ABROAD

The prosperity of the UK depends to a large extent on events abroad and the policies of other countries. This is illustrated by both the scale of UK investment abroad and overseas trade.

- As a percentage of GDP, the UK's stock of overseas direct investment is larger than that of any other major economy. Gross earnings on UK overseas direct and portfolio investments are equivalent to more than 7 per cent of gross national product (GNP).
- The UK is the world's fifth largest exporter of goods and services, even though we have only 1 per cent of the world's population. Receipts from "invisible" trade (interest, profits, dividends, tourism and other services) now account for around a half of all the UK's overseas earnings.

The Treasury's Objective 10 reflects this dependence of the UK economy on the global economy. As part of this role the Treasury works, in particular, to influence the development and maintenance of the international financial system in ways which meet UK interests.

1.2.41 Report on 1996-97

In working to meet this and other Treasury objectives, *the aims of the international finance directorate in 1996-97 were to:*

- make sure that the Directorate focused on the strategic issues, and help to shape future policy wherever the UK has a major financial and economic interest;

- take particular account of the rapidly changing European situation, developments in the former Soviet Union (FSU), the growth of the Asian tigers and the implications of the rapid expansion in global capital flows;
- ensure fast responses to international developments so as to maximise the Treasury's ability to promote and protect UK interests; and
- represent the Treasury in international meetings, including EU, G7, IMF/World Bank, OECD and bilaterals.

Key objectives relating to Europe for 1996-97 were to:

- ensure that the existing financial ceilings for EU expenditure agreed at the Edinburgh European Council in 1992 are respected;
- continue the fight against fraud and waste in the EU Budget, following through the conclusions of the Madrid European Council in 1995;
- continue to seek improvements in financial management in the Community and support the Commission's programme of reform;
- continue to participate in discussions in the EU on economic developments and preparations for EMU;
- contribute to the IGC negotiations;
- continue, with the other departments concerned, to lobby for appropriate reform of EU policies prior to EU enlargement in order to ensure that the substantial potential economic benefits of enlargement can be realised, budgetary costs can be contained, and the EU's GATT/WTO obligations are met;
- press for further trade liberalisation by the EU;
- continue to argue for EIB reforms, including a genuine sharing of risks between the EIB and member states on external lending, and a move to risk-related pricing of loans;
- keep Parliament fully informed of Treasury-related developments in the EU; and
- ensure that UK interests are fully pursued at EU Council meetings, in particular ECOFIN and Budget councils.

In 1996-97 the Treasury:

- was instrumental in preserving the Edinburgh ceilings in the face of significant opposition;
- negotiated new legislation against fraud in the EC, and developed proposals for strengthening the powers of the Court of Auditors;

- played a leading role in discussions on the reform of financial management, helping to produce a good report to the Dublin European Council;
- participated actively in discussions on economic developments and preparations for EMU;
- made a major contribution to the IGC, including proposals to tighten up unanimity voting procedures on decisions with tax implications and limiting the cost of ECJ retrospective action;
- developed a broad range of economic indicators for assessing the readiness of Central and East European countries to join the EU and continued to lobby for appropriate policy reform prior to enlargement;
- helped to ensure a liberal commission negotiating mandate for the WTO conference in Singapore and participated fully in HMG efforts to ensure the EU met existing international trade obligations, including compliance of third country agreements with WTO rules;
- promoted risk sharing by EIB on external lending, thus helping to ensure budget discipline in new external lending mandates;
- ensured Parliament was fully informed of all Treasury-related EU decisions, notably those involving EMU;
- agreed in the Budget Council a proposal for zero growth budget and began serious preparations for the UK Presidency of the EU in the first half of 1998.

Key objectives relating to export credit and debt were to promote export insurance arrangements that support UK exporters while limiting the risks to the taxpayer. In addition, the Treasury sought to:

- make progress with the Export Credits Guarantee Department (ECGD) on developing a more strategic relationship between the two departments;
- provide support through debt rescheduling in the Paris Club, with a view to maximising ultimate debt recoveries, for countries which follow sound economic policies but have external financing difficulties;
- ensure that the Paris Club implements in full Naples Terms stock of debt reduction for all eligible debtors coming to it;
- make progress with the Chancellor of the Exchequer's multilateral debt initiative;
- make progress with an initiative to encourage developing countries to divert resources from unproductive expenditures to those which foster economic growth and promote sustainable development.

In 1996-97, the Treasury:

- made progress on a more strategic relationship with ECGD, developing the corporate planning round and formalising clear delegated authorities;
- took part in rescheduling a total of around \$50 billion of debt including over \$1.5 billion of UK claims. 1996-97 saw the largest ever Paris Club rescheduling, with the rescheduling of the \$40 billion Soviet era debts of the Russian Federation;
- secured agreement to Naples terms debt stock reductions for four countries. A total of \$650 million was written off, \$120 million by the UK;
- secured agreement on the multilateral debt initiative, which was the highlight of the 1996 IMF/World Bank annual meetings in September;
- secured agreement at the Lyon Summit that all G7 countries would take account in their aid and export credit policies of the need to avoid unproductive expenditure by developing countries.

Key objectives, relating to the world economy, were to:

- continue work on analysis and forecasting of the world economy, contributing fully to G7 surveillance of the world economy and financial markets;
- seek to ensure that the IMF uses its facilities to support strong economic policies and carries out more effective surveillance of member countries' economies;
- continue to promote in the G7 and elsewhere measures to secure an open world financial and trading system; in particular continuing to work with our G7 partners towards the adoption of the outstanding initiatives from the Halifax Summit and to prepare for the Summit in Lyon;
- promote continued reform of international institutions, including UN economic institutions, to improve their efficiency and effectiveness at the Lyon G7 Summit and elsewhere;
- continue to monitor the cost-effectiveness of assistance to transition economies.

In 1996-97, the Treasury:

- produced regular reviews of the world economy, including the state of world financial markets, which helped to inform our contribution to international policy fora;
- played a key role in discussions of member countries' economies and Fund programmes, including unprecedented monthly monitoring of the \$10 billion programme for Russia; published for the first time the concluding remarks of the IMF's annual mission to the UK; and gave evidence to a TCSC enquiry on the role of the IMF;

- continued to work with G7 partners on the implementation of the Halifax Summit, including negotiation of the New Arrangements to Borrow (a line of credit to the IMF with a broader creditor base than existing arrangements) and publication of the G10 report on orderly workouts of sovereign liquidity crises;
- continued to argue for the reform of international institutions and in particular supported improvements undertaken by the managing director of the IMF; contributed to the work of departments responsible for other international institutions (for example the UN);
- continued to monitor the cost effectiveness of assistance to transition economies, successfully advocating a leading role for the international financial institutions and continued prioritisation of EU balance of payments lending within budgetary constraints.

Working with the FCO and DTI, *the Treasury has continued to develop contacts with overseas administrations interested in UK privatisation*. Through sharing its experience of the privatisation process, the Treasury can assist colleagues overseas in meeting the challenge of their own privatisation programmes whilst also supporting UK-based firms' credentials in the market for privatisation expertise and other financial services business.

- In 1996-97 the Chancellor led trade missions with a privatisation and financial services focus to Mexico and Japan and the Economic Secretary led similar visits to Canada and China. The Chancellor is also planning to visit China in March.
- Such missions create a forum for business delegations to explore business opportunities, develop contacts and to present the case for their own firms and UK firms generally. They also enable ministers to discuss issues of bilateral economic interest with the governments concerned.

On public procurement, the Treasury:

- promoted ideas for a multilateral procurement agreement under the WTO;
- continued to develop UK views on a review of the EC directives;
- worked with other member states to maximise the effectiveness of responses to Commission's green paper on *Public Procurement in the EU: the way forward*.

1.2.42 *Future targets, plans and milestones*

The aims of the International Finance Directorate in 1997-98 are to:

- take an active and influential role in shaping future international policies wherever the UK has a major financial and economic interest;

- keep abreast of international economic developments by analysis of published data, close contact with other departments, embassies and overseas finance and economics ministries and overseas visits;
- respond quickly and effectively to developments in order to further and protect UK interests;
- promote the benefits of UK economic policies abroad;
- represent the Government in international fora and in particular to prepare the agenda for the UK presidencies of the EU and G7 in 1998.

In particular, the Treasury will seek in 1997-98 to:

- keep Parliament fully informed of Treasury-related EU and other international developments
- ensure that UK economic and financial interests are fully pursued at EU Council meetings (in particular ECOFIN and Budget councils), in meetings of the G7 and G10 and through the IMF and other international financial institutions;
- ensure that the financial perspective for EU expenditure agreed at the Edinburgh is respected, and that annual EC budgets are in line with UK objectives; and prepare the ground for the next future financing negotiation;
- carry forward UK initiatives on financial management and fraud, achieving identifiable improvements in Community legislation and procedures;
- ensure that contributions to the EC are correctly and lawfully paid, and that correct provision is made for the UK abatement in the EC Budget;
- ensure the efficient operation of the EUROPEX system and maintain the principle across the Community Budget that increases in Community expenditure should be offset by parallel reductions in national expenditure;
- continue to participate on economic developments and EMU, responding to questions to promote informed debate and ensuring that the views of the City and UK business sector are taken into account in the EMU preparations;
- continue to lobby for appropriate reform of EU policies before EU enlargement so that the substantial potential economic benefits of enlargement can be realised, budgetary costs contained, and the EU's GATT/WTO obligations met;
- ensure that economic and financial interests are given due weight in the final stages of the IGC;
- continue to argue for EIB reforms, including a move to risk-related pricing of loans;

- secure speedy and effective implementation of the initiative for highly indebted poor countries, with some eligible countries receiving debt relief in 1997;
- continue to lead the UK Paris Club delegation, securing further reschedulings in the interests of debtors and creditors (especially the UK); achieve a satisfactory outcome to discussions on Russian participation;
- secure practical proposals to reduce the risks of banking/financial sector crises in emerging market economies, through work commissioned at Lyon;
- continue to develop export finance policy in ways that help enhance UK exports producing a positive return whilst safeguarding the UK taxpayer, facilitating private sector provision of export finance services and supporting UK competitiveness;
- continue to develop a relationship with ECGD in a way that allows the Treasury to act in a way akin to an institutional shareholder, with ECGD having clear responsibility for day to day running of the business and meeting financial and other objectives;
- maintain expertise and monitor developments in the world economy (including the world economy section of the Treasury's economic forecasts), in international markets and in key economies (G7, EU, Russia and Eastern Europe, as well as important emerging markets including Brazil and China);
- work with other interested departments to ensure that the approach by WTO to new trade issues does not result in covert protectionism and to promote integration of poor countries into the international economy; and monitor bilateral trade initiatives to ensure compatibility with existing WTO obligations;
- continue to promote an open world economy, in particular by promoting capital liberalisation at the IMF;
- continue to enhance the IMF's effectiveness in achieving stable growth in the world economy, including through improved economic surveillance and a satisfactory outcome to negotiations on future financing;
- continue to support the process of economic transition in the former Soviet Union and Eastern Europe (including the former Yugoslavia) primarily through programmes of conditional lending by the IMF, World Bank and EBRD;
- work with ODA to ensure that the World Bank and the multilateral development banks respond effectively to changes in the world economy.

On *public procurement*, the Treasury will:

- continue to work towards a multilateral agreement under the WTO;

- seek improvements in the efficiency and effectiveness of EU procurement information systems.

OBJECTIVE 11: TO ENSURE THAT PARLIAMENT AND THE PUBLIC ARE WELL INFORMED ABOUT THE OBJECTIVES AND EFFECTS OF THE GOVERNMENT'S ECONOMIC AND FINANCIAL POLICIES

Achieving the Treasury's overall aim of rising prosperity based on sustained economic growth depends on the activities of businesses and individuals, operating within the overall framework of Government economic policy. It is therefore vital that businesses and the general public understand the thinking behind Government economic policy and the approach to achieving these objectives.

The effective presentation of policy in the Parliamentary arena and to the wider public is also a priority. Ministers attach considerable importance to the Treasury's parliamentary business - including legislation, debates and questions - being handled to maximum effect and to answering letters from members of Parliament and the public promptly.

1.2.43 Report on 1996-97

The Treasury has continued to publish material on all aspects of economic policy and almost all of this material is available on the Treasury's Internet site. It includes:

- on monetary policy, the minutes of the monthly meetings between the Chancellor and the Governor of the Bank of England and the press releases explaining changes in interest rates;
- on overall fiscal policy the FSBR, which is the key document for explaining public spending and taxation. Further details on taxation are contained in the Budget press notices and the Notes on Clauses for the Finance Bill. The Statistical Supplement to the FSBR and the departmental reports give more detail on public spending. The Summer Economic Forecast was published in July;
- on economic developments, there are various speeches by Treasury ministers including the Chancellor's Mansion House speech in June;
- the Government's approach to international issues is set out in the Chancellor's speeches to the IMF and other meetings; and
- consultation documents on a number of proposals to develop and improve the system of financial regulation (for details see Objective 9).

Two Treasury Occasional Papers were published in 1996-97, on *Overseas Investment* and on *Invisible Earnings*. A Government Economic Service Working Paper on pensioners' incomes was also published. Details are given in the bibliography at the end of this chapter.

In addition to consulting widely on its plans to change the financial regulation system and corresponding with regulated firms and members of the public, the Treasury holds regular discussions with people interested in regulation, in particular through the City Promotion Panel, and has conducted and contributed to seminars on financial regulation and related topics.

The Treasury has made available a large amount of information under the Code of Practice of Open Government, including briefing on the Budget. And, for the first time ever, the Government published the conclusions of the IMF's annual assessment of the UK economies.

The Treasury Internet service has been developed further, with a much wider range of material available on the Internet site. The Budget documents were available on the Internet well within 15 minutes of the Chancellor finishing his Budget speech. There were nearly a quarter of a million accesses on Budget night and 400,000 accesses during Budget week, compared to 250,000 accesses for Budget week 1995. Use of the site generally has grown. It receives about 7,000 - 8,000 accesses in a typical week compared to 4,000 - 5,000 accesses a week in the previous year. The Treasury's site was also the only Government site to reach the final three places in the Best Non-Commercial site category of the national "Yell" Internet Awards. To achieve this success, the site had to be voted for by the public and then selected as a finalist by a panel of industry experts.

The Public Enquiry Unit is in its second year of operation. It brings together responsibility for answering questions from members of the public and issuing most Treasury publications. The Unit receives up to 1,800 calls a month. Almost three quarters of all the calls are dealt with immediately. These include requests for the latest economic data, for Treasury press notices or for Treasury publications. To deliver the new Citizens Charter standards the Public Enquiry Unit, which is the sole personal contact most members of the public have with the Treasury, has set itself a 24-hour response standard and it will monitor compliance against that.

The Treasury Publishing Unit continues to develop the quality and range of the Treasury's publications and is currently experimenting with links between electronic and conventional paper publishing. Full details are in the Bibliography. The Publishing Unit received a Plain English award for the Treasury's in-house staff magazine, *Chequerboard*.

1.2.44 *Future targets, plans or milestones*

The Treasury will continue to publish material about the full range of economic policies and will continue to consult on and discuss regulatory issues with people who have an interest. It will seek to remain in the forefront of electronic publishing, particularly the Internet.

A wider review of external communications is being considered with a view to making the Department more outward looking and improving outside contacts of all kinds.

OBJECTIVE 12: TO MAINTAIN A PROFESSIONAL, WELL-MOTIVATED AND OUTWARD-LOOKING ORGANISATION COMMITTED TO CONTINUOUS IMPROVEMENT, BY ENSURING THAT THE TREASURY IS RESOURCED, STAFFED AND MANAGED TO DELIVER ITS OBJECTIVES AS EFFECTIVELY AND EFFICIENTLY AS POSSIBLE

To enable the Treasury to meet its eleven other objectives, the Department must do the right jobs well; make the Treasury a good place to work; and establish good relations with other organisations. In doing all this, we must provide good value to the taxpayer.

Following the 1994 Fundamental Expenditure Review, the Treasury Management Board (TMB) has led the overhaul of most of the Department's management and information systems. Wherever possible, proposals for change have been tested in consultation with staff or in pilot exercises.

In June 1996, TMB tested staff opinion of the progress made by the Department in an attitude survey run by ISR International Survey Research Ltd. 65 per cent of staff responded to a questionnaire covering 15 main areas, including change in the Treasury, job satisfaction, performance management and leadership. Eight of these areas showed significant improvements on the results of the previous survey, conducted in 1994; none showed a decline. In many respects, the Department's results also compared favourably with those of other organisations surveyed by ISR.

Report on 1996-97

1.2.45 Improving professionalism

A professional approach to our work requires the bringing to life of a particularly tired cliché: that an organisation's most valuable resource is its employees. The Department has made a considerable effort over 1996-97 to improve its management and direction of staff and enable staff to enhance their skills.

(i) Management

The Department recruits staff on the basis of fair and open competition. Most posts within the Department are filled by transfers of staff between teams, allowing staff to build a broad range of experience. The internal posting system was reviewed in 1996 and a number of minor changes are being introduced in 1997. All posts will be advertised internally and some externally too. In 1996 the Department recruited 17 staff through Recruitment Advisory Services directly through fair and open competition and 40 casual staff (including 17 sandwich students) on contracts of less than one year.

The Department attaches great importance to achieving equal opportunities for all its staff. Staff should not be discriminated against on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religion, disability, sexual orientation, age or background. It set a series of targets on recruitment, staff appraisal, promotion, career progression, retention, postings and training for both women and ethnic minority staff in January 1994. The Department carries out comprehensive monitoring and analyses of data on recruitment, promotion, career progression, staff appraisal, retention and postings to ensure that no differences exist between staff on grounds of race (or gender).

- Women comprised 43 per cent of Treasury staff in 1996, compared with 44 per cent last year, and make up 18 per cent of those in the senior civil service, compared to 15 per cent in 1995. The Treasury is a member of Opportunity 2000 and continues to monitor the progress of women throughout the organisation.
- The proportion of ethnic minority staff employed by the Treasury has increased from 9 per cent in 1995 to 11 per cent in 1996. 1.3 per cent of staff in the senior civil service are from ethnic minorities.
- We have a Departmental action plan on disability, although there are very few disabled people currently employed by the Treasury.

The Department is currently considering how best to implement the recommendations of the Advisory Panel on Equal Opportunities in the Senior Civil Service and continues to work to ensure that equal opportunities are brought into the mainstream of Treasury personnel policies.

Our report for 1995-96 described the work carried out on the Department's core values and a Code of Behaviour. Two thirds of those who responded to the attitude survey found both initiatives to be helpful statements, but less than one in three were convinced that they accurately described current practice, indicating considerable scope for improvement. However there was more agreement that team working had improved over the two years since 1994.

Candid and consistent appraisal of staff is crucial to their equitable treatment, to their perception of the Department, to their development and to performance-related pay. The appraisal system has been adapted to incorporate the Department's performance standards and to give clearer guidance to marking.

Training for the new appraisal system was offered in two tranches: the first (in March) concentrated on setting individual objectives and performance standards for the coming year. 80 per cent of staff attended. In addition, some teams organised specific events to re-examine their objectives. The second tranche of training, in August and September, covered the new appraisal system in more depth, particularly the new marking system. A number of different courses were offered, to cater for different levels of management and appraisal skills. 90 per cent of staff attended at least one course.

To help assess and develop the management skills of senior staff, the Department introduced 360 degree feedback during the year through questionnaires sent to colleagues, including some external contacts. They provided information on managers' performance against key management criteria. To preserve confidentiality, questionnaires were returned to the consultants, who also undertook the feedback interviews. The aggregate results were collected centrally to form an overall picture of the development needs of this group.

All staff at range F and above (i.e. the former grade 5 and above), and those with significant management responsibilities at range E, were invited to participate. Three quarters did so. A number have followed it up with training or other development.

(ii) Investors in People

The Department made a formal commitment in April 1994 to achieving the Investors in People standard and agreed its original action plan with the Central London Training and Enterprise Council (CENTEC). Since then the Department has undergone significant corporate change and much of that action plan has either already been achieved or is no longer relevant. The attitude survey also showed that the Department was performing well against some parts of the Investors in People standard, but progress was still necessary against others. The Department therefore commissioned a mid-term assessment which examined progress to date in more detail.

The assessment found that the "Working with People" training run in 1995-96, and the Code of Behaviour, had contributed to improving interpersonal skills; and that the Department's objective-setting process had enabled people to be very clear about their roles. It also found that although there were many sources of information about training and development for staff, it was sometimes difficult to find a way through them all; that managers did not always take sufficient interest in staff development and motivation; and that staff did not always see a connection between the various change initiatives.

(iii) Service level agreements

Over one fifth of the Department's staff are primarily concerned with providing services to the rest of the Treasury. It is important to the efficiency and effectiveness of the Department that their responsibilities and standards of service are clear. We have therefore developed Service Level Agreements (SLA) in a number of areas.

The current SLA with the Treasury and Cabinet Office library expired at the end of 1996. It was decided to retain this service in-house, and a new SLA has now been agreed, with clearer performance targets and monitoring procedures. A number of inter-departmental groups have been set up to share best practice and conduct some simple benchmarking: the Treasury and Cabinet Office library is taking an active part in this work.

The SLA with the Information Technology (IT) operations and Help Desk teams has now been reviewed and renewed for a second year. A customer satisfaction survey was undertaken in April, which showed that overall satisfaction with the Help Desk jumped by 10 per cent to 91 per cent, despite the concurrent major change accompanying the OASIS office automation project (see below). The new SLA incorporates a “service improvement programme” to ensure that action is taken during the year to deal with identified shortcomings. In particular, action will be taken to reduce the number of breaks in service from our new office system.

The Procurement Unit for the Treasury (PUT) has produced a SLA in conjunction with its major customers. The document spells out both the service and performance levels the Unit will provide and the consequent requirements of its customers. The performance levels will be monitored in the main by a computerised tracking system specially developed for PUT.

(iv) Skills

In May TMB took a number of key decisions on a Treasury Development Programme (TDP) for the Department:

- the programme will cover all staff;
- it will offer training and development at a number of levels in core skills;
- the core skills include the technical (micro- and macro-economics; accountancy and finance; numeracy/statistics; public policy administration; language) and managerial;
- individual training modules will be subject to accreditation;
- in time, the attainment of particular levels of skills will be linked to promotion opportunities.

The programme started in January 1997, with the first modules in microeconomics and accountancy.

The TDP systematises the skills needed for different posts and pay ranges in the Treasury. This will give staff a clear map of the skills they need to acquire in order to work in different parts of the Treasury or to gain promotion.

The OASIS project (see below) included a large training programme. In broad terms everybody took two days’ core training, particularly on electronic mail and word processing. Subsequently there was a range of elective training courses to meet particular needs, for example on spreadsheets. In all the Department consumed about 5,000 training days during the OASIS rollout in the first six months of 1996. This training was run on site by P&P Training.

Individual teams and directorates have also been addressing their training needs. For example, a training course in the strategic approach to public expenditure was organised by the Spending Directorate in February and March 1996. The two-day

course began with a summary of how public expenditure fits into overall macroeconomic policy and of the Treasury's economics and finance ministry roles. It included case studies in the supply side and other areas. The course was attended by around two thirds of expenditure team staff in ranges D, E and F (see below). Around half the staff later attended supplementary training and case studies in improving incentives for value for money in public expenditure programmes. Several other day and half-day courses were run during 1996, including the annual course for newcomers to the Public Expenditure Survey procedure and policy, and some awareness training in the development of resource accounting and budgeting.

PUT buying staff have to undertake the Certificate of Competence in Purchasing and Supply course at the Civil Service College. They are then encouraged to take a more in-depth course to gain full membership of the Chartered Institute of Purchasing and Supply.

1.2.46 *Motivation*

The most powerful source of motivation is the intrinsic interest and challenge of the Department's responsibilities. But several of the achievements noted above, such as acceptance of the Treasury values or management training, plainly contribute to staff motivation.

The attitude survey results suggested that staff's sense of involvement in their work, already a strength, has become stronger still over the last two years; and compares well with other organisations. Job satisfaction - for instance with the opportunities to use skills and abilities, to offer ideas, take responsibility and be recognised for good performance - is also high.

During 1996-97, the Treasury has implemented changes to the way it assesses and rewards individual performance. At the same time, like other departments, it assumed delegated responsibility for determining the pay and conditions of all but the 80 most senior staff. The main elements in the new approach to performance and reward are:

- clear **definition**, at the beginning of the financial year, of what is required of each individual, linked strongly to the Department's objectives and values;
- fair, realistic and consistent **assessment** at the end of the year. The new appraisal system, introduced during 1996-97, assesses staff against a clear definition of what they must deliver in their work agreed at the start of the year. It also identifies the development needs of individuals both in order to do their current job and for their longer term career;
- **reward** strongly linked to performance.

The box below shows the objectives of the new pay system and the main ways in which it delivers them.

<i>Objectives</i>	<i>Delivered By</i>
<p>Ensure we recruit, retain and motivate by:</p> <ul style="list-style-type: none"> •offering a package, including pay, which attracts and keeps the people we need •rewarding them according to their contribution •achieving a perception of fairness by managers and staff alike; 	<ul style="list-style-type: none"> •flexibility to set pay to attract and keep staff •able staff who are not promoted will be able to earn more •all pay increases based on performance and total pay will increasingly over time be related to performance •clear, consistent, framework and procedures, for all levels and types of staff
<p>whilst at the same time</p> <ul style="list-style-type: none"> •giving managers ability to use pay as one tool for managing within a framework of accountability •operating according to common principles at all levels and across the whole Treasury •providing adaptability: for different kinds of work and over time 	<ul style="list-style-type: none"> •line managers manage payroll budgets and will have increasing flexibility to take pay decisions •common system for whole Treasury, all types and levels of staff •end of old grading demarcations •flexibility to adapt pay to special cases
<p>and ensuring</p> <ul style="list-style-type: none"> •value for money, budgetary control and adherence to public sector pay policy •simplicity 	<ul style="list-style-type: none"> •pay increase budgets set in advance •managers charged the actual cost of staff in their teams, rather than average rates per grade •single system and approach covering all levels and types of staff •single settlement date for all staff

Following extensive consultation with staff, including the trade unions, a new system of pay ranges was implemented from early 1996:

- each **post** was placed in one of eight new pay ranges, from A to H, replacing the previous 30 or so grades. This has achieved a significant simplification of the pay system and the removal of what had become arbitrary demarcations between different grades;
- from 1 April, **people** also entered a new pay range. There were special arrangements to avoid unfairness to staff in posts whose pay range was lower or higher than the pay range allocated to other posts in what had been the same grade previously. At the same time, the opportunity was taken to simplify pay by absorbing various allowances, notably London Weighting, into basic pay.

With effect from 1 April 1996, staff received **pay increases** based on their 1995-96 performance. Within an overall settlement of 2.85 per cent, the amount received by individuals depended partly on performance (with the highest performers receiving 3.25 times as big an increase as the satisfactory, and the unsatisfactory receiving nothing); and on existing salary, with staff already on relatively high salaries within their pay range receiving less than staff near the bottom of their range. This is the first

step in making total pay, not just an annual increase, much more strongly related to performance.

Pay for the 80 most senior staff continues to be set within a framework which applies Civil Service-wide. However, the Treasury has implemented arrangements within this framework which follow closely the approach adopted for other staff:

- broad pay ranges which allow scope to reward people doing basically similar jobs according to their contribution;
- pay progression arrangements which link total pay strongly to performance.

The table below shows the pay of Treasury staff as at 1 April 1996.

Pay*	Number of staff*	Pay**	Number of staff
Over £100,000	2	£50,001-£55,000	40
£95,001-£100,000	3	£45,001-£50,000	17***
£90,001-£95,000	-	£40,001-£45,000	21****
£85,001-£90,000	-	£35,001-£40,000	85
£80,001-£85,000	2	£30,001-£35,000	53
£75,001-£80,000	4	£25,001-£30,000	86
£70,001-£75,000	5	£20,001-£25,000	161
£65,001-£70,000	3	£15,001-£20,000	260
£60,001-£65,000	7	£10,001-£15,000	156
£55,001-£60,000	7	Under £10,000	1

* Excluding casual employees. All staff earning more than £50,000 are members of the Senior Civil Service

** total pay including fixed allowances. Pay of Senior Civil Service staff includes second stage of their 1996 pay increases, payable from 1 December 1996

*** including 10 members of the Senior Civil Service

**** including 7 members of the Senior Civil Service

1.2.47 External relations

The Treasury's Fundamental Expenditure Review in 1994 outlined a picture of the future Treasury in which the Department listened to, and was well informed about, the outside world and in which it responded constructively to criticism. All parts of the Treasury have been considering how this picture can be turned into a reality.

The Department has for the first time been addressing explicitly how external communications can be improved. Two reports have been produced for TMB - one identifying good practice and the other recording progress on the implementation of that good practice. In other words, the need for good communications has been

addressed as a subject in its own right and not as something incidental to the achievement of other objectives.

The Treasury's Spending Directorate has led an initiative this year to forge more constructive relationships with other Government departments. Each spending team has agreed with the departments it covers, a set of measures to be taken during the year either to promote better mutual understanding or to alter the nature of the Treasury's involvement in the Department's business.

These measures have included:

- regular stocktaking meetings;
- sharing objectives;
- joint conferences to discuss issues of mutual interest;
- more exchange visits in both directions;
- making a contribution to each other's training;
- agreeing turn round times for correspondence;
- increasing the level of delegated authorities to departments; and
- agreeing concordats setting out how the two sides plan to work together.

The Treasury asked other Government departments to give it feedback on how this initiative has gone from their point of view, and ideas on how it might be taken forward, by the end of January 1997. In the light of that, it will decide how to carry forward this initiative in 1997-98.

The Department also continues to attach considerable importance to fostering contacts with industry over and above those made in the normal course of business.

Many of these contacts are organised through the Contacts with Industry Scheme. This Scheme had another successful year in 1995-96, with nearly 200 visits made by officials. The majority of senior officials took part, although many visits were made or joined by others. About half of the visits were to companies in the manufacturing sector, with others spread over all sectors; the companies were also spread geographically, and about a third of the visits were made to medium sized or smaller firms (fewer than 1,000 employees).

The Department is continuing to encourage officials to visit industry, and indeed other organisations such as local authorities, hospitals and universities where such visits can be useful in developing a wider understanding, on both sides, of Government economic policies and their impact.

The Interchange Programme is designed both to provide Treasury staff with experience of other organisations; and to increase the Department's capability through staff applying new knowledge and skills gained when other return. At the same time, the Department imports staff from other organisations to take its work forward. The numbers of staff on loan or secondment, both inward and outward, remain about the

same as in 1995 as a proportion of staff in post, at about 5 per cent (inward) and 11 per cent (outward). The table below shows the pattern of loans and secondments in November 1995 and November 1996 by pay range.

Pay Range	Staff In November 1995	Staff Out November 1995	Staff In November 1996	Staff Out November 1996
A	1	1	-	1
B	-	3	2	5
C	5	12	8	11
D	15	31	17	27
E	27	44	18	40
F	2	20	3	18
G	-	4	-	2
H	-	4	-	4
Total	50	119	48	108

Of the 108 staff out of the Treasury, 66 are in other government departments, seven in the private sector, 19 in Europe (either the European Commission directorates general or UKREP) and seven are overseas (for example the IMF and the embassies in Moscow and Beijing). The remainder are in the Health Service and other public sector areas. For the future, the Interchange Programme will focus on increasing European exchanges.

The Treasury's seminar and debate programme aims to illuminate important public policy issues with a significant economic content, and to make the Department more open to the experience of economic policy development in other institutions.

Seven seminars or debates were held during the course of the year:

- Ian Byatt, Director-General of OFWAT focused on the role of the utility regulators and how they might strike a balance between economic and social objectives.
- John Wybrew (Shell), Lord Melchett (Executive Director, Greenpeace), and Lawrence McGinty (ITN) took part in a debate on the issues surrounding the disposal of the Brent Spar oil storage platform in the North Sea
- Professor Patrick Minford, University of Liverpool, discussed his model of the ultimate causes of inflation and considered the question of whether inflation had gone for good;
- Sir Thomas Arnold MP, chairman of the Treasury Select Committee, explained what his committee and select committees in general, were seeking to do by their enquiries, and what they wanted from the Treasury;

- Rt Hon Robert Sheldon MP, chairman of the Public Accounts Committee, explained the role and operation of his committee in scrutinising public expenditure and maintaining the highest standards in accounting for it;
- Lord Nolan, chairman of the Committee on Standards in Public Life, discussed his Committee's two reports on governance and audit matters and addressed a fundamental problem that the hierarchy of audit and scrutiny had not kept pace with changes in the way services were provided;
- Professor Larry Selden, Graduate School of Business at Colombia University, New York, led a seminar on what distinguishes successful companies from the rest, including how to define financial excellence, portfolio and life cycle management and shareowner value concepts.

The Ministerial Correspondence Unit (MCU) continues with its work in handling all the mail received by Treasury ministers. For 1996, the Treasury's targets for replying to ministerial letters were 15 working days for those referring to Treasury policy, 18 for those requiring an answer from the Chancellor's other departments and 23 days for those requiring a report from a local office. Over 1996, 12,759 replies were sent, 54 per cent of which met these targets. This represents a deterioration in performance since 1995, largely due to teething troubles with the new technology introduced to the Unit over the course of the year. Now that the new system has bedded down, the Department intends to increase the percentage of replies sent within target back above 60 per cent.

In February 1996, the electronic link with the Inland Revenue was installed. Correspondence is now put on the system by passing the letter through a scanner and the image is then emailed to the Revenue official providing the draft response. The reply is emailed back to MCU. Because it has taken longer than expected to get the system working to its full potential, we have yet to benefit from the full effect of the efficiency savings which the system will deliver and to tighten the target times for response. The email link will be extended to HM Customs and Excise in February 1997. Teams within the Treasury itself will be linked to the system pending the successful outcome of pilots covering two teams, which are also to start in February. It should then be possible to set more demanding targets.

From 1 December, the Department instituted a single complaints procedure for anyone outside the Department who is dissatisfied with the service provided by a member of staff, for instance an undue delay in replying to a letter.

1.2.48 *Effectiveness and efficiency*

(i) Running costs

Reports for each of the other eleven objectives indicate how effectively the Department has performed. For objective 12, the 1996 staff attitude survey provides some broadly encouraging views of the Department's progress. Many respondents believed that the Treasury's organisation, delegation of authority and team working had changed

for the better between 1994 and 1996. Clear majorities judged that sufficient effort was made to identify priorities in their work and to cut out relatively 'low value' work.

Table 1A shows the Treasury's running costs for 1991-92 to 1999-2000. The total running costs provision for 1996-97 was £57.4 million, of which just over half was the pay costs of ministers and staff. Since 1993-94, the Department's running costs have fallen by 13.4 per cent in real terms.

Allowing for transfers of responsibility to other departments, staff numbers have fallen from 1,059 in December 1995 to 909 in December 1996, a reduction of 14 per cent. Much of this reduction reflects a programme of voluntary redundancies at the grades of senior executive officer and below, which was completed in March 1996.

The Treasury introduced a central invoicing system as from June 1996. This was done to improve our payments performance and achieve compliance with the Prime Minister's target and BS 7890, the British Standard on Prompt Payment. Under the old invoice payments system in 1995-96 we paid 86 per cent of all legitimate invoices within 30 days of receipt. Since June, 95 per cent have been paid within 30 days.

(ii) Management of assets

The Treasury is currently developing information systems in preparation for the introduction of resource accounting on 1 April 1997, and values will be available for fixed assets in use on that date.

Forecast values of fixed assets for some classes of asset as at 31 March 1997 are set out below. They are illustrative only and based on existing available information, which is being revised:

	£ (thousands)			
	Computer & Communications	Furniture and Office	Computer Software	Total
<u>Equipment</u>				
<u>Cost or</u>				
Valuation at 31 March 1997	4,022	1,693	3,000	8,715
<u>Depreciation</u>				
At 31 March 1997	2,404	868	1,000	4,272
<u>Net Book Value</u>				
At 31 March 1997	1,618	825	2,000	4,443

The Department became responsible for the management of the two buildings it occupies on 1 April 1996. Since then, some progress has been made on increasing the use of private sector facilities management in GOGGS, the Treasury's headquarters building at Great George Street.

As part of the Department's commitment to provide a safe and healthy working environment, a fire certificate has been obtained for GOGGS. In compliance with the Health & Safety (Display Screen Equipment) Regulations 1993, workstation risk assessments have been carried out and follow up actions have begun.

The Department has continued to introduce energy saving measures and develop environmentally "green" schemes as appropriate and within the constraints imposed particularly by the existing, inflexible accommodation at GOGGS. The Department's green minister is the Exchequer Secretary, the Hon Phillip Oppenheim MP. The Department is working towards a "less-paper" office with the introduction of a more efficient office system and has increased its recycling programme. It also reduced its consumption of fossil fuels under the 15 per cent campaign initiated in 1991 - one year ahead of the five-year schedule.

A preferred private sector partner, Exchequer Partnership plc, was appointed on 13 September 1996 to redevelop GOGGS under the Private Finance Initiative (PFI). The bids were complex and broke new ground in applying PFI principles to a property deal. Heads of Terms were signed on 15 January 1997. Under the deal, the Treasury will be purchasing fully-serviced, modern, efficient office accommodation in part of the redeveloped building, to performance standards specified in advance.

The Treasury expects to vacate the building towards the end of 1998 and to reoccupy part of it on a long-term lease following the redevelopment in mid-2001. The freehold will be retained by Government.

Following a recommendation in the report of the Fundamental Expenditure Review of the Treasury in late 1994, the Department built a new office automation system (known as OASIS) in the latter part of 1995 and installed it during the first half of 1996. This involved building new corporate infrastructure, giving around 950 staff new personal computers (PCs) and moving them off the well-established Officepower system. The new system was built around Groupwise (an email system from Novell), Wordperfect and Excel. Two novelties were Saros (an electronic document management system) and Collabra Share (a bulletin board system) and we have recently added an intranet, known as netOASIS. This was used, for example, to publish the Budget to Treasury staff on Budget day. We have also installed electronic gateways that enable staff to send and receive emails over the Internet.

Construction and installation were carried out by Data Sciences Ltd, supported by P&P Training. Data Sciences Ltd were chosen after an open procurement in the first part of 1995.

The total cost of the OASIS system was around £6 million, roughly £6,000 a seat, of which around £2,000 was for a new PC. According to the attitude survey, 73 per cent of Treasury staff feel that OASIS will help them to work more efficiently; 73 per cent believe it will help them to share information more effectively; but only 60 per cent feel there is sufficient training and support to enable them to use it effectively (see below).

The IT team continues to work towards quality certification under ISO 9001. This is proving time-consuming, and at a time when there are many other demands on resources. They are also agreeing SLAs with their many internal customers, in particular for a host of applications and systems other than OASIS that need to be developed, supported and maintained.

On 1 April 1996, the Treasury went live with its new Financial And Management Information System, FAMIS. This is the culmination of an 18-month procurement and installation project. This new in-house system will allow the Treasury to meet its existing government accounting, and new resource accounting, obligations. Over time, the system will also allow the Treasury to develop a wider range of management reports. It will also provide an interface with OASIS to give budget holders the ability to view their budget on-line and monitor expenditure and commitments as they occur.

Future Targets, Plans Or Milestones

1.2.49 *Improving professionalism*

The Treasury Development Programme will continue to roll out throughout 1997-98. Public policy administration will be a priority, as will designing and launching the management modules. The Department will also consider the extent to which the programme should be linked to national qualifications, both academic and vocational.

Alongside the roll out of TDP, some directorates will continue to offer their staff more directorate-specific training. For example, there are plans for further training in the role of expenditure teams in the development of resource accounting and budgeting and in other aspects of public expenditure work.

Although the training for OASIS was seen as a success, it was clear by the end of 1996 that there was more to be done. It is intended to run a programme of top-up training in the first quarter of 1997 and this is likely to be followed by a third tranche of training in information systems later in the year. This will go beyond the technical skills needed to use the OASIS system and will address the problem of information management in the Department more generally (see below).

As part of its commitment to become an Investor in People, the Department will aim to achieve its updated action plan. While the Department will be making some changes, it is also a matter of allowing recently introduced systems, such as the performance appraisal system, time to bed down before accreditation. The Department will prepare for a trial assessment during 1997 and will apply for final accreditation shortly afterwards.

As a way of improving the personnel management throughout the organisation, we plan to issue a statement clarifying the roles and responsibilities of line management, staff themselves and the Personnel Management team early in 1997. This will be supplemented by a *Line Managers' Handbook* which will consolidate in one place details of the powers and responsibilities delegated to line managers.

1.2.50 ***Motivation***

The new approach to defining and assessing individual performance will be reviewed in 1997-98 in the light of experience in its first year of operation. The new pay arrangements will continue to be developed to meet the objectives set out above.

1.2.51 ***External relations***

While considerable effort has been made over the last year to improve external communications, there is still some way to go before the Department can fairly say it has turned the Treasury Management Board's picture of the future Treasury - an open, well-informed Department responding positively to criticism - into a reality. The ways of making further progress have been well identified. The Department will be giving external communications a higher priority in objective setting, making sure that teams continue to focus on strengthening relations with departments, that the programme of seminars with distinguished guest speakers is maintained, that the interchange programme is vigorously pursued, that all senior staff go on industrial and other visits. This is a demanding programme of action.

In April, a new Citizen's Charter standard will be introduced, requiring the Correspondence Unit to answer all "treat official" cases within a time period set by the Department. Performance by all departments against their own targets will be published centrally.

1.2.52 ***Effectiveness and efficiency***

(i) Running costs

The Treasury's running costs baseline is set to fall from £57.4 million in 1996-97 to £55.5 million in 1997-98, £55.3 million in 1998-99 and £54.8 million in 1999-2000. The decrease between 1996-97 and 1997-98 is 5.3 per cent in real terms. The current profile suggests further reduction in staff numbers to an average of 907 over 1997-98, falling to 819 over 1999-2000.

Non-staff savings will follow from the staff reductions but opportunities will depend mainly on arrangements for the project to redevelop the Treasury's headquarters building. The contract for the security of the Treasury's headquarters building was awarded to SAFE in 1995. The contract expires in 1998 and will be reviewed in the light of progress on the redevelopment. Existing Service Level Agreements (SLAs) for IT and library services will be kept under review, as will the new SLAs being set up by the Procurement Unit.

The OASIS system should produce savings through efficiencies in communication and in document handling, distribution and storage. The Treasury's Procurement Unit will continue to aim to generate in-year savings on goods and services.

The system for delegating running costs and capital budgets to directorates to manage is also being kept under review.

As part of the FAMIS project, and using the Treasury IT network, the Treasury took its first steps towards electronic requisitioning, doing away with paper forms for purchases of goods and services. During 1997, electronic requisitioning should be expanded to include travel and orders for goods and services.

(ii) Management of assets

In 1997-98, Exchequer will be continuing their work on the detailed design plans for the redeveloped building and applying for planning permission. Depending on progress here, the present plans are for the Department to decant out of GOGGS towards the end of 1998 and come back into the redeveloped building in mid-2001. The Department will continue to monitor and reduce utility consumption wherever possible, both in its current buildings, the building to which it decants and in the redeveloped GOGGS.

After the installation phase of OASIS, attention is now turning to exploitation. We can now do a lot more than was possible on the Officepower system that OASIS replaced - for example by exploiting the group working potential of bulletin boards.

TMB decided in November 1996 that the Treasury should aim to become an "electronic organisation" in 1997. This would mean that the definitive copy of electronic information (whether created internally or delivered from outside via email or some other medium) should be held in the document management system, rather than on paper files. More work is currently in progress, in consultation with the Public Records Office, our software suppliers and staff, to work out how and when this major change can be achieved.

Table 1A *Running Costs (£ million)*

	1991-92 outturn	1992-93 outturn	1993-94 outturn	1994-95 outturn	1995-96 outturn	1996-97 estimated outturn	1997-98 plans	1998-99 plans	1999-00 plans
Running costs gross	88	91	92	62	58	57	56	55	55
Related receipts	-32	-35	-32	-3	-3	-2	-2	-2	-1
Net cost	56	56	59	58	55	55	54	54	54
Paybill included in gross running costs	52	55	55	39	35	35	-	-	-

Table 1B Staffing

	1991-92 outturn	1992-93 outturn	1993-94 outturn	1994-95 outturn	1995-96 outturn	1996-97 estimated outturn	1997-98 plans	1998-99 plans	1999-00 plans
Permanent staff	1,446	1,490	1,447	1,333	1,060	908	907	858	819
Overtime	59	50	50	47	28	26	24	23	22
Casuals	26	20	11	18	28	29	28	14	14
Total staffing	1,531	1,560	1,508	1,398	1,116	963	959	895	855

Table 1C Breakdown of forecast outturn for 1996-97 by individual function (£ thousands)

Direct expenditure		Grants and transfers			Gross total	Appropriations in aid	Net total
Running costs	Other current	Capital	Current	Capital			
57,318	6,213	4,308	1,880	-	69,719	3,719	66,000

Table 1D Appropriations in aid 1997-98 (£ thousands)

Section A	Recoveries in respect of the administration of the Treasury, including charges for courses, services provided by the Economist Group Management Unit and officers loaned to other organisations, including the salary of the UK Executive Director of the International Monetary Fund/International Bank for Reconstruction and Development who is a Treasury employee; income from publications; travel costs recovered from the European Community; disposal of assets; recoveries from staff and in-house services; recoveries of costs from minor occupiers,	3,367
Section A	Receipts from recovery actions in connection with Barlow Clowes	1
Section A	Receipts from fees charged to foreign investment exchanges/clearing houses	58
Section C	Recoveries in respect of honours and dignities	20
	Tota	3,446

Table 1E Consolidated Fund Extra Receipts (CFER's) 1997-98 (£ thousands)

Interest payments	59
Dividends	112
Miscellaneous	6
Total	177

1.3 *OTHER BODIES*

The Treasury programme includes payments to:

- the Royal Mint (a Next Steps Agency) for the supply of UK coins
- the Bank of England for the production and issue of banknotes, debt management and management of the Exchange Equalisation Account; and
- certain Parliamentary bodies

1.4 *ROYAL MINT*

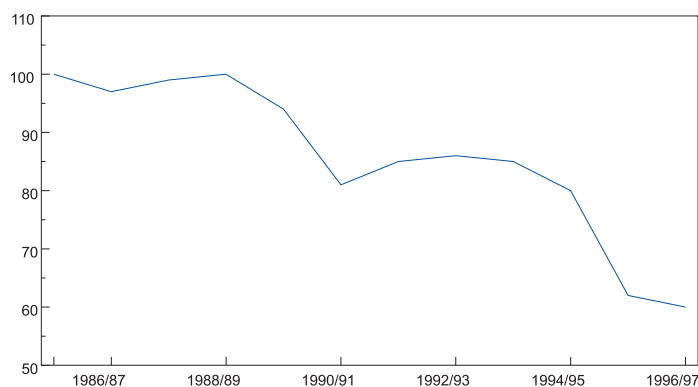
The Treasury programme includes provision for expenditure by the Treasury on the purchase of UK coins of all denominations required for issue to the general public. The Royal Mint manufactures all the coins required by the Treasury and is also responsible for distributing them on behalf of the Treasury. The Royal Mint is a Next Steps agency and details of its performance can be found in the Royal Mint Annual Report.

Expenditure (see Table 1G) depends on the number of coins required by the public, the cost of manufacturing them and on metal prices. Expenditure on UK coinage in 1997-98 will fall on Class XVI, Vote 2.

Highlights of the Mint's performance in 1995-96 are:

- sales: £90.8 million, including £55.8 million (61 per cent) in exports;
- profit: £9.9 million (modified historic cost profit - after interest). A dividend of £9.5 million was paid to the Consolidated Fund;
- real return: 18.3 per cent on modified historic cost capital employed. This compares with a target of an average real rate of return of 14 per cent for the three years 1993-94 to 1995-96. The actual average annual rate of return for this three-year period is 26.2 per cent.

Chart 1L Real terms unit cost of UK coins (excluding metal).



The arrangements under which the UK coins are purchased was reviewed during 1994 and a substantially revised five year contract, incorporating a significant reduction in prices paid, introduced in 1995-96. The impact of these changes is reflected in the unit cost trend at Chart []. On 8 December 1995 the Chancellor announced the Government's decision to introduce, towards the end of 1997, a smaller 50 pence piece and a circulating £2 coin.

1.4.1 Public Appointments

In September 1996 the chief executive of the Royal Mint, Mr R de L Holmes, was re-appointed to that position for a further five years from 1 January 1997. A full list of the members of the Board is included in the Royal Mint Annual Report. Mr K Cottrell has succeeded Mr A Lotherington as sales director, while Mr A Pearce is the new personnel director. Mr S Cameron (non-executive director) has retired and been replaced by Mr L Haddon, an executive director of Rank Xerox International.

Table 1F Royal Mint Senior Staff Salaries by band

Royal Mint senior staff salaries by band are (as at 1 April 1996):

Salary band	Numbers
£40,000 - £44,999	6
£45,000 - £49,999	1
£50,000 - £54,999	-
£55,000 - £59,999	1
£60,000 - £64,999	2
£65,000 - £69,999	1

Table 1G Breakdown of forecast outturn for 1996-97 by individual function (£ thousands)

Direct Expenditure				Grants and transfers			Net total
Running costs	Other	Capital	Current	Capital	Gross total	Appropriations in aid	
-	39,000	-	-	-	39,000	12,500	26,500

Table 1H Appropriations in aid 1997-98 (£ thousands)

Proceeds of metal sales from melted down coins	9,000
Total	9,000

1.5 *BANK OF ENGLAND*

The Treasury's programme includes provision for payments to the Bank of England to cover the costs of:

- banknote production and issue;
- debt management; and
- the Exchange Equalisation Account.

The Expenditure forms a non-voted cash limit.

Under Section 1(4) of the Bank of England Act 1946, an annual payment in lieu of dividend is paid to the Treasury. For the year ended 29 February 1996 this amounted to £88.0 million. Details concerning the Bank's performance across its full range of activities may be found in its Annual Report and Accounts published in May each year.

1.5.1 *Note Issue*

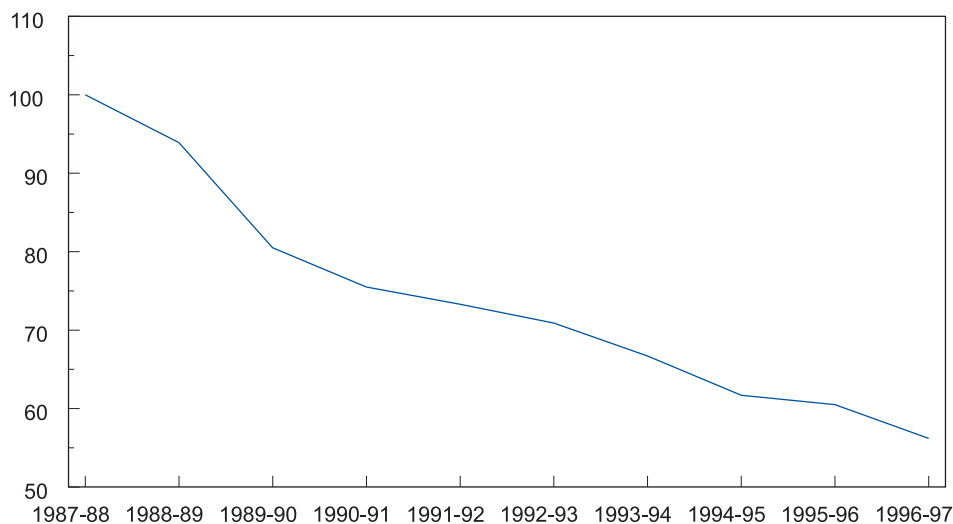
The Bank's main aims in respect of note issue are to:

- produce each year, efficiently and cost-effectively, sufficient notes of each denomination to meet the requirements of the general public and to maintain the quality of the notes in circulation at an acceptable level;
- to receive and examine used banknotes, re-issue or destroy them as appropriate; and
- to co-ordinate the closure of four Bank of England branches (Bristol, Manchester, Newcastle-upon-Tyne and Birmingham) by end-October 1997 and enable the orderly reorganisation of banknote distribution through the Bank's remaining centres in London and Leeds.

During the year, the refurbishment of the printing works was completed without any loss of production, in spite of significant problems with asbestos removal; and the actual cost of new notes fell by one per cent, although the unit price, weighted by work content and in constant prices, fell by two per cent.

The Bank will introduce a new system for counterfeit note registration in March 1997 which will significantly reduce the cost of police involvement in the reporting of counterfeit notes retrieved from untraceable sources.

Chart 1M Bank of England notes - Unit price index



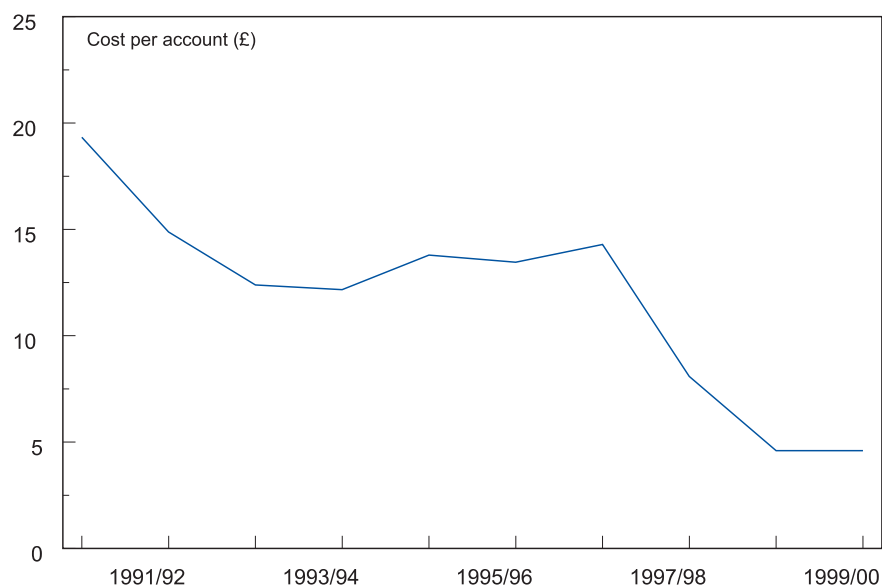
1.5.2 Debt Management

The operational costs of the Registrar’s Department declined significantly during the period 1989 to 1994. The greater than anticipated reduction in account numbers since then has seen some increase in unit costs.

Following a joint Treasury/Bank benchmarking exercise which showed that the cost of registration in the private sector was lower than the cost within the Registrar’s Department and the National Savings Stock Register, the Bank has taken steps to bring down the costs of gilt registration towards private sector levels. When implemented, these measures should bring costs down to around £4.60 per account (excluding central overheads).

The Bank has also agreed to hold the unit cost of registration at around £4.60 even if activity declines further, as predicted. It has also been agreed to examine the option of a merger of the National Savings Stock Register (NSSR) into the Registrar’s Department.

The percentage of government securities held through the Central Gilts and Moneymarkets Office is now 90.2 per cent by value, whilst activity levels on the Bank’s register have continued to decline (see **Table 1J**).

Chart 1N Registrar's Department trends (British Government securities only)**Table 1J Bank of England Debt Management Indices**

	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95	95/96	96/97 Ests.
Accounts	100	94.5	87.0	79.7	73.2	67.3	60.8	56.8	51.7	46.4	42.5
Transfers	100	124.8	108.6	85.6	86.2	74.4	92.9	85.5	86.5	79.5	64.2
Manpower	100	101.7	100.5	90.4	75.7	69.5	62.7	54.5	52.6	43.9	35.1
Stock in CGO19.5 (per cent)		25.6	38.3	35.5	56	71.6	80.3	84.1	87.2	90.2	-

1.5.3 Exchange Equalisation Account

The Bank aims to manage the Exchange Equalisation Account consistent with the Government's policy objectives and within the scope of the governing legislation. Reserves management decisions are carried out with the aim of conserving the value of the reserves and ensuring that funds are available when needed.

In conjunction with the Bank, the Treasury has continued to improve management information systems to assist in the monitoring of decisions affecting the investment of the reserves.

1.5.4 Public appointments

The following appointments and re-appointments were made to the Bank of England:

Table 1K Appointments and re-appointments to the Bank of England

Appointments and reappointments to the Board of Banking Supervision

Date	Name	Appointment	Ends
1 March 1996	MDKW Foot	Ex-officio member	2000
1 July 1996	Sir Andrew Large	Independent member	2001
1 September 1996	Sir David Scholey CBE	Independent member	2001
4 November 1996	Harry Taylor	Independent member	2001

1.6 PARLIAMENTARY BODIES, HONOURS AND DIGNITIES

The Treasury’s programme includes provision for:

- four Parliamentary bodies (the Commonwealth Parliamentary Association, the British American Parliamentary Group, the Inter-Parliamentary Group and the British-Irish Inter-Parliamentary Body. These bodies aim to foster understanding between Members of Parliament and elected representatives of other countries:
- honours and dignities, covering the cost of salaries, insignia etc. for the Central Chancery of the Orders of Knighthood; of annuities of UK civilian holders of the George Cross; and of some State ceremonial expenses.

1.7 **BIBLIOGRAPHY**

The *Treasury* publications listed below are available from the Public Enquiry Unit, HM Treasury, Parliament Street, London SW1P 3AG, telephone: 0171 270 4558.

Appraisal and Evaluation in Central Government: HM Treasury Guidance
February 1997

Basic Contractual Terms
(HM Treasury and Private Finance Panel, October 1996)

Better accounting for the taxpayers' money: Government's proposals.
HMSO, Cm 2929, ISBN 0 10 129292 9

Budget in Brief. Available from HM Treasury.

Committee of Public Accounts 9th Report: Resource Accounting and Proposals for a Resource-Based System of Supply
HC167 Session 1996-97 ISBN 0 10 224997 0

Committee of Public Accounts 15th Report: Resource Accounting and Budgeting in Government. HC 407 Session 1994-95.
Published 1 May 1995 ISBN 0 10 240795 9

Custody: a consultation document
Available from HM Treasury

Draft Exempt Transactions Regulations: draft orders to amend Schedule 2 to the Banking Act 1987
Available from HM Treasury

Draft Financial Institutions (Prudential Supervision) Regulations: a consultation document
Available from HM Treasury

Econometric models of business investment.
HM Treasury, GES Working Paper 127.

Economic Briefing. Published twice a year by HM Treasury.

European Community finances: statement on the 1996 EC Budget and measures to counter fraud and financial mis-management.
HMSO, Cm 3350, ISBN 0 10 133502 4

Financial statement and budget report 1997-98.
HMSO, HC 90, ISBN 0 10 262797 5

Five Steps to the Appointment of Advisers to PFI Projects: Tips on the Selection, Appointment and Management of Advisers to PFI Projects
(Private Finance Panel, May 1996)

Forecasts for the UK economy: a comparison of independent forecasts.

Published monthly by HM Treasury.

Further Contractual Issues

HM Treasury and Private Finance Panel, January 1997

Government procurement: progress report to the Prime Minister 1995-96

HMSO, ISBN 0 11 702069 9

Guide to the UK Privatisation Programme - revised edition

Available from HM Treasury.

Industrial Assurance Acts; a consultation document

Available from HM Treasury

Investment Powers of Trustees: a consultation document

Available from HM Treasury

Invisible Earnings: the UK's Hidden Strength

Treasury Occasional Paper Number 7

Keeping an Eye on the Government's Own Costs: an Introduction to Analysis and Assessment Techniques

HM Treasury 1996

Managing the nation's economy: the conduct of monetary and fiscal policy.

HM Treasury, Treasury Occasional Paper 5.

Minutes of the monthly monetary meeting between the Chancellor and the Governor of the Bank of England.

Published monthly by HM Treasury.

The new Treasury model.

HM Treasury, GES Working Paper 128.

Notes on clauses - Finance Bill 1996.

Available from HM Treasury.

Open-ended Investment Companies - the Next Generation: a consultation document

Available from HM Treasury

Overseas Investment and the UK: explanations, policy implications, facts and figures

Treasury Occasional Paper Number 8

Panel of Independent Forecasters' Report.

Published twice a year by HM Treasury.

PENSIM: a dynamic simulation model of pensioners' incomes

HM Treasury, GES Working Paper 129

PFI in Government Accommodation

(HM Treasury and Private Finance Panel, October 1996)

Policies and programmes for employment in the UK.

Published jointly with the Department of Employment.

Private Finance Initiative Guidelines for Smoothing the Procurement Process

(HM Treasury and Private Finance Panel, April 1996)

Private Opportunity, Public Benefit

Progressing the Private Finance Initiative (HM Treasury and Private Finance Panel, November 1995)

Proposals for a New Building Societies Bill

Available from HM Treasury

Public finances and the cycle.

HM Treasury, Treasury Occasional Paper 4

Regulating Long Term Care Insurance: a consultation document

Available from HM Treasury

Reliability and accuracy of UK price indexes.

HM Treasury, GES working paper 126.

Report on the Procurement of Custodial Services for the DCMF Prisons at Bridgend and Fazakerley

(HM Prison Service and Private Finance Panel, April 1996)

Resource accounting and budgeting: summary of accounting proposals.

Available from HM Treasury.

Resource accounting and budgeting in Government: a Summary of Accounting Policies (working draft).

ISBN 0 947819 46 0

Report of the Debt Management Review.

Available from HM Treasury.

Risk and Reward in PFI Contracts: Practical Guidance on the Sharing of Risk and Structuring of PFI Contracts

(Private Finance Panel, May 1996)

Setting new standards: a strategy for government procurement

HMSO, Cm 2840, ISBN 0 10 128402 0

Summer economic forecast 1996

HMSO, ISBN 0 11 702060 5

Summer economic forecast 1996 : data definitions and sources

Available from HM Treasury.

Summer forecast in brief 1996.

Available from HM Treasury.

TCSC 4th Report: Simplified Estimates and Resource Accounting.

HC 212 Session 1994-95. Published 27 March 1995. ISBN 0 10 221295 3

Transferability of Equity

(HM Treasury and Private Finance Panel, October 1996)

Treasury Committee 2nd Report: Resource Accounting and Budgeting

HC186 Session 1996-97. ISBN 0 10 205497 5

Treasury Committee 5th Report: Resource Accounting and Budgeting in Government: the Financial Reporting Advisory Board.

HC 309 Session 1995-96. Published 27 March 1996. ISBN 0 10 222996 1

Treasury Committee minutes of evidence: Resource Accounting and Budgeting.

HC 584-i. Published 8 July 1996. ISBN 0 10 550566 8

Users guide to expenditure guidance. Revised edition.

Available from HM Treasury.

What has been happening to pay in the public sector?

HM Treasury, Treasury Occasional Paper 3.

White Paper on Resource Accounting and Budgeting in Government

Cm 2929. ISBN 0 10 129292 9

Writing an Output Specification

(HM Treasury and Private Finance Panel, October 1996)

The Treasury also offers up-to-date information on its Internet site, which is accessible at <http://www.hm-treasury.gov.uk>