



# Introduction

- **Overview, aims and objectives**
- **Structure of report**

# The aim of HM Treasury is to raise the rate of sustainable growth, and achieve rising prosperity, through creating economic and employment opportunities for all.

**1.1** In pursuing this aim the Treasury has been working towards the nine objectives summarized in table 1.2 on page 3. The key aspects of this work have been:

- Introducing a macro economic policy framework that is highly transparent, forward-looking and underpinned by legislation. The monetary policy framework has a clear objective of price stability with interest rates set by the Bank of England's Monetary Policy Committee (MPC) to deliver the Government's inflation target. The Treasury's role is to set the symmetric inflation target and oversee institutional arrangements for delivering it. The Treasury representative on the MPC helps to ensure that fiscal and monetary policy are well coordinated. The fiscal policy framework is governed by The Code for Fiscal Stability. The Code, introduces to the Government's decisions on the public finances the same high standards of transparency, responsibility and accountability that underpin monetary policy. Consistent with the Code, the Government has set out clear fiscal rules and objectives, defined over the economic cycle, and regularly publishes updates of the key public finance figures used to assess the Government's performance against these objectives.
- Playing a leading, proactive, role in the international financial arena. This has included taking the Government's domestic reform agenda into Europe, advocating initiatives to help heavily indebted poor countries and playing a leading role in international financial institutions.
- Maintaining a focus on improving the performance of the

economy through active microeconomic policy. In particular the Treasury aims to improve the productivity of the economy in both private and public sectors, through a clear strategy to close the productivity gap between Britain and its main competitors. This strategy focuses on competition, enterprise and innovation skills, investment and public sector efficiency.

- Increasing employment opportunity for all through policies that prevent unemployed people from becoming detached from the labour market and ensure job creation is spread across the country. In addition measures to strengthen incentives to work, save and invest have been introduced in the form of improvements to the tax and benefits system.
- Developing a more strategic role in public expenditure control. Government Departments are responsible for managing their budgets within a prudent framework that includes limits on departmental expenditure (DELs), agreements to provide public services (PSAs) and Treasury guidance on propriety and accountability. The Treasury has also introduced Resource Accounting and Budgeting, which has strengthened the connection between inputs and outputs in our formal financial systems.

**1.2** The Treasury's aim is backed up by Public Service Agreement (PSA) target 1 which is that "by 2004 to raise the trend rate of growth from the current estimate of 2.5%." Table 1.1 summarises performance against this target in the past year.

**TABLE 1.1: PERFORMANCE AGAINST PSA TARGET 1**

Aim	Spending Review 2000 PSA Target	Performance Indicator	Progress
To raise the rate of sustainable growth, and achieve rising prosperity, through creating economic and employment opportunities for all.	1. By 2004 to raise the trend rate of growth from the current estimate of 2.5%.	Trend output is measured as the average annual rate of growth of Gross Value Added excluding the oil and gas sector between identified on-trend points	The 2002 Budget estimated trend output growth of a little below 2 <sup>3</sup> / <sub>4</sub> % between the first half of 1997 and the third quarter of 2001 and 2 <sup>3</sup> / <sub>4</sub> % over the Budget projection period. <sup>1</sup>

<sup>1</sup> Further details on the Treasury estimates of the trend rate of growth are published in Trend Growth: Recent Developments and Prospects, HM Treasury April 2002, [www.hm-treasury.gov.uk/Budget/bud\\_bud02/associated\\_documents/bud\\_bud02\\_adtrend](http://www.hm-treasury.gov.uk/Budget/bud_bud02/associated_documents/bud_bud02_adtrend)

TABLE I.2: TREASURY OBJECTIVES

Maintaining Macroeconomic Stability		Lead Directorate
I	Maintaining a stable macroeconomic framework with low inflation (Spending Review 2000, Objective 1)	Macroeconomic Policy and International Finance
II	Maintaining sound public finances in accordance with the Code for Fiscal Stability (Objective 2)	Budget and Public Finances
III	Promoting UK economic prospects by pursuing increased productivity and efficiency in the EU, international financial stability and increased global prosperity, including especially protecting the most vulnerable (Objective 9)	Macroeconomic Policy and International Finance
Meeting the productivity challenge		
IV	Increasing the productivity of the economy (Objective 4)	Finance Regulation and Industry
V	Securing an innovative, fair dealing, competitive and efficient market in financial services, while striking the right balance with regulation in the public interest (Objective 8)	Finance Regulation and Industry
Increasing employment opportunity for all		
VI	Expanding economic and employment opportunities for all (Objective 5)	Budget and Public Finances
Building a fairer society		
VII	Promoting a fair and efficient tax benefit system with incentives to work, save and invest (Objective 6)	Budget and Public Finances
Building high quality public service		
VIII	Improving the quality and cost effectiveness of public services. (Objective 3)	Public Services
IX	Achieving a high standard of regularity propriety and accountability in public finances (Objective 7)	Financial Management, Reporting and Audit
In pursuing these nine objectives the Treasury will maintain a professional, well motivated and outward looking organisation committed to open and accountable conduct of policy both here and abroad and manage its running costs efficiently, economically and effectively.		Corporate Services and Development

#### STRUCTURE OF THE REPORT

**1.4** This report provides a succinct overview and assessment of the Treasury's performance over the past year. Throughout the report, frequent references are given to relevant publications and web-sites where more detailed information is available.

**1.5** The Government set out its spending plans for 1999-2002 in the 1998 Comprehensive Spending Review (CSR). The Government linked this spending to modernization and reform to raise standards and improve the quality of public services through publishing Public Service Agreements (PSAs) for the full range of Government objectives. A comprehensive assessment of performance against the original PSA targets set out in the 1998 CSR is given in annex A2 of this report.

**1.6** The 2000 Spending Review set new plans for public spending for 2001-2004. It also refined the original PSA targets in order to develop the most important goals and reforms the Government want to deliver. These targets were set out in the

White Paper "Spending Review 2000: Public Service Agreements 2001-2004 (Cm 4808) July 2000. In addition to PSAs, departments have published Service Delivery Agreements (SDAs), which explain how they will deliver on their PSA. Chapter 3 reports on the Treasury's performance against its objectives and the related SR2000 PSAs and SDAs. A summary of performance against the SR2000 PSA and SDA targets is given in Annex A1 of this report.

**1.7** Chapter 4 reports on the Treasury's staffing, management and resources. It assesses the progress made in implementing the eight management themes of the 'Change in the Treasury' programme and, within this context, the related issues of modernizing government and civil service reform.

**1.8** Chapter 5 describes the work of the Debt Management Office, the National Investment and Loans Office and the Office for Government Commerce and reports on their performance over the past year. Chapter 6 reports very briefly on the Registry of Friendly Societies, and the Treasury funding of Parliamentary Bodies, Honours and Dignities.