

Annex A2

Performance against 1998 Comprehensive Spending Review (CSR) Public Service Agreements (PSAs)

TABLE A2: PERFORMANCE AGAINST 1998 PSA TARGETS

2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
I. Maintaining a stable macroeconomic framework with low inflation		(i) Maintain effective arrangements for keeping inflation at the target level set for the Monetary Policy Committee of the Bank of England of 2.5%	RPIX	Met to date, on going. March 2002 RPIX inflation rate was 2.3 per cent.
I. (Continued)		(ii) Reduce the differential between yields on German and British long term government debt.	Spread between German and British 10 year gilts and bonds.	Met. The differential has been significantly reduced; the spread between 10-yr gilts and bonds was over 170bp at the start of May 1997, but has been below 20bp since mid-November 2001 (7bp as at 14/05/02) and an average of 14bp to the year to date.
I. (Continued)		(iii) Reduce the variability of output and employment compared with the previous cycles.	Standard deviation of output growth	Met to date, ongoing Over the last 19 quarters, the standard deviation of output growth was 0.3 per cent to 2001 Q3. In comparison, the average standard deviation between 1986Q2 and the first half of 1997 was 0.6 per cent.
			Width of GDP growth band	Annual GDP growth has remained in a narrow band of 1.6 to 3.6 per cent since the second quarter of 1997. Compared to a range of -2.3 per cent to 6 per cent between 1986Q2 and first half 1997.
			Claimant count unemployment	Unemployment (on a claimant count basis) has come down steadily and been in the narrow range of 3.1 to 5.4 per cent since 1997Q2. This compares to a range of 5.2 to 10.6 per cent between 1986Q2 and the first half of 1997. Unemployment on the ILO measure has come down steadily and been in the range 7.3 to 4.9 per cent since 1997Q2. This compares with a range of 6.9 to 11.3 per cent between 1986 and early 1997.

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2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
2. Maintaining sound public finances in accordance with the Code for Fiscal Stability.		(iv) Ensure current receipts at least match current spending on average over the cycle.	Public sector surplus on current budget.	Met to date, ongoing Provisional outturn for surplus on current budget in 2001-02 is £10.6bn, and average surplus since 1999-2000 is 1.9 per cent of GDP.
2. (Continued)		(v) Ensure net public sector debt as a percentage of GDP falls towards 40 per cent or below over the cycle	Public sector net debt.	Met to date, ongoing The public sector net debt was 30.4% at end-March, fell further from 31.3% at end-March 2001 to 30.4% at end March 2002.
2. (Continued)		(vi) Ensure the Control Total for 1997-98 and 1998-99 and the Departmental Expenditure Limits over the three years of the CSR period are adhered to.	Plans: Control total 97-98 £265.6bn 98-99 £275.3bn DEL 99-00 £181.4bn 00-01 £197.3bn 01-02 £212.3bn	Met Outturn Control total 97-98 £262.6bn 98-99 £272.6bn DEL 99-00 £178.9bn 00-01 £192.3bn 01-02 £211.8bn* *Estimated outturn
3. Improving the quality and cost effectiveness of public services		(vii) Ensure that all departments are set testing output and efficiency targets by the end of 1998 and work with them to ensure that they meet their targets by their deadlines.	% of main departments' performance targets with deadlines within the reporting period and where performance information is available, that have been assessed as met or partially met	90% by 2000; 84% by 2001; 87% by 2002. Drawing meaningful comparisons between performance in different years is difficult, as targets due to be met earlier in the period tend to be more input and process, rather than outcome, focused.
3. (Continued)		(viii) Improve the productivity of the public services year by year.	In Spending Review 2000, all departmental PSAs included a value for money target	Ongoing These value for money targets are monitored as part of the Treasury's Spending Review 2000 PSA (see table 3.16)
3. (Continued)		(ix) Use the Departmental Investment Strategies to be produced by spring 1999 and the Capital Modernisation Fund to double net public investment and improve the public capital stock by 2002.	According to latest outturns from the Office of National Statistics, public sector net investment rose from £5.9bn in 1998/99 to £12.0bn in 2001/2, meeting our commitment to double public sector net investment. The Budget projected that public sector net investment will grow further to £14.4bn in 2002/3.	Met The 2002 Spending Review will continue to sustain and moderately increase investment levels, with public sector net investment rising to 2% of GDP by 2005/6.

2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
3. (Continued)		(x) Gain acceptance to the standard framework for public private partnership contracts by the end of 1999.	Published 14 July 1999	Met.
3. (Continued)		(xi) Improve value for money in public procurement year on year.	Use of the Government Procurement Card reached a value of £245m in 2001-2002 - £65 m over target.	Met ongoing
4. Increasing the productivity of the economy	4. Increasing the productivity of the economy and expanding economic employment opportunities for all, through productive investment, competition, innovation, enterprise, better regulation and increased employability	(xii) Put in place policies to raise the rate of growth of potential output above the current estimate of 2 ¹ / ₄ %.	Change in the estimated trend rate of growth to the end of the economic cycle, from 1997 base, based on HM Treasury's published estimates.	<p>Partially met.</p> <p>The 2002 Budget estimated trend output growth of a little below 2³/₄% between the first half of 1997 and the third quarter of 2001 and 2³/₄ over the Budget projection period.</p> <p>The projection for trend growth was revised upwards in 1999 to 2¹/₂% from 2¹/₄% because of greater certainty over total employment growth, rather than observed improvements in productivity. It was further revised to 2³/₄% in 2002 for the same reasons.</p>
4. (Continued)	4. (Continued)	(xviii) Reduce the number of households facing marginal deduction rates over 70% by 2001-02	Estimates published in Budget and Pre-Budget Report documents.	<p>Met</p> <p>In 1997, almost 750,000 people faced marginal deduction rates of over 70 per cent. As a result of measures introduced by the Government, this number has fallen by nearly half a million.</p>

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2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
4. (Continued)	4. (Continued)	(xiii) Put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle (joint DTI target)	Figures on output per worker and output per hour, over the economic cycle, published by the ONS (based on OECD data).	<p>Partially met.</p> <p>1997-1999 UK economic cycle</p> <p>Output per worker</p> <p>Between 1997 and 1999 the productivity gap in terms of output per worker closed against Japan (101.7% to 96.9%) and narrowed against Germany (109.4% to 108.7%). The gap widened against US (132.2% to 135.9%) and France (116.4% to 117.5%).</p> <p>Output per hour</p> <p>Between 1997 and 1999 the productivity gap in terms of output per hour narrowed against Germany (126.1% to 124.3%). There was no gap against Japan. The gap widened against US (124.2% to 124.9%) and France (126.0% to 126.5%).</p> <p>Current UK economic cycle (1999-)</p> <p>Output per worker</p> <p>During the current economic cycle, the productivity gap in terms of output per worker has remained flat against Germany (108.7% in 1999; 108.6% in 2000) and France (117.5% in 1999; 117.6% in 2000). There was no gap against Japan. The gap against the US widened (135.9% to 137.7%).</p> <p>Output per hour</p> <p>The productivity gap in terms of output per hour widened against Germany (124.3% to 125.3%) and the US (124.9% to 125.3%). To date, the ONS have not published output per hour data for France and Japan.</p>

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2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
4. (Continued)	4. (Continued)	(xiv) Secure an increase in the number of successful high growth business start ups (joint DTI target)	Number of firms with a turnover above £1 million, or 10 employees, four years after start-up	Not assessed. DTI currently evaluating.
5. Expanding economic and employment opportunities for all.	4. (Continued)	(xv) Put in place policies to reduce structural employment over the cycle.	ILO working age unemployment compared to similar points in previous economic cycles, based on tentative HMT estimate of output gap	On course ILO unemployment averaged 5.3% in the three months to December 2001, compared to 6% in mid-1999 and 7.3% at the start of 1997.
5. (Continued)	4. (Continued)	(xvi) Put in place policies to allocate all proceeds of the Windfall Tax so that, by May 2002, 250,000 under 25 year olds move off benefit and into work (joint DFEE target)	Numbers of job outcomes through New Deal for Young People (NDYP)	Met (exceeded) – over 345,000 have found work through NDYP
6. Promoting a fair and efficient tax and benefit system with incentives to work, save and invest.	5. Promoting a fair and efficient tax and benefit system with incentives to work, save and invest.	(xvii) Maintain a minimum income guarantee for pensioners and severely disabled people. Joint DSS target (iii)	Existence of Minimum Income Guarantee (MIG) for pensioners and Disability Income Guarantee (DIG) for severely disabled people.	Met. The MIG was introduced in April 1999. In April 2001, the lower rates were aligned at the highest rates for singles and couples. From April 2002, the rates are £98.15 and £149.80 a week for singles and couples respectively. From 2003 around half of pensioner households will benefit from the introduction of Pension Credit. The DIG was introduced in April 2001, with the introduction of a new premium in income support for those with severe disabilities. From 2002 the DIG ensures a guaranteed income of 144.45 for a single person, and £189.95 for couples.
6. Continued	5. Continued	(xviii) Reduce the number of households facing marginal deduction rates over 70% by 2001-02	Estimates published in Budget and Pre-Budget Report documents.	Met In 1997, almost 750,000 people faced marginal deduction rates of over 70 per cent. As a result of measures introduced by the Government, this number has fallen by nearly half a million.

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2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
6. (Continued)	6. (Continued)	(xix) Provide an income guarantee of at least £190 a week for working families by October 1999	Figures published in Budget and Pre-Budget Report documents.	Met As a result of the National Minimum Wage and the Working Families' Tax Credit, the Government can guarantee a minimum level of income of £227 for a family with one child with one person working full-time. Under the new Child and Working Tax Credits, this will rise to £237 from April 2003. In October 1999, this minimum income level stood at £200 a week
6. (Continued)	5. (Continued)	(xx) Continue to develop the tax system so that it underpins the strategy on sustainable development and delivers environmental objectives. Shared with Inland Revenue target (vi) and Customs and Excise target (vii)	Implementation of environmental taxes and use of existing taxes to achieve environmental objectives.	Ongoing Implemented climate change levy (2001) and aggregates levy (2002). Implemented landfill tax escalator from 2000 to 2004. Made changes to fuel duties to encourage better vehicle efficiency while taking account of impact on business. Provided fiscal incentive to switch to ultra-low sulphur fuels in 2001. Reformed VED and company car tax to reflect environmental costs.
7. Achieving a high standard of regularity, propriety and accountability in public finance.	6. Maintaining an effective accounting and budgetary framework and promoting high standards of propriety and accountability	(xxi) Introduce departmental resource accounts in 1999-00	All departments publish resource accounts for 1999-00	Met
7. (Continued)	6. (Continued)	(xxii) Get Parliamentary approval to place Estimates and Appropriation Accounts on the same basis	Parliamentary agreement to Estimates and accounts being on the same (resource) basis from 2001-02	Met

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2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
7. (Continued)	6. (Continued)	(xxiii) Move to a resource based budgeting system in 2000	2000 Spending Review conducted on a resource basis	Met
7. (Continued)	6. (Continued)	(xxiv) Publish whole of government accounts (WGA), subject to results of current study, for 2001-02	Format for statistically-based WGA developed. Pilot accounts prepared for 1999-2000.	On course
8. Securing an innovative fair dealing, competitive and efficient market in financial services, while striking the right balance with regulation in the public interest	7. Securing an efficient market in financial services and banking with fair and efficient supervision	(xxv) Complete the new regime for financial regulation under a single regulator by 2000.	N/A	Met: Successfully commenced the main provisions of the Financial Services and Markets Act 2000 on 1st December 2001
N/A	8. Arranging for cost effective management of government's debt and foreign currency reserves and the supply of notes and coins	(xxvi): Minimise the cost of holding the Government's foreign currency reserves, while reducing risk. The target for 2000-01 was zero.	See target C1.5 Annex A1(b)	See target C1.5 Annex A1(b)
N/A	8. (Continued)	(xxvii) Minimise the cost and risk of financing the Government's borrowing.	See target C1.6 Annex A1(b)	See target C1.6 Annex A1(b)

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2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
<p>9. 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.</p>	<p>9. Promoting international financial stability and the UK's economic interests and ideas through international co-operation as a way of increasing global prosperity including seeking to protect the most vulnerable groups.</p>	<p>(xxviii) Make the International Financial Institutions more effective transparent and accountable</p>	<p>Progress in preventing and resolving international financial crises. Publication of IMF papers, particularly surveillance reports. Progress towards the Millennium Development Goals.</p>	<p>Ongoing</p> <p>Progress on these issues is described in the report "Responding to the Challenges of Globalisation: The UK and the IMF." www.hm-treasury.gov.uk/documents/international/_institutions</p>
<p>9. (Continued)</p>	<p>9. (Continued)</p>	<p>(xxix) Improve the quality of surveillance of international economies</p>	<p>See (xxviii) above.</p>	<p>See above (xxviii) .</p>
<p>9. (Continued)</p>	<p>9. (Continued)</p>	<p>(xxx) Maintain discipline on the EU budget, tackle waste and fraud, and maintain the UK abatement.</p>	<p>Annual EU Budget within spending ceilings agreed in 1999, and progress in financial management reform to clarify responsibilities and introduce clearer audit and control systems.</p>	<p>Met</p> <p>Budget for 2002 adopted within Financial Perspective ceilings. Revised EU Financial Regulation, providing clear lines of responsibility and objective based budgeting, on track for entry into force in 2003. Independent Audit established at Commission.</p>

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2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
9. (Continued)	9. (Continued)	(xxxix) Pave the way for the successful and affordable enlargement of the EU.	Enlargement negotiations respect the roadmap agreed at Nice in 2000 and the 1999 Berlin financial framework ceilings.	<p>Ongoing</p> <p>2000 Nice Summit paved the way for a successful enlargement. 2001 Laeken European Council reaffirmed that the 1999 Berlin European Council established the financial framework permitting enlargement and that negotiations with the candidate countries are on track for a successful conclusion by the end of 2002 in line with the roadmap agreed at Nice. Commission's January 2002 enlargement financing proposals conclude that an enlargement of up to ten new member states can be managed within the sums provided for at the 1999 Berlin European Council.</p>
9. (Continued)	9. (Continued)	(xxxixii) Ensure the UK is ready for the introduction of the euro from 1999 and make proper preparations so as to create a genuine option of joining the single currency should Government, Parliament and the people so decide.	To produce a range of information materials for business and deliver them to SMEs through electronic and other means. To ensure that the UK has a genuine option to make a decision to joining the euro, if that is what Government, Parliament and the people, in a referendum, decide.	<p>Ongoing</p> <p>A range of materials were produced for business to help work with the euro now, including increasing the number of case studies available to over 50 and issuing a guide "Using the euro – competing in Europe". The www.euro.gov.uk website was relaunched in March 2001 and received over 500,000 visitors and a mailshot of information materials to 1.5m UK businesses. In addition, preparations have ensured that the UK retains the option to make a decision to join a successful single currency. In November 2001, the Treasury issued its fifth Report on Euro Preparations and a guide "Euro compatibility – A Technical Guide for Managers in central Government".</p>
9. (Continued)	9. (Continued)	(xxxixiii) Raise the number of highly indebted countries receiving debt relief, as set out in the Mauritius Mandate.	See PSA Target 9 (Annex A1(a))	See PSA Target 9 (Annex A1(a))

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2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
Corporate Services and Development Directorate Objective ¹		(a) Achieve a declining trend in excessive hours worked over the years 1999, 2000 and 2001.	Measured against a baseline of hours worked in first quarter of 1999.	On course The Treasury achieved a reduction in the percentage of excessive hours worked in 1999, 2000 and 2001.
To maintain a professional, well motivated and outward looking organization committed to open and accountable conduct of policy both here and abroad and manage its running costs effectively.				
		(b) Complete an information strategy review by Spring 1999 which will examine internal business processes and recommend best working practices and adopt recommendations on better departmental coordination.	N/A	Met An information strategy review was completed in Spring 1999. The Treasury has established a Information Strategy Group to champion and co-ordinate information systems developments across the department.
		(c) Reduce the number of unfilled vacancies by 10% by October 2000 and achieve a reduction of two weeks in the length of unfilled vacancies by December 2000.	Measured against 1999 benchmarks.	Met 10% target achieved by October 2000. The postings system enables line managers to fill post internally within 12 weeks. A reduction of 2 weeks against 1999 benchmarks.
		(d) Increase the proportion of the business undertaken electronically in accordance with government targets, to more than 25% of external; communications by 2002.	Percentage capability achieved	Met 100% capability achieved.
		(e) Deliver 2.5% annual efficiency gains and secure at least 2.5% savings of running costs in real terms each financial year from 1997-98.	N/A	Ongoing It has not proved possible to measure aggregate Treasury output however there have been efficiency improvements in many parts of the department's running costs budget.

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2001-02 Objective	1998-2001 Objective	PSA Target	Performance Indicator	Outturn
		(f) Review the application of procurement techniques to all expenditure.	N/A	Ongoing Procurement techniques are reviewed on a regular basis and practices are revised whenever it is beneficial to do so.
		(g) Transact 90% of procurement of standard goods by volume to be purchased electronically by 2000	Measured against a baseline of hours worked in first quarter of 1999.	Met, ongoing 94% of procurement of standard goods by volume were purchased electronically by end 2001.
		(h) Make all payments to suppliers by electronic transfer by December 2000.	N/A	Met, ongoing The Treasury makes payment by electronic transfer to all suppliers who are capable of receiving them in this way.
		(i) Collaborate in joint procurement projects when they offer better value.	N/A	Ongoing The Treasury has undertaken a number of joint procurements with other government departments when they offer better value for money.
		j) A fraud policy statement will be issued for the Department by 31 March 1999.	N/A	Met, ongoing A fraud policy was issued on 31 March 1999.

I. Includes only those PSA targets not reported on in table A1 (b)