

3

PERFORMANCE AGAINST OBJECTIVES

- **Maintaining Macroeconomic Stability**

- (i) **Objective 1: Maintaining a stable macroeconomic framework**
- (ii) **Objective 2: Maintaining sound public finances**
- (iii) **Objective 9: Promoting international financial stability**

- **Meeting the productivity challenge**

- (iv) **Objective 4: Increasing the productivity of the economy**
- (v) **Objective 8: Fair and efficient financial services**

- **Increasing employment opportunity for all**

- (vi) **Objective 5: Expanding economic and employment opportunities**

- **Building a fairer society**

- (vii) **Objective 6: Fair and efficient tax and benefits system**

- **Building high quality public services**

- (viii) **Objective 3: Quality and cost effectiveness of public services**
- (ix) **Objective 7: High standards in public finance**

OBJECTIVE 1: MAINTAINING A STABLE MACROECONOMIC FRAMEWORK WITH LOW INFLATION

INTRODUCTION

3.1 The Macroeconomic Policy and International Finance Directorate of the Treasury, headed by Gus O'Donnell, is responsible for delivering objective 1. The specific target for this objective is PSA target 2: "RPIX (Retail Prices Index excluding mortgage interest payments) inflation to be kept at 2.5 per cent as

specified in the Bank of England's remit." Table 3.1 shows the net expenditure on objective 1 in 2000-01. The method of allocation of expenditure is based upon an aggregate of total resources, including staffing costs, used in all directorates against objective 1.

TABLE 3.1: EXPENDITURE ON OBJECTIVE 1

Objective	2000-01 Gross Expenditure	2000-01 Income	2000-01 Net	1999-2000 Net
	£000	£000	£000	£000
Maintain a stable macro economic framework with low inflation	4,356	(187)	4,169	5,027

3.2 We will seek to deliver objective 1 by:

- Setting a stable and prudent macro economic framework that fosters economic stability and reduces the variability of output and inflation; and by increasing productivity.
- Setting clear, long term policy objectives.
- Following predictable, well understood procedural rules for fiscal and monetary policy making.

3.3 Further details on the monetary policy framework are published in "The New Monetary Policy Framework", HM Treasury 1999. Further details on the fiscal policy framework are published in: "The Code for Fiscal Stability", HM Treasury, March 1998; (http://www.hm-treasury.gov.uk/Documents/UK_Economy/Fiscal_Policy/ukecon_fisc_code98.cfm). For general review of the policy

framework see also the book "Reforming Britain's Economic and Financial Policy: Towards Greater Economic Stability" produced by HM Treasury and published by Palgrave (ISBN 0-333-96610-4).

3.4 Objective 1 focuses on the monetary policy framework, an overview and performance of the fiscal policy framework is given in objective 2 (page 14) and an assessment of the measures to increase the productivity of the economy is given in objective 4 (page 18).

PERFORMANCE AGAINST PSA TARGET

3.5 Table 3.2 below sets out performance against the SR 2000 PSA target in the past year. Annex A2 summarises the performance against the PSA targets that were set in the 1998 CSR.

TABLE 3.2: PERFORMANCE AGAINST PSA TARGET

Spending Review 2000 PSA Target	Performance Indicator	Progress
2. RPIX inflation to be kept at 2.5 per cent as specified in the Bank of England's remit.	RPIX	Met to date, ongoing March 2002 RPIX inflation rate was 2.3 per cent

ACHIEVEMENTS

3.6 Inflation has remained within one percentage point of the target since May 1997. Over the past year the 12 month RPIX inflation rate has on average been narrowly below target ranging between 1.8 and 2.6 per cent. Inflation is also expected to remain close to target in future with market expectations of inflation 10 years ahead remaining close to 2.5%.

3.7 Growth in 2001 was 2.2% the fastest achieved by a G7 country and well above the Euro-area average of 1.5% at a time of world economic slowdown.

3.8 Further details on the performance of the monetary policy framework are published in Budget 2002: (Economic and Fiscal Strategy Report and Financial Statement and Budget Report, HM Treasury), available at http://www.hm-treasury.gov.uk/Budget/bud_bud02

Performance against broad objective

3.9 In addition to maintaining inflation at 2.5%, objective 1 also commits the Treasury to maintaining a stable macro economic framework. This has been achieved through clear transparent monetary and fiscal frameworks whose credibility is reflected in the reduction in the differential between UK and German bond yields and in the variability of output and employment. Achievements over the past year include annual GDP growth and unemployment

remaining in a relatively narrow band. Indeed, between the on trend points in 1997 H1 and 2001 Q3, annualised growth has averaged 2.6 per cent.

3.10 A more detailed assessment of the broad macro economic framework is also published in Budget 2002.

PLANS FOR THE FUTURE

3.11 The Government has set out five economic tests which must be met before any decision to join the single currency can be made. A comprehensive and rigorous assessment of the five tests will be made within two years of the start of this Parliament. On the basis of the assessment, the Government will decide whether the five tests have been met. In June 2001 the Chancellor explained that the Treasury would undertake necessary preliminary and technical work before the assessment of the five tests is started. (Further detail on the preliminary and technical work was set out in the Treasury paper; Preliminary and technical work to prepare for the assessment of the five tests for UK membership of the single currency.

<http://www.hm-treasury.gov.uk/mediastore/otherfiles/Preliminary%20Technical%20work.pdf>).

3.12 The Government will continue to monitor the macro economic framework and will ensure that it reflects best practice.

OBJECTIVE 2: MAINTAINING SOUND PUBLIC FINANCES IN ACCORDANCE WITH THE CODE FOR FISCAL STABILITY.

INTRODUCTION

3.13 The Budget and Public Finances directorate of the Treasury, headed by Sir Robert Culpin, is responsible for delivering objective 2. The specific target for this objective is PSA target 3: Over the economic cycle to maintain (a) public sector net

debt below 40 per cent of GDP and (b) the current budget in balance or surplus. Table 3.3 shows the net expenditure on objective 2 in 2000-01. The method of allocation of expenditure is based upon an aggregate of total resources, including staffing costs, used in all directorates against objective 2.

TABLE 3.3: EXPENDITURE ON OBJECTIVE 2

Objective	2000-01 Gross Expenditure	2000-01 Income	2000-01 Net	1999-2000 Net
	£000	£000	£000	£000
Maintain sound public finances in accordance with the code for fiscal stability.	8,749	(373)	8,376	8,486

- 3.14** We will seek to deliver objective 2 by:
- Continuously monitoring the state of the public finances to ensure that risks to this target are identified as soon as they emerge.
 - Providing forecasts of revenues and spending based on the Treasury's best view of the economic outlook, the NAO audited assumptions, and unbiased costings of the effects of Budget measures and other discretionary changes, and
 - Ensuring that these forecasts are fully consistent with the fiscal rules.

be maintained below 40% of GDP over the economic cycle.

- 3.15** The fiscal rules, equivalent to PSA target 3, are as follows:
- golden rule: states that over the economic cycle, the Government will borrow only to invest, and not to fund current spending – maintaining a current surplus, and
 - sustainable investment rule: public sector net debt as a proportion of GDP will be held, over the economic cycle at a stable and prudent level. Other things being equal, net debt will

3.16 These rules are designed to ensure attainment of the Government's key objectives for fiscal policy:

- over the medium term, to ensure sound public finances, and that spending and taxation impact fairly both within and between generations
- over the short term, to support monetary policy.

Full details of the fiscal policy framework are enshrined in The Code for Fiscal Stability, approved by the House of Commons in December 1998. (This is available at http://www.hm-treasury.gov.uk/Documents/UK_Economy/Fiscal_Policy/)

PERFORMANCE AGAINST PSA TARGET

3.17 Table 3.4 below sets out performance against the SR 2000 PSA target in the past year. Annex A2 summarises performance against the PSA targets that were set in the 1998 CSR.

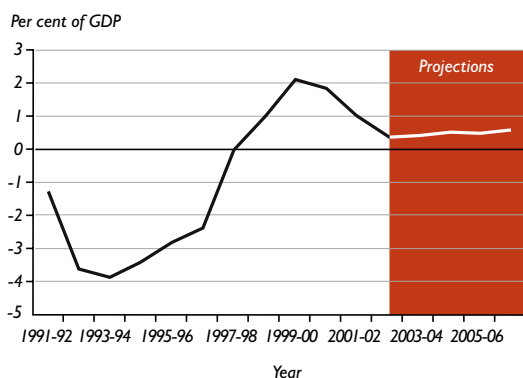
TABLE 3.4: PERFORMANCE AGAINST PSA TARGET

Spending Review 2000 PSA Targets	Performance Indicator	Progress
3. Over the economic cycle to maintain (a) public sector net debt below 40 per cent of GDP and (b) the current budget in balance or surplus.	(a) Public sector net debt and (b) surplus on current budget.	On course (a) The public sector net debt was 30.4% at end-March, and is projected to remain at or below 31% until 2006-07. (b) The surplus on current budget is estimated to have been 1.1% in 2001-02, and is projected to remain positive in every year of the forecast.

ACHIEVEMENTS

3.18 The public finances were in current surplus for the fourth consecutive year in 2001-02. This implies that public sector current receipts were in excess of current spending, and the public sector borrowed only to invest.

CHART 3.1: CYCLICALLY-ADJUSTED SURPLUS ON CURRENT BUDGET



3.20 Further details of performance against the fiscal rules are published in Budget 2002 available on the treasury web site at [http://www.hm-treasury.gov.uk/Budget/bud_bud02/]

3.21 At the same time as remaining fully consistent with the fiscal rules, it was possible for Budget 2001 to implement the following measures:

- A £1.1bn package of further support for families and children.
- A £1/2 billion a year package of measures on maternity and paternity pay.
- A cut in income tax through a widening of the 10 pence band.
- An extra £2/3 billion for public services over the following three years, targeted at the key public service priorities of education, health and crime.

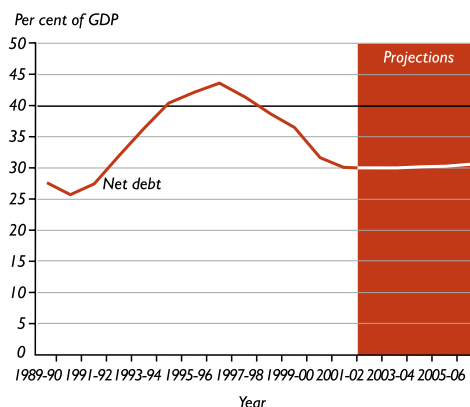
3.22 In addition, the 2001 Pre-Budget Report provided an extra £1 billion for health, funded entirely by reallocating savings on debt interest payments. Further details on the measures announced in the 2001 PBR are available on the Treasury web site at: [http://www.hm-treasury.gov.uk/Pre_Budget_Report/prebud_pbr01]

FUTURE PLANS

3.23 Budget 2002 confirmed that the Government will continue to ensure sound and sustainable public finances over the medium term, with fiscal policy supporting monetary policy over the economic cycle. As Charts 3.1 and 3.2 show, the Budget 2002 projections remain fully consistent with the fiscal rules: the cyclically adjusted current surplus is projected to remain positive during the forecast period, and net debt is projected to remain well below 40%.

3.19 Chart 3.1 shows the outturns and projections for the cyclically-adjusted current surplus, which, as the fiscal rules apply over the cycle, is the most appropriate measure.

CHART 3.2: PUBLIC SECTOR NET DEBT



3.24 Consistent with meeting the rules, Budget 2002:

- Implements a comprehensive package to promote enterprise and work.
- Tackles child and pensioner poverty.
- Takes action to close loopholes in the tax system and protect the revenue base.
- Adds £4 billion to Departmental Expenditure Limits in 2003-04, including £2.8bn for health and personal social services.
- Sets firm overall limits for the 2003 spending review, with current spending, excluding spending on health, to increase by 2 1/2 per cent a year in real terms in 2004-05 and 2005-06.
- Lays plans for public sector net investment to rise from its 1.8 per cent of GDP target in 2003-04 to 2 per cent of GDP by 2005-06, continuing to address the legacy of under-investment in Britain's public infrastructure.
- Delivers substantial increases in investment to place the National Health Service (NHS) on a sustainable long-term financial footing, and ensure that resources are available for reform, providing for 7.4 per cent average annual real terms growth in UK NHS spending over the five years to 2007-08.
- Maintains a fiscal stance at least as tight, this year and over the next two years, as in the Pre-Budget report.

3.25 Further details on these measures are again set out in Budget 2002

OBJECTIVE 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

INTRODUCTION

3.26 The Macroeconomic Policy and International Finance Directorate of the Treasury is responsible for delivering objective 9. The specific targets for this objective are PSA target 8: "to increase the number of countries participating in the global economy on the basis of a system of internationally agreed and monitored codes and standards"; and target 9 "relief of unsustainable debt by 2004 for all heavily-indebted poor countries

(HIPC) committed to poverty reduction, building on the internationally agreed target that three quarters of eligible HIPCs reach decision point by the end of 2000." PSA target 9 is a joint target with the Department for International Development (DFID). Table 3.5 shows the net expenditure on objective 9 in 2000-01. The method of allocation of expenditure is based upon an aggregate of total resources, including staffing costs, used in all directorates against objective 9.

TABLE 3.5: EXPENDITURE ON OBJECTIVE 9

Objective	2000-01 Gross Expenditure	2000-01 Income	2000-01 Net	1999-2000 Net
	£000	£000	£000	£000
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.	7,399	(357)	7,042	13,124

3.27 We will seek to deliver objective 9 by:

- Measures to ensure, through the IMF and other relevant bodies, transparent surveillance of countries' adherence to internationally-agreed codes and standards.
- Measures to promote open trade and capital flows.
- Tackling financial crime, corruption and regulatory abuses.
- Measures to implement reforms to the international financial architecture, to enhance global crisis prevention and resolution.
- Maintaining discipline and tackling fraud on the EU Budget.
- Increasing momentum behind European economic reform.
- Securing faster, wider and deeper debt relief for the poorest countries, through the effective implementation of the Heavily Indebted Poor Country initiative.

- Working internationally to promote growth, development and poverty reduction in developing countries, in line with the International Development Targets.

PERFORMANCE AGAINST PSA TARGETS

3.28 Table 3.6 below sets out performance against the SR 2000 PSA target in the past year. Annex A2 summarises the performance against the PSA targets that were set in the 1998 CSR.

3.29 Further details can be found in the Treasury's annual report to Parliament setting out the UK's relationship with the International Monetary Fund (IMF): "Responding to the Challenges of Globalisation: The UK and the IMF 2001." <http://www.hm-treasury.gov.uk/mediastore/otherfiles/IMF%20REPORT.pdf>

TABLE 3.6: PERFORMANCE AGAINST PSA TARGETS

Spending Review 2000 PSA Targets	Performance Indicator	Progress
8. Increase the number of countries participating in the global economy on the basis of a system of internationally agreed and monitored codes and standards	The IMF assesses member countries' compliance with internationally agreed codes and standards through the production of Reports on the Observance of Standards and Codes (ROSCs).	Met and ongoing. 22 countries had reached Decision Point* by end of December 2000. As of December 2001, 201 separate assessments had been prepared for 67 countries, of which 145, covering 45 countries, had been published.
9. Relief of unsustainable debt by 2004 for all heavily-indebted poor countries (HIPC) committed to poverty reduction, building on the internationally agreed target that three quarters of eligible HIPCs reach decision point by the end of 2000.	Internationally agreed target of getting three quarters of eligible HIPCs to reach Decision Point* by the end of 2000	Met and exceeded. 22 countries had reached Decision Point* by end of December 2000. At end of 2001, 4 countries had reached Completion Point*, while 20 countries were receiving interim relief.

* Decision Point and Completion Point are defined in: "Responding to the Challenges of Globalisation: The UK and the IMF 2001". Website address given above.

ACHIEVEMENTS

Increasing the number of countries participating in the global economy.

3.30 To meet target 8 we have continued to press for greater transparency in economic surveillance, including through encouraging the International Monetary Fund (IMF) to assess how well countries are complying with key codes and standards of good policy practice, and for the publication of this surveillance. Full transparency reports have been produced for 8 countries to date, including the UK.

3.31 To support the creation of effective measures within the International Financial Institutions to deal with the particular problems of post-conflict and post-catastrophe countries; the UK has worked with the IMF and the World Bank on ways to address the particular problems of post-conflict countries, including looking at the issue of lending into arrears.

3.32 Working with other European Union Member States, the Treasury continues to promote financial discipline and measures to tackle fraud and waste. In particular, the 2002 budget has been set within the financial perspective expenditure limits agreed at the Berlin European Council in 1999. Further steps have also been taken to reform the Commission's financial management, by making clear where responsibilities lie and introducing clearer audit and control systems.

Relief of unsustainable debt by 2004 for all heavily-indebted poor countries (HIPC) committed to poverty reduction.

3.33 To ensure a more equitable spread of global prosperity, the UK has supported international efforts to promote economic development and to alleviate poverty, including through debt relief for the poorest countries. During the year the focus shifted towards promoting an integrated approach to economic and social policies, in order to achieve global social justice and the Millennium Development Goals.

3.34 Further details on the Millennium Development Goals are published in:
<http://www.undp.org/mdg/Millennium%20Development%20Goals.pdf>

Performance against broad objective

3.35 In addition to the PSA targets objective 9 also commits the Treasury to pursuing increased productivity and efficiency in the EU.

3.36 The UK has pushed for greater reform of European economies, including publishing a White Paper. There has been progress at a European level with 5 million jobs created over the past two years, a reduction in the cost of phone calls and a doubling of internet access.

FUTURE PLANS

3.37 The Government will continue to work with international partners to promote the UK's economic prospects.

OBJECTIVE 4: INCREASING THE PRODUCTIVITY OF THE ECONOMY

INTRODUCTION

3.38 The Financial Regulation and Industry Directorate of the Treasury, headed by Jon Cunliffe, is responsible for delivering objective 4. The specific target for this objective is PSA target 5, to improve UK competitiveness by narrowing the productivity gap with US, France, Germany, and Japan, over the economic cycle, this is a

joint target with the Department for Trade and Industry (DTI). Table 3.7 shows the net expenditure on objectives 4 and 5 in 2000-01. The method of allocation of expenditure is based upon an aggregate of total resources, including staffing costs, used in all directorates against objectives 4 and 5.

TABLE 3.7: EXPENDITURE ON OBJECTIVE 4 AND 5¹

Objective	2000-01 Gross Expenditure	2000-01 Income	2000-01 Net	1999-2000 Net
	£000	£000	£000	£000
Increasing the productivity of the economy and expanding economic and employment opportunities for all.	11,602	(469)	11,133	10,454

¹ Objectives 4 and 5 were separated following SR 2000 in April 2001. Figures relate to combined 1998 CSR objective.

3.39 The Government's strategy for narrowing the productivity gap is set out in Budget 2002 – http://www.hm-treasury.gov.uk/budget/bud_bud02

PERFORMANCE AGAINST PSA TARGETS

3.40 Table 3.8 below sets out performance against the SR2000 PSA targets in the past year. Annex A2 summarises performance against the PSA targets which were set in the 1998 CSR.

TABLE 3.8: PERFORMANCE AGAINST PSA TARGETS

Spending Review 2000 PSA Targets	Performance Indicator	Progress
5. Improve UK competitiveness by narrowing the productivity gap with the US, France, Germany, and Japan over the economic cycle. Joint target with DTI.	Figures on output per worker and output per hour, over the economic cycle, published by the Office for National Statistics (ONS) (based on Organisation for Economic Cooperation and Development (OECD) statistics).	Not yet assessed. Spending Review 2000 PSA targets apply for the period 2001-04. Data on international productivity comparisons for 2001 are not yet available. ONS will publish data for 2001 in summer 2002. Following productivity growth of 2.0% in 2000, the UK registered a weaker productivity performance during 2001. This was primarily due to slower growth in manufacturing productivity, as a significant slowdown in the world economy sharply reduced manufacturing output across all industrialised countries last year. However, the Government assesses progress against its productivity objectives across the whole of the economic cycle and the continued strength of UK economic fundamentals should support resumption of productivity gains beyond the near term.

ACHIEVEMENTS, 2001-02

3.41 The Government has put in place a wide range of measures to boost productivity across the economy, including:

- Major reforms to the competition regime, including full independence for better resourced competition authorities, and detailed investigations into specific markets;
- Radical reform of the business tax system to support enterprise and investment, including the introduction of a generous Capital Gains Tax (CGT) business assets taper and a zero starting rate of corporation tax;
- A range of measures to support small business – improving access to finance and reducing the administrative burden of VAT and payroll administration;
- The introduction of tax credits to encourage research and development by Small and Medium-sized Enterprises (SMEs) and large companies;
- A range of measures to support enterprise, investment and wealth creation in Britain's most disadvantaged communities, including a stamp duty exemption for all property transactions up

to £150,000 in 2,000 qualifying wards. Subject to state aids clearance, the Government will abolish stamp duty on all non-residential property transfers in these areas;

- Publishing a Green Paper on planning reform, setting out proposals to improve dramatically the flexibility, speed and responsiveness of the land use planning system; and
- Increased investment to raise standards in primary and secondary schools and to provide additional funding for places in higher education, as well as new schemes to improve adult literacy and numeracy and increase life long learning.

FUTURE PLANS

3.42 The Government will continue to take forward its programme of reform to promote greater productivity growth, including implementing reforms to modernise the UK's competition regime and insolvency laws through the Enterprise bill, taking further steps to establish a modern and competitive business tax system, implementing the Government's proposed reforms to the planning system and piloting new measures to improve access to training and enable employees to attain basic and level 2 skills. Further details of the Government's future plans are also set out in Budget 2002.

OBJECTIVE 8: SECURING AN INNOVATIVE, FAIR DEALING, COMPETITIVE AND EFFICIENT MARKET IN FINANCIAL SERVICES, WHILE STRIKING THE RIGHT BALANCE WITH REGULATION IN THE PUBLIC INTEREST

INTRODUCTION

3.43 The Financial Regulation and Industry Directorate of the Treasury is responsible for delivering objective 8. There is no formal PSA target for this objective: however the Treasury is committed to SDA target B3, which says that "measures of success

include implementing the Financial Services and Markets Act in 2001." Table 3.9 shows the net expenditure on objective 8 in 2000-01. The method of allocation of expenditure is based upon an aggregate of total resources, including staffing costs, used in all directorates against objective 8.

TABLE 3.9: EXPENDITURE ON OBJECTIVE 8

Objective	2000-01 Gross Expenditure	2000-01 Income	2000-01 Net	1999-2000 Net
	£000	£000	£000	£000
Securing an innovative, fair dealing, competitive market in financial services, while striking the right balance with regulation in the public interest.	73,060	(254,237)	(181,177)	38,045

3.44 To meet objective 8 the Treasury has put in place policies aimed at:

- Protecting the financial system from money laundering and financing terrorism;
- Opening up financial markets and maintaining financial stability;
- Encouraging competition in banking;
- Reducing financial exclusion through the development of Basic Bank Account CAT standards

- Enhancing consumer protection and streamlining regulation around mortgages and insurance.

3.45 In addition the Treasury is working with the European Union to push forward with its agenda on financial services and regulation.

PERFORMANCE AGAINST TARGETS

3.46 Table 3.10 below sets out performance against the SR 2000 SDA target in the past year. Annex A2 summarises the performance against the PSA targets that were set in the 1998 CSR.

TABLE 3.10: PERFORMANCE AGAINST SDA TARGETS

Spending Review 2000 SDA Targets	Performance Indicator	Progress
SDAB3. Measures of success include implementing The Financial Services and Marketing Act in 2001 ¹ .	N/A	Met: Successfully completed the transfer of powers to the Financial Services Authority on 1st December 2001

¹ For further information on the Financial Services and Markets Act 2000 see http://www.hm-treasury.gov.uk/consultations_ad_legislation/financial_services_and_markets_act/bulletins/fsma_bulletin_index.cfm

ACHIEVEMENTS

3.47 Over the past year measures to protect the financial system from money laundering and counter the financing of terrorism have included:

- Passing legislation to enable terrorist assets to be identified and frozen;
- Securing international agreement to new FATF [Financial Action Task Force] standards against terrorist financing;

- Freezing the assets of terrorists suspected in involvement in financing the World Trade Centre attacks and other terrorist incidents; for further information see http://www.hm-treasury.gov.uk/documents/international_issues/terrorist_financing/int_terrorfinance_index.cfm
- Negotiating improvements in the anti money laundering systems in several countries so that they could be removed from the FATF blacklist;
- Securing continuing improvements in financial regulation in the UK Overseas Territories;
- Introducing supervision of the compliance by bureaux de change and other money service providers with UK anti money laundering legislation.

3.48 Progress on opening up financial markets and maintaining financial stability has included:

- Contributing towards the liberalisation of international financial markets through the launch of the World Trade Organisation (WTO) Round;
- Pressing in bilateral and multilateral fora for the opening up of financial markets;
- Bringing forward legislation to further modernise the UK's securities settlement system;
- Agreeing with the Financial Services Authority (FSA) how the FSMA [Financial Services and Markets Act 2000] arrangements for holding them accountable will work, and clarifying our respective roles and responsibilities;
- Successfully negotiating an improvement to the EU regime for posting collateral in cross-border transactions;
- Working with the FSA and the Bank of England to maintain financial stability in the aftermath of September 11.

3.49 Progress on encouraging competition in banking has included:

- Publishing and responding to the Competition Commission's report on the supply of banking services to small and medium sized enterprises.
- Publishing and responding to the Julius report on banking services codes, which will improve competition and increase the levels of customer service in banking services. The Julius Report and further information on banking services can be found at www.hm-treasury.gov.uk/documents/financial_services/banking/fin_bank_index.cfm
- Publishing revised proposals for legislation to establish a new competition regime for payment systems

Progress on reducing financial exclusion has included:

- Further deregulation of credit unions;
- Working with insurance industry on good practice guidance for insurance with rent schemes and consulting on CAT standards for basic bank accounts;

3.50 Progress on enhancing consumer protection and making the retail financial services market work better has included:

- Commissioning Ron Sandler to review the operation of the retail savings market, following a recommendation in Paul Myners' review of institutional investment;
- Deciding to regulate advice given when entering into a mortgage, and publishing draft legislation to implement this;
- Deciding to regulate the sale of general insurance products.

3.51 In addition the Treasury has pushed forward its agenda on financial services in Europe. This has included:

- Helping to secure political agreement on the proposals for directives on market manipulation, collateral, UCITS [Undertakings for Collective Investment and transferable securities] and distance marketing directives;
- Presenting an e-financial services report to ECOFIN

FUTURE PLANS

3.52 The Treasury will be working on the following issues in the year ahead:

- The passage of new legislation to tighten up domestic controls on money laundering and increase the amount of criminal assets confiscated by the State;
- Negotiations in the Services Council as part of the WTO Round, to secure more open markets;
- Continued progress in closing down the international financial system for the financing of terrorism, including sanctioning uncooperative countries;

• Increasing the number of countries complying fully with the FATF Recommendations;

3.53 In Europe the Treasury will continue to advance the Chancellor's strategy by:

- Making the linkages to the reform agenda and encouraging a focus on economic benefits - looking forward to Barcelona and Mid Term Review;
- Working to achieve successful outcomes on priority dossiers like the Prospectus Directive which will replace the Public Offers Directive, and the Listing Particulars Directive. Investment Services directives which will advance the single market.

OBJECTIVE 5: EXPANDING ECONOMIC AND EMPLOYMENT OPPORTUNITIES FOR ALL

INTRODUCTION

3.54 The Budget and Public Finances Directorate of the Treasury is responsible for delivering objective 5. The specific target for this objective is PSA target 6, to "increase employment over the economic cycle." This target also contributes to target 7, the Welfare to Work PSA. In addition to PSA target 6, objective 5

also has an SDA target, target B1, to "achieve a continued reduction in the number of unemployed people over the age of 18 over the economic cycle." Table 3.11 shows the net expenditure on objectives 4 and 5 in 2000-01. The method of allocation of expenditure is based upon an aggregate of total resources, including staffing costs, used in all directorates against objective 4 and 5.

TABLE 3.11: EXPENDITURE ON OBJECTIVE 4 AND 5¹

Objective	2000-01 Gross Expenditure	2000-01 Income	2000-01 Net	1999-2000 Net
	£000	£000	£000	£000
Increasing the productivity of the economy and expanding economic and employment opportunities for all.	11,602	(469)	11,133	10,454

¹ Objectives 4 and 5 were separated following SR 2000 in April 2001. Figures relate to combined 1998 CSR objective.

PERFORMANCE AGAINST TARGETS

3.55 Table 3.12 below sets out performance against the SR 2000 PSA and SDA targets in the past year: Annex A2

summarises performance against the PSA targets that were set in the 1998 CSR.

TABLE 3.12: PERFORMANCE AGAINST PSA AND SDA TARGETS

Spending Review 2000 PSA and SDA Targets	Performance Indicator	Progress
6. Increase employment over the economic cycle. Target contributes to Welfare to Work PSA.	Working age employment level (rate) compared to similar points in previous economic cycles, based on tentative HMT estimate of output gap	On course Employment averaged 27.4m (74.6%) in three months to December 2001, compared to 26.7m (74.1%) mid-1999, and 26.1m (72.9) at the start of 1997.
SDA,B1. Achieve a continued reduction in the number of unemployed people over the age of 18 over the economic cycle.	Seasonally adjusted International Labour Organisation (ILO) unemployment level and rate of working age people over 18, compared to similar points in previous economic cycles, based on tentative HMT estimate of output gap	On course ILO 18-59/64 unemployment averaged 1.4m (4.9%) in three months to December 2001, compared to 1.5 (5.6%) in mid-1999 and 1.9m (7.0%) at the start of 1997

ACHIEVEMENTS

3.56 For the unemployed the New Deals offer tailored support and have, up to January 2002, helped 351,340 young people (18-24) and 94,830 long-term unemployed find work. In addition, Employment Zones have been testing an alternative approach to the New Deal for over 25s, and so far have helped over 6,000 people into work.

3.57 Progress on providing employment opportunities for the economically inactive has included:

- Jobcentre Plus, a work-first service for all working age benefit recipients, is operational in 56 offices;
- The New Deal for Lone parents (NDLP) is extending help to all lone parents (regardless of whether they are on Income Support or not), and including an additional work-focussed interview at the six-month stage of an IS claim, to ensure lone parents are aware of the options open to them. Up to November 2001, 325,221 lone parents had participated in the program and 145,731 had found work;
- The New Deal for partners, offers a voluntary personal adviser service to dependent partners of claimants who have been on benefits for at least six months;
- The New Deal for disabled people, offers a national network of Job Brokers. Up to November 2001 5,972 disabled people had participated in the program and 1,068 had found work.

Further information on the New Deal is published in Budget 2002 http://www.hm-treasury.gov.uk/budget/bud_bud02

3.58 Progress in increasing employment in other disadvantaged areas has included:

- Action Teams, using resources in innovative ways to help tackle the barriers to employment for inactive and long-term unemployed in 53 of the most disadvantaged areas;
- The new Rapid Response Service (bringing together the Job Transition Service and the Rapid Reaction Fund) to prevent long-term damage to local economies disproportionately affected by large-scale redundancies; and

- The introduction in April of 2002 of StepUP, supporting jobseekers with multiple barriers to work in subsidized employment.

3.59 Building on the National Minimum Wage, and reforms to the system of National Insurance Contributions, the Government has continued to address the unemployment and poverty traps, introducing measures to make work pay. The Working Families' Tax Credit (WFTC) guarantees a minimum level of income for people with children moving into employment. A family with one child with one person working at the National Minimum Wage is guaranteed £167 for working 16 hours and £227 for working 35 hours.

PLANS FOR THE FUTURE

3.60 The following measures to raise employment opportunities and incentives will be introduced over the course of the next few years:

- The Government will continue to roll out Jobcentre Plus, with an extra 225 offices being introduced by April 2003.
- The Government will introduce a Working Tax Credit from April 2003. For a couple without children, the minimum income in work under the Working Tax Credit is equivalent to a National Minimum Wage of more than £6 an hour.
- From April 2003, eligibility for the childcare component of the Working Tax Credit will include those who use approved childcare in their own home, helping more families balance working and caring responsibilities
- From the end of 2002, trial Retention and Rehabilitation pilots will test the effectiveness of early interventions in helping sick and disabled remain in employment.
- A demonstration Retention and Advancement pilot will be introduced later in 2002, to explore how best to improve job stability and advancement among particularly vulnerable groups, including lone parents and individuals who have experienced a number of repeated periods of unemployment.

OBJECTIVE 6: PROMOTING A FAIR AND EFFICIENT TAX AND BENEFIT SYSTEM WITH INCENTIVES TO WORK, SAVE AND INVEST.

INTRODUCTION

3.61 The Budget and Public Finances Directorate of the Treasury, is responsible for delivering objective 6. The specific target for this objective is PSA target 7, to "make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004." This is a joint

target with the Department for Work and Pensions (DWP). Objective 5 (see page 22) also contributes to the achievement of this target. Table 3.13 shows the net expenditure on objective 6 in 2000-01. The method of allocation of expenditure is based upon an aggregate of total resources, including staffing costs, used in all directorates against objective 6.

TABLE 3.13: EXPENDITURE ON OBJECTIVE 6

Objective	2000-01 Gross Expenditure	2000-01 Income	2000-01 Net	1999-2000 Net
	£000	£000	£000	£000
Promoting a fair and efficient tax and benefit system with incentives to work, save and invest.	2,150	(94)	2,056	4,343

3.62 To reduce the number of children in low-income households the following policy measures have been put in place:

- Improving the tax and benefit system, including announcing the details of the new Child and Working Tax Credits being introduced in April 2003.
- Introducing welfare to work policies to help move parents into work, which increases household income and;
- Improving services available to children and their families and building the foundations to break the cycle of poverty and disadvantage in the future.

Further information on this PSA target is available from the Treasury's website. See http://www.hm-treasury.gov.uk/Documents/Public_Spending_and_Services/Public_Service_Agreements_2001-2004/pss_psa_technotes.cfm

PERFORMANCE AGAINST PSA TARGET

3.63 Table 3.14 below sets out performance against the SR 2000 PSA target in the past year: Annex A2 summarises the performance against the PSA targets that were set in the 1998 CSR.

ACHIEVEMENTS

Child Poverty

3.64 The most recent figures available for the number of children in low-income households are for 2000-01. The number of children in households below 60% contemporary median income was 2.7 million before housing costs and 3.9 million after housing costs. Both figures include children in self-employed households. With the introduction of the Child and Working Tax

TABLE 3.14: PERFORMANCE AGAINST TARGET

Spending Review 2000 PSA Target	Performance Indicator	Progress
7. Make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004-05. Joint target with Department for Work and Pensions (DWP).	Number of children in low-income households by 2004-05. Low-income households are defined as households with income below 60% of median as reported in the annual Households Below Average Income (HBAI) Statistics published by the DWP. HBAI Statistics cover Great Britain. Progress will be reported against the 1998-99 baseline figures and methodology. The baseline is 4.2 million children in low-income households after housing costs (AHC) and 3.1 million before housing costs (BHC).	On course. Latest figures, for 2000-01, show a fall from the baseline level to 3.9 million (AHC) and 2.7 million (BHC). Target for 2004-05 is 3.15 million (AHC) and 2.325 million (BHC). Further information on this target and the tackling Child Poverty Strategy can be found in DWP's annual report. The paper <i>Tackling Child Poverty</i> was published with the 2001 Pre Budget Report.

Credits in 2003 and all tax and benefit changes announced since 1997, the Government is on course to meet its target - it is around a third of the way, into the target period.

Incentives to work and a fairer society

3.65 Over the past year the progress on improving incentives to work includes:

- Widening the 10 pence rate of income tax by £300 over and above indexation from April 2001;
- Increasing the rates of the National Minimum Wage for workers aged 18 to 21 and 22 and over from October 2001;
- Boosting the basic credit in the Working Families' Tax Credit (WFTC) by £5 from June 2001, which, combined with the above increase in the National Minimum Wage, provides a guaranteed minimum income of £225 a week from October 2001 for a family with one child eligible for WFTC and with one person working 35 hours a week (CSR PSA target (xix)).
- By the end of 2001-02 the number of families facing marginal deduction rates (the proportion of any increase in income lost through reduced benefit entitlement and increased taxation) of more than 70 per cent had fallen by nearly 1/2 million to around a third of the 1997 level.

3.66 Progress on delivering a fairer society and a better quality of life for all includes:

- Introducing the Children's Tax Credit from April 2001 at £10 a week, providing up to £520 a year for around 4.6 million families (and, from April 2002, £20 a week in the year of a child's birth);
- An increase in Child Benefit from April 2001 to £15.50 a week for the first child and £10.35 a week for subsequent children, representing a 26% real terms increase for the first child since 1997;
- A further increase from October 2001 of £1.50 in the child allowances in Income Support and Jobseeker's Allowance, to match the rise in the Children's Tax Credit.

FUTURE PLANS

Child Poverty

3.67 The Government remains committed to eradicating child poverty by 2020 within the framework set out in its December 2001 strategy document, *Tackling Child Poverty* – giving every child the best possible start in life. See http://www.hm-treasury.gov.uk/Pre_Budget_Report/prebud_pbr01/

3.68 The Government's annual report on poverty and social exclusion, *Opportunity for All*, monitors progress against a range of indicators, including family income and services. The Department for Work and Pensions has published a consultation document entitled *Measuring Child Poverty*, on how best to build

on the Government's existing indicators to measure child poverty in the long-term, seeking views on a range of approaches proposed by academics and poverty experts from the UK and overseas.

Incentives to work and a fairer society

3.69 In addition to further progress with active labour market policies, the Government intends to introduce further reforms to improve incentives to work:

- From October 2002 the National Minimum Wage for workers aged 22 and over and those aged 18 to 21 will rise again to £4.20 per hour and £3.60 per hour respectively;
- From April 2003, the Government will be introducing two new Tax Credits: the Working Tax Credit and the Child Tax Credit. The Working Tax Credit is designed to help tackle poor work incentives and persistent poverty among all working people. It will carry over the adult elements of WFTC and Disabled Pensions Tax Credit (DPTC) and extend in-work support to workers without children or disabilities.

3.70 More detail on the Government's reforms to help make work pay are set down in Chapter 5 of Budget 2002. A separate document, *The Child and Working Tax Credits* (http://www.hm-treasury.gov.uk/mediastore/otherfiles/new_tax_credits.pdf) was published on Budget day and provides more detail on the new Working Tax Credit

3.71 Reform to help deliver a fairer society and better quality of life for all will continue in the coming years:

- Sure Start Maternity Grant will rise from £300 to £500 from April 2002 for families with a baby due on or after 16 June 2002. This goes to over 200,000 low-income families each year to help with the costs of a new baby;
- Flat rate of Statutory Maternity Pay (SMP) and Maternity Allowance increased from £60.20 a week to £75 a week from April 2002 and will rise to £100 a week from April 2003. The period of maternity pay will be extended from 18 to 26 weeks from April 2003;
- Basic credit in the Working Families' Tax Credit and the credit for couples and lone parents in the Disabled Person's Tax Credit, will rise by £2.50 from June 2002, on top of the increases in line with indexation in April 2002; and
- Child allowances in Income Support (IS) and Job Seekers Allowance (JSA) will increase by £3.50 from October 2002;
- Introduced from April 2003, the Child Tax Credit will provide a single, seamless system of income-related support for families with children. Building on the foundation of universal Child Benefit, it will bring together the support for children currently provided through the child elements of the WFTC, the DPTC, and Income Support or Jobseeker's Allowance, as well as the existing Children's Tax Credit.

OBJECTIVE 3: IMPROVING THE QUALITY AND COST-EFFECTIVENESS OF PUBLIC SERVICES

INTRODUCTION

3.72 The Public Services Directorate of the Treasury, headed by Nick Macpherson, is responsible for delivering objective 3. The specific target for this objective is PSA target 4, to "achieve an

improvement in value for money in public services year by year." Table 3.15 shows the net expenditure on objective 3 in 2000-01. The method of allocation of expenditure is based upon an aggregate of total resources, including staffing costs, used in all directorates against objective 3.

TABLE 3.15: EXPENDITURE ON OBJECTIVE 3

Objective	2000-01 Gross Expenditure	2000-01 Income	2000-01 Net	1999-2000 NetObjective
	£000	£000	£000	£000
Improve the quality and cost effectiveness of public services	115,645	(56,990)	58,655	(4,644)

3.73 The Government's long-term goal is to deliver world-class public services through investment and reform to ensure that taxpayers receive value for money. We are delivering objective 3 by developing a framework for planning and controlling public spending, which:

- Is underpinned by firm fiscal rules;
- Provides a stable basis for departmental planning with budgeting over three years;
- Allocates resources on the basis of firm and fixed plans;
- Provides separate allocations for capital spending, to ensure sustained increases in investment;

- Links budgets to challenging outcome-focussed targets as part of departmental Public Service Agreements; and
- Links investment to reform and delivery;

PERFORMANCE AGAINST PSA TARGET

3.74 Table 3.16 below sets out performance against the SR 2000 PSA target in the past year. Annex A2 summarises the performance against the PSA targets that were set in the 1998 CSR.

TABLE 3.16: PERFORMANCE AGAINST TARGET

Spending Review 2000 PSA Target	Performance Indicator	Progress
4. Achieve an improvement in value for money in public services year by year.	Monitored centrally using a scorecard approach, based on departmental information	<p>On course</p> <p>Good progress in delivering efficiency improvements has been reported across the public services, for example in reducing cost variation in the NHS, developing benchmarking for schools, achieving savings in government procurement and delivering efficiencies in the police. Robust value for money measures and strategies are also being put in place in other areas, for example in local government.</p>

ACHIEVEMENTS

3.75 Over the past year the Treasury has made significant progress in five key areas;

- Preparation for the 2002 Spending review
- Strengthening our analysis and evidence base
- Monitoring and delivering targets
- Setting clear strategies for investment
- Promoting innovation and providing incentives

3.76 The foundations for the 2002 Spending review will ensure that resources are available for investment in priority services over the next three years, whilst ensuring that departments' programmes can effectively deliver modernisation and reform. A number of cross-cutting reviews will also conclude in time for the review. These reviews have covered some of the biggest cross-departmental challenges facing public services, such as health inequalities, the role of the voluntary sector, and children at risk, with the aim of providing solutions that are co-ordinated across departments.

3.77 A key feature of the build up to the spending review has been to establish a substantial and relevant evidence base. In support of this, the public services productivity panel, chaired by the Chief Secretary to the Treasury, has continued to identify and implement ways to help improve the productivity of the public sector. Key reports from the panel in the past year include Customer-Focused Government, Role of External Review in Improving Performance, Making A Difference: Motivating People To Improve Performance, Accountability For Results and Working Together: Effective Partnership Working On the Ground.

3.78 In 2002 the PSA Plus programme was launched, building on work by the Prime Minister's Delivery Unit and the Public Services Productivity Panel, to give tailored support to departments in forming strategies to meet specific performance targets. The Treasury, along with other central departments, also published practical guidance for departments on performance information and business planning. A Treasury-led working group, formed from the Performance Information Panel, also made recommendations regarding the external validation of PSA data systems to inform the Government's response to Lord Sharman's Report Holding to Account.

3.79 The 2000 Spending Review provided for very significant increases in capital budgets, with the Government aiming to double public sector net investment over the period. Departmental Investment Strategies, published in November 2000, set out how departments will use this extra investment to meet their objectives and how they will ensure that they get value for money. During 2001, departments reviewed their performance against the published strategies. The reviews were carried out jointly by the department and the Treasury and, in the majority of reviews, an

independent peer reviewer from another Government Department. The reviews identified areas of best practice, as well as making recommendations about improving the implementation of strategies. Also in 2001, the Treasury published an updated National Asset Register, which now includes the value of every asset and a comprehensive description of all significant changes since 1997. The National Asset Register is a vital part of the Government's drive to improve efficiency in the public sector, enabling more informed decisions about the holding, acquisition and disposal of assets. The UK is the only country in the world that has access to a Register of this kind.

3.80 The Treasury continues to promote innovation through the Invest to Save Budget (ISB). The fourth ISB bidding round was completed this year and funding of £68 million was allocated across 75 innovative projects at local and national levels, including ones to create safer schools and hospitals, help find missing persons, deal with abandoned vehicles, provide an electronic adviser for young people, and to deliver flood warnings by e-mail and text message. We have continued to promote the message and the lessons of innovation by organising workshops and conferences which this year included the inaugural ISB awards, given to celebrate leading ISB projects demonstrating significant results and benefits, substantial progress in partnership working, and a realistic approach to scaling up/rolling out their work.

Further information on the Treasury's Public Services agenda is available at:

http://www.hm-treasury.gov.uk/Documents/Public_Spending_and_Services/pss_index.cfm

FUTURE PLANS

3.81 Budget 2002 set the fiscal context for the 2002 Spending Review, including the overall spending limits for the three years up to 2005-06. This will allow

- Current spending, excluding spending on health, to increase by 2½ per cent a year in real terms in 2004-05 and 2005-06; and
- Public sector net investment to rise from its 2003-04 target of 1.8 per cent of GDP to 2 per cent by 2005-06.

3.82 At the same time, UK spending on the NHS will increase by 7.4 per cent a year after inflation over the five years to 2007-08. These new resources will be underpinned with key reforms to ensure priorities are delivered.

3.83 The results of the 2002 Spending Review will be published in the summer, setting out Departmental Expenditure Limits (DELs) up to 2005-06. Updated Public Service Agreements and revised Departmental Investment Strategies will also be published, along with a series of cross-cutting reviews of policy areas spanning several departments' responsibilities. The Treasury will continue to work with departments to ensure that they have strategies in place to deliver on the key priorities.

OBJECTIVE 7: ACHIEVING A HIGH STANDARD OF REGULARITY, PROPRIETY AND ACCOUNTABILITY IN PUBLIC FINANCE

INTRODUCTION

3.84 The Financial Management Reporting and Audit Directorate of the Treasury, headed by Sir Andrew Likierman, is responsible for delivering objective 7. There is no formal PSA target for this objective, however the Treasury is committed to SDA

target B2 to "publish the first consolidated Central Government Accounts for 2003-04." Table 3.17 shows the net expenditure on objective 7 in 2000-01. The method of allocation of expenditure is based upon an aggregate of total resources, including staffing costs, used in all directorates against objective 7.

TABLE 3.17: EXPENDITURE ON OBJECTIVE 7

Objective	2000-01 Gross Expenditure	2000-01 Income	2000-01 Net	1999-2000 Net
	£000	£000	£000	£000
Achieving a high standard of regularity, propriety and accountability in public finance	11,017	(467)	10,550	11,478

3.85 Objective 7 covers a number of the Treasury's responsibilities. The Treasury has an obligation to Parliament to provide a framework for ensuring propriety and accountability in the use of public money. It is responsible for maintaining financial accounting, reporting and audit practices, and for developing those practices to secure improvements where necessary. In addition objective 7 also reflects the responsibility of the Treasury, and of government generally, to ensure that public funds are spent in a way that achieves best value for money. We will seek to deliver Objective 7 by:

- Developing and maintaining an effective financial accounting and reporting framework for the UK central government sector, aligned as far as possible and appropriate to Generally Accepted Accounting Practice in the UK (UK GAAP), so maintaining a world class position in government financial management.
- Developing and maintaining an effective framework for control of public finances promoting high standards of regularity, propriety, value for money and accountability, and reflecting as appropriate best practice in the private sector.

- Improving the quality of information available for Government decision making by developing and implementing systems and procedures needed to produce consolidated accounts for central government.
- Providing Treasury Accounting Officers with assurance on the internal control system.

3.86 Further information on resource management issues, including the "Managing Resources" series of booklets, is available on the Treasury's website at www.hm-treasury.gov.uk/Documents/Public_Spending_and_Services/Audit_and_Accounting/pss_aud_index.cfm; and on Whole of Government Accounts at www.wga.gov.uk.

PERFORMANCE AGAINST TARGET

3.87 Table 3.18 below sets out performance against the SR 2000 SDA target in the past year. Annex A2 to the Treasury section of the report summarises the performance against the PSA targets that were set in the 1998 CSR.

TABLE 3.18: PERFORMANCE AGAINST TARGET

Spending Review 2000 PSA Target	Performance Indicator	Progress
SDA target B2: publish the first consolidated Central Government Accounts (CGA) for 2003-04	CGA Milestone 1: First agreement of intra-departmental group balances (for 31/3/2001).	On course.

ACHIEVEMENTS

3.88 Over the past year the Government has made substantial progress towards meeting objective 7 in three key areas:

Developing and maintaining an effective accounting and reporting framework

- Following agreement from Parliament through the Public Accounts Committee (PAC) and Liaison Committee, Parliamentary Estimates and accounts are on a full resource basis from 2001-02.
- The number of accounts receiving a qualified audit opinion fell from 30 (out of 52) for 1998-99, to 12 (out of 49) for 1999-2000, to 8 (out of 52) for 2000-01.
- The Resource Accounting Manual (www.resource-accounting.gov.uk) and guidance on financial reporting frameworks for executive non-departmental public bodies and trading funds have been updated and published.
- We have published 10 booklets in the "Managing Resources" series to help the Treasury, departments and outside stakeholders derive the full benefits from the move to resource based financial management from 2001-02.
- Guidance on SR2002 has been issued in Better Management of Public Services: Resource Budgeting and the 2002 Spending Review available at: www.hm-treasury.gov.uk/mediastore/otherfiles/ResourceBudgeting2002.pdf

Whole of Government Accounts

3.89 The Treasury is on course to meet 1998 CSR PSA target xxiv of producing statistically-based Whole of Government Accounts (WGA) for 2001-02, originally proposed in the 1998 scoping study report (www.wga.gov.uk/pages/scopingstudy.html). In order to ensure that PSA target B2 of publishing GAAP-based CGA for 2003-04 is met, dry run accounts for 2001-02 and 2002-03 will be produced, and a series of milestones have been set for departments and Non-Departmental Public Bodies (NDPBs). Data submission for Milestone One was in progress at the end of 2001. Specific achievements during the year included:

- Balance sheet data from the published resource accounts for 1999-2000 were used by the ONS in the 2001 Blue Book.
- Consolidation Officers with personal responsibility for providing the data required to prepare CGA have been appointed for each body taking part in the first dry run.
- Accounting policies for taxation and non-pension social security benefits have been approved by the Financial Reporting Advisory Board (FRAB).
- The remaining accounts format issues have been agreed with the FRAB, and a standard chart of accounts has been issued to departments.

Developing and maintaining an effective framework for control of public finances

- The Government's formal response to the Sharman Report was published on 13 March 2002. (www.hm-treasury.gov.uk/mediastore/otherfiles/CM5456_SharmansI.pdf).
- We completed a major overhaul of Government Accounting (www.government-accounting.gov.uk/current/frames.htm) reflecting the move to resource accounting and budgeting.
- We issued the 2000-2001 Annual Fraud report (www.hm-treasury.gov.uk/documents/public_spending_and_services/audit_and_accounting and budgeting)
- We helped establish the Risk Management Steering Group and provided support to departments on the introduction of the Statement of Internal Control (SIC).
- We issued the new Government Internal Audit Standards (www.hm-treasury.gov.uk/documents/public_spending_and_services/guidance_for_government_departments/pss_ggd_gias.cfm)

FUTURE PLANS

3.90 In the coming year the Government expects to build on achievements in these key areas as follows:

Developing and maintaining an effective accounting and reporting framework

- We will continue to help departments derive the maximum benefits from the new resource-based financial management framework.
- We will maintain and update financial reporting and accounting guidance for central government and work with UK and international bodies to ensure maximum convergence in accounting standards across the whole public sector.

Whole of Government Accounts

- We will complete the development of statistically-based WGA.
- Dry run CGA for 2001-02 and 2002-03 will be produced and implementation of the necessary accruals-based accounting policies completed.

Developing and maintaining an effective framework for control of public finances

- We will start to implement the undertakings in the Government's response to the Sharman Report.
- We will set up an internal audit forum to develop guidance on the Audit of the Policy Making process and introduce the new Annual Fraud Reporting process.

