



HM TREASURY

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# HM TREASURY

## Autumn Performance Report

Progress Report on 1998 Comprehensive Spending Review  
(CSR) & 2000 Spending Review (SR2000)

Presented to Parliament by the Chancellor of the Exchequer and the  
Chief Secretary to the Treasury by Command of Her Majesty,

December 2002

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This is the first HM Treasury Autumn Performance Report to be produced, fulfilling the Government's commitment to provide a bi-annual progress report against the Government objectives established in the 1998 Comprehensive Spending Review (CSR) and the 2000 Spending Review (SR2000).

This report can be read as a stand alone document. However, many readers may find it useful to refer to HM Treasury's Departmental Report: the Government's Expenditure Plans 2002/3 to 2003/4 (Cm 5425 June 2002) which sets out more detailed background information and commentary.

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## Context

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### Background

**1.1** This Autumn Performance Report provides supplementary information for the period up to October 2002 on the progress the Treasury is making towards its Public Service Agreement (PSA) performance targets.

**1.2** The Government set out its spending plans for 1999-2002 in the 1998 Comprehensive Spending Review (CSR). These plans link to a programme of modernisation and reform to raise standards and improve the quality of public services through publishing PSAs for the full range of Government objectives. A six month update to the comprehensive assessment of HM Treasury performance against the original PSA targets set out in the 1998 CSR is given in Annex B of this report. Targets whose final outturns have previously been published are not shown here. Information on these targets can be found in the 2002 Departmental Report.

**1.3** The 2000 Spending Review (SR2000) set new plans for public spending for 2001-2004. It also refined the original PSA targets in order to develop the most important goals the Government was committed to deliver. A six month update to the assessment of HM Treasury's performance against these is given in Annex A of this report. The objectives for SR2000 and the lead directorates within the Treasury responsible for each objective are set out on page 3 of this report.

**1.4** The PSA targets agreed for the 2002 Spending Review (SR2002) are also included in Annex C of this report. Reporting against these targets will begin from April 2003.

### Performance Information

**1.5** Each of the the Treasury's objectives has at least one Public Service Agreement (PSA) target and a Performance Indicator (PI) to measure progress.

**1.6** Performance information on these targets is set out in Annex A and B of this report. For more background information on HM Treasury PSAs and PIs please refer to the annual Departmental Report (Cm 5425) available on the Treasury's website.

### Delivery

**1.7** In pursuit of the Treasury's aims and objectives, the Department undertakes an extensive range of activities. The Department also works closely with other government departments, its Executive Agencies and Offices and a wide number of partner organisations. Delivery mechanisms are set out in both annual HM Treasury Business Plans (See HM Treasury Business Plan - 'Our Priorities for the Year Ahead' August (2002)) and its Service Delivery Agreement (SDA) both of which are available on the Treasury's website ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)).

### Not covered in the Autumn Performance Report

**1.8** A small number of other Chancellor's departments, bodies and executive agencies do not have PSAs and so do not provide information for this report. These agencies report annually in the Departmental Report.

**1.9** Progress against the SDA is reported annually in the Departmental Report.

### How do I read the tables?

**1.10** The information is set out in three sets of tabulations reflecting different spending reviews:

**1.11** Annex A - Performance against SR2000 PSA targets (2001-04).

**1.12** Annex B - Performance against outstanding CSR 1998 PSA targets (1999-2002), addresses those PSA targets whose final outturns have not previously been published.

**1.13** Annex C - sets out the SR2002 PSA targets (2003-06).

## 2000 Spending Review Objectives

### HM Treasury aims and objectives

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

		LEAD DIRECTORATE
	<b>Maintaining Macroeconomic Stability</b>	
i	Maintaining a stable macroeconomic framework with low inflation (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
	<b>Meeting the productivity challenge</b>	
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
	<b>Increasing employment opportunity for all</b>	
vi	Expanding economic and employment opportunities for all. (Objective 5)	Budget and Public Finances
	<b>Building a fairer society</b>	
vii	Promoting a fair and efficient tax benefit system with incentives to work, save and invest. (Objective 6)	Budget and Public Finances
	<b>Building high quality public services</b>	
viii	Improving the quality and cost effectiveness of public services. (Objective 3)	Public Services Directorate
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 organization 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

# ANNEXES

# Annex A

## Performance against SR2000 PSA targets (2001-04)

RELATED SR 2000 OBJECTIVE	SPENDING REVIEW 2000 PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
	(i) By 2004 to raise the trend rate of growth from the current estimate of 2.5 per cent.	Trend output is measured as the average annual rate of growth on Gross Value Added excluding the oil and gas sector between identified on-trend points.	On course. The 2002 Budget estimated trend output growth of a little below 2 <sup>3</sup> / <sub>4</sub> per cent between the first half of 1997 and the third quarter of 2001. Latest data has not modified this view.
1. Maintaining a stable macroeconomic framework with low inflation.	(ii) RPIX inflation to be kept at 2.5 <sup>1</sup> / <sub>2</sub> per cent as specified in the Bank of England's remit.	Retail Prices Index (RPIX)	Met ongoing. Between January and October RPIX has been in range 1.5 per cent to 2.6 per cent averaging 2.1 per cent.
2. Maintaining sound public finances in accordance with the Code for Fiscal Stability.	(iii) Over the economic cycle to maintain: a) public sector net debt below 40 per cent of GDP 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 per cent at end-March, and is projected to remain at or below 33 per cent until 2006-07.  (b) The surplus on current budget is estimated to have been 0.8 per cent in 2001-02, and the average current surplus since 1999-2000 remains substantially positive throughout the forecast period.
3. Improving the quality and cost-effectiveness of public services.	(iv) Achieve an improvement in value for money in public services year by year.	Monitored centrally using a scorecard approach, based on departmental information.	On course. The SR 2000 Spending Review set value for money targets in every PSA. Departments are publishing up to date reports on progress against these targets in their Autumn Performance Reports, which show that good progress is being made. SR2002 set new targets, and every PSA again contains a value for money target. Furthermore, the Government is committed to introducing regular web-based reporting against all SR2002 targets, including the value for money targets.

RELATED SR 2000 OBJECTIVE	SPENDING REVIEW 2000 PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
<p>4. Increasing the productivity of the economy.</p>	<p>(v) Improve UK competitiveness by narrowing the productivity gap with US, France, Germany and Japan over the economic cycle. (Joint target with DTI).</p>	<p>International comparisons of output per worker and output per hour worked. These figures are produced biannually by the Office for National Statistics (ONS). They are based on Organisation for Economic Cooperation and Development (OECD) data.</p>	<p>Outcomes mixed so far.</p> <p>Output per worker GDP per worker, 2001. 2000 figures in brackets. UK=100, US 138 (137), France 115 (116), Germany 109 (110), Japan 97 (98).</p> <p>Output per hour GDP per hour worker, 2001. 2000 figures in brackets. UK=100, US 129 (128), France 129 (125), Germany 127 (126), data for Japan not available yet.</p> <p>Performance to date can only be assessed on 2001 data.</p> <p>It is important to note that statistical revisions to data can worsen (or improve) our starting point. For example, revisions in 2002 to Public Private Partnerships (PPPs) caused the UK baseline productivity numbers to fall, meaning our performance against France and the US worsened.</p> <p>The UK has implemented a number of policies aimed at improving productivity, including major reform to the competition regime, increased spending on science and technology and policies aimed at improving skills. These should all gradually feed through to improved productivity performance. It should also be noted that productivity performance depends not only on policies and economic developments in the UK but also on the economic cycle and the success of policies in other countries.</p>

RELATED SR 2000 OBJECTIVE	SPENDING REVIEW 2000 PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
5. Expanding economic and employment opportunities for all.	(vi) Increase employment over the economic cycle. (Target contributes to Welfare to Work PSA, and is shared with the Department for Work and Pensions (DWP).)	Seasonally adjusted International Labour Organisation (ILO) employment levels for the population in Great Britain (aged 16 and over), with a judgement as to cyclical influences. <sup>1</sup>	On course. Employment stood at 27.784 million in Spring 2002, up 168,000 since Spring 2001. Between the first quarter of 2001 and the third quarter of 2002 the estimated output gap changed from a positive gap of almost 1 per cent to a negative gap of over 1 per cent, reflecting a period of below-trend output growth. It is likely that employment is on track for the target to be achieved over the economic cycle.
6. Promoting a fair and efficient tax and benefit system with incentives to work, save and invest.	(vii) Make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004. (Joint target with DWP).	Number of children in low-income households by 2004-05. Low-income households are defined as households with income below 60 per cent 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).	Ongoing. 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).
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	(viii) Increase the number of countries participating in the global economy on the basis of a system of internationally agreed and monitored codes and standards.  (ix) 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.	The International Monetary Fund (IMF) assesses member countries' compliance with internationally agreed codes and standards through the production of Reports on the Observance of Standards and Codes (ROSCs).  Internationally agreed target of getting three quarters of eligible HIPCs to reach Decision Point by the end of 2000.	Met and ongoing. As of August 2002, 293 separate assessments had been prepared for 83 countries, of which 217, covering 66 countries, had been published.  Met and exceeded. There are 42 HIPCs in total. 26 have reached Decision Point, 6 of which are at Completion Point.
Office of Government Commerce (OGC) target	(x) By 2002-03, deliver £1 billion of savings in Government procurement through the Office of Government Commerce.	Value for money gains reported by central civil government bodies.	On course. £433million gains reported for 2000-01.

<sup>1</sup>The Office for National Statistics will complete a full re-weighting of all of the Labour Force Survey (LFS) series and databases by summer 2003 to take account of the 2001 Census results. UK figures have been revised to take account of the Census. However figures for Great Britain, the geographical coverage for the labour market targets, have not been so revised. Thus the PSA employment targets in this document are reported using un-revised LFS data.

# Annex B

Performance against  
outstanding CSR 1998  
PSA targets  
(1999-2002)

2001-02 OBJECTIVE	1998-2001 OBJECTIVE	PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
<p>1. Maintaining a stable macroeconomic framework with low inflation.</p>		<p>(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 per cent.</p> <p>(iii) Reduce the variability of output and employment compared with the previous cycles.</p>	<p>Retail Prices Index (RPIX)</p> <p>Standard deviation of output growth.</p> <p>Width of GDP growth band.</p> <p>Claimant count unemployment.</p>	<p>Met, ongoing. Between January and October RPIX has been in range 1.5 per cent to 2.6 per cent averaging 2.1 per cent.</p> <p>Met, ongoing. In the 22 quarters from 1997Q2 to 2002Q2, the standard deviation of output growth has been 0.3 per cent. In comparison, the average standard deviation between 1986Q2 and 1997Q2 was 0.6 per cent.</p> <p>Annual GDP growth has remained in a narrow band of 1.0 to 3.7 per cent since the second quarter of 1997. This compares with a range of -2.3 per cent to 6 per cent between 1986Q2 and first half 1997Q2.</p> <p>Unemployment (on a claimant count basis) has come down steadily and been in the narrow range of 3.1 to 5.5 per cent since 1997Q2. This compares to a range of 5.2 to 10.6 per cent between 1986Q2 and 1997Q2. Unemployment on the International Labour Organisation (ILO) measure has come down steadily and has been in the range 7.2 to 4.9 per cent since 1997Q2. This compares with a range of 7.2 to 11.4 per cent between 1986Q2 and 1997Q2.</p>
<p>2. Maintaining sound public finances in accordance with the Code for Fiscal Stability.</p>		<p>(iv) Ensure current receipts at least match current spending on average over the cycle.</p>	<p>Public sector surplus on current budget.</p>	<p>Met, ongoing. Provisional outturn for surplus on current budget in 2001-02 is £7.7billion. Current budget has been in surplus, on average, by 1.6 per cent since 1998-1999.</p>

2001-02 OBJECTIVE	1998-2001 OBJECTIVE	PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
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, ongoing. The public sector net debt was 30 per cent at end of August 2002, down from 30.7 per cent at end of August 2001.
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.	Percentage of main departments' performance targets with deadlines within the reporting period and where final performance information is available, that have been assessed as met or partially met.	87 per cent have been met or partly met.
		(viii) Improve the productivity of the public services year by year.	In Spending Review 2000 (SR200), 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 target (iv)
		(xi) Improve value for money in public procurement year on year.	Use of the Government Procurement Card (GPC).	Met, ongoing. Cumulative spend using the GPC reached £340 million by September 2002, exceeding the target of achieving cumulative spend of £300 million by December 2002.
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 2¼ per cent.	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.	Partially met. The Treasury reassessed its estimates of trend output growth at the time of the 2002 Budget – for more information see 'Trend Growth: Development and Prospects', HM Treasury, April 2002. The estimated trend rate of growth was raised from 2¼ per cent to 2½ per cent in the 1999 Pre-Budget Report and to 2¾ per cent in Budget 2002. However, the revision in 1999 stemmed from greater certainty over economic growth (a range of 2 per cent to 2¾ per cent was previously used), rather than observed improvements in productivity. Likewise, the revision in 2002 stemmed from demographic changes and employment growth.

2001-02 OBJECTIVE	1998-2001 OBJECTIVE	PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
4. (continued.)	4. (Continued.)	(xiii) Put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle (joint target with Department of Trade and Industry (DTI).)	<p>International comparisons of output per worker and output per hour worked. UK is compared with productivity levels in the US, France, Germany and Japan.</p> <p>These figures are produced biannually by the Office for National Statistics (ONS). They are based on Organisation for Economic Cooperation and Development (OECD) data.</p>	<p>Partially met.</p> <p>1997-1999 UK economic cycle OUTPUT PER WORKER Between 1997 and 1999 the productivity gap in terms of output per worker narrowed against Japan (101.7 per cent to 96.7 per cent of UK productivity) and Germany (109.4 per cent to 108.7 per cent). The gap widened against US (132.2 per cent to 135.9 per cent) and France (116.0 per cent to 117.0 per cent).</p> <p>OUTPUT PER HOUR Between 1997 and 1999 the productivity gap in terms of output per hour narrowed against Japan (94.7 per cent to 91.9 per cent and Germany (125.5 per cent to 125.0 per cent). The gap widened against US (124.2 per cent to 126.6 per cent) and France (125.6 per cent to 126.0 per cent).</p> <p>Current UK economic cycle (1999-) During the current economic cycle (using data between 1999 and 2001), the gap in terms of output per worker has narrowed against France and Japan, remained unchanged compared with Germany and has widened against the US. The gap in terms of output per hour has widened against Germany, France and the US. OECD have not yet produced output per hour data for Japan in 2001. See progress against SR2000 targets for further details.</p> <p>Policies put in place to narrow the gap The Government had introduced a wide range of measures intended to boost productivity across the economy, including:</p> <ul style="list-style-type: none"> <li>• the introduction of the Enterprise Bill, which will give full independence for better resourced competition authorities, and allow investigations into specific markets;</li> <li>• 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 10 per cent starting rate for corporation tax;</li> <li>• a range of measures to support small business, improving access finance, reducing the administrative burden of VAT and publishing Patrick Carter's review of payroll administration;</li> <li>• a new science and innovation strategy, matched with the largest increase in the science budget for more than a decade;</li> <li>• a tax credit to encourage research and development by Small Medium Sized Enterprises (SMEs) and a consultation on extending the credit to all companies;</li> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> </ul>

2001-02 OBJECTIVE	1998-2001 OBJECTIVE	PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
4. (continued).  5. Expanding economic and employment opportunities for all.	4. (continued).  4. (continued).	(xiv) Secure an increase in the number of successful high growth business start-ups (joint target with DTI ).  (xv) Put in place policies to reduce structural employment over the cycle.	Number of firms with a turnover above £1 million, or 10 employees, four years after start-up.  Seasonally adjusted (ILO) unemployment levels for the 16 and over population of Great Britain, with a judgement as to cyclical influences. <sup>1</sup>	Not assessed. DTI currently evaluating.  Met. Unemployment stood at 1.510 million (5.2 per cent) in February-April 2002, a decrease of 254,000 since February-April 1999 when it stood at 1.764 million (6.2 per cent). Between the first quarter of 1999 and the first quarter of 2002, the estimated output gap changed from just below zero to a negative gap of over 1 per cent, reflecting <i>overall</i> a period of below trend output growth. Taking into account the economic cycle, it is clear that we met this target.
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.	(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. Subject to outcome of the Green Fuels Challenge a zero duty rate for hydrogen will be introduced. Budget 2002 announced that the Government aims to introduce a lorry road user charge based upon distance, with offsetting tax reductions, which will also be variable by vehicle emissions and track to ensure that foreign hauliers pay their fare share to the costs of using UK roads, Consulted with stakeholders on the Government's environmental tax strategy over summer 2002, which was published alongside Pre Budget Report 2002. They also announced a consultation on increase in land duty rate for bioethanol.
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.	(xxiv) Publish Whole of Government Accounts (WGA), subject to results of current study, for 2001-02.	Readiness for publication: methodology, format and medium agreed.	On course. Draft 2001-02 statistically based WGA prepared and planned to be published in early 2003.

<sup>1</sup>The Office for National Statistics will complete a full re-weighting of all of the Labour Force Survey (LFS) series and databases by summer 2003 to take account of the 2001 Census results. UK figures have been revised to take account of the Census. However figures for Great Britain, the geographical coverage for the labour market targets, have not been so revised. Thus the PSA employment targets in this document are reported using un-revised LFS data.

2001-02 OBJECTIVE	1998-2001 OBJECTIVE	PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
Not Applicable	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.	Average annual cost over preceding three years no greater than zero (quarterly).	<p>Ongoing.</p> <p>The net return on the foreign currency reserves is measured on a "mark-to-market" basis (i.e. including changes in the capital value of assets and liabilities as well as net interest receipts and borrowing costs).</p> <p>Cost associated with holding foreign currency reserves:</p> <p>1999-2000 1 April 1999 to 31 March 2000 = £315 million Resulting from a decline in gold price.</p> <p>2000-2001 1 April 2000 to 31 March 2001 = £145 million Depreciation of sterling against the dollar in the first quarter partly offset by losses in the other three quarters of the financial year resulting from the fall in gold price.</p> <p>2001-2002 1 April 2001 to 31 March 2002 = £0.1million The volatility and unpredictability in markets following 11 September 2001 led to a loss in holding foreign currency reserves in the third quarter of the financial year. However this was almost offset by the positive return in the final quarter (mainly from the rise in the gold price).</p> <p>Over the last three year period from 1 April 1999 to 31 March 2002 the cost associated with holding the foreign currency reserves was £170 million.</p> <p>2002-2003 for year to date. 1 April 2002-June 2002 = £85million Mainly reflected by negative returns on the IMF loans and the return to gold.</p>

2001-02 OBJECTIVE	1998-2001 OBJECTIVE	PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
	8. (continued.)	(xxvii) Minimise the cost and risk of financing the Government's borrowing.	Comparison of cost to 7.2 per cent (the average of the mean annual cost of net government debt over the last three financial years – quarterly).	On course. Average annual cost of debt equals 5.88 per cent (using gross debt figure) for Financial Year (FY) 2001-02. For FY 2002-03 (year to date) the figure is 5.44 per cent. A proxy using gross debt is used as data on net debt interest, which is needed to determine the annual cost of net government debt, is not readily available.
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.	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.	(xxviii) Make the International Financial Institutions more effective, transparent and accountable.  (xxix) Improve the quality of surveillance of international economies.  (xxx) Pave the way for a successful and affordable enlargement of the EU.	Progress in preventing and resolving international financial crises. Publication of IMF papers, particularly surveillance reports. Progress towards the Millennium Development Goals.  See (xxviii) above.  Enlargement negotiations respect the roadmap agreed at Nice in 2000 and the 1999 Berlin financial framework ceilings.	Ongoing. Progress on these issues is described in the report "Responding to the Challenges of Globalisation: The UK and the IMF " on the Treasury website. <a href="http://www.hm-treasury.gov.uk">www.hm-treasury.gov.uk</a>  See (xxviii) above.  Ongoing. 2000 Nice Summit paved the way for a successful enlargement. October 2002 Brussels European Council confirmed that 10 candidate countries are on track to complete negotiations this year and should be ready to join the EU in 2004, in line with the roadmap agreed at Nice.  Brussels European Council also proposed a financial package for the new Member States, which manages enlargement within the sums provided for at the 1999 Berlin European Council. This should enable completion of negotiations with the 10 candidates by the Copenhagen Council in December.

2001-02 OBJECTIVE	1998-2001 OBJECTIVE	PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
9. (continued.)	9. (continued.)	(xxxii) 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 Small Medium Sized Enterprises (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.	Ongoing. 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 750,000 visitors and a mailshot of information materials to 1.5 million UK businesses. In addition, preparations have ensured that the UK retains the option to make a decision to join a successful single currency. In July 2002, the Treasury issued its sixth Report on Euro Preparations and a summary report on "Lessons from the Changeover in the Euro Area " by private sector organisations.
<p><i>Corporate Services and Development Directorate Objective</i></p> <p>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.</p>		(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.	Met, ongoing. The Treasury achieved a reduction in the percentage of excessive hours worked in 1999, 2000, 2001 and the end of August 2002.
		(e) Deliver 2.5 per cent annual efficiency gains and secure at least 2.5 per cent savings of running costs in real terms each financial year from 1997-98.	not applicable	Ongoing. Over the period from 1997-98 HM Treasury running costs have changed in response to: i) the creation of the Debt Management Office and the Office of Government Commerce; ii) increased activity on certain Departmental objectives; iii) the move from substandard to refurbished accommodation Efforts to achieve efficiency improvements in specific aspects of the Department's business have been ongoing throughout the period.
		(f) Review the application of procurement techniques to all expenditure.	not applicable	Ongoing. Procurement techniques are reviewed on a regular basis and practices are revised whenever it is beneficial to do so.
		(g) Transact 90 per cent of procurement of standard goods by volume to be purchased electronically by 2000	not applicable	Met, ongoing. 94 per cent of procurement of standard goods by volume were purchased electronically by end 2001.

2001-02 OBJECTIVE	1998-2001 OBJECTIVE	PSA TARGET	PERFORMANCE INDICATOR	LATEST OUTTURN
Corporate Services and Development Directorate Objective (continued)		(h) Make all payments to suppliers by electronic transfer by December 2000.	Not applicable	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.	Not applicable	Met, 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.	Not applicable	Met, ongoing. A fraud policy was issued on 31 March 1999.



# Annex C

## 2002 Spending Review Public Service Agreement (PSA) Targets (2003-2006)

## 2002 SPENDING REVIEW PUBLIC SERVICE AGREEMENT (PSA) TARGETS

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### HM Treasury aim, objectives and targets

The overall aim of the Treasury for the SR2002 spending review period (2003-2006) will be to raise the rate of sustainable growth, and achieve rising prosperity and a better quality of life, with economic and employment opportunities for all.

**PSA 1** Demonstrate progress by 2004 on the Government's long-term objective of raising the trend rate of growth over the economic cycle from the current estimate of 2½ per cent and make further progress towards increasing trend growth up to 2006.

### Maintaining macroeconomic stability

#### Maintaining a stable and macroeconomic framework with low inflation. (Objective 1)

**PSA 2** Inflation to be kept at the target as specified in the remit sent by the Chancellor of the Exchequer to the Bank of England's Monetary Policy Committee, (currently 2½ per cent of RPIX).

#### Maintaining sound public finances in accordance with the Code for Fiscal Stability. (Objective 2)

**PSA 3** Over this economic cycle, maintain: public sector net debt below 40 per cent of GDP; and the current budget in balance or surplus.

### Meeting the productivity challenge

#### 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 3)

**PSA 4** Promote increased global prosperity and social justice by:

- working to increase the number of countries successfully participating in the global economy on the basis of a system of internationally agreed and monitored codes and standards;
- ensuring that three-quarters of all eligible HIPC countries committed to poverty reduction receive irrevocable debt relief by 2006 and working with international partners to make progress towards the United Nations 2015 Millennium Development Goals (joint target with Department for International Development); and
- demonstrating progress towards the Lisbon goals by 2006, by working with our European Union partners to achieve structural economic reform in Europe.

#### Increasing the productivity of the economy. (Objective 4)

**PSA 5** Demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the US, France and Germany (joint target with DTI).

**PSA 6** Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006 (joint target with Office of the Deputy Prime Minister and Department for Trade and Industry).

**Securing an innovative, fair dealing, competitive and efficient market in financial services, while striking the right balance with regulation in the public interest. (Objective 5)**

### Increasing employment opportunity for all

**Expanding economic and employment opportunities for all. (Objective 6)**

**PSA 7** Demonstrate progress by Spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle (joint target with the Department for Work and Pensions).

### Building a fairer society

**Promoting a fair and efficient tax and benefit system with incentives to work, save and invest. (Objective 7)**

**PSA 8** Reduce the number of children in low-income households by at least a quarter by 2004, as a contribution towards the broader target of halving child poverty by 2010 and eradicating it by 2020 (joint target with the Department of Work and Pensions).

### Delivering high quality public services

**Improving the quality and the cost effectiveness of public services. (Objective 8)**

**PSA 9** Improve public services by working with departments to help them meet their PSA targets, consistently with the fiscal rules (joint target with the Cabinet Office).

**Achieving a high standard of regularity, propriety and accountability in public finance. (Objective 9)**

### Protecting the environment

**To protect and improve the environment by using instruments that will deliver efficient and sustainable outcomes through evidence-based policies. (Objective 10)**

### Value for money

**PSA 10** By 2005-06, deliver £3 billion of value for money gains in central civil Government procurement through the Office of Government Commerce.

