

AUTUMN PERFORMANCE REPORT

Progress Report on
HM Treasury Public Service
Agreement Targets

December 2006



HM TREASURY

Cm 6990



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HM Treasury Autumn Performance Report 2006

Progress Report on HM Treasury Public Service
Agreement Targets

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

December 2006

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This is the fifth 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), the 2002 Spending Review (SR2002) and the 2004 Spending Review (SR2004).

This report can be read as a stand alone document. However, many readers may find it useful to refer to HM Treasury's 2006 Departmental Report: Cm6830 which sets out more detailed background information and commentary.

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CONTENTS



Foreword by the Chief Secretary to the Treasury, the Rt Hon Stephen Timms, MP

Context		1
ANNEX A	Performance against 2004 and 2002 Spending Reviews PSA Targets	5
ANNEX B	Performance against outstanding Comprehensive Spending Review 1998 PSA Target	23
ANNEX C	Performance against HM Treasury Group 2004 Spending Review Efficiency Target	25

Foreword

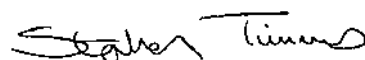
By the Chief Secretary, the Rt Hon Stephen Timms MP

The Government's objective is to build a strong economy and a fair society with opportunity and security for all. We aim to continue to deliver macroeconomic stability with sustained economic growth, delivering modern and efficient public services and equipping the UK to meet the global challenges of the next decade.

- **Maintaining Economic Stability** – always meeting the strict fiscal rules, the UK economy is enjoying the longest period of macroeconomic stability on record, with low inflation and 57 consecutive quarters of economic growth, the longest period of unbroken expansion on record.
- **Raising Trend Growth** – the UK has enjoyed its longest period of combined productivity and employment growth since the 1950s. The Government has increased flexibility and openness, and reduced regulatory burdens so that business can make the most of opportunities in the global economy. In the 2006 Pre-Budget Report the Government announced £36 billion for investment in education and skills to help sustain and increase the UK's global competitiveness.
- **Promoting Fairness and Opportunity For All** – the Government aims to promote a fair and inclusive society in which everyone is helped to make the most of their potential. The number of children in relative poverty has fallen by almost a quarter, and the number of people in work is close to record highs, with 2.5 million more people in work today than there were in 1997. As a result of measures implemented since 1997, pensioner households will be on average £1,450 a year better off.
- **Delivering High-Quality Public Services** – the Government is committed to delivering world-class public services. Significant new resources to correct the inherited legacy of under-investment have been matched with ambitious reforms. Following year-on-year increases, 58.1 per cent of pupils now achieve five GCSEs at grades A* to C, compared to 45.1 per cent in 1997. The number of patients waiting more than six months for an operation at the end of September 2006 was less than 200, reduced from around 280,000 in 1997.
- **Protecting the Environment** – the Government is committed to high standards of environmental stewardship, integrating economic prosperity with environmental protection and social equity. The Stern Review set out the significance of the challenge of climate change, demanding early and coordinated international action. As the only G7 country already meeting its Kyoto commitments to reduce greenhouse gas emissions, the UK has undertaken to lead the international debate, promoting the development of a global carbon market through expansion of the EU Emissions Trading Scheme.

A decade after taking office the Government is conducting a second Comprehensive Spending Review. This provides the opportunity for a fundamental review of the balance and pattern of public expenditure, taking stock of investments and reforms and identifying the actions needed to meet the new challenges and opportunities ahead. Building on the successful delivery of £13.3 billion of efficiency gains so far in the 2004 Spending Review period, the Government will pursue even more ambitious reforms to release resources for frontline services and deliver real value for money. In responding to Sir David Varney's recent report, we will through the Comprehensive Spending Review harness the potential for public service transformation and maximise the opportunities of rapid technological change.

Without the hard work of the dedicated staff in the Treasury Group, it would not have been possible to deliver the achievements set out in this report. On behalf of all the Treasury Ministers, I would like to thank our officials for their continued commitment.



Stephen Timms

Context



Context

I.1 This is the fifth Autumn Performance Report published by Her Majesty's Treasury. It provides information for the period 1 April to 30 September 2006 on the progress the Treasury is making towards its 2004 Spending Review (SR2004) Public Service Agreement (PSA) targets. It also includes an Annex on progress against the SR2004 Efficiency Target.

I.2 SR2004 set PSA targets for the period 2005-08. These targets in most cases left unchanged, or reinforced and refined, targets set for the period 2003-06 under the 2002 Spending Review (SR2002). Reporting for the SR2002 targets is separate for most targets this year as the SR2002 period came to an end on 31st March 2006, so, where appropriate, the Treasury has given final assessments of performance against its SR2002 PSA targets.

I.3 The Treasury has one remaining PSA target set for the period of 1999-2002 under the 1998 Comprehensive Spending Review (CSR1998). Performance against this target is shown in Annex B.

I.4 The report also includes a section reporting against the Treasury Group¹ Efficiency Target which was set in SR2004 (See Annex C).

Performance Information

I.5 In SR2004, the Treasury's aim and five out of the eight Treasury objectives had at least one PSA target and a performance indicator (PI) to measure progress. Objectives cover the full range of departmental activity over the medium term whereas PSA targets identify the specific priorities that the Government aims to achieve in order to measure progress towards the objectives in the three-year time frame covered by the spending plans. Some of our targets are short term

where a significant change can be seen over a relatively short period of time. Some are longer term, where change is less obvious in the short term and progress needs to be assessed over a longer time period.

I.6 Each PSA target is underpinned by a Technical Note, which sets out how the target is measured, how success is defined, and the sources of the relevant information such as geographic or demographic coverage. Further information on the technical note is available on the Treasury's website².

I.7 For further information on the Treasury's work to deliver its PSA targets please refer to the HM Treasury Departmental Report 2006 (Cm6830) available on the Treasury's website.

I.8 The final report against the majority of the Treasury's remaining service delivery agreement (SDA) targets was made in HM Treasury Departmental Report 2006.

Progress

I.9 A summary of the current position on the Treasury's PSA targets is set out in the Annexes to this report.

- Annex A – reports on performance against SR2004 PSA targets (2005-2008) and any outstanding SR2002 PSA targets.
- Annex B – reports on the one remaining CSR1998 target that is still live. This will be the final year of reporting against this target.
- Annex C – is a commentary on performance against the SR2004 Efficiency Target.

¹Treasury Group includes Office of Government Commerce (OGC) and Debt Management Office (DMO)
²www.hm-treasury.gov.uk

I.10 Standard terminology in line with Treasury central guidance to departments has been adopted when reporting against all targets. For final assessments, the terms used are:

TERM	DEFINITION
Met	Target achieved by the target date.
Met - ongoing	For older targets where no end date was set, but the target level has been met and a decision has been taken to make a final assessment.
Partly met	Where a target has two or more distinct elements, and some – but not all – have been achieved by the target date.
Not met	Where a target was not met or met late.
Not known	This will only be used where it is not possible to assess progress against the target during its lifetime or subsequently. In these cases an explanation will be given as to why, and reference made to any subsequent targets covering the same area.

For interim assessments of those targets yet to reach their completion date, the terms used are:

TERM	DEFINITION
Met early	The target has been met ahead of schedule.
Met - ongoing*	The target is still live, but is measured on a continuous basis.
Ahead	Progress is exceeding plans and expectations.
On course	Progress is in line with plans and expectations.
Slippage	Progress is slower than expected.
Not yet assessed	A new target for which data are not yet available.

HM TREASURY'S AIM AND OBJECTIVES - SPENDING REVIEW 2004 (SR2004)

The overall aim of the Treasury for the SR2004 period (2005-08) is to **raise the rate of sustainable growth, and achieve rising prosperity and a better quality of life, with economic and employment opportunities for all.**

Maintaining Stability at Home and Overseas

Maintain a stable macroeconomic framework with low inflation and sound public finances in accordance with the Code for Fiscal Stability (Objective I)

Promote 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 V)

Raising Trend Growth

Increase the productivity of economy (Objective II)

Promote efficient, stable and fair financial markets, for their users and the economy (Objective III)

Promoting Fairness and Opportunity for All

Expand economic and employment opportunities for all (Objective II)

Promote a fair, efficient and integrated tax and benefit system with incentives to work, save and invest (Objective IV)

Protect and improve the environment by using instruments that will deliver efficient and sustainable outcomes through evidence-based policies (Objective VIII)

Delivering High Quality Public Services

Improve the quality and cost effectiveness of the public services (Objective VI)

Achieve world-class standards of financial management in government (Objective VII)

Annex A

Performance against
2004 and 2002
Spending Reviews (SR2004
and SR2002) PSA Targets



Aim: Raise the rate of sustainable growth, and achieve rising prosperity and a better quality of life, with economic and employment opportunities for all

SR2004 PSA Target	I Demonstrate by 2008 progress on the Government's long-term objective of raising the trend rate of growth over the economic cycle ¹ by at least meeting the Budget 2004 projection.
SR2002 PSA Target	I Demonstrate progress by 2004 on the Government's long-term objective of raising trend rate of growth over the economic cycle from the current estimate of 2.5 per cent and make further progress towards increasing trend growth up to 2006.
Performance Indicator	Trend rate of output (excluding oil and gas extraction) growth over the complete economic cycle. (Same for both PSA targets). Source: Trend growth estimates made by HM Treasury based on Office for National Statistics data.
Outturn (SR2004 Target)	On course
Commentary (SR2004 Target)	The measure of the Treasury's performance in meeting this target is the estimate of the trend rate of non-oil output growth over the economic cycle in relation to the trend projection set out in Budget 2004 ² . The Budget 2004 projection was for 2¾ per cent trend growth up to the end of 2006 slowing to 2½ per cent thereafter due to demographic effects ³ . As the Budget 2004 projection commenced during the current economic cycle, which is judged to have not yet completed, the Treasury reports on growth so far in the current economic cycle, together with the adjudged cyclical position of the economy. So far in the economic cycle (from 1997H1 - now judged as the start of the current cycle ⁴ - to 2006Q3) growth in actual non-oil output (Gross Value Added (GVA)) is estimated to have averaged 2.9 per cent a year. This compares with 2.4 per cent over the previous cycle. Since 2001Q3, growth has averaged 2.7 per cent a year. The Treasury estimates the economy to have been below trend in 2006Q3. So from its current position at below trend output to when the economy returns back to trend, growth is expected to be higher than its trend rate. Keeping in mind that it is an early stage of the reporting period, this is consistent with being on course to meet the target .
Outturn (SR2002 Target)	On course
Commentary (SR2002 Target)	The measure of the Treasury's performance in meeting this target is the estimate of the trend rate of non-oil output growth over the current economic cycle. However, this cannot be determined until the current cycle is completed. The current economic cycle is now judged to have commenced in 1997H1, and is not yet judged to have been completed (it is projected to end in 2007). Therefore the Treasury reports on growth so far in the current economic cycle, together with the adjudged cyclical position of the economy. From the start of the current cycle in 1997H1 to 2006Q3 growth has averaged 2.9 per cent a year, compared with 2.4 per cent over the previous cycle. Since 2001Q3, growth has averaged 2.7 per cent a year. The Treasury estimates the economy to have been below trend in 2006Q3. From its current position of below trend output to when the economy returns back to trend, growth is expected to be higher than its trend rate. This means that the target is expected to be met comfortably .
Quality of data systems	All the underlying data used in the trend growth calculations are sourced from the Office for National Statistics.

¹ The latest assessment of the economic cycle can be found in the 2006 PBR - on the Treasury's website www.hm-treasury.gov.uk

² http://www.hm-treasury.gov.uk/budget/budget_04/bud_bud04_index.cfm

³ In the light of new evidence, HM Treasury has revised the projection for trend growth from 2006Q4 onwards to 2¾ per cent. More information can be found in "Trend Growth: new evidence and prospects", HM Treasury, December 2006, available on the Treasury website.

⁴ http://www.hm-treasury.gov.uk/media/2E6/A5/economic_cycles190705.pdf

Objective I: Maintain a stable macroeconomic environment with low inflation and sound public finances in accordance with the Code for Fiscal Stability

SR2004 PSA Target	2 Inflation to be kept at the target specified in the remit sent by the Chancellor of the Exchequer to the Governor of the Bank of England (currently 2 per cent) as measured by the 12 month increase in the Consumer Prices Index (CPI).
SR2002 PSA Target	2 Same as SR2004 target.
Performance Indicator	12 month increase in the CPI. The CPI is a measure of the change in the level of prices charged for consumer goods and services. It is constructed on a harmonised basis for all EU Member States. The common European standard is known as the Harmonised Index of Consumer Prices (HICP) and the CPI is the UK's measure.
Outturn ⁵	Met-ongoing*
Commentary	From April 2006 to October 2006, CPI inflation has been in the range 2.0 to 2.5 per cent. The remit of the Monetary Policy Committee sets a symmetric inflation target, in which an undershooting of inflation is taken as seriously as an overshooting. Since the CPI target was introduced in December 2003, inflation has averaged 1.8 per cent, and not deviated outside the threshold of 1 per cent above or below the target, which would trigger an open letter from the Governor of the Bank of England to the Chancellor.
Quality of data systems	The CPI data are sourced from the Office for National Statistics.

⁵As the SR2004 and SR2002 targets are the same, outturn and commentary for the targets is combined.

Objective I: Maintain a stable macroeconomic environment with low inflation and sound public finances in accordance with the Code for Fiscal Stability

SR2004 PSA Target	3 Over the economic cycle ⁶ , maintain: public sector net debt below 40 per cent of Gross Domestic Product (GDP); and the current budget in balance or surplus.
SR2002 PSA Target	3 Same as SR2004 target.
Performance Indicator	Public sector net debt as a percentage of GDP at the end of each year of the economic cycle. The average surplus on current budget as a percentage of GDP over the economic cycle.

Outturn ⁷	On course
Commentary	Net debt will be maintained below 40 per cent of GDP over the economic cycle, meeting the sustainable investment rule ⁸ . Public sector net debt was 36.4 per cent of GDP in 2005-06, and is projected to rise slowly, as the Government borrows modestly to fund increased investment in public services, stabilising at 38.5 per cent of GDP in 2011-12. The PBR projections show that the Government is meeting the golden rule ⁹ , on the basis of cautious assumptions, with an average annual surplus on the current budget over the current economic cycle of around 0.1 per cent of GDP.
Quality of data systems	Underlying data are sourced from the Office for National Statistics.

⁶ The latest assessment of the economic cycle can be found in the 2006 PBR – on the Treasury's website www.hm-treasury.gov.uk

⁷ As the SR2004 and SR2002 targets are the same, outturn and commentary for the targets is combined.

⁸ Explanation of the sustainable investment rule can be found in Chapter 2 of the Pre-Budget Report

⁹ Explanation of the golden rule can be found in Chapter 2 of the Pre-Budget Report

Objective II: Increase the productivity of the economy and expand economic and employment opportunities for all

SR2004 PSA Target	4 Demonstrate further progress by 2008 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle ¹⁰ , improving competitiveness and narrowing the gap with our major industrial competitors ¹¹ . (Joint target with Department of Trade and Industry (DTI)).
SR2002 PSA Target	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).
Performance Indicator	<p>Performance is measured using:</p> <ul style="list-style-type: none"> • International comparisons of productivity (ICP) data: output per worker and output per hour. The data are produced by the Office for National Statistics (ONS) based on Organisation for Economic Co-operation and Development (OECD) data; and • Trend productivity growth in the UK over the economic cycle, which is taken from the HM Treasury estimates published in the Budget and Pre-Budget Report.
Outturn (SR2004 Target)	On course
Commentary (SR2004 Target)	<p>Improving productivity is a long-term objective. Given the sensitivity of the headline productivity figures to distortions created by cyclical factors, UK performance is assessed between on-trend points as defined in the Trend Growth estimate (see quality of data systems).</p> <p>The most recent UK productivity figures show:</p> <ul style="list-style-type: none"> • Progress towards raising the trend rate of productivity growth – trend productivity (output per hour) is estimated to have been growing at 2.60 per cent over the first half of the current economic cycle (1997H1-2001Q3) compared to 1.92 per cent in the previous cycle (1986Q2-1997H1), and underlying productivity by 2.81 per cent compared to 2.10 per cent; and • the UK has been making progress in narrowing the international productivity gap. Since 1995 the UK has halved the output per worker gap with France and closed the gap with Germany. Although the gap with the US remains significant, the UK is the only country in the G7 not to have experienced an increase in its gap with the US. <p>Initiatives announced in Budget 2006 will further drive productivity growth across the UK. More details are available on the HM Treasury website¹².</p>
Outturn (SR2002 Target)	On course
Commentary (SR2002 Target)	As above
Quality of data systems	<p>The Treasury monitors progress on the productivity gap with data published by the ONS on the ICP which are themselves based on OECD data. Small changes in the ICP series are interpreted cautiously to allow for some margin of error in the constituent parts.</p> <p>Trend estimates of productivity are drawn from HM Treasury estimates (see Table B2 of Budget 2006) that constitute part of the trend growth estimate. The methodology upon which these estimates are based is set out in the HM Treasury publication <i>Trend growth: recent developments and prospects, April 2002</i>. The National Audit Office audits this methodology.</p>

¹⁰ The latest assessment of the economic cycle can be found in the 2006 PBR – on the Treasury's website www.hm-treasury.gov.uk

¹¹ The list of industrial competitors can be found in the 2005-08 PSA Technical Note available on www.hm-treasury.gov.uk

¹² www.hm-treasury.gov.uk

Objective II: Increase the productivity of the economy and expand economic and employment opportunities for all

SR2004 PSA Target	<p>5 As part of the wider objective of full employment in every region, over the three years to spring 2008, and taking account of the economic cycle¹³, demonstrate progress on the increasing the employment rate. (Joint target with the Department for Work and Pensions (DWP)).</p>
SR2002 PSA Target	<p>7 Demonstrate progress by spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle. (Joint target with the DWP).</p>
Performance Indicator	<p>The target will be measured using the seasonally adjusted employment rate (the proportion of the population of working age (16-59 for females and 16-64 for males) who are in employment) in Great Britain (GB), based on the International Labour Organisation (ILO) definition.</p> <p>For unemployment, seasonally adjusted ILO unemployment rates for the population of GB, aged 16 and over, with a judgement as to the economic cycle, as assessed by the Treasury in the Budget and Pre-Budget Report.</p>
Outturn (SR2004 Target)	<p>On course</p>
Commentary (SR2004 Target)	<p>The baseline for the SR2004 target is spring (March-May 2005), at which time the GB employment rate was 74.9 per cent. Latest quarterly data July to September 2006, gives a GB employment rate of 74.6 per cent.</p> <p>Given the current position in the economic cycle there is expected to be a rise in employment by the end of the cycle. This is because the Treasury currently estimates that there is a negative output gap - the economy is operating below potential. This means the employment rate is judged to be below its equilibrium level and is therefore expected to rise, and the unemployment rate is expected to fall, by the time the cycle ends.</p>
Outturn (SR2002 Target)	<p>On course</p>
Commentary (SR2002 Target)	<p>The baseline for the SR2002 target is spring (March-May) 2003, at which time the employment rate was 74.9 per cent and the GB unemployment rate was 5.0 per cent. The data for spring 2006 gives a GB employment rate of 74.6 per cent and the GB unemployment rate was 5.4 per cent. However, this target is measured over the economic cycle and therefore a final assessment cannot be made until we reach the end of the economic cycle.</p>
Quality of data systems	<p>UK labour market figures for employment and unemployment are taken from the Labour Force Survey (LFS) and are published by the Office for National Statistics. The definitions used in the LFS are based on internationally agreed standards set by the ILO.</p>

¹³ The latest assessment of the economic cycle can be found in the 2006 PBR – on the Treasury's website www.hm-treasury.gov.uk

Objective II: Increase the productivity of the economy and expand economic and employment opportunities for all

SR2004 PSA Target	6 Make sustainable improvements in the economic performance of all English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. (Joint target with the Department for Communities and Local Government (DCLG) and the Department of Trade and Industry (DTI)).
SR2002 PSA Target	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 the DCLG and DTI).
Performance Indicator	The main indicator for this target is Gross Value Added (GVA) per capita in each region.
Outturn (SR2004 Target)	On course
Commentary (SR2004 Target)	<p>An essential element of raising the rate of productivity in the UK (as set out in PSA 4) is to improve the economic performance of every part of the UK. The headline measure for the regional economic performance target is the trend growth rate in GVA per capita. This will be estimated in each English region for the period 2003-08 and compared to the trend growth in the period 1990-2002. The gap in growth rates is measured by comparing the average growth rate of the regions that had above average GVA per capita with the average growth rates of regions that had below average GVA per capita in the base period with the growth rates in 2003-2012 period.</p> <p>A report of progress against this target has been published as a technical note to the 2006 Pre Budget Report¹⁴. This explains that a full assessment of trends in regional economic activity and disparities can only be determined over a complete economic cycle¹⁵. However, headline progress so far, as detailed in the report, is encouraging:</p> <ul style="list-style-type: none"> • All English regions grew in 2003 and 2004¹⁶. • Growth in GVA per capita was higher in the worst performing regions than in the average of the top three (London, South East and East) for 2004. Average nominal GVA growth per head for the top three regions was 3.5 per cent compared to 4.6 per cent for the bottom six regions (North East, North West, Yorkshire & Humber, East Midlands, West Midlands and the South West). <p>Progress on narrowing the gaps between regions has been partly due to strong employment growth in the bottom six regions. By May 2006, the average employment rate for the North, Midlands and South West regions had broadly equalized to the average employment rate in London, South East and East. Similarly, the skills gap between the top three regions and bottom six regions – as measured by the percentage of economically active adults trained to National Vocational Level 2 or above – has also narrowed from 3.8 percentage points in 1998 to 1.7 percentage points 2005.</p>
Outturn (SR2002 Target)	On course
Commentary (SR2002 Target)	As above
Quality of data systems	Performance against this target is measured through estimates of the trend rate of growth in GVA per capita in each region for the period 2003-08. The gap in growth rates is measured by comparing the average growth rate of regions that had above average GVA per capita with the average growth rate of regions that had below average GVA per capita in 1990-2002 with growth rates for 2003-12. The regional GVA series is produced by the Office for National Statistics and meets all National Statistics quality criteria.

¹⁴ HM Treasury, DTI, DCLG, Regional economic performance - progress to date, December 2006

¹⁵ The latest assessment of the economic cycle can be found in the 2006 PBR – on the Treasury's website www.hm-treasury.gov.uk

¹⁶ Annual GVA per capita for each region is only available after a 12-18 month time lag

Objective III: Promote efficient, stable and fair financial markets, for their users and the economy

	There is no PSA target for this objective. Assessment of progress is based on overall performance.
Performance Indicator	N/A
Commentary	<p>Action to meet this objective includes:</p> <ul style="list-style-type: none"> • the Chancellor’s High Level Group to discuss city competitiveness met for the first time on 18 October 2006 and work was launched on reform of the wholesale insurance market, better regulation and steps to tackle skills gaps in the financial services industry; • publication of "The Annuities Market" paper at the PBR which announced a review with key stakeholders of the operation of the open market option so that substantially more consumers will get the best annuity deal for their retirement; • improving access to financial services using the Financial Inclusion Fund (£120 million over three years), through the Financial Inclusion Taskforce, and working with banks to reduce the number of unbanked households and with other agencies to improve financial capability; • taking forward the commitment to reunite owners with unclaimed assets held by banks with an intention to consult on enabling legislation in 2007; • the introduction of a 10-year strategy for financial capability, looking at financial education in schools, financial information, generic advice and support for pensions reform which is due to be published very shortly; • agreed innovative and accountable governance arrangements for UK payments systems, in line with the Government's better regulation agenda and measures giving consumers greater certainty and transparency when paying in cheques. • continuing to strengthen financial sector resilience through the successful Tripartite testing and the Market-wide Exercise on pandemic flu in October and November 2006; • action taken to strengthen anti-money laundering and counter terrorist financing controls, including the publication of consultation documents on implementation of the EU Third Money Laundering Directive¹⁷ and the regulation and supervision of money service businesses; • on the advice of the police and the Security Service, immediate action to freeze the assets of suspected terrorists in connection with an alleged terrorist plot; and • the European Commission’s White Paper on Financial Services Policy 2005-2010¹⁸ published on 5 December 2005 which strongly reflects UK policy priorities of better regulation and enforcing and implementing legislation already agreed. It was endorsed by ECOFIN in May 2006.
Quality of data systems	N/A

¹⁷ http://www.treasury.gov.uk/consultations_and_legislation/money_laundrying_directive/consult_thirdmoney_index.cfm

¹⁸ http://ec.europa.eu/internal_market/finances/policy/index_en.htm

Objective IV: Promote a fair, efficient and integrated tax and benefit system with incentives to work, save and invest

SR2004 PSA Target	7 Halve the number of children in relative low-income households between 1998-99 and 2010-11, on the way to eradicating child poverty by 2020. (Joint with the Department for Work and Pensions (DWP)).
Performance Indicator	PSA target 7 has two measures: the number of children in households with income less than 60 per cent of contemporary median compared with 1998-99; and the number of children in households with income less than 70 per cent of contemporary median, combined with material deprivation. Low income is defined before housing costs and is reported annually in Households Below Average Income (HBAI) ¹⁹ . The baseline for the less than 60 per cent of median income target is 3.4 million children. Data on material deprivation only became available in March 2006 and is currently being analysed by DWP before the baseline and threshold for the second measure can be set. The target will be measured on a UK basis.
Outturn (SR2004 Target)	Not yet assessed
Commentary	As the precise construction of the material deprivation indicator has not yet been determined, progress towards PSA target 7 has not yet been assessed.
Quality of data systems	Performance against this target is assessed using the annual HBAI report published as National Statistics by DWP.

¹⁹ <http://www.dwp.gov.uk/asd/hbai.asp>

Objective V: Promote UK economic prospects by pursuing increased productivity and efficiency in the European Union (EU), international financial stability and increased global prosperity, including especially protecting the most vulnerable

SR2004 PSA Target	8 (i) 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.
SR2002 PSA Target	4 (i) Same as SR2004 PSA target.
Performance Indicator	Under the codes and standards initiative, the IMF and World Bank monitor observance by countries against 12 individual codes and standards, which act as benchmarks for good practice in financial practices and structures, through production of Reports on the Observance of Standards and Codes (ROSCs). The initiative aims to strengthen the international financial architecture and reduce the likelihood of financial crises.
Outturn ²⁰	On course
Commentary	As of August 2006, 136 countries (over two thirds of the IMF membership) have now participated in the codes and standards initiative. This is up from 109 in June 2004 and 94 in June 2003. 887 individual assessments, reassessments and updates have been produced. This compares with 724 in April 2005 and 605 in April 2004. Three quarters of the assessments, reassessments and updates have been published.
Quality of data systems	The IMF provides information on the number of ROSCs completed. Further information is available from their website. ²¹

²⁰ As the SR2004 and SR2002 targets are the same, outturn and commentary for the targets is combined.
²¹ www.imf.org

Objective V: Promote 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

SR2004 PSA Target	<p>8 (ii) Ensuring that 90 per cent of all eligible²² Heavily Indebted Poor Countries (HIPC)²³ committed to poverty reduction that have reached Decision Point by end 2005, receive irrevocable debt relief by end 2008; and that international partners are working effectively with poor countries to make progress towards the United Nations 2015 Millennium Development Goals (MDGs)²⁴. (Joint target with the Department for International Development (DFID)).</p>
SR2002 PSA Target	<p>4 (ii) Promote increased global prosperity and social justice by 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 MDGs. (Joint target with DFID).</p>
Performance Indicator	<p>HIPC: Number of countries reaching Completion Point as recorded in <i>Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation</i>, available on the World Bank website.</p> <p>Millennium Development Goals: The Treasury and DFID have a set of discrete indicators against which progress is monitored – these are detailed in the Technical Note for this PSA target available on the Treasury website.</p>
HIPC Outturn (SR2004 Target)	<p>On course</p>
HIPC Commentary (SR2004 Target)	<p>With the addition of the Republic of Congo in January 2006 and Haiti in November 2006, 30 countries are currently receiving debt relief under the HIPC initiative, and of these countries, 20 have exited the initiative and are in receipt of irrevocable debt relief. The Treasury's estimate, which is in line with that of the International Monetary Fund (IMF) and World Bank, is that almost all of the 28 countries receiving debt relief at end 2005 should have exited the initiative by the end of 2007. The 20 countries that have exited the HIPC initiative are now also receiving debt relief under the Multilateral Debt Relief Initiative (MDRI), which has now been implemented at the IMF World Bank and African Development Bank.</p>
MDGs Outturn (SR2004 Target)	<p>Slippage</p>
MDGs Commentary (SR2004 Target)	<p>Good progress has been made in some countries - for example on income poverty in Asia, and primary education in North Africa - but the global rate of progress remains too slow and uneven and in some cases countries are even moving further away from the goals. The Poverty Reduction Strategy (PRS) approach has been widely adopted in countries accessing International Development Association (IDA) resources. The latest figures show that 51 countries have PRSPs and 10 have interim PRSPs. There is a need for improved policies in both rich and poor countries, and for more and better quality aid to meet the MDGs by 2015. In 2005, the EU and G8 made commitments to increase aid which are expected to deliver an additional \$50 billion a year by 2010. The challenge now is to ensure that this additional aid is delivered, and used effectively, to accelerate progress towards the MDGs. The 2005 Paris Declaration of Aid effectiveness²⁵ for the first time commits donors and recipients alike to improve the way aid is delivered and managed.</p> <p>Six years into its reform programme, EC aid is more effective in terms of speedier delivery and improved portfolio performance overall, and progress is being made towards the three indicators. Good progress is being made within all four International Financial Institutions (IFIs) on the implementation of a range of reform initiatives.</p>

²² Eligible HIPCs are defined as those countries that had reached decision point at the time the target was set.
²³ HIPC countries list is available on the World Bank website www.worldbank.org/hipc/progress-to-date/progress-to-date.html
²⁴ MDGs – indicators against which progress is monitored are detailed in the HMT PSA Technical Note available on the treasury website www.hm-treasury.gov.uk
²⁵ The website of the Paris Declaration http://www.oecd.org/document/36/0,2340,en_249_3236398_1_1_1_1.00.html

	<p>The Gleneagles G8 communiqué²⁶ and UN General Assembly in June 2006 also committed countries to support universal access to comprehensive HIV prevention, treatment and cure by 2010, through mechanisms such as the Global Fund to fight AIDS, TB and Malaria. The key challenge now is for donors fully to implement their commitments and for developing countries to develop long term plans to meet the MDGs. The UK government has announced that it will enter into 10-year agreements with poor countries to finance 10-year education plans – locking in the long term predictable financing necessary to deliver quality education to help achieve the education MDGs.</p>
HIPC Outturn (SR2002 Target)	Met
HIPC Commentary (SR2002 Target)	<p>Despite slower than expected progress 20 of the 26 countries that had reached Decision Point in 2002 have now exited the HIPC initiative and are in receipt of irrevocable debt relief. The target has therefore been met. One other country is also expected to reach the Completion Point by the end of 2006.</p>
MDGs Outturn (SR2002 Target)	On course
MDGs Commentary (SR2002 Target)	<p>Although the SR2002 period ended in March 2006, data for the full period is not yet available. The Organisation for Economic Co-operation and Development, Development Assistance Committee (DAC) has reported an average figure for EU Member States of 0.36 per cent for Official Development Assistance/Gross National Income (ODA/GNI) for 2004, up from 0.35 per cent in 2003 and broadly on track towards the target of 0.39 per cent by 2006. EC aid has become more effective and is increasingly based on the priorities of recipient countries. Efforts are being made to promote better donor harmonisation. At the end of the 2005-06, 49 countries had Poverty Reduction Strategy Paper (PRSPs) and nine had interim PRSPs. The 2005 "Paris Declaration on Aid Effectiveness" for the first time commits donors and recipients alike to improve the way aid is delivered and managed. This will mostly be in support of a country-owned development strategy such as a PRS. All of the 12 multilateral agencies have made good progress on strengthening corporate governance, increased clarification on the agency's role and greater strategic alignment towards the achievement of the MDGs.</p>
Quality of data systems	<p>Decision Point and Completion Point for countries in the HIPC Initiative are determined by the Boards of the IMF and the World Bank and are made public on the websites of these institutions.</p> <p>The data used in assessing progress towards the MDGs are taken from the World Bank and United Nations' agencies who, in turn, use countries' own data systems. Systems for gathering data are very weak in many developing countries.</p>

²⁶The Gleneagles G8 communiqué can be found at http://fco.gov.uk/Files/efile/PostG8_Gleneagles_Africa.0.pdf

Objective V: Promote 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

SR2004 PSA Target	<p>8 (iii) Working with our European Union (EU) partners to achieve structural reform in Europe, demonstrating progress towards the Lisbon Goals by 2008.</p> <p>4 (iii) Promote increased global prosperity and social justice by demonstrating progress towards the Lisbon Goals by 2006, by working with our EU partners to achieve structural economic reform in Europe.</p> <p>Progress is measured using Eurostat²⁷ data for the total EU employment rate (against an EU target of 67 per cent by 2005 and 70 per cent by 2010) and the percentage difference between US and EU labour productivity per hour and per worker.</p>
SR2002 PSA Target	
Performance Indicator	

Outturn (SR2004 Target)	<p>Slippage</p> <p>The EU is 6 years into a 10-year process of structural reform.</p> <p>Since the Lisbon strategy was launched, important steps have been taken to reform the European economy, through modernisation of the EU competition regime, reform of the state aid rules, progress on regulatory reform, and actions in Member States to promote enterprise and employment. Nonetheless, the pace of reform must now be accelerated if an enlarged EU is to meet the Lisbon goals. EU employment stood at 63.8 per cent in 2005 (EU25), little increased over the previous three years; and the productivity gap between the EU and the US was 29 per cent in 2004 (EU15) on a per worker basis compared to 23 per cent in 1999 and 15.2 per cent (EU15) on a per hour basis in 2004, compared to 10.6 per cent in 1999.</p> <p>The Treasury will continue to work with EU finance ministries, the European Commission and other EU partners to advance the pace of economic reform in Europe, including the Finnish and the forthcoming German Presidencies. An assessment of progress and the Government's priorities on the economic reform agenda were set out in <i>'Growth and opportunity: prioritising economic reform in Europe'</i>²⁸ and <i>'Long-term global economic challenges and opportunities for Europe'</i>²⁹, both published by the Treasury in 2005.</p>
Commentary (SR2004 Target)	
Outturn (SR2002 Target)	
Commentary (SR2002 Target)	
Quality of data systems	<p>As above in SR2004 commentary</p> <p>Measurement of progress uses the set of structural indicators developed, produced and maintained by Eurostat, and mandated by the Council of the European Union. The data for the productivity and employment measures are sourced from the Eurostat structural indicators database. EU25 data are not currently available for both productivity measures. Outturn data is subject to a time lag due to national data collection and Eurostat collation and standardisation and can periodically be revised subsequent to publication.</p>

²⁷ http://epp.eurostat.ec.eu.int/portal/page?_pageid=1133,47802558&_dad=portal&_schema=PORTAL

²⁸ http://www.hm-treasury.gov.uk/media/261/64/Growth_and_Opportunity-381MB.pdf

²⁹ http://www.hm-treasury.gov.uk/documents/international_issues/int_global_index.cfm

Objective VI: Improve the quality and the cost-effectiveness of public services

SR2004 PSA Target	<p>9 Improve public services by working with departments to help them meet their:</p> <ul style="list-style-type: none"> • PSA targets, (Joint target with the Cabinet Office (CO)); • efficiency targets amounting to £20 billion a year by 2007-08; <p>consistently with the fiscal rules.</p>
SR2002 PSA Target	<p>9 Improve public services by working with departments to help them meet their Public Services Agreement (PSA) targets, consistently with the fiscal rules. (Joint target with the CO).</p>
Performance Indicator	<p>Departmental progress towards PSA targets and efficiency delivery is reported biannually in (spring) Departmental Reports and Autumn Performance Reports. This performance information can be accessed through a single website³⁰.</p> <p>Overall progress on the Efficiency Programme is reported through the Budget and Pre-Budget Report process.</p>

PSA element Outturn (SR2004 Target)	<p>On course</p>
PSA element Commentary (SR2004 Target)	<p>SR2004 set stretching outcome-focused targets for key areas of the public services. The Treasury and the Prime Minister’s Delivery Unit (PMDU) are working together, and with departments, to promote and support effective planning and management to deliver PSA targets, though responsibility for delivery of the targets rests with departmental Secretaries of State, as set out in the “who is responsible” section of each PSA.</p> <p>In the previous round of reporting (2006 Departmental Reports), for targets that were given overall summary assessments, about 85 per cent were reported to be on course. These represent interim progress assessments which can of course vary up to the point a final assessment is made. Estimates of overall progress at this early stage are only very broadly indicative.</p>
PSA element Outturn (SR2002 Target)	<p>On course</p>
PSA element Commentary (SR2002 Target)	<p>The Treasury is on course to meet the related SR2002 target, to improve public services by working with departments to help them meet their PSA targets, consistently with the fiscal rules. Although the SR2002 period ended in March 2006, data for the full period is not yet available and some targets have an end date beyond that time, so final reporting on the full SR2002 set is not yet possible. In the previous round of reporting (2006 Departmental Reports) overall summary assessments were made for a majority of PSA targets. Of those, over 80 per cent were reported to be met or on course. Progress can vary up to the point that a final report for all targets is made.</p>
Efficiency element Outturn (SR2004 Target)	<p>On course</p>

³⁰ http://www.hm-treasury.gov.uk/documents/public_spending_and_services/publicservice_performance/pss_perf_table.cfm

<p>Efficiency element Commentary (SR2004 Target)</p>	<p>The Pre-Budget Report³¹ announced that departments and local authorities had reported provisional annual efficiency gains totalling £13.3 billion by the end of September 2006, gross workforce reductions of 54,963, (45,551 net of reallocations to the front-line) and the relocation of 10,574 posts out of London and the South East, meaning that the Government is on course to meet the SR2004 target of achieving more than £20 billion worth of annual efficiencies by 2007-08 together with its plans for a gross reduction of 84,000 civil service posts by 2007-08 and the relocation of 20,000 public sector posts by 2010.</p>
<p>Quality of data systems</p>	<p>The data systems underpinning PSA targets are validated by the National Audit Office.</p> <p>Efficiency Technical Notes set out the measures and methodologies the departments use to assess efficiency gains. These have been refreshed and republished³² alongside this Autumn Performance Report.</p>

³¹ Available on the Treasury website www.hm-treasury.gov.uk

³² Available on the Treasury website www.hm-treasury.gov.uk

Objective VI: Improve the quality and the cost-effectiveness of public services

SR2004 PSA Target	<p>10 Deliver a further £3 billion saving by 2007-08 in central government civil procurement through improvements in the success rate of programmes and projects and through other commercial initiatives.</p>
Performance Indicator	<p>Annual returns on value for money gains reported by central civil government bodies and centrally collected data on procurement in civil central government. The reporting is based on methodologies agreed with the National Audit Office.</p>
Outturn	<p>On course</p>
Commentary	<p>A final report of progress against the SR2002 target was given in the 2006 HM Treasury Departmental Report.</p> <p>For SR2004, initial results indicate excellent progress continues to be made on improving value for money in commercial activities, with £2.6 billion achieved in 2005-06. This has been delivered via better procurement by Government Departments through direct negotiation with suppliers, improved contract/asset management, collaborative procurement and reduced process costs, as well as benefits from the OGC GatewayTM review process and the OGC Achieving Excellence initiative.</p>
Quality of data systems	<p>Value for money gains are measured by individual departments and through other methodologies. OGC has published detailed methodological guidance to departments, entitled <i>Procurement Efficiency and Value for Money Measurement</i>³³. OGC aggregates the data produced by the methodologies to produce the total.</p>

³³ Available on the OGC website www.ogc.gov.uk

Objective VII: Achieve world-class standards of financial management in government

	There is no PSA target for this objective. Assessment of progress is based on overall performance.
Performance Indicator	N/A
Commentary	<p>Key achievements include:</p> <ul style="list-style-type: none"> • reinforcing the drivers of world-class financial management in the upcoming Comprehensive Spending Review: reviewing the performance management framework; pursuit of an ambitious and far-reaching value for money programme; and adoption of more strategic approach to asset management and investment decisions; • building on the implementation of the COINS system for public finance data by developing enhanced monitoring facilities for the Treasury Group and Departments and, as part of follow up work to the 2004-05 Financial Management Reviews, agreeing action plans with major spending departments to enhance data quality; • presentation of Financial Management (FM) improvement agenda to the top financial management advisers to government, eliciting their support in developing common best-practice guidance for departments; • 42 of 49 departmental resource accounts for 2005-06 laid in Parliament before the summer recess (as compared with 25 in 2004-05 and 10 in 2003-04), indicating a substantial improvement in systems and finance skill in departments; • as at 1 December 2006, 90 per cent of government resource spend is in departments with a professionally qualified Finance Director; • finance option launched across Whitehall as part of 2006 In-Service Fast Stream competition for candidates to study for accountancy qualification; • completing the first dry run of Whole of Government Accounts including Local Authorities and progressing towards completing the second dry run as planned in March 2007; • launch, in October 2006, of "Finance Skills for All" electronic, classroom and master-class training products to all departments as part of a concerted marketing and communications campaign to increase the awareness of the need for Financial Management skills; • new ethical guide to replace existing Government Accounting under way with a target completion date of late Summer 2007; and • completion of Departmental and stakeholder consultation on Revised Audit Committee Handbook with publication in early 2007.
Quality of data systems	N/A

Objective VIII: Protect and improve the environment by using instruments that will deliver efficient and sustainable outcomes through evidence-based policies

	<p>There is no PSA target for this objective. Assessment of progress is based on overall performance.</p>
<p>Performance Indicator</p>	<p>N/A</p>
<p>Commentary</p>	<p>While this objective has no related PSA target, there has been a significant programme of activity, building on existing measures – both tax and non tax - such as climate change levy and climate change agreements, the Energy Efficiency Commitment and Warm Front, reduced VAT rates, air passenger duty, fuel duties including differentials for cleaner fuels, the aggregates levy, and landfill tax.</p> <p>UK greenhouse gas emissions fell by about 15.1 per cent between 1990 and 2005, making the UK one of the few countries on track to meet its Kyoto commitment.</p> <p>The Stern Review³⁴ into the economics of climate change was published in October 2006, detailing the nature of the economic challenges faced and how they can be met in the UK and globally.</p> <p>The EU ETS is the centrepiece of the UK’s strategy to tackle climate change. In June, the Government announced the level of the UK cap for Phase Two of the EU Emissions Trading Scheme (EU ETS). The plan includes the auctioning of seven per cent of permits which will help to increase the effectiveness of EU ETS. In November the UK was the only country not to have the level of allowances in its National Allocation Plan reduced by the European Commission.</p> <p>There has also been further work on progressing the inclusion of aviation in the EU ETS as soon as possible and a Communication from the Commission is expected shortly.</p> <p>Work has also continued towards delivery of the Renewable Transport Fuel Obligation (RTFO) from April 2008. This will deliver savings of 1 million tonnes of carbon from transport by 2010-11.</p> <p>The Pre-Budget Report 2006 set out the next stage of the Government’s strategy for tackling climate change. It announced: progress on the expansion and strengthening of EU ETS; further steps towards realising carbon capture and storage technology; increases in fuel duty and air passenger duty rates to reduce emissions; a package of measures to support the development of biofuels; a time-limited stamp duty exemption for zero carbon homes; and extension of the Landlords Energy Saving Allowance.</p> <p>The effectiveness of existing policies also continues to be monitored and evaluated.</p>
<p>Quality of data systems</p>	<p>N/A</p>

³⁴ Available on Treasury website: www.hm-treasury.gov.uk

Annex B

Performance against
outstanding 1998
Comprehensive Spending
Review PSA Target



CSR Objective 4

Increase the productivity of the economy and expanding economic and employment opportunities for all, through productive investment, competition, innovation, enterprise, better regulation and increased employability

CSR 1998 PSA Target	xiv Secure an increase in the number of successful high growth business start-ups (joint target with Department of Trade and Industry).
Performance Indicator	The number of VAT registered firms with a turnover of over £1 million and/or 10 or more employees four years after registering for VAT.

Outturn	Met																											
Commentary	<p>Over the whole period around seven per cent of all new VAT registrations became high growth start-ups. Although the absolute number of high growth start-ups was lower in 2001 than in 2000, the percentage was higher – 7.6 per cent of all VAT registrations were high-growth in 2001 compared to 7.5 per cent in 2000. This proportion is the highest in the series.</p> <table border="1" style="margin: 10px auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="padding: 5px;">Year in which business registered</th> <th style="padding: 5px;">Four years after registration</th> <th style="padding: 5px;">Number of businesses defined as high growth start up, (VAT registered 4 years previously)</th> </tr> </thead> <tbody> <tr><td style="padding: 2px 5px;">1994</td><td style="padding: 2px 5px;">1998</td><td style="padding: 2px 5px;">12,300</td></tr> <tr><td style="padding: 2px 5px;">1995</td><td style="padding: 2px 5px;">1999</td><td style="padding: 2px 5px;">11,800</td></tr> <tr><td style="padding: 2px 5px;">1996</td><td style="padding: 2px 5px;">2000</td><td style="padding: 2px 5px;">11,100</td></tr> <tr><td style="padding: 2px 5px;">1997</td><td style="padding: 2px 5px;">2001</td><td style="padding: 2px 5px;">12,200</td></tr> <tr><td style="padding: 2px 5px;">1998</td><td style="padding: 2px 5px;">2002</td><td style="padding: 2px 5px;">12,200</td></tr> <tr><td style="padding: 2px 5px;">1999</td><td style="padding: 2px 5px;">2003</td><td style="padding: 2px 5px;">12,300</td></tr> <tr><td style="padding: 2px 5px;">2000</td><td style="padding: 2px 5px;">2004</td><td style="padding: 2px 5px;">13,400</td></tr> <tr><td style="padding: 2px 5px;">2001</td><td style="padding: 2px 5px;">2005</td><td style="padding: 2px 5px;">12,900</td></tr> </tbody> </table>	Year in which business registered	Four years after registration	Number of businesses defined as high growth start up, (VAT registered 4 years previously)	1994	1998	12,300	1995	1999	11,800	1996	2000	11,100	1997	2001	12,200	1998	2002	12,200	1999	2003	12,300	2000	2004	13,400	2001	2005	12,900
Year in which business registered	Four years after registration	Number of businesses defined as high growth start up, (VAT registered 4 years previously)																										
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1998	2002	12,200																										
1999	2003	12,300																										
2000	2004	13,400																										
2001	2005	12,900																										
Quality of data systems	Performance against this target is measured through data supplied by the Small Business Service.																											

Annex C

Performance against
HM Treasury Group
2004 Spending Review
Efficiency Target



Introduction

C1 As part of Spending Review 2004, the Treasury Group¹ agreed a target to achieve annual efficiency savings of £17.7 million by 2007-08. This target level has subsequently been raised to £18.7 million following OGCbuying.solutions increasing their contribution from £0.8 million to £1.8 million by 2007-08.

C2 The Treasury Group is publishing a revised efficiency technical note alongside this Autumn Performance Report. This sets out in detail the workstreams making up the Treasury Group's efficiency plans, and describes the measures being taken to ensure quality of service delivery is maintained, and the data systems from which reported efficiency gains are derived.

C3 In June, the Treasury decided to combine, where practical and beneficial, the IS/ICT, Human Resources, Finance and Procurement, Estates and Internal Audit services across the Group. Group

corporate services are expected to enable further efficiencies, building on the work already done separately at each of the Group bodies, from (inter alia) sharing of software, increased buying power, and reductions in the number of line management posts.

C4 Group Heads of the five services have now been appointed, and centralised management of Group corporate services will be implemented during the second half of 2006-07, focusing initially on merging OGC and core HMT services. Therefore the efficiency plans for these Group corporate services will now be shown together. The relevant corporate services elements within the previous planned contributions of individual Group bodies to the overall efficiency target, and the efficiencies achieved to date by those services, have been transferred to the new Group corporate services section.

C5 The table below sets out progress against targets to date.

Treasury Group - Efficiency plans: summary progress to date

£million	Target 2007-08	Progress (April 2006)	Progress (October 2006)	Of which cashable ²
Core Treasury	10.9	4.7	7.5	7.5
OGC	3.5	3.2	3.2	3.0
OGCbuying.solutions	1.8	1.1	1.4	0.7
DMO	1.0	0.9	1.0	1.0
Group corporate services ³	1.5	1.8	1.8	1.7
Total	18.7	11.7	14.9	13.9

The target contribution of Group corporate services will be reassessed as the plans for the Group services are developed.

CORE TREASURY

Efficiency Plans and Progress to Date

C6 The core Treasury's efficiency plans focus on three workstreams against which performance is measured, as detailed below in addition to its contribution to the Group corporate services workstream. The core Treasury had achieved £7.5 million of efficiencies by October 2006. The Programme workstream is currently below its planned contribution; achievement of the planned contribution of £2.9 million by 2007-08 is dependent on ongoing negotiations with the Royal Mint over the price and other terms for the manufacture of UK coinage. However, the Policy, Funding and Regulation workstream is ahead of target, so overall, core Treasury is on track to deliver its planned contribution of £10.9 million of efficiencies to the overall target by 2007-08.

Workstream: Policy, Funding and Regulation (PFR) – Directorate Budgets & Procurement

Plans: £4 million efficiencies by 2007-08

Progress to October: £4.2 million

C7 This workstream focuses on how core Treasury can deliver its policy objectives more effectively, and includes reducing both staff and non-staff costs. The Treasury has put in place a programme of reforms to its procurement strategy, with the overall objective of providing better value for money through improved efficiency in procurement delivery (covering procurement services, purchases, processes and systems).

¹ Treasury Group includes Office of Government Commerce (OGC) and Debt Management Office (DMO)

² Cashable savings are those which reduce the costs associated with a defined activity or output, thereby releasing money to be recycled to other priorities within the department

³ In order to show read across to previous reports, the columns correspond as follows: Target is made up of £1m from core Treasury and £0.5m from OGC; Progress (April) and Progress (October) is £1.5m from core Treasury and £0.3m from OGC; and Cashable is £1.5m from core Treasury and £0.2m from OGC. Core Treasury's contributions come from their previous PFR – Directorate Budgets and Corporate Services workstream. OGC's contributions come from both their previous corporate services and productive time workstreams.

Workstream: Policy, Funding and Regulation (PFR) – Strategic Reserve

Plans: £4 million efficiencies by 2007-08

Progress to October: £2.3 million

C8 The Strategic Reserve, which rises in value to £4 million per annum by 2007-08, is financed by savings contributed from directorate core budgets, and is allocated by the Board primarily for new policy priorities as they emerge during the 2005-08 period.

Workstream: Programme

Plans: £2.9 million efficiencies by 2007-08

Progress to October: £1.0 million

C9 The main element within the Treasury's programme workstream is the purchase of UK coinage from the Royal Mint. The Treasury is working with the Royal Mint to agree new prices for the manufacture of coinage, and new arrangements to provide incentives to manage costs, production and distribution of coinage more effectively. Dependent on the outcome of these negotiations, the programme workstream may not achieve the originally planned contribution of £2.9 million efficiencies. As noted above, however, the core Treasury remains on track to achieve its planned overall contribution of £10.9 million efficiencies (plus its contribution to corporate services) other areas making a larger contribution than originally planned.

Quality measures and assessment

C10 The quality of the core Treasury's outputs is managed and supported through a range of processes including a framework of Public Service Agreement targets, progress against which is reported quarterly to the Board, objective setting, internal reporting and appraisal systems and internal audit.

C11 Progress against efficiency plans is reported on a quarterly basis to the Finance Committee.

Outlook

C12 Budgets for 2007-08 will be set as part of longer-term planning for the Treasury Group's Comprehensive Spending Review settlement, which comprises a 5 per cent real terms reduction in year on year funding from 2008-09 through to 2010-11. The 2007-08 budgets should incorporate the achievement or exceeding of the Spending Review 2004 efficiency targets on all core Treasury's controllable costs.

OFFICE OF GOVERNMENT COMMERCE (OGC)

Efficiency plans

C13 Work continues on the initiatives identified to deliver OGC's contribution of £3.5 million to the overall efficiency target by 2007-08. These will help all OGC service areas. Initiatives are managed within a formal programme structure and each one has an owner at senior management level.

C14 **Corporate Services** will save £1.2 million by 2007-08. These are the support services remaining in OGC after transfer of Corporate Services functions to Group shared services. The initiatives focus on programme support; streamlining communications; and delivering efficiencies in administrative support.

C15 Securing better value in **Procurement** will save £0.4 million and targets shared contracts (collaboration and aggregation) and smarter procurement (e-commerce and value for money deals).

C16 Improving resource utilisation through **Productive Time** (£1.9 million) addresses: use of consultants; reducing travel and subsistence costs (increasing the use of video conferencing where appropriate), electronic information management; and simplifying working practices.

Progress to date

C17 OGC is on track to meet the £3.5 million savings contribution by 2007-08. Total verified savings to October are £3.2 million.

Quality Measures and assessment

C18 The OGC Efficiency Programme Board meets regularly. Each contributing workstream is considered by the Programme Board, and suggestions made for improvements in delivery. Initiative managers are responsible for monitoring savings, which are verified by the Finance team, in consultation with the Programme Manager and the Senior Responsible Officer (SRO). More widely, OGC continues to assess progress against operational targets through its Investment and Implementation Board's (IIB) monthly consideration of divisional performance, and through a quarterly Performance Scorecard.

Outlook

C19 OGC is meeting its efficiency targets and will continue to explore options for further gains. With other members of Treasury Group, work is continuing on the realisation of gains through shared Treasury Group services.

OGCBUYING.SOLUTIONS

Efficiency Plans

C20 OGCBuying.solutions has now committed itself to delivering a revised contribution of £1.8 million towards the overall efficiency target by 2007-08. Its plans focus on three key workstreams:

- productive time – with plans to secure £0.9 million of productive time savings by continuing to reduce the ratio of internal costs to value for money improvements;
- procurement – with plans to secure £0.5 million of procurement savings per annum through the more efficient purchase of goods and services; and
- relocation - with plans to secure £0.4 million through the relocation of its existing operation out of London.

Progress to date

C21 As of October, OGCBuying.solutions has secured £1.4 million of efficiency savings through:

- £0.65 million of productive time savings through an improvement in the ratio of internal costs to public sector value for money improvements; and
- £0.75 million of procurement savings through the reduction in the cost of delivery of some of its support services.

Quality measures and assessment

C22 A monthly monitoring report is produced by the Director of Corporate Services and the Efficiency Steering Group holds regular meetings to discuss progress on the Efficiency Plan. Overall progress is monitored via the audited Annual Report and Accounts. Assurance is also gained through KPMG, OGCBuying.solutions' Internal Auditors, who recently performed a full review of the Efficiency Programme.

Outlook

C23 All workstreams are progressing to plan. 2006-07 sees the final delivery stage of the £1.8 million plan with the closure of the permanent office in London (now complete) resulting in significantly reduced accommodation costs coupled with associated corporate services staff savings. In addition, HR costs will now reduce as a consequence of e-enabled self-service technology resulting in reduced transactional costs.

UK DEBT MANAGEMENT OFFICE (DMO)

Efficiency plans

C24 The DMO has delivered its £1 million contribution to the overall saving target. The efficiencies were achieved as follows.

C25 Corporate Services. The DMO has centralised some business activities – such as settlement, accounting and preparation of management information – to those teams within the agency with a comparative advantage in such work. This workstream also included migration of processes to the DMO's core systems that had hitherto been undertaken on legacy systems. This has generated annual savings of £0.3 million.

C26 Procurement. The DMO has saved £0.7 million by securing better value for money in procurement. Procurement saving initiatives included negotiating supplier price reduction in specific business areas and investment in new technology that will be easier to maintain.

C27 The efficiency savings secured have had no material effect on the quality of the DMO's outputs.

GROUP CORPORATE SERVICES

Efficiency plans

C28 As noted above, certain corporate services are being combined across the Treasury Group. The relevant corporate services elements within the previous planned contributions of individual Group bodies to the overall efficiency target, and the efficiencies achieved to date by those services, have been transferred to this section.

C29 The aggregate contribution from IS/ICT, Human Resources, Finance and Procurement, Estates and Internal Audit contained within the previous plans of the participating group bodies was £1.5 million.

Progress to date

C30 As of October 2006, the previously separate corporate services of the group bodies now participating in Group services had achieved £1.8 million efficiencies.

HEADCOUNT AND RELOCATION TARGETS

C31 In addition, to support the delivery of its efficiency plans, the Treasury Group has a target to reduce its headcount by 150 full-time equivalent staff by April 2008. This reduction will be met by core Treasury. As at October, the size of the Treasury Group and core Treasury had fallen by 128 and 134 staff respectively. The Group is on course to meet the target.

C32 In response to the Lyons review, the Treasury Group committed to relocating 26.5 posts out of London by 2007-08, and has met this target. OGCbuying.solutions has relocated all of its planned 22 posts (15 to Liverpool and 7 to Norwich). OGC has plans to relocate 35 posts from central London to Norwich by 2010 as natural recruitment opportunities occur; it has so far relocated 12.



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