

AUTUMN PERFORMANCE REPORT

Progress Report on HM
Treasury Public Service
Agreement Targets

December 2004



HM TREASURY

Cm 6395



HM TREASURY

HM Treasury Autumn Performance Report 2004

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 2004

© Crown Copyright 2004

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to:

The Licensing Division,
HMSO, St Clements House,
2-16 Colegate,
Norwich,
NR3 1BQ

Fax: 01603 723000 or
e-mail: licensing@cabinet-office.x.gsi.gov.uk

This is the third 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 2000 Spending Review (SR2000) and the 2002 Spending Review (SR2002).

This report can be read as a stand alone document. However, many readers may find it useful to refer to HM Treasury's 2004 Departmental Report: Cm 6222 which sets out more detailed background information and commentary.

HM Treasury contacts

Comments on the coverage or presentation of this report should be sent to:

Sara Rowden
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ
E-mail: Sara.Rowden@hm-treasury.x.gsi.gov.uk

For enquiries about the Treasury and its work, contact:

Treasury Public Enquiry Unit:
Tel: 020 7270 4558
Fax: 020 7270 4861
E-mail: public.enquiries@hm-treasury.gov.uk

This document can be accessed from the Treasury's Internet site at:

www.hm-treasury.gov.uk

ISBN: 0-10-163952-X

CONTENTS

	Foreword by the Chief Secretary to the Treasury	v
1	Context	7
	ANNEX A Performance Against PSA Targets from the 2002 and 2000 Spending Reviews	11
	ANNEX B Performance Against Outstanding Comprehensive Spending Review 1998 PSA Targets	29
	ANNEX C Mapping of 2002 Spending Review PSA Targets to 2004 Spending Review PSA Targets	33

Foreword

By the Chief Secretary, the Rt Hon Paul Boateng MP

The Government's objective is to deliver a strong economy and a fair society, with stability, opportunity and rising living standards for all - a Britain of economic strength and social justice. We continue to make significant progress towards our long-term economic goals:

- **Maintain economic stability** – the UK economy is currently experiencing its longest unbroken expansion on record. The UK weathered the international economic downturn better than many other industrialised countries and, as the global recovery has gathered momentum, sound macroeconomic fundamentals have allowed UK GDP to grow strongly;
- **Increase employment opportunities for all** – the New Deal programmes continue to help disadvantaged groups get into work, and have contributed to the UK having the highest level of employment for a generation. Employment has risen by nearly 2 million since Spring 1997 and is up in every region;
- **Creating a fairer society** – increases in the National Minimum Wage rates in October 2004 are estimated to have benefited at least 1.1 million workers. The Child and Working Tax Credits, introduced in April 2003, are benefiting 6.1 million families, including 10.5 million children. As a result of the Government's reforms to the tax and benefit system, a single earner family on half average male earnings with two children will be, on average, £3,700 a year better off in real terms compared to 1997. We are also committed to enabling pensioners to share in the country's rising prosperity: compared with 1997, pensioner households will be on average £26 a week better off in real terms by 2005-06, and the poorest 10 per cent of pensioners will be £42 a week better off; and
- **Investing to build world-class public services** – there are now more teachers in schools than at any time since 1984, class sizes are smaller and levels of attainment continue to rise. In our hospitals, the number of patients waiting more than 12 months for inpatient treatment has been virtually eliminated from over 30,000 in March 1997 to just 19.

The 2004 Spending Review set out the Government's spending plans for the three years to 2007-08 and will enable us to continue to build on our achievements. Under these plans, efficiency gains across government will release more than £20bn a year by 2007-08 for reinvestment in front-line public services. Departments also announced plans for the reduction of 84,150 civil service posts and the relocation of over 20,000 posts out of London and the South East. Within the Chancellor's departments, the creation of the new HM Revenue and Customs department will improve customer service, cut compliance costs and tackle the revenue losses caused by non-compliance, avoidance and fraud. We have also continued to seek to develop a strong relationship with the voluntary and community sector in the design, funding and delivery of public services, particularly through the establishment of the new Futurebuilders Fund.

Without the hard work of the dedicated staff in the Treasury and its executive agencies and offices, 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.



Paul Boateng

1

CONTEXT

1 Context

1.1 This is the third Autumn Performance Report published by the Treasury. It provides information for the period 1st April to 31st September 2004 on the progress the Treasury is making towards its Public Service Agreement (PSA) targets.

1.2 The 2002 Spending Review (SR2002) set PSA targets for the period 2003-06. These targets in most cases left unchanged, or reinforced and refined, targets set for the period 2001-04 under the 2000 Spending Review (SR2000), as such the reporting for these targets is combined, and is contained in Annex A¹. The Treasury also has some remaining PSA targets set for the period 1999-2002 under the 1998 Comprehensive Spending Review (CSR1998). Performance against these targets is shown in Annex B.

1.3 The 2004 Spending Review (SR2004) set new targets for the Treasury for the period 2005-08. The first report against the SR2004 targets will be given in the 2005 Autumn Performance Report. To show the continuity of targets over Spending Reviews, Annex C illustrates how these targets map to the SR2002 set.

Performance Information

1.4 In SR2000 and CSR1998, each of the Treasury's 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. In SR2002 seven of our objectives had related PSA targets. 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.

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

1.6 For further information on the Treasury's work to deliver its PSA targets please refer to the HM Treasury Departmental Report 2004 (Cm6222) available on the Treasury's website.

1.7 Progress against the Treasury's remaining Service Delivery Agreement (SDA) targets is reported annually in the Departmental Report.

Progress

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

- Annex A – combines performance against SR2002 PSA targets (2003-06) and SR2000 PSA targets (2001-04);
- Annex B – shows performance against outstanding CSR1998 PSA targets (1999-2002), addressing those PSA targets where final outturns have not previously been published; and
- Annex C - maps SR2002 PSA targets (2003-06) to SR2004 PSA targets (2005-08).

¹ A full mapping of the PSA targets from SR2000 and SR2002 can be found in the HM Treasury Departmental Report 2004 (Cm6222), available on the Treasury website at: http://www.hm-treasury.gov.uk/about/departmental_reports/deptreport_2004.cfm

² http://www.hm-treasury.gov.uk/Documents/Public_Spending_and_Services/publicservice_performance/pss_perf_technote02.cfm

1.9 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 - 2002 SPENDING REVIEW

The overall aim of the Treasury for the SR2002 period (2003-06) 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

Maintaining a stable macroeconomic framework with low inflation (Objective I)

Maintaining sound public finances in accordance with the Code for Fiscal Stability (Objective II)

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 III)

Raising Trend Growth

Increasing the productivity of the economy (Objective IV)

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

Promoting Fairness and Opportunity for all

Expanding economic and employment opportunities for all (Objective VI)

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

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

Delivering high quality public services

Improving the quality and cost effectiveness of public services (Objective VIII)

Achieving a high standard of regularity, propriety and accountability in public finances (Objective IX)

A

ANNEX A

PERFORMANCE AGAINST SR2002 (2003-06) AND SR2000 (2001-04) PSA TARGETS

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

SR2002 PSA Target	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 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 last complete economic cycle.
------------------------------	---

Commentary

On course

The measure of HM Treasury's performance in meeting this target is the estimate of the rate of trend output growth over the current economic cycle. However, this cannot be determined until the current cycle is completed. The current cycle commenced in mid-1999, and is not yet judged to have been completed. Therefore, the Treasury reports on trend growth over the recent past, currently measured by real non-oil output (Gross Value Added (GVA)) growth over the last one and a half economic cycles - from 1997H1 to 2001Q3. Over this period, trend growth is estimated at just over 3 per cent per annum, compared to 2.5 per cent over the previous cycle (1986Q2 to 1997H1).

From the start of the current cycle in mid-1999 to 2004, growth in actual real non-oil output was 2.7 per cent. The Treasury judges that the economy in 2004 is currently below trend. Hence the growth in actual real output from mid-1999 to when the economy returns to trend is expected to be higher than 2.7 per cent. So 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.

Objective I - Maintain a stable macroeconomic framework with low inflation

SR2002 PSA Target	2 Inflation to be kept at the target specified in the remit sent by the Chancellor of the Exchequer to the Bank of England's Monetary Policy Committee (currently 2 per cent for the 12 month increase in the Consumer Prices Index (CPI)).
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.
Commentary	Met-ongoing* From April 2004 to end September 2004 (the period covered by this report) inflation has been in the range 1.1 to 1.6 per cent.
Quality of data systems	The CPI data are sourced from the Office of National Statistics.

Objective II - Maintain sound public finances in accordance with the Code for Fiscal Stability

SR2002 PSA Target	3 Over this economic cycle, maintain: public sector net debt below 40 per cent of GDP; and the current budget in balance or surplus.
Performance Indicator	Public sector net debt as a percentage of Gross Domestic Product (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.
Commentary	<p>On course</p> <p>Public sector net debt was 32.9 per cent of GDP in 2003-04, and is projected to remain low over the next five years. At the end of 2005-06, net debt is projected to be 35.4 per cent of GDP – £59 billion below the 40 per cent ceiling set in the sustainable investment rule.</p> <p>The Pre-Budget Report projections show that the Government is meeting the golden rule, 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. There is a margin against the Golden Rule of £8 billion in this cycle, including the Annually Managed Expenditure (AME) margin.</p>
Quality of data systems	Underlying data sourced from the Office for National Statistics.

Objective III - 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

SR2002 PSA Target 4 – Part 1 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.

Performance Indicator The International Monetary Fund (IMF) assesses member countries' compliance with internationally agreed codes and standards through production of Reports on the Observance of Standards and Codes (ROSCs).

Commentary

On course

As of the end of June 2004 (the latest available data), the total number of countries that have completed at least one ROSC module was 109 (compared with 94 in June 2003), and 19 more have committed to do so. This means that 59 per cent of IMF member countries have now completed at least one module.

The total number of ROSC modules undertaken as of the end of June 2004 was 561, with 402 (72 per cent) from 93 countries having been published. This compares with 432 modules undertaken as of June 2003, with 302 (69 per cent) published.

Quality of data systems

The IMF provides information on the number of ROSCs completed. Further information is available from their website¹.

¹ <http://www.imf.org>

SR2002 PSA Target 4 – Part 2: 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 Millennium Development Goals (joint target with the Department for International Development).

Performance Indicator

HIPC: Number of countries reaching Completion Point as recorded in 'Heavily Indebted Poor Countries (HIPC) Initiative: Status of Implementation', available on the World Bank website².

Millennium Development Goals: HM Treasury and DfID have a set of discrete indicators against which we monitor progress – these are detailed in the Technical Note³.

Commentary

HIPC: On course

Most participating countries are now making steady progress towards their Poverty Reduction Strategy Papers (PRSPs) – an essential precursor to receiving HIPC relief - and we expect there to be a rise in countries graduating from HIPC over the next two years. Our estimate, which is in line with that of the International Monetary Fund (IMF) and World Bank, is that all 27 countries currently receiving debt relief should have exited the initiative by the end of 2006. Progress in countries reaching Completion Point in the HIPC Initiative has not been as rapid as previously projected by the IMF and World Bank. This is partly due to the PRSP process taking much longer than the International Financial Institutions estimated.

Millennium Development Goals: Slippage

The United Nations Department of Economic and Social Affairs has the remit to report annually on global progress towards the Millennium Development Goals (MDGs). The Treasury uses these annual reports in the context of the PSA target relating to the MDGs. The most recent report was issued in August 2004.

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. 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. The UK has proposed an International Finance Facility to increase aid significantly. The Commission for Africa will report in spring 2005, and will provide recommendations for assisting the world's poorest continent to make progress towards the MDGs.

Quality of data systems

HIPC element: 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.

MDGs element: The data used in assessing progress towards the MDGs are taken from the United Nations.

² <http://www.worldbank.org/hipc/progress-to-date/progress-to-date.html>

³ http://www.hm-treasury.gov.uk/Documents/Public_Spending_and_Services/publicservice_performance/pss_perf_technote02.cfm

SR2002 PSA Target 4 – Part 3: Promote increased global prosperity and social justice by demonstrating progress towards the Lisbon goals by 2006, by working with our European Union partners to achieve structural economic reform in Europe.

Performance Indicator Progress is measured using Eurostat 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.

Commentary

Slippage

The EU is at the halfway stage of the Lisbon strategy and enlargement has seen it expand to 25 Member States.

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, 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 62.9 per cent in 2003 (EU25), little changed over the last two years, and the productivity gap between the EU and the US had widened to 27 per cent in 2002 (EU15) on a per worker basis from 24 per cent in 1999.

The Treasury will continue to work with other Member States and the European institutions to promote structural economic reform in Europe, including during the UK Presidency of the EU in 2005 and building on the Four Presidencies Initiative for regulatory reform launched in January 2004. A detailed assessment of progress and the Government's priorities were set out in 'Advancing long-term prosperity: economic reform in an enlarged Europe'⁴, published by the Treasury in February 2004.

Quality of data systems

Measurement of progress uses the set of structural indicators produced, maintained and developed by Eurostat, and mandated by the Council of the European Union. The productivity and employment measures used for this PSA target are sourced from the structural indicators section of the Eurostat database.

⁴ http://www.hm-treasury.gov.uk/media/3B4/46/eu_reform-2.pdf

Objective IV - Increasing the productivity of the economy

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 the Department for Trade and Industry).
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.

Commentary

On course

Improving productivity is a long-term objective. Given the sensitivity of the headline productivity figures to cyclical change, UK performance is assessed between points where the economy is assessed to have been on trend, as defined in the Trend Growth estimate (see quality of data systems).

The most recent figures show:

- progress towards raising the trend rate of productivity growth – actual productivity (output per hour) is estimated to have been growing at 2.50 per cent in the recent past (1997H1-2001Q3) compared to 2.04 per cent in the previous cycle (1986Q2-1997H1), and underlying productivity by 2.70 per cent compared to 2.22 per cent; and
- the UK has been making progress in closing the gap with the G7 since 1995. The gap with France in 1995 was 22 per cent compared to 13 per cent in 2003; the gap with Germany was 8 per cent (now closed); and the gap with the G7 (excluding the UK) was 17 per cent and now 12 per cent. The gap with the US remains broadly unchanged.

Several initiatives have been announced in the 2004 Spending Review and the 2004 Pre-Budget Report which will help to further drive productivity across the UK. More details are available on the HM Treasury website.

Quality of data systems

The Treasury monitors progress on the productivity gap with data published by the Office for National Statistics on the International Comparisons of Productivity⁵ (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.

Trend estimates of productivity are drawn from Treasury estimates (see Annex A of the 2004 Pre-Budget Report) that constitute part of the trend growth estimate. The methodology upon which these estimates are based is set out in the Treasury publication 'Trend Growth: Recent Developments and Prospects, April 2002'⁶. The National Audit Office audits this methodology.

⁵ <http://www.nationalstatistics.gov.uk/cgi/nugget.asp?id=161>

⁶ available on the Treasury website at: <http://www.hm-treasury.gov.uk/media/D6678/ACF521.pdf>

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 Office for the Deputy Prime Minister and the Department for Trade and Industry).

Performance Indicator The headline measure is the trend rate of growth in Gross Value Added (GVA) per head for each region. We will also use a range of supporting indicators, including business surveys, employment statistics, and VAT registrations to monitor performance. More information on these indicators can be found on the Regional Co-ordination Unit web site⁷.

Commentary

On course

The SR2004 Technical Note⁸ sets out the agreed policies departments will pursue to improve regional economic performance based around the key drivers – employment, skills, innovation, enterprise, investment and competition. Research under-pinning this was published on 23 September 2004 and is available on the Office of the Deputy Prime Minister's website.

This target will only be assessed over the economic cycle, and at this stage it is not possible to draw conclusions on movements or trends in Gross Value Added (GVA). However, recent evidence does show that:

- unemployment is decreasing and employment rates are up in the North;
- the North, Midlands and South West all saw increases in business start up rates, and general entrepreneurial activity has risen;
- Northern service sector firms have increased their operating rate; and
- the number of pupils with 5+ GCSEs has increased in all regions.

More information regarding performance against this target can be found in the ODPM Autumn Performance Report (Cm6421).

Quality of data systems

Performance against this target is measured through estimates of the trend rate of growth in GVA per head in each region for the period 2003-08. The gap in growth rates is measured by comparing the average growth rate of regions that currently have above average GVA per head with the average growth rate of regions that currently have below average GVA per head. GVA is a national statistic.

⁷ <http://www.rcu.gov.uk/reppsa/>

⁸ Available on the HM Treasury website at: http://www.hm-treasury.gov.uk/media/EF/68/julytechnicalnote_300704.pdf

Objective V - Secure an innovative, fair dealing, competitive and efficient market in financial services, while striking the right balance with regulation in the public interest

SR2002 PSA Target	There is no PSA target for Objective V, assessment is based on overall progress.
Performance Indicator	N/A
Commentary	<p>On course</p> <p>Key achievements include:</p> <ul style="list-style-type: none"> • outcome of two-year review of the Financial Services and Markets Act announced. Deregulatory package of reforms will be introduced benefiting consumers and industry, and addressing important public policy issues such as need for people to save more for retirement and need to help people manage personal debt problems better; • the publication, in June 2004, of a consultation on stakeholder saving and investment product regulations as part of the Treasury's commitment to the introduction of simplified medium and long-term savings products; • working with the Office of Fair Trading's Payment Systems Taskforce to identify and resolve outstanding competition problems with payment systems identified by the Cruickshank report; • progress on implementing the European Financial Services Action Plan (FSAP), including the identification of the UK's five priorities to achieving financial market integration in Europe⁹. In September, the Treasury, Bank of England and FSA published their response to the European Commission's four expert group reports into financial integration in the EU; and • working with the banking industry and others to develop a package of measures to tackle financial exclusion, including a Financial Inclusion Fund and a Financial Inclusion Taskforce to monitor progress.
Quality of data systems	N/A

⁹ For more information see, 'The EU Financial Services Action Plan: Delivering the FSAP in the UK' and 'After the EU Financial Services Action Plan: A new strategic approach' (May 2004) both published by the Treasury and available on the Treasury website.

Objective VI - Expand economic and employment opportunities for all

SR2002 PSA Target	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).
Performance Indicator	<p>For employment, seasonally adjusted International Labour Organisation (ILO) employment rates for the working age population of Great Britain (GB), with a judgement as to the economic cycle, as assessed by the Treasury in the Pre-Budget Report and Budget.</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 Pre-Budget Report and Budget.</p>
Commentary	<p>On course</p> <p>The baseline for this target is Spring (March – May) 2003, at which time the employment rate was 74.8 per cent, and the unemployment rate was 5.0 per cent. Latest data, covering July to September 2004, gives an employment rate of 74.9 per cent, up 0.1 percentage point from Spring 2003 levels, and an unemployment rate of 4.6 per cent, down 0.4 percentage points on the baseline figure.</p>
Quality of data systems	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 International Labour Organisation (ILO).

Objective VII - Promote a fair and efficient tax and benefit system with incentives to work, save and invest

SR2002 PSA Target	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 for Work and Pensions).
Performance Indicator	Number of children in low-income households by 2004-05. Low-income households are defined as households with income below 60 per cent of contemporary median equivalised income as reported in the annual Households Below Average Income (HBAI). HBAI statistics cover Great Britain. Progress is 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).
Commentary	<p>On course</p> <p>Between 1998-99 and 2002-03 (the latest data available published in March 2004) the numbers of children in low-income households fell by 0.6 million AHC and 0.5 million BHC. So we are making steady progress towards the target.</p> <p>The latest data do not reflect the full effect of the new tax credits introduced in April 2003 nor the £180 per year increase in the child element of the Child Tax Credit announced in Pre-Budget Report 2003, which took effect from April 2004.</p> <p>As a result of these changes, the Government is broadly on course to meet the target. The nature of the target means there are uncertainties either way.</p> <p>The Child Poverty Review¹⁰, published alongside the 2004 Spending Review White Paper, outlined the longer-term target for halving child poverty.</p> <p>HBAI outturn data for 2004-05 will be available in early 2006.</p>
Quality of data systems	Performance against this target is assessed using the annual HBAI report published by the Department for Work and Pensions and the Office for National Statistics.

¹⁰ http://www.hm-treasury.gov.uk/spending_review/spend_sr04/associated_documents/spending_sr04_childpoverty.cfm

Objective VIII - Improve the quality and the cost effectiveness of public services

SR2002 PSA Target	<p>9 Improve public services by working with departments to help them meet their Public Service Agreement (PSA) targets, consistently with the fiscal rules (joint target with the Cabinet Office).</p> <p>The corresponding SR2000 PSA target was to "achieve an improvement in value for money in public services year by year".</p>
Performance Indicator	<p>Progress towards PSA targets is reported biannually in (spring) departmental reports and autumn performance reports, and progress towards the SR2002 PSAs is set out on the PSA Performance website¹¹.</p> <p>The SR2000 target is monitored using a scorecard approach, based on departmental information.</p>
Commentary	<p>On course</p> <p>SR2002 set stretching outcome-focused targets for key areas of the public services. Responsibility for delivery of PSA targets rests with departmental Secretaries of State, as set out in the "who is responsible" section of each PSA.</p> <p>The SR2002 targets have not yet reached their completion dates and a final assessment is only possible after all parts of a target have fallen due. In the meantime departments continue to publish ongoing progress as described in the previous paragraph. Progress can of course vary up until the time when a final assessment is made.</p> <p>In the latest departmental reports (spring 2004) summary interim assessments were made for a majority of PSA targets. For targets where an assessment was made, over 60 per cent were reported to be on course.</p> <p>The corresponding SR2000 PSA Target was "achieve an improvement in value for money in public services year by year." This target has been met. Departments are reporting that their SR2000 vfm PSA targets are being met, with some exceptions such as Defra, where progress was still made. For example, there has been reduced cost variation within the NHS, efficiency gains of over 2 per cent per year in the police, and the introduction of financial benchmarking in schools. Details of performance against the individual vfm targets from SR2000 can be found in individual departments' departmental reports and autumn performance reports.</p>
Quality of data systems	<p>The PSA Performance Website draws data from departmental systems. These departmental data systems are to be validated by the National Audit Office (NAO) at least once in the life time of each PSA target.</p>

¹¹ www.hm-treasury.gov.uk/performance

Objective IX - Achieve a high standard of regularity, propriety and accountability in public finance

SR2002 PSA Target	There is no PSA target for Objective IX, assessment is based on overall progress.
Performance Indicator	N/A
Commentary	<p>On course</p> <p>Key achievements include:</p> <ul style="list-style-type: none"> • setting up a framework for reviewing the effectiveness of financial management in government involving an objective and professional assessment of each department against a common framework leading to a departmental action plan; • undertaking a review of corporate governance in departments, to be completed shortly, leading to a government equivalent of the Combined Code on Corporate Governance; • achieving measurable improvement in government's risk management capability; publishing an updated version of the "Orange Book" on risk management; supporting effective use of internal audit; and disseminating advice and guidance on tackling fraud; • further professionalisation of the finance function with a view to all departments having professionally qualified Finance Directors reporting to the Permanent Secretary with a seat on the departmental board by December 2006; and • securing further improvements in the quality and timeliness of departments' financial reporting; establishment of a project team to develop a Single Data System for collecting in-year and end-year departmental financial data; and presenting unqualified 2003-04 resource accounts for HM Treasury to Parliament before the summer recess.
Quality of data systems	N/A

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

SR2002 PSA Target	There is no PSA target for Objective X, assessment is based on overall progress.
Performance Indicator	N/A
Commentary	<p>On course</p> <p>There has been continued monitoring and evaluation of environmental taxes such as the aggregates and climate change levies. The EU Emissions Trading Scheme has been developed and proposals announced on the total number of greenhouse gas emission allowances to be allocated to UK industry in the first phase. Since the Budget, the Landlord Energy Savings Allowance has been introduced and a joint consultation by the Treasury and the Department for the Environment, Food and Rural Affairs (Defra) on diffuse water pollution was published on June 17 2004¹². There has been further work on options for fuel duties. There has been consideration of further incentives for biofuels, such as Enhanced Capital Allowances, inputs-based taxation and the possibility of a Renewable Transport Fuels Obligation. The procurement of the Lorry Road User Charge is progressing with the selection of long listed bidders at preliminary invitation to negotiate (PITN) stage.</p> <p>The 2004 Spending Review set out new resources and targets for departments including Defra. This provided more detail on how the revenues from landfill tax will be recycled, including a possible ECA scheme. More generally, sustainable development was integrated into the Spending Review from the outset and the Treasury's approach was supported and welcomed by the Sustainable Development Commission.</p> <p>This work also feeds in to objective VII.</p>
Quality of data systems	N/A

¹² This can be found on the Defra website at: <http://www.defra.gov.uk/corporate/consult/csf-june04/index.htm>

SR2002 PSA Target	10 By 2005-2006, deliver £3 billion of value for money gains in central civil Government procurement through the Office of Government Commerce.
Performance Indicator	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.
Commentary	On course Value for money gains in 2003-04 were £2 billion.
Quality of data systems	Value for money gains are measured by individual departments and through other methodologies. OGC has published detailed methodological guidance to departments entitled "Value for Money Measurement" ¹³ . OGC aggregates the data produced by the methodologies to produce the total.

¹³ available on the OGC website at www.ogc.gov.uk.

B

ANNEX B

PERFORMANCE AGAINST OUTSTANDING CSR1998 PSA TARGETS (1999-2002)

Objective 3 - Improve the quality and cost effectiveness of public services

CSR1998 PSA Target	(viii) Improve the productivity of the public services year by year.
Performance Indicator	Under SR2000, all departmental PSAs included a value for money target.
Commentary	This target was superseded in Spending Review 2000 by value for money targets. The Treasury is reporting final progress on page 24 of this report against it's Spending Review 2000 target for value for money in the public services.
Quality of data systems	N/A

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

CSR1998 PSA Target	(xiv) Secure an increase in the number of successful high growth business start-ups (joint target with the Department for Trade and Industry).
Performance Indicator	Number of VAT registered firms with a turnover above £1 million, and/or 10 employees, four years after registering for VAT ¹⁴ .

Commentary

On course

Provisional data shows that, of the businesses which registered in 2000, 12,400 can be defined as high-growth start-ups.

After a decline in the number of high-growth start-ups over the period 1994 to 1996, the number of high-growth start-ups has increased again, and provisional figures for 2000 show a slight increase on 1999 levels.

Year of VAT registration	Number of businesses defined as high-growth start-up
1994	12,300
1995	11,800
1996	11,100
1997	12,200
1998	12,200
1999	12,300
2000	12,400 (provisional)

Quality of data systems

Data are from the Inter-Departmental Business Register (IDBR), which is maintained by the Office for National Statistics¹⁵.

¹⁴ Data after 3 years of trading are provided by the Office for National Statistics, and estimates for 4 years of trading are made by the Small Business Service to report against this target. The quality of these estimates will be reviewed prior to reporting the final position of this target in 2006 (based on the 2002 cohort of registrations).

¹⁵ www.statistics.gov.uk/idbr

Objective 6 - Maintain an effective accounting and budgetary framework and promoting high standards of propriety and accountability

CSR1998 PSA Target	(xxiv) Publish Whole of Government Accounts (WGA), subject to results of current study, for 2001-02.
Performance Indicator	Readiness for publication: methodology, format and medium agreed.
Commentary	<p>Final Assessment: Met-Ongoing</p> <p>Indicative net liabilities numbers, based on national accounts, were published alongside the 2004 Pre-Budget Report in the 2004 Long-Term Public Finance Report¹⁶.</p>
Quality of data systems	N/A

¹⁶Available on the Treasury website at www.hm-treasury.gov.uk

C

ANNEX C

MAPPING OF SR2002 (2003-06) TO SR2004 PSA TARGETS (2005-08)

SR2002 PSA TARGETS

- Target 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 2.5 per cent and make further progress towards increasing trend growth up to 2006.
- Target 2** Inflation to be kept at the target as specified in the remit sent by the Chancellor of the Exchequer to the Governor of the Bank of England (currently 2 per cent CPI).
- Target 3** Over this economic cycle, maintain: public sector net debt below 40 per cent of GDP; and the current budget in balance or surplus.

SR2004 PSA TARGETS

- Target 1** Demonstrate by 2008 progress on the Government's long-term objective of raising the trend rate of growth over the economic cycle by at least meeting the Budget 2004 projection.
- Target 2** Inflation to be kept at the target as 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).
- Target 3** Over the economic cycle, maintain:
- public sector net debt below 40% of GDP; and
 - the current budget in balance or surplus.

SR2002 PSA TARGETS

- Target 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 the 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.

- 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 the Department for Trade and Industry).

SR2004 PSA TARGETS

- Target 8** 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 90% of all eligible Heavily Indebted Poor Countries 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. (Joint with the Department for International Development); and
 - working with our European Union partners to achieve structural reform in Europe, demonstrating progress towards the Lisbon Goals by 2008.
- 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, improving competitiveness and narrowing the gap with our major industrial competitors. (Joint with the Department of Trade and Industry).

SR2002 PSA TARGETS

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 Office of the Deputy Prime Minister and the Department for Trade and Industry).

Target 6 Make sustainable improvements in the economic performance of all English regions by 2008, an over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. (Joint with the Office of the Deputy Prime Minister and the Department for Trade and Industry).

Target 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).

Target 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 cycle, demonstrate progress on increasing the employment rate. (Joint with the Department for Work and Pensions)

Target 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 for Work and Pensions).

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).

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

Target 9 Improve public services by working with departments to help them meet their:

- PSA targets (joint with the Cabinet Office); and
- Efficiency targets amounting to £20 billion a year by 2007-08;

consistently with the fiscal rules.

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

Target 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.