Treasury Group 2004 Spending Review Efficiency Targets

The table below replaces the table on page 33 of the Autumn Performance Report 2008

Table 4.A: Treasury Group Efficiency targets: summary of achievements[2]

£million	2007-08 Target	Progress as declared in the Annual Report 2007-08	Final Savings	Of which Cashable[3]
Core Treasury	10.9	14.6	21.3	21.3
OGC	3.5	3.5	3.5	2.0 [4]
OGC Buying Solutions	1.8	2.2	2.2	1.1
DMO	1.0	1.0	1.0	1.0
Group Shared Services	1.5	4.2	1.9	1.9
Total	18.7	25.5	29.9	27.3

[2] This table shows savings declared as achieved by 31 March 2008 for consistency with 2008 Annual Report, as well as final savings achieved at the completion of the efficiency programme.

[3] Cashable savings are those that reduce the costs associated with a defined activity or output, thereby releasing money to be utilised by other priorities in the department.

[4] As stated in the 20007-08 Annual Report, the cashable savings reported for OGC has been reduced from £3.0 million to £2.0 million following a review of the Treasury Group's Efficiency Programme

AUTUMN PERFORMANCE REPORT 2008

Progress on the HM Treasury Group Departmental Strategic Objectives and Public Service Agreements

December 2008

HM TREASURY

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Autumn Performance Report 2008

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Contents

1 Introduction

1.1 The Government's long-term economic goal is to secure and maintain macroeconomic stability, in order to promote a strong economy and achieve its objective of a fair society where there is security and opportunity for all. The immediate priority for the Government is to continue to support the economy through these difficult times.

1.2 Since July 2007, the global economy has experienced levels of financial instability not seen for generations. The causes of this instability are varied and global. They include both macroeconomic factors, such as global financial imbalances, and microeconomic factors, such as the failure of banks to manage financial risk. The trigger for the instability was the downturn in the US housing market, the 'subprime' end of which was a feature of many of the financial products that have been created in recent years.

1.3 The Government's objectives for addressing these threats to the financial system have been consistent, and focused around the need to:

- support stability and restore confidence in the financial system;
- protect depositors' money; and
- safeguard the interests of taxpayers.

1.4 In September 2008, the crisis intensified and it became clear that not just individual institutions but the entire banking system was at risk of collapse. The Government intervened decisively to prevent systemic collapse. First, to address concerns about liquidity, at least £200 billion was made available to the Bank of England's existing Special Liquidity Scheme. Second, to address concerns about solvency at least £50 billion was committed to a Bank Recapitalisation Fund. Third, to address concerns about funding, a credit guarantee scheme was established.

1.5 Other governments around the world have followed with similar steps and market reactions have been generally positive. However, markets remain fragile and volatile.

1.6 As a result of the major shocks that have hit every country in the world, the current economic and fiscal climate is exceptionally challenging. In common with experience across the world, the surge in global commodity prices fed through to higher inflation in the UK. While commodity prices have recently eased, the credit shock has intensified into the worst global financial crisis for generations. These developments mean that economic prospects are subject to exceptional uncertainty, but it is clear that economic prospects have deteriorated since Budget 2008 and the UK, like many advanced economies, has moved into recession.

1.7 The macroeconomic framework, introduced in 1997, means that the UK is facing these shocks from a solid foundation. The Government remains committed to the framework and the objectives enshrined within it. The Government's fiscal policy objectives remain unchanged:

- over the medium term, to ensure sound public finances and that spending and taxation impact fairly within and between generations; and
- over the short term, to support monetary policy and, in particular, to allow the automatic stabilisers to help smooth the path of the economy.

1.8 The global shocks have had a profound effect on the public finances. As a result, in current economic circumstances, meeting the fiscal rules that applied over the last cycle would damage the economy. Therefore, to achieve its fiscal policy objectives, and as provided for in the Code for fiscal stability ("the Code"), the Government will depart temporarily from the fiscal rules until the global shocks have worked their way through the economy in full. Consistent with the Code, the Government is setting a temporary operating rule: to set policies to improve the cyclically-adjusted current budget each year, once the economy emerges from the downturn, so it reaches balance and debt is falling as a proportion of GDP once the global shocks have worked their way through the economy in full. Performance against the Treasury's Departmental Strategic Objective (DSO) outcome to meet the fiscal rules is accordingly assessed against this temporary operating rule.

1.9 This is the seventh Autumn Performance Report published by Her Majesty's Treasury. In the context of the extremely challenging economic and fiscal climate set out above, it provides information for the first time on performance made by the department against its CSR07 Public Service Agreement (PSA) on Child Poverty and its DSOs, together with information on value for money and efficiency over the period April 2008 (when the DSOs and PSA became live) and December 2008

Departmental Objectives for 2008-09 – 20010-11.

1.10 The Treasury Group has two DSOs for the 2007 CSR period which runs from 1 April 2008 to 31 March 2011.

- Maintaining sound public finances; and
- Ensuring high and sustainable levels of economic growth, well-being and prosperity for all.

1.11 Both DSOs are underpinned by a series of outcomes, which provide a level of detail of specific delivery priorities. In addition the Treasury will be a delivery partner for seven of the Government's Public Service Agreements (PSAs) for the 2007 CSR period.

1.12 The Chancellor of the Exchequer is the lead minister and the Treasury has the lead responsibility for one PSA. "Halve the number of children in poverty by 2010-11; on the way to eradicating child poverty by 2020 (PSA9).

1.13 The following diagrams show the links between the Treasury's DSOs, and the new cross Government PSAs.

HM Treasury Group Departmental Strategic Objectives

DSO 1:
Maintain sound public finances

- **1(a)** Meeting the fiscal rules
- **1(b)** Ensuring that the tax yield is sustainable and risks managed
- **1(c)** Managing public spending
- **1(d)** Professionalising and modernising the finance and procurement functions in government
- **1(e)** Managing government cash, debt and reserves efficiently and effectively

DSO 2:
Ensure high and sustainable levels of economic growth, well being and prosperity for all

- **2(a)** Supporting low inflation
- **2(b)** Promoting the efficiency and fairness of the tax system
- **2(c)** Improving the incentives and means to work; supporting children and pensioners; and helping people plan and save for the future
- **2(d)** Improving the quality and value for money of the public services
- **2(e)** Supporting fair, stable and efficient financial markets
- **2(f)** Raising productivity with sustainable improvements in the economic performance of all English regions including narrowing the gap in growth rates between the best and the worst performing regions
- **2(g)** Protecting the environment in an economically efficient and sustainable way
- **2(h)** Pursuing increased productivity and efficiency in the EU, international financial stability and increased global prosperity

Cross Government PSAs linking to DSO Outcomes

Cross-Government PSAs	DSO Outcomes
PSA 1 Raise the productivity of the UK economy	**2(f)** Raising productivity with sustainable improvements in the economic performance of all English regions including narrowing the gap in growth rates between the best and the worst performing regions
PSA 6 Deliver the conditions for business success in the UK	**2(b)** Promoting the efficiency and fairness of the tax system
	2(e) Supporting fair, stable and efficient financial markets
	2(f) Raising productivity with sustainable improvements in the economic performance of all English regions including narrowing the gap in growth rates between the best and the worst performing regions
PSA 7 Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions	**2(b)** Promoting the efficiency and fairness of the tax system
	2(f) Raising productivity with sustainable improvements in the economic performance of all English regions including narrowing the gap in growth rates between the best and the worst performing regions
PSA 8 Maximise employment opportunity for all	**2(b)** Promoting the efficiency and fairness of the tax system
	2(c) Improving the incentives and means to work; supporting children and pensioners; and helping people plan and save for the future
PSA 9 Halve the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020	**2(c)** Improving the incentives and means to work; supporting children and pensioners; and helping people plan and save for the future
PSA 27 Lead the global effort to avoid dangerous climate change	**2(g)** Protecting the environment in an economically efficient and sustainable way
	2(h) Pursuing increased productivity and efficiency in the EU, international financial stability and increased global prosperity
PSA 29 Reduce poverty in poorer countries through quicker progress towards the Millennium Development Goals	**2(h)** Pursuing increased productivity and efficiency in the EU, international financial stability and increased global prosperity

About this document

1.14 Chapter 1 – Introduction sets out the new DSO framework and provides the links from the Treasury's DSOs to the cross Government PSAs.

1.15 Chapter 2 – Comprehensive Spending Review Departmental Strategic Objectives (DSOs); each of the DSOs is underpinned by a series of outcomes, and the indicators the Treasury will use to monitor progress against the DSOs over the CSR2007 period. This chapter provides a progress report against these indicators.

1.16 Chapter 3 – Comprehensive Spending Review 2007 Public Service Agreements (PSAs); describes the work on - going across Government to eradicate child poverty and provides an assessment of progress against the indicators published within "*PSA Delivery Agreement 9: Halve the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020* [1]".

1.17 Chapter 4 – Value for Money and Efficiency; sets out the target value for money (VfM) savings, describes the strategy in place for progressing savings in the next six months and provides a final update on Treasury Group's Efficiency savings for SR 2004.

1.18 Annex A – Public Service Agreement Targets – Spending Reviews 2002 and 2004; provides the latest position on the achievements of the Pubic Service Agreement targets set during the SR2004 and SR2002 that have not received a final assessment. The section indicates where legacy targets are now given a final assessment, and will not be reported further; whether the target has been subsumed into the CSR2007 reporting framework; in a few cases where a target will continue until its deadline is reached.

1.19 Annex B – Recommendations by Public Accounts Committee; sets out recommendations made by the Public Accounts Committee (PAC)[2] where the Treasury Group has the responsibility for resolution that remain open.

[1] www.hm-treasury.gov.uk/d/pbr_csr07_psa9.pdf

[2] www.parliament.uk/parliamentary_committees/committee_of_public_accounts.cfm

2 Departmental Strategic Objectives (DSOs)

2.1 This chapter provides an assessment of progress on the Treasury Group's Comprehensive Spending Review 2007 (CSR 2007) Departmental Strategic Objectives (DSOs).

2.2 The Treasury Group has two DSOs;

- DSO1 – Maintaining sound public finances; and
- DSO2 – Ensuring high and sustainable levels of economic growth, well-being a nd prosperity for all.

2.3 The reporting terminology for the CSR2007 DSOs and Public Service Agreement changed under the CSR2007 performance framework. This new terminology reflects the change from a target based PSA framework to an outcome based DSO framework.

2.4 The Treasury rates its performance against the DSOs in accordance with the standard reporting terminology.

Table 2.A: CSR2007 Reporting Terminology – DSOs and CSR2007 PSAs – Interim Assessments.

Rating	Definition
Strong Progress	More than 50 per cent of indicators have improved. (Note: This may only be used where more than 50 percent of "all" indicators have seen improvement; not just 50 per cent of those that are assessed.)
Some progress	50 per cent or less indicators have improved.
Met – Ongoing*	Target is still live and measured on a continuous basis.
No progress	No indicators have improved.
Not yet assessed	50 per cent or more of the indicators are yet to have even first time data produced on progress.

2.5 It is too early to give a final assessment against any CSR2007 DSO, DSO outcome or PSA. The reporting terminology for final assessment is currently being developed.

Assessment of Progress

2.6 Table 2.B summarises Treasury Group's performance against the published performance indicators for each of the DSO outcomes. The pages that follow give a more detailed commentary on that performance.

Table 2.B: Summary of Progress - DSO 1: Maintaining Sound Public Finances

DSO Outcome	Performance Indicator	Rating
a. Meeting the fiscal rules	To set policies to improve the cyclically-adjusted current budget in each year, once the economy emerges from the downturn, so it reaches balance and debt is falling as a proportion of GDP once the global shocks have worked their way through the economy in full.	Not yet assessed
b. Ensuring that the tax yield is sustainable and risks managed	Tax yield over the economic cycle.	Not yet assessed
c. Managing public spending	Differences between: (i) Treasury compiled forecasts of Public Sector Current Expenditure (PSCE) and Public Sector Net Investment (PSNI) at Budget; and	Some progress
	(ii) actual outturns as at the End of Year Fiscal Report.	Some progress
d. Professionalising and modernising the finance and procurement functions in government	Performance at departmental level in timeliness and quality of in – year and external reporting.	Some progress
d. Professionalising and modernising the finance and procurement functions in government	Efficiency: Savings from take up of collaborative opportunities and other procurement activity.	Not yet assessed
	Effectiveness: improvements in the delivery performance of Government's procurement capability and capacity.	Not yet assessed
e. Managing government cash, debt and reserves efficiently and effectively	All operational activities carried out without major error; and appropriate limits and monitoring systems to control financial risks are in place.	Strong progress

Table 2.C: Summary of Progress – DSO 2: Ensuring high and sustainable leveles of economic growth, well-being and prosperity for all.

DSO Outcome	Performance Indicator	Rating
a. Supporting low inflation	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).	Met-ongoing*
b. Promoting the efficiency and fairness of the tax system	Impact of policy measures on taxpayers.	Some progress
c. Improving the incentives and means to work; supporting children and pensioners; and helping people plan and save for the future	Increase in the employment rate of the working age population; and	Not yet assessed
	Number of children in relative low-income households (less than 60 per cent of median income before housing costs).	No progress
d. Improving the quality and value for money of public services	Progress in delivering on PSA commitments.	Not yet assessed
e. Supporting fair, stable and efficient financial markets	Assessments of UK financial stability and risk management against international comparisons;	Not yet assessed
	Competitiveness of the UK's system for financial regulation;	Not yet assessed
	Financial capability and financial inclusion; and	Strong progress
	Helping to manage the risk from financing of terrorism.	Some progress
f. Raising productivity with sustainable improvements in the economic performance of all English regions including narrowing the gap in growth rates between the best and worst regions	Trend growth in output per worker (productivity) over the economic cycle;	Some progress
	International comparisons of output per worker and per hour worked; and	Strong progress
	Regional Gross Value Added (GVA) per head growth rates in each region and between the best and worst performing regions.	Some progress
g. Protecting the environment in an economically efficient and sustainable way	Increase in the size of the global carbon market; and	Strong progress
	Increased policy cost-effectiveness.	Not yet assessed
h. Pursuing increased productivity and efficiency in the EU, international financial stability and increased global prosperity	A stable, efficient and representative international financial system well equipped to promote prosperity, and to prevent and respond to crises;	Some progress
	Progress towards the Millennium Development goals (as set out in the Government's International Poverty Reduction PSA)[1]; and	Some progress
	A more outward looking, flexible and competitive European Union that enables Member States to maximise opportunity, prosperity and fairness.	Some progress

[1] http://www.hm-treasury.gov.uk/d/pbr_csr07_psa29.pdf

Outcome – 1 (a) Meeting the fiscal rules	
Performance indicator	To set policies to improve the cyclically-adjusted current budget in each year, once the economy emerges from the downturn, so it reaches balance and debt is falling as a proportion of GDP once the global shocks have worked their way through the economy in full.
Factual assessment	Not yet assessed
Data Statement	The *Code for fiscal stability* requires the Government to state both its objectives for fiscal policy and the rules through which fiscal policy will be operated. In current economic circumstances, the Government's fiscal policy objectives remain unchanged: • over the medium term, to ensure sound public finances and that spending and taxation impact fairly within and between generations; and • over the short term, to support monetary policy and, in particular, to allow the automatic stabilisers to help smooth the path of the economy. The fiscal rules were met over the last economic cycle – the sustainable investment rule, requiring debt to be maintained below 40 per cent of GDP, and the golden rule, requiring the current budget to be in balance or surplus over the course of the cycle. However, the impact of recent major global shocks on the economy and the public finances means that applying the fiscal rules in current circumstances would not be consistent with achieving the Government's objectives for fiscal policy – it would require damagingly pro-cyclical fiscal policy at a time when fiscal policy needs to act with monetary policy to support the economy. The 2008 Pre-Budget Report set out that, to achieve its objectives, and as provided for in the *Code for fiscal stability*, the Government will depart temporarily from the fiscal rules until the shocks have worked their way through the economy in full. The Government has set a temporary fiscal operating rule: to set policies to improve the cyclically-adjusted current budget in each year, once the economy emerges from the downturn, so it reaches balance and debt is falling as a proportion of GDP once the global shocks have worked their way through the economy in full. The performance indicator for this DSO has been updated accordingly. The 2008 Pre-Budget report set out measures which put the public finances on a path to achieve a cyclically-adjusted current balance and debt falling as a share of the economy by 2015-16 when the global shocks will have worked through the economy in full, consistent with the Government's temporary operating rule. These fiscal projections imply, as the economy emerges from the downturn, a adjustment in the cyclically-adjusted current balance of over 0.5 per cent of GDP a year from 2010-11.
Quality of data systems	Underlying data are sourced from the Office for National Statistics [2]and the National Audit Office[3] has been invited to review the Treasury's approach to cyclical adjustment

[2] www.ons.gov.uk
[3] www.nao.org.uk

Outcome – 1 (b) Ensuring the tax yield is sustainable and risks managed	
Performance indicator	Tax Yield over the economic cycle
Factual assessment	Not yet assessed
Data Statement	Performance of DSO Outcome 1b is highly linked to that of other DSO outcomes, particularly DSO 1a. Tax yield over the economic cycle has deteriorated since CSR 2007. The fiscal projections set out in the *2008 Pre-Budget Report (2008 PBR)*[4] are consistent with returning to a cyclically-adjusted current balance by 2015-16 The 2008 PBR announced a positive average surplus on the current budget over the previous economic cycle of 0.1 per cent of GDP. The Government met the golden rule over this cycle. The previous economic cycle began in the first half of 1997 and ended in the second half of 2006. The 2008 PBR set out that, to achieve its objectives, and as provided for in the *Code for fiscal stability*[5], the Government will depart temporarily from the fiscal rules until the recent major global shocks on the economy and public finances have worked their way through the economy in full. The Government has set a temporary fiscal operating rule: to set policies to improve the cyclically-adjusted current budget in each year, once the economy emerges from the downturn, so it reaches balance and debt is falling as a proportion of GDP once the global shocks have worked their way through the economy in full. Since *Budget 2008*[6], lower levels of output across the economy have acted to significantly reduce tax receipts. Lower economic growth over the forecast period, coupled with a recovery led by investment and exports (which is predicted to generate less receipts than a consumer-led recovery), suggests that a substantial element of the receipts shortfall due to economic factors will persist. The discretionary policy measures announced in 2008 PBR lower the tax yield in the short term. As a result, the tax burden is forecast to fall from 35.3 per cent in 2008-09 to 33.8 per cent in 2009-10. It is then forecast to rise to 34.8 per cent in 2010-11, and reach 36.0 per cent in 2013-14.
Quality of data systems	Underlying data are sourced from the Office for National Statistics[7]

[4] www.hm-treasury.gov.uk/prebud_pbr08_index.htm
[5] www.hm-treasury.gov.uk/the_code_for_fiscal_stability_uk_economy.htm
[6] www.hm-treasury.gov.uk/bud_bud08_index.htm
[7] www.ons.gov.uk

Outcome – 1 (c) Managing public spending	
Performance indicator	Differences between: (i) Treasury complied forecasts of Public Sector Current Expenditure (PSCE) and Public Sector Net Investment (PSNI) at Budget; and (ii) actual outturns as at the End of Year Fiscal Report
Factual assessment	Indicator (i): Some progress. Indicator (ii): Some progress
Data Statement	PSCE outturn for 2007-08 was £535.7 billion, £2.9 billion lower than the 2007 Budget forecast of £538.6 billion PSCE was £2.9 billion, or 0.5 per cent of Total Managed Expenditure, lower than forecast due to: • £3.9 billion forecasting differences and • £0.1 billion changes in the assumptions audited by the National Audit Office, both being partially offset by; • £0.7 billion additional spending due to differences between forecast and outturn for economic determinants such as economic growth and the components of economic growth; and • £0.4 billion additional spending due to other factors, including classification changes. Of the forecasting differences referred to above, Resource Departmental Expenditure Limit outturn was £0.8 billion higher than forecast and Annually Managed Expenditure was £3.8 billion lower than forecast, primarily due to variances on accounting adjustments. PSNI outturn for 2007-08 was £29.9 billion, £0.5 billion higher than the 2007 Budget forecast of £29.4 billion. PSNI was £0.5 billion, or 0.1 per cent of Total Managed Expenditure, higher than projected due entirely to forecasting differences. This is because, although Capital Departmental Expenditure Limit outturn was £0.2 billion less than Budget 2007 forecast, National Accounts depreciation was £0.8 billion lower than forecast, which results in higher net capital spending. A detailed breakdown of performance against these indicators can be found in Chapter Four of the *End of Year Fiscal Report* [8]published alongside the 2008 Pre-Budget Report and available on the HM Treasury website.
Quality of data systems	High quality data systems. PSCE and PSNI outturn are taken from the joint ONS and HM Treasury Public Sector Finances release[9], which is subject to National Statistics protocols on data quality. Forecasts are primarily based on departmental plans reported on Treasury's spending database (COINS). The plans from this source are separately published in Departmental Annual Reports.

[8] www.hm-treasury.gov.uk/d/pbr06_endofyearfiscal_355.pdf
[9] www.hm-treasury.gov.uk/natstat_comp_psflist.htm

Outcome – 1 (d) Professionalising finance function	
Performance indicator	Performance at departmental level in timeliness and quality of in year and external reporting.
Factual assessment	Some progress
Data Statement	Some progress made in comparison with the previous financial year. For financial year 2007-08, 43 out of 45 departments (96 per cent) laid their resource accounts before the House before the parliamentary summer recess. This compares with 41 out of 44 departments (93 per cent) for the previous financial year. For financial year 2007-08, there were 4 qualified accounts, a similar position to that for financial year 2006-07.
Quality of data systems	Quality of data is high with departments submitting their resource accounts to HM Treasury for laying before the House.

Outcome – 1 (d) Professionalising procurement function	
Performance indicator	Efficiency: Savings from the take up of collaborative opportunities and other procurement activity. Effectiveness: Improvements in the delivery performance of the government's procurement and capability.
Factual assessment	Not yet assessed
Data Statement	Savings for collaborative procurement are assessed annually. The target for savings from collaborative procurement in the CSR 2007 period is £4 billion, and the target for 2008-09 is £700m. The first two waves of collaborative savings cover seven categories of spending – energy, fleet, Information Communication Technologies (ICT), professional services, travel and office solutions, and food. OGC will be starting work on a third wave of categories during 2008-09. Savings from these further categories will contribute to the overall target. OGC will complete its programme of Procurement Capability Reviews[10] by the end of 2008-09. The reports on the first ten departmental reviews, and the related improvement plans, have been published. There have already been real improvements in the departments reviewed to date.
Quality of data systems	The measurement methodologies for collaborative savings will be published later this financial year following consultation with departments and the National Audit Office[11]. Procurement Capability Review reports are moderated by a panel which includes Treasury, NAO and the CBI[12]. The progress against action plans is assessed by the OGC and Departments.

[10] seek.ogc.gov.uk/procurement_capability_reviews_pcrs_update_about_procurement_capability_reviews_pcrs.asp
[11] www.nao.org.uk
[12] www.cbi.org.uk

Outcome – 1 (e) Managing Government cash debt and reserves	
Performance indicator	(i) All operational activities carried out without major error; and (ii) appropriate limits and monitoring systems to control financial risks are in place
Factual assessment	Indicator (i): strong progress Indicator (ii): strong progress
Data Statement	This DSO is delivered by and through a number of entities including HM Treasury, UK Debt Management Office (DMO), the Bank of England (as HM Treasury's appointed manager of the Exchange Equalisation Account (EEA) and National Savings & Investments (NS&I). Indicator 1: All operational activities have been carried out and are being delivered during 2008-09 without major error The entities are on track to deliver their respective core objectives and – in the case of DMO and NS&I – their respective remits set by HM Treasury in spite of the challenging and volatile market conditions which are likely to continue and present challenges for the rest of 2008-09. NS&I is likely to generate additional funding above its remit due to unusually high inflows caused by the turbulence in the banking sector. Indicator 2: Appropriate limits and monitoring systems to control financial risks are in place. The entities have continued to maintain and develop their respective financial control frameworks in 2008-09 to ensure that relevant risks have suitable limits and monitoring systems.
Quality of data systems	The quality of the entities' data systems to monitor performance is high with a strong governance framework including structured and clear Accounting Officer lines of responsibility that are accountable to Parliament; board frameworks with non-executive representation; audit committees with independent membership; systems and controls and reporting mechanisms that are reviewed regularly by the National Audit Office.

Outcome – 2 (a) Supporting low inflation	
Performance indicator	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[13] (currently 2 per cent as measured by the 12 month increase in the Consumer Price Index (CPI)[14].
Factual assessment	Met-ongoing*
Data Statement	From April to October 2008 CPI inflation has averaged 4.1per cent. CPI inflation increased from 3 per cent in April 2008 to 5.2 per cent by September 2008 before falling back sharply to 4.5 per cent in October, suggesting September marked the peak. Movements in the prices of goods that are most closely linked to global commodity prices accounted for virtually all of the increase between April and October. Since inflation moved above 3 per cent in June 2008, the Governor of the Bank of England has written two open letters[15] to the Chancellor, in July and September. The open letter system requires the Governor to explain to the Chancellor the reasons for any deviation in inflation of more than one percentage point above or below target, plus the action the Monetary Policy Committee (MPC) proposes to take, the expected duration of the deviation and how the proposed action meets the remit of the MPC. In his September letter, the Governor stated that the rise in inflation followed *"sharp, largely unanticipated, increases in the price of energy and food, reflecting developments in the global balance of demand and supply for these commodities."* The Chancellor, in his letter of response, highlighted how the MPC's forward-looking approach has been a cornerstone of economic policy since 1997. He also emphasised that the Governor's letter was an integral part of the macroeconomic framework. The letter underlined that the Government will continue to support the MPC in the forward-looking decisions its takes in the future. As commodity prices have fallen sharply and growth has slowed, pressures on inflation have eased. While the depreciation of sterling means there are residual upside risks to inflation from import prices, it seems clear that inflation is set to fall sharply over the coming year. Further downward pressure on inflation will come as the cut in the VAT rate is progressively passed through to prices. In 2008 Pre-Budget Report (2008 PBR)[16] inflation is forecast to reach the target rate by the middle of 2009, and then fall below 1 per cent in the second half of 2009. The remit of the MPC sets a symmetric inflation target, in which an undershooting is taken as seriously as an overshooting. However, it also states that there is a *"recognition that the actual inflation rate will on occasions depart from its target as a result of shocks and disturbances. Attempts to keep inflation at the inflation target in these circumstances may cause undesirable volatility in output"*. The 2008 PBR measures could be considered an example of such a disturbance and therefore the MPC's remit allows it to look through the short-term movements in inflation that result.
Quality of data systems	Underlying data are sourced from the Office for National Statistics.

[13] www.bankofengland.co.uk/monetarypolicy/remit.htm
[14] www.statistics.gov.uk/cci/nugget.asp?ID=19
[15] www.hm-treasury.gov.uk/ukecon_mon_index.htm
[16] www.hm-treasury.gov.uk/prebud_pbr08_index.htm

Outcome – 2 (b) Promoting efficiency and fairness of the tax system	
Performance indicator	Impact of policy measures on taxpayers.
Factual assessment	Some Progress
Data statement	HM Treasury continues to pursue a policy of increasing the efficiency and fairness of the tax system. The 2008 Pre-Budget Report (2008 PBR)[17] announced a number of measures (1) delivering fairness by ensuring that announced future tax increases are broadly based and/or progressive and (2) improving efficiency of the tax system through measures that will make the UK more competitive. Specific measures include: • ensuring future fairness – by confirming that the £120 of support announced on 13 May will be maintained for all basic rate taxpayers; and ensuring that those who can contribute most do so, through the introduction of a 45p band for those earning above £150,000; and restricting the amount of relief that those earning £100,000 get from the personal tax allowance. Over the longer term the decisions taken in PBR 2008 will ensure that from 2011-12, some 23 million taxpayers with incomes below £40,000 will have an average tax cut of £155 a year; • ensuring fair fiscal consolidation in the medium term by increasing employers, employees and self employed NIC rates by 0.5 per cent . This will ensure the effects of this increase are broad based and spread between employers and individuals, and over all sectors. Those with state pensions, and most who rely on fixed incomes, do not pay National Insurance Contributions (NICs), and will be unaffected by these changes; • simplifying the operation of the tax system for 98 per cent of individuals by aligning the Income Tax and National Insurance Contribution (NIC) thresholds for the first time in 2011-2012; • reducing the scope for avoidance and abuse through a range of measures announced at, or shortly before, PBR 2008; and • taking steps to improve the competitiveness of the UK by simplifying the rules for the taxation of foreign profits With a package in Finance Bill 2009 that includes an exemption from UK tax for most foreign dividends, removing the complicated tax with credit system and a commitment to reform the CFC rules aims to go further to improve the competitiveness of the UK, and will ensure a fair and stable tax regime for taxing overseas subsidiaries. HM Treasury continues to examine and explore the scope for further changes to enhance efficiency and fairness in the tax system.
Quality of data systems	Performance against this target is assessed against the evolution of the tax system over time.
Link to CSR07 PSAs	PSA6 – Deliver the conditions for business success in the UK. PSA7 – Improve the economic performance of all English Regions and reduce the gap in economic growth rates between regions. PSA8 – Maximise Employment Opportunity for all.

[17] www.hm-treasury.gov.uk/prebud_pbr08_index.htm

Outcome – 2 (c) Improving incentives and means to work; supporting children & pensioners; and helping people plan and save for the future	
Performance indicator	(i) Increase in the employment rate of the working age population; and (ii) Number of children in relative low-income households (less than 60 per cent of median income before housing costs).
Factual assessment[18]	Indicator (i): Not yet assessed Indicator (ii): No progress
Data Statement	Employment The baseline employment rate was 74.9 per cent in Q2 2008. This compares to an employment rate of 74.7 per cent at the start of the economic cycle in the second half of 2006. The latest employment rate is 74.4 per cent (July-September2008). This target will be measured over the economic cycle. In the 2008 PBR the Treasury announced a £1.3 billion package of measures strengthen active labour market policies in response to rising unemployment. In April 2008, 1.7 million working families and 375,000 working households were benefiting from the Working Tax Credit, which provides financial support to working households on low incomes. To ensure work continues to pay the Government will maintain the childcare element of the WTC and up-rate all other elements in line with RPI. From October 2008 the National Minimum Wage adult rate provides, with WTC and other benefits, a guaranteed income of at least £304 per week for families with one child and one full time worker. Children New measures and investment lifted 600,000 children out of relative poverty between 1998-99 and 2006-07. These statistics are only reflective of measures announced up to March 2007. Since then, the Government has invested heavily in financial support measures which are a key determinant of short term progress against this PSA. Measures announced in Budgets and Pre-Budget Reports since Budget 2007 are expected to lift around a further 500,000 children out of relative poverty. The present tax credits system is already providing an average £3,400 a year to six million families, benefiting ten million children. The increases in financial support announced at previous fiscal events will significantly alleviate child poverty when they come on stream. The 2008 PBR built on this by bringing forward the increasing of the child element of the Child Tax Credit and Child Benefit to help families more quickly. It also confirmed that in April 2009 the Health in Pregnancy Grant will be introduced at a value of £190 for all women after the 25th week of pregnancy. Low-income families will also benefit from the wider measures on personal taxation and VAT as well as the up-rating of benefits and tax credits above earnings this year and the real terms gains from projected inflation next year. The eradication of child poverty by 2020 requires sustainable progress in improving children's life chances for the longer term. The Government will introduce a child poverty Bill in 2009 to drive this progress but work is already underway. *"Ending child poverty: Everybody's business"*[19] published with Budget 2008 set out the programme for this. The tri-departmental Child Poverty Unit is working to take forward a number of the commitments made such as; rolling out pilots to tackle child poverty; working on ways to improve parental employment in London; and working with local delivery partners to ensure that local authorities are doing all they can.

[18] This is measured over the period since April 2008.
[19] www.hm-treasury.gov.uk/d/bud08_childpoverty_1310.pdf

Quality of data systems	Performance against the employment indicator is measured by 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. This is the employment indicator in the Employment PSA8. Performance against the relative child poverty indicator is assessed using the annual *Households Below Average Income (HBAI) report*[20] published as National Statistics by DWP. There is an ongoing time lag in the statistics so that the most recent 2006-07 report was not published until June 2008.
Link to CSR07 PSAs	PSA8 – Maximise Employment Opportunity for all. PSA9 – Halve the number of children in poverty by 2010-11 on the way to eradicating child poverty by 2020

[20] www.dwp.gov.uk/asd/hbai.asp

Outcome – 2 (d) Improving quality and value for money (VFM) of public services	
Performance indicator	Progress in delivering on PSA commitments.
Factual assessment	Not yet assessed.
Data Statement	HM Treasury will report on the overall performance of the 30 cross-departmental PSAs, announced in 2007 Comprehensive Spending Review (2007CSR)[21], for the first time in the Treasury's 2009 Annual Report and Accounts. The data set out will provide the baseline for this indicator based on departments' 2008 Autumn Performance Report assessments. Future Treasury assessments will be made every subsequent six months after departments' Spring Departmental Report and Autumn Performance Report publications. Departments have made strong progress in developing their core governance frameworks to strengthen cross-departmental working. The Prime Minister's Delivery Unit in Treasury continues to work closely with departments to help unblock specific barriers to delivery and share best practice, ensuring that the right conditions are in place for successful delivery of the PSAs. On improving the value for money of public services, Government has delivered £26.5billion of savings against a target of £21.5 billion during the 2004 Spending Review period, and Departments and Local Authorities are already working to deliver the additional £30 billion package of value for money savings agreed as part of the 2007 CSR. Meanwhile, the Operational Efficiency Programme [22]and Public Value Programme[23] are exploring the scope for further savings, as set out in the 2008 Pre-Budget Report. Departments are working to meet commitments set out in their Departmental Strategic Objectives and will report on progress in their own APRs and Spring Departmental Reports.
Quality of data systems	High quality data systems are integral to successful delivery of the PSAs. PMDU is working closely with departments to ensure their data systems are suitably robust and recognises that in some cases there is work required to ensure they are fit for purpose. The National Audit Office is conducting an independent evaluation of PSA data systems across the PSA set.

[21] www.hm-treasury.gov.uk/pbr_csr07_index.htm
[22] www.hm-treasury.gov.uk/vfm_operational_efficiency.htm
[23] www.hm-treasury.gov.uk/public_value_programme.htm

Outcome – 2 (e) Supporting fair, stable and efficient financial markets	
Performance Indicator	(i) Assessments of UK financial stability and risk management against international comparisons; (ii) competitiveness of the UK's system for financial regulation, (iii)financial capability and financial inclusion; and (iv) helping to manage the risk from financing of terrorism.
Factual Assessment	Indicator (i): not yet assessed Indicator (ii): not yet assessed Indicator (iii): strong progress Indicator (iv): some progress
Data Statement	Indicator (i) Financial stability and risk management against international comparisons: Global financial markets are experiencing an exceptional period of instability. The UK has taken decisive action, through the recapitalisation scheme, the credit guarantee scheme and the extension of the Special Liquidity Scheme[24], to respond to the systemic risks. This policy approach has been replicated across the world. The UK has taken a decisive approach to dealing with failing institutions, delivering resolutions which have maintained financial stability and ensured that no retail depositor has lost money, whilst protecting the interests of the taxpayer. The proposals in the Banking Bill will further strengthen the UK framework for maintaining financial stability. Indicator (ii) Competitiveness of the UK's system for financial regulation: A well-regulated financial sector is important for maintaining trust and confidence in the sector, which enhances London and the UK's financial services competitiveness in the longer-run. It is clear that there are lessons to be learned on understanding and monitoring risks in the private sector; internally in financial institutions; and in credit rating agencies; as well as by regulators across the world. *The Financial Services Authority's (FSA) March 2008 review into its supervision of Northern Rock*[25] identified a number of areas for improvement in the execution of supervision, which are being advanced urgently via a dedicated Supervisory Enhancement Programme.[26] In addition, at the Chancellor's request, Lord Turner, Chairman of the FSA, is due to make recommendations in March 2009 for reforming UK and international approaches to regulation. Internationally, the UK has written to the European Commission on cross-border financial activity to ensure that appropriate safeguards are in place and, on assuming the Chair of the G20 in 2009, the UK will play a leading role in driving work forward on delivering a coordinated international community response to strengthen regulation and the stability and resilience of the global financial markets for the future.

[24] www.bankofengland.co.uk/publications/news/2008/029.htm

[25] www.fsa.gov.uk/pages/Library/Other_publications/Miscellaneous/2008/nr.shtml

[26] www.fsa.gov.uk/pubs/other/enhancement.pdf

Indicator (iii) Financial capability and financial inclusion:

Financial capability:

In response to the final report of the Thoresen Review of Generic Financial Advice[27], published in March 2008, HM Treasury and the FSA are delivering a pilot or pathfinder Money Guidance Service in the North West and the North East of England[28]. The Treasury is on track to launch the £12 million pathfinder in the spring.

HM Treasury and FSA published a joint action plan for financial capability in July 2008, which brought together for the first time the range of Government and FSA programmes which support financial capability in the UK, offering targeted support at significant points in people's lives. The action plan detailed progress on Government's aim to ensure that every child has the benefit of financial education in school: since September 2008, financial education has a more secure role in the secondary curriculum, supported by a £11.5 million package to embed these curriculum reforms.

The action plan also looked at how to support consumers in tougher times e.g. by ensuring they know where to access impartial information and support to help them stay in control of their finances and avoid problem debts, including a £2 million joint HM Treasury and FSA project to develop and promote the FSA's Money Made Clear website[29] and consumer helpline. The Money Made Clear campaign ran over October and November.

Financial Inclusion:

Recent analysis suggests that a significant reduction in the un-banked since 2002-03 with numbers falling from 2.8 million to 2.1million people. The Face to Face money advice project has helped over 169,000 people since April 2006 and the Financial Inclusion Growth Fund has made over 110,000 affordable loans since July 2006. We continue to develop implement and oversee new Financial Inclusion initiatives through delivery departments including a prison debt advice project, the Save Xmas campaign and a team of regional and national Financial Inclusion Champions.

Indicator (iv) Managing the risk from the financing of terrorism

Measures to manage the risk from terrorist financing include taking new powers in the Counter Terrorism Act 2008, refreshing the terrorist finance strategy to align it more closely with the UK CONTEST strategy; conducting a terrorist finance threat analysis to understand better the risks the UK faces and the information gaps that need to be addressed; implementing measures to protect vulnerable sectors such as the voluntary/charity sector; and money service businesses. Practical measures to improve collaboration with the private sector remains a priority.

[27] www.hm-treasury.gov.uk/thoresen_review_index.htm

[28] www.fsa.gov.uk/pages/Library/Communication/PR/2008/016.shtml

[29] www.moneymadeclear.fsa.gov.uk/

Quality of Data Systems	<u>Financial Stability:</u> Financial stability is not easy to measure through any one set of indicators. However, the Treasury, along with the Bank of England and the FSA, uses a broad range of market indicators and financial statistics to assess developments and conditions in financial markets, both in the UK and abroad. Much of the data is live data with no time-lag, thus enabling continuous monitoring of performance. <u>Financial capability:</u> For the Money Guidance pathfinder, we are working with the FSA to ensure robust evaluation which will inform and support decisions on national rollout. Evaluation of the Money Made Clear campaign is currently underway to assess its effectiveness and impact – this will inform our work on the pathfinder. The Treasury is working with DCSF on evaluation of the £11.5 million package of support for financial education in schools. Financial capability seeks to achieve behavioural and attitudinal shifts and this is measured through an extensive survey of financial capability conducted by the FSA every 5 to 6 years. A baseline survey was published in 2006 and The Treasury is working with the FSA on the next survey, due in 2011. Capability measures in other surveys e.g. the Wealth and Assets Survey. <u>Financial inclusion:</u> Strong- Access to banking is measured through the Family Resources Survey data and cross-checked with industry data. Management information for all major projects is reported quarterly and shows what proportion of clients present with indicators of financial exclusion. Each project is also the subject of independent reviews. Progress is also overseen by the Financial Inclusion Taskforce, who make regular reports to government and have a significant research budget at their disposal to improve data in this area.

Outcome – 2 (f) Raising productivity with sustainable improvements in the economic performance of all English regions including narrowing the gap in growth rates between the best and worst performing regions, raising productivity with sustainable improvements in regional performance.	
Performance indicator	(i):Trend growth in output per worker (productivity) over the economic cycle; (ii): International comparisons of output per worker and per hour worked; and (iii): Regional Gross Value Added (GVA) per head growth rates in each region and between the best and worst performing regions.
Factual assessment	Indicator (i): some progress Indicator (ii): strong progress Indicator (iii): some progress
Data Statement	Indicator (i) Trend productivity growth (output per hour) was 2.4 per cent a year over the last economic cycle (1997H1-2006H2 compared to 1.9 per cent a year over the preceding cycle. From 2006H2 onwards, the trend rate is projected to be marginally lower, at 2.3 per cent a year. However, this is only an initial estimate and should be interpreted with caution, as trend productivity growth can only be precisely assessed over a full or half economic cycle Indicator (ii) Since the start of the last economic cycle in 1997, the UK has narrowed the productivity gap with its main comparators: France, Germany, and the US. In terms of output per worker, the UK has closed the gap with Germany and narrowed the gap with France by 5 percentage points. In terms of output per hour the UK has narrowed the gap with France by 4 percentage points and with Germany by 12 percentage points. The UK is also the only G7 country to have kept pace with the US' impressive productivity performance on both measures. Indicator (iii) There are two parts to the indicator for regional GVA per head growth rates. The First target is the gap in growth rates between regions. The difference in growth rates between the historically better performing three regions (London, the South East and the East) and the other six regions has halved from 0.6 per cent real GVA per head between 1990-2002 to 0.3 per cent in 2002-2006. The second part of the target is based on individual growth rates of region. Between 2002 and 2006 the North East, East Midlands, East of England, London and the South West have all improved on their performance compared with the baseline period, 1990-2002. The North West has held its position against its baseline rate. However, Yorkshire and the Humber, West Midlands and the South East have been unable to meet their baseline performance.
Quality of data systems	Productivity gap data are published by the Office for National Statistics (ONS) Estimates of trend productivity growth over the economic cycle are produced by HM Treasury and published at Pre-Budget Report and Budget. The methodology for dating the economic cycle is audited by the National Audit Office. The regional GVA series is produced annually by the ONS and meets all National Statistics quality criteria.
Link to CSR07 PSAs	PSA1 – Raise the productivity of the UK economy. PSA6 – Deliver conditions for business success in the UK. PSA7 – Improve the economic performance of all English Regions and reduce the gap in economic growth rates between regions.

Outcome – 2 (g) Protecting the environment in an economically efficient and sustainable way.	
Performance indicator	(i) Increase the size of the global carbon market; and (ii) increase the size of the global carbon market; and increased policy cost-effectiveness.
Factual assessment	Indicator (i) strong progress Indicator (ii) not yet assessed
Data Statement	Indicator (i) Establishing a global carbon market is vital to driving cost-effective emissions reductions and generating investment finance for low-carbon technologies in developing countries. The global carbon market is growing rapidly. Volumes of carbon traded globally in 2007 increased by 70 per cent compared to 2006, with much of the growth coming from the EU Emissions Trading Scheme (EU ETS)[30]. This significantly exceeds the minimum improvement target of 7-10 percent growth per year for this indicator. Work is also underway to develop additional measurements for this indicator that capture changes in the geographical and sectoral coverage of carbon markets. The UK was the first country to hold an auction of carbon allowances under Phase II of the EU ETS, and is playing a central role in negotiations on the next phase of the scheme, the 2020 EU Climate and Energy Package. The UK is also working towards its long-term goal to agree a cost-effective and fair global deal at Copenhagen in 2009, which is crucial to the development of the carbon market. Indicator (ii) The indicator on cost-effectiveness is intended to show whether the UK is introducing cost-effective policies to reduce emissions. It is a new measure that will monitor the proportion of greenhouse gas reductions expected from new policy measures at a cost below the Shadow Price of Carbon. Since 1st April 2008, Impact Assessments have started to provide estimates of carbon savings and cost effectiveness for new policies. Increasing use of key tools such marginal abatement cost (MAC) curves is also strengthening the Government's ability to identify the most cost-effective policies. However, 2008-09 will be the first year in which data will be available, so it is too early to make an accurate assessment of this indicator.
Quality of data systems	Data on the size of global carbon market are sourced from the World Bank[31]. They include volumes traded and transferred through EU ETS; volumes issued of Clean Development Mechanism and Joint Implementation; and units transferred and traded in other binding carbon markets. Data on policy cost-effectiveness are not yet available as the measure is new; 2008-09 will be the first year in which data will be available.
Link to CSR07 PSAs	PSA27 – Lead the global effort to avoid dangerous climate change.

[30] www.environment-agency.gov.uk/business/1745440/1745496/1294204/?version=1&lang=_e
[31] www.worldbank.org

Outcome – 2 (h) Pursuing increased productivity and efficiency in the EU, international financial stability and global prosperity	
Performance indicator	(i) A stable efficient and representative international financial system well equipped to promote prosperity, and to prevent and respond to crises; (ii) progress towards the Millennium Development Goals (as set out in the Government's International Poverty Reduction PSA); and (iii) a more outward looking, flexible and competitive European Union that enables Member States to maximise opportunity, prosperity and fairness.
Factual assessment	Indicator (i) some progress Indicator (ii) some progress Indicator (iii) some progress
Data statement	Indicator 1: The global economy has experienced levels of financial instability not seen for generations. The recent summit of leaders and finance ministers of the G20 agreed on the urgency of common and concerted, and where appropriate, coordinated actions to address the financial and economic crisis. This included fundamental reform of the supervision of the financial system; the need for a broader policy response based on closer macro economic cooperation; the need to resist protectionism; and reform of the International Financial Institutions (IFIs) to promote and maintain global stability. The UK, as Chair of the G20 Finance Ministers in 2009 is playing a leading role in setting the G20 agenda and driving work forward. The UK has played a leading role in international efforts to strengthen the functionality and governance structures of the IFIs. Recent reforms at the IMF include strengthening the Exogenous Shocks Facility, the launch of a new short-term liquidity facility, and agreement of a quota and voice reform package. The UK has emphasised the need for the IMF to move quickly to establish an early warning system, with the IMF and Financial Stability Forum (FSF) working closely to better identify and address risks to global financial and economic stability; and to enhance the IMF's ability to provide credible and independent macroeconomic surveillance on the build up of global imbalances, building on their Statement of Surveillance Priorities. Indicator 2: Overall progress against the indicators for PSA 29 (Reduce poverty in poorer countries through quicker progress towards the Millennium Development Goals) has been mixed. World Bank data shows that global trends in reducing extreme poverty remain on-track to achieving the MDG target of halving the proportion of people living in extreme poverty by 2015. But, progress in Sub-Saharan Africa is slower than other parts of the world and current economic conditions may make it challenging for other regions to sustain progress. Strong progress is being made on education and gender parity; progress on child mortality, HIV/AIDs and access to improved water sources is mixed; and the target for maternal mortality, one of the most challenging, is off-track. It is too early to judge the other indicators. There has been a positive response to MDG Call to Action campaign and other international events that the UK has supported, although the global economic situation will increase the challenge of maintaining global support for development. Progress continues on delivering debt relief to the poorest, most heavily indebted countries. 34 out of 41 countries eligible for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative have now reached the HIPC Decision Point and are receiving debt relief. Of these, 23 have reached HIPC Completion Point and received irrevocable debt cancellation, including 100 per cent cancellation of their debts to the IMF, World Bank and African Development Bank under the Multilateral Debt Relief Initiative (MDRI). Progress also continues in innovative finance: the International Finance Facility for Immunisation (IFFIm) has raised over $1.2bn in bond issues to date, and progress has been made on the development of the pilot Advanced Market Commitment (AMC) for a pneumococcal vaccine.

	Indicator 3: In response to the current financial crisis, the European Commission has proposed a European Economic Recovery Plan to help restore growth and improve employment in Europe. The Government broadly welcomes this plan, which is anchored in the Lisbon Strategy for Jobs and Growth. It will be important to ensure full coherence between immediate actions and the EU's medium to longer-term objectives, which should be based on the guiding principles of openness and fairness and take full account of the global nature of the problem. The agreement of the EU Small Business Act in December 2008 represents a success for the UK in ensuring a competitive framework and greater opportunities for small business across Europe. Following proposals by the Government, the European Investment Bank has increased by 50 per cent the total amount of lending available to small firms and it has significantly simplified its approach to increase the attractiveness of its lending. The EU also committed to better access to finance measures both through European Investment Bank support and an improvement to the venture capital framework.
Quality of data systems	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 countries.
Link to CSR07 PSAs	PSA27 – Lead the global effort to avoid dangerous climate change. PSA29 – Reduce poverty in poorer countries through quicker progress towards the Millennium Development Goals.

3 Public Service Agreements (PSAs)

3.1 The Chancellor of the Exchequer, the Secretary of State for Children, Schools and Families and the Secretary of State for Work and Pensions are responsible for the delivery of the child poverty PSA. The Chancellor of the Exchequer is the lead minister.

3.2 The Senior Responsible Officer (SRO) within Government for this PSA is the Managing Director for Budget Tax and Welfare in HM Treasury. The SRO chairs a Senior Official PSA Delivery Board which is made up of senior officials from DWP and DCSF. The Board meets regularly to monitor progress and review delivery and reports directly to an Inter-Ministerial Group comprised of the Secretaries of State for HM Treasury, DWP and DCSF. This group is chaired by the Chancellor of the Exchequer. This group is responsible for regularly monitoring progress and holding departments and programmes to account.

In addition to this, the Senior Official PSA Delivery Board jointly chairs a cross-Whitehall Child Poverty Board which has a much broader focus on the contribution of public services towards eradicating child poverty. The Board and its working group allow partners like HMRC, CLG, Defra to contribute to delivering this PSA. This group reports to the relevant Cabinet Committee.

PSA9 – Halve the number of children in poverty by 2010-11, on the way to eradicating child poverty by 2020	
Performance indicator	Indicator (i) the number of children in absolute low-income households Indicator (ii) the number of children in relative low income households Indicator (iii) the number of children in relative low-income households and in material deprivation
Factual assessment[1]	Indicator (i) No progress Indicator (ii) No progress Indicator (iii) Some progress

[1] This is measured over the period since April 2008

Data Statement	Between 1998-99 and 2006-07 relative child poverty fell by 600,000 children from 3.4 to 2.9 million and absolute poverty halved from 3.4 to 1.7 million children. Between 2004-05 (first year data is available) and 2006-07 material deprivation and relative low income combined fell by 200,000 from 2.2 to 2.0 million children. Progress slowed between 2005-06 and 2006-07; • between 2005-06 and 2006-07 absolute child poverty rose by 100,000, while not statistically significant, does not represent progress; • between 2005/06 and 2006-07 relative child poverty rose by 100,000, while not statistically significant does not represent progress; and. • between 2005-06 and 2006-07 the number of children in relative low-income households and in material deprivation fell by 100,000 from 2.1million to 2.0 million Measures announced in and since Budget 2007 and described below will lift around a further 500,000 children out of relative poverty, the impact of which has yet to feed through into the above statistics. Since Budget 2007 the Government has invested significantly in financial support measures. The present tax credits system is already providing an average £3,400 a year to six million families, benefiting ten million children. The 2008 Pre-Budget Report (2008 PBR) built on the investment to date by bringing forward the increasing of the child element of the Child Tax Credit and Child Benefit to help families more quickly. It also announced that in April 2009 the Health in Pregnancy Grant will be introduced at a value of £190 for all women after the 25th week of pregnancy. Low-income families will also benefit from the wider measures on personal taxation and VAT as well as the up-rating of benefits and tax credits above earnings this year and the real terms gains from projected inflation next year. DWP is providing support to help lone parents move into and remain in work through work focused interviews, New Deal Plus and national roll-out of In-work Credit and piloting additional help for couples with children to move into work through New Deal Plus and In-work Credit. Eradication of child poverty by 2020 requires sustainable progress in improving children's life chances for the longer term. The Government has shown it's commitment to this by announcing its intention to introduce a child poverty Bill in 2009 to drive this progress but work is already underway. *Ending child poverty: Everybody's business* published with Budget 2008 set out the programme for this. The tri-departmental Child Poverty Unit is working to take forward a number of the commitments made such as rolling out pilots to tackle child poverty, working on ways to improve parental employment in London and working with local delivery partners to ensure that local authorities are doing all they can.
Quality of data systems	Performance against this target is assessed using the annual Households Below Average Income (HBAI) report published as National Statistics by DWP. The latest data available is for 2006-07.
PSA Delivery Partners	DCSF and DWP
Link to CSR07 DSOs	DSO 2(c) Improving incentives and means to work; supporting children and pensioners and helping people plan and save for the future.

4 Value for Money and Efficiency

Introduction

4.1 The 2007 Comprehensive Spending Review (CSR 2007) settlement for the Treasury Group[1] was agreed in Budget 2006. The settlement is challenging: a reduction in both resource and capital Departmental Expenditure Limit (DEL) spending of 5 per cent per year in real terms, which is consistent with the cross-government aim to achieve at least 3 per cent net cash releasing savings, on the 2007–08 baseline budgets for near-cash resource and capital. Over the CSR 2007 period, the Treasury Group will deliver £30 million of annual net cash releasing Value for Money (VfM) savings, equivalent to 4.1 per cent per annum. Delivering these savings will mean becoming a smaller and more efficient Group, focused on priority areas with the right systems in place to support and enable staff to deliver its objectives.

Treasury Group 2004 Spending Review Efficiency Targets

Table 4.A: Treasury Group – Efficiency targets: summary of achievements[2]

£ million[3]	2007-08 Target	Progress as declared in the Annual Report 2007-08	Final Savings	Of which Cashable[4]
Core Treasury	10.9	14.1	21.3	21.3
OGC	3.5	3.5	3.5	2.0[5]
OGC Buying Solutions	1.8	2.2	2.2	1.1
DMO	1.0	1.0	1.0	1.0
Group Shared Services	1.5	4.2	1.9	1.9
TOTAL	18.7	25.0	29.8	22.2

4.2 Group Corporate Services net efficiencies were £1.9m against previously declared of £4.2m. This figure was revised due to the revaluation of 1 Horse Guards Road, which on balance cannot be counted as an efficiency gain.

[1] HM Treasury Group comprises of HM Treasury, the Office of Government Commerce and, the UK Debt Management Office.
[2] This table shows savings declared as achieved by 31 March 2008 for consistency with 2008 Annual Report, as well as final savings achieved at the completion of the efficiency programme.
[3] Numbers in this table may not sum due to rounding.
[4] Cashable savings are those that reduce the costs associated with a defined activity or output, thereby releasing money to be utilised by other priorities in the department.
[5] As stated in the 20007-08 Annual Report, the cashable savings reported for OGC has been reduced from £3.0 million to £2.0 million following a review of the Treasury Group's Efficiency Programme

Target VfM Savings

Table 4.B: Indicative trajectories for the Group's VfM savings over the CSR2007 period.

£million	2008-2009	2009-2010	2010-2011	Nominal savings per annum
HM Treasury Group	12	23	30	4.1%

VfM Programme Delivery Strategy

4.3 The VfM programme is built on an analysis of how the Group's resources (capital, financial and human) are deployed. Actions already taken include:

- Publication of Transforming Government Procurement, which outlines the future role of OGC;
- The transfer and rationalisation of OGC corporate service staff and budgets into a Group Shared service operation under a single Director of Finance, Procurement and Operations;
- Co-location of OGC's London base with HM Treasury;
- Rationalisation of core Treasury's directorate structure to achieve synergies and deliver economies of scale; and
- The completion of the first phase of the DMO's major systems upgrade.

4.4 The minimum projected savings of £30m per annum by 2010-11 have been calculated as the difference between the post-VfM programme expenditure and counterfactual expenditure, for near cash resource DEL plus capital DEL. The counterfactual expenditure is based on a 'do nothing' scenario of baseline costs increasing by general inflation. Given that 2007-08 is the baseline budget year for the VfM programme, the 4.1 per cent equivalent savings per annum are projected to be achievable from 2008-09 onwards. The savings will be related to the following workstreams.

- Core Treasury – Core Treasury will achieve its VfM savings by rationalising its organisational structure to exploit synergies across business areas. The restructuring provides the opportunity to ensure that core Treasury's workforce becomes more highly skilled and more flexible resulting in annual net-cash releasing savings by 2010-11 of £13.1 million.
- Group Shared Services (GSS) – the programme will build on the work programme initiated in SR04 to combine corporate services across the Group which will produce annual net cash releasing savings of £10.6 million by 2010-11.
- Office of Government Commerce (OGC) – savings against baseline will be achieved through a combination of higher income and headcount reductions leading to annual net cash releasing savings of £5.3 million by 2010-11
- UK Debt Management Office (DMO) – the DMO will deliver its VfM savings by investing in enhanced technology, consolidating teams, raising its skills profile and negotiating reductions in non-pay costs with IT and other suppliers. This will produce annual net cash releasing savings of £0.7 million by 2010 -11.
- Programme expenditure – this will be managed down across the Group to achieve annual net cash releasing savings of £0.3 million by 2010 -11.

Forecast VfM Savings

4.5 Target Treasury Group VfM savings for 2008-09 are £12 million based on a counterfactual of £242.7m and planned near cash resource DEL plus capital DEL for the year of £230.6 million. Actual near cash resource DEL expenditure for April to September 2008 was £88.64 million against a budgeted figure of £94.31 million. A significant proportion of this is due to the filling of vacancies later than planned and a £1 million reduction in accommodation costs relating to service charges which will be lower than originally anticipated. Given progress on a year to date basis, Treasury Group is on target to achieve the VfM savings outlined in current plans and may well exceed the target for 2008-09 if the current rate of achievement continues for the second half of the year.

4.6 Net cash releasing savings are those that reduce the costs associated with a defined activity or output, thereby releasing money to be utilised by other priorities in the department. The Group Shared Services (GSS) workstream is likely to see an increase in activity throughout the CSR 2007 period which will have to be adjusted for as this did not form part of the baseline programme and therefore any additional expenditure will need to be matched to new activity to avoid distorting the relationship between the planned baseline workstreams and any potential VfM savings that result in subsequent years. This is the same principle that was followed in measuring efficiencies arising from achieving the SR 2004 targets as part of the overall efficiency savings initiative.

4.7 The achievement of VfM savings has been made all the more challenging when set against the uncertainties and demands arising from the global economic situation, particularly in relation to the financial services sector. Consequently, while expenditure may increase over the CSR 2007 period from that envisaged in the 2007-08 baseline it does not follow that what is delivered in terms of outcomes is at greater cost or achieved less efficiently from a VfM perspective if it results from increased activity and/or additional outputs. This is particularly true in the case of both the Core Treasury and Group Shared Services workstreams, which together will account for £23.7 million of the £30 million anticipated annual net cash releasing savings by 2010-11. Linking this to the delivery of Treasury objectives, it can be seen that the objective concerning improving the quality and cost-effectiveness of public services will be closely associated with any planned increase in activity that could affect the outcomes of the VfM programme and will have to be adjusted for in measuring and quantifying VfM savings.

4.8 The other key consideration is the extent to which any resulting VfM savings are applied to further enhancing delivery and efficiency of existing activities or invested into new activities that have emerged or expanded since the 2007-08 baseline was agreed. This will be critical to the continued achievement of further VfM savings or alternatively in enhancing efficiencies elsewhere in delivering departmental objectives over the CSR 2007 period.

A Public Service Agreement Targets – 2002 and 2004 Spending Reviews

A.1 This chapter provides performance information about the outstanding PSA targets from SR2002 and SR 2004. There is no requirement to report against targets that have received a final assessment in earlier reports.

Reporting Terminology

A.2 Standard terminology in line with Treasury central guidance to departments is used to assess performance against these remaining targets.

Table A.A: Final Assessment Terminology

Term	Usage
Met	Target achieved by the target date.
Met-ongoing	For older open-ended 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.

A.3 Where it is not possible to give a final assessment (e.g. the target is due to complete at a later date) – the following terminology should be used.

Table A.B: Interim Assessment Terminology

Term	Usage
Met early	This target has been met ahead of schedule.
Met – ongoing*	This target is live, but measured on a continuous basis.
Ahead	If progress is exceeding plans and expectations.
On course	Progress 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.

Table A.C: Summary Assessment of Performance for live SR2002 and SR2004 PSAs

		Jun 2008	Dec 2008
PSA1 SR2004	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.	On course	Met
Equivalent SR2002 target	*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.*	On course	Met
PSA2 SR2004	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 target same as SR2004	Met-ongoing*	Met-ongoing
PSA3 SR2004	Over the economic cycle, maintain: • public sector net debt below 40 per cent of Gross Domestic Product (GDP); and • the current budget in balance or surplus. SR2002 target same as SR2004	On course	Met
PSA4 SR2004	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 target with Business, Enterprise and Regulatory Reform (BERR.).)	On course	Met
Equivalent SR2002 target	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 (BERR.).)	On course	Met
PSA5 SR2004	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 target with Department for Work and Pensions (DWP).).	On course	On course
Equivalent SR2002 target	Demonstrate progress by spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle. (Joint target with DWP.)	On course	Met
PSA6 SR2004	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 (BERR) and Communities and Local Government (CLG).)	Slippage	Slippage

Equivalent SR2002 target	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 BERR and CLG.)	Slippage	Slippage
PSA7 SR2004	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 target with DWP.)	Slippage	Slippage
PSA8 SR2004	Overall rating slippage in parts		
PSA8 (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 target same as SR2004	On Course	Met –on going
PSA8 (ii)a	Promote increased global prosperity and social justice by: ensuring that 90 per cent of all eligible Heavily Indebted Poor Countries (HIPC) committed to poverty reduction that have reached Decision Point by end 2005, receive irrevocable debt relief by end 2008;	On Course	Slippage
PSA8(iii)	Promote increased global prosperity and social justice by: working with our European Union (EU) partners to achieve structural reform in Europe, demonstrating progress towards the Lisbon goals by 2008	Slippage	Slippage
PSA9	Overall rating slippage in parts		
PSA9(i) SR2004	Improve public services by working with departments to help them meet their Public Service Agreement (PSA) targets, consistently with fiscal rules. (Joint target with the Cabinet Office.)	Slippage	Slippage
PSA9 (ii) SR2004	Improve public services by working with departments to help them meet their: efficiency targets amounting to £20 billion a year by 2007-08, consistently with the fiscal rules.	Ahead	Met
PSA9(i) Equivalent SR 2002	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 Cabinet Office.)	Slippage	Partly met

PSA1 – Trend Rate of Growth	
SR2004 Target	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 Target	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 Growth of output (excluding oil and gas extraction) growth over the economic cycle (Same for both PSAs).
Outturn SR2004	Met
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]. Budget 2004 projection was for 2¾ per cent trend growth between the on-trend point in the third quarter of 2001 and the end of 2006, slowing to 2½ per cent thereafter due to demographic effects. This assessment was revised in *Trend Growth: new evidence and prospects*[3], published alongside the 2006 Pre-Budget Report. In light of new evidence, the projection for growth in working age population from 2006Q4 onwards was revised upwards, and the neutral estimate of trend growth from 2006Q4 was revised from 2½ per cent to 2¾ per cent a year. The Treasury estimates trend growth over the economic cycle as the average rate of growth between adjudged start and end-cycle on-trend points or over half cycles. As set out at the time of the 2008 Pre-Budget Report[4], the latest National Accounts data, taken together with the evidence from the range of cyclical indicators monitored by the Treasury, supports the assessment that the economic cycle judged to have started in the first half of 1997 ended during the second half of 2006.[5] The National Audit Office (NAO) has audited the Treasury's judgement that the last economic cycle ended in the second half of 2006, finding that taking all the evidence available as a whole, it is reasonable to conclude currently that the second half of 2006 marked the end date of the most recently completed economic cycle. Growth in actual non-oil output (Gross Value Added (GVA)) between 1997H1 and 2006H2, is estimated to have averaged 3 per cent a year; and between 2001Q3 – the mid-cycle on-trend point – and 2006H2 it is estimated to have averaged 2.7 per cent a year. This compares with 2.5 per cent over the previous cycle, from 1986Q2 to 1997H1 and the Budget 2004 projection of 2¾ per cent between 2001 and 2006. This means that this **target has been met**.

[1] The latest assessment of the economic cycle can be found in the 2008 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] Available on the Treasury website www.hm-treasury.gov.uk
[4] More details of the Treasury's assessment of the economic cycle are set out in *Evidence on the economic cycle*, published alongside the Pre-Budget Report.
[5 & 6] More details of the Treasury's assessment of the economic cycle are set out in *Evidence on the economic cycle*, published alongside the Pre-Budget Report.

Outturn SR2002	Met
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 economic cycle that started in 1997. The Treasury estimates trend growth over the economic cycle as the average rate of growth between adjudged start and end-cycle on-trend points or over half cycles. As set out at the time of the 2008 Pre-Budget Report, the latest National Accounts data, taken together with the evidence from the range of cyclical indicators monitored by the Treasury supports the assessment that the economic cycle judged to have started in the first half of 1997 ended during the second half of 2006.[6] The National Audit Office (NAO) has audited the Treasury's judgement that the last economic cycle ended in the second half of 2006, finding that taking all the evidence available as a whole, it is reasonable to conclude currently that the second half of 2006 marked the end date of the most recently completed economic cycle. Growth in actual non-oil output (Gross Value Added (GVA)) between 1997H1 and 2006H2, is estimated to have averaged 3 per cent a year; and between 2001Q3 – the mid-cycle on-trend point – and 2006H2 it is estimated to have averaged 2.7 per cent a year. This compares with 2.5 per cent over the previous cycle, from 1986Q2 to 1997H1. This means that this **target has been met.**
Quality of data systems	All the underlying data used in the trend growth calculations are sourced from the Office ofr National Statistics.

PSA2- Inflation	
SR 2004 Target	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).
SR 2002 Target	Same as SR 2004 target. As the SR 2004 and SR 2002 targets are the same, outturn and commentary for targets is combined.
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 SR2004 & SR2002	Met-ongoing
Commentary SR2004 & SR2002 target	Since the CPI inflation target was introduced in December 2003, inflation has averaged 2.3 per cent, closely in line with the target. This target has been subsumed into the CSR2007 reporting framework.
Quality of data systems	Underlying data are sourced from the Office for National Statistics.

PSA3 – Sound Public Finances	
SR 2004 Target	Over the economic cycle, maintain: • public sector net debt below 40 per cent of Gross Domestic Product (GDP); and • the current budget in balance or surplus.
SR 2002 Target	Same as SR 2004 target. As the SR 2004 and SR 2002 targets are the same, outturn and commentary for targets is combined.
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 SR2004 & SR2002 target	Met
Commentary SR 2004	For the 2008 Pre-Budget Report, the National Audit Office (NAO) audited the Treasury's judgement that the end date of the economic cycle, which began in the first half of 1997, was in the second half of 2006. The NAO concluded that taking all the evidence as a whole, this judgement was reasonable. Both the targets to maintain public sector net debt below 40 per cent of Gross Domestic Product (GDP), and the current budget in balance or surplus over the economic cycle from 1997-98 to 2006-07 were met. Net debt was reduced from 42.5 per cent at the end of 1996-97 to 36.0 per cent in 2006-07, and was maintained below 40 per cent on average over the cycle. Net debt was maintained below 40 per cent of GDP in each and every year from 1998-99. The average surplus on the current budget was 0.1 per cent of GDP. The Government's fiscal policy objectives remain unchanged. To achieve its objectives in current economic circumstances, the 2008 Pre-Budget Report announced that the Government will depart temporarily from the fiscal rules until the global shocks have worked through the economy in full. Consistent with the *Code for fiscal stability*, the Government has set a temporary operating rule: to set policies to improve the cyclically-adjusted current budget each year, once the economy emerges from the downturn, so it reaches balance and debt is falling as a proportion of GDP once the global shocks have worked their way through the economy in full.
Quality of data systems	Underlying data are sourced from the Office for National Statistics.

PSA4 - Productivity (SR2004) and PSA5 (SR2002)	
SR 2004 Target	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 target with Business, Enterprise and Regulatory Reform (BERR).)
SR 2002 Target	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 (BERR).)
Performance Indicator	Performance is measured using: • 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 SR 2004	Met.
Commentary SR 2004 Target	Productivity growth, as a measure of output per hour worked, was 2.4 per cent, per year over the cycle that ended in 2006H2 compared to 1.9 per cent per year over the preceding cycle. From 2006H2 onwards, the trend rate is projected to be marginally lower, at 2.3 per cent per year. However, this is a preliminary estimate and trend productivity growth can only fully be assessed over a full economic cycle. Preliminary assessments can be made when the cycle is considered near its mid-point. Since the start of the last economic cycle in 1997H1, the UK has narrowed the productivity gap with its major competitors: France, Germany, and the US. In terms of output per worker, the UK has eliminated the gap with Germany and narrowed the gap with France by 5 percentage points. In terms of output per hour, the UK has narrowed the gap with France by 4 percentage points and with Germany by 12 percentage points. The UK is also the only G7 country to have kept pace with the US' impressive productivity performance. Therefore the target has been met. This target has been subsumed into the CSR 2007 reporting framework. CSR 2007 PSA.
Outturn SR 2002	Met
Commentary SR 2002	Productivity growth, as a measure of output per hour worked, was 2.4 per cent, per year over the cycle that ended in 2006H2 compared to 1.9 per cent, per year over the preceding cycle. During the last economic cycle, from 1997H1 until 2006H2, the UK eliminated the productivity gap, in terms of output per worker, with Germany, and narrowed the productivity gap with France by 6 percentage points. In output per hour terms, the UK narrowed the gap with France by 6 percentage points and with Germany by 10 percentage points. The UK was the only G7 country to have kept pace with the US' impressive productivity performance on both measures. Therefore the target has been met.

Quality of data systems	The Treasury monitors progress on the productivity gap with data published by the Office for National Statistics, which are themselves based on OECD data. Trend estimates of productivity growth over the economic cycle are produced by HM Treasury (see Table A2 of Pre- Budget Report 2008). The methodology upon which these estimates are based is set out in the HM Treasury publication - *Trend growth: new evidence and prospects*, December 2006. The National Audit Office audits this methodology.

PSA5 - Employment	
SR2004 Target	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 target with DWP.)
SR2002 Target	Demonstrate progress by spring of 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle. (Joint target with DWP.)
Performance Indicator	The target is 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. 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.
Outturn SR2004	On Course
Commentary SR2004 target	The baseline for the SR2004 target is 2005Q2[7] (April-June 2005), at which time the GB employment rate for the working age population of Great Britain (GB) was 74.9 per cent. The GB employment rate in 2008Q2 was 74.9 per cent. Progress on this target is measured taking account of the economic cycle. As set out at the time of the 2008 Pre-Budget Report[8], the latest National Accounts data, taken together with the evidence from the range of cyclical indicators monitored by the Treasury, supports the assessment that the economic cycle judged to have started in the first half of 1997 ended during the second half of 2006. The National Audit Office (NAO) has audited the Treasury's judgement that the last economic cycle ended in the second half of 2006, finding that taking all the evidence available as a whole, it is reasonable to conclude currently that the second half of 2006 marked the end date of the most recently completed economic cycle. The second half of 2006 represents the most recent adjudged on-trend point and so estimates of the trend employment rate since this point are not yet available. A final assessment cannot therefore be made on this target

[7] The Office for National Statistics is now publishing Labour Force Survey data on a calendar quarter basis , instead of the seasonal quarter previously used. The baselines of this target has therefore been changed and reflected in the technical note.
[8] More details of the Treasury's assessment of the economic cycle are set out in *Evidence on the economic cycle*, published alongside the 2008 Pre-Budget Report.

Outturn SR2002	Met
Commentary SR2002	The baseline for the SR2002 target is spring (March-May) 2003, at which time the GB employment rate for the working age population was 74.9 per cent and the GB unemployment rate was 5.0 per cent. The data for spring (March-May) 2006 give a GB employment rate of 74.6 per cent and a GB unemployment rate of 5.5 per cent. Progress on this target is measured taking account of the economic cycle. As set out at the time of the 2008 Pre-Budget Report[9], the latest National Accounts data, taken together with the evidence from the range of cyclical indicators monitored by the Treasury, supports the assessment that the economic cycle judged to have started in the first half of 1997 ended during the second half of 2006. The National Audit Office (NAO) has audited the Treasury's judgement that the last economic cycle ended in the second half of 2006, finding that taking all the evidence available as a whole, it is reasonable to conclude currently that the second half of 2006 marked the end date of the most recently completed economic cycle. There has been a rise in the GB employment rate from 72.9 per cent from the start of the economic cycle in 1997H1 to 74.7 per cent in 2006H2. The GB unemployment rate fell from 7.4 per cent in 1997H1 to 5.7 per cent in 2006H2. This target has therefore been met, taking account of the economic cycle.
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 ILO.

[9] More details of the Treasury's assessment of the economic cycle are set out in *Evidence on the economic cycle*, published alongside the Pre-Budget Report.

PSA 6 – Regional Growth	
SR 2004 Target	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 of Business, Enterprise and Regulatory Reform (BERR), and Communities & Local Government (CLG).)
SR 2002 Target	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 BERR and CLG.)
Performance indicator	The trend rate of growth for Gross Value Added per head for all regions, measured over the period 2003-08, compared with the average growth between 1990 and 2002. A reduction over the period 2003-08, compared with the baseline (1990-2002) in the absolute gap between the average trend growth rate in the three regions that currently have above average GVA per head (London, South East and East) and the average trend rate for the other six regions.
Outturn SR2004	Slippage
Commentary SR2004 target [10]	The part of the indicator looking at gap in growth rates between regions is showing progress. Growth rates of the three regions (London, the South East and the East) and the six other regions has halved from 0.6 per cent real GVA per head between 1990-2002 to 0.3 per cent in 2002-2006. Four of the nine English regions (the South East, East of England, West Midlands and Yorkshire and the Humber) all saw slower growth relative to their baseline period. To reach the target, three of these four regions will need to grow at a faster rate in 2007 and 2008 than they did between 2002 and 2006, but this rate is within the range of typical growth rates that have been seen since 1990. However, it will be challenging for the South East to meet the target. While the growth rate required in the South East has previously been seen, it is outside the range of the region's typical growth rates. If any of the regions do not hit their growth targets then the overall regional economic target cannot be judged to have been met, therefore the target must currently be rated as showing slippage. This target has now been subsumed into the CSR 2007 reporting framework, with a longer time frame and basket of indicators. Progress against the CSR 2007 PSA has been assessed as 'some progress' in BERR's Autumn Performance Report.
Outturn SR2002	Slippage
Commentary SR2002 target	The gap in growth rates of three regions (London, the South East and the East) and the six other regions has halved from 0.6 per cent real GVA per head between 1990-2002 to 0.3 per cent in 2002-2006. For this reason, this part of the target is rated as met-ongoing as it is measured over the period 2003-08 taking into account the economic cycle. Performance against the first part of this target is rated as slipping. Despite growth in every region between 2002-2006, performance has been below that of the baseline period for four of the regions (the South East, East of England, West Midlands and Yorkshire and the Humber).

[10] The ONS is due to publish updated GVA statistics on Friday 12th December 2008. Due to publication deadlines, performance against both PSAs has been assessed using the latest publicly available data at time of print. HM Treasury will publish new data at an appropriate time in the future.

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.

PSA7- Child Poverty	
SR 2004 Target	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)[13]. The baseline for the less than 60 per cent of median income target is 3.4 million children.
Outturn SR2004	Slippage
Commentary SR2004 target	Between 1998-99 and 2006-07 relative child poverty fell by 600,000 children from 3.4 to 2.9 million. Between 2004-05 (first year data are available) and 2006-07 material deprivation and relative low income combined fell by 200,000 from 2.2 to 2.0 million children. Measures announced over the last four fiscal events will lift around a further 500,000 children out of relative poverty.
Quality of data systems	Performance against this target is assessed using the annual HBAI report published as National Statistics by DWP.

PSA8 (i) – Global Prosperity (SR2004) & PSA4(i) SR 2002	
SR 2004 Target	Promote increased global prosperity and social justice by: (i) 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.
SR 2002 Target	Target same as SR2004 8(i).
Performance indicator	Under the codes and standards initiative, the International Monetary Fund (IMF) and World Bank monitor observance by countries against twelve 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 SR2004	Met – on Going
Commentary SR2004 & SR2002 target	As of the beginning of December 2008, 145 countries (over three quarters of the IMF membership) had participated in the codes and standards initiative. This has risen from 137 in December 2006 and 109 in June 2004, with 1057 assessments, reassessments and updates having been produced by December 2008, compared with 914 in December 2006 and 724 in April 2005. Over 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 on their website.[11]

[11] www.imf.org

PSA8(ii) HIPCS-	
SR 2004 Target	Promote increased global prosperity and social justice by: (ii) a: ensuring that 90 per cent of all eligible Heavily Indebted Poor Countries (HIPC)[16] committed to poverty reduction that have reached Decision Point by end 2005, receive irrevocable debt relief by end 2008.
Performance indicator	Number of countries reaching Completion Point as recorded HIPC Initiative: Status of Implementation, available on the World Bank website.
Outturn SR2004	Slippage
Commentary SR2004 target	At the end of 2005, 28 countries had reached HIPC Decision Point, thereby demonstrating their commitment to poverty reduction and qualifying for interim debt relief. These countries are the baseline for the 90 per cent target. Good progress has been made in delivering debt relief, with 23 of these (or 82 per cent) now having completed the HIPC process and received irrevocable debt cancellation under HIPC and the Multilateral Debt Relief Initiative (MDRI). Two further countries – Burundi and Guinea – providing they continue with their good progress are expected to reach Completion Point by the end of 2008 or shortly thereafter. Treasury now expects to meet this target with minor slippage. Achievement of Completion Point for both countries will follow completion of satisfactory reviews by the IMF of progress under their Poverty Reduction and Growth Facility (PRGF) programmes and satisfactory implementation of reforms agreed at Decision Point.
Quality of data systems	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.

PSA8(iii) – Lisbon Goals	
SR2004 Target	Promote increased global prosperity and social justice by: (iii) working with our European Union (EU) partners to achieve structural reform in Europe, demonstrating progress towards the Lisbon goals by 2008.
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.
Outturn SR2004	Slippage
Commentary SR 2004 Target	Eight years into the EU's ten-year programme of structural reform, there is slippage against this target. The risk remains high that Europe will fail to realise the strategic ambitions of the Lisbon Strategy, particularly its aim of achieving 70 per cent employment rates across the EU by 2010. At 65.4 per cent in 2007, EU employment remains well below this target and has missed the interim target of 67 per cent employment rates by 2005. The UK met the interim target with employment at 71.7 per cent in 2005. Since 1999, one year before the Lisbon process began, EU 27 employment has risen by 3.6 per cent. While part of this appears to have been driven by structural improvements, much of it seems to be cyclical. It is highly likely that employment will fall over the next years as a result of the global economic situation, and so slippage against this target may increase. The productivity gap between the EU and the US has been increasing. Using the latest available data the productivity gap on a per worker basis (EU27) increased from 37.6 per cent in 2002 to 42.4 per cent in 2006 and on a per hour basis (EU27) from 30.0 per cent in 2002 to 35.0 per cent in 2005. Based on this analysis and the current economic climate, two years away from the original 2010 deadline, it is clear that the Lisbon Goals will not be realised in full. The EU and its Member States still need to implement significant economic reforms to improve the flexibility of products, capital and labour markets and to encourage greater investment in skills and innovation. These reforms will also put Europe in the best place to respond to the current economic downturn. The current focus in the EU and in Member States is rightly on supporting the economy and responding to the financial crisis by helping people and businesses affected by the economic downturn. The design of these policies should be fully consistent with the longer-term objectives of the Lisbon Strategy, in particular by resisting protectionist tendencies and continuing to promote open markets, competition and flexicurity. Whilst domestic structural reforms remain the primary responsibility of individual Member States, the Government has engaged proactively with its EU partners to encourage progress towards the goals of the Lisbon Strategy. For example, the UK has led efforts across Member States to mainstream the Better Regulation and globalisation agendas into EU policymaking. In March 2008, the UK with Germany and Sweden, published "Social Bridges II" on the importance of human capital to meeting the challenges of globalisation through building social bridges to ensure that individuals are equipped to work in today's economy and can adapt to work in tomorrow's, which in turn helps society as a whole reap the benefits of globalisation. In September, Member States submitted National Reform Programmes (NRP) reporting on the progress of structural reform at national level since the 1997 progress report, and looking forward to the final three-year cycle of the current Lisbon Strategy. The Government will continue to work with its EU partners to accelerate economic reform in Europe, for example by being actively involved with ongoing discussions in the EU on a successor to the Lisbon Strategy beyond 2010.

Quality of Data Systems	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. 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. The productivity date has been rescaled for the EU27 and so cannot be compared to previous releases based on EU25 = 100.

PSA9 – Public Services	
SR 2004 Target	Improve public services by working with departments to help them meet their; (i) Public Service Agreement (PSA) targets (joint with the Cabinet Office) and; (ii) Efficiency targets amounting to £20 billion a year by 2007-08, consistently with fiscal rules.
SR 2002 Target	Improve public services by working with departments to help them meet their Public Services Agreements (PSA) targets, consistently with the fiscal rules. Joint target with Cabinet Office). There was no efficiency target in SR2002
Performance Indicator	Departmental progress towards PSA targets and efficiency delivery is reported biannually in the (spring) Departmental reports and Autumn Performance Reports. This performance information can be accessed through a single website[12]
PSA Element Outturn SR2004	Slippage
PSA Element Commentary SR2004 target	The Treasury supports departments in their work to achieve their SR2004 PSA commitments but ultimate responsibility for delivery remains with departmental Secretaries of State. 80 per cent of SR2004 PSAs were given an overall summary assessment by departments in their 2008 Departmental Reports. Of those 56 per cent were reported as met, ahead or on course. This outturn represents a very significant level of success with what are exceedingly challenging targets. Significant progress has also been made on other targets with 12 per cent being partly met. However, for this overall target to be fully met '100 per cent' of individual SR2004 PSAs must be met or partly met. Not surprisingly, there has been some slippage against such an ambitious aim. Presently 27 per cent of targets are rated as slippage and 5 per cent not met.
Efficiency Element Outturn	Met
Efficiency Element Commentary SR2004	The 2008 Pre-Budget Report announced that the 2004 Efficiency Programme had substantially exceeded its targets and that the programme is now closed. By the end of March 2008, over £26.5 billion of efficiency savings had been reported by departments and local authorities and over 86,700 net workforce reductions had been reported against a target of 70,600. Departments also continue to make strong progress towards the 2010 relocation target, with over 17,100 posts relocated.
PSA Element SR 2002 Outturn	Partly Met
PSA Element Commentary SR2002	This assessment represents the final assessment on the Treasury's SR2002 PSA target to work with departments to help them meet their individual SR2002 PSAs. Although final assessments have not been made for all these departmental targets, sufficient data has now been collected for us to make an overall final assessment. The results demonstrate a very significant level of success. The majority of these challenging SR2002 targets have received final assessments and of these 35 per cent were met or met-ongoing, with a further 35 per cent partly met. Even for those yet to receive final assessments, 45 per cent are rated as on course
Quality of Data Systems	The data systems underpinning PSA targets are validated by the National Audit Office. Efficiency Technical Notes set out the measures and methodologies the departments use to assess efficiency gains. These can be found on the Treasury' website.

[12] http://www.hm-treasury.gov.uk/psp_index.htm

B Recommendations by the Committee of Public Accounts

B.1 Central guidance requires departments to report on the recommendations made by the Committee Public Accounts PAC) where the department is the principle party to respond.

B.2 Since 2002 there have been 14 PAC Reports that have made recommendations requiring action by the Treasury Group.

Table B.A: PAC reports – Recommendations for HM Treasury (core Treasury)

- 2002 - 42nd PAC Report: Managing the relationship to secure a successful partnership in PFI projects (published 11 July 2002)
- 2002 - 43rd PAC Report: The use of funding competitions in PFI projects - The Treasury Building (published 17 Jul 2002)
- 2003 - 22nd PAC Report: PFI refinancing update (published 13 June 2003)
- 2003 - 28th PAC Report: Delivering better value for money from the Private Finance Initiative (19 June 2003)
- 2003 - 35th PAC Report: PFI construction performance (16 July 2003)
- 2005 - 20th PAC Report: PFI: the STEPS deal (14 June 2005)
- 2007 - 25th PAC Report: Update on PFI debt refinancing and the PFI equity market (15 May 2007)
- 2007 - 63rd PAC Report: HM Treasury - tendering and benchmarking in PFI (27 November 2007)

Table B.B: PAC reports – Recommendations for other parts of the Treasury Group

- 2004 - 41st PAC Report: Improving departments capability to procure cost effectively (14 October 2004)
- 2006 - 55th PAC Report: Progress in improving Government Efficiency (20 July 2006)
- 2007 - 31st PAC Report: Central Government's use of consultants (19 June 2007)
- 2007 - 33rd PAC Report: Assessing the value for money of OGCbuying.solutions (26 June 2007)
- 2007 - 48th PAC Report: Progress update on the Efficiency Programme (11 October 2007)
- 2008 - 22nd PAC Report: Improving the efficiency of central Governments use of office property (22 May 2008)

B.3 Only two of these recommendations remain outstanding and a short summary of progress is shown below.

Table B.C: 41st PAC Report - Session 2003-04 **Improving Departments capability to procure cost effectively, (14 October 2004).**	
PAC Recommendation (1): Departments should appoint a commercial director with an appropriate professional qualification who has responsibility and oversight for all commercial dealings with the private sector. He or she should be a member of, or report to, the department's management board, as in the case in five departments, including the department of Work and Pensions. For smaller organisations this function should be assigned to a designated board member, as part of their responsibilities.	Departments are directly responsible for implementing this recommendation. OGC via the Government Procurement Service (GPS) Reform Programme and Procurement Capability Reviews is, where appropriate, influencing Departments to ensure Commercial Director posts and post-holders enjoy parity with other key delivery functions within the organisation and that the seniority of the post correlates with the size of Departmental third party spend. The Head of GPS has and will continue to participate in the recruitment and selection of senior Commercial Directors across central Government. He meets with Departmental Permanent Secretaries on a frequent basis and actively encourages Board level commercial appointments where appropriate.
Table B.D: 63rd PAC Report - Session 2006-07 **HM Treasury: tendering and benchmarking in PFI, (27 November 2007).**	
PAC Recommendation (3): The Treasury and Departments should assess the impact of the new procurement regulations by mid-2008, including whether they have reduced the incidence of late changes to deals.	As set out in the Treasury Minute response, the Treasury does not believe that there has been sufficient time for enough projects to have completed the Competitive Dialogue process for a useful assessment of the impact of the regulations to be made by mid-2008. The Treasury is therefore working with departments to make an assessment of the impact of Competitive Dialogue by mid-2009.

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