HM TREASURY

Chancellor of the Exchequer's Departments

The Government's Expenditure Plans 2001–02 to 2003–04 and Main Estimates 2001-02

Cm 5116

HM Treasury April 2001

This is part of a series of Departmental Reports and Main Estimates (Cm 5102 to 5123) which, accompanied by the document Public Expenditure: Statistical Analyses 2001-02 (Cm 5101), present the Government's expenditure plans for 2001-04. The plans were published in summary form in the Budget documentation.

The complete series is also available as a set at a discounted price.

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They will be considered in preparing the 2002 report

Further information can be found at
www.hm-treasury.gov.uk

Departmental Report
of the
Chancellor of the
Exchequer's Departments

The Government's Expenditure Plans
2001-02 to 2003-04
and Main Estimates 2001-02

for:

HM Treasury

Royal Mint

Government Actuary's Department

National Investment and Loans Office

National Savings

Office for National Statistics

Registry of Friendly Societies

Crown Estate Office

Financial Transactions with
European Community Institutions

Presented to Parliament by the Chancellor of the Exchequer and
Chief Secretary to the Treasury by Command of Her Majesty
April 2001

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Introduction

by the Chancellor of the Exchequer, The Rt Hon Gordon Brown MP

Over the past four years the Government has been building a platform of economic stability, the essential pre-condition to achieving high and stable levels of growth and rising prosperity. Through a prudent approach to policy making and taking tough decisions, the Government has been able to allocate more resources to the nation's priorities: families, children, pensioners, enterprise and public services.

Our five key long-term economic goals are to:

- **raise productivity** – that over the next decade, Britain will have a faster rise in productivity than its main competitors as it closes the productivity gap;
- **increase employment opportunity for all** – that by the end of the decade, there will be a higher percentage of people in employment than ever before;
- **provide educational opportunity for all** – that by the end of the decade, and for the first time, the majority of the UK's young people can expect to go on from school and college into higher education;
- **abolish child poverty** – that by the end of the decade, child poverty will be halved as the Government moves forward with its commitment to abolish child poverty within 20 years; and
- **deliver strong and dependable public services** – with sustainable increases in spending on the Government's priorities of health, education, transport and tackling crime.

Working towards these goals and delivering the achievements set out in this report requires commitment, determination and dedication – qualities found in all of these eight departments. On behalf of all Treasury Ministers, I would like to thank all the officials for their continued hard work.

Gordon Brown

GORDON BROWN

Rt Hon Andrew Smith MP Chief Secretary to the Treasury

- Public expenditure planning and control (including local authorities and nationalised industries finance).
- Value for money in the public services, including Public Service Agreements.
- Department Investment Strategies including Capital Modernisation Fund and Invest to Save budget.
- Public/Private Partnerships including Private Finance Initiative.
- Procurement policy.
- Public sector pay, including parliamentary pay, allowances and superannuation.
- Presentation of economic policy and economic briefing.
- Welfare reform.
- Devolution.
- Strategic oversight of banking, financial services and insurance.
- PSX (Public services and expenditure), QFL (Forward Legislation), GL (local government), HS (home and social affairs), and EA (economic affairs) committees.
- Resource Accounting and Budgeting.

Stephen Timms MP Financial Secretary

- Growth, with responsibility for the productivity agenda.
- Small firms and enterprise policy.
- Competition and deregulation policy.
- Science, research and development.
- Welfare to Work and Social Exclusion issues.
- Environment issues, (ENV committee) and taxation.
- North Sea Taxation.
- Share scheme taxation (ESOPs).
- Customs and Excise duties, not VAT.
- Road fuel duties, company car taxation and Vehicle Excise Duty.
- Export Credit Guarantee Department issues.
- Parliamentary financial business, PAC, NAO.

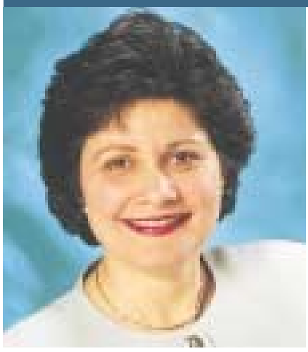
Chief Economic Adviser to the Treasury	Ed Balls
Special Advisers	Ian Austin, Ed Milliband, Paul Andrew
Council of Economic Advisers	Paul Gregg, Chris Wales, Shriti Vadera, Maeve Sherlock

Rt Hon Gordon Brown MP Chancellor of The Exchequer

Dawn Primarolo MP Paymaster General

- Responsible for the Inland Revenue (including Valuation Office Agency), HM Customs and Excise and HM Treasury.
- Overall responsibility for tax and the Finance Bill.
- Personal taxation, including NI contributions and tax credits.
- Business taxation, including corporation tax.
- Capital gains tax.
- Inheritance tax.
- VAT.
- European and international tax issues, including the Code of Conduct.
- HS(D) (Home and Social Affairs – Drugs misuse).
- Regulatory Reform Minister for the Chancellor's departments.
- Welfare Reform Group (welfare fraud).

Melanie Johnson MP Economic Secretary



- Banking, financial services and insurance and support to the Chief Secretary on the implementation of the Financial Services and Markets Act.
- Foreign exchange reserves and debt management policy.
- Support to the Chancellor on EU and International issues.
- EMU business preparations.
- Economic reform in Europe.
- Responsibility for National Savings, the Debt Management Office, National Investment and Loans Office, Office of National Statistics, Royal Mint and the Government Actuary's Department.
- Financial services tax issues (eg ISAs, stamp duty, pensions).
- Support to the Paymaster General on the Finance Bill.
- Treasury interest in general accountancy issues. Support to the Chief Secretary on Resource Accounting and Budgeting.
- Charities and charity taxation.
- Women's issues.

HM TREASURY

Rt Hon Gordon Brown MP Chancellor of The Exchequer

Chapter 1: HM Treasury

1.1
The Government's central economic objective is to achieve high and stable levels of growth and employment. The Treasury plays a key role in delivering this objective. The Treasury is working to:

- achieve greater economic stability. This is the essential foundation for achieving long term growth and high levels of employment. The Government has accordingly put in place a framework for conducting monetary and fiscal policy to deliver low inflation and sound public finances which together provide the best possible climate for investment and employment;
- improve the performance of the economy in the public and private sectors. The Treasury has set out a clear strategy to close the productivity gap between Britain and its main competitors, focussing on competition, enterprise and innovation, skills, investment and public sector efficiency;
- improve the effectiveness and efficiency of public spending and the quality of service it buys. Public spending accounts for almost 40 per cent of national income, so it is important to obtain value for money.

AIM AND OBJECTIVES

1.2
The Treasury's objectives are set out in Chart 1a below. These objectives are backed by specific targets published in a Public Service Agreement (see table 1a):

CHART 1a: The Treasury's aim and objectives

Aim

To raise the rate of sustainable growth, and achieve rising prosperity, through creating economic and employment opportunities for all.

Objectives

1 **maintaining a stable macroeconomic framework with low inflation**

2 **maintaining sound public finances in accordance with the Code for Fiscal Stability**

3 **improving the quality and cost effectiveness of public services**

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

5 **promoting a fair and efficient tax and benefit system with incentives to work, save and invest**

6 **maintaining an effective accounting and budgetary framework and promoting high standards of regularity, propriety and accountability**

7 **securing an efficient market in financial services and banking with fair and effective supervision**

8 **arranging for cost effective management of the government's debt and foreign currency reserves and the supply of notes and coins**

9 **promoting international financial stability and the UK's economic interests and ideas through international cooperation as a way of increasing global prosperity including seeking to protect the most vulnerable groups**

In pursuing these objectives the Treasury will maintain a professional, well motivated and outward looking organisation committed to open and accountable conduct of policy both here and abroad and manage its running costs efficiently, economically and effectively.

Responsibility for objectives

Directors	Lead responsibility for objectives
MACROECONOMIC POLICY AND INTERNATIONAL FINANCE	
Gus O'Donnell	Maintaining a stable macroeconomic framework with low inflation
	Arranging for cost effective management of the government's debt and foreign currency reserves and the supply of notes and coins
	Promoting international financial stability and the UK's economic interests and ideas through international cooperation as a way of increasing global prosperity including seeking to protect the most vulnerable groups
BUDGET AND PUBLIC FINANCE	
Sir Robert Culpin	Maintaining sound public finances in accordance with the Code for Fiscal Stability
	Promoting a fair and efficient tax and benefit system with incentives to work, save and invest
PUBLIC SERVICES	
	Improving the quality and cost effectiveness of public services
FINANCIAL MANAGEMENT REPORTING AND AUDIT	
Andrew Likierman	Maintaining an effective accounting and budgetary framework and promoting high standards of regularity, propriety and accountability
FINANCE REGULATION AND INDUSTRY	
John Gieve	Increasing the productivity of the economy and expanding economic and employment opportunities for all, through productive investment, competition, innovation, enterprise, better regulation and increased employability
	Securing an efficient market in financial services and banking with fair and effective supervision
CORPORATE SERVICES AND DEVELOPMENT	
Hilary Douglas	Maintaining a professional, well motivated and outward looking organisation committed to open and accountable conduct of policy both here and abroad
	Managing its running costs efficiently, economically and effectively

1.8
This report describes the Treasury's work for the period to March 2001. In setting out its spending plans for 1999-2002 in the 1998 Comprehensive Spending Review (CSR), the Government set new priorities for public spending with significant extra resources in key services such as education and health. The Government also committed to linking this extra investment to modernisation and reform to raise standards and improve the quality of public services. The White Paper, "Public Services for the Future: Modernisation, Reform, Accountability" (Cm 4181), December 1998 and its supplement published in March 1999 (Cm 4315) delivered this commitment by publishing for the first time measurable targets (PSAs) for the full range of the Government's objectives. A full and detailed report on all of these targets was published in the March 2000 Departmental Reports.

1.9
As the Government recognised at the time of the 1998 CSR, setting targets for central Government was a process that would need to be refined over time. In the 2000 Spending Review, which set new plans for public spending for 2001-2004, the Government has further developed PSAs in order to prioritise the most important goals and reforms it want to deliver. These targets are set out in the White Paper, "Spending Review 2000: Public Service Agreements 2001-2004, (Cm 4808), July 2000 and will be fully reported on in the Spring 2002 departmental reports. In addition to PSAs, departments have published Service Delivery Agreements (SDAs) which explain how they will deliver their PSA objectives.

1.10
The White Paper, "Modernising Government", published in March 1999 is a statement of the Government's vision for reform and modernisation of the delivery of public services. These principles provide a means of achieving the results of the PSA targets.

Departmental objectives and CSR PSA targets - Achievements for 1999-2002

Key achievements include:

- Inflation at 2.1%
- 274,230 young people off benefit and into work
- Current budget surplus

The table below reports on the department's performance in meeting its CSR PSA targets. More detailed commentary on achievements against each objective in 2000-01 is set out in Chapter 3.

Table 1a: Performance in meeting PSA targets

Target No	PSA target	Progress	Position
1	Maintain effective arrangements for keeping inflation at the target level set for the Monetary Policy Committee of the Bank of England of 2.5%.	2.1% average over calendar year 2000.	Met to date, ongoing
2	Reduce the differential between yields on German and British long term government debt.	The differential has narrowed to 0.0 percentage points in calendar year 2000.	Met to date, ongoing
3	Reduce the variability of output and employment compared with previous cycles.	Output gap: Peak = 0.9%, trough = -0.2%, since 1997 (Budget 2001).	Met to date, ongoing

4	Ensure current receipts at least match current spending on average over the cycle.	Surpluses: £23.1bn for 2000-01, projected outturn £17bn for 2001-02 (Budget 2001). Cyclically adjusted surpluses as a percentage of GDP: 2.1% for 2000-01 and 1.4% for 2001-02 (Budget 2001).	Met to date, ongoing
5	Ensure net public sector debt as a percentage of GDP falls towards 40% or below over the cycle.	31.8% for 2000-01, 30.3% for 2001-02 (Budget 2001).	Met to date, ongoing
6	Ensure the Control Total for 1997-98 and 1998-99 and the Departmental Expenditure Limits over the three years of the CSR period are adhered to.	Control total for 97-98 = plan £263.2bn outturn £262.8bn, 98-99 = plan £275.2bn outturn £271.9bn. DEL 99-00 = plan £179.2bn outturn £178.9bn (est), 00-01 =£193.9bn (proj), 01-02 = £202.6bn (proj).	On course
7	Ensure that all departments are set testing output and efficiency targets by the end of 1998 and work with them to ensure that they meet their targets by their deadlines.	All depts have been set testing output and efficiency targets.	Met, ongoing
8	Improve the productivity of the public services year by year.	On course to meet targeted efficiency improvements covering well over half of the public spending (excluding transfers).	On course
9	Use the Departmental Investment Strategies to be produced by spring 1999 and the Capital Modernisation Fund to double net public investment and improve the public capital stock by 2002.	When target was set net investment for 1999-2000 was estimated at 0.6%. ONS subsequently increased their estimate of depreciation, with the result that the 1999-2000 net investment figure was reassessed at 0.4%. Net investment is still on course to double over period. Estimated outturn for 99-00 = 0.4%, proj for 2000-01= 0.7%, proj for 2001-02 = 1.1%.	On course
10	Gain acceptance for the standard framework for public private partnership contracts by the end of 1999.	Published 14 July 1999.	Met
11	Improve value for money in public procurement year on year.	Use of the Government procurement card reached a value of £26.8m in 1999-2000 - £11m over target.	Met ongoing
12	Put in place policies to raise the rate of growth of potential output above the current estimate of $2^1/_4$%.	Neutral trend growth forecast: $2^1/_2$%.	Met to date, ongoing
13	Put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle.	Have put in place strategy addressing drivers of productivity growth. Too early to assess effects on productivity growth.	On course
14	Secure an increase in the number of successful high growth business start-ups.	A difficulty in measurement as there is a 4 year time lag. Provisional data shows an increase in 1997 start ups. 2000 data: 11,100 start ups in 1996 2001 data: 11,200 start ups in 1997 (provisional)	Date not yet available

15	Put in place policies to reduce structural unemployment over the cycle.	ILO unemployment at 5.4% compared to 6.3% at a similar point in previous cycle (1998 Q2).	On course
16	Put in place policies to allocate all proceeds of the windfall tax so that, by 2002, 250,000 under 25 year olds move off benefit and into work.	274,230 by December 2000.	Met (and exceeded)
17	Maintain a minimum income guarantee for pensioners and severely disabled people.	Pensioner MIG levels are above that of the pledge; MIG for severely disabled people not in force until April 2001. Severely disabled target will be achieved during present PSA.	Met, ongoing
18	Reduce the number of households facing marginal deduction rates over 70% by 2001-02.	Baseline estimate for 1997-98 was 740,000 - current projection for 2001-02 is 255,000, a reduction of around 2/3 rds. Final estimates for 2001-02 available by Autumn 2002.	On course
19	Provide an income guarantee of at least £190 a week for working families by October 1999.	Value of the income guarantee is £200.08 a week.	Met
20	Continue to develop the tax system so that it underpins the strategy on sustainable development and delivers environmental objectives.	Progress reported in the November 1999 Pre-Budget Report.	Met, ongoing
21	Introduce departmental resource accounts in 1999-2000.	All departments produced resource accounts for 1999-00. The first accounts to be made public.	Met
22	Get Parliamentary approval to place Estimates and Appropriation accounts on same basis.	All departments have attained Trigger point 4. PAC have approved discontinuation of cash based Estimates and Accounts from 2001-02.	Met
23	Move to a resource based budgeting system in 2000.	2000 Spending Review outcome published on a resource basis.	Met
24	Publish whole of government accounts, subject to the results of the current study, for 2001-02.	Scoping study completed. Map of ESA classification categories to WGA accounts completed. First draft proforma ESA-based WGA completed.	On course
25	Complete the new regime for financial regulation under a single regulator by 2000.	Financial Services and Markets Act 2000 has been passed. Implementation scheduled for 2001.	Met
26	Minimise the costs of holding the Government's foreign currency reserves, while reducing risk.	Return at end of Q2 2000-01 is £307m compared with negative returns of £395m and £315m in 98-99 and 99-00 respectively. Aiming for net return of no less than zero.	Due to both the depreciation of sterling against the dollar and decline in the gold price, ongoing
27	Minimise the cost and risk of financing the Government's borrowing.	Mean annual cost of government debt was 6.41% in 99-00 and 6.8% for 2000-01(based on data for first 8 months of financial year and then interpolated to find a figure for first 3/4 of the year, against 7.25% in 96-97.	Met, ongoing

28	Make the International Financial Institutions more effective, transparent and accountable.	An independent evaluation office, which will look at all aspects of the IMF's work, will be established in spring 2001. Number of actions to increase Fund transparency and effectiveness. And drawing on Chancellor's proposal the Financial Stability Forum has been established to induce greater discipline among creditors and investors.	On course
29	Improve the quality of surveillance of international economies.	There is a growing body of IMF Reports on the Observance of Codes and Standards. There is also increasing transparency in the Article IV process.	On course
30	Maintain discipline on the EU budget, tackle waste and fraud, and maintain the UK abatement.	The March 1999 Berlin summit agreed to the continuation of the UK abatement, and set a tight financial perspective for the period to 2006. The 2001 EC Budget has been agreed within that framework. The new anti-fraud office is established, and gathering momentum.	On course
31	Pave the way for successful and affordable enlargement of the EU.	Nice has paved the way to enlargement without prejudicing EC budget discipline.	On course
32	Ensure that the UK is ready for the introduction of the euro from 1999 and make proper preparations so as to create a genuine option of joining the single currency should Government, Parliament and the people so decide.	Level of preparations for the euro among small and medium sized enterprises, as measured by the Treasury's regular survey, was 17%, up from 13% in April 1999.	Met, April 2000
33	Raise the number of highly indebted poor countries receiving debt relief, as set out in the Mauritius Mandate	22 countries reached Decision Point by the end of 2000. Out of potentially eligible group of 41, 25 are currently eligible (2 not opted for relief, 4 no longer heavily indebted and 10 affected by conflict). But payments from all countries not yet at Decision Point held in trust for when Decision Point is reached.	Met and exceeded

Spending Review 2000 PSA targets

The table below sets out the Treasury's SR2000 PSA targets for 2001 to 2004 and summarises what actions we will be taking to deliver them. Further detail on plans for 2001-02 to 2003-04 is given in Chapter 3.

Table 1b

PSA target	How will we deliver?
1. By 2004, to raise the trend rate of growth from the current estimate of 2.5%.	by setting a stable and prudent macroeconomic framework which fosters economic stability and reduces the variability of output and inflation; and by increasing productivity
2. RPIX inflation to be kept at 2.5% per cent as specified in the Bank of England's remit. policymaking.	by setting clear, long term policy objectives. following predictable, well-understood procedural rules for fiscal and monetary
3. Over the economic cycle to maintain:	by planning and controlling public expenditure within firm overall spending limits
(a) public sector net debt below 40 per cent of GDP	planning spending and taxation so that they impact fairly both within and across generations.
(b) the current budget in balance or surplus.	smoothing the path of the economy in the face of variations in demand through automatic stabilisers and changes in the fiscal position, where prudent and sensible.
4. Achieve an improvement in value for money in public services year by year.	modernising the public services through performance and efficiency targets that focus on key objectives and on outcomes. promoting strategic planning of new capital investment and better use of assets through Departmental Investment Strategies and the National Asset Register.
5. Improve UK competitiveness by narrowing the productivity gap with US, France, Germany and Japan over the economic cycle. Joint target with DTI.	by maintaining macroeconomic stability through the new monetary, fiscal and public spending frameworks. by targeting the five key drivers of productivity performance: competition, enterprise and innovation, skills, investment and public sector productivity.
6. Increase employment over the economic cycle. Target contributes to Welfare to Work PSA.	by establishing appropriate incentives to work by establishing a new Agency for people of working age, with stretching output, service delivery and value for money targets in Summer 2001. These targets will be updated on an annual basis.
7. Make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004. Joint target with DSS.	by ensuring a decent family income through tax and benefit reforms working with DSS to extend the availability of minimum income guarantees for working people by March 2004.
8. Increase the number of countries participating in the global economy on the basis of a system of internationally agreed and monitored codes and standards.	by measures to ensure, through IMF and other relevant bodies, transparent surveillance of countries adherence to internationally-agreed codes and standards by measures to promote open trade and capital flows by tackling financial crime, corruption and regulatory abuses by measures to implement reforms to the international financial architecture, to enhance global crisis prevention and resolution maintaining discipline and tackling fraud on the EU Budget. promoting policies which increase the economic gains , and limit the budgetary consequences of EU enlargement.
9. Relief of unsustainable debt by 2004 for all heavily-indebted poor countries (HIPC) committed to poverty reduction, building on the internationally agreed target that three quarters of eligible HIPCs reach decision point by end-2000. Joint target with DFID.	by securing faster, wider and deeper debt relief for the poorest countries, through the effective implementation of the Heavily Indebted Poor Country Initiative by working internationally to promote growth, development and poverty reduction in developing countries, in line with the International Development Targets
Value for Money	
10. By 2002-03, deliver £1 billion of savings in Government procurement through the Office of Government Commerce.	The £1 billion committed to this target is defined as value for money gains. In meeting this target OGC will be implementing a wide range of initiatives to ensure value for money improvements in the Government's commercial activities which will deliver real savings to departments.

Treasury senior management structure

MACROECONOMIC POLICY AND INTERNATIONAL FINANCE – MPIF

Managing Director		Gus O'Donnell (**)
Director		Simon Brooks
Director		Ivan Rogers (**)
Director		Jon Cunliffe (**)
Director		Jonathan Taylor
Economic Assessment	EA	Chris Kelly
Fiscal and Macroeconomic Policy	FMP	Andrew Kilpatrick
Economic and Monetary Union	EMU	David Ramsden
European Preparations Unit	EPU	Mike Glycopantis
Debt and Reserves Management Unit	DRM	Paul Mills
Economist Group Management Unit	EGMU	Jonathan de Berker
EU Finances	EUF	Geoff Lloyd
EU Coordination and Strategy	EUCS	Rebecca Lawrence
Debt, Development and Export Finance	DDX	Mike Richardson
Global Policy and Institutions	GPI	Andrew Lewis
Country Economic and Policy	CEP	David Lawton
European Economic Reform	EER	Katy Peters
UK Director at the IMF and World Bank and Economic Minister at the British Embassy		Stephen Pickford

PERMANENT SECRETARY – PERM – SIR ANDREW TURNBULL (**)

Ministerial Support	MIN	Tom Scholar
Communications and Strategy	COM	Michael Ellam
Strategy (Strategy, Finance and Purchasing)	SFP	Rob Brightwell

PUBLIC SERVICES – PSD

Managing Director		Vacant
Director	(PS)	Margaret Aldred
Director	(PS)	Gill Noble
Director	(PS)	Lucy De Groot
Director	(PS)	Adam Sharples (*)
Director	(PS - Economics)	Joe Grice (**)
General Expenditure Policy	GEP	Adam Sharples (3)
General Expenditure Statistics	GES	Allen Ritchie
Public Sector Pay and Efficiency	PSPE	Paul Williams
Defence, Diplomacy and Intelligence	DDI	William Nye
Agriculture, Environment and Rural Policy	AERP	Richard Brown
Health	H	Alastair Bridges
Devolved Countries & Regions	DCR	Ros Dunn
Culture & Central Departments	CCD	Helen John
Welfare to Work	WW	Anita Charlesworth
Education & Training	ET	Nicholas Holgate
Home & Legal	HL	Helen Tuffs
Local Government	LG	Peter Kane
Housing, Urban & Transport	HUT	Martin Wheatley
Central Operational Research & Economics	CORE	Donald Franklin
Productivity Services Panel Support Unit	PSPSU	Peter Brook

(*) indicates combined Director and head of standing team
(**) indicates head of cross-directorate standing team
(1) Ian Taylor reports direct to Sir Andrew Turnbull on Royal Finance matters
(2) Heads of Enterprise and Growth Unit, comprising PROD, PEP, ENT and CRE teams
(3) Supported by Tamara Finkelstein
(4) Supported by Glenn Hull

FINANCIAL MANAGEMENT REPORTING & AUDIT – FMRA

Managing Director:	Andrew Likierman (**)	
Director		Brian Glicksman
Treasury Office of Accounts	TOA	Brian Glicksman (*) (4)
Central Accountancy	CA	David Loweth
Whole of Government Accounts	WGA	Ian Carruthers
Development of Accountancy Resources	DART	Kevin Ross
Audit Policy & Advice	APA	Chris Butler
Treasury Internal Audit	TIA	Anne Marie Jones

FINANCIAL REGULATION & INDUSTRY – FRI

Managing Director:		John Gieve
Director		Robin Fellgett
Director		Harry Bush (*) (2)
European Financial Services	EFS	Sarah Mullen
Home Financial Services	HFS	Paula Diggle
Financial Stability & Markets	FSM	Dilwyn Griffiths
International Financial Services	IFS	Joseph Halligan
Productivity	PROD	John Kingman
Public Enterprise Partnerships	PEP	Peter Schofield
Enterprise issues	ENT	Philip Rutnam
Financial Services Reform	FSR	Richard Bent
Competition, Regulation & Energy markets	CRE	Sam Beckett

STANDING CROSS DIRECTORATE TEAM

Treasury Management Board	TMB	Sir Andrew Turnbull
Directors Group	DG	Gill Noble
EU Budgetary Issues	EUBI	Ivan Rogers
EU Monetary Developments	EUMD	Jon Cunliffe
Investment in People Project Team	IiP	Gus O'Donnell
Steering Committee on Resource Accounts & Budgeting	SCARAB	Andrew Likierman
Treasury Economic Forecast	TEF	Joe Grice
Tax Issues	TI	Colin Mowl

BUDGET AND PUBLIC FINANCE – BPF

Managing Director:		Sir Robert Culpin
Director		Nicholas Macpherson
Director		Colin Mowl (**)
Exchequer Funds and Accounts	EFA	Ian Taylor (1)
EU & International Taxation	EUIT	Peter Curwen
Social Security	SS	Mike Williams
Public Sector Finances	PSF	Graham Parker
Budget Coordination	BUD	Ian Walker
Tax policy	TP	Alex Gibbs
Tax Administration	TA	Michael Swan
Work Incentive, Poverty & Distributional Analysis	WIPA	Melanie Dawes
Public Service Pension	PSP	David Deaton
Environmental Tax	ETT	Clive Maxwell

CORPORATE SERVICES & DEVELOPMENT – CSD

Managing Director:		Hilary Douglas
Personnel Management	PM	Chris Pearson
Information Systems	IS	John Dodds
Accommodation & Security	AS	Paul Pegler
Strategy, Finance & Purchasing	SFP	Rob Brightwell

Chapter 2: Resources and organisation

Organisational changes

The department's organisational structure and the directorates with lead responsibility for each of the Treasury's objectives are set out in Chapter 1.

From 1 April 2000 the Office of Government Commerce was created as an Office of the Treasury, incorporating the Treasury's procurement policy group and three Executive Agencies of the Cabinet Office. More details are given in Chapter 5. Partnerships UK was formed as the successor to the Treasury Taskforce. It will provide a permanent and sustainable centre of expertise seeking to expand the Government's Public-Private Partnership (PPP) programme. Partnerships UK is expected to be at the forefront of the development and implementation of better, faster and more effective PPP transactions, helping to deliver value for money public services and efficient utilisation of public sector assets. A majority shareholding in Partnerships UK will be sold to the private sector shortly.

The Statistics Commission came into existence in June 2000 under new arrangements for National Statistics designed to deliver better and more reliable official statistics that command public confidence. It is an advisory Non-Departmental Public Body which is independent of both Ministers and the producers of National Statistics. Its role is to advise on the quality, quality assurance and priority-setting for National Statistics, and on the procedures designed to deliver statistical integrity. This includes advising Ministers of areas of widespread concern about the quality of official statistics, so that Ministers can take these considerations into account in determining priorities and making decisions about National Statistics.

2.1
For more about the Statistics Commission, visit its website at **www.statscom.org.uk** or await its first annual report, due for publication in the summer of 2001.

Modernising Government and Civil Service reform

Chapter 3 gives more information on the Treasury's delivery of its nine policy objectves set in the CSR. The CSR also committed the Treasury to "maintaining a professional, well-motivated and outward-looking organisation committed to open and accountable conduct of policy both here and abroad; and managing its running costs efficiently, economically and effectively," with fifteen associated targets:

CSR PSA targets for 1999-2002:

- **achieve Investors in People accreditation by 2000**
- **achieve a declining trend in excessive hours worked over the years 1999,2000 and 2001**
- **meet targets for correspondence and Parliamentary response times**
- **complete an information strategy review by Spring 1999 which will examine internal business processes and recommend best working practices, and adopt recommendations on better inter-departmental coordination**
- **move to electronic publishing of material hitherto published on paper**
- **reduce the number of unfilled vacancies by 10% by October 2000, and achieve a reduction of two weeks in the length of unfilled vacancies by December 2000 against 1999 benchmarks**
- **increase the proportion of business undertaken electronically, in accordance with government targets, to more than 25% of external communications by 2002, and set a target by 31 March 1999**

Departmental Operations

- **Deliver 2.5% annual efficiency gains and secure at least 2.5% savings of running costs in real terms each financial year from 1997-98**

Better Quality Services

- **Rolling Programme to be devised.**

Procurement

- **Review the application of procurement techniques to all expenditure.**
- **Transact 90% of procurement of standard goods by volume to be purchased electronically by 2000.**
- **Make all payments to suppliers by electronic transfer by December 2000.**
- **Collaborate in joint procurement projects when they offer better value.**
- **Pay all valid invoices within contractual conditions, or 30 days of receipt of the invoice, or delivery of the goods or service, whichever is the later.**

Fraud

- **A fraud policy statement will be issued for the department by 31 March 1999.**

These targets have been renewed for 2001-2004.

Service Delivery Agreement for 2001-04

- **Retain Investors in People accreditation which was achieved in December 1999:**
- **to create an inclusive culture in which diversity is valued and different views are actively sought and listened to. Contribute to civil service diversity by ensuring that by 2004-05:**
  - **34% of Treasury SCS members are women;**
  - **25% of the total of our Directors are women;**
  - **3.2% of Treasury SCS members are from ethnic minority backgrounds;**
  - **3% of Treasury SCS are people with disabilities;**
- **bring in talent by using open competitions wherever possible, and by increasing inward secondments and loans;**
- **bring on talent by providing good quality training and development opportunities, including outward secondments and loans;**
- **enhance leadership skills, ensuring that all members of the SCS and 25% of non-SCS managers have completed 360 degree feedback by the end of 2001;**
- **continue to improve the Treasury's business planning system by subjecting it to independent peer review during 2001;**
- **reduce sickness absence by 0.5 day by April 2001 and 0.8 day by April 2003, measured from a 1998 baseline of 5.3 average working days absence per staff year;**
- **provide all Treasury services on line to business and the public by 2005.**

The Department's programme for delivering these objectives, **'Change in the Treasury'** has eight management themes:

'Change in the Treasury' management themes:

- **securing the necessary resources and using them efficiently**
- **managing people and business effectively**
- **developing our skills to meet our changing needs**
- **achieving a dramatic improvement in the diversity of people who work here**
- **building a Treasury where everyone is treated with decency and respect**
- **using information effectively**
- **preparing the new office for the Treasury and preparing the Treasury for its new office**
- **better two-way communication with staff and with the outside world**

Civil Service reform is central to many of these themes, as the box explains.

Civil Service reform delivery:

- **Stronger leadership with a clear sense of purpose**
  The Department launched its vision – Excellence in delivering economic change and better public services – and updated its values. 360 degree feedback is encouraged at all levels as a development tool.

- **Better business planning from top to bottom**
  The Department has improved its business planning and resource allocation and management systems. An independent review of business planning processes will report in April.

- **Sharper performance management**
  The Department introduced a new pay deal and appraisal arrangements for staff in grades below the Senior Civil Service. The management training programme was reviewed to ensure it met needs at all levels.

- **A dramatic improvement in diversity**
  The Treasury has started to implement an action plan to ensure that the Treasury's staff reflects the diversity of the UK's population.

- **A Service more open to people and ideas, which brings on talent**
  The Treasury encourages all its staff to develop their potential to the full and will apply for re-accreditation as an Investor in People organisation in June 2001. It will build on its existing record of interchange with other organisations and will use open appointments wherever appropriate to bring in new thinking and people who have skills that are currently in short supply.

- **A better deal for staff**
  The Treasury implemented its "Career Deal" which set out the opportunities which it offers to all groups of staff, and which makes some new opportunities available. It will continue to facilitate flexible working arrangements so that staff can strike a better balance between work and private life.

The following sections describe action against each of the management themes.

Securing the necessary resources and using them efficiently

Expenditure

2.1.1
Table 2a sets out the Treasury's Departmental Expenditure Limit (DEL), which shows a £37 million reduction between 2000-01 and 2001-02. This relates principally to the reduced expenditure of the Office of Government Commerce on its residual estate (see chapter 5). Furthermore the 2000-01 figure was increased by the Treasury's £23 million one-off investment in Partnerships UK.

Table 2a: The Treasury's departmental expenditure limit DEL, (£ million)

£ million	**2000-01**	**2001-02**
Core Treasury administration costs	66.857	70.355
Euro information campaign	7.500	7.500
Net costs of insurance regulation	0.600	0.000
Coinage	32.000	32.000
Payments to Bank of England	12.801	13.600
Payments to Partnerships UK	21.350	4.000
Other current expenditure net of current receipts and Unallocated	4.389	0.824
Total Treasury	**145.497**	**128.279**
Statistics Commission	0.900	1.350
Office of Government Commerce	74.371	58.378
O/w admin costs	23.880	22.656
Pensions of MEPs	5.750	5.736
Civil List	7.900	7.900
Royal annuities, net	1.002	1.002
Royal Household pensions	3.000	0.000
Honours and dignities, net	0.893	1.046
Parliamentary bodies	3.655	2.190
DEL resources	**242.968**	**205.881**
Of which Administration costs	90.737	93.011

2.2
The Treasury has adopted the European Foundation for Quality Management's Excellence Model as its key quality programme. The Public Services Directorates applied the Model during 1999-2000. The resulting action plan included new approaches to the setting of objectives and the review of performance; more active resource management; encouragement of best practice in a number of areas; and a renewed focus on staff induction, training and development in the Directorate. The Model is now being applied in several other parts of the Treasury under the Better Quality Services (BQS) initiative. All areas of the Treasury will have been reviewed under BQS by 2004.

2.3
The Treasury complies with BS7890, the British Standard for Achieving Good Payment Performance in Commercial Transactions. Its target is to pay all bills in accordance with agreed contractual conditions, or where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. The Treasury is making increasing use of the Government Procurement Card: 22% increase in transactions in 2000-01 from 1999-2000; around 95% of transactions were made using the Card in 2000-01, compared with 94% in 1999-2000. All such transactions are paid within four days, and with significantly reduced transaction costs. In 2000-01 the Treasury expects to have paid 98% of conventionally handled invoices within the target period, compared with 97% the previous year.

2.4
The Treasury procurement unit have recorded savings of £340,079 this year through applying good procurement practice.

2.5
The Treasury makes payment by electronic transfer to all suppliers who are capable of receiving them in this way.

2.6
A fraud policy statement was issued on 31 March 1999.

2.7
The Treasuy's investment strategy is summarised in table 2b.

Recruitment

2.8
The department's recruitment procedures and the Civil Service Recruitment Code are based on the principles of full open competition and selection on merit. These procedures were audited internally and externally in 2000-01. Opportunities are advertised widely to encourage those with a range of backgrounds to apply. In the year 2000, we have recruited in the following categories:

Pay range	Permanent recruitment	Fixed term recruitment	Permanent transfers/ reinstatement	Secondments	Casual and exceptions	Total
A	1	3	1	0	13	18
B	11	0	0	0	6	17
C	3	0	0	1	17	21
D	43	0	0	1	16	60
E	2	6	0	12	6	26
SCS	0	1	1	1	0	3
TOTAL	60	10	2	15	58	145

2.9
In 2000-01, the Treasury:

- advertised an open competition to recruit people into 2 key Senior Civil Service posts.
- recruited both policy analysts and economists directly at Range E. To supplement recruitment from the Civil Service Selection Board, ran a direct graduate recruitment programme at range D. These successful schemes were additional to internal promotion to meet the department's staffing needs at these levels, and will contribute to the target reductions in the number of vacancies and long hours working.

Interchange

2.10
The interchange programme forms an integral component of the Modernising Government agenda, to bring on talent within the Civil Service. It helps to increase the mix of people from different backgrounds with different experiences to inform our work. The Treasury has a long tradition of openness through bringing in people on loan or secondment from other Government departments, the private sector and European institutions. It also operates loans and secondments in the opposite direction. These measures help to encourage the cross-fertilisation of ideas and approaches, as well as providing development opportunities for those with particular skills, experience and specialisms.

2.11
The total number of staff on loan and secondment, inward and outward, during 1999-2000 was 320. Of the staff on loan or secondment out as at 1 December 2000:

- 84% are in other Government Departments;
- 12% are overseas; and
- 4% with the private sector.

2.12
Incoming staff are drawn from other Government Departments, local authorities, the private sector, the European Commission and foreign governments, major UK companies including Brunswick, Slaughter & May and Manpower and a number of management consultancies such as Price Waterhouse Cooper and Deloitte and Touche. The Treasury will continue to actively support inward and outward secondments with European institutions and the private sector. It is committed to ensuring that staff at all levels benefit from gaining experience outside the Treasury.

Managing people and business effectively

2.13
The Treasury's approach to managing people and business is underpinned by recognising and improving the contribution which investment in staff can make towards meeting its objectives and targets - the principles of Investors in People (IiP). Following the achievement of IiP accreditation in December 1999, the Treasury has concentrated on the issues that the IiP assessor considered needed further improvement, particularly management development.

Motivation and Reward

2.14
Reward is a key part of effective management and pay is clearly a motivator. The system for determining pay for staff below the Senior Civil Service was reviewed in 2000 in consultation with the Unions. Although increases, worth 4.6% in the 2000-01 financial year, continue to be largely related to performance, the Department has introduced an element of progression in order to move people up each pay range more quickly than in the past, and to weaken the link between seniority and pay. There are also additional non-consolidated payments, worth a further 0.5%, to reward the best performers for their high level of contribution.

2.15
Pay for the most senior staff continues to be set within a framework which applies Civil Service wide. However, the Treasury has implemented arrangements within this which follow closely the approach adopted for other staff by using broad pay ranges which allow scope to reward people according to their contribution and pay progression arrangements linking pay strongly to performance.

The table below shows the pay of Treasury staff in the Senior Civil Service as at 1 April 2000:

Salary band	Number of staff	Salary band	Number of staff
Below £40,000	0	£70,000-£74,999	3
£40,000-£44,999	11	£75,000-£79,999	6
£45,000-£49,999	22	£80,000-£84,999	0
£50,000-£54,999	9	£85,000-£89,999	1
£55,000-£59,999	10	£90,000-£94,999	1
£60,000-£64,999	11	£95,000-£99,999	0
£65,000-£69,999	6	£100,000 and over	6

The work the department has been carrying out in reviewing its pay and appraisal systems will continue into 2001 and will take account of proposals, stemming from the "Modernising Government" White Paper, which are being considered civil service wide.

Business planning and monitoring

2.16
The Treasury has revised its business planning process to

- provide a clearer strategic focus, including on the deployment of resources;
- give further clarity to the link between outcomes and inputs;
- strengthen accountability and arrangements for review; and
- link more closely to the planning of staff numbers and development.

The process will be the subject of a peer review in the spring of 2001.

2.17
The Treasury has an Audit Committee that gives support and advice to the Department's Accounting Officers. The Audit Committee meets at least twice a year and focuses primarily on the way risks and resources are managed to achieve the Department's objectives.

2.18
The Treasury Management Board (TMB) is chaired by the Permanent Secretary and consists of the six Treasury Managing Directors, the Chief Executive of the Office for Government Commerce and a non-executive member, Margaret Exley. TMB's main focus is on issues to do with the day to day management of the Treasury. Margaret Exley provides input to TMB on managerial questions drawing on her experience as a managing partner in a professional services firm, an expert in change management and employee communications in the public and private sectors and as someone who has founded and grown their own business.

Developing our skills to meet our changing needs

Staff Development

2.19
Following its initial accreditation as an Investor in People in December 1999, the Treasury has continued to develop best practice in training and development, and will seek reaccreditation for this award in June 2001.

2.20
The aim of the Treasury Development Programme (TDP) is to raise the level of professionalism within the Treasury by ensuring that those working in the core policy areas have a comprehensive and current knowledge and understanding of economic and financial issues affecting the UK, Europe and the rest of the world. The Programme also provides management training for people at all levels. Most training is delivered by external suppliers. The TDP is kept under constant review to ensure that it continues to meet the Department's needs.

2.21
In the financial year 2000-01, the Department spent around £1.5 million on training. As well as work-based training, the department also has a policy of encouraging and sponsoring further education in subjects that are relevant to the work of the Treasury. Funding is also given for professional qualifications in IT, personnel, accountancy, finance, audit and procurement. During 2000, the training needs of people in junior ranges have been reviewed and, as a result, a programme of National Vocational Qualifications (NVQs) was introduced in October.

2.22
The Department let a new 360 degree feedback programme in December 2000. All members of the Senior Civil Service will participate in the 360 feedback programme in 2001.

Building a Treasury where everyone is treated with decency and respect

2.23
During 2000, a cross-departmental group reviewed the Treasury values – a set of standards by which we should all operate and that summarise the sort of organisation we want to be. The group concluded that the underlying principles were still valid but that the language should be updated, and that 'thinking strategically' should be added to reflect the Treasury's continuing shift from detailed monitoring to setting the strategic agenda. The Treasury's values are:

Focussing on	Results
Valuing	Everyone
	Showing integrity
Developing	Professionalism
Managing	Effectively
	Communicating well
	Thinking Strategically

2.24
The Treasury commissioned Robertson Cooper Limited to undertake a stress audit. The consultants reported their findings to the Treasury Management Board in May 2000. In taking forward the consultants' recommendations, the Department produced a stress action plan and set up a stress steering group to manage the process. A follow up stress audit will be carried out in 2001/02.

Achieving a dramatic improvement in the diversity of people who work here

2.25
To maximise its effectiveness the Treasury needs to employ people with a wide range of experience and background. Its staffing is at present not truly representative of the diversity of the UK population. The Treasury is committed to achieving greater diversity. Actions in hand to remedy this are described below. Also below is a description of the steps being taken to increase interchange of staff between the Treasury and other employers.

2.26
The Treasury already has policies in place to guard against discrimination on the grounds of gender, marital status, race, colour, nationality, ethnic origin, disability, religion, sexual orientation, age or background. It aims to ensure that there are no unfair or unlawful discriminatory barriers to employment or advancement within the department.

2.27
Data on recruitment, promotion and staff appraisal are collected and analysed in order to monitor the effectiveness of diversity policies. The Treasury has also conducted an independent equality audit of recruitment, posting, appraisal and promotion systems to identify whether they provide equality of opportunity regardless of gender, disability or ethnic origin, to identify any barriers to equality in the systems and recommend solutions. To take forward the recommendations from the audit the Treasury has produced a Diversity Action Plan, which requires changes to the department's culture as well as the operation of its personnel systems. Progress against the Plan will be monitored by a group of managers from across the Treasury, chaired by a member of the Management Board.

We have set targets to improve the representation of women, people from ethnic minority backgrounds and those with disabilities:

- to create an inclusive culture in which diversity is valued and different views are actively sought and listened to. Contribute to Civil Service diversity by ensuring that by 2004-05:
  - 34% of Treasury SCS members are women
  - 25% of the total of our Directors are women
  - 3.2% of Treasury SCS members are from ethnic minority backgrounds
  - 3% of Treasury SCS are people with disabilities
- bring in talent by using open competitions wherever possible, and by increasing inward secondments and loans.

2.28
The Treasury will continue to monitor progress of under-represented groups throughout the organisation. We actively promote the Treasury as a Department that values diversity and actively participates in various initiatives and outreach programmes. We make it clear when advertising, through open competition and recruiting externally that applications from under-represented groups would be very welcome. There has been an increase in the proportion of middle managers who are women and a considerable improvement in ethnic minority representation at this level. Also the proportion of women at the most senior levels has improved. There is still room for improvement across the Department as a whole where the proportion of women was slightly down on last year from 40% to 38% and the SCS remaining constant at 19%. Ethnic minority representation across the Department has increased to 13% from 11% last year. The Treasury has adopted a departmental action plan on disability designed to eliminate any barriers which might exist to the employment and progression of disabled people within the department.

Preparing the new office for the Treasury and preparing the Treasury for its new office

2.29
In July 1999, Ministers announced their approval of plans to refurbish the department's main building in Parliament Street to deliver modern, efficient office accommodation.

2.30
The new accommodation is to be provided under the terms of an innovative PFI deal with Exchequer Partnership plc (EP). The contract was signed with EP in May 2000. The project is the first to follow the Treasury Task Force Standard Contract Guidance, and the first where the service provider, in partnership with the department, put the debt financing out to competition after finalisation of the Project Agreement.

2.31
Under the terms of the contract, EP will provide refurbished, serviced accommodation in return for an annual payment. Payment will be on delivery and will reflect EP's ability to ensure that the accommodation remains available and that the services are provided to standard. EP must ensure that the building complies with best practice with respect to environmental standards, and that it complies fully with the Government's "green policies", particularly energy targets.

2.32
Work started on site in July 2000 and will take two years to complete. Because of this, long term investment in energy saving measures for the existing accommodation is inappropriate. Instead, the department has targeted simple, inexpensive, improvements with short payback periods. We have

- reduced CO_2 emissions by 12% based on /m^2 occupied since1990-91;
- reduced the use of fossil fuels by more than 13% since 1990-91;
- undertaken a water survey in the Parliament Street building;
- joined the Treasury sponsored Watermark Project which is run by the Buying Agency. Our water consumption is being included in the Watermark database, which will establish reliable benchmarks across the public sector; and
- entered into a shared saving scheme with water consultants, with the expectation of achieving a 50% reduction in our water consumption.

Using information effectively

In Spring 1999, the Treasury produced a new information strategy, providing a framework for the future development of its information technology systems. The strategy, which supports the Modernising Government White Paper objectives, was based on an assessment of the Department's business needs and reflected a wide consultation across the Treasury. The strategy was revised in 2000 in preparing the Treasury's initial e-business strategy. It will be reviewed again in 2001.

2.33
Information technology plays a crucial role in allowing the Treasury to do business flexibly and efficiently. The Treasury's office system (OASIS) has been refreshed during 2000. This has provided staff with the most modern tools and has brought the Treasury's technology into line with that used by many other departments. This will facilitate both joined up government and closer relations with the outside world.

2.34
For several years, people working in the Treasury have been able to communicate both internally and externally via e-mail. Everyone working in the Treasury now has access to the world-wide web from their desktops, opening up an enormous range of relevant information. The Treasury makes increasing use of the Government Secure Intranet (GSI) to share information with other Government departments and everyone in the Treasury can read, and will be able to contribute to, the secure government-only pages on the GSI that might support any cross-cutting issues.

2.35
Since 1998, the Treasury has used an electronic document management system as the principal store for the department's corporate records. The Treasury has continued to work on its document management systems throughout the year to ensure that by 2004 it meets the Government's target that all newly created public records will be stored and retrieved electronically.

2.36
The ability to keep in touch via e-mail and to work on documents when away from the office has become more and more important. After the completion of a successful pilot, the Treasury is now able to offer remote working facilities on a laptop for everyone who requires them. A secure connection to OASIS means that information accessible at the office is also accessible remotely. These developments facilitate flexible working patterns.

2.37
The Treasury's own Intranet was redeveloped during 2000 and is a key communications tool with all corporate information published there. It also serves the department as a clearly signposted gateway to the Internet, the GSI and many internal Treasury services.

Having the right technology to support the Treasury's business is essential. But it is also vital to have strong information management skills. Over the past year, the Treasury has been piloting a number of new approaches aimed at managing and using knowledge more effectively and will continue to develop these in 2001-02.

Better two-way communication with staff and with the outside world

An outward looking organisation – learning from others

2.38
The Treasury continues to attach considerable importance to advancing contacts with industry over and above those made in the normal course of business. Such visits can be useful in developing a wider understanding, on both sides, of Government economic policies and their impact. A number of visits to industry have been made by Treasury officials, across all levels, under the Contacts With Industry Scheme. These have extended across a number of sectors including, communications, manufacturing, construction and financial services. As we begin 2001, the Treasury continues to find the Contacts with Industry scheme useful and visits are already planned to Thomson Marconi, South West Water and Charles Schwab Europe.

2.39
Members of the Public Services Directorate visit frontline public service providers to see the public services in action as well as continuing to work with departments to foster mutual understanding and to clarify their respective roles. Teams are set specific objectives to encourage them to forge open, constructive relations with their departments and regular feedback is sought from the departments by senior management to check that everything is being done to ensure the best possible working relationship.

Providing information

2.40
The Treasury is committed to Open Government. It has continued to identify opportunities to publish information and to consult whenever possible. All requests for information are dealt with in accordance with the Code of Practice on Access to Government Information, whether classified as formal requests under the code or not.

2.41
The Treasury issued over 150 Press Notices in 2000 and held a number of Press conferences and briefings.

2.42
The Treasury's Internet Service is continuing to attract users with over 500,000 accesses a week. A wide range of material is available including press notices and ministerial speeches and Treasury publications. More than 600 organisations and individuals subscribe to receive Press Notices by e-mail. Publishing Unit's Internet and Publishing Strategy is concurrently redeveloping the Treasury's public web site and document publishing workflows. The web site will be relaunched during 2001 to provide users with improved access to electronically published information hitherto published on paper.

2.43
The Treasury provides a one-stop service for non-media enquiries for information and publications on Treasury policy. On average this unit answers up to 2,000 to 3,000 enquiries a month, with about a third of these calls requesting Treasury publications.

2.44
In 2000:

- The Treasury's Open Government Contact was notified of 11 formal requests under the Code of Practice, compared to 22 in 1999.
- The Treasury received 4061 letters (5750 in 1999) which were responded to by Ministers, and 26,294 other items of correspondence (15,037 in 1999) to which officials replied on behalf of Ministers. **The PSA target for all correspondence is to reply to 60% of cases within 15 working days.**
- Progress continues to be made and the Treasury will meet the PSA target in respect of Ministerial correspondence for the year 2001-02. This is the first time the PSA target has been met. The support and monitoring systems are currently under further review to ensure similar improvements are made in dealing with Treat Official correspondence.
- The Public Enquiry Unit (PEU) dealt with 33,000 enquiries during 2000-01, 22% down on last year. We handled fewer telephone calls than in previous years but the annual total included a very large increase in the number of e-mails processed. We are aware of greatly increased access to the Internet and use of e-mails rather than phones to send information enquiries and publication requests, letters of complaint and suggestions and as a medium for campaigns and lobbying, particularly from charities at home and abroad. The PEU's annual total of enquiries processed does not include these charity e-mails.
- The Treasury met its targets for answering Parliamentary questions on time in the 1999-2000 session, which ended in November 2000. 59 per cent of House of Commons Named Day questions were answered on the nominated day (against a target of 50 per cent) and 72 per cent of ordinary written questions were answered on time (70 per cent target), as were 89 per cent of House of Lords written questions (80 per cent target). The figures for the 2000-01 session to date are 63 per cent, 72 per cent and 83 per cent, respectively.

Table 2b summarises the Treasury's investment strategy. The full text is available at **www.hm-treasury.gov.uk.**

Table 2b: Investment strategy

ASSETS

Office accommodation (March 2000 value £56.9 million)
The Department's main office building is Government Offices Great George Street (GOGGS), ,London SW1. It also has the use of Allington Towers, a leasehold office building in Victoria. GOGGS is in a poor state of repair, and long overdue a major refurbishment. It does not offer the type of accommodation necessary to support the delivery of the Treasury's outputs. The principally cellular office accommodation is inflexible, makes inefficient use of space and inhibits internal communications. A contract under the Private Finance Initiative for the refurbishment of the west end of the building was signed in May 2000. Work started in July 2000; completion is planned for August 2002.

Information technology and other operational assets (March 2000 value £7.9 million)
Effective information and communications systems are central to the Treasury's performance against all its objectives. The Treasury's e-business strategy provides a framework for the future development of its information technology systems. The Treasury is committed, under its SDA, to making all of its services to business and the public available on-line by 2005.

Financial assets
The Treasury is the sole shareholder in the Bank of England. The Bank's activities are described in its Annual Report and Accounts, available at **www.bankofengland.co.uk/annualreport/index.htm**. The Treasury is also the sole shareholder of the Royal Mint. The Department holds a number of bonds as the residue of the privatisation of Railtrack plc.

Shareholding in Partnerships UK
During 2000-01 the Treasury expects to take a 49% stake in Partnerships UK (PUK). PUK's mission is to support the public sector in the development and implementation of better, faster and stronger Public Private Partnerships. The Treasury's investment is likely to amount to around £20 million.

New investment 2001-04
All the Department's planned new investments for 2001-04 relate to the maintenance and enhancement of its stock of information technology and other operational assets. Planned expenditure is constant at £4.6 million per annum over the period 2001-04.

Policies and procedures
The Treasury seeks always to use best procurement practice and techniques in order to secure best VFM for the tax payer and efficient use of government funds. It is presently undertaking a full stocktake of its real assets. This will be complete in time for the 31 March 2001 balance sheet. The PFI project for GOGGS will effectively mean significantly better utilisation of what is presently the Treasury's main asset. Scope for improving utilisation of the Treasury's limited remaining operational assets is very limited.

Chapter 3: Commentary on achievements in 2000-01 and plans for 2001-02 to 2003-2004.

OBJECTIVE 1: Maintaining a stable macroeconomic framework with low inflation

CSR PSA targets for 1999-2002:

i) Maintain effective arrangements for keeping inflation at the target level set for the Monetary Policy Committee of the BoE of $2\frac{1}{2}$ per cent

ii) Reduce the differential between yields on German and British long-term government debt

iii) Reduce the variability of output and employment compared with previous economic cycles.

Spending Review 2000 PSA targets for 2001-2004

TARGET 1

By 2004, to raise the trend rate of growth from the current estimate of 2.5%

TARGET 2

RPIX inflation to be kept at 2.5% as specified in the Bank of England's remit

We will do this by:

- setting a stable and prudent macroeconomic framework which fosters economic stability and reduces the variability of output and inflation; and by increasing productivity
- setting clear, long term policy objectives
- following predictable, well-understood procedural rules for fiscal and monetary policy making

The framework for macroeconomic policy

3.1.1
The approach to monetary and fiscal policy inherited by the Government had failed to deliver the stability necessary to achieve high and stable levels of growth and employment. The Government therefore moved quickly to put in place a new framework for monetary and fiscal policy which would first achieve and then lock in low and stable inflation and sound public finances.

3.1.2
Objective 1 focuses on the monetary policy framework - the **fiscal framework** is outlined in more detail in Objective 2. There is a very broad consensus that achieving low inflation is the best contribution that monetary policy can make to raising living standards over the long-term through promoting economic stability – typically high average rates of inflation are also more variable and discourage long-term planning and investment.

3.1.3
The new monetary framework was established in the Bank of England Act 1998 and in the Chancellor's remit to the Monetary Policy Committee. Key elements of the reform are:

a) **a symmetric inflation target:** $2\frac{1}{2}$ percent annual growth in the Retail Prices Index excluding mortgage interest payments (RPIX) and a requirement that monetary policy also supports the Government's wider economic policy objectives;

b) **in order to separate responsibility for setting the framework for, and implementing, monetary policy,** the Government established a **Monetary Policy Committee (MPC)**, which includes highly respected independent experts. The MPC is charged with, and held accountable for, setting interest rates to meet the Government's inflation target. To ensure that monetary policy is characterised by **openness, transparency and accountability:**

- the voting records of the MPC members, minutes of the monthly MPC meetings and a quarterly Inflation Report are published;
- MPC members are required to appear before Parliamentary committees; and
- the Committee is directly accountable for its decision-making to the Government and the Court of the Bank of England.

c) The MPC has an opportunity to **adjust monetary policy to respond sensibly to certain specific types of economic shocks** (such as large negative supply shocks which would be economically costly to fully offset). If RPIX deviates by more than 1 percentage point from the $2\frac{1}{2}$ per cent target, the Governor is required to write an open letter to the Chancellor, setting out:

- why inflation has diverged from the target;
- the action being taken to deal with it;
- when inflation is expected to return to target; and
- how any actions taken will support growth and employment.

Achievements in 2000-2001

3.1.4

The new monetary framework, supported by fiscal policy settings, has continued to deliver inflation outcomes that have been low, stable and close to the Government's target. While RPIX inflation has been below target since April 1999, this has been by a comparatively narrow margin with an open letter yet to be published. The forward looking and pre-emptive actions of the MPC have also delivered low and stable interest rates. This has maintained the already high credibility of the framework and has continued to provide a credible anchor for inflation expectations. Inflation is expected to remain close to target in the foreseeable future. The success has also continued to attract attention and favourable comment from a wide variety of commentators and bodies, including parliamentary committees, the OECD and the IMF. Typical examples of comments made include:

> "Strengthened macroeconomic and structural policies, underpinned by improved monetary and fiscal policy frameworks, have contributed importantly to the UK's achievements. The tightening of fiscal policy in the late 1990s and a fiscal policy framework that has improved transparency and provided a medium term orientation to policy has helped increase private sector confidence. The credibility of monetary policy has been enhanced with the adoption of a framework that provided for the operational independence of the Bank of England, a clear inflation target, and increased transparency of monetary policy decisions.".
>
> *(IMF, Article IV Conclusion, February 2001)*

> "Executive Directors commended the [UK] authorities for the continued strong performance of the UK economy..." "They agreed that sound fiscal and monetary policies, underpinned by transparent medium-term policy frameworks as well as sustained implementation of structural reforms, have contributed to these achievements."
>
> *(IMF, The Acting Chairman's summing up at the Conclusion of the Article IV Consultation with the UK, February 2001)*

> "prospects for inflation remain benign" and "few signs of significant imbalances".
>
> *(IMF, The Acting Chairman's summing up at the Conclusion of the Article IV Consultation with the UK, February 2001)*

> "The monetary policy framework is also remarkably transparent, be it as regards the views and votes of MPC members or the models used and the projections generated, including the associated uncertainties".
>
> *(OECD UK Economic Survey, June 2000)*

3.1.5

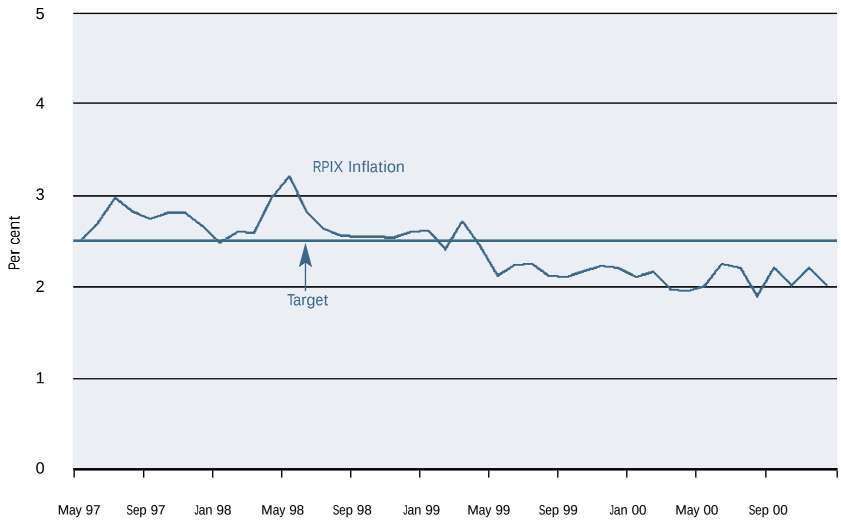
Progress against the specific PSA targets is discussed below. Background information and an early assessment of the performance of the new framework can also be found in the paper "The New Monetary Framework", published by the Treasury on 19 October 1999. Up to date information is contained in Chapter 2 of the Economic and Fiscal Strategy Report, Budget 2001.

(i) Maintaining effective arrangements for keeping inflation at the target level

3.1.6

Chart 3.1.1 below shows that inflation has remained within 1 percentage point of the target since May 1997. Over the past year the 12-monthly RPIX inflation rate has been narrowly below target, ranging between 1.9 and 2.2 per cent.

Chart 3.1.1: RPIX inflation and target



3.1.7

Inflation is also expected to remain close to target in future. Chart 3.1.2 below shows that market expectations of inflation 10 years ahead remain close to the Government's target. This suggests that the macroeconomic policy framework is continuing to provide a credible anchor for inflation expectations.

Chart 3.1.2: Inflation expectations derived from conventional and index-linked gilt yields

3.1.8

Another measure of credibility can be obtained by observing inflation expectations of private sector experts. According to the Treasury's January 2001 survey of independent forecasters the average private sector expectation for RPIX inflation for the 12-months to December 2001 and for the first quarter of 2002 remained close to target at 2.2 percent and 2.4 per cent respectively.

3.1.9

Using the Harmonised Index of Consumer Prices (HICP) the UK's inflation performance can be compared with the rest of the EU. These confirm that the inflation outturns on a comparable basis have been below the EU average. In January 2001 the UK's HICP inflation rate was 0.9 percent compared to a euro-11 average of 2.4 percent.

(ii) reducing the differential between yields on German and British long-term government debt

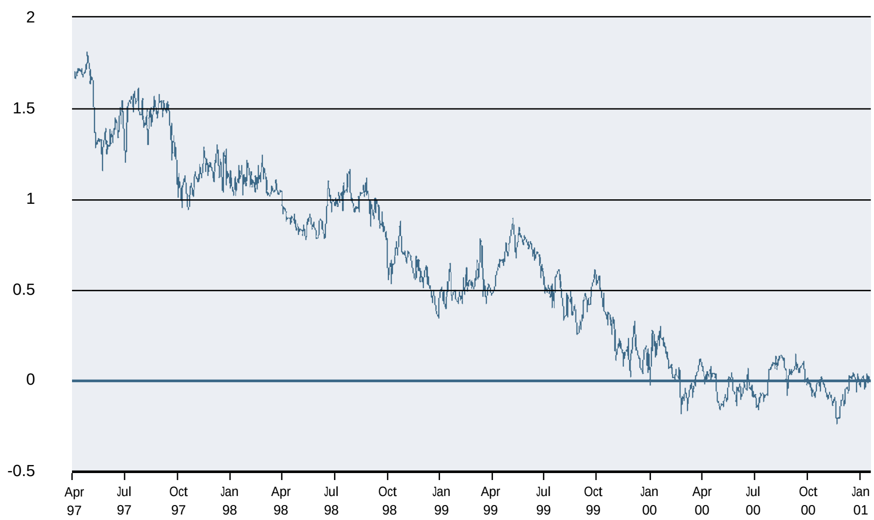
3.1.10

The credibility of the new monetary framework can also be assessed by looking at differentials between yields on gilts and other countries' bonds. In the past, gilt yields have typically exceeded those of other major countries, primarily because of the UK's poor inflation record (though differences in risk premia associated with, for example, liquidity and default risk also come into play). A higher yield has been required to compensate investors for the impact of inflation on the real value of the bond.

3.1.11

Chart 3.1.3 compares the par yield differential between 10-year UK and German government bonds. It shows that the spread dropped sharply after the introduction of the new monetary policy framework (May 6, 1997) and has since trended down with UK yields approaching German levels. Most recent estimates (19 January 2001) put the spread at 2 basis points, compared with over 150 basis points in April 1997.

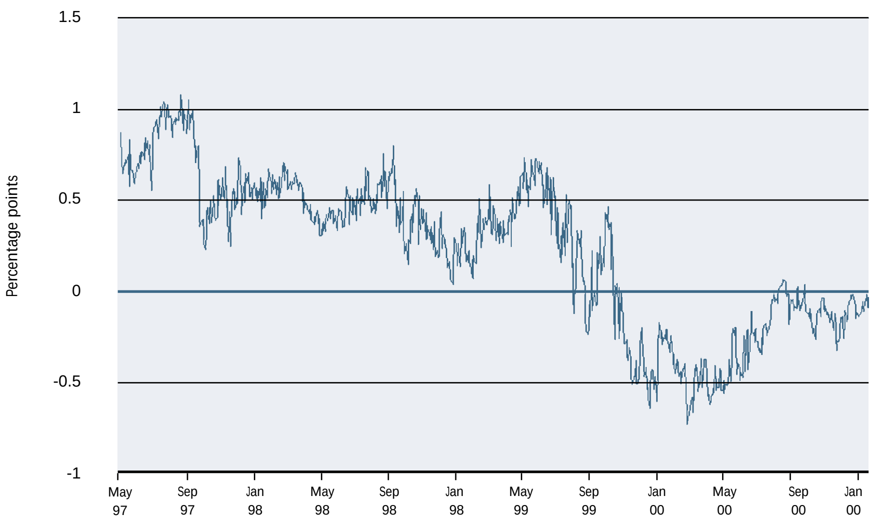
Chart 3.1.3: UK-German 10-year par yield differential since April 1997



3.1.12

Another measure of credibility is the 5-year forward differential between UK and German bonds. On this measure the differential has also dropped sharply with UK short-term interest rates in five years time expected to be close to German levels.

Chart 3.1.4: UK-German 5-year forward differential since May 1, 1997



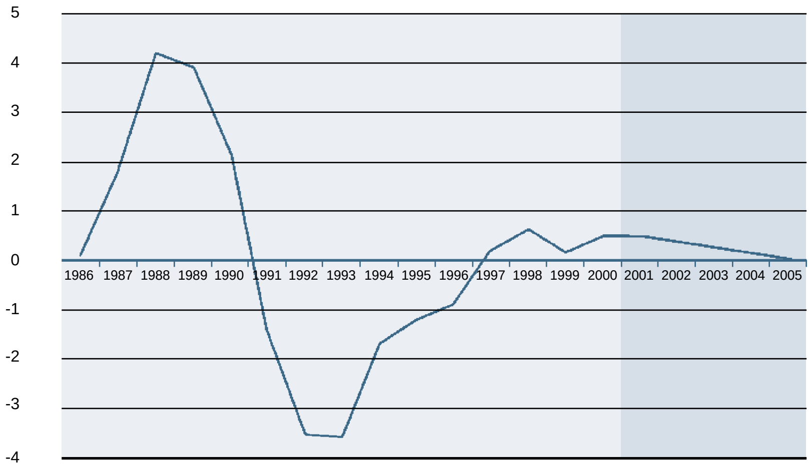
(iii) reducing the variability of output and employment compared with previous cycles

3.1.13
As well as delivering price stability, the MPC has been successful in supporting the objective of high and stable levels of growth and employment, despite severe instability in the global economy, and in contrast to the boom and bust of the past. This success has been contrary to the expectations of many independent observers who forecast a boom in 1997 and a recession in 1999.

3.1.14
Prompt and decisive action by the MPC - in both raising and lowering interest rates where necessary - has reduced the volatility of the economic cycle. Fiscal policy has supported monetary policy to achieve this outcome. Consequently, nominal interest rates have been lower and more stable than in previous cycles; official interest rates peaked at $7^{1}/_{2}$ percent for four months in 1998 compared with a peak of 15 percent for a year in the previous economic cycle.

3.1.15
As Chart 3.1.5 shows, greater stability is reflected in a reduction in the volatility of the output gap with the widespread expectation that the macroeconomic policy framework will continue to deliver policy settings that minimise deviations in activity around trend.

Chart 3.1.5: Output gap(1) (Treasury Budget 2001 forecasts)



1 Actual output less trend output as a percentage of trend output (non-oil basis)

3.1.16
The role that monetary policy has played in delivering economic stability has been recognised recently by the IMF, who said:

> "The United Kingdom is experiencing the longest period of sustained non-inflationary output growth in more than 30 years, partly owing to strengthened macroeconomic and structural policies underpinned by improved monetary and fiscal policy frameworks."
>
> *(IMF Staff Report for the 2000 Article IV Consultation, Executive Summary, 2 February 2001)*

Plans for 2001-02 and 2003-04

3.1.17
While the success to date of this new framework has been encouraging, the Government recognises there is no room for complacency.

3.1.18
The MPC must continue to be vigilant in its decision making if inflation is to remain at its target level. Wage and price setters need to act responsibly so that real increases in wages and profits are consistent with improvements in economy-wide productivity.

3.1.19
The Government will continue to monitor the success of the new framework and will ensure that it reflects best practice.

OBJECTIVE 2: Maintaining sound public finances in accordance with the Code for Fiscal Stability

CSR PSA targets for 1999-2002:

(iv) **ensure current receipts at least match current spending on average over the cycle;**

(v) **ensure net public sector debt as a percentage of GDP falls towards 40 per cent or below over the cycle; and**

(vi) **ensure the Control Total for 1997-98 and 1998-99 and the Departmental Expenditure Limits over the three years of the CSR period are adhered to.**

Spending Review 2000 PSA target 3 for 2001-04:

Over the economic cycle, maintain:

- **public sector net debt below 40% of GDP; and**
- **the current budget in balance or surplus.**

The fiscal and public spending frameworks

3.2.1
The Government's fiscal framework is based on a set of five principles – transparency, stability, responsibility, fairness and efficiency. These principles were enshrined in the Finance Act 1998 and the Code for Fiscal Stability, approved by the House of Commons in December 1998. The Code sets out how these principles relate to the formulation and implementation of fiscal policy in practice.

3.2.2
The Government's key objectives for fiscal policy are:

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

3.2.3
These objectives are implemented through the Government's two fiscal rules, against which the performance of fiscal policy can be judged:

- **the golden rule:** over the economic cycle, the Government will borrow only to invest and not to fund current spending; and
- **the sustainable investment rule:** public sector net debt as a proportion of GDP will be held over the economic cycle at a stable and prudent level.

Achievements in 2000-01

3.2.4
The public finances were in surplus for the third consecutive year in 2000-01 and public sector net debt continued to fall as a proportion of GDP.

3.2.5
The 2000 Spending Review reported in July. It provided a detailed breakdown of spending plans for the next three years, consistent with the spending limits announced in the March 2000 Budget and thereby keeping the public finances on track to meet the two fiscal rules while allocating additional resources to key public services.

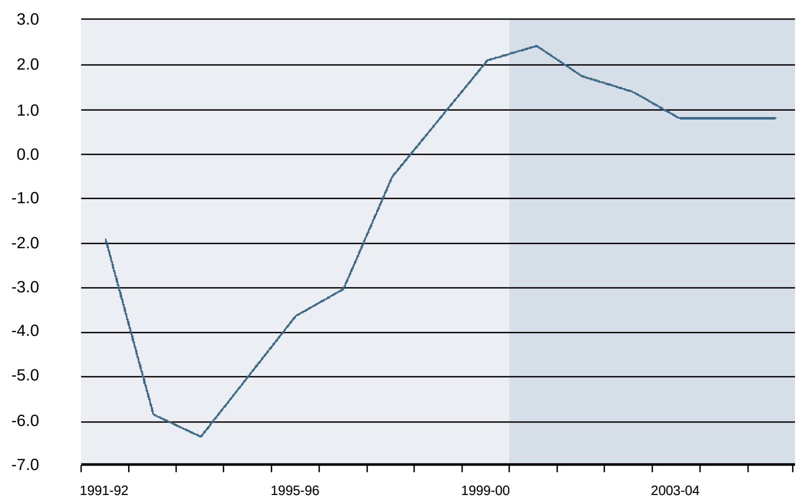
3.2.6
The actual outturn for the underspend in Departmental Expenditure Limits (DEL) in 1999-2000 was £2 billion above the Budget 2000 estimate of £1 billion. Instead of carrying forward the full amount, the Government decided in the 2000 Spending Review that £$^1/_2$ billion of the additional underspend should be used to repay debt, with the remaining £1$^1/_2$ billion spread equally between 2000-01 and 2001-02.

3.2.7
Budget 2000 provided an additional £2 billion for the NHS in 2000-01, while the November 2000 Pre-Budget Report provided an additional £200 million for school buildings across the UK in 2000-01.

3.2.8
The preliminary judgement in Budget 2001 was of a DEL underspend of £1 billion in 2000-01. This underspend has been carried forward into 2001-02 to the Reserve to cover departments' End Year Flexibility.

3.2.9
The golden rule (PSA target iv): the current budget is estimated to have been in surplus by £23.1 billion in 2000-01, following a surplus of £19.2 billion in 1999-2000 – current receipts therefore exceeding current spending in both years.

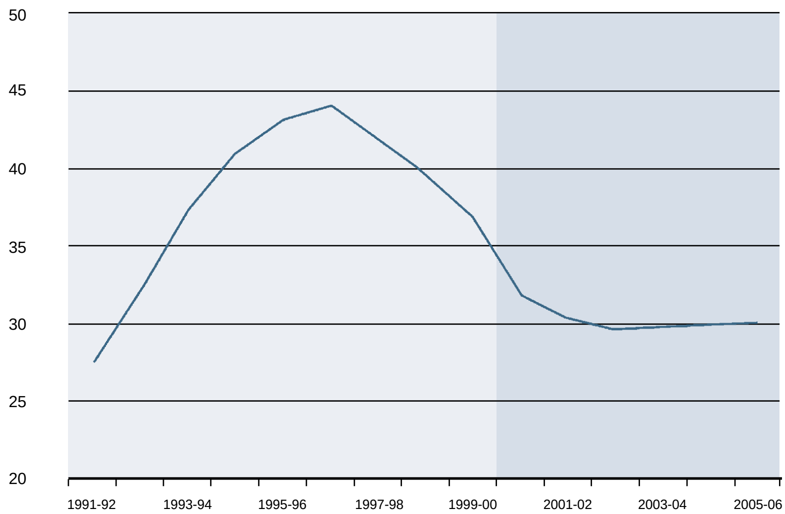
Chart 3.2.1: Surplus on current budget



3.2.10
General government net borrowing – the Treaty measure of the deficit – is estimated as a repayment of 1.7 per cent of GDP in 2000-01, following a similar repayment in 1999-2000. These figures are well below the reference level of a deficit of 3 per cent of GDP.

3.2.11
The sustainable investment rule (PSA target v): the ratio of public sector net debt to GDP is estimated to have fallen from 36.8 per cent in March 2000 to 31.8 per cent in March 2001, consistent with meeting the sustainable investment rule.

Chart 3.2.2: Public sector net debt



3.2.12
General government gross debt – the Treaty measure of debt – is also estimated to have fallen further in 2000-01, and at an estimated 40.6 per cent of GDP remains well below the 60 per cent reference level.

Plans for 2001-02 to 2003-04

3.2.13
The Government will continue to ensure sound and sustainable public finances over the medium term, with fiscal policy supporting monetary policy over the economic cycle.

3.2.14
Budget 2001 confirmed that the Government remains on track to meet its fiscal rules over the economic cycle, including in the cautious case. Fiscal outturns were better than expected in 2000-01, largely reflecting non-discretionary, structural improvements in the public finances which feed through into future years. Budget 2001 was therefore able to lock in the tough fiscal stance set out in Budget 2000 and the Pre-Budget Report, while providing targeted tax cuts for productivity, work, savings and families, and allocating an additional £2$^1/_3$ billion over the next three years for education, health and tackling drugs.

3.2.15
The Budget projections, based as before on prudent and cautious assumptions audited by the National Audit Office, demonstrate that the Government is firmly on track to meet its fiscal rules and key performance targets:

- **the golden rule:** the current budget is projected to remain in surplus with current receipts exceeding current spending in each of the next five years. The surplus on current budget is projected to average 1.4 per cent of GDP between 1999-2000 and 2005-06.

  Public sector net borrowing is projected to show a further repayment in 2001-02 of 0.6 per cent of GDP before moving into deficit of around 1 per cent of GDP by 2003-04 as the Government borrows modestly to fund increased investment in the country's capital stock. Public sector net investment is projected to rise from 0.8 per cent of GDP in 2000-01 to 1.7 per cent of GDP by 2003-04.
- **the sustainable investment rule:** net debt is projected to continue to fall as a percentage of GDP to 29.6 per cent in March 2003, thereafter remaining broadly stable and well below 40 per cent.

OBJECTIVE 3: Improving the quality and cost effectiveness of public services

CSR PSA targets for 1999-2002:

(vii) **ensure that all departments are set testing output and efficiency targets by the end of 1998 and work with them to ensure that they meet their targets by their deadlines;**

(viii) **improve the productivity of the public services year by year;**

(ix) **use the Departmental Investment Strategies to be produced by Spring 1999 and the Capital Modernisation Fund to double net public investment and improve the public capital stock by 2002;**

(x) **gain acceptance for the standard framework for public private partnership contracts by the end of 1999;**

(xi) **improve value for money in public procurement year on year;**

Spending Review 2000 PSA target 4 for 2001-04:

Achieve an improvement in value for money in public services year by year.

Public spending and public sector productivity

3.3.1
The public sector will spend nearly £400bn this coming year (2001-02), around 39 per cent of national income. The Government uses this huge sum to buy a wide range of public services including education (almost £50bn), health (almost £60bn), defence (about £24bn) and law and order (almost £20bn).

3.3.2
Given the sums involved, it is crucial that the Government obtains value for money. Spending by the public sector has a large impact on the overall performance of the economy. Improving the effectiveness and efficiency of public spending, and the quality of service which it buys, are key Treasury aims. The role of the Public Sector Productivity Panel in this is described in box 3.3a

Box 3.3a

The Public Services Productivity Panel was set up in 1999 and was chaired by the Chief Secretary. A new, considerably expanded panel was appointed by the Chief Secretary on 15th September 2000. The Government is working to provide the best framework and the right incentives for businesses to close the productivity gap with our international competitors. But it is also changing the way it works itself, ensuring similar disciplines are in place so that the public sector works to improve its own productivity.

The Panel brings knowledge, a fresh perspective and experience of how to successfully change organisations. The Panel's terms of reference are:

> "to advise Ministers on ways of improving the productivity and efficiency of Government Departments and public sector bodies."

Panel Reports issued during the course of the year

Targeting improved performance

Published: 3 April 2000

John Dowdy,a Principal with McKinsey, has reviewed the performance management systems of the newly formed Defence Logistics Organisation against a model developed by the Productivity Panel. The report describes the particular challenges facing the DLO and the considerable progress it has made to date. It also describes in detail the integrated performance management model developed by the Panel and since adopted by the Civil Service Management Board for use throughout the Civil Service.

Improving police performance

Published: 17 April 2000

This report, prepared by Clare Spottiswoode, formerly Associate Partner of PA Consulting, sets out a possible new way of measuring the efficiency of the police. The methods outlined are currently being piloted and evaluated.

Refocusing performance management

Published: 17 May 2000

Byron Grote, Executive Vice President of BP Amoco, has worked with staff in the Energy Group of the DTI to refresh its performance management system by drawing on the system used by BP Amoco and the model developed by the Productivity Panel. The report shows how such a system can be applied in a complex public sector organisation.

Sold on Health

Published: 26 May 2000

This report marks a step change in the way the NHS manages its estate. Developed with guidance from Baroness Noakes, the report sets out a new national framework designed to root out more surplus estate, accelerate sales and cut red tape. Not only can the approach save and generate additional finance but through modernising the estate management process it can free up resources to increase the focus on patient care.

Working in partnership

Published: 26 May 2000

Also prepared with guidance from Baroness Noakes, this report tackles the difficult issue of achieving joined-up working at a local level, particularly when it comes to developing joint IT systems. The report has a strong practical edge, highlighting the key issues that organisations will need to tackle as they begin to plan across organisational boundaries.

Out in the Open

Published: 9 June 2000

Baroness Noakes, a partner in KPMG, has guided the development of this report, which proposes improvements to the commissioning of services for older people. Schemes in four local authority sites have been piloted, demonstrating how significant efficiency gains can be achieved by developing care services which move away from reliance on expensive (and often inappropriate) residential and nursing care.

Putting your house in order

Published: 29 June 2000

Productivity Panel member Andrew Foster, Controller of the Audit Commission, has been looking in particular at ways of improving the quality of service provided to customers. This, his second report for the Panel, looks at how to get best value for tenants from the £4 billion invested each year in improvements to social housing stock.

Maximising value for money

Published: 20 July 2000

This report - developed with guidance from the Baroness Noakes - examines the potential role of the Strategic Outline Case as an important element of planning for information systems and change management initiatives which involve a large number of stakeholders, are novel, risky and complex, or where the objectives and scope may be ill-defined.

Effective reporting in education
Published: 28 July 2000
John Mayo, Finance Director of Marconi plc, has been looking at how performance reporting arrangements in schools and further education colleges could be further developed to support the Government's radical agenda for raising standards in education and training.

Public Services Productivity: Meeting the challenge
Published: 2 August 2000
Meeting the challenge brings together the main findings and lessons from the Productivity Panel's programme of 12 studies, Whilst the study programme tackled such diverse areas as incentives, customer service, procurement and benchmarking - the Panel have identified high quality performance management as an essential feature of any high-performing organisation. This report identifies a simple, integrating framework that all managers can use to engineer a step-change in their organisation's productivity and support continuous improvement.

Achievements in 2000-01

3.3.3 The 2000 Spending Review
Work was completed on the next periodic review of public spending following the Comprehensive Spending Review (CSR). This review, the results of which were announced in July 2000 rolls forward existing spending plans for 2001-02 and set new spending plans for 2002-03 and 2003-04. The aim of the review was to determine how best departments' programmes can contribute to the achievement of the Government's objectives, including in particular its aims of:

- opportunity for everyone to fulfil their potential through education and employment;
- a fair and inclusive society in which communities are healthy and secure; and
- higher productivity, sustainable economic growth and effective co-operation with our European and international partners.

Full details of the Spending Review can be found at **http://www.hm-treasury.gov.uk/sr2000/index.html**

3.3.4
The review entailed a rigorous scrutiny of departments' performance in delivering effective and responsive services, improving efficiency, and managing assets and other resources. It also considered a range of issues which cross departmental boundaries. Around half of all departmental spending allocated in the Review was scrutinised in cross-departmental studies. The Review introduced new and better mechanisms for co-ordinating effort in these areas, with joint budgets and targets shared by more than one department where appropriate. Stretching new PSA targets have been agreed alongside new spending plans. Detailed programmes and actions that departments will be working on to deliver the high level targets are made clear in the new Service Delivery Agreements (SDAs).

3.3.5
The 2000 Spending Review took account for the first time of the full resource costs of providing services including the cost of assets employed, as part of the move to resource budgeting and accounting. This is in line with the Treasury's own existing PSA target to move to a resource-based budgeting system in 2000 (see also chapter 3.6)

3.3.6
The Treasury has introduced several ground-breaking reforms to improve the planning and control of expenditure, and to increase incentives for public sector productivity. It has continued to move away from detailed control processes to providing a clearer strategic direction.

Following through on the Comprehensive Spending Review

3.3.7
2000-01 was the second year of operation of the CSR arrangements. The **three year plans set in the CSR** represented a major shift in resources towards the Government's key priorities. Over 50% of the planned increase in Departmental Expenditure Limits and local authority spending over the three years covered in the review was targeted on education and the NHS, with additional spending of £19 billion in education underpinning the drive to raise standards, and additional investment of over £20 billion to modernise UK health services.

3.3.8
The **capital investment plans** laid down in the CSR mean that public sector net investment was set to nearly double over the three years to 2001-02. Since May 1997, the flow of PFI deals has risen rapidly, and in less than two years contracts with a combined value of over £15 billion have been signed in areas as diverse as hospitals, schools, and military helicopter training, compared with £4 billion over the previous Parliament. 19 major hospital deals worth £1.9bn have already been signed and almost 150 health projects worth a total of £4.5bn are in procurement. This represents the largest investment in new hospital facilities since the NHS was established. These plans are supported by the Capital Modernisation Fund and Invest to Save Budget (see boxes 3.3b and 3.3c)

Box 3.3b

The Capital Modernisation Fund was established, in the 1998 Comprehensive Spending Review, to channel £2.5 billion to additional, innovative projects that improve the infrastructure to deliver key public services. The Capital Modernisation Fund is allocated by the Treasury on a competitive basis. Allocations from the fund have been completed in two rounds that reported at or after Budget 99 and Budget 2000. In the 2000 Spending Review a further £2.5 billion Capital Modernisation Fund was established to continue to allocate funding on a competitive basis over the years 2001-02 to 2003-04. Some examples of successful projects funded to date are:

- £470 mn
  as part of the National IT Strategy to provide 1,000 IT learning centres across the country;
- £430 mn
  invested in the NHS to modernise Accident and Emergency departments and give patients better access to primary care;
- £185 mn
  for the Criminal Justice Agencies providing the capital and information technology to deliver a joined-up fight against crime;
- £170 mn
  to make communities safer, funding security measures which build on the Crime Reduction Programme and provide a substantial boost to the Government’s fight against crime;
- £75 mn
  to improve sport and arts facilities in primary schools in deprived areas for use by children within school hours and by the community outside school hours;
- £60 mn
  to fund school laboratories for the 21st century by refurbishment or re building science laboratories and modernisation with new equipment;
- £60 mn
  to get SMEs on-line: to allow SMEs to get the advice they need and interact electronically with government; and
- £50 mn
  clusters package: provide infrastructure to spur research and development and high-tech firm survival rates;

Box 3.3c

The Invest to Save Budget (ISB) was set up to promote better co-ordinated and joined up public services. 136 innovative projects across both central Government and the wider public sector have been allocated around £180 million in the first two rounds, with additional resources available for the current round. Future rounds will also be supported.

The programme enables new alliances to be forged across traditional boundaries so the public benefit from better integrated packages of products and services. Collectively, these projects will provide an invaluable opportunity to learn 'what works' in the joint delivery of services and how to apply this knowledge in the future design of programmes.

Pulling this material together, drawing out the lessons and disseminating these to service providers will be a key task. A joint HM Treasury/Cabinet Office Unit is assembling a programme of events which will bring together project managers, practitioners, policy people and others to digest and exchange their experiences to date. The unit will also identify other means of disseminating best practice through, for example, publications, articles and a dedicated website, as well as by working through existing networks and helping to build new networks.

3.3.9
For **Public Service Agreements** the Treasury is now engaged in a major monitoring exercise, collecting information regularly from departments on their performance against both policy and operations targets. This thorough monitoring and programme of discussions at Ministerial and official level is helping to ensure that departments are on track towards their targets; details of performance to date are published in departments' Annual Reports. The Treasury has applied the lessons of the first round of PSAs when refining the process during the 2000 Spending Review.

3.3.10
All departments now have firm **multi-year Expenditure Limits** within which they can prioritise resources and plan ahead. In addition:

- departments have published **Public Service Agreements,** with stretching, quantified targets for improving service delivery and departmental efficiency **(PSA target viii)**;

- **decisions on spending are now based on prudent and sound fiscal rules.** Capital and current expenditure are planned and managed separately to ensure these fiscal rules are met and to prevent capital investment for the long term being cut back to meet short term pressures on current spending. With the Treasury, departments have produced **Departmental Investment Strategies (PSA target ix)** to demonstrate that capital investment is being efficiently and effectively used.

OBJECTIVE 4: Increasing the productivity of the economy and expanding economic and employment opportunities for all, through productive investment, competition, innovation, enterprise, better regulation and increased employability.

CSR PSA targets for 1999-2002:

(xii) **Put in place policies to raise the rate of growth of potential output above the current estimate of $2^1/_4$%.**

(xiii) **Put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle (joint DTI target).**

(xiv) **Secure an increase in the number of successful high growth business start-ups (joint DTI target).**

(xv) **Put in place policies to reduce structural unemployment over the cycle.**

In the 2000 Spending Review the Treasury was set two separate objectives in this area:

Spending Review 2000 PSA targets for 2001-04:

TARGET 5.
Improve UK competitiveness by narrowing the productivity gap with US, France, Germany and Japan over the economic cycle. Joint target with DTI.

TARGET 6.
Increase employment over the economic cycle. Target contributes to Welfare to Work PSA.

The Policy Framework

3.4.1
The economy's productivity performance is the key to long-term growth and sustained improvements in living standards. The UK has long displayed a substantial 'productivity gap' with its main competitors, reflecting long-standing weaknesses in the economy.

3.4.2
The Government's long-term ambition is to narrow the productivity gap between the UK and its main competitors. To achieve this goal, the Government strategy for promoting productivity growth, outlined in the paper "Productivity in the UK: The Evidence and the Government's Approach", published alongside the Pre-Budget Report 2000 is to provide the best environment for businesses and workers to maximise their productive potential. There are two strands to this:

- creating macroeconomic stability; and
- microeconomic reforms to make markets and the public sector work better.

3.4.3
Within this, the Government has identified five priority areas, known as the five drivers, for targeting policy. These are:

- **competition**, which motivates firms to raise their game, innovating and minimising their costs. It rewards those firms that raise their productivity performance and reduces prices for consumers;
- **enterprise and innovation** are at the heart of a dynamic business sector – new ideas for products and processes provide opportunities for productivity improvement. These can be exploited by entrepreneurs willing to take the risks necessary for success;
- **investment** underpins development of physical and human capital to produce productivity improvements in the future;
- **higher skill levels** not only help individuals and firms to be more productive but also encourage rapid take-up of new technologies and working practices; and
- alongside promoting macroeconomic stability and microeconomic reform, the Government can directly improve **public sector productivity**.

3.4.4
Macroeconomic stability is a prerequisite to achieving full employment. However, alone it is not enough to secure the Government's aim of employment opportunity for all. Whilst many unemployed people find work quickly, others who are more at risk of becoming excluded from the labour market require more enhanced support. In addition, people may face barriers to work or they may be reluctant to take work that pays little above what they are already receiving in benefits. The Government's strategy to overcome these problems contains four strands:

- helping people to move from welfare into work through programmes like the New Deal;
- easing the transition into work, by removing barriers to work and ensuring that people are financially secure when moving from welfare into work;
- making work pay, through reform of the tax and benefit system and the minimum wage; and
- securing progression in work, through lifelong learning.

3.4.5
The Government's Welfare to Work policies, designed to move long term unemployed and economically inactive people closer to the labour market, include:

- the New Deal for 18-24 year olds – includes Gateway provision, options of subsidised employment, or mandatory full time participation in education, training or voluntary work, then a follow-through period;
- the New Deal for over 25s - offers intensive support to older long-term unemployed people through a personal adviser service and, since April 2001, an intensified Gateway period;
- to combat worklessness, New Deal programmes for lone parents, disabled people, the over 50s, and partners of unemployed people, and investment in childcare to reduce barriers to parental employment;
- the ONE service - combines a one-stop shop for benefits and employment advice, a personal adviser service to help people back into work, and work-focused interviews for all new benefit claimants. It is currently being piloted in 12 areas, including four areas using call centre technology and four led by the private and voluntary sectors.

To make work pay, the Government is:

- ensuring fair standards of minimum pay through the National Minimum Wage;
- focusing on those with low incomes through the introduction of the 10 pence starting rate of income tax in April 1999, and cutting the basic rate of income tax to 22 pence in April 2000;
- providing additional targeted support through the Working Families' Tax Credit and the Disabled Person's Tax Credit, both introduced in October 1999.

Achievements in 2000-2001

3.4.7
The Government continues to base its forecasts on a deliberately cautious neutral estimate of trend growth – 2½ per cent. This estimate was made in the November 1999 Pre-Budget Report, and marks a revision upwards from the estimate of 2¼ per cent on which the PSA target was based. Supply-side improvements have considerable potential to deliver further growth above this level – improvements both in employment and productivity performance.

3.4.8
Some of the most important measures that the Government has introduced to boost productivity growth are:

- the Competition Act 1998. The number of complaints under the Act is currently running at around two to three times the rate under the previous legislation;
- undertaking radical reforms of the tax framework for businesses, including making the UK main rate of corporation tax the lowest among major industrialised countries;
- introducing an R&D tax credit for SMEs;
- commissioning the Myners review of institutional investment;
- investing in education and training through the 2000 Spending Review;
- setting up the Public Services Productivity Panel (see box 3.3a above) to bring the best public and private sector expertise to bear on raising public sector productivity.

3.4.9
The productivity target is to narrow the productivity gap over a full economic cycle. In order to meet this target the Government is undertaking a continuing programme of reforms. Long-term structural changes do not necessarily have an immediate effect; it is too early to assess whether the target will be met. Consequently, no improvement in productivity growth is assumed in the Government's neutral estimate of 2½% trend growth. The UK has had average productivity growth of 1.7% per annum over 1997-2000, with strong growth of 2.3% in 2000. However, time series data shows that the productivity gap with the US has increased since 1997. Exceptional US performance has increased their productivity lead over the UK from 40% in 1997 to 45% in 2000. The gap with France and Germany has remained constant.

3.4.10
Recent data suggest that the UK is making progress towards addressing the underlying drivers of productivity growth:

- UK Business Investment was above 14 per cent of GDP in 2000, compared with around 10 per cent in 1994;
- civil R&D investment by business increased by 11 per cent in nominal terms between 1997 and 1999;
- ICT expenditure as percentage of GDP in 2000 in the UK was 6.1% of GDP, compared with 5.6% in the US, 5.9% in France and 5.6% in Germany; and
- the number of small businesses in the economy increased by 170,000 between 1997 and 1999.

On the latest figures whole economy productivity is 2.2 per cent and manufacturing productivity growth 5.1 per cent. Average productivity growth over the last four years has not been strong, but this has been a time of strong employment and increasing the employment rate may have a short -term dampening effect on recorded productivity.

3.4.11 Employment

The Government is continuously striving to improve the New Deal programmes, including strengthening the Gateway stage of the New Deals for 18-24s and for over 25s. A more intensive approach for the New Deal for over 25s has been piloted in 28 areas across Great Britain. In addition, further funds have been announced to extend the New Deal Innovation Fund, which backs good ideas generated at local level for improving the effectiveness of the New Deal and increasing knowledge about what works in helping people into work. Different approaches are also being tested to tackle localised concentrations of inequality through Employment Zones and, since autumn 2000, Action Teams.

3.4.12

The Government was able to announce at the end of November 2000 that it had met its manifesto target of placing 270,000 young people in work through the New Deal. The New Deal for over 25s has already helped over 60,000 people into work. In addition, the New Deal for 18-24s has placed over 174,000 young people in full time education, training or voluntary work experience. The New Deal for disabled people Personal Adviser Pilots and Innovative Schemes had helped 5,165 disabled people into work by the end of September 2000.

3.4.13

The New Deal for lone parents has already helped over 80,000 lone parents into work, and more than 20,000 have taken up education and training opportunities, up to the end of December 2000.

Plans for 2001-02 and 2003-04

3.4.14

The Government will continue the successful implementation of the new competition regime. It has announced how it intends to de-politicise the mergers regime and will proceed with this process, which requires primary legislation to be fully implemented. The Government will continue to keep competition issues under review to ensure that the UK's competition regime does all it can to promote competition in the economy. The Government is continuing to address competition issues in particular sectors, including banking (including continuing to implement the findings of the Cruickshank Report), water, and communications.

3.4.15

To promote enterprise, the Government is introducing a package of measures that will lower the impact of VAT on SMEs and proposing to extend the capital gains tax taper for employees; it will extend the scope of Enterprise Management Incentives and consult on reforms to lessen the burden of corporation tax on smaller companies. To ensure that enterprise is open to all, the Government has set out for the first time a comprehensive strategy for maximising the potential of all the UK's towns and cities in the Urban White Paper. It is consulting on plans for a Community Investment Tax Credit. To encourage innovation, the Government is consulting on its proposals for a new research and devleopment tax credit for large firms.

3.4.16

The Government is taking forward all of the recommendations of Paul Myners' review of institutional investment. In particular, it will be working with the industry to develop and promulgate principles for institutional decision-making and legislating to replace the Minimum Funding Requirement with a long-term scheme specific funding standard.

3.4.17

In order to improve the skills base of the UK economy, the Government announced in Spending Review 2000 increases in education and training spending from around £240 million in 2000-01 to £400 million in 2003-04. This money will contribute to all levels of UK education and training, including the achievement of the national literacy, numeracy, science and ICT targets. The Government is prepared to consider what further it can do to ensure that everyone has an opportunity for training at work, particulary below level 2, alongside ensuring that everyone – including individuals and employers – takes their responsibility for training seriously.

3.4.18

Budget 2000 announced that from April 2001 a comprehensive set of measures will be introduced on a national basis to build on the New Deal for 25+. A stronger emphasis will be placed on rights and responsibilities through a structured Gateway, with regular contact with a personal adviser and access to a range of jobsearch support. For those aged 25-49 there will also be a compulsory Intensive Activity Period of between 13 and 26 weeks. This will be optional for those aged 50 or over. People who have not found jobs at the end of this period will return to Jobseekers' Allowance and enter a three month follow-through period, focusing on intensive job search.

3.4.19
Budget 2001 announced that a more flexible approach would be adopted through the New Deal for young people, focusing particularly on those hardest to help.

3.4.20
From April 2001, lone parents on Income Support with children over the age of five will be required to meet a personal adviser to discuss the opportunities available to them. Budget 2001 announced an extension of these meetings to all lone parents on Income Support from April 2002, an additional interview at the 6 month stage, extended help with self-employment and training in the New Deal for lone parents, extra childcare support, and a new outreach service to attract more lone parents to the New Deal. From Autumn 2001, the New Deal for lone parents will be extended to offer help and support on a voluntary basis to all lone parents who are not working, or who are working less than 16 hours a week.

3.4.21
To help overcome barriers to work due to childcare costs, the Working Families' Tax Credit and Disabled Person's Tax Credit childcare tax credit limits will be increased from £100 to £135 a week for childcare costs for one child and from £150 to £200 for two or more children from June 2001.

3.4.22
The Government is also planning to extend the New Deal for disabled people including the provision of a Job Broker service. Extending the programme will continue the Government's policy of testing what works in helping long-term sick and disabled people into work. Retention and rehabilitation pilots are also planned – these will test the efficiency of employment focused and health focused interventions in preventing people who become sick or disabled at work from losing their jobs and becoming economically inactive.

3.4.23
From March 2001, childless partners of the unemployed aged 18-24 will become joint JSA claimants – both will have the same rights and responsibilities as the main claimant. From 2002, the Government will extend this approach to all childless partners of the unemployed who are 45 or under.

3.4.24
To deliver support for people of working age, during 2001 a brand new, modern agency will be established to draw together the Employment Service and the parts of the Benefits Agency that support people of working age. It will deliver a single, integrated service to benefit claimants of working age and employers, putting work first.

3.4.25
So that people are encouraged to work, the National Minimum Wage rate for adult workers aged 22 or over will be increased from £3.70 to £4.10 an hour from October 2001, and, subject to economic conditions prevailing at the time, it will be increased further to £4.20 an hour from October 2002. Budget 2001 also extended the 10 pence starting rate band of income tax by over £300 over and above indexation to £1,880 from April 2001. In addition, the basic credits in both Working Families' Tax Credit and Disabled Person's Tax Credit will be increased by £5 from April 2001.

OBJECTIVE 5: Promoting a fair and efficient tax and benefit system with incentives to work, save and invest

CSR PSA targets for 1999-2002:

(xvii) Maintain a minimum income guarantee for pensioners and severely disabled people. Joint DSS target (iii);

(xviii) Reduce the number of households facing marginal deduction rates over 70% by 2001-02;

(xix) Provide an income guarantee of at least £190 a week for working families by October 1999; and

(xx) Continue to develop the tax system so that it underpins the strategy on sustainable development and delivers environmental objectives. Shared with Inland Revenue target (vi) and Customs and Excise target (vii).

Spending Review 2000 PSA targets for 2001-04

TARGET 7.

Make substantial progress towards eradicating child poverty by reducing the number of children in poverty by at least a quarter by 2004. Joint target with DSS.

3.5.1 The Government's approach

The Government is committed to building a fairer and more inclusive society in which everyone can contribute, and benefit from, the country's rising economic prosperity. In particular, this means tackling child poverty and its causes, providing security in old age, rewarding work and saving, and protecting the environment.

3.5.2

The Government's strategy is focused on:

- **increasing employment opportunity for all**: by helping people to move off welfare and into work, ensuring that work pays, easing the return to work, and enabling people to work their way up once in work including through lifelong learning;
- **ensuring fairness for families and communities**: by providing high quality public services, targeting extra resources on those who need them most, encouraging saving, and ensuring a fair and efficient tax system; and
- **protecting the environment**: by ensuring that economic growth takes place in a way which protects and, where possible, improves the environment both for current and future generations.

Achievements in 2000-01

3.5.3 Encouraging work

In addition to the welfare to work programme described earlier, the Government is reforming the tax and benefit system to improve incentives to work. Further progress has been made over the past year, including:

- the **basic rate of income tax** was cut to 22p from April 2000;
- the rates of the **National Minimum Wage** for workers aged 18-21 and 22 and over were increased from October 2000;
- increases in the Working Families' Tax Credit for children, combined with the above increase in the National Minimum Wage, have provided a **guaranteed minimum income** of £208 a week from October 2000 and £214 a week from April 2001 for a family with one child eligible for WFTC and with one person working 35 hours a week (PSA target (xix));
- from October 2000, a new fast-track to the **Disabled Person's Tax Credit** (DPTC) was introduced to help people who have been sick for 20 weeks or more, but can do some work, to remain in their job. Also from October 2000, the disabled child credit in DPTC was extended to families in receipt of WFTC. The Government has **guaranteed a minimum income** of £240 a week from October 2000 and £246 a week from April 2001 for a family receiving the DPTC and with one person working 35 hours a week (PSA target xvii); and
- **marginal deduction rates** (MDRs) measure the proportion of any increase in income lost through reduced benefit entitlement and increased taxation. In line with the PSA target (xviii), as a result of tax and benefit reforms, the number of families facing marginal deduction rates of more than 70 per cent will fall to around a third of the 1997 level – a reduction of nearly half a million – during this Parliament.

3.5.4 Fairness for families and communities

The Government has continued to pursue tax and benefit reforms designed to help deliver a fairer society and a better quality of life for all:

- an increase in **Child Benefit** from April 2000 to £15 a week for the first child and £10 a week for subsequent children;
- the **child credit in the Working Families' Tax Credit and the Disabled Person's Tax Credit** was increased by £4.35 a week from June 2000, matched in income-related benefits from October 2000;
- the new £100 **Sure Start Maternity Grant** to help with the initial costs of having a new child was introduced from April 2000, and was increased to £300 from December 2000;
- the number of **children living in households where no one is in work** has fallen by over 300,000 since spring 1997; and;
- to help pensioners, **concessionary TV licences** were introduced from November 2000 for all households with someone aged 75 or over, and the **winter fuel payment** was set in the Pre-Budget Report at £200 for December 2000, benefiting 8.5 million pensioner households. In line with the PSA target (xvii), the Government has guaranteed a minimum income for pensioners through the **Minimum Income Guarantee**.

3.5.5 Encouraging saving

The Government wants more people to enjoy the benefits of having savings for independence throughout their lives, for security if things go wrong, and for comfort in old age:

- The Government's overall strategy to encourage saving is based around creating the right environment for saving, creating the right incentives for people to save and providing information and education to help people make the right saving choices. Details are set out in a Treasury paper **'Helping People to Save'** which was published alongside the November 2000 Pre-Budget Report; and
- **Individual Savings Accounts** (ISAs) were introduced in April 1999 to encourage tax-free saving, particularly among low-income savers. The £7,000 ISA annual contribution limit was retained for 2000-01 rather than being reduced to £5,000 as previously planned. £20 billion was invested in ISAs during the first three quarters of 2000-01 nearly £3 billion more than invested during the first three quarters of 1999-2000.

3.5.6 Fairness in taxation

A number of measures were introduced from April 2000 to encourage and simplify **giving to charity**, including the abolition of minimum limits for Gift Aid and payroll giving donations.

3.5.7 Protecting the environment

The Government's strategic framework for dealing with the environmental costs of economic growth, alongside its economic and social objectives, is based on tackling climate change and improving air quality, regenerating towns and cities, and protecting the countryside. Measures introduced over the past year to help protect the environment include:

- the reduction in the rate of **VAT on installations of certain energy saving materials** in all homes from 17½ per cent to 5 per cent from April 2000;
- the launch of the Government's New **Home Energy Efficiency Scheme** in England in June 2000, with similar schemes operating in the devolved administrations;
- the introduction of a 1 pence a litre duty differential in favour of **ultra low sulphur petrol (ULSP)** compared with unleaded petrol on 1 October 2000; a further cut in the duty on ULSP by 2 pence per litre from 7 March 2001, and a 3 pence per litre cut in duty on **ultra low sulphur diesel** from 7 March 2001;
- a **rebate of lorry vehicle excise duty (VED) fees**; in 2000-01, meaning a cut of 50 per cent for many of the largest vehicles, as a transitional arrangement in a wider reform of lorry VED;
- the introduction of a **graduated VED system for all new cars** bought from March 2001, linking the VED payable to carbon emission levels and the type of fuel used, and the extension of the reduced rate of VED for existing small cars to those with engines up to 1,200cc; and
- an increase in **landfill tax** rates for active waste by £1 a tonne from April 2000 under the planned annual increases until at least 2004.

Plans for 2001-02 to 2003-04

3.5.8

The Government intends to introduce further reforms to the tax and benefit system over the next three years, in order to promote fairness and increase incentives to work, save and invest.

3.5.9 Encouraging work

In addition to further progress with New Deal programmes, the new Job Grant and the new Job Transition Service (see earlier):

- an extension of the **Income Support Mortgage Interest** (ISMI) scheme from spring 2001 to provide a four week ISMI run-on for those entering work; an increase in the amount of **earnings disregarded in Income Support and Jobseeker's Allowance** from £5 to £20 a week for groups facing restricted work choices such as lone parents, carers and people with disabilities; and measures from April 2002 to streamline the process for **reclaiming Income Support and Jobseeker's Allowance** for people returning to benefit after taking up full-time work for periods of up to 12 weeks;
- the **National Minimum Wage** for workers aged 22 and over will be increased to £4.10 an hour from October 2001 and, subject to the economic conditions prevailing at the time, £4.20 an hour from October 2002;
- a widening of the **10 pence income tax band** by £300 over and above indexation from April 2001, benefiting 25 million taxpayers;
- from April 2001 the threshold above which employees pay **national insurance contributions** (NICs) will be increased to align it with the income tax personal allowance, with a rise in the upper earnings limit. The rate of employer NICs will be reduced by 0.3 percentage points from April 2001 and a further 0.1 percentage points from April 2002, thereby helping to ensure that all revenues from the climate change levy and the aggregates levy is recycled back to business;
- an increase in the basic credit in the **WFTC** by £5 a week from June 2001 in addition to increases in line with indexation from April 2001. These increases will be matched in the **DPTC**;

- an increase in the **WFTC and DPTC childcare tax credit** limits from £100 to £135 per week for childcare costs for one child and from £150 to £200 a week for two or more children from June 2001; and
- the Government will introduce an **employment tax credit** from 2003.

Fairness for families and communities

3.5.10 Families and children

- the new **Children's Tax Credit** will be introduced in April 2001 at £10 a week, replacing the married couple's allowance, and will be worth up to £520 a year for 5 million taxpaying families;
- from April 2002, the Children's Tax Credit will be increased to £20 a week for **families in the year of a child's birth**;
- the child premia in **Income Support and the Jobseeker's Allowance** will be increased by £1.50 a week from October 2001;
- the £500 **capital limits in the Sure Start Maternity Grant** will be abolished from October 2001 to ensure that families on low incomes receive help to cover the costs associated with the birth of a new baby. In addition, the Sure Start Maternity Grant will rise from £300 to £500 in April 2002;
- from April 2001 mothers will be able to qualify for the WFTC when they are on **maternity leave**;
- the flat rate of **Statutory Maternity Pay (SMP) and Maternity Allowance** will be increased from its present £60.20 a week to £75 a week from April 2002 and £100 a week from April 2003. The **period of maternity pay** will be extended from 18 to 26 weeks from April 2003;
- from 2003, working fathers will have the right to two weeks of paid **paternity leave,** and **paid adoption leave** will be available for one of the adoptive parents to take paid leave for the same period and at the same rate as maternity pay;
- the new **Children's Fund**, with resources of £450 million over three years from 2001-02, will be targeted at increased preventative services for children and their families;
- new money announced in the 2000 Spending Review will double the number of **Sure Start** programmes to at least 500 by 2003-04;
- the Government will introduce a **new single tax credit from 2003** integrating the different strands of support for children currently available through the WFTC, DPTC, Income Support/Jobseeker's Allowance and the Children's Tax Credit; and
- the tax and benefit reforms announced in this Parliament will **lift over 1.2 million children out of poverty**. The personal tax and benefit measures introduced over the Parliament mean that by October 2001 families with someone in full-time work will have a **guaranteed minimum income** of at least £225 a week.

3.5.11 People with disabilities

- from April 2001, severely disabled people under 60 on income-related benefits will receive a **guaranteed income** delivered through a new premium, of at least £142 a week for single people and £186.80 a week for couples;
- the **disabled child premium** in income-related benefits and tax credits will be increased to £30 a week for each eligible child from April 2001, an increase of £7.40 more than the normal uprating;
- children aged three to four with severe disabilities will receive an additional £38.65 a week from April 2001 through the extension of the **Disability Living Allowance**. Reforms to **Incapacity Benefit** will provide up to £26.40 a week more for people who were disabled before the age of 20; and
- from April 2001 the earnings threshold in **Invalid Care Allowance** will be raised from £50 to £72 a week and the **Carers Premium in Income Support** will be raised by over £10 a week to £24.40 benefiting over 210,000 of the poorest carers.

3.5.12 Pensioners

- from April 2001, changes to the **capital rules** attached to the Minimum Income Guarantee (MIG) will allow pensioners to have more savings without losing benefits. The lower limit will be doubled to £6,000 and the upper limit will be increased from £8,000 to £12,000 to reward savers, with half a million pensioners gaining an average of £5 a week;
- the **age-related income tax personal allowance** will rise by £240 over and above indexation from April 2003. These allowances will then be raised by reference to the rise in earnings rather than prices throughout the remainder of the Parliament;

- the Government will introduce from 2003 a **Pension Credit** which will reward low and modest retirement incomes, abolish the capital rules and weekly means test and act to end pensioner poverty by simplifying and increasing the MIG and by linking this to the rise in earnings throughout the next Parliament; and
- ahead of the introduction of the Pension Credit there will be an:
  - **increase in the basic state pension** by £5 to £72.50 a week in April 2001, and by a further £3 to £75.50 a week in April 2002 for single pensioners. For couples this will mean an increase of £8 to £115.90 a week in April 2001, and of a further £4.80 to £120.70 a week in April 2002; and
  - **increase in the lower rates of the MIG** to equal its highest rate, raising this by earnings and further, by the real increase in the basic state pension. From April 2001, the new simplified MIG will be £92.15 a week for single pensioners and £140.55 a week for couples.

3.5.13 Encouraging saving

- to build on the success of **ISAs**, the annual £7,000 total contribution (£3,000 cash) limit will be retained for a further five years from April 2001, and from April 2001 16 and 17 year olds will be able to save in a cash ISA for the first time; and
- from October 2001, the abolition of the £500 **capital limits in the Sure Start Maternity Grant and Funeral Payments** will ensure that families on low incomes with small amounts of savings receive support from the Government to help cover the costs associated with the birth of a baby or the death of a close relative.

3.5.14 Fairness in taxation

- a new scheme from April 2001 will refund **national museums and galleries** the VAT they incur on their purchases when they allow the public free admission, thereby removing this barrier to free entry;
- **general betting duty** will be replaced with a **gross profits tax** by 1 January 2002; and
- the Government will consult on a new tax credit for **research and development on drugs and vaccines** to tackle the major killer diseases of the developing world.

3.5.15 Protecting the environment

- to encourage energy efficiency and reduce emissions of greenhouse gases, the **climate change levy** payable on the business use of energy will be introduced from April 2001. All the revenues will be recycled back to business through a 0.3 percentage point cut in employers' NICs, additional support for energy efficiency measures and enhanced capital allowances for energy saving technologies;
- as part of the Government's **Green Fuels Challenge,** the duty on road fuel gases will be frozen in real terms until at least 2004, and Budget 2002 will introduce a new duty rate for biodiesel set at 20 pence per litre below the rate of duty on ULSD;
- a cash freeze in **VED** on cars, motorcycles and buses until Budget 2002 and an extension of the **small car VED threshold** from 1,200cc to 1,549cc from July 2001, backdated to 1 November 2000;
- a major **reform of lorry VED** from December 2001 reducing UK lorry VED rates to among the lowest in Europe for the cleanest and least-damaging lorries;
- abolition of **VED on tractors,** similar agricultural vehicles and other vehicles which currently qualify for the special concessionary rate from April 2001;
- from April 2002, the **tax charge on a company car** will be based on the percentage of the car's list price graduated according to the level of the car's CO_2 emissions, meaning that drivers and their employers will have an incentive to choose cars with lower emissions of carbon dioxide and local air pollutants;
- a two-stage reform of **authorised mileage rates** from April 2001;
- a package of tax measures worth over £1 billion over five years to help **regenerate towns and cities**, including abolition of stamp duty on all property transactions in the most disadvantaged areas of the UK, an accelerated payable tax credit for the costs incurred in cleaning up contaminated land, and a package of measures to encourage property conversions;
- a grant scheme from April 2001 to help congregations pay for repairs to **listed places of worship**;
- an **aggregates levy** from April 2002 to address the environmental costs of aggregates extraction and encourage the use of recycled materials. The revenues raised from the levy will be matched by a 0.1 percentage point cut in employers' NICs and a new Sustainability Fund aimed at delivering local environmental benefits to areas subject to the environmental costs of aggregates extraction;

- a voluntary package for reducing the environmental impact of **pesticides** which the Government would like to see implemented nationwide as soon as possible; and
- a continued policy of increasing the **landfill tax** rates for active waste by £1 a tonne each year until at least 2004.

OBJECTIVE 6: Maintaining an effective accounting and budgetary framework and promoting high standards of regularity, propriety and accountability

CSR PSA targets for 1999-2002:

(xxi) **introduce departmental resource accounts in 1999-00**

(xxii) **get Parliamentary approval to place Estimates and Appropriation Accounts on the same basis**

(xxiii) **move to a resource based budgeting system in 2000**

(xxiv) **publish whole of government accounts, subject to results of current study, for 2001-02.**

Spending Review 2000 SDA targets for 2001-04:

B2 **A measure of success will be to publish the first consolidated Central Government accounts for 2003-04.**

The pursuit of Objective 6 stems from the Treasury's obligation to Parliament to provide a framework for ensuring propriety and accountability in relation to the use of public money. To satisfy this obligation, the Treasury has a responsibility to maintain financial accounting, reporting and audit practices, which ensure sound financial planning and control, and to develop those practices to secure improvements where necessary.

This objective also contributes towards the responsibility of the Treasury, and the rest of government, for ensuring that public funds are spent in a way that achieves the best value for money.

Achievements in 2000-2001

Maintaining an effective accounting and budgetary framework

The 2000 Spending Review was the first public expenditure to be conducted on a resource basis. Resource budgeting is being introduced in two stages, with SR2000 representing Stage 1. For the Review period (2001-02 to 2003-04) the major non-cash costs – depreciation, a cost of capital charge and provisions – will be managed annually, outside the firm three year Departmental Expenditure Limits (DELs) with the intention of moving these items into DEL in the 2002 Spending Review.

The Treasury is maintaining a dialogue with departments on the development of the Stage 2 resource budgeting framework and has continued to work with departments to ensure that suitable training arrangements were in place as part of the overall implementation of Resource Accounting and Budgeting (RAB).

In line with the agreed 4-stage trigger point strategy, departmental resource accounts for 1998-99 were prepared and subject to "dry run" audit by the National Audit Office, procedures laid down for "trigger Point 3" on the resource accounting implementation timetable (PSA target xxi). These dry run accounts were made available to departmental select committees on a privileged basis. The Treasury submitted a summary and analysis of departments' action plans to address the issues raised by the audit of Trigger Point 3 accounts. All departments provided their select committees with "shadow" resource-based Estimates for 2000-01 thus completing the fourth trigger point. Resource accounts for 1999-2000 were audited and published.

On the basis of an assessment of departments' performance against the four trigger points, Parliament, through the Public Accounts Committee and the Liaison Committee (representing all departmental select committees including the Treasury Committee and the Procedure Committee), agreed to the discontinuation of the cash based system of accounting and supply from 2001-02, in line with the original timetable for the introduction of RAB. The Government Resources and Accounts (GRA) Act , giving statutory backing to RAB, was enacted in July 2000. The first set of resource based Estimates are being presented to Parliament this Spring within Departmental Reports.

In December 2000, the Treasury submitted a Memorandum to Parliament on departmental management information systems in place, their coverage, and the use and benefits of the information drawn from them. The Memorandum showed that sound systems are generally in place, or being implemented, that effective use is being made of the information drawn from them, and significant benefits are being derived.

The Financial Reporting Advisory Board (FRAB) has continued to give independent advice on central government financial reporting and accounting issues. The FRAB's 3rd report on its work was published for Parliament in July 2000. The Resource Accounting Manual (RAM) has been updated as necessary, in particular to take account of new Financial Reporting Standards.

Updated guidance on the financial reporting and accounting framework for Non-Departmental Public Bodies (NDPBs) and Trading Funds was published, including new guidance on the establishment and operation of Trading Funds.

The development of statistically-based Whole of Government Accounts (WGA) has begun with the mapping of resource accounts operating cost statements and balance sheet items to their equivalents in the National Accounts prepared by the Office for National Statistics (ONS). This has enabled balance sheet data from the dry run resource accounts prepared by departments for 1998-99 to be incorporated in the 2000 Blue Book published by ONS in August 2000. A service delivery agreement to prepare Central Government Accounts (CGA) for 2003-04 has been set.

A target was set for the publication of the first set of Generally Accepted Accounting Practice (GAAP)-based CGA which will cover 2003-04, with dry runs for 2001-02 and 2002-03. CGA will be prepared under the enabling legislation for GAAP-based WGA included in the Government Resources and Accounts Act 2000, and a Statutory Instrument listing all the bodies to be included in the 2001-02 dry run has now been published.

A Memorandum was submitted to Parliament in December 2000 summarising the progress of the WGA programme. This covered progress with the development of accrual-based accounting policies for items outside the resource accounting boundary including taxation, social security benefits and debt and reserves, as well work on the format of the accounts.

As part of the aim of developing and maintaining UK government financial management systems that are recognised as world class, the Treasury was contacted by, or played host to delegations from, many countries seeking information on various aspects of the above changes.

Promoting high standards of regularity, propriety and accountability

Corporate governance guidance was provided to departments to assist Accounting Officers in producing their statements on internal financial control. The statements were reviewed by NAO as part of the certification audit. Departments were consulted on the implications of the Turnbull report and how its principles should be incorporated into the central government sector. A timetable was agreed for the introduction of statements on internal control. Guidance was issued on the form of the statement and on introducing a strategic approach to risk management.

The Treasury provided departments with a range of guidance and advice, and consulted interested parties on a number of topics including:

- the audit implications of the modernising government agenda;
- the audit of Resource Accounting and e-Government;
- developing policy principles on audit committees;
- drafting new standards for the professional practice of internal audit in central government taking account of developments in the international standards;
- the audit of Information Systems.

Following commitments given during the passage of the GRA Bill, an independent inquiry, headed by Lord Sharman of Redlynch, was set up to examine issues of audit and accountability in central government for the 21st century. The work of Lord Sharman's inquiry was assisted by a steering group chaired by the Chief Secretary, with representatives of the Government, Parliament, accountancy standard setters and the private sector. The Treasury submitted evidence to the inquiry on behalf of Government and Lord Sharman's report was published in February 2001. Treasury work on a response to the report of the Review began immediately.

Plans for 2001-02 to 2003-04

Resource Accounting and Budgeting:

The framework for the administrative control and monitoring of public expenditure moves to a resource basis from April 2001. The Treasury will continue to work with departments to ensure an effective implementation of the resource-based framework, for example by promoting and disseminating good practice, by continuing to develop a framework for the analysis of resource-based information, and by helping to resolve residual problems in producing the new information.

The Treasury will maintain and update as necessary the financial reporting and accounting guidance for central government, taking account of the FRAB's continuing advice.

The Treasury will work with other bodies to ensure maximum convergence in accounting standards across the whole public sector.

Whole of Government Accounts

- The Treasury will complete the development of statistically-based Whole of Government Accounts (WGA) and plans to prepare dry run accounts for 2000-01. This will help us to meet the existing PSA target of publishing statistically-based WGA for 2001-02.

- In order to meet the Treasury's new SDA target of publishing GAAP-based CGA in respect of 2003-04, dry run accounts for 2001-02 and 2002-03 will be produced, and the implementation of the necessary accruals-based accounting policies in areas outside the current resource accounting boundary will be overseen. The necessary consolidation software will be implemented, and the introduction of appropriate systems and procedures in the 300 or so bodies within the scope of CGA will be coordinated, with support in terms of training and project management methodology provided as necessary.

- The Treasury will continue to work towards the overall aim of publishing GAAP-based WGA for 2005-06, in particular, playing a leading role in work aimed at achieving convergence between resource accounting policies and those applied in other key areas such as the NHS and local government.

Promoting high standards of regularity, propriety and accountability

The Treasury will provide accurate and timely advice on accountability and audit issues to departments and cross-cutting teams including those involved in the modernising government and joint working initiatives, publishing Dear Accounting Officer letters as needed to provide supplementary guidance.

Effective internal audit will be promoted and best practice spread by disseminating information to departments. The Treasury will continue to seek external advice to inform its activities and, will develop appropriate further guidance on internal audit, corporate governance and risk management, taking account of best practice in the private sector to assist the effective introduction of the statements on internal control.

The Treasury will respond to"Holding to Account" on behalf of Government after discussions with NAO and will prepare and implement an action plan and take work forward.

OBJECTIVE 7: Securing an innovative, fair dealing, competitive and efficient market in financial services, while striking the right balance with regulation in the public interest

(In August 2000, Treasury objective 7 was modified in response to the Cruickshank Report on competition in UK banking in order to reflect the importance of innovation and the need to ensure that the right balance is struck between competition and regulation.)

CSR PSA target for 1999-2002:

[xxv] complete the new regime for financial regulation under a single regulator by 2000.

Spending Review 2000 SDA targets for 2001-04:

B3 Measures of success include implementing The Financial Services and Marketing Act in 2001.

3.7.1
A modern economy depends on effective and efficient relationships between its savers and borrowers and its financial services industry, in a competitive, dynamic and innovative financial market. Consumers need the financial markets to gain access to an increasing array of investments, loans and insurance products, whilst businesses and firms use the financial markets to raise capital so that they can invest, grow and create jobs. The financial services industry is also a major employer and generator of prosperity in the UK.

3.7.2
Financial services are regulated in the public interest – for example, to provide for fair dealing and tackle financial crime; to ensure users of financial services are appropriately protected and given relevant information; and to reduce the possibility and effects of financial instability. The Treasury is responsible for the overall institutional structure of financial regulation and for the legislation which governs it. Its role also includes consideration of implications of financial services policy for the wider economy. The Treasury liaises with the financial services industry and its customers, and answers to Parliament on financial services questions. In carrying out all these roles, the Treasury works closely with the Bank of England and the Financial Services Authority.

Achievements in 2000-2001

Developing legislation for a changing financial landscape

3.7.3
During 2000-01 the Treasury:

- secured Royal Assent to the Financial Services and Markets Act.
- secured Parliamentary approval of the most important pieces of secondary legislation.
- set a target of for commencement of the new system of financial services regulation.

3.7.4
The Financial Services and Markets Act 2000 established a single regulator, the Financial Services Authority (FSA), equipped with a single set of modern flexible regulatory powers. Under the Act, the FSA will have four statutory objectives:

- market confidence;
- public awareness;
- the protection of consumers; and
- the reduction of financial crime.

It will also be under a statutory duty to regulate in ways that ensure that the benefits of its activity should exceed the resulting costs and which respect the responsibility of **senior management** in authorised firms, support **competition** and **innovation**, recognise the **international character of markets** and are **efficient and economical**.

The UK will be the first major financial centre to have a single regulator operating under a single body of law. The Act will bring mortgage products, pre-paid funeral plans, credit unions and parts of Lloyds Insurance fully into the scope of FSA regulation. It will liberalise requirements for the issue of debt securities. It will assist informal capital raising by reducing the regulatory burden on promotion of investment opportunities to business angels.

Encouraging competition in banking

3.7.6
In August 2000, the Treasury published the Government's response to the Cruickshank Report on competition in UK banking (commissioned by the Chancellor in 1998). In accepting the Report's recommendations, it announced a number of measures intended to improve competition and to deliver benefits to consumers including:

- confirming the Government's intention to legislate to open up access to payment systems and oversee access charges. A consultation document setting out the Government's proposals for legislation was published on 21 December 2000;
- a review of whether self-regulatory codes, such as the Banking Code, were delivering sufficiently strong benefits to the consumer. The Consumer Codes Review Group began its review in November 2000 and has been asked to report by April 2001;
- agreeing to a review of the effect of the Financial Services and Markets Act on competition. This will take place two years after commencement of the Act;
- introducing CAT standards for credit cards and for basic bank accounts. The Government's proposals are set out in a consultation document that was published on 30 January 2001.

Immediately following publication of the Cruickshank Report in March 2000, Government had also referred the supply of banking services to small and medium-sized enterprises to the Competition Commission. Its final report is expected in June 2001.

Working with Europe

3.7.7
Completing a genuine single market in financial services throughout the European Union represents an enormous opportunity for Europe's businesses and citizens. It is key to achieving fundamental economic reform and prosperity across Europe.

3.7.8
In July 2000, the Treasury published a strategy paper ("Completing a Dynamic Single European Financial Services Market: a Catalyst for Economic Prosperity for Citizens and Business Across the EU") setting out practical steps for the completion of a dynamic single market in financial services. The paper included a list of the Treasury's key priority measures in the EU Financial Services Action Plan and proposed bringing forward the target date for completion to 2004.

3.7.9
Ecofin asked a Committee of Wise Men to report on the way ahead in European securities legislation. Like the July 2000 strategy paper, the Committee suggests prioritising the key Action Plan measures for speedy completion. The Committee also recommended a quicker and more flexible process for producing and implementing securities legislation – to ensure the laws don't lag behind the market – as well as better co-operation, overarching principles of good regulation and a Cecchini-style report on financial services and indicators of output. The Government is hopeful that discussion at ECOFIN and Stockholm will lead to a mutually acceptable implementation of the bulk of the Committee's proposals.

3.7.10
In collaboration with the European Commission and other Member States, and in consultation with the UK based industry and the European Parliament, the Treasury in 2000-01:

- Worked for a successful outcome to discussions in the Financial Services Policy Group, comprising the personal representatives of economics/finance Ministers.
- Worked for successful outcomes to more detailed discussion of proposed directives and other action, in Brussels working groups and the Commission's Banking, Insurance and Securities advisory Committees.
- Helped to secure political agreement in Council on the proposal for a directive on money laundering and the first of two proposed amending directives on the regulation of collective investment schemes.

- Helped to secure final agreement of directives on e-money and motor insurance.
- Helped to reach a common position in Council on the Credit Institutions and Insurance Winding-up Directives.
- Kept Parliament informed by providing Explanatory Memoranda on EC proposals and documents throughout the year.

Reducing financial exclusion

3.7.11

Following a challenge from the Treasury, all the main high street banks now offer basic bank accounts that provide everyday transactions free of charge, while avoiding the risk of an unauthorized overdraft. The Treasury is currently consulting on a benchmark standard for a basic bank account and has been working with the DTI on the provision of universal banking services through Post Offices.

3.7.12

The Treasury used the Financial Services and Markets Act 2000 to give credit unions greater freedom, and to bring them within the FSA's rule making powers, which means that in future, savers will enjoy similar protection to that enjoyed by depositors in banks and building societies

Institutional Investment

3.7.13

In his March 2000 Budget speech, the Chancellor commissioned a report on institutional investment by Paul Myners. Mr Myners' report was published on 6 March and the Government is taking forward all of its recommendations. In particular, the Government:

- believes that the principles for institutional decision-making set out in the report are correct. It will consult on the precise detail of the principles before promulgating them. Pension funds and in due course other institutions should set out to their members, and publicly, where they do not comply with any of these;
- will legislate to require trustees to be familiar with the investment issues on which they are making decisions and to incorporate the principle of the US Department of Labor interpretative bulletin on shareholder activism into UK law;
- agrees that the Law Commission should be asked to examine whether legal change could clarify ownership of pension fund surpluses;
- will, following recent reductions in the main corporation tax rate, restore the differential between this rate and the rate of taxation on the withdrawal of pension fund surpluses to its original level;
- will commission a further independent review of capital and information flows regarding personal investment products.

Pensions

3.7.14

Key decisions on stakeholder pensions were announced in January 2000 - the culmination of wide consultation in 1999. From April 2001 stakeholder pensions will give up to 5 million people the option of a funded pension for the first time. Existing members of occupational schemes who are earning no more than £30,000 - around 8 million more people - will also be able to save in a stakeholder pension. This means almost 90 per cent of savers in occupational pension schemes will now qualify for stakeholder pensions.

3.7.15

The Treasury has issued plans and laid regulations for the launch of Individual Pension Accounts (IPAs - formerly called pooled pension investments) from April 2001. IPAs will be used to provide flexible, transparent and value-for-money private pensions, often as stakeholder pensions.

3.7.16

Treasury and DSS consulted jointly on the future of the Minimum Funding Requirement (MFR) for defined benefit occupational pension schemes, on which responses were received from Mr. Myners and others. This requirement has been found not to provide the perceived protection for scheme members, to distort investment decisions with adverse economic consequences and to encourage people to move away from defined benefit pension schemes. The Government will legislate to replace the MFR with a long-term scheme-specific funding standard, with additional protective measures, including a statutory duty of care for the scheme actuary, stricter rules on voluntary wind-up and extension of compensation for fraud.

Mortgages

3.7.17
The Treasury set CAT (Cost, Access, Terms) standards for mortgages that are straightforward, clear and fair, and easy to understand. This has resulted in lenders moving toward daily calculation of interest, and away from overhanging redemption charges and explicit charges for mortgage indemnity insurance.

3.7.18
Following up the decision to make some types of mortgage subject to FSA regulation, on 26 October 2000 the Treasury published a consultation document on this proposal. Mortgage regulation will not come into force until nine months after the commencement of the Financial Services and Markets Act in order to enable lenders to seek and obtain authority from the FSA to lend on mortages.

CAT standards

3.7.19
The Treasury commissioned McKinsey & Co to research the CAT standard ISA market. Their study has confirmed that CAT standard ISAs are practical, saver-friendly and enjoy investor-confidence.

3.7.20
The Treasury worked closely with the industry and others to set CAT standards for long-term care insurance products, covering the sales process, the content of the policy, disclosure of the main terms and conditions, and the service consumers can expect if they have to claim. In addition, the Treasury published a consultation document on whether the sale and marketing of long-term care insurance products should be regulated by the FSA. Proposals for CAT standards for credit cards and the basic bank account were published in February 2001.

Improving the UK capital market infrastructure

3.7.21
In 2000-01, the Treasury continued to develop the UK's financial infrastructure by:

- Completing transfer of responsibility for the Central Gilts Office from the Bank of England to CRESTCo, creating a single system for electronic settlement of trades in shares, bonds and gilts.
- Consulting on draft regulations to make electronic transfer of share, bond and gilt ownership an integral part of electronic settlement systems.
- Completing the transfer of the listing authority function of the London Stock Exchange to the FSA. This avoids potential anti-competitive effects of leaving the listing function with the demutualised London Stock Exchange.
- Ensuring the concerns of City financial institutions were taken into account in EU negotiations on the Savings Tax Directive and ensuring the debate was based on a proper understanding of the operation of the eurobond market. Over the past year there has been regular liaison with members of the London Investment Bankers Association, the International Primary Market Association, the Bank of England and the City Corporation. Dialogue continues on the detail of the Directive (see also under Objective 5, promoting a fair and efficient tax and benefit system with incentives to work, save and invest).

Maintaining financial stability

3.7.22
The Treasury chairs the monthly standing committee on financial stability, with the Bank of England and the Financial Services Authority. The roles of the three organisations are set out in a published Memorandum of Understanding (MoU). The committee's work involves consideration of topical issues relevant to UK and global financial stability, monitoring threats to the stability of the financial system, dealing with any such threats that may arise and taking action to minimise the risk and severity of future crises, in the UK or globally. During 2001-02 the Treasury will continue to work with the Bank and FSA to maintain the stability of the system.

Participating at a global level

3.7.23
As a major trading nation as well as home to the City of London the UK's economic interests are bound up with global developments, including the stability of the international financial system.

3.7.24
The Financial Stability Forum (FSF) is the international body that brings together finance ministries, financial regulators and central banks from major international financial centres. The Treasury is represented by the Managing Director of Financial Regulation and Industry. In 2000-01, the Forum published reports on highly-leveraged institutions ("hedge funds"), offshore financial centres, capital flows and on the implementation of codes and standards. These reports support the UK's strategy of encouraging a transparent, orderly and efficient global financial system.

3.7.25
During 2000-01 the Treasury also:

- Working within the Financial Action Task Force (FATF) produced a list of 15 non co-operating jurisdictions with unsatisfactory anti-money laundering systems and, in subsequent engagement with several of them, negotiated substantial improvements in their systems and practices.
- Continued to promote the City of London as an international financial centre.
- Worked with the G7, FATF, FSF and OECD to increase recognition of the need for offshore centres to match international regulatory standards and to start processes to deliver this.
- Working with the Home Office and Crown Dependencies achieved implementation of the key recommendations of the Edwards Report and a commitment from all three Crown Dependencies to maintain their financial centres in the first division of well regulated centres.
- Working with the FCO and Overseas Territories secured the production of an independent report by KPMG into the state of regulation in the Overseas Territories along with recommendations for improvements.
- With the EU, participated in discussions in the WTO on increasing market access and liberalising trade in financial services.
- In bilateral and multilateral negotiations pressed for improved trade access and market liberalisation in financial services.
- As indicated above, negotiated within the EU a new Money Laundering Directive which will improve the controls on money laundering in all Member States.
- Working with the Home Office and OGDs, followed through recommendations by the PIU on measures to tackle financial crime within the UK, including a new regime of civil forfeiture of criminal assets.

Plans for 2001-02 to 2003-04

Measures of success include implementing the Financial Services and Markets Act in 2001.

3.7.26
During 2001-2002, the Treasury will:

- secure approval of the remaining secondary legislation required for implementation of the Financial Services and Markets Act;
- commence the new system of financial services regulation;
- take forward its proposals to legislate to promote competition in payment systems, after receiving consultation responses due by March 2001;
- respond to the report of the Consumer Codes Review Group being chaired by DeAnne Julius. The aims is to ensure there are effective tools so that consumers are treated fairly and in accordance with clearly set out standards;
- take forward work on introducing CAT standards for credit cards and for basic bank accounts;
- introduce legislation in the Finance Bill to exempt IPAs from stamp duty reserve tax in respect of certain transactions. This will allow these products to compete on an equal footing with conventional private pension products;
- with DSS put forward proposals for an alternative to the Minimum Funding Requirement (MFR). Consideration will be given to the recommendations on the MFR made by Paul Myners in the course of his review of institutional investment decision making;
- work closely with the FSA to ensure that mortgage regulation is implemented as soon as possible;
- consult further on whether the Government should do more to define quality standards for retail financial products - for example, a benchmark standard for a basic bank account and a possible standard for credit cards. It will also invite feedback on other markets where benchmarks might be beneficial;
- analyse the responses to its consultation paper and consider whether the FSA should be given responsibility to regulate the selling and marketing of long-term care insurance products;

- make electronic transfer of share, bond and gilt ownership an integral part of electronic settlement systems;
- begin work on the incorporation of money market instruments into electronic settlement systems;
- work within the FATF to update the list of non co-operating jurisdictions and work with these jurisdictions to improve their anti money laundering systems significantly enough to be removed from the list;
- work with the FCO and Overseas Territories to implement within the Overseas Territories the main recommendations of the KPMG report;
- work within the FATF to update its 40 Recommendations on combating money laundering to make them more effective;
- continue to develop proposals within the context of the draft Proceeds of Crime Bill to fight financial crime in the UK.

Working with Europe

3.7.27
During 2001-2002, the Treasury, in collaboration with the European Commission and other Member States, and in consultation with UK industry and the European Parliament, will continue to press the priorities set out in the Chancellor's strategy paper on financial services published in July 2000, in particular:

- Fast-tracking priorities in the Financial Services Action Plan by:
  - bringing forward the target date for completion of the single European financial services market to 2004;
  - speeding up completion of the EU capital market – a new deadline of 2003.
- Delivering a competitive financial services market based on mutual recognition of core standards to ensure the integrity of financial markets and protection of consumers;
- A framework which recognises diversity of regulatory approaches and is responsive to market developments, and encourages co-ordination and exchange of information between supervisors;
- Developing clear indicators and measures of success – for example of the depth and liquidity of capital markets and price differentials for standard financial services products.

OBJECTIVE 8: Arranging for cost effective management of the government's debt and foreign currency reserves and the supply of notes and coins

CSR PSA targets:

(xxvi) minimise the cost of holding the Government's foreign currency reserves, while reducing risk

(xxvii) minimise the cost and risk of financing the Government's borrowing.

Spending Review 2000 SDA targets for 2001-04:

The Bank of England, as our agents, are tasked to:

C1.5 minimise the cost of holding the Government's foreign currency reserves, while reducing risk – performance will be assessed against a target of average annual cost over the preceding 3 years no greater than zero;

C1.6 minimise the cost and risk of financing the mean annual cost of net Government debt – performance will be assessed by comparing the cost to 7.2% (the average of the mean annual cost of net government debt over the last three financial years).

3.8.1
The Treasury's responsibility for the management of the Government's debt, foreign currency reserves and the supply of notes and coins is delivered through agents: the Debt Management Office, National Savings, the Bank of England and the Royal Mint.

3.8.2
Payments for the supply of gilt registration, reserves management and the cost of issuing banknotes form part of the Treasury's programme expenditure and these are covered in Chapter 7 of this report.

3.8.3
Similarly, payments to the Royal Mint for UK circulating coinage are programme payments and are covered in Chapter 6. A separate Agency of the Treasury - the UK Debt Management Office - was established in April 1998 and its expenditure is covered in Chapter 4. National Savings is a separate government department with its own expenditure provisions and is covered in Chapter 11 of this volume.

Government Debt

3.8.4
The Treasury's objective, as set out in its PSA target xxvii is to minimise the cost and risk of financing the Government's borrowing. In 2000-01 the Treasury sought to achieve this through meeting its financing requirement, broadly the sum of Central Government Net Cash Requirement and maturing debt, through sales of gilts, National Savings products and short-term debt in such a way as to minimise the longer term cost to the Exchequer, taking into account risk, while ensuring consistency with the objectives of monetary policy. The Debt Management Report 2000-01 published with the Budget papers set out remits for the Debt Management Office and National Savings to deliver this objective.

3.8.5
Rates on National Savings (NS) borrowing were set so that they provided a cost effective source of government financing, compared with gilts, whilst offering a fair deal to savers. This role was confirmed by the findings of the five-yearly review of NS conducted by the Treasury. The review recognized the importance of recent innovations in NS to making the agency more efficient and flexible. This includes the role played by outsourcing its operations. It is now better placed than ever to build on this achievement to modernise and adapt to the changing market it operates in. It now has the potential to match the best in the financial services market, providing a unique range of products for savers and investors in the very competitive savings market. In 1999-2000 NS added value of £261 million. Chapter 11 explains in more detail how this was derived.

3.8.6
The mean annual cost of government debt is measured by debt interest as a proportion of the debt stock (in nominal terms). It is a broad measure of the effectiveness of both Government policies and debt management practice in bringing down interest rates on the whole range of its debt. However, other external factors also come into play. For example, yields on new issues are influenced by world interest rates and interest on Treasury bills and other short-term debt is affected by the repo rate set by the Bank of England's Monetary Policy Committee. These will influence debt interest costs and ultimately, the mean annual cost of government debt.

3.8.7
In 2000-01, in line with Treasury PSA target xxvii, the mean annual cost of government debt was 6.81% a preliminary annualized figure based on the first 9 months of the current financial year. The main factors contributing to the increase from 6.5 per cent last year were higher global interest rates and RPI inflation (which affects the interest paid on index-linked stock). However, it should be noted that the cost has fallen by 0.6% from 1996-97 due to lower overall expectations for the future path of inflation (which affects the yield on new issues of conventional gilts). This has arisen from the introduction of the Government's framework for fiscal stability. Additionally, the granting of operational independence to the Bank of England in pursuit of an explicit inflation target has added credibility to the Government's overall objective of delivering macroeconomic stability.

3.8.8
The transfer of the government's cash management operations from the Bank of England to the DMO was successfully completed in April 2000. This completed the separation of debt and cash management from monetary policy operations. The objective of the DMO's cash management is to smooth the net daily cash flows that occur between the private sector and central government, and cash management targets are being developed. DMO decisions are taken without any knowledge of

future decisions on interest rates, and without speculating on those decisions. The DMO does not receive advance warning of market sensitive policy statements from Treasury, ONS or any other government department other than forecasts of the future pattern of cashflows. This change brings about greater transparency and openness. Debt and cash management operations are conducted with the sole aim of meeting the government's debt management objective. The operational effectiveness of the new arrangements were demonstrated in 2000 by the handling of the large 3G spectrum payments by the DMO with no perceptible impact on sterling money market rates.

Management of foreign currency reserves and borrowing

3.8.9
The Bank of England manages the foreign currency reserves, subject to an annual remit set by the Treasury. The objective is to minimise the cost of holding the Government's foreign currency reserves, while reducing risk.

3.8.10
In line with the Chancellor's policy on reserves transparency, the Treasury and the Bank produce detailed monthly publications on the UK's official reserve assets and liabilities. The annual accounts of the Exchange Equalisation Account (the Treasury account which holds the foreign currency reserves and gold) are also published.

3.8.11
Performance is measured in terms of the net cost or profit from holding the official reserves, which is the return that the Treasury earns on the reserves less the cost of funding them. The PSA target for this measure for 1999-2000 was zero. However, the net return is measured on a "marked-to-market" basis ie. including changes in the capital value of assets and liabilities as well as net interest receipts and borrowing costs, and this means that factors such as exchange rate fluctuations or changes in the gold price can create considerable "marked-to-market" profits or losses in any given year. The target reflects the expectation that if the reserves are being managed effectively then the cost averaged out over several years should be around break even. In order to reflect more clearly the year to year variability of returns, from 2000-01 the target (now set as part of the Treasury's Services Delivery Agreement) will be an annual average cost over the preceding 3 years no greater than zero.

3.8.12
There was an overall cost for 1999-2000 of £315 million, compared to a cost of £395 million in 1998-99. The loss predominantly reflected the continued decline in the price of gold and its heavy cost of carry: little interest is earned by lending gold out compared to the interest cost of financing the gold holdings. The loss on gold was compounded by losses on foreign currencies, which were largely attributable to the depreciation of the euro against sterling over the year as a whole.

3.8.13
In May 1999 the Government announced a restructuring of the United Kingdom's foreign currency and gold reserves with the aim of achieving a better balanced portfolio by increasing the proportion held in foreign currency assets. This restructuring involves a programme of gold sales through an auction programme. The proceeds from the sales are being invested in interest-bearing foreign currency assets and retained in the reserves. The Government announced its intention, over the medium term, to reduce the United Kingdom's gold holdings from 715 tonnes to around 300 tonnes. In the financial year 1999-2000 125 tonnes of gold were sold through five auctions, the Government is due to have sold another 150 tonnes in 2000-01 and has announced plans to sell a further 120 tonnes in 2001-02 to complete the gold sales programme.

3.8.14
From April 2000, the Treasury has published a monthly press notice aligned with the monthly reports on the management of the reserves published on the Bank of England's website, which follows the conventions of the G10/IMF template for international reserves management reporting. These monthly publications, together with information available in the Bank of England's Quarterly Bulletin, have made the issue of separate quarterly reports on the reserves unnecessary and those were discontinued after the last quarterly report in June 2000. The improved in-year reporting, together with the planned publication from 2000-01 of annual accounts which are drawn up on an accruals basis in line with generally accepted accounting principles, will provide a very high level of openness, transparency and accountability.

OBJECTIVE 9: Promoting international financial stability and the UK's economic interests and ideas through international co-operation as a way of increasing global prosperity including seeking to protect the most vulnerable groups

CSR PSA targets for 1999-2002:

(xxviii) make the International Finance Institutions (IFIs) more effective, transparent and accountable;

(xxix) improve the quality of surveillance of international economies;

(xxx) maintain discipline on the European Union (EU) budget, tackle waste and fraud, and maintain the UK abatement;

(xxxi) pave the way for successful and affordable enlargement of the EU;

(xxxii) ensure that the UK is ready for the introduction of the euro from 1999 and make proper preparations so as to create a genuine option of joining the single currency should the Government, Parliament and the people so decide;

(xxxiii) raise the number of heavily indebted poor countries (HIPC) receiving debt relief, as set out in the Mauritius Mandate.

Spending Review 2000 PSA targets for 2001-04

TARGET 8:

Increase the number of countries participating in the global economy on the basis of a system of internationally agreed and monitored codes and standards.

TARGET 9:

Relief of unsustainable debt by 2004 for all heavily-indebted poor countries (HIPC) committed to poverty reduction, building on the internationally agreed target that three quarters of eligible HIPCs reach decision point by end-2000. Joint target with DFID.

3.9.1
The prosperity of the UK depends to a large extent on a prosperous and stable world economy. This is evident from the scale of both UK investment abroad and overseas trade:

- measured as a percentage of GDP, the UK's stock of overseas direct investment is larger than that of any other major economy;
- the UK is the world's fifth largest exporter of goods and services, even though we have only 1 per cent of the world's population.

3.9.2
Objective 9 reflects the use of influence and persuasion to promote global prosperity. This takes the form of implementation of measures to encourage open trade and capital flows, the provision of effective methods for global crisis prevention and resolution, and the fight against financial crime, corruption and regulatory abuse. An important part of this effort involves the promotion of UK interests as a member of the European Union. To ensure a more equitable spread of global prosperity, the UK supports international efforts to promote economic development and to alleviate poverty, including through debt relief for the poorest countries.

Achievements in 2000-01 against PSA targets

(xxviii) make the International Finance Institutions (IFIs) more effective, transparent and accountable;

3.9.3
In Spring 2000 the International Financial and Monetary Committee (IMFC) agreed the establishment of an independent evaluation office to look at all aspects of the Fund's work. In September 2000 the Executive Board agreed the structure and mandate for the office which will be established in spring 2001.

3.9.4
The IMF Board agreed a one-time increase in the administrative and capital budgets for the year 2000-01 to reflect the increasing demands being placed on the Fund by its membership (enhanced surveillance, codes and standards, HIPC and the Poverty Reduction strategy). The UK is continuing to press for an external review of the Fund's budgeting procedure.

3.9.5
Drawing on the Chancellor's proposal of autumn 1998, the Financial Stability Forum (FSF) has been established to induce creditors and investors to act with greater discipline, aimed at avoiding excessive leverage and encouraging more prudent assessments of the risks associated with lending to emerging markets. The FSF brings together national authorities (from the G7, Australia, Hong Kong, Netherlands and Singapore), international regulatory bodies and the international financial institutions to promote international financial stability, improve the functioning of markets and reduce systemic risk.

3.9.6
The IMF and the World Bank must cooperate effectively to maximise the impact of their policies to reduce poverty, increase growth, and strengthen the stability of the international financial system. To be most effective, each institution needs to focus on its respective core tasks, while working together in a complementary fashion where responsibilities overlap. Progress has already been made to develop new models for cooperation, including cooperation on financial sector reform and the establishment of the Financial Sector Assessment Programme (FSAP); increased collaboration in tackling poverty and debt relief, in particular through the development of the Poverty Reduction Strategy Paper (PRSP) framework and in the implementation of the enhanced Heavily Indebted Poor Countries (HIPC) Initiative.

3.9.7
The UK has argued strongly for actions to increase Fund transparency and to improve the effectiveness of its procedures. Many reforms have been agreed. In April 2000 the IMFC welcomed a number of additional measures to improve Fund transparency. These included: the expanded publication of information on the Funds liquidity position, members' accounts with the Fund, and the Fund's quarterly financial transactions plan; the systematic publication of policy documents; and the publication of the Executive Board's work programme. In August 2000, following a successful pilot project, the Executive Board adopted a policy of voluntary publication of Article IV staff reports. The UK believes that the publication of Article IV staff reports is an important step in enhancing the transparency and credibility of IMF surveillance. The UK participated in the pilot project by authorising the publication of our 1999 Article IV report and will continue to do so.

(xxix) improve the quality of surveillance of international economies;

3.9.8
Success in making the IFIs more effective, transparent and accountable will also have benefits in terms of improving the quality of surveillance. The creation of the FSF represents a further important step. But we have also been working to deliver other specific improvements

3.9.9
Since the end of 1998 the IMF, in cooperation with the World Bank, has conducted a pilot exercise of Reports on Observance of Standards and Codes (ROSCs) which assess countries' compliance with a number of internationally agreed codes and standards. A joint Fund-Bank Financial Sector Assessment Programme is also underway and is designed to assess financial sector vulnerabilities in individual countries. The aim is to ensure systematic IMF surveillance procedures are in place to assess a broad range of countries' compliance with codes and standards. As of December 2000 a total of 83 separate assessments of standards and codes had been prepared for 32 countries. Of these, some 67 assessments had been published on the IMF website. In addition, 12 IMF member countries had participated in the joint Fund-Bank FSAP.

3.9.10
The proportion of countries releasing Public Information Notices (PINs) describing the Executive Board discussion of their Article IV consultation (essentially, an assessment of the country's economy) now stands at 81 per cent. Some 98 PINs were released in 2000, up from 88 in 1998. 47 countries have now subscribed to the IMF's Special Data Dissemination Standard (SDDS), with 37 meeting the specifications.

(xxx) maintain discipline on the European Union (EU) budget, tackle waste and fraud, and maintain the UK abatement;

3.9.11
In May 1999 the Economic and Finance Council of Ministers (ECOFIN) agreed to establish a new Fraud Office inside the European Commission. The new director would be fully independent in the performance of his duties. The European Commission have now appointed Franz Herman Breuner who took up his office on 1 March 2000 and published his first Director's report in June 2000.

3.9.12
Following the revelations which led to the resignation of the Santer Commission in 1999, Neil Kinnock, Vice President of the New Commission, under Mr Romano Prodi, has brought forward ambitious plans for the overhaul of the Commission's financial practices. When successfully implemented, these reforms should help to reduce fraud and financial irregularity significantly and, more generally, improve the value for money obtained in the EC's spending operations.

Working with other member states and with the Commission, the Treasury continues to promote the process of reform of the Commission's financial systems. The Commission's reform proposals, brought forward in early 2000, were welcomed by the UK and the Treasury has been monitoring progress and encouraging the Commission to implement the reforms, including financial management reforms, as quickly as is practicable. Work has progressed on a 'fast track' amendment to the financial regulation governing the management of the Communities' finances. This will allow an independent internal audit function to be set up in the Commission. The Commission has issued a proposal for the complete recasting of the financial regulation. Once the European Parliament and European Court of Auditors have issued opinions, the Council will start work on considering this proposal. The new anti-fraud office has issued a report of its work to date and will shortly issue a work programme setting out its priorities for the coming year.

Council and the European Parliament reached agreement on the 2001 EU budget at the Budget Council on 23 and 24 November. The 2001 EU budget will be within the financial perspective expenditure limits agreed at the Berlin European Council in March 1999. Overall in the 2001 budget, payments increase by 3.5% compared with 2000; this represents progress on the previous year: the adopted EU budget for 2000 included a 4.5% increase in payments over 1999. Council and the EP agreed to finance up to 200 meuro additional spending in Serbia from the Flexibility Instrument.

The new Own Resources Decision, which reflects the agreement reached in Berlin on 24 and 25 March 1999, was adopted by the Council of the European Union on 29 September 2000.

(xxxi) pave the way for successful and affordable enlargement of the EU;

3.9.13
The Treasury has monitored and influenced the accession negotiations with candidate countries, particularly in the negotiating chapters relating to Freedom to Provide Services, Free Movement of Capital, Taxation, Economic and Monetary Union, Financial Control, and Financial and Budgetary Provisions. Accession negotiations continue to be conducted on the basis of the Copenhagen criteria, which emphasise that candidate countries need to demonstrate that they have a functioning market economy and the ability to compete in the single market. This remains a key element in ensuring a successful enlargement.

3.9.14
The Treasury monitors economic developments in the candidate countries, and has maintained a dialogue with their economic and finance ministries, the European Commission and other member states.

3.9.15
The principle of maintaining the Financial Perspective has been upheld in all enlargement negotiations, both within the EU and with candidate countries.

(xxxii) ensure that the UK is ready for the introduction of the euro from 1999 and make proper preparations so as to create a genuine option of joining the single currency should the Government, Parliament and the people so decide;

3.9.16
The introduction of euro cash in the euro area will take place on 1 January 2002. Firms in the UK must decide how to react to this major change in the business environment. The UK Government is actively helping UK businesses prepare for this change. Key business preparations activities have therefore included publishing a suite of seventeen business-to-business case studies, responding to requests for 400,000 sets of factsheets, supporting the launch of the 3es initiative, which brings together e-business, exports and the euro, and taking forward local activities through the network of twelve Regional Euro Forums.

3.9.17
At the same time, the Government is taking forward its commitment to the 'prepare and decide' policy on possible UK entry. Through the National Changeover Plan, the Treasury's Euro Preparations Unit (EPU) is also consulting with businesses, with the public sector, and with the voluntary sector, on how the UK would make a changeover.

3.9.18
The Government has coordinated two Outline National Changeover Plans, the second of which was published in March 2000. The second Plan sets out the key planning assumptions for a possible changeover and shows that the UK has maintained a genuine option to make a decision early in the next Parliament to join a successful single currency. Consultation is continuing on key issues such as consumer protection, the likely levels of demand for services in euro by businesses, and the information requirements during a changeover.

(xxxiii) raise the number of heavily indebted poor countries (HIPC) receiving debt relief, as set out in the Mauritius Mandate (note: the aim is to get three quarters of eligible countries through the HIPC process by the end of 2000).

3.9.19
The UK was successful in obtaining international agreement to an enhanced HIPC initiative which will provide faster, wider and deeper debt relief to the poorest countries. We also managed to raise the number of countries eligible for debt relief.

Other key achievements relating to Europe for 2000-01 were:

Economic reform

3.9.20
Further progress was achieved on putting reform of product, capital and labour markets high on the EU agenda, through the peer review process agreed at the Cardiff European Council in 1998, which covers member states' programmes on structural reform, and includes examples of best practice.

The UK has worked to strengthen the Broad Economic Policy Guidelines (BEGs) as the centrepiece of economic policy co-ordination in the EU, with more emphasis being placed on monitoring policy and structural reform.

Taxation

3.9.21
The UK achieved a considerable success at the Feira European Council, in June 2000. We secured agreement that the EC directive on the Taxation of Savings should be based on UK proposals for the exchange of information. The original proposal, which included a withholding tax, would have damaged the City of London and the EU's international competitiveness. All Member States are now committed to exchange of information as the EU's long-term objective. This achievement was built upon at the November ECOFIN Council, where a wide-ranging agreement was reached on the substantial content of the proposed Directive.

The UK also made further progress on the work of the EU Code of Conduct Group. On the basis of a report to ECOFIN, the Council confirmed in November 2000 that all harmful measures under the Code of Conduct have to be rolled back by the end of 2002, and agreed on a timetable for the expiry of benefits under harmful regimes. Political agreement was also reached on a draft directive on interest and royalty payments: this will help international business by eliminating unnecessary withholding taxes on cross-border payments between associated companies.

Export Insurance

3.9.22
The Treasury has been closely involved in the recent reviews of the Export Credit Guarantee Department (ECGD), which have developed a modern and effective framework in which ECGD can pursue its aim of benefiting the UK economy. The two key parts of this are an independent review by KPMG of ECGD's risk management and turning ECGD into a Trading Fund; these will help ensure that exporters are provided with the services that they need and that the risk to the taxpayers from the business ECGD takes on is properly managed and controlled.

Reform of the global financial system

3.9.23
The Treasury worked to ensure implementation of the programme set in hand by the G7. In particular, we:

- continued to press for greater transparency in economic surveillance, including through encouraging the IMF to assess how well countries are complying with key codes and standards of good policy practice, and for the publication of this surveillance. Full transparency reports have been produced for 8 countries to date, including the UK;
- continued to work with the Department for International Development (DfID) at the World Bank and the UN to promote and advance work on the development of principles and good practices in social policy;
- continued to work for more effective involvement of private sector creditors in the prevention and resolution of financial crises. We played a leading role in developing the G7 framework for the involvement of the private sector, which was agreed at the summit at Cologne;
- we worked to reach agreement to establish the IMF's new Contingent Credit Line to help countries pursuing sound policies who are threatened by contagion.

Analysis and forecasting of the world economy

3.9.24
The Treasury produced regular reviews and analysis of the world economy, including the state of world financial markets, to support the UK's contribution to international policy fora. An important element of the work was continued analysis of the causes and implications of the economic and financial market turmoil of the past couple of years.

Plans for 2001-02 to 2003-4

Debt reduction

3.9.25
The Treasury will contribute to work on the relief of unsustainable debt for Heavily-Indebted Poor Countries committed to poverty reduction by:

- securing faster, wider and deeper debt relief for the poorest countries, through the effective implementation of the HIPC Initiative;
- working internationally to promote growth, development and poverty reduction in developing countries, in line with the International Development Targets.

World Economy

3.9.26
We will continue to pursue measures to:

- ensure, through IMF and other relevant bodies, transparent surveillance of countries' adherence to internationally-agreed codes and standards;
- to promote open trade and capital flows;
- tackling financial crime, corruption and regulatory abuses;
- to implement reforms to the international financial architecture, to enhance global crisis prevention and resolution.

Europe

3.9.27
The Treasury will:

- promote policies which increase the economic gains, and limit the budgetary consequences of EU enlargement;
- work to maintain discipline and tackle fraud on the EU Budget;
- continue to take forward business preparations for the euro by:
  - updating and redesigning the www.euro.gov.uk website;
  - promoting the existing business-to-business case studies;
  - producing and promoting up to 50 new short case studies; and
  - working with business and representative organisations to monitor and understand the growth of euro use;
- Deliver the planning remit set out in the second Outline National Changeover Plan and building on this:
  - Treasury will lead further consultation on a phased approach to a changeover, closely monitoring the experience of the euro area;
  - consultation will continue on important cross-cutting issues;
  - changeover planning is being extended to the wider public sector, including the NHS and local authorities;
  - we will review the core principles for a draft Consumer Code of Practice; and
  - we will continue to monitor the changeover in the euro area.

  Further details are available in the Treasury's fourth Report on Euro Preparations, published in November 2000.

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HM Treasury
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DEBT MANAGEMENT OFFICE

Mike Williams Chief Executive

Chapter 4: UK Debt Management Office (DMO)

Introduction

4.1.1
The UK Debt Management Office (DMO) was established as an Executive Agency of the Treasury on 1 April 1998. The DMO's aim is to carry out the Government's debt management policy of minimising its financing costs over the long term, taking account of risk, and to manage the aggregate cash needs of the Exchequer in the most cost-effective way.

4.1.2
As an Executive Agency the DMO is legally part of the Treasury, but it has substantial operational independence. Treasury Ministers set the DMO an annual remit for the finance that the Treasury needs to raise in the coming year; and for the conduct of the DMO's other operations. The DMO is then free to decide how best to meet its objectives, providing it keeps within the remit and other guidance.

4.1.3
The DMO, which currently has about 50 staff, publishes its business plan each year; this and other material can be found on its web site: **www.dmo.gov.uk.** The DMO has been given a number of strategic objectives by the Chancellor, which include advising on and meeting both its debt and cash remits; providing a high quality service to the market; and doing so efficiently and cost-effectively. These objectives are supported by a number of published targets covering compliance with the remit, the DMO's service to the market and the public, and operational efficiency. All the DMO's debt and cash transactions pass through the Debt Management Account (DMA), which is presented to Parliament separately from the DMO's administrative accounts.

Activities in 2000

4.2.1
The key event for the DMO in 2000 was the assumption of full responsibility for Exchequer cash management on 3 April 2000. This represented a significant development in the structure of the sterling money markets in London.

4.2.2
The move completed the restructuring of Government debt and cash management foreshadowed in the Chancellor's statement of 6 May 1997, in which he announced that the responsibility for the setting of official interest rates was being transferred from the Treasury to the Bank of England. As a corollary of this, the Bank's role as the Government's agent for debt and cash management and role as banker to Central Government departments was to be transferred to HM Treasury. The DMO had taken over responsibility for debt management on 1 April 1998.

4.2.3
Responsibility for cash management was transferred two years after debt management to cater for the development and introduction of new support systems. Latterly the transfer was delayed until the end of Q1 2000 to take account of the market's preference to avoid the transfer being too close to the 'lock down' period around the Millennium.

4.2.3
The features of the new regime were phased in to ensure a smooth transition to the new arrangements. The Debt Management Account, through which all the DMO's gilt and cash transactions now pass, came into operation on 15 November 1999 (dealing initially with gilt transactions only). On 14 January 2000, the DMO took over responsibility from the Bank for the conduct of weekly ('structured') Treasury bill tenders, although the Bank retained responsibility for determining the size and maturity of the tenders until the transfer of cash management was completed.

4.2.4
On 14 February 2000 the DMO began bilateral dealing with its counterparties in the money markets, in small size, with the aim of helping to balance the daily flows of cash into and out of the Exchequer accounts at the Bank of England. During this period, the Bank retained final responsibility for balancing the Exchequer flows daily. On 3 April 2000 responsibility for all Exchequer cash management transferred fully from the Bank to the DMO.

4.2.5

The DMO's major operational challenge over the past year has been to deal with the Government's sizeable cash surplus – accentuated by the proceeds from the auction of third generation mobile phone licences. The DMO liaised successfully with the Bank of England, the Radiocommunications Agency and market participants to facilitate the smooth handling of the very large cash payments made to the Exchequer following the auction. The Government's surplus had a direct impact across a range of the DMO's activities:

- a reduced need to issue gilts, at a time of strong structural demand, in particular for longer dated gilts and the implications of that for gilts market liquidity;
- management of a large and growing government cash surplus including some substantial daily cash movements;
- planning for the management of the short-term assets being acquired as part of the Government's planned reduction in net short term debt.

4.2.6

In responding to these challenges the DMO has expanded the range of its gilt market transactions to include reverse gilt auctions, as part of a strategy to buy-back some £5.0 billion debt from the market. The details of the buy-back process were the subject of market consultation. Purchases have been targeted at short to medium dated non-strippable non-benchmark gilts. The purchases added to the financing requirement and permitted greater issuance of longer-dated maturity benchmark gilts than would otherwise have been the case. Purchases have also been made through secondary (gilts) market operations.

4.2.7

The DMO also extended the range of high quality short term money market instruments in which it may transact on a bilateral basis for cash management purposes. This will also assist the management of the Government's short-term cash position which is being managed as an extension to, the DMO's daily cash management responsibilities (it is expected that the cash position will be run down over the next three financial years).

4.2.8

As part of its continuing commitment to encourage liquidity and transparency of the gilts market the DMO consulted widely in 2000 about the possible impact of electronic trading systems on the secondary market for gilts and how the DMO's relationship with the GEMMs might change as a consequence. On 23 June the DMO announced a proposal to introduce an inter-GEMM market with quote obligations in a designated set of stocks, but that it wished to consult further about the nature of the means of delivery of the market. Discussions on the means of delivery have continued with the GEMMs, and a decision is expected in Spring 2001.

4.2.9

In order to further promote transparency in the gilts market, in September 2000 the DMO also introduced a real-time benchmark gilt price screen on its wire services showing indicative mid prices for a series of gilts derived from GEMMs published quotes. The DMO has been expanding and has restructured its web site: **www.dmo.gov.uk** on which all its publications appear. New areas covering retail involvement in the gilts market, index-linked gilts and the DMO's cash management operations have been added to the site.

4.2.10

On 12 March 2001, the DMO launched a consultation exercise about the introduction of index-linked switch auctions (primarily to facilitate switching longer by index-tracking funds as index-linked gilts fall out of a relevant index).

4.2.11

The DMO's new remit for 2001-02 was published with the Budget Statement on 7 March 2001. At the same time the DMO undertook to consult the market about a possible redesign of index -linked gilts – although it does not envisage introducing any re-designed index-linked gilt before the 2002-03 financial year.

DMO: Strategic objectives

4.3.1

1. To meet the annual remit set by Treasury Ministers for the sale of gilts, with high regard to long term cost minimisation taking account of risk.

2. To offset, through its market operations, the expected outturn cash flow into or out of the NLF, on every business day; and in a cost-effective manner.
3. To advise Ministers on setting the remit to meet the Government's debt management objectives, and on any future modification to the Government's cash management objectives; and to report to Ministers on the DMO's performance against its remit, objectives and targets.

4. To develop policy on and promote advances in new instruments, issuance techniques and structural changes to the debt markets that will help to lower the cost of debt management, liaising as appropriate with the Bank of England, Financial Services Authority, London Stock Exchange, and other bodies; and to provide policy advice to Treasury Ministers and senior officials accordingly.

5. To conduct its market operations, liaising as necessary with regulatory and other bodies, with a view to maintaining orderly and efficient markets and promoting a liquid market for gilts.

6. To provide, including in liaison with the Bank of England and CrestCo, a high quality efficient service to investors in Government debt, and to deal fairly and professionally with market participants in the gilt and money markets, consistent with achieving low cost issuance.

7. To contribute to the Treasury's work on the development of the strategy for the debt portfolio.

8. To make information publicly available on the debt markets and DMO policies where that contributes through openness and predictability to efficient markets and lower costs of debt issuance.

9. To resource, staff and manage the Office to deliver its objectives effectively and efficiently and to ensure value for money in its administrative expenditure .

10. To develop appropriate management, information and control systems with high regard to risk minimisation; and to ensure full and accurate presentation of accounting and other information.

Main aims over next three years

4.3.2

Ongoing strategic priorities for DMO will be to:

(i) continue to meet the gilts remit with a high regard to long run debt interest cost minimisation;

(ii) continue to balance the NLF's cash position on a daily basis; and in a cost-effective manner;

(iii) manage the government short-term cash position cost-effectively;

(iv) assist gilts market liquidity by: developing benchmarks; responding to market needs; being transparent in the supply process; encouraging a competitive, orderly and well-regulated market in both cash and derivatives;

(v) respond to market developments and customer needs through consideration of new products, changes of techniques and development of the management of the existing portfolio;

(vi) provide a high quality and efficient service to customers – variously investors and primary dealers – and be held in high regard by them.

4.4.1
Additional information

For copies of DMO annual reports and accounts contact Gemma Duck on **020 7862 6525**.

The DMO's website, at **www.dmo.gov.uk**, includes details of the DMO's remit, current year's business plan and all the DMO's other publications.

4.5.1

DMO Performance against targets to end February 2001

1. To ensure full compliance with the Government's remit for the DMO as set out in the Debt Management Report, within the tolerances and subject to the review triggers notified separately to the Office and consistently with the objectives of monetary policy.

The DMO has complied fully with the remit for 2000-01, including the two revisions published to it on 12 June 2000 and 8 November (the Pre-Budget Report). In the June revision the volume of planned gross gilt sales was reduced from £12.2 to £10.0 billion (cash) and the medium conventional gilt auction scheduled for September 2000 was cancelled (as a result of the higher than anticipated proceeds from the mobile phone licences auction). In the November revision the volume of planned debt buybacks was increased from £3.5 to £5.0 billion. Planned gross gilt sales remained unchanged at £10.0 billion (£6.5 billion long conventional and £3.5 billion index-linked).

Six outright gilt auctions have been held to date under the 2000-01 remit – two conventional (both of the new stock $4^1/_4$% 2032) and four index-linked (of the 2013, 2016, 2020 and 2030 maturities). Gross gilt sales at the end of February 2001 were £8.1 billion (£4.6bn long conventional and £3.5bn index-linked). One long conventional outright auction remains scheduled in the 2000-01 financial year (on 28 March 2001).

The DMO launched its schedule of reverse gilt auctions – as part of the plan to buy back debt from the market to the value of £5.0 billion. A total of £4.1 billion cash has been bought back at six reverse auctions held on 20 July, 21 September, 11 October, 23 November 18 January and 22 February. In addition, £1.4 billion (cash) of gilts was bought-in through secondary market net purchases – taking the buyback total to £5.5 billion by the end of February 2001.

A series of three switch auctions have been held from 8% 2015 into $4^1/_4$% 2032 on 22 June, 27 September and 6 December. £5.0 billion nominal of 8% 2015 was switched creating £6.8 billion (nominal) of $4^1/_4$% 2032. As a result of these operations the size of the ultra-long benchmark was increased to £11.58 billion.

2. To ensure that the maximum time taken to issue the results of gilt auctions and Treasury bill tenders does not exceed 40 minutes whilst achieving complete accuracy.

This was successfully achieved. The gilt auction result release times were:

3 May: $2\frac{1}{2}$% IL 2020	26 minutes
24 May: $4\frac{1}{4}$% 2032	30 minutes
21 June: Switch auction	27 minutes
20 July: Reverse auction	37 minutes
26 July: $2\frac{1}{2}$% IL 2013	22 minutes
21 September: Reverse auction	25 minutes
27 September: Switch auction	33 minutes
11 October: Reverse auction	32 minutes
20 October: $4\frac{1}{8}$% IL 2030	26 minutes
21 November: $4\frac{1}{4}$% 2032	37 minutes
23 November: Reverse auction	25 minutes
6 December: Switch auction	29 minutes
18 January: Reverse auction	22 minutes
24 January: $2\frac{1}{2}$% IL 2016	27 minutes
22 February: Reverse auction	28 minutes

The release times for the results of the 47 structured bill tenders held during the financial year to end February ranged from 7 to 20 minutes and averaged 13 minutes.

3. To ensure that the maximum time taken to issue the results of ad hoc Treasury bill or other tenders does not exceed 15 minutes.

This was successfully achieved. The release times for the result of the 4 ad hoc and reverse repo tenders ranged from 5 to 13 minutes and averaged 8 minutes.

4. To achieve complete accuracy, within agreed accounting tolerances, in the recording and reporting of transactions through the Debt Management Account and in delivering money (and reconciling payments) to the NLF.

All transactions going through the DMA have met the required standards. NLF balances are checked and agreed with them on a daily basis.

5. To acknowledge all letters and e-mail inquiries from the public within 8 working days and for at least 95 per cent to be sent a substantive reply within 3 weeks.

This was achieved. 62 inquires were received from the public by letter and e-mail in the year to date. The longest response time was 7 working days and average response time was 2 working days.

6. To achieve less than 10 breaches of Operational market notices (excluding any breaches which the Treasury accept were beyond the control of the Office).

There was one technical breach of the gilt operational notice on 6 December 2000 when a switch auction from 8% 2015 into $4\frac{1}{4}$% 2032 was held 15 days after the outright auction of $4\frac{1}{4}$% 2032. The gilt operational notice had said that the DMO will not hold a switch auction into a stock that had been auctioned outright less than 21 days earlier. This provision had been intended to reassure the market that the DMO would not decide to announce a switch into a newly auctioned stock at short notice. This issue did not arise in this case because the DMO had announced – in the 30 September auction calendar press release – its intention to auction the 2032 stock on 21 November and switch into it on 6 December. The gilt operational notice was subsequently revised to bring the wording into line with the underlying policy intention.

7. To ensure that the qualifications that the NAO have made in respect of the Gilt-Edged Official Operations Account are satisfactorily addressed in the running and presentation of the Debt Management Account.

See response to target 4 above.

8. To ensure that the statutory constraint on DMO market borrowing (not to exceed its deposits with the NLF and Bank of England) is always met.

Achieved.

9. To ensure that, where there is a late change in the forecast, any necessary use of end of day borrowing or lending facilities is notified by the due time.

Achieved, all required notifications to the Bank of England have been made in due time.

10. To achieve a minimum of 99% (by value) successful settlement of agreed trades on the due date.

Achieved when taking account of trades which failed as a result of circumstances within (or partly within) the DMO's control. Turnover in the first three quarters of the financial year was some £324 billion. Trades totalling 0.29% of turnover (£0.945 billion) failed as a result of circumstances within (or partly within) the DMO's control. Successful settlement of trades by value over the year to end-December 2000 on this measure was therefore 99.71%.

If trades which failed as a result of circumstances **outside the DMO's control,** are included, the total of fails rises to 1.27% of total turnover (to £4.135 billion).

Chapter 5: Office of Government Commerce

Introduction

5.1
Public procurement is at the heart of delivering Government policies and providing public services. Effective procurement should deliver value for money for the taxpayer and encourage competitiveness in the market place.

In November 1998 the Paymaster General invited a review of civil procurement in central Government. In December 1998, the Chief Secretary to the Treasury became responsible for procurement matters and mounted a review of civil procurement matters in central Government. Peter Gershon undertook the review, whilst Managing Director of Marconi Electronic Systems. The review reported in April 1999 (The Gershon Report).

The report to Ministers identified a number of weaknesses in Government procurement. These related to organisation, process, people and skills, measurement and the contribution of the 'centre' of Government. The proposals for dealing with these weaknesses included the creation of a central procurement organisation called the **Office of Government Commerce (OGC)**.

The report concluded that, if implemented, these changes could deliver estimated value for money gains of £1 billion across a three year period.

The report's recommendations were accepted in full by Ministers and in recognition of the importance of effective procurement in the widest sense, the OGC was formed, on 1 April 2000, to enable and facilitate reform of commercial activities across Government. Peter Gershon was appointed Chief Executive. The OGC provides a greater sense of direction in procurement, with greater top-level management buy in, and encourages the adoption of best practice approaches in the public sector.

OGC constitution

5.2
The OGC is an office of HM Treasury and is responsible to the Chancellor of the Exchequer. In practice the Chancellor delegates these responsibilities to the Chief Secretary. From 1 April 2000, the OGC assumed responsibility for the provision of the broad range of civil purchasing and associated services previously offered by the Treasury Procurement Group, The Buying Agency (TBA), Property Advisers to the Civil Estate (PACE), the Central Computer and Telecommunications Agency (CCTA) and the policy activities of the Treasury's PFI Taskforce.

A Supervisory Board chaired by the Chief Secretary to the Treasury and constituting Permanent Secretaries from the Major central Government departments, two senior industry representatives and the Comptroller and Auditor General provides on-going top-level support and strategic direction to the OGC. During 2000-01 the OGC Supervisory Board met three times and considered a range of issues including the OGC's key delivery strategies, the Gateway Review Process and the future approach to best practice guidance. OGC is also supported by the Chief Executive's Advisory Group (CEAG). This is an advisory committee comprising senior procurement officials from each of the major departments. CEAG is chaired by the OGC Chief Executive.

Preparing for the future

5.3
A review of OGC announced in July 2000, which also encompassed the agency quinquennial reviews of CCTA and PACE, was completed in October 2000. Its recommendations have been endorsed by the OGC's Supervisory Board and agreed by Ministers and notified to Parliament in December 2000.

The objective of the review was to recommend an organisational structure which would best align OGC's resources to deliver successfully its vision and strategies. It involved an extensive consultation with departments and other customers, suppliers and other stakeholders, including staff and trade unions. The review proposed a more cohesive organisation, with a greater focus and capability for working with departments to achieve substantial value for money improvements in the Government's procurement budget.

From April 2001, OGC will incorporate PACE and a number of CCTA functions, in order to provide a more unified organisation, working to a common purpose. In addition, there will be a single trading fund, an executive agency of OGC, based on merging

TBA with the catalogue and managed services activities in CCTA. This will mean ending the executive agency status of CCTA and PACE, as well as a revised role for OGC's third executive agency, TBA, which will be renamed OGCbuying.solutions from April 2001 to reflect its focus on providing procurement services electronically to its customers.

OGC will comprise the following directorates:

i. **Corporate Services Directorate**
ii. **Customer Relations Directorate**
iii. **IT Directorate**
iv. **Policy, Practice and Legal Directorate**
v. **Property and Construction Directorate**
vi. **Supplier Relations and e-Commerce Directorate**

OGC's new agenda can only be achieved by establishing OGC as a centre of excellence. **The Corporate Services Directorate** will facilitate this by providing all the support services required by OGC. It will operate common systems, policies and processes. It will provide the means to establish OGC as a consistent and coherent body with highly skilled and motivated staff. It will provide HR, Finance, Procurement, Infrastructure, Communications and central planning and secretariat functions.

The Customer Relations Directorate will be responsible for facilitating, enabling and championing the customer's cause within OGC. The focus of CRD is working with customers and CRD's primary task will be to ensure that OGC understands its customers, both individually and as a group.

The IT Directorate will focus on addressing the successful acquisition and use of IT within Government. It will concentrate on IT procurement and lifecycle issues. It will work in co-operation with the Policy, Practice and Legal Directorate in developing guidance, which supports OGC best practice, and in ensuring that guidance responds to customer demand and is developed in conjunction with customers. It will provide added value consultancy services to departments designed to address priority issues related to the wider procurement agenda whilst at the same time managing the withdrawal from services that no longer fit the core OGC strategy.

The Policy, Practice and Legal Directorate will set the policy and associated best practice within which government procurement must operate. The directorate will keep abreast of legislation and emerging issues and initiatives and will be responsible for representing the UK in respect of the European Community and the World Trade Organisation. They will drive forward the Gateway Review process and will develop PFI /PPP policy, providing guidance, advice and support to departments.

The Property and Construction Directorate will be responsible for all construction, property and workspace matters. It will generate advice and guidance and will work closely with other parts of OGC to ensure that it can take advantage of a multi-disciplinary approach. Advice and guidance from this directorate will be consistent with that from other parts of OGC. Co-ordination of departmental property requirements will feature strongly as a facility that will generate significant value for money gains for the public purse. The directorate will provide added value consultancy services focused on the OGC agenda. This directorate will retain responsibility, inherited from PACE, to continue to manage and dispose of the government residual estate.

The Supplier Relations and e-Commerce Directorate will build relationships with the supply side with the aim of improving value for money. It will work closely with the Customer Relations Directorate so that customer needs and experience of dealing with suppliers can be used to inform thinking and actions. It will work to encourage competition and to simplify access to the government market place enabling SMEs and other companies to view government business as a viable option. It will work with departments to identify areas where aggregation of requirements would bring economies. It will champion e-procurement and e-tendering and work with departments to pilot and implement standard approaches that bring greater value to government and to the supply base.

The new structure supports a widespread desire across central civil Government for a "one-stop shop" offering consistent procurement advice and services. It addresses the deficiencies in Government procurement identified in the Gershon review and reflects the need for OGC to work with departments in assisting thern in securing value for money gains across the whole of central civil Government commercial activities.

The structure provides a more unified organisation working to a common purpose with an identifiable customer facing function charged with developing OGC's working relationship with departments. It has an identifiable supplier function to deliver on supplier related strategies including making the government market more accessible and working with departments on strategic supplier management.

The new organisation will provide value added consultancy services, including support on IT and construction projects, support on Gateway reviews (see below) and project and contract management skills gaps and leading the Government procurement community in improving the level of commercial skills.

The new structure builds on current strengths and supports capabilities to meet Ministers' and departments' requirements. It is founded on ten key delivery strategies. Existing functions and activities were reviewed against the benchmark of whether they contributed to the achievement of these strategies.

Delivering a step change – achievements during 2000-1 and plans for the future

5.4
In June 2000, OGC set out its strategic intent in a statement of vision and key delivery strategies for the medium to long term.

The OGC vision is:

To work with central civil Government as a catalyst to achieve best value for money in commercial activities.

The ten key delivery strategies are:

1. **Realise OGC's vision by establishing and continuously developing OGC as a centre of excellence, with a highly motivated staff of suitably skilled and experienced practitioners.**
2. **Help civil Government departments secure value for money through use of best practice techniques**
3. **Achieve VFM by catalysing the sharing and exchange of knowledge about Government commercial activity**
4. **Drive forward improvements in the management of large, complex and/or novel projects involving the acquisition of third party goods, works and /or services**
5. **To catalyse and facilitate commercial relationships with suppliers and partners that generate value for money**
6. **Ensure that staff in central civil departments have the professionalism and skills to meet the needs of all aspects of government commerce in the 21st century**
7. **Implement and continue to develop a process for the strategic management of key suppliers so that value for money is gained from these relationships**
8. **Achieve effective competition for Government business through simplified access to the government market place for suppliers**
9. **Realise a step change in efficiency by catalysing the use of e-procurement for government's interactions with its supply base**
10. **To support the wider public sector in the achievement of value for money**

Each of the delivery strategies is being embedded in the work of the new OGC Directorates and will be driven forward during 2001-02. The key achievements and plans are as follows:

Key Strategy	Achievements to april 2001	Looking forward
1 OGC as a Centre of Excellence	agreed indicators for how OGC can be measured as a Centre of Excellence developed corporate values covering customers, professionalism, teamwork and leadership recruited thirty five senior members of OGC	complete skills specification and training programme use 'Excellence Model' to shape and measure progress work to embed corporate values
2 Best Practice	commenced the review of scope, consistency and topicality of advice and guidance offered by constituent parts of OGC consulted with permanent Secretaries and key stakeholders to identify high value, high impact issues where advice from OGC would be welcomed produced a best practice product in the area of Why IT Projects Fail, and scoped other products in the area of Contract Management and Strategic Supplier Relationships	establish how policy development will be informed by evidence and experience develop a process governing the selection of subjects for and development of OGC Best Practice review all existing OGC business and operational guidance and to construct and implement a logical framework to house both this and future OGC guidance
3 Knowledge Management	established single OGC service desk redeveloped OGC web site and intranet scoped a framework for Knowledge Management consisting of three components: people, procedures and technology	select and implement single OGC customer support system establish integrated design for all OGC information holdings draw up a strategy for data and information governance
4 Management of Large, Complex or Novel Projects	developed, piloted and commenced roll-out Gateway process to all high risk and IT enabled projects commenced Gateway training programme	initiate process for collecting and disseminating lessons learned from Gateway reviews extend roll out of Gateway process, scaling up recruitment and training of Gateway review teams assist customers to prepare for and respond to Gateway reviews
5 Commercial Relationships	'quick wins' identified where aggregation of government requirements can lead to better value for money projects co-ordinated in the areas such as mobile telephones and hotels lessons learned exercise undertaken	complete co-ordination, roll-out and monitoring of existing projects identify new areas for collaboration implement a marketing strategy to promote arrangements
6 Commercial Skills	undertook departmental skills survey presented findings on Project and Contract Management skills presented initial proposals on framework for solutions Government Procurement Service: provided Guidance on roles, posts and competencies, developed training frameworks and are making significant progress in addressing recruitment issues	review PFI/PPP competence requirements ensure outputs from Project and Contract Management Skills report are addressed in the development of solutions develop Continuous Professional Development reporting framework for Construction and Property professionals

7 Strategic Management of Suppliers	identified and commenced dialogue at Chief Executive level with 14 Key Suppliers to government established Supply Intelligence Service let contract to gather data on project spend across government	disseminate best practice on strategic supplier and relationshiip management evaluate tools and processes for improving relationship with Key Suppliers work with departments to ensure successful completion of data gathering project
8 Government Market Place	developed Code of Good Customer Practice setting out the minimum standards Government will adopt when dealing with suppliers consulted with SMEs examined options for simplifying procurement process reviewed arrangements for the financial evaluation of suppliers	extend Code of Good Customer Practice to include expectation of suppliers pilot new approaches to simplifying procurement process received guidance for the final evaluation of suppliers' international practices which encourage competition
9 E-Procurement	awarded contract for e-tendering pilots piloted Government Supplier Information Database examined financial/economic models for e-procurement established model to measure 90% procurement target	award contract for proof of concept e-procurement pilots award of contract for full government e-tendering system implement Government Supplier Information Database disseminate best practice on e-procurement monitor progress against the 90% procurement target develop measurement tool for e-tendering target
10 Wider Public Sector	initiated dialogue with wider public sector fora established scope of sharing benefits of OGC activity commenced roll-out of Achieving Excellence Construction initiative	strengthen links with wider public sector research and identify new areas for collaboration between central civil government and the wider public sector on aggregation deals examine how the work of the Supply Intelligence Service might be available to the wider public sector

Highlights 2000-01

A major success is the introduction of the Gateway review process, which improves the management of large complex and/or novel projects through the use of independent peer reviews. Drawing on techniques that have been applied successfully in the private sector, public sector pilots identified value for money gains, which could amount to £150 million. This figure will rise substantially over the next few years as the process is fully rolled out.

OGC recently has launched a best practice product in respect of Why IT Projects Fail, which was produced in consultation with the National Audit Office, the Computer Services and Software Association and academia.

In the first year, OGC has concluded a strategic partnership with Vodafone, which will save the Government over £38 million over the next two years on mobile phone services. In addition (through OGCbuying.solutions) it has also negotiated the Watermark contract an important step forward in government water consumption which has the potential to deliver savings of 10 per cent a year , across the public sector, amounting to £30 million a year for central government alone.

A new Hotel Contract has been awarded by the Department of Social Security, which will enable Government to make further savings.

There has been significant progress in the continuing development of the Government Procurement Service (GPS):

- Guidance has been provided to Heads of Procurement / Directors of Commerce on roles, posts and competencies.
- A contract management framework for non-procurement contract managers has been developed.
- A Continuous Professional Development programme has been put in place across government for GPS staff. CIPS have accredited the programme as a model for application across the wider public sector.
- GPS Management Board established and addressing the key issues of recruitment, retention and motivation of GPS professionals in central government, to include recommendations on remuneration.
- Major success in securing Invest to Modernise funds of £355,000 for each of 2000-01 and 2001-02 to speed up the acquisition of professional qualifications. In 2000-01, 499 individual course applications were supported by 50% funding through OGC's Assisted Training Places Scheme.

Looking to the Future

Another significant achievement is launching a centre of excellence for the provision of information on suppliers and supply markets through a responsive and customer-focussed Supply Intelligence Service for Government. This service has been developed in consultation with customers and aims to develop greater corporate knowledge of the supply base and become a valuable asset to its customers.

Early next year will see the launch of two best practice products in respect of contract management and managing partnership relationships with key suppliers.

The OGC will continue to monitor, and support, the progress of government construction clients against a range of practices set out in two major initiatives.

Launched by the Chief Secretary to the Treasury in March 1999, **the Achieving Excellence initiative** continues to drive improvements in construction procurement. The initiative provides a three year programme of challenging targets for the implementation of practices such as Project Sponsor training, whole-life costing, value and risk management, integrated procurement strategies, benchmarking and partnering and aims to achieve 10% per annum savings on maintenance, refurbishment and new build.

"Achieving Sustainability in Construction Procurement " was launched by the OGC in July 2000 and set targets over three years for Central Government clients to incorporate sustainability considerations in construction procurement. The three-year programme of targets covers areas such as water and energy consumption, minimising waste in construction, minimising pollution and appointing contractors on, among other criteria, their competence and commitment regarding health and safety.

Supporting this change process will require developments by the OGC in several related areas by March 2002 such as:

- A Health and Safety Toolkit for Government Clients
- Research into Information Technology to underpin the changes
- A Benchmarking Tool to be rolled out for new build and refurbishment and further developed for maintenance
- A revision of existing Procurement Guidance documents
- A dissemination programme to support small and occasional clients and grant funding bodies including a team of Project Enablers to work with them
- A series of frameworks to meet departmental needs

The White Paper Waste **Strategy 2000** says that the Government will "pilot arrangements for a scheme under which environmental policy will require public procurement of certain recycled products, initially paper goods." The Buying Agency was asked to report on the steps needed to introduce recycled paper as the norm on value for money grounds. This report was completed and as from April 2001, the components will be in place to allow all departments to procure recycled paper and recycled paper products at competitive prices.

The OGC target in the Treasury's Public Service Agreement is to

deliver £1 billion of value for money gains in Government procurement by 2002-03. This can only be driven forward by collaborative action with departments, agencies and NDPBs. OGC has engaged in active dialogue with these stakeholders during its first year of operation and has developed and agreed, with them and the NAO, a methodology for measuring value for money gains achieved against the £1 billion target. OGC will monitor progress against this target each year.

Agency Performance

5.5

CCTA

CCTA's aim was to develop, maintain and make available expertise about Information Technology which public sector organisations would draw on in order to operate more effectively and efficiently. This work has been subsumed into the aims and objectives of the OGC with effect from 1 April 2001, at which time CCTA's executive agency status ceased. CCTA's progress in 1999-2000 and a summary of its strategy for 2000-01 are set out in CCTA's Annual Report and Accounts for 1999-2000.

Targets and expected outturn for 2000-01

Target Definition	Performance Target	Expected Outturn
Break even on accruals basis	Break even	Break even
Manage cash expenditure within agreed allocation. (£m)	37,248	37,248
Operation within CCTA Custorner Charter	90%	90%
% Reduction in cost of supporting services per £1 of salary of project staff	5% reduction in 2000-01 bid	5.1% reduction in 2000-01 bid
% of assignment/services delivered to customers' satisfaction	93%	93%

CCTA laid its accounts for 1999-2000 in Parliament in July 2000. The published accounts are available from:

The Library
Rosebery Court
St Andrews Business Park
Norwich
NR7 0HS

PACE

PACE's aim was to enable departments to achieve best overall value for money in the management and procurement of their workspace, by co-ordinating property activity and policy across central Government and supporting departments by providing advice, training and intelligent client services. It also carried out the residual function of disposing of the vacant estate. This work has been subsumed into the aims and obJectives of the OGC with effect from 1 April 2001.

Targets and expected outturn for 2000-01.

Target Definition	Target	Expected Outturn
Ratio of co-ordination savings to associated running costs	15:1	29:1
Recovery of chargeable costs	100%	86% (1)
Percentage of the CAU workplan delivered on time	96%	96%
Disposal of vacant freeholds and leaseholds	50	17 (2)
Contain expenditure and receipts within the voted provision	£53.9m + EYF (3)	£13.9m

(1) *Pace have refocussed some resources to address the integration of OGC and the new OGC agenda. This has had a consequential effect for recovery of costs*

(2) *A bulk disposal of property was deferred during 2000-01.*

(3) *EYF - End Year Flexibility*

PACE's 4th Annual Report and Accounts 1999-2000 (ISBN 0-10- 556901-1) was published on 27 July 2000 and is available from The Stationery Office (telephone 0845 7023474).

TBA

TBA is a government trading fund, financed from its income received from customers.

TBA offered four distinct services that recognised the differing needs of particular customer groups:

- **TBA Purchasing** provided tailored procurement services, individual to each customer, which optimised the benefits available from aggregated buying power. This service made extensive use of TBA's portfolio of framework agreements and call-off contracts covering more than 500,000 products and services.
- **TBA Energy** was one of the largest public sector procurers of electricity, gas, liquid fuels and other related goods and services.
- **TBA Consultants** offered a pool of procurement expertise to help customers with a broad range of procurement assignments, complimenting their in-house resources.
- **SureStock Health Services**; TBA's partnership with the Unipart Group of Companies (UGC) provided NHS Trusts with a comprehensive procurement and supply management system.

This work has been subsumed into the aims and objectives of the new executive agency of OGC, OGCbuying.solutions with effect from 1 April 2001.

Targets and expected outturn for 2000-01

Target Definition	Performance Target	Expected Outturn
Financial To generate a return on capital employed	8%	8%
Customer satisfaction To increase customer satisfaction from 70% to 75%	75%	75%
Price Index Target of five points lower than the external equivalent based on a market of top products	-5%	-5%

Figures above represent the period 1 January 2000 to March 2001.

The 1999 edition of The Buying Agency's Report and Accounts (published April 2000) is available from The Stationery Office ISBN 0-10-278999-1. Alternatively, e-mail marketing@tba.gov.uk or telephone: 0151 224 2358

ROYAL MINT

Melanie Johnson MP Economic Secretary

Chapter 6: Royal Mint

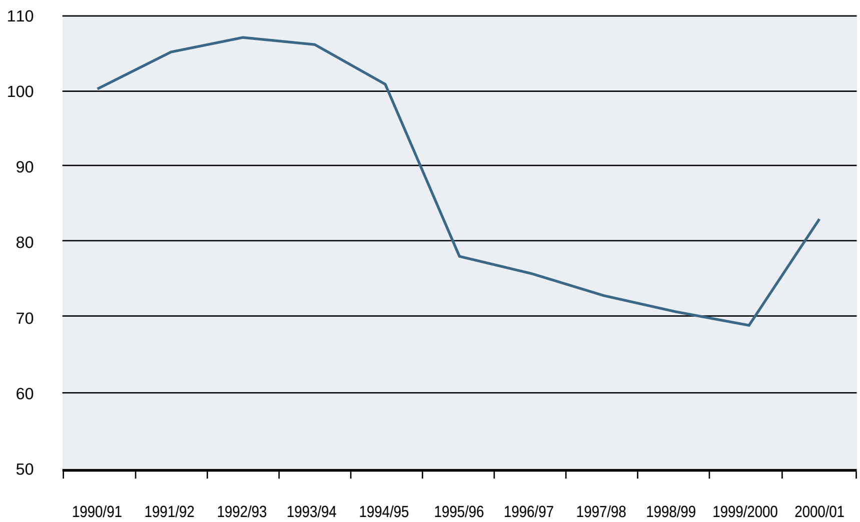
6.1
The Treasury programme includes provision for expenditure by the Treasury on the purchase of UK coins of all denominations required for issue to the general public. The Royal Mint manufactures all the coins required by the Treasury and is also responsible for distributing them on behalf of the Treasury. The Royal Mint also received a token provision through a Winter Supplementary Estimate in 2000-01 to enable the development of its commercial operations aside from the manufacture and supply of coins and medals (Class XVI, Vote 16). The Royal Mint is a Next Steps Agency and details of its performance can be found in the Royal Mint Annual Report.

6.2
Expenditure on UK coinage (see Chart 6a) depends on the number of coins required by the public, the cost of manufacturing them and on metal prices. Expenditure on UK coinage in 2000-01 will fall on Class XVI, Vote 2.

6.3
Key features of the Mint's performance in 1999-2000 are:

- sales: £95.6 million, including £52.1 million (54 per cent) in exports;
- profit: £0.7 million (modified historic cost profit - after interest);
- real return: 0.5 per cent on modified historic cost capital employed compared to a target of 14.6%. The downturn in the financial results reflected the pressures and disruption costs of the change programme, as well as the increasingly competitive nature of the overseas coinage marketplace.

Chart 6a: Real terms unit cost of UK coins (excluding metal).



6.4
The arrangements under which the UK coins are purchased was reviewed during 1994 and a substantially revised five-year contract, incorporating a significant reduction in prices paid, introduced in 1995-96. The contract basis was again reviewed during 2000 and a revised contract introduced in 2000-01. The impact of these changes is reflected in the unit cost trend at Chart 6a. The increase in the unit cost is due to a number of factors, such as, a changed price structure, which better reflects the volatility of UK annual demand and the full cost of the new £2 coin.

Public appointments

6.5

The Chief Executive of the Royal Mint is Mr R de L Holmes and a complete list of the members of the Board is included in the Royal Mint Annual Report (House of Commons Paper 590 1999/00).

Table 6a: Royal Mint senior staff salaries by band.

Salary band	Number
£40,000 - £44,999	-
£45,000 - £49,999	-
£50,000 - £54,999	3
£55,000 - £59,999	1
£60,000 - £64,999	1
£65,000 - £69,999	-
£70,000 - £74,999	-
£75,000 - £79,999	-
£80,000 - £84,999	1

Table 6b: Breakdown of forecast outturn for 2000-01 by individual function (£ thousands – inclusive of VAT).

Direct Expenditure			Grants and transfers				
Running Costs	**Other**	**Capital**	**Current**	**Capital**	**Gross Total**	**Appropriations In Aid**	**Net Total**
	38,098					**808**	**37,290**

The gross total in Table 6b is inclusive of VAT. The appropriations in aid (Table 6b and Table 6c) are net of VAT.

Table 6c: Appropriations in aid 2000-01 (£ thousands – excludes VAT).

Proceeds of metal sales from melted down coins	688
Total	688

Chapter 7: Bank of England

7.1
One of the Treasury's objectives is: "arranging for cost effective management of the government's debt and foreign currency reserves and the supply of notes and coin" (objective 8). The Treasury's budget includes expenditure on the following services provided by the Bank of England:

- The Exchange Equalisation Account including the management of the government's foreign currency debt;
- Gilt Registration.

The Bank of England also manages the production and distribution of bank notes. The value of bank notes in circulation with the public is recorded in the Issue Department balance sheet of the Bank of England. The income of the Issue Department, after deduction of the costs of bank note production and distribution, are paid to the Treasury. For the year ending 29 February 2000, the costs were £66mn and the income paid to the Treasury was £1,317mn (see page 85 of the Bank's Annual Report 2000).

Under the Bank of England Acts of 1946 and 1998 an annual payment in lieu of dividend is paid to the Treasury. For the year ending 29 February 2000 this was £70mn (see page of 62 of the Bank's Annual Report 2000). Details of the Bank's performance across its full range of functions may be found in its Annual Report and Accounts.

Exchange Equalisation Account

7.2
The Bank manages the Exchange Equalisation Account (EEA) in conjunction with the Government's foreign currency debt, consistent with the Government's policy objectives and within the scope of relevant legislation. The Bank aims to minimise the cost of holding the reserves, within risk parameters agreed with HM Treasury, in line with the Treasury's Public Service Agreement target for reserves management.

Enhancements to the management information concerning the investment of the reserves continue to be made by the Treasury and the Bank. In line with best market practice, the Bank has introduced new management information systems that enable 'Value at Risk' limits to be set. Value at Risk measures the aggregate market risk of a portfolio. Compared with simpler approaches, such as measuring exposures to parallel shifts in yield curves, it provides a more sophisticated way of gauging the effect on the value of investments of potential changes in the profile of interest rates and exchange rates. In the second half of 1999, the Treasury and the Bank began posting monthly reports on their web sites detailing developments in the UK's official reserve assets and liabilities consistent with the new IMF SDDS format, or "template", which provides greater transparency of official external finances. Since April 2000, the existing monthly and quarterly press releases have been replaced by the new template format.

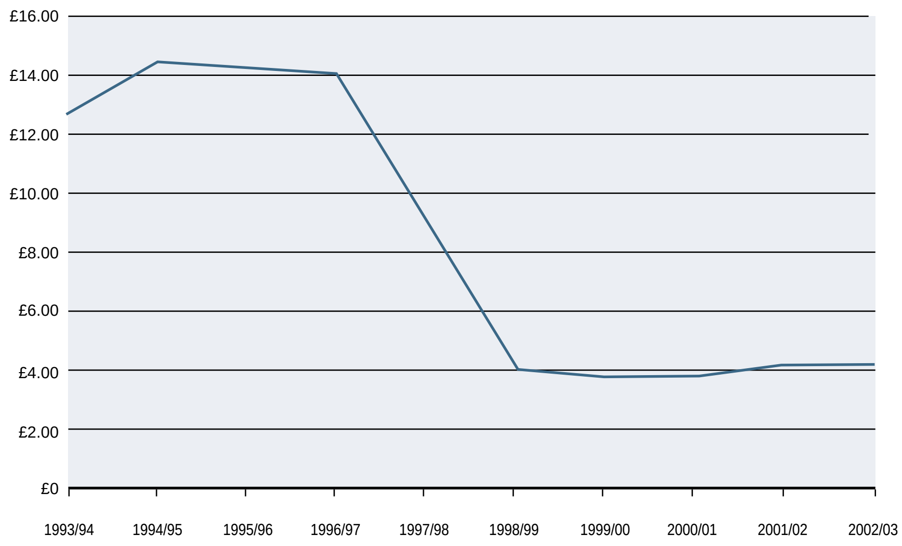
In May 1999 the Government announced a restructuring of the United Kingdom's foreign currency and gold reserves with the aim of achieving a better balanced portfolio by increasing the proportion held in foreign currency assets. This restructuring has involved a programme of gold sales through an auction process. The proceeds from the sales are being retained in the Reserves and invested in interest-bearing foreign currency assets. In the financial year 1999-2000 125 tonnes of gold were sold through five auctions, the Government is due to have sold another 150 tonnes in 2000-01 and has announced plans to sell a further 120 tonnes in 2001-02 to complete the gold sales programme .

Gilt Registration

7.3
The number of accounts on the register continues to fall, currently at about 10% per annum. Some 95% of gilts by value are now held in dematerialised form within the CREST system. However, about 88% of the individual accounts on the register continue to be held in certificated form, outside that service, but with an average account value of only a few thousand pounds.

After somewhat of a lag work levels are now declining and are doing so considerably faster than the decline in the number of accounts. Continued increases in productivity have enabled the Department to keep its running costs below its financial target of £4.30 per account. Staff numbers continue to fall and are expected to have fallen from 74 (October 2000) to 63 by the end of February 2002.

Chart 7a: Trends in unit cost of gilt registration

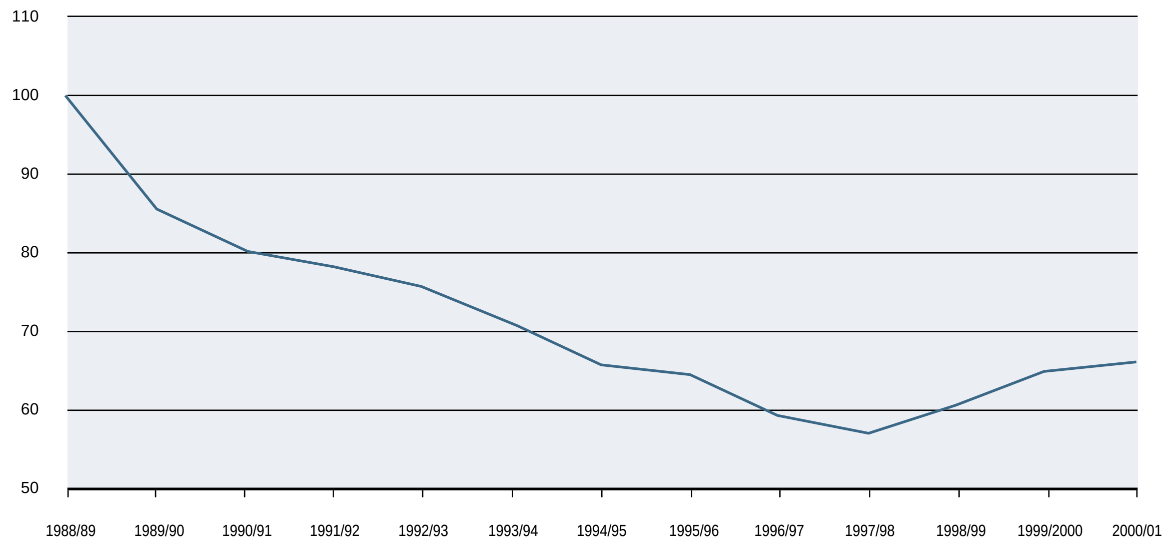


Having successfully transferred gilts settlement to CREST in July 2000, the Department is currently planning for the introduction of Electronic Transfer of Title (ETT) and Delivery versus Payment (DVP) which are expected during 2001.

Bank Note Production and Distribution

7.4
In November 2000 the Bank issued a revised version of its £10 note. The new note contains several design changes and other enhancements that were introduced with the new version £20, which was successfully launched in 1999. The key features of the new £10 are large denomination symbols, specifically to help the partially sighted, and security enhancements which include a foil hologram, a fluorescent feature only visible under ultraviolet light and microlettering, only readable under magnification.

Chart 7b: Overall costs of printing banknotes



Public appointments

7.5

The table 7a below sets out the appointments and re-appoints to the Court of Directors of the Bank of England in 2000. The process for making public appointments follows the recommendations of the Commissioner for Public Appointments.

Table 7a: Appointments and reappointments to the Court of the Bank of England.

Date	Name	Appointment	Ends
1 June 2000	Bridget Blow	Non-Executive Director	31 May 2002
1 June 2000	Sir Brian Moffat, OBE	Non-Executive Director	31 May 2003
1 June 2000	John Neill, CBE	Non-Executive Director	31 May 2003
1 June 2000	Roy Bailie, OBE	Non-Executive Director	31 May 2003
1 June 2000	Sheila McKechnie, OBE	Non-Executive Director	31 May 2003
1 June 2000	William Morris	Non-Executive Director	31 May 2003
1 June 2000	James Stretton	Non-Executive Director	31 May 2003

Bridget Blow took over the unexpired term of office of Chris Allsopp who was appointed to the Monetary Policy Committee.

Chapter 8: Parliamentary bodies, honours and dignities

8.1
The Treasury's programme contains provision for:

- four Parliamentary bodies:

  - the Commonwealth Parliamentary Association;
  - the British American Parliamentary Group;
  - the Inter-Parliamentary Group; and
  - the British-Irish Inter-Parliamentary Body;

these bodies aim to foster understanding between Members of Parliament and elected representatives of other countries;

- honours and dignities, covering the cost of:

  - salaries;
  - insignia etc for the Central Chancery of the Orders of Knighthood;
  - of annuities of UK civilian holders of the George Cross; and
  - of some ceremonial expenses.

GOVERNMENT ACTUARY'S DEPARTMENT

Chris Daykin CB Government Actuary

Chapter 9: Government Actuary's Department

Introduction

9.1
The Government Actuary's Department (GAD) is essentially an actuarial service provider. It mainly advises on the financing of social security and pension schemes, population and other statistical studies. GAD's principal customers are those government departments and public bodies which have central government policy responsibility for these matters, notably the Department of Social Security and HM Treasury but also a large number of other public sector bodies. GAD has no policy-making responsibilities of its own. It provides no services direct to members of the public, other than making available some demographic information, and has only very limited direct contact with members of the public although it does provide some service to the private sector. Its customers are essentially organisations, consisting mainly of government departments, public sector bodies and overseas governments.

Delivering better public services

9.2
In setting out its spending plans for 1999-2002 in the 1998 Comprehensive Spending Review (CSR), the Government set new priorities for public spending with significant extra resources in key services such as education and health. The Government also committed to linking this extra investment to modernisation and reform to raise standards and improve the quality of public services. The White Paper, "Public Services for the Future: Modernisation, Reform, Accountability" (Cm 4181), December 1998 and its supplement published in March 1999 (Cm 4315) delivered this commitment by publishing for the first time measurable targets (PSAs) for the full range of the Government's objectives.

A full and detailed report on all of these targets was published in the March 2000 Departmental Report.

As the Government recognised at the time of the 1998 CSR, setting targets for central Government was a process that would need to be refined over time. In the 2000 Spending Review, which set new plans for public spending for 2001 to 2004, the Government has further developed PSAs in order to prioritise the most important goals and reforms it wants to deliver. These targets are set out in the White Paper, "Spending Review 2000: Public Service Agreements 2001 - 04, (Cm4808), July 2000 and will be fully reported on in the spring 2002 Departmental Reports.

Spending Review 2000 PSA targets

9.3
GAD agreed as part of its Service Delivery Agreement (SDA) a number of targets to be achieved within the 2000 Review period, which can be summarised as follows:

Objective	Assessment Criteria
Deliver timely and accurate actuarial advice to clients.	Agree within 6 months of the start of each financial year Service Level Agreements, detailing work programmes, targets and evaluation requirements with clients. Deliver 90% of advice to agreed timetable and cost.
Improve levels of client satisfaction scores.	Achieved through issuing an annual client satisfaction survey to all major clients. Measured from a baseline of 100 (April 2000) to achieve a 5% improvement in customer service by April 2004. To achieve an internal quality control measure target of 4.5 (conducted by the Government Actuary). (See paragraph "Measuring Performance" below)
Increase the annual aggregate efficiency index each year by 1.25%	Measured from a baseline of 1 (March 1999), to achieve 6.25% improvement by March 2004 based on the following internal statistics collected each year: • annual overhead recovery rate; • average charge-out rate; • proportion of chargeable time to conditioned hours worked by staff.
Regularly review support services and activities.	As part of the 2000 Spending Review, GAD's "Better Quality Services" review covered its actuarial services, which accounts for 90% of all of the department's services. GAD will review all of its other support services and activities by March 2003.

Measuring performance

The following annual measurements are not key targets, but the data derived from these measurements form the data from which the target relating to the departmental aggregate efficiency index is derived. The data is as follows:

- the annual overhead recovery rate;
- the average charge-out rate;
- the current level of proportions of chargeable time to conditioned hours worked by staff.

The annual aggregate efficiency index target is measured based on the assumption that proportions of chargeable time remain constant, and the average charge-out rates (deflated by the increase in GDP) and recovery rates each reduce by 0.5%.

With regard to the internal quality control measure target of 4.5, the Government Actuary (GA) has introduced procedures formally to monitor the quality of actuarial advice given by GAD. This involves him seeing a cross-section of work issuing from the department (in particular formal reports and drafts going out for comments) and allocating an average internal quality assessment score (from 1-below standard to 5-excellent) based on the following criteria:

- relevance to terms of reference and client's needs;
- clarity of expression;
- compliance with professional standards;
- style and presentation;
- use of graphics (where appropriate);
- quality of recommendations given – are they clear and helpful?

Reporting on CSR PSA targets

9.4

Aim

To provide independent, professional actuarial advice of the highest quality to clients principally in the public sector at a reasonable cost.

Objectives

GAD has three key objectives:

a) To provide the actuarial advice to Government departments and other GAD clients in respect of employer-sponsored pension arrangements (particularly the main public service schemes) and other employee benefits.

b) To provide the social security projections, demographic analysis and actuarial advice necessary to underpin Ministerial decision making in social security and pension policy.

c) To provide the actuarial advice necessary for the regulation and supervision of financial institutions.

CSR PSA targets

GAD agreed a number of targets to be achieved within the three year Comprehensive Spending Review period. They can broadly be summarised into three categories:

a) External and internal quality control measures linked specifically to the objectives listed above and requiring external assessment from clients and internal assessment from the Government Actuary.

b) Efficiency targets which have no specific links to GAD's objectives but are measures to reflect how well the department is performing.

c) Efficiency measures decreed by central government that all government departments must adopt.

Departmental operations and CSR PSA productivity targets

GAD has now put into place procedures for measuring quality control. The first "Client Satisfaction Survey" was successfully completed and from the derived results, the department has now established a baseline from which to measure the results of future surveys. All efficiency measures decreed by Government that departments had to adopt were put into place and progress is being made to meet the targets set.

Table 9a below analyses progress on each of GAD's CSR targets.

Table 9a

PSA Targets	Performance Against Targets (indicators for measuring progress in italics)
Objective 1: To provide the actuarial advice to Government departments and other GAD clients in respect of employer-sponsored pension arrangements (particularly the main public service schemes) and other employee benefits.	
Agree, each year, detailed work programmes and evaluation requirements as part of the Service Level Agreements (SLAs).	*% of agreed SLAs achieved.* 57% achieved. Although a great deal of effort was put into agreeing SLAs with clients, not all were agreed. The nature, content and timing of each SLA are tailored to the requirements of the client and cannot be dictated by GAD.
By the end of the CSR period the Department will aim to achieve an increase of 5% points in the client satisfaction score for work in this area.	*Client Satisfaction Survey.* The initial client satisfaction survey was issued in November 1999 and a response was received from just under two-thirds of those clients surveyed. The responses have been summarised and a baseline figure derived from the weighted index from the survey results has been set at 100 for 1999-2000. The latest survey was issued in January 2001.
	Internal quality control measures. The Government Actuary has introduced procedures to formally monitor the quality of advice given by GAD and to provide an annual average assessment score from (1-below standard to 5-excellent). A score of 4.5 was given by the Government Actuary for GAD's performance in the financial year 1999-2000.
Objective 2: To provide the social security projections, demographic analysis and actuarial advice necessary to underpin Ministerial decision making in social security and pensions policy.	
Agree, each year, SLAs as detailing the work programme and requirements for the provision of advice in connection with the National Insurance Fund, Population Projections, advice on pensions policy and the regulation of Occupational Pension Schemes.	*% of agreed SLAs achieved.* 50% achieved – see above comment under Objective 1. *Internal quality control measures.* See above comment under Objective 1.
Objective 3: To provide the actuarial advice necessary for the regulation and supervision of financial institutions.	
Agree each year with the Financial Services Authority the key targets for quality and performance for the provision of actuarial advice necessary for the regulation and supervision of financial institutions.	*% of agreed key targets achieved.* 100% - target achieved. *Internal quality control measures.* See above comment under Objective 1.
PSA Productivity targets	
Reduce the proportion of time written off as non chargeable before billing or through invoices not being paid (from a baseline of 1.4% 1998-99) by a target of 1% each year to achieve a 3% overall reduction by 31st March 2002.	*% of chargeable time lost through being written off.* GAD managed to reduce the total amount of chargeable time written off in 1999-2000 from 1.4% to 0.89%. This represents an overall improvement of 36%, which far exceeds the original target. Since GAD operates on a repayment basis to cover its operational costs its policy is to generally invoice clients for all chargeable time carried out on their behalf.
By the 31st March 2002 achieve a reduction in overhead recovery rates of 3% (1% per year) in real terms from a baseline of 94.50%.	*Overhead recovery rate.* GAD's hourly rates are set at a level just sufficient to cover staff costs and general overhead expenditure. The overhead rate set for 1999-2000 was 93.6% which is on course to meet the overall target.
Reduce average charge-out rate by 3% (1% per year) in real terms.	*Increase in average charge out rate (in relation to GDP). (Baseline £80.45 per hour).* The average rate in 1999-2000 was £81.21+GDP. The aim of the department is to endeavour wherever possible to keep charge rates down. However it must be recognised that the overall aim is to set a charge rate which will be sufficiently high to meet the department's liabilities and so cannot always guarantee to keep rates in line with GDP indicators.

Increase the proportion of chargeable time to 80% by 31st March 2002.	*Proportion of chargeable hours to conditioned hours. (Baseline 75% 1998-99).* The proportion of chargeable hours to conditioned hours spent on chargeable references by GAD staff in 1999-2000 increased to 79%. The increased productivity was achieved by the recruitment of additional staff to meet increased client demand. (See paragraph below on Proportions of Chargeable Time).
Improving efficiency.	*Aggregate Efficiency Index. From a baseline of 1 for 1998-99 the target is to show a 0.75% each year until 31st March 2002.* The Government Actuary has derived a formula using the annual statistics reported above to give an annual efficiency index value. The index for 1999-2000 was calculated as 1.0161, which indicated a significant increase over the last year.
Other PSA targets	
Reduce the mean time overrun of cases.	*Mean time overrun derived from the Management of Business Performance (MBP) system.* *The development of software to provide this data was unsuccessful. The time and effort already expended on trying to meet this measure has proved to be non-cost effective and the measure has been dropped. (See Paragraph below on MBP systems below).
By the 31st March 2002 to have developed and introduced a competence based appraisal system.	*Progress against the implementation plan.* The development of GAD's staff appraisal system is well advanced and is currently in operation. It is also used to determine performance related pay issues. The system is currently being reviewed to address problems that have been identified.
By 31st March 2002 to have increased the average number of projects completed per member of staff (including support staff) by 1.5% per year.	*Average number of projects completed per member of staff derived from the MBP system.* Please refer to summary above marked *.
By 31st December 1999 to ensure that all IT systems are Year 2000 compliant.	*Progress against Year 2000 compliance plan.* Work was completed on time with no problems being reported.
Better Quality Services.	*% of services reviewed.* GAD has now completed a 100% review of all its services and activities as part of the 2000 spending review and a review report has since been submitted to the Economic Secretary to the Treasury.
By 31st March 2003 to have contributed to the reduction of public sector sickness rates by 20% by 2001 and by 30% by 2003.	*Sickness Rates. The baseline figure was 11.35days (for 1998-99).* In 1999-2000 the average sickness rate in GAD was reduced to 9.5days (16.3% improvement).
Submission of a Procurement Improvement Plan.	*% of recommendations the Department will adopt from the CSR review on Efficiency in Civil Government Procurement Expenditure (ECGPE).* GAD concluded that many of the recommendations in the review were not appropriate for adoption by a small spending department such as GAD. However recommendations which have been identified as having a cost effective benefit to the department have been adopted.
Prompt Payment of Bills.	*Performance %. The baseline figure was 99.4% (1998-99).* GAD's performance remains satisfactory, although in 1999-2000 had slipped marginally to 98.8%. The department continues to safeguard the public purse by rigorously scrutinising all invoices before payment is made. As a result of additional queries having to be raised with some suppliers a small number of invoices were late in being paid. (see paragraph below on prompt payment of bills).

Proportions of chargeable time.

The proportion of chargeable time is closely monitored since it is essential that it be maintained at a high level to ensure that the department is efficient and meets its income targets. However it is essential not to lose sight of the importance of maintaining adequate non-chargeable time, which includes time spent on activities such as management, training, equal opportunity policies, systems development and research. Table 9b below shows the outturn for 1999-2000, with the outturn of the previous year for comparison. The figures relate to all actuarial staff (other than the Government Actuary) and all support staff attached to the operating divisions. Chargeable hours include time spent on specified GAD core work such as demographic projections as well as on work for government departments and other clients.

Table 9b: Chargeable hours as a proportion of time worked

	1999-2000	1998-99
Managing Actuaries	.81	.80
Other Actuaries	.86	.87
Actuarial Trainees	.67	.68
Support Staff	.65	.65
All Staff	**.75**	**.75**

The Management of Business Progress System (MBP)

The MBP system is working well as a time recording and invoicing system but improvements to facilitate better management reporting are continuing. To meet the PSA requirements of monitoring the mean time overrun of cases and the average number of projects completed by staff, it was necessary to commission the development of new prototype software. Unfortunately, after incurring substantial costs on developing and trialling, the software failed to deliver the necessary data required. Management has now concluded that it is not cost effective to spend any more time or money on trying to monitor these two measures.

Prompt payment of all bills

GAD's policy is to pay all bills in accordance with contractual conditions or, where no contractual conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. GAD is fully compliant with both the CBI Prompt Payment Code and the British Standard for Achieving Good Payment Performance in Commercial Transactions. GAD has a very good track record for making prompt payment and will maintain this policy, whilst acknowledging that achieving a 100% target all the time is not realistic if proper controls are to be exercised over payment of invoices. The department's payment performance in 1999-2000 is shown in the Table 9c below:

Table 9c: Prompt payment performance

Total Invoices Received	1815
Average Clearance Time	22 days
Total Taking 30 days or less	1794
Invoices in dispute	3
Percentage cleared within 30 days	98.8%

Modernising Government Action Plans

9.5
Due to the nature, role and small size of the department, GAD is only able to make a limited contribution to the Modernising Government (MG) Agenda. Nevertheless, GAD is doing what it can to assist its client departments to achieve the Government's five MG White Paper commitments and to implement such actions as are appropriate.

Policy making

GAD is a provider of actuarial advice and has no Government policy-making responsibilities of its own. However, it does make a significant contribution to the development of policy in some areas where it provides consultancy advice to other departments, e.g. to DSS on social security and pensions policy matters, to HM Treasury on occupational pension policy for the public sector and to the Financial Services Authority (FSA) on policy relating to the regulation of insurance companies. Responsibility for providing actuarial advice relating to the regulation of UK insurance companies will transfer to the FSA in May 2001, when the FSA absorbs in-house the present GAD actuarial function of UK insurance supervision. It is anticipated, however, that GAD will continue to provide some high level actuarial advice, when requested by FSA, as a supplement to their internal actuarial resources.

Responsive public services

GAD is committed to the Government's principles for responsive public services in its dealings with customers and in its limited contact with members of the public. GAD has responded to public demand for rapid access to demographic information by publishing the latest population projections on its web-site on the day that they were released. As previously mentioned in its PSA, the department has completed and analysed the results of its first customer satisfaction survey and is engaged on an on-going basis agreeing Service Level Agreements with clients, which are defined to meet their needs. Activities with the private sector are very limited and mainly involve giving advice on the pensions aspects of contracting out services to private sector suppliers. The department also offers a service to potential private sector contractors by providing a "passport certificate" indicating broad equivalence to the public service pension scheme of pension arrangements to be offered to transferring employees in respect of their future service. GAD also responds to requests from a number of governments of overseas countries for advice in all our core areas of expertise, but especially relating to social security and pensions matters.

Quality public services

GAD's PSA is monitored by HM Treasury to ensure that the department keeps on course and meets its performance measures and targets. These measures and targets are incorporated into the department's Business Plan and cascaded down into performance agreements for individual members of staff. The department also continues to review the services it buys in as part of the Government's "Better Quality Services" (BQS) programme. With regard to market testing, GAD's actuarial services are already subject to competitive market testing by our principal departmental and public sector clients. The department has already contracted out the majority of its support specialist services such as Internal Audit, recruitment of professional grades, training, printing and design of publications, IT management consultancy, payroll, some actuarial work and most recently the residual element of its staff pensions administration work.

Information Age government

GAD continues to support business links and data sharing between the department and other government departments. The establishment of a GAD website allows the department to promote its services to existing and potential clients .The department also encourages the use of electronic communications in its dealings with clients. GAD has already begun to exploit the web to disseminate information to its clients and other interested parties. In particular, in the publication of the official National Population Projections, in association with the Office of National Statistics (ONS).

Public service

9.6

Civil Service reform

GAD is a very small department with approximately 100 staff. The majority of the staff are in actuarial grades, which are not found elsewhere in the Civil Service, and all its senior staff, including the Head of Department (the Government Actuary) are in those grades and are not part of the Senior Civil Service (SCS). GAD has undertaken the following:

- **Better Business Planning –** In its planning process GAD sets out its bold aspirations and long-term targets in a 5-year Strategic Plan. Corporate short term targets are set in measurable form in respect of operational Directorates in an annual business plan for the coming financial year, which is published to all GAD staff in March, just before the start of the relevant year. These Directorate targets are then cascaded and incorporated into the annual Performance Agreements of individual staff, who are then personally accountable for their delivery. Progress against targets is monitored on a regular basis and reviewed annually as part of the Performance Management process.
- **Sharper performance management** – A new Performance Management and Pay System has been introduced with an objective and competence (or standard) based Appraisal System. The Pay system is merit-based, fair and transparent and incorporates a moderating relative assessment procedure.
- **Maintenance of Investors in People (IiP) accreditation** – GAD was awarded full IiP recognition with effect from January 2000 and training and development strategy programmes are in place to support increased management capability, skills development and opportunities to gain marketable qualifications at all levels. GAD's long standing comprehensive training policy has been expanded to incorporate the enhancement of all GAD's staff skills.
- **Diversity / Equal Opportunity** – GAD is committed to achieving Diversity Targets and to reviewing all its Equal Opportunities/diversity policies and practices over the next year to examine areas of potential for the promotion of Positive Diversity Policies. GAD has actively promoted and supports the Civil Service Vision and Values Statement.

- **Bringing in and bringing on talent** – GAD already meets the main elements of this requirement. The nature of GAD's operation has meant that we already have a high level of interchange with the private sector in the case of qualified actuaries who have enjoyed a career in the private sector prior to joining GAD. With regard to GAD's non-actuarial staff, whose grade levels correspond with those elsewhere in the Civil Service, the new Pay and Grading system provides for development and promotion in post for the better performers. GAD also provides promotion and development opportunities for its own staff and staff from the rest of the Civil Service through the current Inter- Departmental Trawling arrangements.

Investment

9.7
Annual capital expenditure within GAD is expected to remain constant at just over £0.2m, mainly for replacing and maintaining PC's and associated systems.

Procedures and systems

Investment appraisals are carried out to evaluate projects under consideration and to determine value for money. Post-implementation reviews are being instigated to ensure that lessons are learned where appropriate. The rolling programme of replacement is formulated as part of the business plan for a forward period of three years in order that expenditure may be effectively planned.

Private finance or public / private partnerships

No opportunities for the use of Public Private Partnerships have been identified to date but this will be given consideration if an opportunity should arise. Under the aegis of the Better Quality Services indicator, GAD already contracts many of its support services to the private sector, and will continue to work closely with the private sector in this respect.

Recruitment, Equal Opportunities

9.8
All appropriate systems, records and controls are in place to ensure that any recruitment which takes place within GAD is carried out on the basis of fair and open competition and selection on merit, and in accordance with the Recruitment Code laid down by the Civil Service Commissioners. The department contracts out to Capita (RAS) its recruitment of qualified and graduate trainee actuaries, whilst the majority of non-actuarial posts are filled by a combination of internal promotion, advertising through job centres and interdepartmental trawl notices. The department now has the necessary facilities to allow wheelchair-bound disabled people the opportunity to apply for posts in GAD.

Senior Civil Service salaries

9.9
Senior actuarial staff are not part of the Senior Civil Service (SCS) and, whilst their salaries are not decided by the Senior Staff Review Body (SSRB), their salary increases are informed by the increases awarded to the SCS by the SSRB. There are currently 12 staff at this level (reducing to 8 from 27 April 2001 after the transfer of C Directorate to the FSA). The distribution of salaries of these staff as at 1st December 2000 was as shown in the table 9d below.

Table 9d: Senior Civil Service salaries

Band			Numbers in Band
£80,000	-	£84,999	3
£85,000	-	£89,999	2
£90,000	-	£94,999	2
£95,000	-	£100,000	1
£100,000	-	£104,999	-
£105,000	-	£109,999	-
£110,000	-	£114,999	1
£115,000	-	£119,999	2
£120,000	-	£124,999	-
£125,000	-	£129,999	-
£130,000	-	£134,999	-
£135,000	-	£139,999	-
£140,000	-	£144,999	-
£145,000	-	£149,999	1

Environment

9.10

Wherever possible GAD continues to adopt and develop environmentally friendly practices. The department participates in the collection of paper, aluminium cans and printing materials for recycling. The lighting is energy efficient throughout the occupied premises, and toilet facilities are sensor activated. The department closely reviews its use of paper and keeps waste to a minimum by encouraging double sided printing and copying.

Bibliography

Further information on the department is contained in the following publications, which can be obtained from GAD:

Annual Report 1999-2000;

Corporate Brochure;

Service Delivery Agreement.

NATIONAL INVESTMENT AND LOANS OFFICE

Ian Peattie Director

Chapter 10: National Investment and Loans Office

Aims, objectives and responsibilities

10.1

The National Investment and Loans Office (NILO) is a small department with an establishment of 33 staff. It operates through three statutory arms: the National Debt Office (NDO), the Public Works Loan Board (PWLB) and the Office of HM Paymaster General (OPG). NILO has no policy-making responsibilities, its sole function being to provide financial services to public sector bodies. Its basic activities tend to vary little from year to year.

NILO

10.1.1

The common overall aim of the statutory bodies is to contribute to securing high quality public services through the delivery of financial services to government and other public sector customers. NILO's internal objective is to provide the NDO, PWLB and OPG with the resources to enable them to carry out their functions, to recover all expenses through fees and charges, and to achieve a continuing reduction in costs in real terms. This objective is on target to be met during 2000-01.

During the year NILO's systems were successfully adapted to be Y2K compliant. Also during the year Parliament reported on the work of NILO.

NDO

10.1.2

NDO's objective is to safeguard public funds by providing an investment management service. Currently NDO manages 11 public funds with a total asset value of over £24bn. Funds managed include the National Insurance Fund, the National Lottery Distribution Fund, the Court Funds Investment Account and the National Savings Bank Fund. The service to be delivered to clients is set out in Memoranda of Agreement. NDO's targets are to:

- maintain asset values;
- cover the liabilities to client funds;
- meet clients' cash requirements;
- achieve full investment of funds deposited.

To date all targets have been fully met during 2000-01.

PWLB

10.1.3

The PWLB is an independent statutory body, consisting of twelve unpaid Commissioners, who are appointed by the Crown, with a small secretariat. Its function is to make loans from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments. Its responsibilities include ensuring that loans are made correctly and according to published arrangements. PWLB contributes to the wider objective of Government of the prudent management of expenditure by:

- minimising local authorities' loan charges;
- meeting the bulk of the long-term borrowing needs of local authorities;
- making available loans not provided elsewhere, where appropriate.

Loans are made at rates determined by HM Treasury close to but just above the cost of Government borrowing. This represents a saving of at least 1/4% compared with the rates in the money market. Fees charged by the PWLB are typically about only 15% of the equivalent fees charged in the market. In addition, the PWLB assists borrowers by lending for periods of up to 25 years whereas the market rarely makes loans for more than 10 years.

PWLB's activities are reported annually to Parliament.

OPG

10.1.4
OPG is effectively the Government's internal clearing bank. It is responsible for safeguarding the funds of some 750 Departments and other public bodies by holding them in the Paymaster General's accounts at the Bank of England. It also provides market sensitive information to HM Treasury on flows of payments and receipts required for controlling public expenditure, and provides the full range of banking services to its customers through Service Level Agreements. OPG's services encourage departments and other public bodies to retain funds within the Exchequer Pyramid, where OPG balances are typically between £10bn and £30bn during the year. OPG carries out some 33 million payment transactions (including receipts) each year on behalf of its customers, worth around £700bn per year.

OPG's objective is to safeguard public funds by providing a banking service. Its targets are to:

- maintain the number of its customers;
- increase value for money;
- to increase the range and use of its facilities.

OPG's account maintenance, transaction processing and electronic banking activities are carried out by contractors or the Bank of England. OPG is responsible for managing these supply arrangements and is itself responsible for the supply of banking services and information to its customers, including HM Treasury, on repayment terms through Service Level Agreements. OPG has held its prices since 1996-97, giving a real decrease to date of 9%, an average of 2.5% per year.

OPG continues to develop new or improved services. In 2000-01 it introduced:

- Local Receipts and Counter Services - A UK-wide network allowing customers to pay cheques and cash directly into their OPG account and withdraw cash, and providing 3-day value for receipts;
- Electronic CHAPS Payments - Allows customers to make urgent payments to predesignated accounts electronically from their desk;
- Standing Orders - Allows regular fixed payments, via BACS to accounts outside the OPG network;
- Direct Debits - allows direct debiting from commercial accounts into OPG accounts.

Running costs, staffing and capital

Running costs and staffing

10.2.1
Tables 10a and 10b show the running costs and staffing resources allocated to NILO. Expenditure in 2000-01 will fall on Class XVI Vote 11 and is entirely for salaries and other running costs of the Department. This expenditure is largely offset by income from PWLB fees on loan advances, charges by NDO in respect of the funds it manages and fees from OPG customers. All of NILO's expenditure is allocated to the South East Planning region and represents voted spending within the control total.

Table 10a: Running costs (£ million)

	1993-94 Outturn	1994-95 Outturn	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-00 Estimated	2000-01 Plans Outturn	2001-02 Plans
NILO runningcosts gross	1.6	1.6	1.6	1.6	1.5	1.5	1.6	1.6	1.7
(of which pay bill)	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)	1.1)			
NILO receipts	1.4	1.4	1.4	1.4	1.3	1.3	1.4	1.4	1.5
Net cost	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

Table 10b: Staffing

	1993-94 Outturn	1994-95 Outturn	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-00 Estimated Outturn	2000-01 Plans	2001-02 Plans
	38	36	34.7	32.4	36.8	36.0	33.8	33.0	33.0

NILO has only one member of the Senior Civil Service who is in the pay band £60,000-£64,999.

Table 10c: Breakdown of forecast outturn for 1999-00 (£ million)

Direct Expenditure			Grants and Transfers				
Running Costs	Other Current	Capital	Current	Capital	Gross Total	Appropriations in Aid	Net Total
1.5	4.3	-	-	-	5.8	5.5	0.3

Table 10d: Forecast appropriations in aid (£ million)

1999 -00	2000-01	2001-02
5.5	5.6	5.7

Table 10e: Detailed analysis of consolidated fund extra receipts (£ million)

	1993-94 Outturn	1994-95 Outturn	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Estimated Outturn	1999-00 Plans	2000-01 Plans	2001-02 Plans
I	0.6	0.6	1.0	1.1	0.5	-	-	-	-
II	0.1	0.2	0.2	0.1	0.3	0.1	-	-	-
Total	**0.7**	**0.8**	**1.2**	**1.2**	**0.8**	**0.1**	**-**	**-**	**-**

I Receipts of classes authorised to be used as appropriations in aid (almost entirely surplus fees for the advance of loans by the PWLB).

II Receipts of other classes (almost entirely bank interest).

Investment and asset management

10.2.2

Capital assets consist of computer systems, software licences, personal computers and general office furniture, currently valued at approximately £113,000.

Electronic government

10.3.1
The main thrust of NILO's e-business strategy is to reduce the use of paper in its internal and external processes and to streamline the interfaces between NILO, its customers and its strategic partners. As a first step in implementing this strategy, a website with links to sites for NDO, OPG and PWLB has been developed, and became operational in January 2001.

Management of the Department

Performance in Paying Bills

10.4.1
NILO complies with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS7890). At the time of reporting all invoices received in 2000-01 had been paid in accordance with the Standard. The Department's policy is to pay bills in line with contract conditions or, where no such conditions exist, within 10 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later.

Environmental Policies

10.4.2
NILO operates schemes for recycling waste materials, in liaison with its landlord Department, HM Treasury.

Diversity

10.4.3
NILO is an equal opportunities employer but as the Office is small with low staff turnover, there is no realistic way of setting practicable targets in relation to diversity.

Investors in People

10.4.4
NILO is committed to gaining Investors in People accreditation and during 2000-01 much work was carried out to put in place systems to ensure that a culture of continuous improvement is created within the Department.

10.4.5 Recruitment

As a very small department, NILO does not recruit regularly, but systems are in place to ensure that recruitment is carried out on the basis of fair and open competition and that selection is on merit as well in accordance with the recruitment code laid down by the Civil Service Commissioners. The systems are monitored to ensure that the requirements of the recruitment code are met. An audit of these systems was carried out in December 2000.

During 1999-2000, one new permanent member af staff at Grade 7 level was recruited and there were no permitted exceptions during the year to the principles of fair and open competition.

Public appointments

10.4.6.
The Public Works Loan Commissioners holding office during 2000-01 were:

Original appointment began		Current appointment ends
	Chairman	
1994	A.D.LOEHNIS,CMG Director, St James's Place Capital plc; Former Director, SG Warburg Group plc; Former Executive Director, Bank of England.	2002
	Deputy Chairman	
1978	Miss V. J. DI PALMA, OBE Director, Mobile Training Limited; President, The Association of Chartered Certified Accountants 1980-81.	2002
1995	THE BARONESS NOAKES Partner, KPMG; Non-Executive Director, Bank of England; President, Institute of Chartered Accountants in England and Wales 1999-2000	2003
1996	MRS. R. V. HALE Director, Rita Hale & Associates Ltd; Former Head of Local Government Division, Chartered Institute of Public Finance and Accountancy.	2004
1996	J. A. PARKES, CBE Former Chief Executive, Humberside County Council; President, The Society of County Treasurers 1987-88.	2004
1996	J. ANDREWS Director of Finance, Glasgow City Council.	2001
1997	T. W. FELLOWS Former Deputy Chairman, Gerrard & National Holdings plc; Chairman, London Discount Market Association 1995-97.	2001
1997	B. M. TANNER, CBE DL Former Chief Executive, Somerset County Council; President, Society of County Treasurers 1989-90.	2001
1997	MRS. R. TERRY Director, HACAS Exchequer Services Limited; Former Partner, Touche Ross & Co.	2003
1998	D. W. MIDGLEY Chairman, North East Chamber of Commerce; Former Chief Executive, Newcastle Building Society.	2002
1999	L. M. NIPPERS Director of Finance and Central Services, Newport County Borough Council;	2003
2000	MRS. S. WOODS Director of Finance, Birmingham City Council;	2004

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National Investment and Loans Office: Resource Accounts 1999-2000 (HC 798; 22 November 2000; ISBN 0-10-557022-2)

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NATIONAL SAVINGS

Peter Bareau Chief Executive

Chapter 11: National Savings

National Savings is the specialist provider of Government debt to the retail financial market. Its role is to help reduce the cost to the taxpayer of Government borrowing now and in the future and it does this by managing the issue and distribution of National Savings products which must compete with other customer offers. The financing task for National Savings is set a year at a time in the form of a remit agreed with the Treasury. The Economic Secretary to the Treasury has ministerial responsibility for National Savings which became an Executive Agency of the Chancellor of the Exchequer on 1 July 1996 and was re-confirmed as such following a recent five yearly review.

Delivering better public services: progress

11.1.1

In setting out its spending plans for 1999-2002 in the Comprehensive Spending Review (CSR), the Government set new priorities for public spending with significant extra resources in key services such as education and health. The Government also committed to linking this extra investment to modernisation and reform to raise standards and improve the quality of public services. The White Paper "Public Services for the Future: Modernisation, Reform, Accountability" (Cm 4181), December 1998 and its supplement published in March 1999 (Cm 4315) delivered this commitment by publishing for the first time measurable targets (PSAs) for the full range of the Government's objectives. A full and detailed report on all of these targets was published in the March 2000 Departmental Reports.

As the Government recognised at the time of the 1998 CSR, setting targets for central Government was a process that would need to be refined over time. In the 2000 Spending Review, which sets new plans for public spending for 2001 to 2004, the Government has further developed PSAs in order to prioritise the most important goals and reforms it wants to deliver. These targets are set out in the White Paper, "Spending Review 2000: Public Service Agreements 2001-04", (Cm 4808), July 2000 and will be fully reported on in the Spring 2002 departmental reports.

The White Paper "Modernising Government", published in March 1999 is a statement of the Government's vision for reform and modernisation of the delivery of public services. These principles provide a means of achieving the results of the PSA targets.

National Savings faces challenges on two main fronts:

- increasing competition in the retail savings market with aggressive new entrants supported by strong branding, and existing traditional players responding by enhancing their product offerings - with all players strongly competing on product, place, promotion and pricing incentives;
- trying to market savings and investment products against a background of low nominal and real interest rates and during a period where the Government is forecasting reductions in its net cash funding requirements.

As a player within retail financial services holding about 10% of the low risk savings market, National Savings key objectives are to improve the competitiveness of the overall offer to customers (without distorting the market) in a cost effective manner, ensure customer service levels are at or near "best in class" standards, and to develop a flexible and responsive business to deliver on a range of net financing requirements the Treasury needs both now and in the future. These are in addition to the responsibilities and obligations demanded as a public sector organisation.

National Savings does not seek to target increasing market share or maximising gross sales, but to take a structured and focused approach which will allow its primary remit - the raising of funds cost effectively - to be met.

This means that a responsible attitude to managing the present stock levels of £63bn is undertaken and by exemplifying best practice in choice, transparency, and competition in the retail savings market. This will be achieved via the provision of a range of products, which savers and investors can select to complement their asset portfolio.

One of National Savings overarching measures of performance for the coming year will continue to be the net value (or "value added") National Savings adds to debt management.

Value added compares the cost to the Government of raising funds through National Savings with the cost of funding an equivalent amount through the wholesale markets by selling gilts. This figure is derived by deducting from the wholesale cost the interest we pay to customers, the value of tax foregone on our tax-free products and the operating costs of National Savings. The value added created each year will vary depending on market and interest rate conditions at the time.

For the 1999-2000 financial year, National Savings added value of about £260m compared with £189m the previous year. This means that the overall cost of Government borrowing has been reduced by that amount to the taxpayer and releases resources for Government priorities.

For 1999-2000, National Savings achieved gross sales and receipts totalling £8.7bn and managed maturities and repayments of £11.2bn. Taking further account of accrued interest, the net contribution toward the Government's net cash requirement was -£1bn; consistent with the Government's financing requirements. National Savings total customer investments at £63bn represent 17% of national debt.

For 2000-01, National Savings is on track to deliver a contribution to the Government's net cash requirement within the range agreed by the Economic Secretary to the Treasury (EST) of a funding contribution between £0.2bn and -£1.8bn.

Added value is forecast to be at least £115m as agreed by the EST, lower than previous years and cognisant of the present low interest environment as previously commented.

The net operating cost of National Savings for 1999-2000 was about £180m, broadly in line with the previous year.

The average cost of National Savings products for the year will be within a reasonable range of the yield on equivalent gilts.

Spending Review 2000 PSA targets

11.2.1

National Savings aim is to help reduce the cost to the taxpayer of Government borrowing now and in the future.
The objectives are:

- provide retail funds for the Government that are cost effective in relation to funds raised on the wholesale market;
- improve competitiveness of the overall offer to customers;
- ensure levels of customer service which meet standards of best practice in the retail financial services sector;
- to develop a more flexible and responsive business that can deliver a range of net financing requirements to the Treasury.

National Savings' Service Delivery Agreement (SDA) targets under the above are as follows:

Objective 1. To deliver an agreed amount of added value and an agreed level of net financing
Target • Targets for these will be agreed annually with the Treasury before the start of the financial year.

Objective 2. To raise customer service levels and establish appropriate benchmarks
Target • Measured annual improvements in comparative benchmarked levels of service.
• Improve specified timeliness targets by an average of 5% per year through to 2004.

Objective 3. To improve availability of customer access
Target • Milestone - 31/12/01 implement 24/7/365 telephony
• Milestone - 31/12/02 implement electronic transaction option for all investment products.

Objective 4. Continuous improvements in quality and efficiency
• Efficiency milestones set annually by Ministers.

The above will be benchmarked to ensure standards are at least as good as industry averages.
All the time, the above will be undertaken whilst maintaining and enhancing the long term value of National Savings.
Progress on these targets will be fully reported on in the Spring 2002 reports.

CSR PSA targets (position to 00-01)

11.3.1

From April 1st 1999, National Savings outsourced its entire operational service business under a ten year contract to Siemens Business Services (SBS). This involved the transfer of some 4,000 staff to the private sector from that date, who would provide the operational service to process transactions and deal with customers. This PFI contract enables the modernisation of the operations business; allowing quality improvements, an increased range of appropriate services available to customers in a more timely manner, reducing costs over the life of the contract, the transfer of operational risk, and better prospects for the transferred staff.

This left approximately 130 staff within the public sector who would be responsible for the design, management and marketing of products and liaison with Treasury on annual financing requirements.

This means that PSAs 3 to 6 inclusive below, being of an operational service performance nature, are undertaken by SBS (as far as the consumer is concerned, there has been no perceived change as all transactions are effected under the National Savings brand).

Operational service performance is managed jointly by SBS and National Savings via a joint governance structure for the contract. Key to this are 42 key performance indicators (KPI's) spread across eight areas of operational services designed to measure accuracy, timeliness and quality of service to customers. Breach of, or poor performance against a KPI could lead to the imposition of penalty payments, with continued defaults potentially resulting in termination of the contract.

Contractual commitments to improving service at lower costs have also been arranged with National Savings' other primary supplier - Post Office Counters Limited (POCL). These take the form of agreed performance measures and KPIs monitoring accuracy, timeliness, and quality.

National Savings' Executive Committee review the programme monthly and the Management Board quarterly. All targets are audited by Deloitte and Touche, contracted as internal auditors.

It is pleasing to report that all quality standards (timeliness, accuracy, service) have all improved under the contract against pre April 1st 1999 results.

Departmental Objective	PSA target	Performance indicator	Performance out-turn
1 average cost of NS products should lie within a reasonable range of the yield on equivalent gilts	average cost should lie within a reasonable range of equivalent gilts yield	average cost of NS products compared to the yield on equivalent gilts	slightly less thus creating value for the taxpayer by minimising the cost of debt interest
2 promote Government savings policies amongst personal investors	prepare and operate a mini cash ISA meeting Government CAT standards	% of ISA transactions meeting CAT standards	mini cash ISA introduced April 1999 7 new / enhanced product offerings made to customers
3 accuracy and timeliness of customer transactions	% of customer transactions meeting accuracy targets	97% of customer transactions to be 100% accurate and settled within timescales	99.5% accuracy 99.3% timeliness (both unweighted averages of main KPI's)
4 improve operational efficiency	cost of customer transactions	to implement new productivity measure following outsourcing exercise	productivity measures completed and first Performance Report audited internally by Deloitte and Touche May 2000
5 and 6 improve accuracy of customer transactions and reduce transaction times over three years		97% of customer transactions to be 100% accurate and settled within timescales	99.5% accuracy 99.3% timeliness Tighter timescales introduced August 2000 - initial results: 99.5% accuracy, 99.1% timeliness (all unweighted averages of main KPI)

Milestones

• Introduce a new Pensioners Bond by mid July 1999	Achieved
• Agree a new contract with Post Office Counters Ltd by end September 1999 which secured improved commercial practice and enables development of a new relationship to incentivise value, service, and cost competitiveness	Achieved
• To achieve IiP accreditation by 2000	Achieved
• To make firm proposals for the resolution of the historic transaction accounting discrepancies by 31 October 1999	Achieved
• To publish the first set of audited product accounts by December 1999	Published April 2000

Modernising government

Policy making

11.4.1
Policy therefore follows these purposes and is set by the National Savings Management Board (comprising the Chief Executive, Executive Directors, and at least two non-Executive Directors and HM Treasury officials) and in consultation and agreement with the Economic Secretary to the Treasury who confirms the policy and financial framework, approves interest rates and terms and conditions of National Savings products, and sets and monitors key performance targets for the Agency.

National Savings will introduce a Customer Code during 2001 explaining exactly what our customers can expect from us. A full web site version will be available together with printed copies on request. National Savings will sign up to the Banking Code by March 2002.

The Agency is also implementing the recommendations and guidance as set out under the Turnbull Report covering corporate governance.

As examples of National Savings' joined-up approach to policy making and encouragement and sharing of best practices, National Savings became a founder member of an international retail debt management consortium along with Canada, Ireland, and the USA; sponsors of the Centre for the Study of Financial Innovation; and an associate member of the British Bankers Association; and holds regular dialogues with its key suppliers (SBS and POCL) and Government departments such as the DRM and DMO.

Responsive public services

11.4.2
National Savings undertakes regular customer satisfaction surveys covering all its products and services. These are, of course, in addition to the customer service KPIs as exhibited under the above mentioned SDA performance measures.

National Savings core values of security, integrity, straightforwardness, and "human face" will continue as part of its re-branding strategy ensuring that the Agency is able to offer services required by its customers. As examples, as a result of customer feedback, during late 2000 a new 2 year Fixed Rate Savings Bond was introduced replacing the 18 month Fixed Rate Savings Bond, and a new 1 year Pensioners Bond was offered. New products will continue to be designed and offered under appropriate circumstances through 2001.

National Savings is undertaking a major transformation programme in its products and services accessibility and intends to have state of the art access availability for customers and potential customers by the end of the first SDA period (2001-2002).

National Savings already held the prestigious Chartermark award (the government award for recognising and encouraging excellence in public service) from 1997. In a joint exercise with SBS, Chartermark was re-awarded with particular mention made by the judging panel of the improved access to and choice of products as well as the enthusiasm and customer focus of staff.

SBS use the EFQM Scheme and aim to have ISO9000 standards throughout the operations business by end March 2002.

Quality public services

11.4.3

As commented above under the PSA targets National Savings manages its operational support services through its key partnerships with SBS and POCL.

These contracts will continue to be strengthened to secure improvements in benchmarked customer service levels and the sharing of benefits from efficiency improvements.

This will work through on-going dialogues and formal contract reviews and the very design of the contract which works toward aligning outputs with “best in class” operations.

The net operating cost of National Savings, as a result of these efforts, will reduce from £180m (1999-2000) to £160m per annum from 2002-03.

National Savings won the PFI Award 2000 in the category of specialist services.

National Savings was voted “Best Savings Provider in the UK” by *Daily Mirror* news readers.

Information Age government

11.4.4

National Savings offers a range of channels to customers to transact their requirements.

Channel development is fundamental to future plans and will centre on providing the customer the speed, flexibility, convenience and service demanded.

This will be delivered through the appropriate channel to the customer:

- the traditional over-the-counter service with the Post Office;
- via telephony where 2 new call-centres have been opened in Durham and Blackpool during 2000;
- over the internet; and
- through the customer’s respective financial intermediary.

National Savings internet site already offers product information, interest rates, an IFA page and plans are in development to have a fully interactive website offering e-commerce and the ability to buy online during 2001.

National Savings aims to be at the forefront of offering products through new technology, such as interactive television as these become more commonplace.

Good progress continues to be made toward the target of 25% of services available electronically by 2002.

Public service

11.4.5

National Savings introduced an employment ‘Deal’ from April 2000. This identifies what the organisation expects of its staff in order to deliver business success and what, in turn, staff can expect from the organisation. A series of workshops attended by all staff were undertaken to promulgate the programme.

The ‘Deal’ covers areas within the Vision and Values of the wider Civil Service under the following headings:

- Leadership and Customer Care;
- Training, Learning and Development;
- Reward and Recognition;
- Business Planning;
- Communication;
- Leading and Managing Change;

- Work / life balance;
- Respecting Colleagues and Commitments; and
- Appraisal and Performance Management.

The six themes of the Civil Service reform programme:

- leadership;
- business planning;
- diversity;
- bringing-in and bringing on talent;
- performance management; and
- a new deal for staff,

are enshrined in the change programme currently going on within National Savings and as exhibited above.

A milestone target of June 2001 aims to see the introduction of a new performance management system with Balanced Business Scorecard methodologies employed including:

- competency frameworks;
- new pay and appraisal arrangements (including 360-degree feedback); and
- supporting training and development,

which will link the Agency's objectives to those of the directorate, team, and individual.

A new internal communications strategy has also been introduced with emphasis on two way communication and on-going feedback allowing all staff to be aware of the Agency's direction (covering such areas as re-branding), its performance (how National Savings is doing as a business against its objectives), and culture change - highlighted in October 2000 with the move to an open plan floor layout.

National Savings is scoping the appropriateness of an intranet for its use to support culture change, improve knowledge management, and to improve communications.

National Savings gained IiP accreditation in October 1999.

Investment

11.5.1

National Savings following the transfer of its operations has a small annual capital budget of £300,000 to cover its capital requirements. The major capital assets that it carries in its balance sheet are the three buildings at Blackpool, Durham and Glasgow from where Siemen's Business Services carry out the back office functions. National Savings IT assets were transferred to SBS at the time of transfer of the operational activities.

Estimate and Departmental tables

These tables can be found in the two Annexes at the end of this report.

Public appointments

11.6.1
We currently have two non-executive members on the Board: Judy Lowe and James Turner. Both were re-appointed on the 1st September 2000, with contracts lasting for a period of one year.

Senior Civil Service staff

11.7.1
Table of senior civil service staff split by salary band is as follows.
The information is as at 01 April 1999.

Salary band	Number of staff
£55,000 - £59,999	3
£60,000 - £64,999	1
£65,000 - £69,999	2
£70,000 - £74,999	0
£75,000 - £79,999	1
£80,000 - £84,999	0
£85,000 - £89,999	0
£90,000 - £94,999	0
£95,000 - £99,999	1
£100,000 - £104,999	1
£105,000 - £109,999	0
£110,000 - £114,999	0
£115,000 - £119,999	1

Recruitment practice

11.8.1
The Agency aims to promote and maintain best practice in the recruitment of staff to meet its manpower needs, subject to the requirements of equal opportunities and employment legislation. To achieve this, the Agency has a monitoring system in place to ensure that recruitment is carried out on the basis of fair and open competition and selection on merit in accordance with the guidelines laid down by the Civil Service Commissioners, and is subject to internal audit.

The number of appointments made in 1999-2000 for 12 months or longer was 26. Of the successful candidates, 15 were women and 7 ethnic minorities. National Savings received 1 application from a person with a disability. One permitted exception to the principles of fair and open competition was applied:

- the individual was appointed on a fixed term basis through fair and open competition and the appointment was subsequently converted to permanent because of developments that confirmed the longer term requirement for the post.

Environment

11.9.1
In conducting its business, the Agency remains committed to taking account of environmental matters.

Within the above mentioned PFI initiative between National Savings and Siemens Business Services (SBS), SBS undertake the “NS Green Housekeeping” policy.

By the end of the financial year 1999-2000, cumulative energy savings since the start of the Government’s energy efficiency initiative in 1990 had reached 28%. This is against a centrally defined target of 20%.

Waste initiatives continue. An example is that 50% of all waste paper is recycled.

Publicity and advertising

11.10.1

National Savings' publicity budget is shown in the table below. The publicity expenditure covers press and television advertising and also promotional literature to market the Agency's products in support of its funding aim.

Publicity

	2000-01	2001-02	2002-03	2003-04
	£7.0m	£9.0m	£9.0m	£9.0m

PAC recommendations to departments

11.12.1

Treasury Committee Sixth Report on Government's Cash and Debt Management, published June 2000.

Bibliography

The National Savings Annual Report and Accounts for 1999-2000, published in November 2000, contains a review of the year, and the way forward for the Agency.

National Savings Framework Document, published in October 2000, sets out the framework for National Savings' operations under headings such as "Status, Aim and Objectives"; "Accountability"; "Services and Customers", "Finance, Planning and Reporting", and "People".

National Savings Corporate Plan 2000-01 to 2004-05, sets out the priorities and Agency performance targets for 2000-01 and the broad strategy for the three year period.

National Savings Public-Private Partnership with Siemens Business Services Report by the Comptroller and Auditor General, published May 2000, on the Private Finance Initiative exercise undertaken and the performance to date under the contract.

OFFICE OF NATIONAL STATISTICS

Len Cook Director

Chapter 12: Office for National Statistics

Introduction

12.1
On 1 April 1996 the Office for National Statistics (ONS) was established as an Executive Agency and a Department of the Chancellor of the Exchequer. It has about 3,000 staff operating in London, Newport (Gwent), Runcorn, Southport and Titchfield (Hampshire) plus up to 1,000 field staff working on social surveys.

The creation of ONS underlined the Government's commitment to providing statistics not just to Government but also to Parliament, the citizen, business, researchers, analysts and other customers, and to maintaining public confidence in them. It also recognised the need for greater coherence and compatibility in government statistics, improved presentation and easier public access.

Further Government's plans, as set out in the White Paper, "Building trust in statistics" (Cm 4412 18 October 1999), established improved arrangements for official statistics. The formal launch of National Statistics took place on 7 June 2000. The aim is to build a platform that will establish the UK as a world leader in the provision of quality statistical information - statistics based on high professional standards and acknowledged to be honest, dependable and accessible. The accountability and governance arrangements to underpin National Statistics involved the appointment of a National Statistician and a Statistics Commission, independent of both Ministers and the producers of National Statistics.

Len Cook, as the UK's first National Statistician plays a key role in establishing the integrity of National Statistics and has professional responsibility for them. He works closely with Departmental Heads of the Statistical Profession to develop professional standards across the breadth of National Statistics.

The National Statistician is also the Director of ONS and the Government's chief statistical adviser. The Director is accountable to the Chancellor of the Exchequer for the operation and performance of the Office in accordance with formal roles and responsibilities laid out in the ONS Framework Document. Day to day responsibility for ONS is delegated to the Economic Secretary (EST) who is also the PAT 18 co-ordinating minister.

ONS works in partnership with others in the Government Statistical Service (GSS) to provide Parliament, government and the wider community with statistical information, analysis and advice. In this way it aims to improve decision making, stimulate research and inform debate.

The Director of ONS is also the Registrar General, responsible for the delivery of Civil Registration in England and Wales and, as such, works in partnership with Local Authorities in administering the registration of key life events, which, in turn, helps and protects entitlement to a variety of services. Statistical information derived from civil registration is used in policymaking, allocation of resources and monitoring the health of the nation.

These services are a crucial part of national life and ONS is committed to the continued delivery of the high quality service expected by its users. The ONS Business Strategy sets the direction for the Office for the next five years. It is designed to bring about significant benefits in terms of the ability of ONS to deliver a more flexible and relevant service to its customers.

Aim and objectives

12.2
ONS has responsibilities, which are both statistical and administrative.

Aim

To provide high quality statistical and registration services.

Objectives

- To provide high quality statistics;
- To provide Parliament, central and local government, public, business and the research community with excellent access to high quality statistical data sources;
- To conduct a good value for money Census of Population within the budget provided;

- To be responsible for ensuring an efficient and accurate registration service of key life events;
- To make a measurably improved contribution to European and other international statistics in timing, funding awarded and harmonisation.

ONS strives to achieve these objectives in partnership with the rest of the Government Statistical Service and others in the public and private sectors. ONS seeks to:

- measure and assure integrity of performance through a programme of quality reviews;
- ensure that official statistics are trustworthy and responsive to public needs;
- deliver statistics that meet the expectation of customers and stakeholders, including concordat holders and European institutions;
- deliver more efficient services at higher quality standards with the implementation of the 2000 Business Strategy Review;
- by statute, ensure the rights and responsibilities of the Registrar General for key life events and administration of the Marriage Acts;
- deliver the improvements sought by the Registration Review by obtaining primary legislation to harmonise the registration service with other public services and modernise civil registration data systems for statistical purposes;
- continue to minimise the costs to businesses of complying with statistical inquiries commensurate with the delivery of statistical objectives;
- improve value for money and operate efficiently and effectively.

To achieve these, ONS must:

- develop and maintain a well-motivated workforce;
- provide an effective statistical infrastructure relevant to UK statistical needs;
- implement the National Statistics code of practice and relevant protocols consistently across all areas.

The ONS Business Strategy is designed to support the aims and objectives of ONS. The strategy is organised across twelve high-level components with a senior director responsible for delivery of the work programmes supporting each component. The components are:

- Business strategy;
- National Statistics framework;
- Human Resource Strategy;
- ONS and NS key partnerships;
- Reinforcing statistical infrastructure;
- Modernising systems;
- Information Age access;
- Modernising business management;
- Modernising Civil Registration;
- High quality National Statistics sources;
- Authoritative National Statistics estimates;
- Research, analysis and advice.

Building trust in statistics

12.3

The White Paper, “Building trust in statistics” (Cm 4412) sets out decisions which the Government has taken in light of a wide range of views following the consultation document, “Statistics: A Matter of Trust” (Cm 3882).

The White Paper outlines the accountability and governance arrangements.

The Head of National Statistics with the responsibility of establishing the integrity of National Statistics takes forward the work programme of the White Paper and the Framework document, including the Code of Practice, the Statistics Work Programme, the Quality Framework and liaises with the Statistics Commission. He collates statistical work programmes for ONS and other Departments into a coherent National Statistics programme, which will be presented to the Commission, and an annual report, which will be presented to Parliament.

The aim of National Statistics is to get both producers and users thinking in terms of statistical outputs rather than individual departments. The general structure needed to manage this process and all statistical outputs across government have been assigned to one of twelve Themes. These are:

- Agriculture, Fishing and Forestry;
- Crime and Justice;
- Transport, Travel and Tourism;
- The Natural and Built Environment;
- Education and Training;
- Population and Migration;
- The Economy;
- Commerce, Energy and Industry;
- Labour Market;
- Social and Welfare;
- Health and Care;
- Other Government (e.g. from DfID, DASA, Cabinet Office etc).

ONS provides the secretariat to these Theme Working Groups and each has its own page on the National Statistics website. The website has an additional thirteenth theme, Compendia and Reference – for outputs that crosscut themes.

Delivering better public services: progress

12.4
In setting out its spending plans for 1999-2002 in the 1998 Comprehensive Spending Review (CSR), the Government linked investment to modernisation and reform to raise standards and improve the quality of public services. The White Paper, "Public Services for the Future: Modernisation, Reform, Accountability" (Cm 4181), December 1998 and its supplement published in March 1999 (Cm 4315) delivered this commitment by publishing for the first time measurable targets (PSAs) for the full range of the Government's objectives.

A report of progress against ONS's targets was published in the ONS Annual Report & Accounts 1999-2000 (published 28 July 2000).

In the 2000 Spending Review, which set new plans for public spending for 2001 to 2004 ONS, as a "small department", was required to produce its high-level objectives and targets and agreed strategy in a Service Delivery Agreement (SDA) - published 3 November 2000 on the National Statistics website.

Departmental objectives and PSA/SDA targets

Summary of key achievements against targets:

- The outcome of the Green Paper, "Statistics: A Matter of Trust" resulted in the arrangements for National Statistics as set out in the White Paper "Building trust in statistics" (Cm 4412) (see above). The formal launch of National Statistics in June 2000 coincided with the arrival of Len Cook as the first National Statistician.
- The conduct of the 2001 Census in partnership with the private sector is on course to deliver a Census of increased quality but which gives better value for money compared with the 1991 Census.

- The percentage number of pre-announced publications released to time and matching the previous year's figure was 91%. The target of improving on the previous year's target was not achieved. All major market-sensitive statistical indicators were released on schedule.
- Over 99.9% of births were registered and 97% of births were registered within the prescribed time for first registrations, just short of the 99% target. For deaths, 89% were registered within the prescribed time against a target of 95%, though 85% of those that were late were deaths referred to the coroner. ONS remain a key player in inter-departmental work to minimise the fraudulent use of certificates.
- Limiting the compliance costs to business is agreed annually with the Economic Secretary. Increased demands for statistical data from both Government and the European Union mean that year on year reductions in the compliance burden are not always possible. ONS achieved its target that the compliance cost to business of its surveys in 1999 should be £21.7 million or less.

Key performance targets from 1 April 2001 onwards

Objective	Target	Monitoring tools
1. To provide high quality statistics.	To publish all national statistics at the pre-announced time, with revision levels consistent with user delivery requirements.	Compare actual release dates to pre-released schedule.
	To deliver all Service Level Agreement outputs, to time, cost and service delivery standard.	Monitor and report on all elements of each SLA against plans.
	To introduce by March 2003 neighbourhood statistics at ward level covering a range of pre-agreed measures of social and economic deprivation, and report these annually.	Implement project plan against agreed milestones.
	To complete 8 methodological reviews of existing statistical activity a year with action plans agreed and published within 3 months of the end of the review.	Publish reports as agreed.
	To develop a measure of public confidence in official statistics.	Monitor targets.
2. To provide Parliament, central and local government, public,business and research community with excellent statistical data sources.	In line with our e-business strategy, ONS will ensure:	
	By March 2004 80% of output will be available on the Internet.	Monitor targets against milestones.
	By March 2004 provide a single port-of-call for both internal and external users to be able to access, analyse and drill down data across subject areas.	Monitor targets against milestones.
3. To conduct a good value for money Census of Population within the budget provided.	Conduct Census of Population on 29 April 2001.	Work to specific agreed milestones.
	Conduct Census Coverage Survey by June 2001.	
	Complete data capture and coding by March 2002.	
	First results (for population estimates) available by August 2002.	
	Make statistics required for Standard Spending Assessment Grant purposes available by March 2003.	
4. Responsibility for ensuring the efficient and accurate registration service of key life events.	The registration of births does not fall below 99 per cent of all births.	Monitor percentage of all births that are registered.
	Births and deaths are registered within the timescales set down in legislation.	Monitor percentage of events registered within prescribed time.
	90% Principal Registration Officers will meet the required professional standards.	Monitor the percentage of Principal Registration Officers meeting standards.
5. To make a measurably improved contribution to European and other international statistics in timing, funding awarded and harmonisation.	To meet targets to improve the provision of statistics to the European Commission as set out in the UK action plan.	Monitor against project plans.

The above targets are the key performance targets. ONS aims to assure the integrity of performance information by using some of the following tools: internal audit; a programme of quality reviews; work with the Statistical Commission; compliance with the expectation of customers and stakeholders; compliance with ONS's pre-announced plan for statistical releases; and regular reviews of performance.

ONS Business Strategy

12.5

The ONS Business Strategy sets direction for the Office for National Statistics and will inform the National Statistics work programme, which was reviewed by the Statistics Commission in February and will be presented to Ministers by April.

The analysis underlying the strategy takes account of recent shifts in the use of Official Statistics. Key amongst these are:

- the social exclusion policies;
- membership of the European Union;
- the changed monetary policy context;
- international requirements and the Modernising Government agenda, including the impetus for evidence based policy;
- the imperative of joined up government and the information age.

Other influences, such as the revolution in information and communication technologies, including the Internet, have radically changed the basis of information services. This comes at a time when response rates to statistical surveys and response quality are under pressure while the Government has shown through the White Paper that it places high expectations on National Statistics.

To meet these challenges, ONS needs to move away from strategies based on individual projects and outputs towards an ONS-wide strategy which will provide the Office with the necessary infrastructure and flexibilities to meet rapidly changing needs and deliver them in a form that suits users best.

Statistical infrastructure includes statistical methods and tools, a survey base, judgement and experience, technology and human capital. Much of this infrastructure is developed through international collaboration and all of it has huge potential for adding value to statistical outputs for the future. But structural change in society and the economy continually degrades this infrastructure, which consequently needs continuing investment to maintain its value. This investment requires a long-term view on resources and strong leadership to balance its priority against the pressures to develop more immediate outputs.

The new National Statistician, together with senior colleagues, has taken a fresh look at the ONS infrastructure and concluded that by comparison with other modern statistical offices it is underdeveloped and run down. Although good practices and systems have been developed at a business unit level, they are not in place across the organisation in a way that will enable the office to meet the challenges and the changing environment it has identified.

This strategy presents a statistical modernisation programme to bring about the change needed. This will bring about improvements, in turn, to: information management, statistical infrastructure and output systems. The main components of this strategy are:

- investing in the infrastructure needed for the successful integration of products within National Statistics;
- drawing on the relevant experience of other statistical offices;
- putting funding of investment on a corporate basis;
- exploiting the Internet - which will be the main face of ONS for users;
- upgrading and integrating some out of date statistical systems;
- fully exploiting current IT tools; and
- grasping the opportunity presented by the Internet.

At the same time, changes in management practice, being taken forward as part of the Modernising Government agenda, will enable us to develop improved change management, project management, human resource and knowledge management capability. This will enable us to develop an output-focused organisation, certain of its core business, able to take full advantage of its investment base, flexible in its structures and able to demonstrate its worth to the world.

ONS will deliver this strategy in partnership with others. Shared arrangements with other national statistical offices will add to shared working across the GSS and with departmental colleagues, and partnerships with the private sector. A long-term view of partnerships has to be taken and they will only be entered into if they add to the developing infrastructure rather than detract from it.

Much of the development programme itself will be done outside ONS, and the end result will provide the ability to consider other providers in a way that minimises risk for significant parts of the services applied in providing National Statistics.

Review of Civil Registration

In September 1999 ONS issued a consultation paper 'Registration: Modernising a Vital Service.' The Review was part of the Modernising Government initiative (see below). Responses to the consultation paper would be used to develop policies for modernising the delivery of registration services. The civil registration system was set up in the 1830s. It was designed for the needs and expectations of society at that time when families were more stable and few people travelled. The underlying principles of a civil registration system remain. However, many of the reasons for the design of the system in the 1830s no longer apply as the make-up of the society it seeks to serve has changed. The registration service in the 1830s could never have envisaged technological and medical advances such as powerful IT, the options now available for treating infertility, which raise issues of parentage and naming.

There were around 1,000 responses to the consultation from a wide variety of organisations, local authorities, members of the public and registration officers. There was widespread support for providing registration services in new ways, for better integration with other public services, for improving the use of technology to capture, store and share registration information and for determining national standards. While there could be some limited improvements without legislation, the fundamental changes in Civil Registration services, providers and finance would need primary legislation. The plans for the reforms will be published by the Government in a policy document. The timetable for implementation is dependent on the progress of the necessary legislation through Parliament.

Policy development has involved key stakeholders and has been subjected to a review process and Ministerial agreement.

Government Departments and Ministers have interests in a wide range of the issues, at varying degrees of detail. Many are keen to have 'electronic' birth etc certificates, so that they can move to electronic service delivery and reduce fraud. Services include child benefit, passport and driving licences. The new Civil Registration system would deliver this prospectively. Computerisation of the historic records would be necessary to provide this fully and is included in the Records component of the Programme.

The Registration Service will develop alternative channels for the registration of Births and Deaths, with security and safeguards in place to ensure that electronic registrations can meet the standards required so that the electronic records held by ONS will be authoritative legal proof of the life event.

Modernising Government (action plan)

12.6

The White Paper, "Modernising Government" (CM 4310) is central to the Government's programme of renewal and reform. The programme has three aims:

- ensuring that policy making is more joined up and strategic;
- making sure that public service users, not providers, are the focus, by matching services more closely to people's lives; and,
- delivering public services that are high quality and efficient.

Underpinning the aims and ensuring they are met are five key themes:

- improved policy making - forward looking in developing policies to deliver outcomes that matter;
- responsive public services - to provide major benefits to citizens and businesses, joined-up government and partnerships;
- quality public services - to deliver efficient high quality public services;
- Information Age government - using new technology to meet the needs of citizens and businesses;
- valuing public service - and modernising the Civil Service by stronger leadership, better business planning, sharper performance measurement, improving diversity, bringing on talent and building the capability for innovation.

The ONS Business Strategy and the Review of Civil Registration embrace fully these aims and commitments. In particular, ONS is giving emphasis to implementing a forward-looking policy for National Statistics, with a key goal being the early upgrade of the technological capability of ONS. ONS is significantly dependent on its IT capability, and there is considerable potential for consequential improvement across other modernising government goals through the IT upgrade. Exploiting the potential benefits of the IT upgrade when it has progressed significantly will require a major management initiative. In addition elements of an efficiency programme and the business strategy aim to expand the statistical output portfolio with annual additions rising to £15 million by March 2004. The final aim of £20 million is expected for recycling to achieve higher quality outputs.

ONS is also working with a range of Cabinet Office teams and groups e.g. on bereavement, e-commerce, change of address and authentication of identity

Key projects/programmes currently underway which support the Modernising Government agenda are:

- **Neighbourhood Renewal Statistics programme –** development of small area datasets to support the programme. Neighbourhood Statistics Service, on the website will, when fully implemented, offer users ready access to a vast range of social and economic data disaggregated to a consistent small-area geography and supported by a range of powerful analytical tools; [supports improved policy making theme and responsive public services]
- **National Statistics Theme Groups –** play a key role in planning and delivering quality statistics and information to support government areas of policy making (see above); [improved policy making/quality public services]
- **UK Statistics on the Internet –** developing (and improving) the NS website, digital publishing, electronic customer management and internal communications; [responsive public services/Information Age government]
- **Review of Civil Registration –** (see above); [responsive public services/quality public services/Information Age government]
- **Information Age government –** includes an e-business strategy; development of National Statistics dissemination (NS Website) and the Knowledge Economy in order to improve and widen citizens' understanding of, and involvement in, official statistics, increase their access to, and use of, official statistics and to make official statistics more responsive to customers' needs;
- **Government Secure Internet (GSI) –** roll out to all ONS staff by end March 2001; [Information Age government/responsive public services]
- **Information Security –** BS7799 to embrace common corporate systems as well as those supporting statistical and registration operations; [quality public services]
- **Registration websites for life episodes –** UK online service includes the registration aspects of having a baby; [responsive public services]
- **HR projects –** (see below) relating to the reform of the Civil Service; [improved policy making/valuing public service]
- **Adding It Up –** a series of initiatives to stimulate the demand for good analysis, integrate analysis with policy making and get more/better data use and dissemination. ONS at the forefront with the use of administrative data, research into gaps in datasets use of longitudinal data, matching datasets, cross-departmental data collection and use, etc; [improved policy making]
- **Wiring it Up –** a series of initiatives to improve cross cutting policies and services; [responsive public services]
- **Data collection strategy –** to reduce the cost and increase the efficiency of data collection; improve the quality and timeliness of data; reduce the burden on the contributor through e.g. imaging, telephone data entry (TDE) and Internet data collection; [responsive public services]
- **Statistical Quality Reviews** – across National Statistics set in place a planned 5-year programme of measures which ensure that the statistics produced will be of high quality; two studies have been completed; [quality public services]
- **Comprehensive Business Directory** – a cross-departmental project piloting a UK non-statistical Single Business Register, and the type of services and data feeders that would support or use a central facility which will be simpler, more responsive and reducing the burden on businesses while also lowering the cost of administration; [improved policy making/Information Age government/responsive public services/quality public services]
- **2001 Census** – (Census Day 29 April 2001) the largest project over the planning period (see targets above) development of a leading-edge data capture process to capture the huge volume of Census information more speedily and accurately than achievable before. Electronic support will be offered to the public during the Census taking period, including the operation of a call-centre support facility and the deployment of web-based information and support service; [improved policy making/quality public services/Information Age government]
- **Family Record Centre –** ONS's main interface with the public is through the sale of certified copies of birth, marriage and death register entries (certificates) - performance against the major service targets reported above and, in more details in the Annual Report and Accounts. The Family Records Centre (a joint ONS/Public Record Office venture) was opened in April 1996 and forms the basis for improved services. Its opening hours include two evenings a week and Saturday. Customers are consulted regularly through a user group and are involved in service developments. These will

allow remote ordering as well as by phone, fax, post and access to on-line indexes to Scottish registration and census records via the Scottish link. In May 2000, the FRC was awarded the first ever “Prince Michael of Kent Award” for excellence in family history by the Society of Genealogists; [quality public services]

- **Investors in People Accreditation –** ONS Registration Division achieved IiP accreditation in 1999 (and re-accreditation in 2000) with the remainder of ONS receiving accreditation in June 2000. The intention is that by the end of 2002 under the revised standard and assessment arrangement re-accreditation will be achieved for ONS as a single business. [valuing public service]

Many others, such as risk (statistical, regulatory, financial and governance) management, knowledge network, measuring e-commerce and data sharing (with the Performance and Innovation Unit) have just started or are at the planning stage.

Investment

12.7
IS is at the heart of ONS operational activity. However, ONS has inherited a legacy of systems initially established for the highly fragmented and decentralised bodies that now make up ONS. These constituent bodies had themselves all experienced a long-term under-investment. Investment uncertainties and limited funds have led to a more specific business unit focus with the result that interlinking and sharing data and information between the different platforms is difficult.

The ONS Business Strategy seeks to change this approach by identifying the major business processes that now underpin the work of ONS, defining and designing a standard infrastructure for the conduct of this statistical business then migrating existing systems to processes built around this new infrastructure. The programme of work is also designed to transform ONS into an e-business.

The new infrastructure will receive priority in the allocation of funds for investment within ONS. All investment will be overseen by an Investment Board who will ensure that competing bids are prioritised against an Investment Framework designed to support delivery of the ONS Business Strategy, and focus on having a relevant long-term asset base for ONS in its statistical work.

The first priorities are in advancing the capacity to access existing data through the Internet, for both public services, and the policy analysis and research capability of those who can access confidential datafiles. Secondly, they also involve managing UK statistical survey information in an integrated environment based on contemporary tools. Thirdly, they involve defining and obtaining the statistical infrastructure tools, and applying them for UK use. Fourthly, the ONS IT service will be brought up to date, with Information and communications technologies relevant to current needs.

Departmental Investment Strategy

The Departmental Investment Strategy is formulated to support and deliver the ONS Business Strategy.

The long-term strategy addresses the current inefficiencies inherent in multi-site processing, largely ‘stand alone’ systems, disparate processor and software base, and, generally, legacy systems historically based across ONS sites whilst recognising that some existing hardware and software would be retained.

We have developed an initiative which will:

- create standard ways of producing electronic publications and providing external access to our information;
- provide a framework for the development of infrastructure and statistical applications systems;
- rationalise our software onto key strategic products, with standard tools for processing and analysis;
- replace old computer systems not compatible with the direction we need to go;
- expand our communications capability;
- transform ONS into an exemplar for the Information Age.

Invest to Save

ONS in partnership with other government departments and/or agencies, were successful in two bids from the Invest to Save Budget for 2000-01, announced in February 2000:

- 2001 Census public sector dataset to deliver the results of the Census in unrestricted and user friendly ways throughout the public sector, supplying needs from a single dataset of statistics, geography and supporting information with a choice of means of delivery and facilities to suit all levels of expertise;
- rationalising existing postcode location products to deliver a single, consistent, high quality and adaptable, jointly branded base portfolio of postcode location products and improved access mechanisms, including access via the Internet and improved metadata.

Implementation plans have been agreed and six-monthly progress reports covering management, key milestones, expenditure, progress monitoring and evaluation will be submitted to HM Treasury.

The main tables/spending plans tables

12.8
Following the introduction of resource accounting and budgeting (RAB), there have been a number of changes to the core tables in this year's departmental report. RAB provides a more accurate measure of departmental expenditure by matching costs to time, taking account of the full consumption and investment of arms-length bodies such as NDPBs and public corporations, and measuring the full cost of government activity, including non-cash expenditure such as depreciation, cost of capital charges, and provisions.

The aim of the tables is to provide a detailed analysis of departmental expenditure plans in resource terms, showing: resource consumption and capital investment; Voted and non-Voted expenditure; and expenditure in three year Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME).

Following the decision to introduce resource budgeting in two stages, the major non-cash items - depreciation, cost of capital charges, and provisions - score in AME for the 2000 Spending Review years (2001-02 to 2003-04). Throughout the tables, non-cash expenditure in AME is distinguished from annually managed programme expenditure for the department. In Stage 2 resource budgeting, which is scheduled for the 2002 Spending Review, these items will score in DEL.

Because RAB data is at present available only from 1998-99, the scope of the resource tables is restricted to 1998-99 to 2003-04, the last year covered by the 2000 Spending Review. However, Table 11 sets out DEL in cash terms from 1995-96 to 2001-02, whilst Table 12 shows the cash to RAB reconciliation for DEL numbers for 1998-99 to 2000-01.

As in previous years, tables are included showing key information on, administration costs and staff numbers.

The tables are:

Table 1	High level spending plans table - to be grouped with OGDs
Table 2	Departmental Voted Cash Requirement
Table 3	Total Capital Employed by Department
Table 4	Consumption: Analysis of Resource Budget Spending Plans
Table 5	Investment: Analysis of Capital Budget Spending Plans
Table 6	Reconciliation of resource expenditure between accounts, Estimates and budgets
Table 7	Reconciliation of capital expenditure between accounts, Estimates and budgets
Table 8	Analysis of Local Authority expenditure (does not apply to ONS)
Table 9	Analysis of administration costs
Table 10	Staff numbers
Table 11	DEL and AME cash plans, 1995-96 to 2000-01
Table 12	Reconciliation of RAB and cash budgets, 1998-99 to 2000-01- to be grouped with OGDs

These tables can be found in Annex B at the end of the Report

Human resources, diversity and recruitment

12.9
At the heart of ONS's Vision and Values is the aim of developing and maintaining a well-motivated workforce. A high priority is given to training and development of staff and the Office is committed to operate fair and open performance management and promotion system, and to provide equality of opportunity.

ONS recognises the need to provide the conditions that allow staff to give of their best and to develop to their full potential. In line with this commitment, the Office has achieved accreditation to the proven national IiP standard.

Overall responsibility for training and development lies with all line managers who are encouraged to be directly involved in identifying the development needs of their staff.

The department has drawn up a Civil Service Reform action plan and a HR Strategy, designed to bring about improvements across the spectrum of HR activities, which has the support and involvement of top management.

Diversity Policy

ONS values the diversity of its staff and strives through its policies and practices to achieve equality of opportunity in employment and fair treatment for all its employees. All applicants for employment and all current employees are judged purely on merit. The Department promotes and supports Positive Action Groups as well as a number of other initiatives, including diversity training for all our staff.

In connection with the Modernising Government programme, which aims to bring about a dramatic improvement in diversity across the Civil Service, we are implementing measures designed to improve opportunities for all staff who are currently disadvantaged. As part of this programme we are developing new diversity awareness training which will be given to all managers.

All staff currently receive specific equal opportunities awareness training. Staff new to ONS are invited to attend an equal opportunities awareness course as part of the standard induction process.

The established programme of action for women, ethnic minorities and disabled staff offers all staff personal development opportunities and is designed to promote a culture which will result in increased representation of women, ethnic minorities and disabled staff in senior posts within the Department. Currently 28% of our Senior Civil Service posts are filled by women and 3% by disabled staff.
There is a commitment to equality of opportunity in our business plan.

As a matter of priority, ONS is taking steps to encourage more ethnic minority candidates to apply for the fast stream Assistant Statistician Scheme, to increase the numbers in this feeder group for the Senior Civil Service.

Recruitment practices within ONS

ONS is committed to selection on the basis of fair and open competition. In accordance with the Commissioners' Recruitment Code there are systems in place to ensure that this is the case.

- Recruitment schemes are carried out using the ONS Recruitment Handbook, which covers the procedures laid down by the Commissioners' Recruitment Code. The Handbook is reviewed regularly so that it is in line with any changes to the Code and to Equal Opportunities policy.
- Recruitment schemes are subject to internal checks using a system of internal auditing across sites on an annual basis.
- A nominated Approving Officer checks all recruitment schemes before new staff are appointed.
- A record is kept of any contracts that are extended using the permitted exceptions. These are published on an annual basis in the ONS annual report. The use of exceptions is kept to a minimum.

Public appointments

ONS has a Policy Board to help the Director on policy development, strategic thinking, supervising the management of the Office and external accountability. It consists of senior managers from ONS and two non-executive members appointed with the agreement of the Chancellor of the Exchequer. The non-executive members are independent of management and have the knowledge, experience and authority to enable them to influence the Board's decisions. They bring valuable insights and broaden the experience available to the Director at a time of significant change.

The ONS Vote (Class XVI, 11) is in two parts: Section A deals with administration costs such as salaries and general administrative expenditure, and capital purchases such as information technology equipment, office equipment and furniture; Section B deals with customer-funded work arising from social surveys and sales of certified copies of birth, marriage and death registrations, statistical information, publications and other services. Administration costs provision and staff numbers are set out in Tables 9 and 10 of the ONS section of annex B.

Senior Civil Service salaries as at 1/12/2000 (including allowances)

Pay band (£000s)	**Number of senior staff**
Below 40	0
40-45	0
45-50	6
50-55	7
55-60	8
60-65	4
65-70	4
70-75	4
75-80	0
80-85	0
85-90	1
120-125	1
135-140	1

The Environment

A revised "Greening ONS Operations" policy statement and sustainable development awareness strategy was approved by the ONS Policy Board in May 2000 and published on the National Statistics website. A Greening ONS Operations database was developed and is used to publicise these statements and related action plans together with campaigns such as "Are You Doing Your Bit" and World Environment Day. The regular staff magazine "news@ons" was also used to promote sustainable development and greening ONS operations and an environment session was introduced on induction courses for new staff at each site.
ONS introduced or extended recycling schemes for paper, cardboard, aluminium cans, toner cartridges, PCs, furniture, Christmas cards, newspapers etc and conducted detailed energy audits at each site, the findings of which fed into green action plans. Schemes aimed at reducing energy and water use included the introduction of intelligent lighting and waterless urinals. Energy use reduction targets to 31 March 2000 set by Green Ministers were well met. The environment is a key consideration in purchasing - for example 100% of the paper purchased from the stationery contract was of the recycled type. A green focus group with representatives from each ONS site met regularly to share ideas and best practice and agree the spend priorities from a small budget set up to fund low cost, high impact, green initiatives.

An ONS official regularly attended the Green Ministers Officials Working Group and ONS was represented at a meeting of senior officials with responsibility for sustainable development chaired by Michael Meacher, the chairman of the Green Ministers Committee. Future initiatives include the purchase of renewable energy from accredited sources and the development of an environment management system accredited to ISO 14001 at Titchfield. Ian Lewis (GTN 1211 2331) is the Department's contact on green issues.

Publicity and advertising

12.10
A significant campaign of note, "Count Me In - Census 2001" involves a wide range of paid and free media initiatives, developed to promulgate a public awareness and information campaign for the next Census. The aim is to assist in achieving a critical level of awareness and understanding in gaining broad public acceptance of the Census 2001 campaign; also, to target specific groups most liable to be undercounted - two notable examples being babies and students.

A core of intensive advertising is planned in the first two weeks of April 2001 in addition to which preliminary PR events are being organised at both national and regional level e.g. the bi-centenary birthday celebration and CensusAtSchool a successful on-line Census of children's lifestyle.

A number of media and commercial partner developments including collaboration with BBC Local Radio who in the run up to Census Day would have broadcast scheduled Census information slots on the 38 BBC local radio stations in Wales.

Bibliography

The ONS Annual Report & Accounts for 1999-2000 and the Service Delivery Agreement are published on the National Statistics website **www.statistics.gov.uk.**

Other documents, including the Framework Document, Compliance Plan, and Corporate Vision and Values documents can be obtained from the ONS Library, Government Buildings, Cardiff Road, Newport (Gwent). Telephone: 01633 812973.

REGISTRY OF FRIENDLY SOCIETIES

Geoffrey Fitchew CMG Chief Registrar

Chapter 13: Registry of Friendly Societies (RFS)

On 23 July 1997 the then Economic Secretary to the Treasury announced that the general responsibilities of the Building Societies Commission (BSC), the Friendly Societies Commission (FSC) and the Central Office of the Registry would be transferred to a new single regulator of financial services subsequently named as the Financial Services Authority (FSA). The transfer of responsibilities will take place once the necessary secondary legislation has been adopted under the Financial Services and Markets Act.

Since the announcement, the staff of the Department have been co-operating with their counterparts in the FSA and the other financial regulators in the work of creating the new single regulatory regime and in preparing for the transfer of responsibilities following the enactment of the relevant legislation. In order to further assist with this process it was agreed that the services, currently provided by RFS to the BSC, FSC and the Credit Union section of Central Office should be contracted out under Service Level Agreements (SLAs) to the FSA from 1 January 1999. The staff providing these services transferred to the FSA's offices in Canary Wharf where they continue to provide them, either as secondees or as direct employees of FSA. The BSC, FSC and the Chief Registrar receive quarterly reports on the level and quality of service provided by the FSA. These have so far demonstrated that the FSA has met the requirements laid down in the SLAs. A similar SLA has now been negotiated and will be put into operation for the remainder of the Central Office of the Registry from 1 February 2001.

Because of the planned transfer of responsibilities of the RFS, BSC and FSC to the FSA once the necessary secondary legislation is enacted, the Treasury has agreed that the RFS should not participate in current initiatives for Civil Service reform and the modernisation of Government. The information contained in this report should therefore be considered in the context that the Registry of Friendly Societies will shortly cease to exist.

Departmental aims and objectives

13.1
Until 1 January 1999 the Registry of Friendly Societies provided direct support services for three statutory authorities: the Building Societies Commission (BSC), the Friendly Societies Commission (FSC) and the Central Office of the Registry of Friendly Societies. Since 1 January 1999 the support services for the BSC, FSC and, in relation to credit unions only, the Central Office have been provided under Service Level Agreements with the FSA. From 1 February 2001 this also applies to the remainder of the Central Office. The Department and the statutory authorities are linked by a common overall aim:

> *"to help create the most favourable regulatory climate for the formation and long term success of mutual societies, ensuring that they provide proper stewardship of individual members' funds."*

Each of the three statutory bodies has individual objectives and in helping them to meet these objectives the Registry of Friendly Societies ensures that it operates efficiently and effectively within existing resources.

The objectives of the three statutory authorities are:

Building Societies Commission (BSC)

13.2
To sustain an efficient market in the building societies sector in which consumers are protected by:

- promoting the protection by each building society of the investments of its shareholders and depositors;
- promoting the financial stability of building societies generally;
- securing that the principal purpose of building societies remains that of making loans which are secured on residential property and are funded substantially by their members;
- administering the system of regulation of building societies under the Building Societies Act 1986 (as amended by the Building Societies Act 1997);
- advising and making recommendations to the Treasury and other Government Departments on any matters relating to building societies.

Friendly Societies Commission (FSC)

13.3
To sustain an efficient market in the friendly societies sector in which consumers are protected by:

- promoting the protection by each friendly society of its funds;
- promoting the financial stability of friendly societies generally;
- securing that the purposes of each friendly society are in conformity with the Friendly Societies Act 1992 and any other enactment regulating the purposes of friendly societies;
- administering the system of regulation of the activities of friendly societies;
- advising and making recommendations to the Treasury and other government departments on any matter relating to friendly societies.

Central Office of the Registry

13.4
To enable all mutual societies to benefit from the business, legal and/or cost advantages of registration and maintain an accurate, open and accessible public record file.

Summary of progress to date

13.5
Expenditure by the Registry of Friendly Societies falls on Class XVI, Vote 10.

The BSC, the FSC and the Chief Registrar, on behalf of the Central Office, each report formally to Parliament and full details of each organisation's activities, progress and achievements during 1999-2000, are provided in their respective annual reports (see bibliography).

In supporting the above three statutory authorities the Department has 6 main operational objectives covering BSC, FSC, Central Office registration functions, credit unions and value for money.

OBJECTIVE 1: to provide support to the BSC in supervising and regulating building societies

From 1 January 1999 this support has been provided through the Service Level Agreement with the FSA to enable the Commission to carry out its statutory responsibilities for the prudential supervision of building societies. The programme of supervision has included holding an Annual Review Meeting with each society.

The Commission's approach to supervision is set out in its Statement of Principles, which was published on 11 May 1998. This explains how the Commission interprets the criteria of prudent management laid down in the 1986 Act and how it will act in exercising its statutory powers of control. The Statement sets out twelve high-level principles that the Commission applies in exercising its supervision. It covers the wider context within which the Commission exercises its functions, powers and duties to promote both the protection by each society of the investments of its shareholders and depositors and the financial stability of the sector generally.

In April 2000 the commission wrote to societies and their auditors to draw attention to an analysis by the FSA of the residential mortgage market, which was based on a survey of nine banks covering about half the market, and information obtained from its own supervisory visits. The Commission warned societies of the need to exercise prudence in a buoyant mortgage lending market given that there were some signs that credit standards were being eroded.

Building society policy staff have been involved fully in developing the framework of supervision for building societies to operate after the transfer of functions to the FSA. The first stage of this is the development of an Interim Prudential Sourcebook. Although, in the main, existing requirements will be rolled forward, there will be some harmonisation of prudential policy between banks and building societies and important changes in the regulatory provisions applying to societies. The Interim Prudential Source Book will apply from the date of transfer of functions to the FSA.

The Commission carried out its customary annual review to satisfy themselves that societies are meeting their responsibilities for monitoring adequate systems of accounting and business control under Sections 71 and 82 of the 1986 Act.

During the year the Commission also supervised and confirmed the transfer of the Bradford and Bingley building society from the sector.

OBJECTIVE 2: to provide support to the FSC in supervising and regulating friendly societies

From 1 January 1999 this support has been provided through a Service Level Agreement with the FSA.

As part of this societies are required to submit accounting and actuarial returns prescribed by the Commission and/or the Treasury and designed to disclose the financial position of societies in a relevant and practical manner. The committees of management of societies also have to satisfy a number of criteria of prudent management as set out in the 1992 Act and the Commission assists this process by issuing guidance on relevant topics, largely in the form of Practice Notes and Chief Executive Letters.

Twenty-one Periodic Review Meetings with the committees of management of Directive and Incorporated societies were held during 1999-2000. The Commission and societies have found these meetings beneficial in applying the regulatory regime under the 1992 Act and they have made a significant contribution to the effectiveness of the supervision of societies.

The Commission has also contributed to the ongoing dialogue in respect of the new legislation providing for the regulation of financial services and the FSA's preparations for its implementation.

OBJECTIVE 3: to secure the maximum cooperation and support from registered societies to minimise the need for recourse to regulatory sanctions or prosecutions

The FSC reminded societies twice in 1998 of the importance the Commission attaches to the timely submission of their accounts. However a small minority of societies failed to heed these warnings and the Commission resorted to prosecution action in late 1999 and early 2000.

There is a continuing Central Office project where societies who have not filed annual returns are warned that prosecution will be taken. This has improved submission rates with 61% of societies now submitting annual returns and accounts by the due date. However prosecution action continues with some societies being prosecuted more than once if the original court action does not result in the submission of the outstanding return. Towards the end of the year two societies were cancelled on 'wilful violation' grounds, following the non-receipt of their annual returns notwithstanding that they had both been prosecuted twice in respect of this non-submission.

OBJECTIVE 4: to support the Central Office's registration and associated functions (including the maintenance of accurate and accessible public records)

About 12,000 societies are registered with the Central Office which records and files each society's annual return. In 2000 some 10,000 annual returns were filed together with over 5,300 other formal documents. There were also approximately 1,800 searches of public record files. The Central Office has continued to try to ensure that the public record file is kept up to date by encouraging the timely and accurate submission of returns. Where it is clear that a society has in effect ceased to exist, Central Office seeks to remove it from the register. The Central Office began a special exercise in April 1998 to update the register, by establishing the status and current registered office addresses of societies with which contact had been lost for various reasons, and to secure formal deregistration of those societies which are now defunct. This was extended to some 700 other societies which have been involved in dissolutions; transfers of engagements; or windings-up or which have been in receivership. Since these exercises began over 1,000 societies have been removed from the register and the records of others have been updated.

Many of the Registry's Guidance Notes covering registration matters under the Industrial and Provident Societies legislation were revised during 1999-2000. As a result fewer letters and phone calls have been received regarding basic form filling and fewer applications for registration have been returned for correction. The new guidance notes are now made available in large type and on tape.

OBJECTIVE 5: to support the Central Office's registration, supervision and regulation of Credit Unions.

From 1 January 1999 this support has been provided through a Service Level Agreement with the FSA. At 31 December there were 687 credit unions with assets totaling some £220 million.

On 16 November 1999 the Government announced that credit unions would be brought within the scope of the FSA's regulatory and supervisory powers under the Financial Services and Markets Act. FSA is working to devise a new framework for regulating and supervising credit unions which will be brought into force in mid-2002. This will be consistent with the FSA's objectives, but take into account the particular nature of the credit union sector. All proposals for the credit union sector are subject to a consultation process which will run during 2001.

A heavy programme of pre-registration and supervisory visits has been undertaken during 2000. Consultation meetings have also continued with the three promoting bodies, credit union development workers and other interested persons on the future regulation of credit unions. The Registry/FSA has found regular liaison to be helpful in receiving informal feedback from the sector and as a means of addressing issues before they become problematic.

13.6 Improving services and value for money

OBJECTIVE 6: to deliver high quality services to mutual societies and other customers in the most economic, efficient and effective manner.

A new and improved system for building societies to send in their financial returns by electronic Remote Data Entry to the Building Societies Commission was introduced during 1998. 54 out of 67 societies now use this system and the remainder are expected to move to it in March.

The Central Office makes use of a computer based information system (TRACS 1 and 2) to record operational information on registration matters.The system also allows the Friendly Societies Commission to respond should a society default in its statutory duty to file returns and to detect quickly financial trends of potential prudential concern.

The Department's accounting, budgeting and management reporting systems are fully supported by IT systems enabling accurate and timely information to be provided efficiently and economically.

Performance indicators are in use across the Department and are used to define service standard requirements in the SLAs with the FSA. Financial performance is reported on an accruals basis for both the BSC and FSC in line with Companies Act requirements.

A number of output measures have been developed for BSC and FSC supervisory work. For example, BSC measures enable management to verify that a full risk appraisal is carried out on all societies, that abstracts from monitoring reports are circulated within a specified number of days and that there are timely monthly monitoring reports to senior management. Similarly, the FSC has a programme of examination and report according to predetermined priorities, with monthly monitoring of progress.

Following a consultation exercise the Central Office has adopted stricter targets for dealing with cases in a timely fashion. With some exceptions this now means a new 15 working days target response time. These new target responses are set out in a document entitled "Guide to Services" which is available from RFS.

Performances against target include:

(a) Target of 15 days for turn around of registration documents.

(b) Files provided for Public Search customers: 3 hours (99% achieved).

(c) Copying for search customers: 2 working days (99% achieved).

(d) Replies to correspondence within 15 days or 10 days if no substantive reply likely (95% achieved).

In addition, the percentage of annual returns received on time is monitored (for 1999 it was 60% for I & P societies and 63% for societies (other than Friendly Societies) registered under the Friendly Societies Act 1974).

In the first half of the year focus group meetings were held with representatives of sponsoring bodies for I & P societies and clubs as well as with lawyers advising such societies. Other focus groups were held for search and copy customers and for representatives of the friendly society movement. These produced useful exchanges of views and ideas and a strengthening of the relationship between the Registry and its customers.

Prompt payment of bills is monitored and the Department has signed up to both the CBI Prompt Payers Code of Good Practice and the British Standard on the Method for Achieving good payment performance in commercial transactions (BS 7890). The Department's payment policy is to pay bills in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. Payment performance for the period 1 April 1999 to 31 March 2000 showed that 99.9 per cent of invoices were paid within the payment policy terms.

Administration costs and staffing

13.7

Table 13a: Administration costs

	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
Gross administration costs	7	2	1	-	-	-
Paybill	4	1		-	-	-
Other	3	1		-	-	-
Related Receipts	-6	-6	-6	-	-	-
Net expenditure	1	-4	-5	-	-	-
Gross administration costs limits	7	2	1	-	-	-
Administration costs by control area						
Gross control area						
Registry of Friendly Societies						

All the Department's expenditure is in support of its administration. In 2000-01 running costs of £2.4 million relate to expenditure on the Central Office (excluding credit unions) of the Registry of Friendly Societies. Other current costs of £6.0 million relate to the provision of support services by the FSA to the BSC, FSC and the Credit Unions Section of the Central Office. In 2001-02 the FSA will also be providing support services to the Central Office, which means that the majority of costs will relate to the provision of those services.

Table 13b: Staff numbers

	1999-2000	2000-01	2001-02	2002-03	2003-04
Staff (FTE's)	40	36	5	-	-

The Registry is committed to selection on merit on the basis of fair and open competition. In accordance with the recruitment code laid down by the Civil Service Commissioners there are systems in place to ensure that this is the case and these systems are subject to internal checks.

On 1 December 2000, 56 per cent of the Registry's staff were men and 44 per cent were women. Ethnic minorities accounted for 30 per cent of staff.

Senior Staff Salaries

The following table shows the number of senior civil servants by salary band at 1 April 2000.

Salary Bands	Number of Staff
£95,000 - £99,999	1
£50,000 - £54,999	1

Capital Assets

In January 1999 a majority of the staff of this Department moved to the FSA, based at Canary Wharf. As a result the Department was able to give up a large proportion of its London building to the Inland Revenue in return for a payment from PACE. The Department therefore continued as a a minor occupier under a Memorandum of Terms of Occupation with Inland Revenue.

At the same time, the personal computers used by those individuals transferring were sold to the FSA at book value so that they could be taken with them. A bespoke system developed for the BSC for use in the financial monitoring of building societies was also sold to the FSA at book value.

From 1 February 2001, the work of the Central Office is now being carried out by FSA under a Service Level Agreement and the remaining staff transfered to Canary Wharf on 5 February. On that date most of the remaining IT equipment was sold to the FSA at book value and the remainder of the building was taken on by the Inland Revenue.

Bibliography

The following publications are available through the Department:

Report of the Chief Registrar 1999-2000 (£10)

Annual Report of the Building Societies Commission 1999-2000 (£13)

Annual Report of the Friendly Societies Commission 1999-2000 (£6)

FINANCIAL TRANSACTIONS

WITH EUROPEAN COMMUNITY INSTITUTIONS

Section D: Financial Transactions with European Community Institutions

Chapter 14

Introduction

The United Kingdom's financial transactions with the European Community (EC) are based on its Treaty obligations. In particular, the provisions of the Own Resources Decision, which sets out the system for raising revenue from Member States to finance the EC budget, determines the basis of Member States' contributions to fund the annual Community budget.

The UK helps to determine Community expenditure through the annual EC budget round and the negotiation of the multi-annual Financial Perspective, which sets a framework for the Community budget. These budgetary negotiations take place in the context of the Inter-Institutional Agreement between the Council, the Commission and the European Parliament.

The UK Government's overall aim for Community spending is, through strict budget discipline, to achieve value for money and to ensure that the UK taxpayer contributes no more than is necessary to the costs of the Community. The objective is to ensure Community spending is well-targeted and to achieve low overall increases in the size of the Community budget, year on year, commensurate with the Community's needs.

Financial transactions

14.1

The UK makes gross contributions to the EC budget on the basis of customs duties, including those on agricultural products, sugar levies, VAT-based contributions and GNP-based contributions. Included within these are the UK's contributions to Community expenditure on overseas aid, which is attributed to the aid programme, to Community expenditure on the Common Foreign and Security Policy, which is attributed to FCO, and to the capital of the European Investment Bank.

The UK benefits from gross receipts from Community spending programmes, as well as receipts from the European Coal and Steel Community.

The calculation of net payments is affected by the UK's abatement (see section 14.4), which significantly reduces the UK's net contributions to the Community.

Gross contributions

14.2

Contributions by Member States to the EC budget ("own resources") consist of four elements:

- **Customs duties, including those on agricultural products.** These are paid on a range of commodities imported from non-member countries. Following the agreement on agriculture during the Uruguay GATT Round, most agriculture duties are now fixed. However, for some key commodities, they continue to vary in line with changes in world prices;

- **Sugar levies.** These are charged on the production of sugar to recover part of the cost of subsidising the export of surplus Community sugar onto the world market;

- **Contributions based on VAT.** Essentially, the VAT base is the amount yielded by applying a notional rate of 1% to an identical range of goods and services in each Member State. Member States are, however, subject to a cap on their VAT contribution as a share of their Gross National Product;

- **GNP-based contributions.** The amount due is calculated by taking the same proportion of each Member States' Gross National Product. Because the Community is not allowed to borrow, revenue must equal expenditure. The GNP resource is the budget-balancing item; it covers the difference between total expenditure in the budget and the revenue from the other three resources, subject to the overall own resources ceiling.

The first two Own Resources are known collectively as "Traditional Own Resources". The VAT and GNP-based contributions are often referred to as the "Third" and "Fourth" Own Resources respectively.

Contributions relating to the fourth resource, and to a significant extent those relating to the VAT resource, are directly influenced by movements in Member States' GNP. If a Member State's GNP is growing relatively fast compared to others, it will see a relative increase in its contributions.

Member States' total contributions may not exceed the overall annual ceiling on own resources established by the Own Resources Decision. Under the Decision, adopted in accordance with the agreement at the Edinburgh European Council of 1994, this ceiling is now 1.27 per cent of Community GNP. The Decision also gradually increases the proportion of the GNP-based resource and reduces that of the VAT-based resource. At the same time, the cap on the VAT base in each Member State expressed as a proportion of its GNP was, also in stages, reduced. The final stage occurred in 1999 when the capping rate was reduced to 50%, of 1%, of GNP for all Member States. An immediate reduction to 50%, of 1%, was made for the four poorest Member States, so that their VAT bases have been capped at this rate retrospectively since 1 January 1995.

In recent years the VAT element has been the largest source of revenue for the Community. But in the 2000 EC supplementary and amending budget No. 1 and 2001 EC adopted budget it accounts only for some 40 per cent and 37 per cent, respectively, of Member States' gross contributions, whereas, fourth resource contributions (including contributions to Community reserves) account for 44 per cent and 48 per cent respectively. It is expected that fourth resource contributions will continue to form the largest single element of revenue for the Community.

The UK's share of total own resources in the 2001 adopted budget is around 19.6 per cent before abatement and around 13.9 per cent after abatement.

Gross receipts

14.3

The UK public sector share of receipts from the EC budget is expected to be around 7 per cent of total Community spending in 2001. The UK's receipts come mainly from the European Agricultural Guidance and Guarantee Fund (EAGGF), the Social and Regional Development Funds and the Community's Research and Development Framework Programme.

Around 91 per cent of total UK receipts - including all EAGGF and structural funds receipts - are paid, at least initially, to the public sector. Most of this is accounted for by payments to the private sector or used in its support. Receipts for research and development are mainly paid direct to the private sector and do not, therefore, score in the Government's accounts.

Expenditure by UK public authorities which is funded by the EC budget is recorded in the relevant departmental programme, eg that of the Intervention Board. Receipts from the EC which finance such expenditure are recorded as a negative item in net payments to EC institutions; see Table 14a, line 2. Table 14c summarises UK public sector receipts, while Chart 14a illustrates the relative amounts, by budget category, which the UK public sector gets from the Community.

A detailed analysis by department and Community fund is set out in Table 14d. The figures in Table 14d represent Departments' latest estimates of the level of receipts which they expect to receive from the Community and may differ from the levels used at the time of the Spending Review 2000.

UK abatement

14.4

Under the Own Resources Decision, the Commission determines the UK's abatement, according to a formula set down in a Working Document published in 1988 and revised in 1994.

The UK's VAT contributions are abated according to a formula set out in the Own Resources Decision and in the Working Document. Broadly, the abatement is equal to 66 per cent of the difference between what the UK contributes to the Community budget and what the UK receives from the budget (in terms of EC grants and expenditure in the UK), subject to the following points:

a) the abatement applies only in respect of spending within the Community. Expenditure outside the Community (mainly aid), amounting to around 7 per cent of total EC budget expenditure in 2001, is excluded;
b) the UK's contribution is calculated as if the budget were entirely financed by VAT;
c) the abatement is deducted from the UK's VAT contribution a year in arrears.

The Commission calculates the abatement on the basis of its estimates of the likely outturn for payments from the budget in-year, and of its estimates of Member States' contributions to the budget. This is then corrected in the light of actual outturn figures - both for payments from the budget and for Member States' contributions. Corrections may be made up to three years after the year in respect of which the abatement relates, after which a final reckoning is made in the fourth year.

The UK's abatement in the 2000 EC supplementary and amending budget No.1 and the 2001 adopted budget are £2,085 million (3,353 million euro) and £3,264 million (5,230 million euro), respectively. The difference between the amounts for 2000 and 2001 is a result of factors such as the movements and changes in the UK's gross contributions and receipts, described in Section 14.5, and exchange rate movements. The underlying level of the abatement is currently around £2.1 billion a year. By the end of 2000-01, the total abatement made since the Fontainebleau agreement in 1984 is expected to be around £29 billion.

Forecast methodology

14.5
The Community's financing system produces considerable fluctuations in Member States' contributions from year to year. The fluctuations are caused by factors such as the adjustments made to Member States' gross contributions in previous years as later information becomes available, differences in the level and timing of receipts and changes in the size of the UK's abatement. The effects are particularly marked in the case of the UK because we use a different financial year to that of the Community (where the financial year coincides with the calendar year).

In view of these fluctuations and the difficulties of predicting the net position accurately, the Treasury decided, from 1996, to move from preparing forecasts of the UK's actual annual net contributions to preparing forecasts in respect of future years' net contributions to the EC budget on the basis of the statistical trend in future Community costs.

Outturn, estimates and forecasts

14.6
The data in respect of the UK's net payments is presented in two tables. Table 14a sets out the actual outturn data in respect of the years 1995-96 to 1999-2000 and an estimate of the likely outturn for the financial year 2000-01. Estimates of the current financial year remain subject to some fluctuation, since there are uncertainties over the timing of payments and receipts in the second half of the UK's financial year.

Table 14b sets out the Government's latest view of the likely trend in the UK's financial transactions with EC Institutions for the financial years 2001-02 to 2003-04.

Table 14a: Cash payments and receipts (£ million)

	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-2000 Outturn	2000-01 Estimated outturn
Gross payments (1)	9,211	9,278	8,603	10,507	9,207	10,615
Public sector receipts	-3,783	-4,567	-4,472	-3,950	-3,676	-4,250
UK Abatement	-1,576	-2,418	-1,563	-2,447	-2,206	-2,223
Net contributions to EC Budget (2)	3,852	2,293	2,567	4,111	3,325	4,141
Contributions to reserves and capital of the EIB	16	15	0	0	0	0
Grants received from European Coal and Steel Community	-51	-27	-6	-:	-:	-:
Payments to EC budget attributed to the aid programme (3)	-446	-464	-408	-520	-455	-621
Net payments to EC institutions (excluding Overseas Aid) (2)	3,370	1,817	2,153	3,590	2,871	3,520

Notes:

: *Signifies receipts of less than £0.5 million*

1. *Gross payment figures include Traditional Own Resources payments at 90%, the remaining 10% is retained by the UK to cover the costs of administering collection on behalf of the European Community.*

2. *Due to rounding, totals may not exactly correspond to the sum of individual items.*

3. *For domestic/public expenditure planning purposes, part of the UK's contribution to the Community budget is attributed to the overseas aid programme. The aid programme also includes payments to the European Development Fund, not included here.*

Table 14b Forecast of the trend in the UK's contributions (£ million) (1)

	2001-02 Plans	2002-03 Plans	2003-04 Plans
Trended Net Contributions to European Community budget	3,400	3,475	3,800
Contributions to reserves and capital of the EIB	0	0	0
Grants received from European Coal and Steel Community	-:	-0	-0
Payments to EC budget attribtued to the aid programme (2)	-712	-879	-888
Net payments to EC institutions (excluding Overseas Aid)	2,688	2,596	2,912

Notes:

: *Signifies receipts of less than £0.5 million*

1. *An exchange rate of £1 = 1.65 euro has been assumed.*

2. *For domestic/public expenditure planning purposes, part of the UK's contribution to the Community budget is attributed to the overseas aid programme. The aid programme also includes payments to the European Development Fund, not included here.*

Table 14c: Public Sector Receipts (other than UK abatement) from the Community Budget (£ million)

	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-2000 Outturn	2000-01 Estimated Outturn (1)
Agricultural Guarantee Fund	2,615	3,155	2,904	3,028	2,456	2,664
Agricultural Guidance Fund	23	39	51	52	103	60
Social Fund	709	733	867	511	698	582
Regional Development Fund	404	621	640	348	411	899
Other Receipts	32	19	11	10	7	44
Total (2)	**3,783**	**4,567**	**4,472**	**3,950**	**3,676**	**4,250**

Notes:

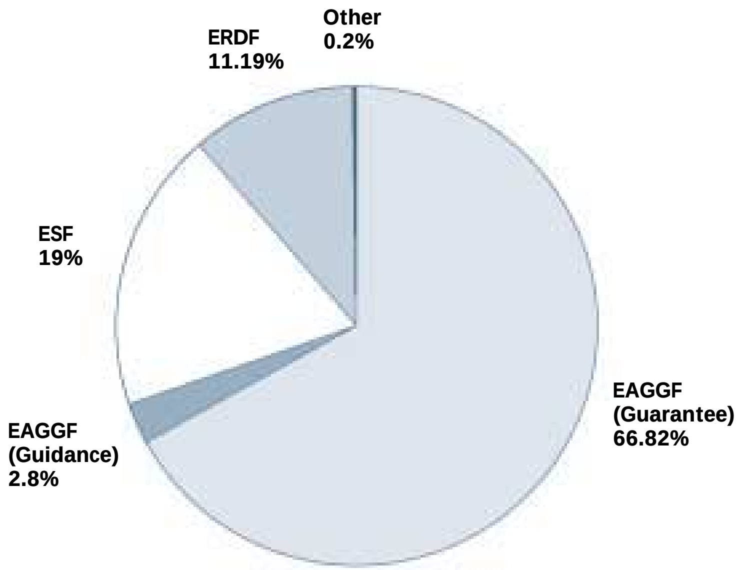
1. *Estimate of potential outturn for receipts from the Community Budget at February 2001. This figure differs from the total for the departmental breakdown of receipts at Table 13D which are based on an estimate of expected outturn prepared by departments in November 2000.*

2. *Due to rounding, totals may not exactly correspond to the sum of individual items.*

European Investment Bank (EIB): Exceptional re-payment

14.7
Tables 14a and 14b contain the contributions which the UK makes to the reserves and capital of the EIB. Based on a review of the Bank's requirements of own funds the Board of Governors unanimously agreed, during 1998-99, a distribution of 1 billion ECU to its members, as an exceptional re-payment, pro-rata of their contributions.

Chart 14a: Distribution of UK receipts in 1999-2000



Comparison with previous forecasts 2000-01

14.8
The latest estimate for 2000-01, £3,520 million, compares to the PBR estimated outturn of £2,827 million and is greater by £830 million compared to last year's Departmental Report. This reflects the difference between an average, and the expected actual value in respect of the year and also estimating changes reflecting later information about the 2000 and 2001 EC budgets and thus the level and timing of UK gross contributions to and abatement and receipts from these budgets. For example, the increase reflects a substantial shortfall in the expected level of receipts.

Years 2001-02 and 2003-04

14.9
The latest trend forecast for future years is £2,668 million in 2001-02, £2,596 million in 2002-03 and £2,912 million in 2003-04 compared to the PBR trend forecast of £2,578, £2,529 and £2,843 respectively. The latest forecasts are, respectively, £231 million higher, £4 million lower and unchanged compared to last year's Departmental Report and Spending Review 2000.

The main reasons for the difference between the latest trend forecast for 2001-02 and that given in last year's Departmental Report and Spending Review 2000 are: knock-on effects of a higher than anticipated estimated outturn for 2000-01; and increased EC expenditure.

The differences between the latest trend forecast for 2002-03 to 2003-04 and that given in last year's Departmental Report and Spending Review 2000 are very small (-£4 million) in the first instance and no change in the second, and are the result of using more recent assumptions on likely Community spending in the medium term.

National accounts

14.10

The way in which the UK's financial transactions with EC Institutions, in Annually Managed Expenditure, is related to the national accounts measure, Total Managed Expenditure, is described in the Public Expenditure Statistical Analyses (Cm 5101).

Relative position of member states

14.11

In 1999 the UK was one of 11 Member States which were net contributors according to figures released by the European Court of Auditors (ECA) in its Report on the 1999 EC budget. Germany was the largest net contributor, paying more than twice as much as any other Member State, followed by the UK and the Netherlands. Other significant net contributors in 1999 were Italy, Belgium, Sweden, France and Austria. The figures published by the ECA do not, however, allocate administrative expenditure between the Member States. Any allocation of administrative expenditure would likely benefit Luxembourg and Belgium more than other Member States, and thus significantly reduce their relative net contributions.

Chart 14b sets out both the net beneficiaries and the net contributors to the EC budget for 1998 and 1999, the last two years for which information from the ECA is available. The variation in the positions for the Member States reflects the consequences of underspending for the two years and the effect of fluctuations caused by the workings of the EC budget financing system. Chart 14c sets out the same information but on a per capita basis.

Chart 14b: Net receipts/contributions of member states in 1998 and 1999 (million euro)

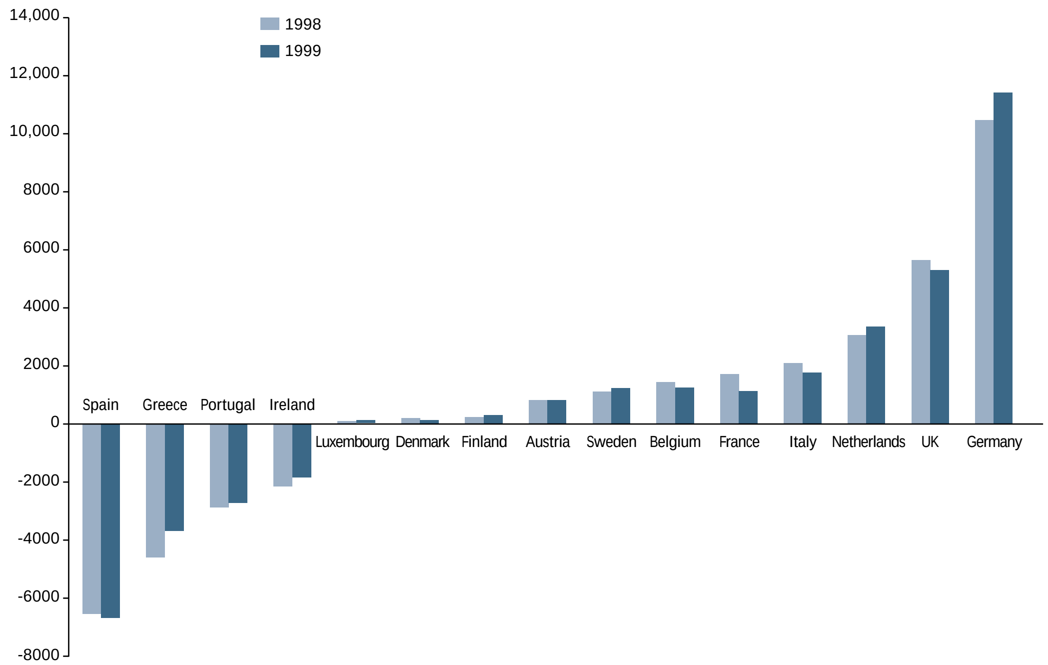
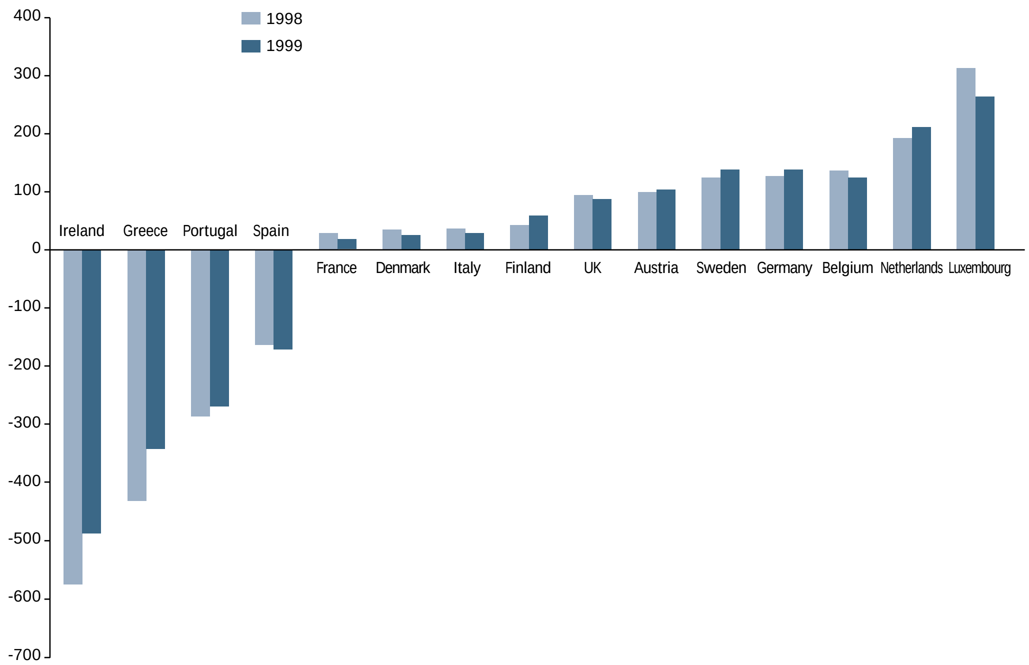


Chart 14c: Net receipts/contributions of member states in 1998 and 1999 (per capita)(euro)



The EC budget is, with effect from 1 January 1999, denominated in euros. Accordingly, ECA figures are also prepared on a euro basis. Charts 14b and 14c are thus also on a euro basis. Due to the fluctuating value of sterling/euro exchange rates over time, euro comparisons for the difference between the outturn for the UK in 1998 and 1999 do not readily convert to sterling equivalents using a single exchange rate.

The main reasons for the difference between the figures for the two years (1999: 5,290 million euro; 1998: 5,659 million euro) are as follows:

- the UK paid 1,274 million euro to the European Community in 1998 to correct for underpayments made in earlier years whereas in 1999 the UK paid 191 million euro;
- the abatement paid to the UK in 1998 (3,170 million euro) was 398 million euro lower than the abatement paid in 1999 (3,568 million euro);
- the level of UK receipts identified in the 1998 Court of Auditor's report amounted to some 6,878 million euro, whereas in 1999 the level of the UK's receipts is shown as some 5,793 million euro.

Bibliography

14.12
Further information about European Community finances can be found in:

Statement on the 2000 EC Budget and measures to counter fraud and financial mismanagement,
The Stationery Office, Cm 4771;

Decision of the Council of the European Communities on the System of the Communities Own Resources,
31 October 1994, HMSO, Cm 2702.

Table 14d: Receipts from European Community institutions analysed by department and fund

£ million	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-2000 Outturn	2000-01 Est.O/turn	2001-02 Plans	2002-03 Plans	2003-04 Plans
Min. of Agriculture, Fisheries & Food									
EAGGF #1 (Guarantee)	1	:	:	:	:	:	:	:	:
EAGGF (Guidance)	15	13	16	10	39	20	14	14	14
ERDF #2	:	:	2	1	1	1	1	1	1
FIFG #3	6	10	5	8	3	3	2	2	2
Other receipts	:	:	:	5	1	1	1	1	1
Forestry Commission									
EAGGF (Guidance)	0	0	0	1	:	:	:	0	0
ERDF	0	:	:	:	:	:	:	:	0
Intervention Board									
EAGGF (Guarantee)	2610	3136	3411	3296	2456	2664	2343	2397	2430
EAGGF (Guidance) 50% Set Aside	0	0	0	0	0	0	0	0	0
Depreciation of existing stocks	0	0	0	0	0	0	0	0	0
Ministry of Defence									
ERDF	0	0	0	0	0	0	0	0	0
Other receipts	1	0	0	5	3	:	0	0	0
Department of the Environment,Transport and Regions									
EAGGF (Guidance)	1	0	0	0	0	0	0	0	0
ERDF	203	159	180	209	146	315	375	162	249
Other	9	10	36	24	23	30	45	50	52
Home Office									
Other Receipts	:	0	:	:	:	1	:	0	0
DFEE									
ERDF	13	18	18	18	41	30	19	34	50
ESF #4	428	507	610	406	550	350	518	474	473
Office of Fair Trading									
ESF	:	:	:	:	:	:	:	:	:
Office of National Statistics									
ESF	:	0	0	0	0	0	0	0	0
Other Receipts	1	1	1	1	1	1	1	1	1
Department for Culture, Media and Sport									
ERDF	6	23	45	55	16	72	20	39	58

Department of Trade & Industry									
ERDF	46	80	110	113	68	193	55	106	156
ESF	0	0	0	0	0	0	0	0	0
Other Receipts	1	:	:	:	:	:	:	:	:
Scottish Office									
EAGGF (Guidance) (incl. FIFG)	17	16	10	15	19	19	12	13	13
ERDF	85	88	105	99	60	80	160	162	118
ESF	52	66	89	83	93	98	60	58	58
Other Receipts	:	:	:	:	:	:	:	:	:
Welsh Office									
EAGGF (Guidance)	8	8	8	9	10	7	10	13	15
ERDF	39	20	39	33	39	77	92	99	110
ESF	14	5	9	8	33	39	36	58	58
FIFG	0	0	:	:	0	1	1	1	1
Other Receipts	:	0	0	0	0	0	0	0	0
Northern Ireland Office									
EAGGF (Guidance)	25	32	22	13	39	7	11	17	13
ERDF	83	199	61	116	34	131	202	154	99
ESF	12	81	69	15	62	95	74	67	47
FIFG	0	1	5	2	4	3	2	2	3
Other Receipts	:	:	:	:	:	0	0	0	0
Office of Science and Technology									
Other Receipts	13	12	15	11	13	11	10	9	9
Total Receipts from European Community Budget #5									
	3689	4486	4868	4555	3756	4250	4065	3935	4031
Receipts from ECSC									
Department of the Environment, Transport and the Regions	0	0	0	0	0	0	0	0	0
Department of Trade & Industry	51	27	6	:	:	:	:	0	0
Total Receipts from European Community Institutions #5	3740	4513	4874	4556	3756	4250	4065	3935	4031

Notes

- *: Signifies receipts of less than £0.5 million.*
- *#1 European Agricultural Guidance and Guarantee Fund*
- *#2 European Regional Development Fund*
- *#3 Financial Instrument for Fisheries Guidance*
- *#4 European Social Fund*
- *#5 Because of changes in the amounts held in departmental suspense accounts, the total receipts in this table may be different from the totals shown in Tables 15a and 15c.*

Annex A

Main Estimates

HM Treasury

Royal Mint

Government Actuary's Department

National Investment and Loans Office

National Savings

Office for National Statistics

Registry of Friendly Societies

Crown Estate Office

Main Estimate 2001-02: Symbols used in estimates

Public expenditure

★ A section of an Estimate which contains discretionary expenditure.

Φ Income which is classified as negative in Resource Budgets: DELs or in Capital Budget: DELs in respect of income from capital receipts including assets sales and which are, exceptionally surrendered direct to the Consolidated Fund as extra receipts rather than taken on to the Estimate as appropriations-in-aid.

Δ Income which are classified as negative in Resource Budget: AME or Capital Budget: AME and which are exceptionally surrendered direct to the Consolidated Fund as extra receipts rather than taken on to the Estimate as appropriations-in-aid.

● Extra receipts which are classified as 'other spending outside Departmental Expenditure Limits' and are surrendered to the Consolidated Fund as extra receipts.

Statutory authority for expenditure:

■ Items where provision is sought under the sole authority of Part I of the Estimate and of the confirming Appropriation Act.

Accounting and audit arrangements for grants in aid and certain subscriptions, etc, to international organisations:

♥ The accounts of this body are audited by the Comptroller and Auditor General and presented to Parliament.

◆ The accounts of this body are audited by auditors appointed by the Secretary of State (or Minister) and presented to Parliament. The books and accounts are also open to inspection by the Comptroller and Auditor General.

♠ The accounts of this body are audited by auditors appointed by the Secretary of State (or Minister) and presented to Parliament.

Main Estimate 2001-02 – HM Treasury

Introduction

This Estimate covers the administration costs and other related costs of the Central Treasury and the Debt Management Office; payments to the Financial Services Authority for the carrying out of insurance responsibilities; grants in aid to four Parliamentary Bodies (see Note to the Estimates); expenditure associated with the awards of honours and dignities; expenditure relating to provision of information to business about the euro; grant in aid provision for the Statistics Commission; payments under the indemnity guarantee in respect of Paymaster; expenditure associated with Partnerships UK; management and sales of residual Government shareholdings and holdings of privatised companies' debt; payments to the Royal Mint including payments for the manufacture and distribution of UK coins which are supplied to the banks on behalf of the Treasury and for storage of coins returned by the banks; administration costs and other related costs (including payments to Partnerships UK) of the Office of Government Commerce and OGCbuying.solutions (formerly the Buying Agency), and associated non-cash items. A detailed analysis of Resource Budget Spending Plans can be found in Table 4 of this Departmental Report, and Table 5 provides a detailed analysis of the Capital Budget Spending Plans.

Symbols are explained in the introduction to the Annexes.

Part I

RfR1 Raising the rate of sustainable growth, and achieving rising prosperity, through creating economic and employment opportunities for all.*	187,685,000
RfR2 Cost effective management of the supply of coins.	37,628,000
RfR3 Obtaining the best value for money from Government's commercial relationship on a sustainable basis.	40,649,000
Total net resource requirement	265,962,000
Net cash requirement	180,928,000

*In the Vote on Account this RfR was described as 'Raising the rate of sustainable growth, and achieving rising prosperity'.

Amounts required in the year ending 31 March 2002 for expenditure by HM Treasury on:

RfR1: Raising the rate of sustainable growth and achieving rising prosperity, through creating economic and employment opportunities for all: Economic, financial and related administration; regulation and supervision of the insurance industry, payments to certain Parliamentary bodies, expenses in connection with honours and dignities, a grant in aid to the Statistics Commission, payments relating to the Debt Management Office, providing information to business about the euro, payments under an indemnity guarantee in respect of Paymaster, expenditure associated with Partnerships UK, payments to the Royal Mint, management and sales of residual Government shareholdings and holdings of privatised companies' debt, and associated non-cash items.

RfR2: Cost effective management of the supply of coins: Manufacture, storage and distribution of coinage for use in the United Kingdom, and associated non-cash items.

RfR3: Obtaining the best value for money from Government's commercial relationships on a sustainable basis. Administration and other related costs (including payments to Partnerships UK) of the Office of Government Commerce and OGCbuying.solutions (formerly The Buying Agency), and associated non-cash items.

HM Treasury will account for this Estimate.

	Net Total £	Allocated in Vote on Account £	Balance to Complete £
RfR1	187,685,000	46,368,000	141,317,000
RfR2	37,628,000	16,196,000	21,432,000
RfR3	40,649,000	17,817,000	22,832,000
Total Net Resource Requirement	265,962,000	80,381,000	185,581,000
Net Cash Requirement	180,928,000	82,095,000	98,833,000

HM Treasury

Part II Subhead details

	2001-2002									£'000
	Resources						Capital		2000-2001 Provision	1999-2000 Outturn
	1	2	3	4	5	6	7	8	9	10
	Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A	Net Total Resource	Net Total Resource
Rfr 01: Raising the rate of sustainable growth and achieving rising prosperity	**79,653**	**121,936**	**1,327**	**202,916**	**15,231**	**187,685**	**4,680**	**49**	**197,790**	**229,964**
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL)										
Central Government spending										
★A Administration	65,455	124	–	65,579	14,524	**51,055**	3,680	–	56,451	48,505
★B Debt Management Office	5,900	700	–	6,600	700	**5,900**	1,000	–	5,413	5,086
★C Payment to FSA for carrying out insurance and supervision responsibilities		15,116	–	15,116	–	15,116	–	–	14,500	12,839
★D Parliament and Privy Council	–	–	1,327	1,327	–	**1,327**	–	–	3,655	1,391
★E Other Services	–	1,093	–	1,093	7	**1,086**	–	–	3,043	2,609
★F Provision of information to business about the euro	–	7,500	–	7,500	–	**7,500**	–	–	7,500	327
★G Statistics Commission	–	1,350	–	1,350	–	**1,350**	–	–	1,350	–
★H Royal Mint	–	–	–	–	–	–	–	–	540	–
SPENDING IN ANNUALLY MANAGED EXPENDITURE										
I Administration	7,713	93,940	–	101,653	–	**101,653**	–	–	103,566	122,433
J Debt Management Office	585	–	–	585	–	**585**	–	–	809	317
K Partnerships UK	–	1,200	–	1,200	–	**1,200**	–	–	–	–
L Privatisation programme sale of shares	–	463	–	463	–	**463**	–	–	463	20,811
OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS										
M Payment under the indemnity guarantee in respect of Paymaster	–	400	–	400	–	**400**	–	-	400	49
N Privatisation programme sale of shares	–	50	–	50	–	**50**	–	49	100	15,597

Rfr 02: Cost effective management of the supply of coins										
	–	**37,728**	**–**	**37,728**	**100**	**37,628**	**–**	**–**	**46,628**	**42,216**
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL)										
Central Government spending										
A UK Coinage										
	–	32,100	–	32,100	100	32,000	–	–	41,000	32,248
SPENDING IN ANNUALLY MANAGED EXPENDITURE										
Non-Cash items										
B UK Coinage										
	–	5,628	–	5,628	–	**5,628**	–	–	5,628	9,968
Rfr 03: Obtaining the best value for money from Government's commercial relationships on a sustainable basis										
	49,085	**42,599**	**–20,500**	**71,184**	**30,535**	**40,649**	**2,875**	**2,105**	**39,531**	**–34,501**
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL)										
Central Government spending										
A Office of Government Commerce										
	47,660	41,998	–	89,658	30,535	**59,123**	2,875	2,105	88,689	37,974
SPENDING IN ANNUALLY MANAGED EXPENDITURE										
Non-Cash items										
B Office of Government Commerce										
	1,425	601	–20,500	–18,474	–	**–18,474**	–	–	–49,158	–72,475[1]
	128,738	**202,263**	**–19,173**	**311,828**	**45,866**	**265,962**	**7,555**	**2,154**	**283,949**	**237,679**

Accruals to cash adjustment	**-90,435**
Net cash required	**180,928**

Resource to Cash reconciliation		**£,000**
Net Total Resources		**265,962**
Voted Capital Items		
Capital	7,555	
Less Non-operating A-in-A	2,154	
		5,401
Accruals to cash adjustment		
Cost of Capital charges	–103,601	
Depreciation	–7,404	
Other non-cash items	–130	
Increase (+)/Decrease (–) in stock	–	
Increase (+)/Decrease (–) in debtors	1,000	
Increase (+)/Decrease (–) in creditors	–250	
Increase (+)/Decrease (–) in provision	19,950	
Excess cash to be CFERd	–	
		-90,435
Net Cash Required		**180,928**

[1] RfR 3 is shown as negative in 1999-2000. This RfR relates to the Office of Government Commerce, the bulk of which was in Cabinet Office in 1999-2000. The negative outturn is primarily due to release of provision in PACE, which was a Cabinet Office Agency in 1999-2000 and which moved to the OGC.

Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):-

	2001-02 Income	**2001-02** *Receipts*	**£,000 2000-01** Income	**2000-01** *Receipts*	**1999-00** Income	**1999-00** *Receipts*
Operating income not classified as AinA	46,175	*45,865*	45,910	*50,459*	75,494	*96,498*
Non-operating income not classified as AinA	400	–	400	*674*	551,751	*548,217*
Other income not classified as AinA	1,515	–	1,515	–	1,515	–
	48,090	***45,865***	**47,825**	***51,133***	**628,760**	***644,715***

Forecast operating cost statement – Main Estimate

	Provision 2001-02 £,000	£,000	**Provision 2000-01** £,000	£,000	**Outturn 1999-2000** £,000	£,000
Administration Costs						
Request for Resources 1						
Staff Costs	39,725	–	39,372	–	36,825	–
Other Administration costs	39,928	–	43,877	–	59,218	–
		79,653		83,249		96,043
Request for Resources 2						
Staff Costs	-		-		-	
Other Administration costs	-		-		-	
Request for Resources 3						
Staff Costs	16,313	–	15,966	–	13,761	–
Other Administration Costs	32,772	–	30,275	–	13,082	–
		49,085		46,241		26,843
Gross Administration Costs		128,738		129,490		122,886
Operating income		–22,112		–22,024		–18,880
Total Net Administration costs		**106,626**		**107,466**		**104,006**
Programme Costs						
Request for Resources 1						
Expenditure	123,263	–	131,324	–	150,137	–
Income	–61,048	–	–60,980	–	–87,236	–
		62,215		–70,344		62,901
Request for Resources 2						
Expenditure	37,728	–	46,913	–	42,962	–
Income	-350	–	–285	–	–1,246	–
		37,378		46,628		41,716
Request for Resources 3						
Staff Costs	22,099	–	40,023	–	12,251	–
Other Administration Costs	–8,531	–	–26,422	–	–58,689	–
		13,568		13,601		–46,438
Bank of England						
Expenditure	13,095	–	12,801	–	12,511	–
Total Net Programme costs		**126,256**		**143,374**		**70,690**
Net operating cost		**232,882**		**250,840**		**174,696**
Net Resource Outturn		**265,962**		**283,949**		**237,679**
Resource Budget Outturn		**298,930**		**314,959**		**253,062**

Forecast Cash Flow Statement

FORECAST CASH FLOW STATEMENT	2001–02 Provision £,000	2000–01 Provision £,000	1999–00 Outturn £,000
Net Cash outflow from operating activities (Note i)	-129,662	-172,802	-36,916
Capital expenditure and financial investment (Note ii)	-5,401	-22,618	572,223
Receipts due to the Consolidated Fund which are outside the scope of the departments operations	–	–	–
Payments of amounts due to the Consolidated Fund	-45,865	-51,133	-763,147
Financing (Note iii)	180,928	246,553	158,385
Increase (+)/decrease (–) in cash in the period	0	0	-69.455

Notes to the cash flow statement

Note i: Reconciliation of operating cost to operating cash flows

Net Operating Cost	232,882	250,840	174,696
Remove non–cash transactions	-91,185	-61,438	-100,856
Adjust for movements in working capital other than cash	-12,035	-16,600	-36,924
Use of provisions	–	–	–
Net cash outflow from operating activities	129,662	172,802	36,916

Note ii: Analysis of capital expenditure and financial investment

Tangible fixed asset additions	5,841	50,056	7,660
Intangible fixed asset additions	1,714	285	380
Proceeds of disposal of fixed assets	-2,554	-27,449	-568,970
Adjust for movements in working capital on capital expenditure and financial investment	400	-274	-11,293
Net cash outflow for capital expenditure and financial investment	5,401	22,618	-572,223

Note iii: Analysis of financing and reconciliation to the net cash requirement

From Consolidated Fund (Supply): current year expenditure	180,928	246,553	154,785
Net payments from the contingencies Fund	0	0	3,600
Net financing	180,928	246,553	158,385
Increase (–)/decrease (+) in cash	0	0	69,455
Net cash flows other than financing (net outflow = +)	180,928	246,553	227,840
Adjust for payments and receipts not related to Supply:			
Amounts due to the consolidated Fund – received in a prior year and paid over	0	0	-148,405
Amounts due to the Consolidated Fund – received and not paid over	0	0	29,973
Consolidated Fund Standing Services – payments	0	0	2,409
Net cash requirement for the year	180,928	246,553	111,817

Forecast reconciliation of Net Resource Outturn to Net Operating Cost to Resource Budget Outturn

	2001-02 £000	2000-01 £000	1999-00 £000
Net Resource Outturn	**265,962**	**283,949**	**237,679**
* Add non-voted expenditure in the OCS	13,095	12,801	12,511
* Add Consolidated Fund Extra Receipts in the OCS	-46,175	-45,910	-75,494
Net Operating Costs	**232,882**	**250,840**	**174,696**
* Add other Consolidated Fund Extra Receipts	44,660	44,395	73,829
* Deduct profit or add loss incurred by Public Corporations and Trading Funds	2,810	–	345
* Reverse the deduction of gains and deduct the losses incurred on disposal of assets	–	–	-14,827
* Remove other expenditure shown in Estimates under the heading "Other Expenditure Outside DEU" that is outside the Resource Budget	–450	–500	–819
* Add unallocated resource provision	1,368	3,135	–
* Other Adjustments	17,660	17,090	19,838
Resource Budget Outturn	**298,930**	**314,959**	**253,062**
Of which:			
Departmental Expenditure Limit (DEL)	203,828	253,651	171,663
Annually Managed Expenditure (AME)	95,102	61,308	81,399

Explanation of Accounting Officer Responsibilities

The Permanent Secretary to the Treasury is Principal Accounting Officer with overall responsibility for preparing the Department's Estimate. In addition, the Treasury has appointed an Additional Accounting Officer for the Office of Government Commerce, to be responsible for that part of the Department's accounts relating to a specified request for resources and the associated assets, liabilities and cash flows. This appointment does not detract from the Permanent Secretary's overall responsibility as Accounting Officer for the Department's Estimate and overall cash requirement.

The allocation of Accounting Officer responsibilities in the Treasury is as follows:

Request for Resources 1	Sir Andrew Turnbull, Principal Accounting Officer and Permanent Head of Department.
Request for Resources 2	Sir Andrew Turnbull, Principal Accounting Officer and Permanent Head of Department.
Request for Resources 3	Mr Peter Gershon, Additional Accounting Officer and Chief Executive of the Office of Government Commerce.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting.* Under the terms of the Accounting Officers' Memorandum the relationship between the Treasury's Principal Accounting Officer and Additional Accounting Officer, together with their respective responsibilities, is set out in writing.

Appropriations in Aid note (£'000)

	2001-02		2000-01		1999-2000	
	***Operating A in A**	****Non-Operating A in A**	***Operating A in A**	****Non-Operating A in A**	***Operating A in A**	****Non-Operating A in A**
RfR1	15,231	49	16,783	25,049	16,216	770
RfR2	100	-	285	-	746	-
RfR3	30,535	2,105	46,733	2,000	73,595	31,274
Total	**45,866**	**2,154**	**63,801**	**27,049**	**90,557**	**32,044**

RfR1
Raising the rate of sustainable growth and achieving rising prosperity, through creating economic and employment opportunities for all.

* Amount that may be applied as appropriations in aid in addition to the net total, arising from recoveries in respect of the administration of the Treasury, including charges for courses, services provided by the Economist Group Management Unit and Officers loaned to other organisations, including the salary of the UK Executive Director of the International Monetary Fund/International Bank for Reconstruction and Development who is a Treasury employee; income from publications, travel costs recovered from the European Community; recoveries of costs from minor occupiers; income from recovery actions in connection with Barlow Clowes; income from fees charged to Foreign Investment Exchanges/Clearing Houses; recoveries in respect of Honours and Dignities; income in respect of insurance sponsorship and supervision responsibilities; income due to the Debt Management Office for advertising costs, stock exchange listings and the facilitation of data provision; European Fast Stream income from Cabinet Office, and amounts arising from the sale of shares and debt.

** Amounts that may be applied as non-operating appropriations is aid, arising from the sale of investments.

RfR2
Cost effective management of the supply of coins.

* Amount that may be applied as appropriations in aid in addition to the net total, arising from the proceeds of sales from melted down coin.

RfR3
Obtaining the best value for money from Government's commercial relationships on a sustainable basis.

* Amount that may be applied as appropriations in aid in addition to the net total, arising from income from consultancy and other customer services, hirings of vacant property, charges for users of Whitehall District Heating and Standby Systems and sales of surplus energy.

** Amounts that may be applied as non-operating appropriations in aid, arising from the recovery of income from the sale of fixed assets including disposals of surplus freehold and leasehold interests.

Notes

DEL and Administrative Cost Limits

The Treasury's Departmental Expenditure Limit is £209,578,000 and the Administration Cost Limit is £97,011,000.

Comparison of provision sought with final provision

The total net resource sought for 2001-02 of £265,962,00 is 6.3% lower than the final net provision and forecast outturn for 2000-01 of £283,949,000.

Expenditure resting on the sole authority of the Appropriation Act

The following RfR contains provision sought under the sole authority of Part 1 of the Estimate and the confirming Appropriation Act.

	£'000
RfR1 F Provision of information to business about the euro ■	7,500

Contingent Liabilities

At 31 March 2001, the following liabilities fell to be met from the Department's Estimate:

Nature of liability	Amount outstanding at 31/3/2001 (£'M)
Liabilities under the Reinsurance (Acts of Terrorism) Act 1993	Unquantifiable
Crown indemnity to Members and Alternates of the Policyholders Protection Board	Unquantifiable
Indemnity against pre-sale liabilities following the privatisation of the Paymaster Agency	4.8

Grants in Aid

Spending in DEL under Section D of RfR1 provides grants in aid to Commonwealth Parliamentary Association ◆ (£94,000); British American Parliamentary Group ◆ (£86,000); the Inter-Parliamentary Union ◆ (£957,000) and the British-Irish Inter-Parliamentary Body ◆ (£190,000) and section G covers the grant in aid for the Statistics Commission ◆ (£1,350,000).

Main Estimate 2001-02 – Royal Mint

Introduction

The Estimate is required to enable the development of the Royal Mint's commercial operations aside from the manufacture or supply of coins and medals. The development of wider commercial operations form part of a package of reforms announced by the Economic Secretary to the Treasury on 9 July 1999 aimed at increasing the commercial focus of the Mint. This programme would take advantage of the Mint's large mailing list and brand name, as well as increasing the use of other marketing channels such as the Internet. It would aim initially for growth in the UK but should enhance the Mint's export business in the medium terms. It is anticipated that the initial resources (to 31 March 2002) required for this business development would include additional staff, advertising expenditure, consultancy advice and the purchase of products for re-sale. During this period the costs incurred will be offset by revenues from the sale of products with some capital investment required.

Part I

RfR 1: Increasing the commercial focus of the Royal Mint thereby increasing its competitiveness in the UK and overseas	
Total Net Resource Requirement	£1,000
Net Cash requirement	£501,000

Amounts required in the year ending 31 March 2002 for expenditure by the Royal Mint on:

RfR1: Increasing the commercial focus of the Royal Mint thereby increasing its competitiveness in the UK and overseas
Purchase, manufacture and storage of non-coin gifts and collectibles, advertising and associated non-cash items.

The **Royal Mint** will account for this Estimate.

RfR1

	Net Total £	**Allocated in Vote on Account** £	**Balance to Complete** £
Total net resource requirement	1,000	–	1,000
Net Cash Requirement	501,000	225,000	276,000

Part II – Royal Mint

	2001-2002 £'000 Resources						Capital		2000-2001 Provision	1999-2000 Outturn
	1	2	3	4	5	6	7	8	9	10
	Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A	Net Total Resource	Net Total Resources
Rfr 01: Increasing the commercial focus of the Royal Mint thereby increasing its competitiveness in the UK and overseas	**–**	**2,429**	**–**	**2,429**	**2,428**	**1**	**500**	**–**	**1**	**–**
SPENDING IN ANNUALLY MANAGED EXPENDITURE										
Central Government spending										
A Non-coin gifts and collectibles	–	2,429	–	2,429	2,428	1	500	–	1	–
	–	**2,429**	**–**	**2,429**	**2,428**	**1**	**500**	**–**	**1**	**–**

Accruals to cash adjustment	0
Net cash required	501

Resource to Cash reconciliation		2001-02 £,000
Net Total Resources		**1**
Voted Capital Items		
Capital	500	–
Less Non-operating A-in-A	–	–
		500
Accruals to cash adjustment		
Cost of Capital charges	–	–
Depreciation	–	–
Other non-cash items	–	–
Increase (+)/Decrease (–) in stock	–	–
Increase (+)/Decrease (–) in debtors	–	–
Increase (+)/Decrease (–) in creditors	–	–
Increase (+)/Decrease (–) in provision	–	–
Excess cash to be CFERd	–	–
		–
Net Cash Required		**501**

Royal Mint

Part III: Extra receipts payable to the Consolidated Fund

No income or receipts were received in 1999-00. None are expected in 2000-01 or 2001-02.

Forecast operating cost statement – Main Estimate

Royal Mint	**Provision 2001-02** £,000	£,000	**Provision 2000-01** £,000	£,000	**Outturn 1999-2000** £,000	£,000
Administration Costs						
Voted Expenditure						
Staff Costs						
Other Administration costs						
Gross Administration Costs						
Operating income						
Total Net Administration costs		–				
Programme Costs						
Voted Expenditure						
Expenditure		2,429		497		
Income		–2,428		–496		
Net Programme costs		1		1		
Non-Voted Expenditure						
Expenditure						
Income						
Net Programme costs		–		–		–
Total Net Programme costs		**1**		**1**		
Net operating cost		1		1		1
Net Resource Outturn		1		1		1
Resource Budget Outturn		1		1		1

Royal Mint

Forecast cash flow statement

	2001–02 Provision £000	2000–01 Provision £000	1999–00 Outturn £000
Net Cash outflow from operating activities (Note i)	–1	–1	
Capital expenditure and financial investment (Note ii)	–500[1]	0[1]	
Receipts due to the Consolidated Fund which are outside the scope of the departments operations	–	–	
Payments of amounts due to the Consolidated Fund	–	–	
Financing (Note iii)	501[1]	1[1]	
Increase (+)/decrease (–) in cash in the period	0	0	

[Inflows = +/Outflows = –]

Notes to the cash flow statement

Note i: Reconciliation of operating cost to operating cash flows

Net Operating Cost	1	1	
Remove non–cash transactions	–	–	
Adjust for movements in working capital other than cash	–	–	
Use of provisions	–	–	
Net cash outflow from operating activities	1	1	

[Net outflow = +]

Note ii: Analysis of capital expenditure and financial investment

Tangible fixed asset additions	500	0	
Intangible fixed asset additions	–	–	
Proceeds of disposal of fixed assets[2]	–	–	
Loans to other bodies	–[1]	–[1]	)
Adjust for movements in working capital on capital expenditure and financial investment	–	–	–
Net cash outflow for capital expenditure and financial investment	500	0	

[Net outflow = +]

Note iii: Analysis of financing and reconciliation to the net cash requirement

From Consolidated Fund (Supply): current year expenditure	501	1	
From Consolidated Fund (Supply): prior year expenditure	0	0	
From Consolidated Fund (Non-Supply)	–	–	
Net payments from the National Insurance Fund	–	–	
Net payments from the contingencies Fund	0	0	
Net loans from the National Loans Fund	–[1]	–[1]	
[Net payments from Other Funds **if any – specify**]	–	–	
Net financing	501	1	
Increase (–)/decrease (+) in cash	0	0	–
Net cash flows other than financing (net outflow = +)	501	501	–
Adjust for payments and receipts not related to Supply:			
Amounts due to the consolidated Fund – received in a prior year and paid over	0	0	–
Amounts due to the Consolidated Fund –			

received and not paid over	0	0	–
NLF loans – net loans made to other bodies	–[1]	–[1]	–[1]
NLF loans – interest received from other bodies	–[3]	–[3]	–[3]
NLF loans – interest paid to other NLF	–[3]	–[3]	–[3]
Consolidated Fund Standing Services – payments	–	–	–
National Insurance Fund financed activities – payments less receipts	–	–	–
[Activities financed from Other funds **if any – specify** – payments less receipts]	–	–	–
Adjust for payments financed from Contingencies Fund advances accounted for in a different year:			
Current year payments accounted for in following year	0	0	–
Prior year payments accounted for in current year	0	0	–
Net cash requirement for the year	501	1	–

[1] Departments need to adjust these figures in order to include NLF net lending to PCs
[2] Includes profit/loss on disposal of fixed assets
[3] Departments need to adjust these figures in order to include interest on NLF net lending to PCs

Forecast reconcilliation of Net Resource Outturn to Net Operating Cost to Resource Budget Outturn

	2001-02 £000	**2000-01** £000	**1999-00** £000
Net Resource Outturn	**1**	**1**	**-**
Add Non-Voted Expenditure in the OCS	-	-	-
Add Consolidated Fund Extra Receipts in the OCS	-	-	-
Remove provision voted for earlier years	-	-	-
Remove other adjustments	-	-	-
Net Operating Costs	**1**	**1**	
Resource Budget Outturn	**1**	**1**	
Of which:			
Departmental Expenditure Limit (DEL)	-	-	-
Spending in Employment Opportunities Fund (EOF) DEL	-	-	-
Annually Managed Expenditure (AME)	1	1	-

Explanation of accounting officer responsibilities

The Treasury has appointed Mr Roger Holmes as Accounting Officer of the Royal Mint with responsibility for preparing the Department's Estimates.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".

Appropriations in aid analysis

	2001-02 Provision		2000-01 Provision		1999-2000 Outturn	
£,000	Operating	Non-operating	Operating	Non-operating	Operating	Non-operating
Detail						
RfR1						
Sales income from						
Precious metal products	1,483	–				
Other products	945	–				
Total Net of VAT	**2,428**					

Amount that may be applied as appropriations in aid in addition to the net total arising from the sale of products aside from those associated with coins or medals.

Main Estimate 2001-02 – Government Actuary's Department

Introduction

The Estimate covers the running costs of the Department of the Government Actuary. The Department provides a consultancy service to government and to other clients principally in the public sector. It advises in the main on social security and pension schemes, population and other statistical studies and supervision of insurance and friendly societies. Since 1989-90 the Department has operated a system of full repayment for all advice given, and the greater part of its running costs is now met by receipts. From 1995-96 the Department has operated under net running costs control, to allow it the flexibility to respond to fluctuating demands on its services. A small section of work, which is of interest to a wide spectrum of users, remains centrally funded. Expenditure contained in Section A is explained in Chapter 9 of this report.

Part I

RfR1: Providing an Actuarial Consultancy Service	£671,000
Net Cash requirement	£685,000

Amounts required in the year ending 31 March 2002 for expenditure by the Department of the Government Actuary on:

RfR1: Providing an actuarial consultancy service. Administrative costs and associated non cash items incurred in providing an actuarial consultancy service to Government and to other clients principally in the public sector, advising mainly on social security and pension schemes, population and other statistical studies and supervision of insurance and friendly societies.

The **Government Actuary's Department** will account for this Estimate.

RfR1

	Net Total £	Allocated in Vote on Account £	Balance to Complete £
RfR1	671,000	550,000	121,000
Net Cash Requirement	685,000	550,000	135,000

Government Actuary's Department

Part II: Subhead detail

	1	2	3	4	5	6	7	8	9	10
	2001-2002 £'000									
	Resources						Capital		2000-2001 Provision	1999-2000 Outturn
	Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A	Net Total Resource	Net Total Resources
Rfr 01: Providing an actuarial consultancy service	**8,213**	**–**	**–**	**8,213**	**7,542**	**671**	**224**	**–**	**631**	**243**
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL) *Central Government spending*										
★A Administration	8,000	–	–	8,000	7,542	**458**	224	–	425	71
SPENDING IN ANNUALLY MANAGED EXPENDITURE *Non-Cash items*										
B Administration	213	–	–	213	–	**213**	–	–	206	172
	8,213	**–**	**–**	**8,213**	**7,542**	**671**	**224**	**–**	**631**	**243**

Accruals to cash adjustment	-210
Net cash required	685

Resource to Cash reconciliation		**2001-02 £,000**
Net Total Resources		**671**
Voted Capital Items		
Capital	224	
Less Non-operating A-in-A	-	
		224
Accruals to cash adjustment		
Cost of Capital charges	-45	
Depreciation	-168	
Other non-cash items	-16	
Increase (+)/Decrease (–) in stock	-30	
Increase (+)/Decrease (–) in debtors	20	
Increase (–)/Decrease (+) in creditors	10	
Increase (–)/Decrease (+) in provision	19	
Excess cash to be CFERd	–	
		-210
Net Cash Required		**685**

Government Actuary's Department

Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):-

	2001-2 Income	2001-2 *Receipts*	£,000 2000-01 Income	2000-01 *Receipts*	1999-00 Income	1999-00 *Receipts*
Operating income not classified as AinA	–	*–*	–	*–*	237	*26*
Non-operating income not classified as AinA	–	*–*	–	*–*	–	*–*
Other income not classified as AinA	–	*–*	–	*–*	–	*–*
	–	***–***	**–**	***–***	**237**	***26***

Forecast Operating Cost statement – Main Estimate

Government Actuary's Department	**Provision 2001-02 £,000**	**£,000**	**Provision 2000-01 £,000**	**£,000**	**Outturn 1999-2000 £,000**	**£,000**
Administration Costs						
Voted Expenditure						
Staff Costs	5,695		5,676		5,236	
Other Administration costs	2,518		2,313		2,185	
Gross Administration Costs		8,213		7,989		7,421
Operating income		–7,542		–7,358		–7,415
Total Net Administration costs		**671**		**631**		**6**
Programme Costs						
Voted Expenditure						
Expenditure						
Income						
Net Programme costs		–		–		–
Non-Voted Expenditure						
Expenditure						
Income						
Net Programme costs		–		–		–
Total Net Programme costs		**–**		**–**		**–**
Net operating cost		671		631		6
Check: total of above		**671**		**631**		**6**
Net Resource Outturn		671		631		243
Resource Budget Outturn		671		631		6

Government Actuary's Department

FORECAST CASH FLOW STATEMENT	2001–02 Provision £000	2000–01 Provision £000	1999–00 Outturn £000
Net Cash outflow from operating activities (Note i)	–461	–433	–655
Capital expenditure and financial investment (Note ii)	–224(1)	–321(1)	–114(1)
Receipts due to the Consolidated Fund which are outside the scope of the departments operations	–	–	–
Payments of amounts due to the Consolidated Fund	0	0	–
Financing (Note iii)	685(1)	754(1)	–
Increase (+)/decrease (–) in cash in the period	0	0	–

[Inflows = +/Outflows = –]

Notes to the cash flow statement

Note i: Reconciliation of operating cost to operating cash flows

	2001–02 Provision £000	2000–01 Provision £000	1999–00 Outturn £000
Net Operating Cost	671	631	6
Remove non–cash transactions	–229	–221	–212
Adjust for movements in working capital other than cash	0	0	837
Use of provisions	19	23	24
Net cash outflow from operating activities	461	433	655

[Net outflow = +]

Note ii: Analysis of capital expenditure and financial investment

	2001–02 Provision £000	2000–01 Provision £000	1999–00 Outturn £000
Tangible fixed asset additions	224	219	60
Intangible fixed asset additions	0	102	54
Proceeds of disposal of fixed assets(2)	–	–	–
Loans to other bodies	–(1)	–(1)	–(1)
Adjust for movements in working capital on capital expenditure and financial investment	–	–	–
Net cash outflow for capital expenditure and financial investment	224	321	114

[Net outflow = +]

Note iii: Analysis of financing and reconciliation to the net cash requirement

	2001–02 Provision £000	2000–01 Provision £000	1999–00 Outturn £000
From Consolidated Fund (Supply): current year expenditure	685	754	–
From Consolidated Fund (Supply): prior year expenditure	0	0	–
From Consolidated Fund (Non-Supply)	–	–	–
Net payments from the National Insurance Fund	–	–	–
Net payments from the contingencies Fund	0	0	–
Net loans from the National Loans Fund	–(1)	–(1)	–
[Net payments from Other Funds]	–	–	–
Net financing	685	754	–
Increase (–)/decrease (+) in cash	0	0	–
Net cash flows other than financing (net outflow = +)	685	754	–

Adjust for payments and receipts not related to Supply:			
Amounts due to the Consolidated Fund – received in a prior year and paid over	0	0	–
Amounts due to the Consolidated Fund – received and not paid over	0	0	–
NLF loans – net loans made to other bodies	–(1)	–(1)	–(1)
NLF loans – interest received from other bodies	–(3)	–(3)	–(3)
NLF loans – interest paid to other NLF	–(3)	–(3)	–(3)
Consolidated Fund Standing Services – payments	–	–	–
National Insurance Fund financed activities – payments less receipts	–	–	–
[Activities financed from Other funds – payments less receipts]	–	–	–
Adjust for payments financed from Contingencies Fund advances accounted for in a different year:			
Current year payments accounted for in following year	0	0	–
Prior year payments accounted for in current year	0	0	–
Net cash requirement for the year	685	754	795

(1) Departments need to adjust these figures in order to include NLF net lending to PCs
(2) Includes profit/loss on disposal of fixed assets
(3) Departments need to adjust these figures in order to include interest on NLF net lending to PCs

Explanation of accounting officer responsibilities

The Treasury has appointed the Permanent Head of the Department Chris Daykin as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".

Note 1

The provision sought for 2001-02 is 9% less than the final net provision and forecast for 2000-01 of £754,000 which included an exceptional item of £102,000 pertaining to end year flexibility entitlement to cover the cost of the replacement of the department's pension valuation software.

Main Estimate 2001-02: National Investment and Loans Office

Introduction

This Estimate covers the administration costs and other expenses of the National Investment and Loans Office. It covers principally the management by the National Debt Office (NDO) of the investment portfolios of certain public funds such as the National Savings Bank Fund and National Insurance Fund Investment Account, and lending to local authorities by the Public Works Loan Board (PWLB). It also covers the provision by the Office of HM Paymaster General (OPG) of banking and related services for government departments and other bodies and the supply of financial information to the Treasury to support its analysis of Central Government borrowing principally as an aid to monitoring. Further details of the expenditure contained in the Estimate can be found in Chapter 10 of this report. The provision sought for 2001-02 assumes that receipts from fees on PWLB advances,receipts from NDO management charges and fees from OPG customers will cover the majority of costs. Symbols are explained in the introduction to these Estimates.

Part 1

	£
RfR 1: Providing high quality financial services to public services customers	301,000
Total net resource requirement	301,000
Net cash requirement	250,000

Amounts required in the year ending 31 March 2002 for expenditure by the National Investment and Loans Office, National Debt Office, Public Works Loan Board and the Office of HM Paymaster General on:

RfR1: Providing high quality financial services to public services customers: The management by the National Debt Office (NDO) of the investment portfolios of certain public funds; the provision of a lending service to local authorities by the Public Works Loan Board (PWLB); the provision by the Office of HM Paymaster General (OPG) of banking and related services for government departments and other bodies and the supply of financial information to the Treasury; administration; and associated non-cash items.

The **National Investment and Loans Office** will account for this Estimate.

	Net Total £	Allocated in Vote on Account £	Balance to complete £
RfR1	301,000	135,000	166,000
Net cash requirement	250,000	113,000	137,000

Part II: National Investment and Loans Office

	2001-2002 £'000 Resources 1 Admin	2 Other Current	3 Grants	4 Gross Total	5 A in A	6 Net Total	Capital 7 Capital	8 Non-operating A in A	2000-2001 Provision 9 Net Total Resource	1999-2000 Outturn 10 Net Total Resources
RfR1: Providing high quality financial services to public sector customers	**1,812**	**4,208**	**–**	**6,020**	**5,719**	**301**	**33**	**–**	**403**	**170**
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL)										
Central Government spending										
A Administration	1,695	4,208	–	5,903	5,719	**184**	33	–	304	–40
SPENDING IN ANNUALLY MANAGED EXPENDITURE										
Non-Cash items										
B Administration	117	–	–	117	–	**117**	–	–	99	210
	1,812	**4,208**	**–**	**6,020**	**5,719**	**301**	**33**	**–**	**403**	**170**

Accruals to cash adjustment	-84
Net cash required	250

National Investment and Loans Office

Resource to Cash reconciliation		**2001-02 £,000**
Net Total Resources		**301**
Voted Capital Items		
Capital	33	–
Less Non-operating A-in-A	–	–
		33
Accruals to cash adjustment		
Cost of Capital charges	–63	–
Depreciation	–40	–
Other non-cash items	–15	–
Increase (+)/Decrease (–) in stock	–	–
Increase (+)/Decrease (–) in debtors	5	–
Increase (-)/Decrease (+) in creditors	–8	–
Increase (-)/Decrease (+) in provision	37	–
Excess cash to be CFERd	–	–
		–84
Net Cash Required		**250**

National Investment and Loans Office

Part III: Extra Receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):-

	2001-2 Income	2001-2 *Receipts*	£,000 2000-01 Income	2000-01 *Receipts*	1999-00 Income	1999-00 *Receipts*
Operating income not classified as AinA	50	*50*	160	*160*	1,196	*1,197*
Non-operating income not classified as AinA	–	–	–	–	–	–
Other income not classified as AinA	–	–	–	–	–	–
	50	***50***	**160**	***160***	**1,196**	***1,197***

National Investment and Loans Office

Forecast Operating Cost Statement – Main Estimate

	Provision 2001-02 £,000	Provision 2001-02 £,000	Provision 2000-01 £,000	Provision 2000-01 £,000	Outturn 1999-2000 £,000	Outturn 1999-2000 £,000
Administration Costs						
Voted Expenditure						
Staff Costs	1,150		1,036		1,050	
Other Administration costs	662		804		550	
Gross Administration Costs		1,812		1,840		1,600
Operating income		–1,478		–1,387		–1,415
Total Net Administration costs		**334**		**453**		**185**
Programme Costs						
Voted Expenditure						
Expenditure		4,208		4,206		3,362
Income		–4,291		–4,416		–4,573
Net Programme costs		–83		–210		–1,211
Non-Voted Expenditure						
Expenditure		–		–		–
Income		–		–		–
Net Programme costs		–		–		–
Total Net Programme costs		**–83**		**–210**		**–1,211**
Net operating cost		251		243		–1,026
Net Resource Outturn		301		403		170
Resource Budget Outturn		251		243		-1,026

Forecast cash flow statement
National Investment and Loans Office

	2001–02 Provision £000	2000–01 Provision £000	1999–00 Outturn £000
Net Cash outflow from operating activities (Note i)	–167	–170	1,212
Capital expenditure and financial investment (Note ii)	–33(1)	–50(1)	–15(1)
Receipts due to the Consolidated Fund which are outside the scope of the departments operations	–	–	–
Payments of amounts due to the Consolidated Fund	–50	–160	-1,101
Financing (Note iii)	250(1)	380(1)	250
Increase (+)/decrease (–) in cash in the period	0	0	346

[Inflows = +/Outflows = –]

Notes to the cash flow statement

Note i: Reconciliation of operating cost to operating cash flows

Net Operating Cost	251	243	–1,026
Remove non–cash transactions	–132	–113	–224
Adjust for movements in working capital other than cash	–3	2	5
Use of provisions	51	38	33
Net cash outflow from operating activities	167	170	–1,212

[Net outflow = +]

Note ii: Analysis of capital expenditure and financial investment

Tangible fixed asset additions	33	50	15
Intangible fixed asset additions	–	–	–
Proceeds of disposal of fixed assets(2)	–	–	–
Loans to other bodies	–(1)	–(1)	–(1)
Adjust for movements in working capital on capital expenditure and financial investment	–	–	–
Net cash outflow for capital expenditure and financial investment	33	50	15

[Net outflow = +]

Note iii: Analysis of financing and reconciliation to the net cash requirement

From Consolidated Fund (Supply): current year expenditure	250	380	250
From Consolidated Fund (Supply): prior year expenditure	0	0	330
From Consolidated Fund (Non-Supply)	–	–	–
Net payments from the National Insurance Fund	–	–	–
Net payments from the contingencies Fund	0	0	–
Net loans from the National Loans Fund	–(1)	–(1)	–
Net financing	250	380	-80
Increase (–)/decrease (+) in cash	0	0	-346
Net cash flows other than financing (net outflow = +)	250	380	-426
Adjust for payments and receipts not related to Supply:			
Amounts due to the consolidated Fund – received in a prior year and paid over	0	0	-667
Amounts due to the Consolidated Fund – received and not paid over	0	0	1,093
NLF loans – net loans made to other bodies	–(1)	–(1)	–(1)
NLF loans – interest received from other bodies	–(3)	–(3)	–(3)
NLF loans – interest paid to other NLF	–(3)	–(3)	–(3)
Consolidated Fund Standing Services – payments	–	–	–

National Insurance Fund financed activities – payments less receipts	–	–	–
Adjust for payments financed from Contingencies Fund advances accounted for in a different year:			
Current year payments accounted for in following year	0	0	0
Prior year payments accounted for in current year	0	0	0
Net cash requirement for the year	250	380	0

(1) Departments need to adjust these figures in order to include NLF net lending to PCs
(2) Includes profit/loss on disposal of fixed assets
(3) Departments need to adjust these figures in order to include interest on NLF net lending to PCs

Forecast Reconciliation of Net Resource Outturn to Net Operating Cost to Resource Budget Outturn

National Investment & Loans Office

	2001-02 £000	2000-01 £000	1999-00 £000
Net Resource Outturn	**301**	**403**	**170**
* Add non-voted expenditure in the OCS	–	–	–
* Add Consolidated Fund Extra Receipts in the OCS	–50	–160	–1,196
* Remove provision voted for earlier years	–	–	–
* Remove other adjustments	–	–	–
Net Operating Costs	**251**	**243**	**–1,026**
Resource Budget Outturn	**251**	**243**	**–1,026**
Of which:			
Departmental Expenditure Limit (DEL)	185	182	-1,203
Spending in Employment Opportunities Fund (EOF) DEL	–	–	–
Annually Managed Expenditure (AME)	66	61	177

Explanation of Accounting Officer responsibilities

The Treasury has appointed the Permanent Head of the National Investment and Loans Office, Mr Ian Peattie, as Accounting Officer with responsibility for the department's Estimates. The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in *Government Accounting.*

Analysis of Appropriations in Aid

£000

	2001-02 provision A in A	2001-02 provision Non-op A in A	2000-01 provision A in A	2000-01 provision Non-op A in A	1999-2000 outturn A in A	1999-2000 outturn Non-op A in A
RfR1: Providing high quality financial services to public services customers						
Charges for the management and administration of certain public and private funds by the NDO	600	-	600	-	535	-
Income from fees for the provision of a lending service to local authorities by the PWLB	950	-	950	-	1,059	-
The repayment of expenses from government departments and other bodies in respect of banking and other services provided by OPG	4,169	-	4,093	-	3,231	-
Total	**•5,719**	**-**	**•5,643**	**-**	**•4,825**	**-**

•Amount that may be applied as appropriations in aid in addition to the net total, arising from the recovery of income from fees and charges.

Analysis of Consolidated Fund Extra Receipts (CFERs)

£000

	2001-02 provision income	2001-02 provision receipts	2000-01 provision income	2000-01 provision receipts	1999-2000 outturn income	1999-2000 outturn receipts
In addition to the appropriations-in-aid the folowing income and receipts relate to the department and is payable to the Consolidated Fund:						
RfR1	20	50	160	160	94	104
Net cash requirement	0	0	0	0	1,102	1,093
Total	**50**	**50**	**160**	**160**	**1,196**	**1,197**

Notes

1. Changes to accounting policies.

   There have been no changes to the department's accounting policies since last year's Main Estimate that would impact upon the Main Estimate for 2001-02.

2. DEL and administration cost limits.

   The department's DEL limit for 2001-02 is £217,000 and the administration costs limit is £1,812,000.

3. Comparison of provision sought with final provision and forecast outturn.

   The provision sought for 2001-02 is identical to the final net provision and forecast outturn for 2000-01 of £0.3 million. A breakdown of the forecast outturn for 2000-01 by individual function is given in Table [x] of Cm[xxxx].

4. Cash, which may be retained to offset expenditure.

   Cash which may be retained by the department to offset expenditure in the year due to its relationship with income which has been or will be appropriated in aid for:

	2001-02	2000-01 (Provision)	1999-2000 (Outturn)
	5,719,000	5,643,000	4,825,000

Main Estimate 2001-02 – National Savings

Introduction

The Estimate provides for the expenditure on the administration of National Savings. National Savings aims to help reduce the cost to the taxpayer of government borrowing currently and in the future. It provides retail funds for the government that are cost effective in relation to funds raised on the wholesale market. National Savings operates a range of saving and investment products that are kept under review. The cost of National Savings operations comprises of debt interest, tax forgone and administration. The last is included in the public expenditure planning total and is covered by this estimate which provides for administering and selling National Savings products, maintaining over 50 million customer holdings and making payments to and conducting correspondence with investors. 1999-2000 saw the start of the public private partnership with Siemen's Business Services (SBS) following the outsourcing of National Savings operations. The contract with Siemen's Business Services consumes over 55% of National Savings Net Resource Requirement. The Post Office and Girobank undertake a substantial amount of National Savings business on an agency basis. Approximately £57 million (32% of Net Total Resources) will be required to pay for selling National Savings products in this way and for advertising. Further details of the expenditure contained in the Estimate can be found in Chapter 11 of this report. A detailed analysis of the Appropriations in Aid can be found in the Appropriations in Aid Analysis table at the end of this Estimate. Symbols are explained in the introduction to this Annex.

Part I

RfR 1: Reducing the costs to the taxpayer of government borrowing	£178,172,000
Total Net Resource Requirement	£178,172,000
Net Cash requirement	£173,215,000

Amounts required in the year ending 31 March 2002 for expenditure by National Savings on:

RfR1: Reducing the costs to the taxpayer of government borrowing. Administration, payments for contracted out services, publicity costs and associated non-cash items National Savings will account for this Estimate.

National Savings will account for this Estimate.

RfR1

	Net Total £	Allocated in Vote on Account £	Balance to Complete £
RfR1	178,172,000	80,177,000	97,995,000
Net Cash Requirement	173,215,000	77,947,000	95,268,000

National Savings

Part II: Subhead details

2001-2002

£'000

	Resources 1 Admin	2 Other Current	3 Grants	4 Gross Total	5 A in A	6 Net Total	Capital 7 Capital	8 Non-operating A in A	2000-2001 Provision 9 Net Total Resource	1999-2000 Outturn 10 Net Total Resources
Rfr 01: Reducing the costs to the taxpayer of government borrowing	**180,065**	**2,550**	**–**	**182,615**	**4,443**	**178,172**	**300**	**–**	**176,559**	**179,660**
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL) *Central Government spending*										
A Administration	178,865	–	–	178,865	4,443	**174,422**	300	–	171,925	174,278
SPENDING IN ANNUALLY MANAGED EXPENDITURE *Central Government spending*										
B Administration	1,200	2,550	–	3,750	–	**3,750**	–	–	4,634	4,898
OTHER SPENDING OUTSIDE DEPARTMENTAL EXPENDITURE LIMITS										
C Administration										484
	180,065	**2,550**	**–**	**182,615**	**4,443**	**178,172**	**300**	**–**	**176,559**	**179,660**

Accruals to cash adjustment	-5,257
Net cash required	173,215

Resource to Cash reconciliation		**2001-02 £,000**
Net Total Resources		**178,172**
Voted Capital Items		
Capital	300	–
Less Non-operating A-in-A	–	–
		300
Accruals to cash adjustment		
Cost of Capital charges	–1,570	–
Depreciation	–2,490	–
Other non-cash items	–500	–
Increase (+)/Decrease (–) in stock	–	–
Increase (+)/Decrease (–) in debtors	1,613	–
Increase (+)/Decrease (–) in creditors	1,016	–
Increase (+)/Decrease (–) in provision	–100	–
Excess cash to be CFERd	–	–
		–5,257
Net Cash Required		**173,215**

National Savings

Part III: Extra Receipts payable to the Consolidated Fund

No income or receipts were received in 1999-00, none are expected in 2000-01 or 2001-02.

Forecast Operating Cost Statement – Main Estimate

	Provision 2001-02		Provision 2000-01		Outturn 1999-2000	
	£,000	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**
Administration Costs						
Voted Expenditure						
Staff Costs	6,013		5,555		4,697	
Other Administration costs	174,052		172,147		174,125	
Gross Administration Costs		180,065		177,702		178,822
Operating income		–4,443		–4,317		–4,120
Total Net Administration costs		**175,622**		**173,385**		**174,702**
Programme Costs						
Voted Expenditure						
Expenditure		2,550		3,174		5,062
Income		–		–		–104
Net Programme costs		2,550		3,174		4,958
Non-Voted Expenditure						
Expenditure						
Income						
Net Programme costs		–		–		–
Total Net Programme costs		**2,550**		**3,174**		**4,958**
Net operating cost		178,172		176,559		179,660
Check: total of above		**178,172**		**176,559**		**179,660**
Net Resource Outturn		178,172		176,559		179,660
Resource Budget Outturn		178,172		176,559		178,127

National Savings

FORECAST CASH FLOW STATEMENT RAB43	2001–02 Provision £000	2000–01 Provision £000	1999–00 Outturn £000
Net Cash outflow from operating activities (Note i)	–172,915	171,381	169,320
Capital expenditure and financial investment (Note ii)	–300[1]	–3,192[1]	224[1]
Receipts due to the Consolidated Fund which are outside the scope of the departments operations	–	–	–
Payments of amounts due to the Consolidated Fund	–	–	–
Financing (Note iii)	173,215[1]	174,573[1]	–
Increase (+)/decrease (–) in cash in the period	0	0	–

[Inflows = +/Outflows = –]

Notes to the cash flow statement

Note i: Reconciliation of operating cost to operating cash flows

Net Operating Cost	178,172	176,559	179,660
Remove non–cash transactions	–5,760	–6,614	–6,620
Adjust for movements in working capital other than cash	–597	36	–4,769
Use of provisions	1,100	1,400	1,049
Net cash outflow from operating activities	172,915	171,381	169,320

[Net outflow = +]

Note ii: Analysis of capital expenditure and financial investment

Tangible fixed asset additions	300	3,192	80
Intangible fixed asset additions	–	–	–
Proceeds of disposal of fixed assets[2]	0	0	–304
Loans to other bodies	–[1]	–[1]	–[1]
Adjust for movements in working capital on capital expenditure and financial investment	–	–	–
Net cash outflow for capital expenditure and financial investment	300	3,192	–224

[Net outflow = +]

Note iii: Analysis of financing and reconciliation to the net cash requirement

From Consolidated Fund (Supply): current year expenditure	173,215	174,573	–
From Consolidated Fund (Supply): prior year expenditure	0	0	–
From Consolidated Fund (Non-Supply)	–	–	–
Net payments from the National Insurance Fund	–	–	–
Net payments from the contingencies Fund	0	0	–
Net loans from the National Loans Fund	–[1]	–[1]	–
[Net payments from Other Funds *if any – specify*]	–	–	–
Net financing	173,215	174,573	–
Increase (–)/decrease (+) in cash	0	0	–
Net cash flows other than financing (net outflow = +)	173,215	174,573	–

Adjust for payments and receipts not related to Supply:			
Amounts due to the consolidated Fund – received in a prior year and paid over	0	0	–
Amounts due to the Consolidated Fund – received and not paid over	0	0	–
NLF loans – net loans made to other bodies	–[1]	–[1]	–[1]
NLF loans – interest received from other bodies	–[3]	–[3]	–[3]
NLF loans – interest paid to other NLF	–[3]	–[3]	–[3]
Consolidated Fund Standing Services – payments	–	–	–
National Insurance Fund financed activities – payments less receipts	–	–	–
[Activities financed from Other funds **if any – specify** – payments less receipts]	–	–	–
Adjust for payments financed from Contingencies Fund advances accounted for in a different year:			
Current year payments accounted for in following year	0	0	–
Prior year payments accounted for in current year	0	0	–
Net cash requirement for the year	173,215	174,573	169,096

(1) Departments need to adjust these figures in order to include NLF net lending to PCs
(2) Includes profit/loss on disposal of fixed assets
(3) Departments need to adjust these figures in order to include interest on NLF net lending to PCs

Forecast Reconciliation of Net Resource Outturn to Net Operating Cost to Resource Budget Outturn

National Savings	**2001-02 £000**	**2000-01 £000**	**1999-00 £000**
Net Resource Outturn	**178,172**	**176,559**	**179,660**
* Add non-voted expenditure in the OCS	–	–	–
* Add Consolidated Fund Extra Receipts in the OCS	–	–	–
* Remove provision voted for earlier years	–	–	–
* Remove other adjustments	–	–	–
Net Operating Costs	**178,172**	**176,559**	**179,660**
* Reverse the deduction of gains and deduct the losses incurred on disposal of assets			104
* Remove other expenditure shown in Estimates under the heading "Other Expenditure Outside DEL" that is outside the Resource Budget			–588
* Add unallocated resource provision			
* Other Adjustments			–1,049
Resource Budget Outturn	**178,172**	**176,559**	**178,127**
Of which:			
Departmental Expenditure Limit (DEL)	175,522	173,325	174,278
Spending in Employment Opportunities Fund (EOF) DEL	–	–	–
Annually Managed Expenditure (AME)	2,650	3,234	3,849

Explanation of accounting officer responsibilities

The Treasury has appointed the Chief Executive for National Savings, Peter Bareau, as Accounting Officer of the Department with responsibility for preparing the Department's Estimate.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".

Appropriations in Aid Analysis

	2001-02 Provision		2000-01 Provision		1999-2000 Outturn	
	Operating AinA	Non-Op AinA	Operating AinA	No-Op AinA	Operating AinA	Non-Op AinA
RfR1 Reducing the costs to the the taxpayer of government borrowing	4,443		4,317		4,120	
Rental receipts						
Total	**4,443***		**4,317***		**4,120***	

*Amount that maybe applied as appropriations in aid in addition to the net total arising from rent receipts of over £4.4 million and small amount for office sales.

Notes

DEL & Administrative Cost Limits

1. The adminstrative cost limit in DEL is £175,522,000. The gross administration cost provision for non-cash items in AME is £2,650,000. The net resource provision is £178,172,000. Resource Appropriations in Aid are £,4,443,000.

2. The net cash requirement is £173,215,000.

3. The capital DEL provision is £300,000.

4. The net resource provision sought for 2001-02 is similar to the provision originally sought in 2000-2001 (£177,811,000). It is higher (less than 1%) than the final net provision (£176,559,000). A substantial amount was transferred from administrative costs to capital during the year. The forecast outturn for 2000-01 will be some 2.5% below provision.

Main Estimate 2001-02 – Office for National Statistics

Introduction

The Estimate provides for the administration costs and other expenditure of the Office for National Statistics. For further details of the expenditure contained in RfR1 of this Estimate see Chapter 12 of this Report. The department's main responsibilities include the following: collection, collation and dissemination of statistics relating to the United Kingdom's national accounts, balance of payments, financial transactions and measures of output; co-ordination of statistics relating to regional matters; compilation of social Labour Market statistics; undertaking of various representational roles in an international context; providing leadership for statistics across government including implementing the White Paper Building Trust in statistics; implementing and issuing information from the decennial census of the population; supplying demographic statistics for national, regional and local planning; conducting social surveys; collecting and supplying statistics relating to the medical condition of the population and maintaining the Titchfield Centre of the World Health Organisation; the Secretariat to the Boundary Commission for England and Wales; administrating the law on marriage; controlling the local registration of births, deaths and marriage and maintaining the central record of these events from which copies of certificates are supplied; and maintaining the National Health Service Central Register. A separate net control section is provided for customer-funded activities. Symbols are explained at the front of this Annex.

Part I

RfR 1: Providing statistical and registration services

Total Net Resource Requirement	£182,997,000
Net Cash requirement	£177,592,000

Amounts required in the year ending 31 March 2002 for expenditure by the Office for National Statistics on:

RfR1: Providing statistical and registration services, collection, preparation and dissemination of economic, social, labour market and other statistics; register services, departmental adminstration and associated non-cash items.

The **Office for National Statistics** will account for this Estimate.

RfR1

	Net Total £	Allocated in Vote on Account £	Balance to Complete £
Total Net Resource Requirement	182,997,000	128,000,000	54,997,000
Net Cash Requirement	177,592,000	133,000,000	44,592,000

Part II: Subhead detail

	Admin	Other Current	Grants	Resources Gross Total	A in A	Net Total	Capital	2001-2 Capital Non-operating A in A	2000-1 Provision Net Total Resource	£,000 1999-00 Outturn Net Total Resource
RfR1: Providing Statistical and Registration Services										
Spending in Departmental Expenditure Limits (DEL)										
Central Government Spending										
★A. Administration (gross control)	186,895	1,000	0	187,895	14,410	173,485	5,416	0	135,196	92,799
★B. Customer Funded (net control)	16,750	0	0	16,750	16,951	–201	654	250	–201	–526
Spending in AME										
Non-Cash items										
C. Administration (gross control	10,542	0	0	10,542	0	10,542	0	0	11,724	10,530
Other Spending Outside DEL										
D. ONS Administration	171	0	0	171	0	171	0	0	171	108
E. EC Receipts	0	0	0	0	1,000	–1,000	0	0	–1,500	–955
TOTAL	**214,358**	**1,000**	**–**	**215,358**	**32,361**	**182,997**	**6,070**	**250**	**145,390**	**101,956**

Accruals to cash adjustments	-11,225
Net cash required	177,592

Resource to Cash reconciliation		**2001-02 £,000**
Net Total Resources		**182,997**
Voted Capital Items		
Capital	6,070	
Less Non-operating A-in-A	250	
		5,820
Accruals to cash adjustment		
Cost of Capital charges	–2,554	
Depreciation	–9,178	
Other non-cash items	–293	
Increase (+)/Decrease (–) in stock	–	
Increase (+)/Decrease (–) in debtors	–	
Increase (–)/Decrease (+) in creditors	–	
Increase (–)/Decrease (+) in provision	800	
Excess cash to be CFERd	–	
		–11,225
Net Cash Required		**177,592**

Part III: Extra Receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income and receipts relate to the department and are payable to the Consolidated Fund

	2001-2		2000-01 (£,000)		1999-00	
	Income	*Receipts*	Income	*Receipts*	Income	*Receipts*
Administration	–	–	–	–	975	*975*
	–	**–**	**–**	**–**	**975**	***975***

Forecast Operating Cost Statement – Main Estimate

Office for National Statistics	**Provision 2001-02**		**Provision 2000-01**		**Outturn 1999-2000**	
	£,000	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**
Administration Costs						
Voted Expenditure						
Staff Costs	100,652		85,152		70,283	
Other Administration costs	114,706		94,401		61,953	
Gross Administration Costs		215,358		179,553		132,236
Operating income		–32,361		–34,392		–30,233
Total Net Administration costs		**182,997**		**145,161**		**102,003**
Programme Costs						
Voted Expenditure						
Expenditure		1,000		1,729		908
Income		–1000		–1,500		–1,930
Net Programme costs		–		229		-1,022
Net operating cost		182,997		145,390		100,981
Net Resource Outturn		182,997		145,390		101,956
Resource Budget Outturn		189,826		149,519		102,828

Office for National Statistics

FORECAST CASH FLOW STATEMENT	2001–02 Provision £000	2000–01 Provision £000	1999–2000 Outturn £000
Net Cash outflow from operating activities (Note i)	–171,601	–133,045	–89,429
Capital expenditure and financial investment (Note ii)	–5,991	–6,111	–7,856
Payments of amounts due to the Consolidated Fund	0	0	–1,181
Financing (Note iii)	-177,592	139,156	98,026
Increase (+)/decrease (–) in cash in the period	0	0	–440

[Inflows = +/Outflows = –]

Notes to the cash flow statement

Note i: Reconciliation of operating cost to operating cash flows

Net Operating Cost	182,997	145,390	100,981
Remove non–cash transactions	–12,196	–13,744	–12,389
Adjust for movements in working capital other than cash	0	0	71
Use of provisions	800	1,399	766
Net cash outflow from operating activities	**171,601**	**133,045**	**89,429**

[Net outflow = +]

Note ii: Analysis of capital expenditure and financial investment

Tangible fixed asset additions	6,070	6,190	7,748
(1)Proceeds of disposal of fixed assets	–79	–79	108
Net cash outflow for capital expenditure and financial investment	**5,991**	**6,111**	**7,856**

[Net outflow = +]

Note iii: Analysis of financing and reconciliation to the net cash requirement

From Consolidated Fund (Supply)	177,592	139,156	98,026
From Consolidated Fund (Non-Supply)	0	0	0
Net financing	**177,592**	**139,156**	**98,026**
Increase (–)/decrease (+) in cash	**0**	**0**	**440**
Net cash flows other than financing (net outflow = +)	**177,592**	**139,156**	**98,466**
Amounts due to the Consolidated Fund – received in a prior year and paid over	0	0	–1,181
Amounts due to the Consolidated Fund – received and not paid over	0	0	975
Net cash requirement for the year	**177,592**	**139,156**	**98,260**

(1) Includes profit/loss on disposal of fixed assets

Forecast Reconcilliation of Net Operating Cost to Net Resource Outturn and Resource Budget Outturn

	2001-02 £000	**2000-01** £000	**1999-00** £000
Net Resource Outturn	**182,997**	**145,390**	**101,956**
Consolidated Fund Extra Receipts in the OCS			-975
Net Operating Costs	**182,997**	**145,390**	**100,981**
Adjustment related to income from Sale of Capital Assets *Reverse the deduction of gains and deduct the losses incurred on disposal of assets	-171	-171	-108
EU Related Transactions *Reverse the deduction of EU income	1,000	1,500	955
*Unallocated Resource Provision	6,000	2,800	1,000
Other Adjustments			
Resource Budget Outturn	**189,826**	**149,519**	**102,828**
Of which			
Departmental Expenditure Limit (DEL)	180.084	139,194	93,064
Annually Managed Expenditure (AME)	9,742	10,325	9,764

Explanation of accounting officer responsibilities

The Treasury has appointed the Director of the Office for National Statistics as the Accounting Officer of the Department with responsibility for preparing the Department's Estimate.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".

Appropriations in Aid

	2001-02 Provision		**2000-01 Provision**		**1999-2000 Outturn**	
	AinA £,000	Non-op AinA £,000	AinA £,000	Non-op AinA £,000	AinA £,000	Non-op AinA £,000
RfR1: Providing Statistical and Registration Services						
Cash fees for searches, verifications and certified copies of register entries	6,785	–	7,315	–	5,698	–
Repayment Services	19,396	–	20,917	–	19,898	–
Receipts from sale of data, publications etc.	4,370	–	4,710	–	4,388	–
Receipts from EC and other overseas contracts	1,805	–	1,945	–	1,199	–
Car Leasing Scheme for the Registration Inspectorate	5	–	5	–	5	–
Sale of surplus assets	–	250	–	250	–	–
Total	**32,361***	**250****	**34,892***	**250****	**31,188***	

*Amount that may be applied as appropriations in aid in addition to the net total, arising from sale of statistical information publications and other services to other departments, the European Community and the public.

**Amount that may be applied as non-operating appropriations in aid, arising from the recovery of income from the sale of surplus assets.

Notes

1. The provision for 2001-02 is 24.8 per cent higher than the final net provision for 2000-01 of £151.3 million and 26.9 per cent higher than the forecast outturn of that year of £148.8 million, reflecting the costs of the Census to be held on 29 April 2001.

2. The Departmental Expenditure Limit for 2001-02 is £185,104,000 and the Administration Costs Limit is £178,104,000.

Main Estimate 2001-02 – Registry of Friendly Societies

Introduction

This Estimate provides for the expenditure of the Registry of Friendly Societies which serves three statutory bodies: the Building Societies Commission, the Friendly Societies Commission and the Central Office of the Registry of Friendly Societies. The Building Societies Commission is responsible for the regulation of building societies under the Building Societies Act 1986 and in particular for their prudential supervision to protect investors. The Friendly Societies Commission is responsible for the regulation of friendly societies under the Friendly Societies Act 1992. The Central Office is responsible for administering the register and related functions for some 12,000 mutual organisations (including building societies and friendly societies). The full cost of the work of the Building Societies Commission and the Friendly Societies Commission are recovered from building societies and friendly societies respectively. The appropriations in aid also include fees for specific statutory functions which are set at a level intended to recover the full cost of those services. Details of expenditure contained on this Estimate are included in Chapter 13 and the RFS tables in Annex B of this report. Symbols are explained at the front of this Estimate Annex.

Part I

RfR1: Registry of Friendly Societies	£2,780,000
Total Net Resource Requirement	£2,780,000
Net Cash requirement	£2,780,000

Amounts required in the year ending 31 March 2002 for expenditure by the Registry of Friendly Societies on:

RfR1: Registry of Friendly Societies: The administrative costs of the Registry of Friendly Societies are made up of the Building Societies Commission, the Friendly Societies Commission and the Central Office of the Registry and include payments made under contract to the Financial Services Authority (FSA). The payments to the FSA will include the balances on the accounts of the Building Societies Commission and Friendly Societies Commission as at the date when the functions of these two bodies are transferred to the FSA under the Financial Services and Markets Act 2000.

RfR1

	Net Total £	Allocated in Vote on Account £	Balance to Complete £
RfR1	2,780,000	1,251,000	1,529,000
Total Net Resource Requirement	2,780,000	1,251,000	1,529,000
Net Cash Requirement	2,780,000	1,251,000	1,529,000

Registry of Friendly Societies

	Resources						Capital 2001-2002 £'000		2000-2001 Provision	1999-2000 Outturn
	1	2	3	4	5	6	7	8	9	10
	Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A	Net Total Resource	Net Total Resources
Rfr 01: Registry of Friendly Societies	**500**	**7,900**	**–**	**8,400**	**5,620**	**2,780**	**–**	**–**	**2,780**	**2,232**
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL) *Central Government spending*										
A Registry of Friendly Societies	500	7,900	–	8,400	5,620	**2,780**	–	–	2,780	2,232
	500	**7,900**	**–**	**8,400**	**5,620**	**2,780**	**–**	**–**	**2,780**	**2,232**

Accurals to cash adjustment	0
Net cash requried	2780

Resource to Cash reconciliation		**2001-02 £,000**
Net Total Resources		**2,780**
Voted Capital Items		
Capital		
Less Non-operating A-in-A	–	
Accruals to cash adjustment		
Cost of Capital charges	–	
Depreciation	–	
Other non-cash items	–	
Increase (+)/Decrease (–) in stock	–	
Increase (+)/Decrease (–) in debtors	–	
Increase (–)/Decrease (+) in creditors	–	
Increase (–)/Decrease (+) in provision	–	
Excess cash to be CFERd	–	
Net Cash Required		**2,780**

Registry of Friendly Societies

Part III: Extra Receipts payable to the Consolidated Fund

No income receipts were received in 1999-00. None are expected in 2000-01 or 2001-02.

Forecast Operating Cost Statement – Main Estimate

	Provision 2001-02		Provision 2000-01		Outturn 1999-2000	
	£,000	£,000	£,000	£,000	£,000	£,000
Administration Costs						
Voted Expenditure						
Staff Costs	350		1,600		1,343	
Other Administration costs	150		770		521	
Gross Administration Costs		500		2,370		1,864
Operating income		–5,620		5,590		–5,538
Total Net Administration costs		**–5,120**		**3,220**		**–3,674**
Programme Costs						
Voted Expenditure						
Expenditure		7,900		6,000		5,906
Income		–		–		–
Net Programme costs		7,900		6,000		5,906
Non-Voted Expenditure						
Expenditure						
Income						
Net Programme costs		–		–		–
Total Net Programme costs		**7,900**		**6,000**		**5,906**
Net operating cost		2,780		2,780		2,232
Check: total of above		2,780		2,780		2,232
Net Resource Outturn		2,780		2,780		2,232
Resource Budget Outturn		2,780		2,780		2,232

Registry of Friendly Societies

Forecast cash flow statement

	2001–02 Provision £000	2000–01 Provision £000	1999–00 Outturn £000
Net Cash outflow from operating activities (Note i)	2,780	2,780	2,232
Capital expenditure and financial investment (Note ii)	0(1)	80(1)	17 (1)
Receipts due to the Consolidated Fund which are outside the scope of the departments operations	–	–	–
Payments of amounts due to the Consolidated Fund	–0	0	–
Financing (Note iii)	2,780(1)	2,860(1)	–
Increase (+)/decrease (–) in cash in the period	0	0	–

[Inflows = +/Outflows = –]

Notes to the cash flow statement

Note i: Reconciliation of operating cost to operating cash flows

Net Operating Cost	2,780	2,780	2,232
Remove non–cash transactions			
Adjust for movements in working capital other than cash	–	–	–
Use of provisions	–	–	–
Net cash outflow from operating activities	2,780	2,780	2,232

[Net outflow = +]

Note ii: Analysis of capital expenditure and financial investment

Tangible fixed asset additions	0	80	17
Intangible fixed asset additions	–	–	–
Proceeds of disposal of fixed assets[2]	–	–	–
Loans to other bodies	–[1]	–[1]	–[1]
Adjust for movements in working capital on capital expenditure and financial investment	–	–	–
Net cash outflow for capital expenditure and financial investment	0	80	17

[Net outflow = +]

Note iii: Analysis of financing and reconciliation to the net cash requirement

From Consolidated Fund (Supply): current year expenditure	2,780	2,860	–
From Consolidated Fund (Supply): prior year expenditure	0	0	–
From Consolidated Fund (Non-Supply)	–	–	–
Net payments from the National Insurance Fund	–	–	–
Net payments from the contingencies Fund	0	0	–
Net loans from the National Loans Fund	–[1]	–[1]	–
Net financing	2,780	2,860	–
Increase (–)/decrease (+) in cash	0	0	–
Net cash flows other than financing (net outflow = +)	2,780	2,860	–
Adjust for payments and receipts not related to Supply:			
Amounts due to the consolidated Fund – received in a prior year and paid over	0	0	–
Amounts due to the Consolidated Fund – received and not paid over	0	0	–
NLF loans – net loans made to other bodies	–[1]	–[1]	–[1]
NLF loans – interest received from other bodies	–[3]	–[3]	–[3]
NLF loans – interest paid to other NLF	–[3]	–[3]	–[3]
Consolidated Fund Standing Services – payments	–	–	–
National Insurance Fund financed activities – payments less receipts	–	–	–
Adjust for payments financed from Contingencies Fund advances accounted for in a different year:			
Current year payments accounted for in following year	0	0	–
Prior year payments accounted for in current year	0	0	–
Net cash requirement for the year	2,780	2,860	2,249

[1] Departments need to adjust these figures in order to include NLF net lending to PCs
[2] Includes profit/loss on disposal of fixed assets
[3] Departments need to adjust these figures in order to include interest on NLF net lending to PCs

Forecast Reconciliation of Net Resource Outturn to Net Operating Cost to Resource Budget Outturn – Friendly Societies Registry

	2001-02 £000	2000-01 £000	1999-00 £000
Net Resource Outturn	**2,780**	**2,780**	**2,232**
* Add non-voted expenditure in the OCS			
* Add Consolidated Fund Extra Receipts in the OCS			
* Remove provision voted for earlier years			
* Remove other adjustments			
Net Operating Costs	**2,780**	**2,780**	**2,232**
Resource Budget Outturn	**2,780**	**2,780**	**2,232**
Of which:			
Departmental Expenditure Limit (DEL)	2,780	2,780	2,232
Spending in Employment Opportunities Fund (EOF) DEL			
Annually Managed Expenditure (AME)			

Explanation of accounting officer responsibilities

The Treasury has appointed the Permanent Head of the Department, Geoffrey Fitchew, as Accounting Officer of the Department with responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".

Appropriations in Aid analysis

	2001-02 Provision		2000-01 Provision		1999-2000 Outturn	
	Operating AinA	Non-Op AinA	Operating AinA	No-Op AinA	Operating AinA	Non-Op AinA
RfR01:						
Administration costs	*5,620		*5,620		*5,602	
Total	**5,620**		**5,620**		**5,602**	

*Amount that may be applied as appropriations in aid in addition to the net total, arising from charges and fees paid by registered societies; search and copy fees; sales of publications; prosecution costs recovered; and the sale of capital assets.

Notes

1. Comparison of provision sought with final provision and forecast outturn.

2. The provision sought for 2001-02 is 2.8% lower than final provision for 2000-01 of £2,860,000.

Main Estimate 2001-02 – Crown Estate Office

Introduction

This Estimate provides for the salaries of the Crown Estate Commissioners, the expense of their office and associated non-cash items. Up to the reign of King George III the reigning Sovereign received the rents and profits of the Crown Estate. Since 1760 the surplus rents and profits (after deducting management expenses) have at the beginning of each reign been surrendered by the Sovereign to Parliament as part of the arrangements for the provision of the Civil List. The Estate itself remains part of the hereditary possessions of the Sovereign in right of the Crown. It is not a government property, but neither is it part of the private estate of the reigning monarch. The Estate is managed by a Board of commissioners under the powers vested in them by the Crown Estate Act 1961, which provided for their salaries and the expenses of the office to be paid out of monies voted by Parliament. By agreement with HM Treasury the maximum number of posts so provided for is 41. The other administrative costs of managing the Estate are paid out of the Estate Revenues as par of the management expenses. The surplus Revenues are paid to the Consolidated Fund at the end of each year and score as a miscellaneous receipt. For 1999-2000 £133 million was paid to the Consolidated Fund. For reference, full accounts are produced in June each year under Section 2 (5) of the Crown Estate Act 1961 (9 and 10 Eliz 2 Ch 55). Additionally, the annual Commissioner's Report is available, on request, and the Crown Estate is included in the departmental report for the Chancellor of the Exchequer's departments.

Part I: Crown Estate Office

RfR1: To maintain and enhance the value of the Crown Estate and the return obtained from it	£2,075,000
Total Net Resource Requirement	£2,075,000
Net Cash requirement	£2,067,000

Amounts required in the year ending 31 March 2002 for expenditure by the Crown Estate Office on:

RfR1: To maintain and enhance the value of the Crown Estate and the return obtained from it:
The administration costs of the Crown Estate Commissioners and associated non-cash items.

The **Crown Estate Office** will account for this Estimate.

	Net Total £	Allocated in Vote on Account £	Balance to Complete £
Total net resource requirement	2,075,000	934,000	1,141,000
Net Cash Requirement	2,067,000	930,000	1,137,000

Part II: Crown Estate Office

	2001-2002 £'000 Resources						Capital		2000-2001 Provision	1999-2000 Outturn
	1	2	3	4	5	6	7	8	9	10
	Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A	Net Total Resource	Net Total Resources
Rfr 01: To maintain and enhance the value of the Crown Estate and the return obtained from it	**–**	**2,075**	**–**	**2,075**	**–**	**2,075**	**–**	**–**	**1,914**	**2,065**
SPENDING IN ANNUALLY MANAGED EXPENDITURE										
Central Government spending										
A Administration	–	2,075	–	2,075	–	**2,075**	–	–	1,914	2,065
	–	2,075	–	2,075	–	**2,075**	–	–	1,914	2,065

Accruals to cash adjustment	-8
Net cash required	2,067

Resource to Cash reconciliation		2001-02 £,000
Net Total Resources		**2,075**
Voted Capital Items		
Capital	–	–
Less Non-operating A in A	–	–
		–
Accruals to cash adjustment		
Cost of Capital charges	–	–
Depreciation	–	–
Other non-cash items	-8	–
Increase (+)/Decrease (–) in stock	–	–
Increase (+)/Decrease (–) in debtors	–	–
Increase (–)/Decrease (+) in creditors	–	–
Increase (–)/Decrease (+) in provision	–	–
Excess cash to be CFERd	–	–
		-8
Net Cash Required		**2,067**

Crown Estate Office
Part III: Extra Receipts payable to the Consolidated Fund

No income or receipts were received in 1999-2000. None are expected in 2000-01 or 2001-02.

Forecast Operating Cost Statement – Main Estimate

	Provision 2001-02		Provision 2000-01		Outturn 1999-2000	
	£,000	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**
Programme Costs						
Voted Expenditure						
Expenditure		2,075		1,914		2,065
Income		–		–		–
Net Programme costs		2,075		1,914		2,065
Non-Voted Expenditure						
Expenditure		–		–		–
Income		–		–		–
Net Programme costs		–		–		–
Total Net Programme costs		2,075		1,914		2,065
Net operating cost		2,075		1,914		2,065
Check: total of above		**2,075**		**1,914**		**2,065**
Net Resource Outturn		2,075		1,914		2,065
Resource Budget Outturn		2,075		1,914		2,065

Forecast Cash Flow Statement

FORECAST CASH FLOW STATEMENT	2001–02 Provision £,000	2000–01 Provision £,000	1999–00 Outturn £,000
Net Cash outflow from operating activities (Note i)	-2,067	-1,906	-2,057
Capital expenditure and financial investment (Note ii)	0	0	0
Receipts due to the Consolidated Fund which are outside the scope of the departments operations	–	–	–
Payments of amounts due to the Consolidated Fund	–	–	–
Financing (Note iii)	2,067	1,906	2,057
Increase (+)/decrease (–) in cash in the period	0	0	0

[Inflows = +/Outflows = –]

Notes to the cash flow statement

Note i: Reconciliation of operating cost to operating cash flows

Net Operating Cost	2,075	1,914	2,065
Remove non–cash transactions	-8	-8	-8
Adjust for movements in working capital other than cash	–	–	–
Use of provisions	–	–	–
Net cash outflow from operating activities	2,067	1,906	2,057

[Net outflow = +]

Note ii: Analysis of capital expenditure and financial investment

Intangible fixed asset additions	–	–	–
Tangible fixed asset additions	–	–	–
Proceeds of disposal of fixed assets (2)	–	–	–
Loans to other bodies	–	–	–
Adjust for movements in working capital on capital expenditure and financial investment	–	–	–
Net cash outflow for capital expenditure and financial investment	–	–	–

[Net outflow = +]

Note iii: Analysis of financing and reconciliation to the net cash requirement

From Consolidated Fund (Supply): current year expenditure	2,067	1,906	2,057
From Consolidated Fund (Supply): prior year expenditure	0	0	0
Net payments from the contingencies Fund	0	0	0
Net financing	2,067	1,906	2,057
Increase (–)/decrease (+) in cash	0	0	0
Net cash flows other than financing (net outflow = +)	2,067	1,906	2,067
Adjust for payments and receipts not related to Supply:			
Amounts due to the consolidated Fund – received in a prior year and paid over	0	0	0
Amounts due to the Consolidated Fund – received and not paid over	0	0	0
Adjust for payments financed from Contingencies Fund advances accounted for in a different year:			
Current year payments accounted for in following year	0	0	0
Prior year payments accounted for in current year	0	0	0
Net cash requirement for the year	2,067	1,906	2,057

Forecast Reconciliation of Net Resource Outturn to Net Operating Cost to Resource Budget Outturn

	2001-02 £,000	2000-01 £,000	1999-00 £,000
Net Resource Outturn	**2,075**	**1,914**	**2,065**
* Add non-voted expenditure in the OCS	–	–	–
* Add Consolidated Fund Extra Receipts in the OCS	–	–	–
* Remove provision voted for earlier years	–	–	–
* Remove other adjustments	–	–	–
Net Operating Costs	**2,075**	**1,914**	**2,065**
Resource Budget Outturn	**2,075**	**1,914**	**2,065**
Of which:			
Departmental Expenditure Limit (DEL)	–	–	–
Spending in Employment Opportunities Fund (EOF) DEL	–	–	–
Annually Managed Expenditure (AME)	2,075	1.914	2,065

Explanation of accounting officer responsibilities

The Treasury has appointed the Second Commissioner of the Crown Estate, Sir Christopher Howes, as Accounting Officer with overall responsibility for preparing the Crown Estate's Estimate.

His responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

Notes

1. The provision sought for 2001-02 is 8.4 per cent higher than the final net provision and forecast outturn for 2000-01 of £1.9 million.

Annex B

Departmental Report Core Tables

HM Treasury

Royal Mint

Government Actuary's Department

National Investment and Loans Office

National Savings

Office for National Statistics

Registry of Friendly Societies

Crown Estate Office

Explanation of the tables

Table 1: High level spending plans

This table sets out, in resource terms, a summary of expenditure by each department from 1998-99 to 2003-04. The first part shows total expenditure in DEL and AME for the department, including the new non-cash AME items introduced by RAB. This is then split into resource and capital expenditure, the former showing what the department consumes in current spending and the latter showing planned investment expenditure.

The "Total Resource Budget" and "Total Capital Budget" figures illustrate, in resource terms, total DEL and AME expenditure in the department's budget. This includes expenditure such as the consumption and investment of public corporations, which is outside the departmental accounting boundary and some of which is not Voted by Parliament. "Programme spending in Resource AME" is used to distinguish annually managed programme expenditure from the non-cash items which score in AME under Stage 1 resource budgeting.

"Net operating costs" and "Capital expenditure in accounts" show the expenditure covered in the departmental resource accounts, while "Net total resources (Voted)" and "Net capital expenditure Voted)" show the resources and capital expenditure voted by Parliament in Estimates. Reconciliations between the budgeting accounting and Parliamentary Estimates aggregates are shown in Tables 6 and 7 for resources and capital expenditure.

Table 2: Departmental Voted cash requirement

Under RAB, Parliament votes both a net resource requirement for departmental expenditure, reflecting the total Voted provision sought in resource terms, and the cash requirement needed to fund this commitment. The Voted net cash requirement represents the Parliamentary limit for the department in cash terms and the limit for the amount of cash which can be drawn down for use by the department in the year.

The Voted net cash requirement is calculated by removing non-cash costs from net operating costs, adjusting for accruals/cash differences such as timing, and then stripping out the part of the departmental cash requirement that is not Voted.

The net Voted cash requirement is shown from 1998-99 to the year for which the current Estimate has been submitted, 2001-02.

Table 3: Total capital employed

RAB gives a much clearer picture of the capital assets used by a department. This is used as the basis for calculating the cost of capital charges paid by departments to reflect the economic costs of holding the assets. Table 3 sets out Total Capital Employed by the department within the accounting boundary, and by its sponsored bodies outside the boundary.

Table 4: Consumption: Analysis of resource budget spending plans

Table 4 gives a detailed breakdown of the resource or current spending plans from 1998-99 to 2003-04. The functional splits by which resources are allocated match those in the Main Resource Estimates, split into DEL and AME. Non-Voted expenditure is shown with a brief description as to its functions. Non-cash expenditure in AME is shown by category - depreciation, cost of capital charge, and changes in provisions and other charges.

Table 5: Investment: Analysis of capital budget spending plans

Table 5 gives a detailed breakdown of the investment or capital spending plans from 1998-99 to 2003-04. The functional splits by which resources are allocated match those in the Main Resource Estimates, split into DEL and AME. Non-Voted expenditure is shown with a brief description as to its functions.

Table 6: Reconciliation of resource expenditure between accounts, Estimates and budgets

This is a technical table showing the inter-relationship between the three totals for accounts, Estimates and budgets. The outturn against the total Voted by Parliament in the Estimates is shown first. The net operating cost figure in the accounts include items which are not part of the resource total voted by Parliament, such as non-Voted expenditure within the departmental accounting boundary, and receipts surrendered to the Consolidated Fund.

The budgeting total reflects the spending authority for the department within the Government's framework for expenditure control. This is an administrative limit imposed by the Government on the department and its sponsored bodies. So the resource budget outturn total includes a number of categories of expenditure which are not included in, or scored differently from, the totals recorded for Voted Estimates and departments' accounts.

The main adjustments from the net operating cost in the accounts to the outturn against resource budget total are:

- further adjustments for receipts surrendered to the Consolidated Fund, where these score differently in accounts and in budgets;
- gains and losses on asset disposals pass through the accounts and Estimates on the resource side, but are recycled through the capital budget under the transitional resource budgeting regime;
- European Union income is Voted but is not included within departmental budgets;
- Departmental Unallocated Provisions (DUPs) are not Voted but appear in budgets, as the expenditure has not yet been assigned to a particular function.

Table 7: Reconciliation between capital expenditure in accounts, Estimates and budgets

This table shows the inter-relationship between the three totals for capital expenditure.

The adjustments from the Voted Estimates totals to the capital expenditure in the accounts are broadly the same as they are on the resource side. The main adjustments from the capital expenditure in the accounts to the outturn against the capital budget are as follows:

- gains and losses on asset disposals pass through the accounts and Estimates on the resource side, but are recycled through the capital budget under the transitional resource budgeting regime
- European Union income is not included in the budget, but is in the Estimate;
- unallocated capital provision in the DUP is not voted in Estimates but is included within the budgeting total.

Tables 8, 9 and 10

These tables show analyses of, administration costs (formerly known as running costs) and staff numbers. These tables are largely unchanged from previous years.

Table 11 - DEL and AME cash plans, 1995-96 to 2000-01

For the purposes of allowing comparisons to be made with previous expenditure over a longer period, a table showing outturn in cash terms is included from 1995-96 to 2000-01. 2000-01 is the last year where outturn will be expressed in cash terms.

Table 12 - Reconciliation of RAB and cash budgets, 1998-99 to 2000-01

This table illustrates how the new resource based outturn figure have been derived from the previous cash numbers for both the resource and capital budgets, in both DEL and AME. The main types of adjustment from the cash to the resource based system are:

- timing adjustments, reflecting the fact that under RAB costs are scored when the economic activity takes place, not when it is paid for;
- classification switches from resource to capital, and vice-versa as a result of the new accounting and budgeting rules;
- the inclusion of capital charges on the department's civil estate in the resource DEL; and
- the inclusion of non-cash costs in AME.

HM Treasury

Table 1: Chancellor of the Exchequer's Departments resource plans summary table[1]

£ million

	Outturn 1998-99	Outturn 1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Total spending in DEL	412	425	601	575	507	497
Total spending in AME	–37	–80	190	158	169	185
of which non-cash AME	–58	94	75	103	109	120
CONSUMPTION – THE RESOURCE BUDGET						
Resource DEL	443	440	567	563	496	485
Resource AME	–50	97	77	110	118	133
of which:						
Programme spending	8	3	2	7	9	13
Non-cash items in Resource AME	–58	94	75	103	109	120
Total Resource Budget	394	537	644	673	613	618
Adjustment to reach operating costs	-216	-79	-68	-73	–30	–34
Net Operating Costs	178	459	576	600	584	584
Adjustment to reach voted total	190	65	33	33	–12	–12
Net Total Resources (Voted)	368	524	609	633	572	572
INVESTMENT - THE CAPITAL BUDGET						
Capital DEL	–31	–15	33	12	12	12
Capital AME	13	-18	113	48	51	51
Total Capital Budget	–18	–33	146	61	63	63
Adjustment to reach voted capital	–15	16	–113	–48	-52	-52
Net Capital Expenditure (Voted)	-33	–16	33	12	11	12

(1) This table summarises information on spending plans, accounts and Estimates across HM Treasury, Royal Mint, GAD, ONS, CEO, DNS, NILO, and RFS. All this information is presented in more detail in Tables 4 to 7.

HM Treasury

Table 2: Departmental Voted cash requirement £ million

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
HM Treasury	89	238	284	266	272	289
Net Capital Expenditure (Voted)	–46	–24	23	5	5	5
Adjust for non-cash transaction	–52	–171	–111	–111	–111	–111
Adjust for movements in working capital	–45	–1	1	1	–	–
Adjust for transfers from provision	118	70	49	20	15	3
Excess cash to be CFERed						
Net Cash Required	**64**	**112**	**247**	**181**	**182**	**186**

Under RAB, Parliament votes both a net resource requirement for departmental expenditure, reflecting the total Voted provision sought in resource terms, and the cash requirement needed to fund this commitment. The Voted net cash requirement represents the Parliamentary limit for the department in cash terms and the limit for the amount of cash which can be drawn down for use by the department in the year.

The Voted net cash requirement is calculated by removing non-cash costs from net operating costs, adjusting for accruals/cash differences such as timing, and then stripping out the part of the departmental cash requirement that is not Voted.

The net Voted cash requirement is shown from 1998-99 to the year for which the current Estimate has been submitted, 2001-02.

HM Treasury

Table 3: Total capital employed by department £ million

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Assets/Liabilities						
Within the departmental account	-107	-38	10	17	27	27
Investment outside accounting boundary	–	–	-	-	-	-
Total capital employed	–107	–38	10	17	27	27

RAB gives a much clearer picture of the capital assets used by a department. This is used as the basis for calculating the cost of capital charges paid by departments to reflect the economic costs of holding the assets. Table 3 sets out Total Capital Employed by the department within the accounting boundary.

HM Treasury

Table 4: Consumption: Analysis of resource budget spending plans

£ million

	Outturn 1998-99	Outturn 1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Resource Budget Departmental Expenditure Limits (DEL)						
RfR1						
Administration	48	49	56	51	86	90
Debt Management Office	2	5	5	6	–	–
Payment to FSA for carrying out of insurance supervision	6	13	14	15	–	–
Parliament and Privy Council	2	1	4	1	2	3
Other Services	3	3	3	1	1	1
Provision of information to business about the euro	8	#	8	8	–	–
Statistics Commission	–	–	1	1	1	1
Royal Mint	–	–	1	–	–	–
	70	71	92	83	91	95
RfR2						
UK Coinage	20	32	41	32	32	32
	20	32	41	32	32	32
RfR3						
Office of Government Commerce	68	38	89	59	54	53
	68	38	89	59	54	53
Non-voted expenditure (Parliament and Privy Council, Bank of England services)	28	31	32	29	28	29
Total DEL	**185**	**172**	**254**	**204**	**205**	**209**
Of which:						
Cental government spending	185	172	254	204	205	209
Of which:						
Voted	157	141	222	174	176	180
Non-voted	28	31	32	29	28	29
Annually Managed Expenditure (AME)						
RfR1						
Administration	10	122	104	102	102	102
Debt Management Office	#	#	1	1	1	1
Partnerships UK	–	–	–	1	1	1
Privatisation programme sale of shares	36	21	#	#	#	#
	47	144	105	104	104	104
RfR2						
UK Coinage	4	10	6	6	6	6
	4	10	6	6	6	6
RfR3						
Office of Government Commerce	-120	-72	-49	-18	-13	-1
	-120	-72	-49	-18	-13	-1
Non-voted expenditure (Royal Mint)	6	#	-	4	7	11
Total AME	**-64**	**81**	**61**	**95**	**103**	**119**
Of which:						
Central government spending(1)	-70	81	61	93	98	110
Public corporations	6	#	-	2	5	8
Of which:						
Voted	-70	81	61	91	96	108
Non-voted	6	#	-	4	7	11
Of which non-cash items in AME:						
Of which:						
Changes in Provisions and other charges	-117	-70	-49	-20	-15	-3
Cost of capital charges	37	123	101	104	104	104
Depreciation	11	28	10	7	7	8

(1) Central government spendiing does not include spending on public corporations.

HM Treasury

Table 5: Investment: Analysis of Capital Budget Spending Plans

	Outturn		Estimated Outturn		Plans	£ million
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Capital Budget Departmental Expenditure Limits (DEL)						
RfR1						
Administration	3	4	1	4	5	5
Debt Management Office	1	2	1	1	–	–
Partnerships UK	–	–	20	–	–	–
	3	5	22	5	5	5
RfR3						
Office of Government Commerce	–47	–29	2	1	1	1
	–47	–29	2	1	1	1
Non-voted expenditure (OGC. buying.solutions)			#	#	#	#
Total DEL	**–44**	**–23**	**24**	**6**	**6**	**6**
Of which:						
Central government spending	–44	–23	23	5	5	5
Public Corporations			#	#	#	#
Of which:						
Voted	–44	–23	23	5	5	5
Non-voted			#	#	#	#
Annually Managed Expenditure (AME)						
Non-voted expenditure	13	6	4	5	4	4
Public Corporations	13	6	4	5	4	4
Non-Voted	13	6	4	5	4	4

HM Treasury

Table 6: Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	1998-99	1999-00	2000-01	2001-02	2002-03	£ million 2003-04
1. Net Resource Outturn (Estimates)	**89**	**238**	**284**	**266**	**272**	**289**
Adjustments for:						
2. Non-voted expenditure in the OCS	13	13	13	13	13	12
3. Consolidated Fund Extra Receipts in the OCS	–202	–75	–46	–46	#	#
4. Net Operating Costs (Accounts)	**-100**	**175**	**251**	**233**	**285**	**301**
Adjustments for:						
5. Other Consolidated Fund Extra Receipts	200	74	44	45	-1	-1
6. Full resource consumption of public corporations	6	#	–	3	5	9
7. Gains/losses from sale of capital assets	–	-15	–	–	–	–
8. Voted expenditure outside the budget	–2	–1	#	#		
9. Unallocated resource provision	–	–	3	1	1	1
10. Other adjustments	17	20	17	18	18	19
11. **Resource Budget Outturn (Budget)**	**121**	**253**	**315**	**299**	**307**	**328**
of which:						
12. Departmental Expenditure Limit (DEL)	185	172	254	204	205	209
13. Annually Managed Expenditure (AME)	–64	81	61	95	103	119

HM Treasury

Table 7: Reconciliation of capital expenditure between Estimates and Budgets

£ million

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Voted Capital Outturn (Estimates)	–46	–24	23	5	5	5
Full capital expenditure by public corporations	13	6	4	5	4	4
Other adjustments	2	1	#	#	–	–
Capital Budget Outturn	–31	–17	27	11	10	10
of which:						
Departmental Expenditure Limited (DEL)	–44	–23	24	6	6	6
Annually Managed Expenditure (AME)	13	6	4	5	4	4

HM Treasury

Table 9 - Administration costs

£ million

	Outturn 1998-99	Outturn 1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Gross Administration costs						
Paybill	49	51	55	–	–	–
Other	40	42	62	–	–	–
Total administration costs	89	93	118	119	131	136
Related receipts	–15	–19	–22	–22	–24	–26
Net expenditure	74	74	96	97	107	110
Gross administration costs limit	-	-	-	97	-	-
Outside administration costs limits						
Non-cash administration costs in AME	12	30	12	10	10	10

HM Treasury

Table 10 - Staff numbers

Staff-years

		1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Estimated Outturn	2000-01 Plans	2001-02 Plans	2002-03 Plans	2003-04 Plans
Hm Treasury	CS FTEs	1,405	1,393	1,429	1,433	1,437	1,658	1,618	1,618
(Gross Control Area)	Overtime	30	36	43	38	35	46	46	46
	Casuals	35	31	38	55	62	60	60	60
	TOTAL	**1,470**	**1,460**	**1,510**	**1,526**	**1,534**	**1,764**	**1,724**	**1,724**

HM Treasury

Table 11: DEL and AME cash plans, 1995-96 to 2000-01

	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-2000 Outturn	£ million 2000-01 Estimated
Departmental Expenditure Limits						
Current Budget						
Administration	48	43	43	43	42	56
Parliament and Privy Council	2	2	2	2	2	4
UK Coinage	21	26	31	20	32	41
Debt Management Office	–	–	–	2	4	5
Payments to FSA	5	5	8	6	12	14
Provision of information to business about the euro	–	–	–	8	#	8
Other Services	1	3	2	3	3	3
Office of Government Commerce	1	1	1	1	2	14
CCTA	9	3	–3	–1	–2	–1
PACE	32	132	144	117	64	76
Statistics Commission	–	–	–	–	–	1
The Diana Princess of Wales Memorial Fund	–	–	3	–	–	–
Royal Mint	–	–	–	–	–	1
Non-voted expenditure	–207	–344	–352	28	33	32
Capital Budget						
Administration	6	5	2	3	4	1
Debt Management Office	–	–	–	1	2	1
Payments to FSA	–	–	#	–	–	–
Office of Government Commerce	#	#	#	#	#	1
CCTA	2	1	1	1	1	1
PACE	–24	–21	–34	–48	–29	#
Partnerships UK	–	–	–	–	–	20
Non-voted expenditure	#	#	#	–	–	–
Total Department Expenditure Limits	**–103**	**–143**	**–152**	**186**	**170**	**277**

For the purposes of allowing comparisons to be made with previous expenditure over a longer period, a table showing outturn in cash terms is included from 1995-96 to 2000-01. 2000-01 is the last year where outturn will be expressed in cash terms.

HM Treasury

Table 12: Departmental expenditure limits and annually managed expenditure

			£ million
	1998-99 Outturn	**1999-00 Outturn**	**2000-01 Estimated**
Cash to Resource Reconciliations			
DEL Current Budget – Cash	**230**	**192**	**254**
Timing adjustments	–	2	0
Capital charges on the civil estate	5	5	0
Other adjustments	-50	-27	0
Other budgeting changes			
Resource Budget DEL	**185**	**172**	**254**
DEL Capital Budget – Cash	**-44**	**-23**	**23**
Timing adjustments	–	_	1
Capital Budget DEL	**-44**	**-23**	**24**
Total DEL under Cash	**186**	**170**	**277**
Total DEL under RAB	**141**	**148**	**277**
Non cash items in Resource AME	**-70**	**81**	**61**

Royal Mint

Table 5: Investment – Analysis of Capital Budget Spending Plans

	£ million					
	Outturn		Estimated Outturn		Plans	
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Annually Managed Expenditure (AME)						
RfR 1						
Non-coin gifts and collectibles				1		
Total RfR 1				1		
Non-voted expenditure[1]						
[create a new variable, derived from SPROGs and insert here)						
Total AME				**1**		
Of which:						
Central government spending				1		
Public Corporations						
Of which:						
Voted				1		

1 *For expenditure which is treated as resource expenditure outside DEL in accounts and Estimates but which is classified as capital DEL in budgets, e.g. capital grants to the private sector.*

Royal Mint

Table 6: Reconciliation of resource expenditure between Estimates, accounts and budgets

	1998-99	1999-00	2000-01	2001-02	2002-03	£ millions 2003-04
1. Net Resource Outturn (Estimates)			**#**	**#**		
Adjustments for:						
2. Non-voted expenditure in the OCS						
3. Consolidated Fund Extra Receipts in the OCS						
4. Provision voted for earlier years						
5. Other adjustments						
6. Net Operating Costs (Accounts)			#	#		
Adjustments for:						
7. Other Consolidated Fund Extra Receipts						
8. Full resource consumption of non-departmental public bodies						
9. Full resource consumption of public corporations						
10. Capital grants to the private sector and local authorities						
11. Gains/losses from sale of capital assets						
12. European Union income and related adjustments						
13. Voted expenditure outside the budget						
14. Unallocated resource provision						
15. Other adjustments						
16. Resource Budget Outturn (Budget)			**#**	**#**		
of which:						
17. Departmental Expenditure Limit (DEL)						
18. Spending in Employment Opportunities Fund (EOF) DEL						
19. Annually Managed Expenditure (AME)			#	#		

Royal Mint

Table 7: Reconciliation of capital expenditure between Estimates and Budgets

£ millions

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Voted Capital Outturn (Estimates)				#		
Other Consolidated Fund Extra Receipts						
Full capital expenditure by non-departmental public bodies						
Full capital expenditure by public corporations						
Capital grants to the private sector, local authorities and public corporations						
Gains/losses from sale of capital assets						
Local authority credit approvals						
Levy funded bodies						
Unallocated capital provision						
Provision voted for earlier years						
Other adjustments *(if any specify)*						
Capital Budget Outturn				#		
of which:						
Departmental Expenditure Limited (DEL)						
Spending in Employment Opportunities (EOF) (DEL)						
Annually Managed Expenditure (AME)				#		

Royal Mint

Table 10: Staff Numbers

		Staff-years							
		1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Estimated Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
Royal Mint	CS FTEs	987	0	964	1,000	1,050	1,057	1,060	1,060

Government Actuary's Department

Table 3: Total capital employed by department

£ million	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Assets/Liabilities	2	2	2	2	2	2
Within the department account	2	2	2	2	2	2
Investment outside accounting boundary	–	–	–	–	–	–
Total Capital Employed	**2**	**2**	**2**	**2**	**2**	**2**

Government Actuary's Department

Table 4: Consumption – Analysis of resource budget spending plans

£ million	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Resource Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Administration	#	#	#	#	#	#
Non-voted expenditure	#	-#	#	#	#	#
Total DEL	**#**	**-#**	**#**	**#**	**#**	**1**
Of which:						
Central government spending	#	-#	#	#	#	1
Of which:						
Voted	#	#	#	#	#	#
Non-voted	#	-#	-#	#	#	#
Annually Managed Expenditure (AME)						
RfR 1						
Administration	#	#	#	#	#	#
Non-voted expenditure	-#	-#	-#	-#	-#	-#
Total AME	**#**	**#**	**#**	**#**	**#**	**#**
Of which:						
Central government spending	#	#	#	#	#	#
Of which:						
Voted	#	#	#	#	#	#
Non-voted	-#	-#	-#	-#	-#	-#
Of which non-cash items in AME of which:						
Changes in Provisions and Other Charges	-#	-#	-#	-#	-#	-#
Cost of Capital Charges	#	#	#	#	#	#
Depreciation	#	#	#	#	#	#

Government Actuary's Department

Table 5: Investment – Analysis of capital budget spending plans

£ million	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Capital Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Administration	#	#	#	#	#	#
Total DEL	**#**	**#**	**#**	**#**	**#**	**#**
Of which:						
Central government spending	#	#	#	#	#	#
Of which:						
Voted	#	#	#	#	#	#

Government Actuary's Department

Table 6: Reconciliation of resource expenditure between Estimates, accounts and budgets

£ million	1999-00	2000-01	2001-02	2002-03	2003-04
1. Net Resource Outturn (Estimates)	**#**	**1**	**1**		
Adjustments for:					
2. Non-voted Fund Extra Receipts in the OCS					
3. Consolidated Fund Extra Receipts in the OCS	-#	–	–		
4. Provision voted for earlier years					
5. Other adjustments					
6. Net Operating Costs (Accounts)	**#**	**1**	**1**		
Adjustments for:					
7. Resource Budget Outturn (Budget)	**#**	**1**	**1**		
of which:					
8. Departmental Expenditure Limit (DEL)	-#	#	#		
9. Annually Managed Expenditure (AME)	#	#	#		

Government Actuary's Department

Table 9: Administration costs

£ million	Outturn 1998-99	1999-00	Estimate 2000-01	2001-02	Plans 2002-03	2003-04
Gross Administration costs						
Paybill	5	5	6			
Other	2	2	2			
Total administration costs	7	7	8	8	8	9
Related receipts	-7	-7	-7	-8	-8	-8
Net expenditure	**#**	**#**	**#**	**#**	**#**	**1**
Outside administration costs limits						
Non-cash administration costs in AME	**#**	**#**	**#**	**#**	**#**	**#**

Government Actuary's Department

Table 10: 2001 Departmental reports & public expenditure statistical analyses – Staff numbers

	Staff numbers 1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Estimated Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
CS FTEs	83	78	81	84	90	105	100	104	107
Overtime	0	0	0	0	0	0	0	0	0
Casuals	1	5	3	7	7	3	2	2	2
TOTAL	84	83	84	91	97	108	102	106	109

Government Actuary's Department

Table 11: Departmental expenditure limits and annually managed expenditure cash plans 1995-96 to 2000-01

£ million	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Departmental Expenditure Limits						
Current Budget	#	#	#	#	#	#
Non-voted expenditure	-#	–	-#	–	-#	–
Capital Budget	#	#	#	#	#	#
	#	**#**	**#**	**#**	**#**	**1**

Government Actuary's Department

Table 12: Departmental expenditure limits and annually managed expenditure

£ million	1998-99	1999-00	2000-01
Cash to Resource Reconciliations			
DEL Current Budget – Cash	#	#	#
Timing adjustments	–	-#	–
5. Other adjustments	-#	-#	–
6. **Net Operating Costs**	**#**	**#**	**1**
DEL Capital Budget – Cash	#	#	#
Timing adjustments	-#	-#	–
Switches from current to capital	–	–	–
Capital Budget DEL	#	#	–
Total DEL under cash	**#**	**#**	**1**
AME Current Budget – Cash	–	–	–
Resource Budget Departmental AME	**#**	**#**	**#**
Total AME under cash	**–**	**–**	**–**
Total AME under RAB	**#**	**#**	**#**

National Investment and Loans Office

Table 4: Consumption – Analysis of resource budget spending plans

£ million

	Outturn 1998-99	Outturn 1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Resource Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Administration						
Non-voted expenditure[1]	–1	–1				
Total DEL	**–2**	**1**				
Of which:						
Central government spending	–2	–1	0	0	0	0
Support for local authorities						
Public Corporations						
Of which:						
Voted	0	0	0	0	0	0
Non-voted	–1	–1	0	0	0	0
Annually Managed Expenditure (AME)						
RfR 1						
Administration	#	#	#	#	#	#
Non-voted expenditure[1]	#	#	#	#	#	#
Total AME	#	#	#	#	#	#
Of which:						
Central government spending[2]						
Of which:						
Voted						
Non-voted[1]						
Of which non-cash items in AME: of which						
Changes in Provisions and Other Charges						
Cost of Capital Charges						
Depreciation						

(1) *Includes expenditure of Non-Departmental Public Bodies (NDPBs), some of which is financed by voted grants.*
(2) *Central government spending does not include spending on public corporations.*

National Investment and Loans Office

Table 5: Investment – Analysis of capital budget spending plans

£ million

	Outturn 1998-99	Outturn 1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Capital Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Administration	#	#	#	#	#	#
	#	#	#	#	#	#
Non-voted expenditure[1]	#	#	#	#	#	#
Total DEL	#	#	#	#	#	#
Of which:						
Central government spending	#	#	#	#	#	#
Of which:						
Voted	#	#	#	#	#	#

(1) *Includes expenditure of Non-Departmental Public Bodies (NDPBs), some of which is financed by voted grants.*

National Investment and Loans Office

Table 9: Administration costs

National Investment and Loans Office	Outturn 1998-99	1999-00	Estimate 2000-01	2001-02	Plans 2002-03	£ million 2003-04
Gross Administration costs						
Paybill	1	1	1			
Other		#	1			
Total administration costs	1	1	2	2	2	2
Related receipts	–2	–1	–1	–1	–2	–2
Net expenditure		#				
Gross administration costs limit				2		
Outside administration costs limits						
Non-cash administration costs in AME						

National Investment and Loans Office

Table 10: Staff Numbers

		1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Estimated Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
National Investment and Loans Office	CS FTEs	33	37	36	36	33	33	33	33
	Overtime	0	0	1	1	1	1	1	1
	Casuals	0	0	0	0	0	0	0	0
	TOTAL	33	37	37	37	34	34	34	34
Office of HM Paymaster General[3]	CS FTEs	525	0	0	–	–	–	–	–
	Overtime	11	0	0	–	–	–	–	–
	Casuals	22	0	0	–	–	–	–	–
	TOTAL	558	0	0	0	0	0	0	0

Staff-years

[3] *The Office of HM Paymaster General was privatised on 31 March 1997.*

National Investment and Loans Office

Table 11: Departmental Expenditure Limits and Annually Managed Expenditure Cash Plans 1995-96 to 2000-01

	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-00 Outturn	£ million 2000-01 Estimated
NILO						
Departmental Expenditure Limits						
Current Budget						
Administration	#	#	#	#	#	#
Non-voted expenditure	–1	–1	–1	–1	–1	
Capital Budget						
Administration	#	#	#	#	#	#
Non-voted expenditure						
Total spending in DEL	**–1**	**–1**	**#**	**–1**	**–1**	**#**

National Savings

Table 2: Departmental Voted cash requirement £ million

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Current Expenditure	180	180	177	178	159	157
Net Capital Expenditure (Voted)	6	#	3	#	#	#
Adjust for non-cash transaction	-8	–6	–5	–5	–5	–5
Adjust for movements in working capital		–5	#	-1	#	#
Adjust for transfers from provision	-1	1	#	#	#	#
Excess cash to be CFERed						
Net Cash Required	**177**	**169**	**175**	**173**	**155**	**153**

National Savings

Table 4: Consumption – Analysis of resource budget spending plans

£ million

	Outturn 1998-99	Outturn 1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Resource Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Administration	167	174	172	174	156	154
Total RfR1	167	174	172	174	156	154
Non-voted expenditure [1]			1	1	1	1
Total DEL	**167**	**174**	**173**	**176**	**157**	**155**
Of which:						
Central government spending	167	174	173	176	157	155
Of which:						
Voted	167	174	172	174	156	154
Non-voted			1	1	1	1
Annually Managed Expenditure (AME)						
RfR 1						
Administration	8	5	5	4	4	3
Total RfR1	8	5	5	4	4	3
Non-voted expenditure [1]		-1	-1	-1	-1	-1
Total AME	**8**	**4**	**3**	**3**	**3**	**3**
Of which:						
Central government spending [2]	8	4	3	3	3	3
Of which:						
Voted	8	5	5	4	4	3
Non-voted[1]		-1	-1	-1	-1	-1
Of which non-cash items in AME: of which						
Changes in Provisions and Other Charges	1	-1	#	#	#	#
Cost of Capital Charges	#	#	#	#	#	#
Depreciation	6	4	2	2	2	2

[1] *Includes expenditure of Non-Departmental Public Bodies (NDPBs), some of which is financed by voted grants.*

[2] *Central government spending does not include spending on public corporations.*

National Savings

Table 5: Investment – Analysis of capital budget spending plans

£ million

	Outturn 1998-99	Outturn 1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Capital Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Administration	6	#	3	#	#	#
Total RfR1	6	#	3	#	#	#
Non-voted expenditure (1)						
Total DEL	**6**	**#**	**3**	**#**	**#**	**#**
Of which:						
Central government spending	6	#	#	#	#	#
Of which:						
Voted	6	#	#	#	#	#
Annually Managed Expenditure (AME)						
RfR 1						
Administration						
Administration						
Total RfR1						
Non-voted expenditure (1)						
Total AME						
Of which:						
Central government spending		#				
Of which:						
Voted		#				

(1) *For expenditure which is treated as resource expenditure outside DEL in accounts and Estimates but which is classified as capital DEL in budgets, e.g. capital grants to the private sector.*

National Savings

Table 6: Reconciliation of resource expenditure between Estimates, accounts and budgets

	1998-99	1999-00	2000-01	2001-02	2002-03	£ million 2003-04
1. Net Resource Outturn (Estimates)	**180**	**180**	**177**	**178**	**159**	**157**
Adjustments for:						
2. Non-voted expenditure in the OCS						
3. Consolidated Fund Extra Receipts in the OCS						
4. Provision voted for earlier years						
5. Other adjustments						
6. Net Operating Costs (Accounts)	**180**	**180**	**177**	**178**	**159**	**157**
Adjustments for:						
7. Other Consolidated Fund Extra Receipts						
8. Full resource consumption of non-departmental public bodies						
9. Full resource consumption of public corporations						
10. Capital grants to the private sector and local authorities						
11. Gains/losses from sale of capital assets		#				
12. European Union income and related adjustments						
13. Voted expenditure outside the budget	-5	-1				
14. Unallocated resource provision						
15. Other adjustments		-1				
16. Resource Budget Outturn (Budget)	**175**	**178**	**177**	**178**	**159**	**157**
of which:						
17. Departmental Expenditure Limit (DEL)	167	174	173	176	157	155
18. Spending in Employment Opportunities Fund (EOF) DEL						
19. Annually Managed Expenditure (AME)	8	4	3	3	3	3

National Savings

Table 7: Reconciliation of capital expenditure between Estimates and Budgets

	1998-99	1999-00	2000-01	2001-02	2002-03	£ million 2003-04
Net Voted Capital Outturn (Estimates)	6	#	3	#	#	#
Other Consolidated Fund Extra Receipts						
Full capital expenditure by non-departmental public bodies						
Full capital expenditure by public corporations						
Capital grants to the private sector, local authorities and public corporations						
Gains/losses from sale of capital assets		#				
Local authority credit approvals						
Levy funded bodies						
Unallocated capital provision						
Provision voted for earlier years						
Other adjustments						
Capital Budget Outturn	6	#	3	#	#	#
of which:						
Departmental Expenditure Limited (DEL)	6	#	3	#	#	#
Spending in Employment Opportunities (EOF) (DEL)						
Annually Managed Expenditure (AME)		#				

National Savings

Table 9: Administration costs

	Outturn 1998-99	1999-00	Estimate 2000-01	2001-02	Plans 2002-03	£ million 2003-04
Gross Administration costs						
Paybill	73	5	7			
Other	95	174	171			
Total administration costs	168	174	173	176	157	155
Related receipts	–1	–4	–4	–4	–5	–5
Net expenditure	167	174	173	176	157	155
Gross administration costs limit				176		
Outside administration costs limits						
Non-cash administration costs in AME	1	-1				

National Savings

Table 10: Staff Numbers

	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Estimated Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
				Staff-years				
CS FTEs	4,545	4,186	4,049	120	121	126	126	126
Overtime	75	55	46	4	4	4	4	4
Casuals	53	65	19	5	11	10	10	10
TOTAL	4,673	4,306	4,114	129	136	140	140	140

National Savings

Table 11: Departmental expenditure limits and annually managed expenditure cash plans 1995-96 to 2000-01

	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-00 Outturn	£ million 2000-01 Estimated
Departmental Expenditure Limits						
Current Budget						
Administration	188	176	172	168	165	171
Non-voted expenditure						
Capital Budget						
Administration	5	4	3	3	#	3
Non-voted expenditure						
Total spending in DEL	**193**	**179**	**175**	**171**	**164**	**174**

Office for National Statistics

Table 2: Departmental Voted cash requirement

	1998-99	1999-00	2000-01	2001-02	2002-03	£ million 2003-04
Net Current Expenditure	96	102	143	183	137	123
Net Capital Expenditure (Voted)	6	8	6	6	5	6
Adjust for non-cash transaction	-6	-12	-13	-12	-12	-11
Adjust for movements in working capital	2	#				
Adjust for transfers from provision		1	1	1	1	#
Excess cash to be CFERed						
Net Cash Required	**98**	**98**	**137**	**178**	**131**	**117**

Office for National Statistics

Table 3 – Total Capital Employed by Department

	1998-99	1999-00	2000-01	2001-02	2002-03	£ million 2003-04
Net Assets/Liabilities						
Within the departmental account	53	55	57	58	61	64
Total Capital Employed	**53**	**55**	**57**	**58**	**61**	**64**

Office for National Statistics

Table 4: Consumption – Analysis of Resource Budget Spending Plans

£ million

	Outturn 1998-99	Outturn 1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Resource Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Administration – gross control	93	93	133	173	127	114
Customer Funded – gross control(1)	–1	–1	#	#	#	#
	92	92	133	173	127	114
Non-voted expenditure	–	1	4	7	7	6
Total DEL	**92**	**93**	**137**	**180**	**134**	**120**
Of which:						
Central government spending(2)	92	93	137	180	134	120
Of which:						
Voted	92	92	133	173	127	114
Non-voted	–	1	4	7	7	6
Annually Managed Expenditure (AME)						
RfR 1						
Administration – gross control	4	11	12	11	10	10
	4	11	12	11	10	10
Non-voted expenditure(1)	–	–1	–1	–1	–1	#
Total AME	**4**	**10**	**10**	**10**	**10**	**9**
Of which:						
Central government spending(2)	4	10	10	10	10	9
Of which:						
Voted	4	11	12	11	10	10
Non-voted(1)	–	–1	–1	–1	–1	#
Of which non-cash items in AME of which:						
Changes in Provisions and Other Charges[1]	–	–1	–1	–1	–1	#
Cost of Capital Charges	1	2	2	1	1	1
Depreciation	3	9	9	9	9	9

(1) *Amounts below £0.5 million are indicated by #.*

(2) *Central government spending does not include spending on public corporations.*

Office for National Statistics

Table 5: Investment – Analysis of Capital Budget Spending Plans

						£ million
	Outturn		Estimated Outturn		Plans	
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Capital Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Administration – gross control	6	7	5	5	5	5
Customer Funded – net control(1)	1	#	1	#	#	#
Shown in Estimates as Resource Expenditure outside DEL						
ONS Administration(1)	#	#	#	#	#	#
Total RfR1	**6**	**8**	**6**	**6**	**6**	**6**
Non-voted expenditure						
Total DEL	**6**	**8**	**6**	**6**	**6**	**6**
Of which:						
Central government spending	6	8	6	6	6	6
Of which:						
Voted	6	8	6	6	6	6

(1) Amounts below £0.5 million as indicated by #

Office for National Statistics

Table 6: Reconciliation of resource expenditure between Estimates, accounts and budgets

	1998-99	1999-00	2000-01	2001-02	2002-03	£ millions 2003-04
1. Net Resource Outturn (Estimates)	**96**	**102**	**143**	**183**	**137**	**123**
Adjustments for:						
2. Non-voted expenditure in the OCS						
3. Consolidated Fund Extra Receipts in the OCS		–1				
4. Provision voted for earlier years						
5. Other adjustments						
6. Net Operating Costs (Accounts)	**96**	**101**	**143**	**183**	**137**	**123**
Adjustments for:						
7. Other Consolidated Fund Extra Receipts						
8. Full resource consumption of non-departmental public bodies						
9. Full resource consumption of public corporations						
10. Capital grants to the private sector and local authorities						
11. Gains/losses from sale of capital assets(1)	#	#	#	#	#	#
12. European Union income and related adjustments	1	1	2	1	1	1
13. Voted expenditure outside the budget						
14. Unallocated resource provision	–	1	3	6	6	6
15. Other adjustments						
16. Resource Budget Outturn (Budget)	**96**	**103**	**147**	**190**	**143**	**129**
of which:						
17. Departmental Expenditure Limit (DEL)	92	93	137	180	134	120
18. Spending in Employment Opportunities Fund (EOF) DEL						
19. Annually Managed Expenditure (AME)	4	10	10	10	10	9

(1)Amounts below £0.5 million are indicated by #

Office for National Statistics

Table 7: Reconciliation of capital expenditure between Estimates and Budgets

	1998-99 £ million	1999-00 £ million	2000-01 £ million	2001-02 £ million	2002-03 £ million	2003-04 £ million
Net Voted Capital Outturn (Estimates)	6	8	6	6	5	6
Other Consolidated Fund Extra Receipts						
Full capital expenditure by non-departmental public bodies						
Full capital expenditure by public corporations						
Capital grants to the private sector and local authorities and public corporations						
Gains/losses from sale of capital assets(1)	#	#	#	#	#	#
Local authority credit approvals						
Levy funded bodies						
Unallocated capital provision						
Provision voted for earlier years						
Other adjustments						
Capital Budget Outturn	6	8	6	6	6	6
of which:						
Departmental Expenditure Limits (DEL)	6	8	6	6	6	6
Spending in Employment Opportunities (EOF) (DEL)						
Annually Managed Expenditure (AME)						

(1)Amounts below £0.5 million are indicated by #

Office for National Statistics

Table 9: Administration costs

£ million

	Outturn 1998-99	1999-00	Estimate 2000-01	2001-02	Plans 2002-03	2003-04
Gross Administration costs						
Paybill	69	71	87			
Other	52	52	84			
Total administration costs	121	124	170	212	165	151
Related receipts	–30	–29	–34	–31	–31	–31
Net expenditure	90	93	136	180	133	119
Gross administration costs limit				180		
Outside administration costs limits						
Administration costs on fixed assets profit and loss in capital DEL(1)	#	#	#	#	#	#

(1)Amounts below £0.5 million are indicated by #

Office for National Statistics

Table 10: Staff Numbers

		1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Estimated Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
		Staff numbers								
Office for National Statistics Administration (Gross Control)	CS FTEs	2,769	2,684	2,595	2,688	2,606	2,798	2,810	2,816	2,767
	Overtime	41	2	30	32	17	16	–	2	–
	Casuals	104	182	122	102	198	180	86	86	86
	TOTAL	2,914	2,868	2,747	2,822	2,821	2,993	2,896	2,902	2,853
Office for National Statistics Customer Funded Services (Gross Control)	CS FTEs	509	382	410	364	374	387	468	468	468
	Overtime	–	14	–	–	3	3	–	–	–
	Casuals	5	5	–	1	25	21	4	4	4
	TOTAL	514	401	410	365	402	411	472	472	472
TOTAL ONS		**3,428**	**3,269**	**3,157**	**3,187**	**3,223**	**3,405**	**3,368**	**3,374**	**3,325**

Office for National Statistics

Table 11: Departmental Expenditure Limits and Annually Managed Expenditure Cash Plans 1995-96 to 2000-01

	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-00 Outturn	£ million 2000-01 Estimated
Departmental Expenditure Limits						
Current Budget						
Voted Expenditure	91	86	87	91	93	134
Non-voted expenditure					1	3
Capital Budget						
Voted Expenditure	12	24	8	6	7	6
Total spending in DEL	**103**	**110**	**95**	**97**	**101**	**143**

Office for National Statistics

Table 12 – Departmental Expenditure Limits and Annually Managed Expenditure

	1998-99 Outturn	1999-00 Outturn	£ million 2000-01 Estimated
Cash to Resource Reconciliations			
DEL Current Budget – Cash	91	94	137
Timing adjustments	–	–2	–3
Capital charges on the civil estate	1	1	2
Other adjustments (1)	#	-	1
Other budgeting changes			
Resource Budget DEL	**92**	**93**	**137**
DEL Capital Budget – Cash	6	7	6
Other budgeting changes(1)	–	1	#
Capital Budget DEL	**6**	**8**	**6**
Total DEL under Cash	**97**	**101**	**143**
Total DEL under RAB	**98**	**101**	**143**
AME Current Budget – Cash	0	0	0
Other budgeting changes	4	10	10
Resource Budget Departmental AME	**4**	**10**	**10**
Total AME under cash	**0**	**0**	**0**
Total AME under RAB	**4**	**10**	**10**

(1) Amounts below £0.5 million are indicated by #

Registry of Friendly Societies

Table 4: Consumption – Analysis of resource budget spending Plans

£ million

	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Resource Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Register of Friendly Societies	1	2	3	3		
Total RfR 1	1	2	3	3		
Non-voted expenditure(1)						
Total DEL	**1**	**2**	**3**	**3**		
Of which:						
Central government spending	1	2	3	3		
Of which:						
Voted	1	2	3	3		

Registry of Friendly Societies

Table 5: Investment – Analysis of capital budget spending plans

£ million

	Outturn 1998-99	1999-00	Estimated Outturn 2000-01	2001-02	Plans 2002-03	2003-04
Capital Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Register of Friendly Societies	#	#	#			
Total RfR 1	#	#	#			
Non-voted expenditure						
Total DEL						
Of which:						
Central government spending	#	#	#			
Of which:						
Voted	#	#	#			

Registry of Friendly Societies

Table 10: Staff numbers

		Staff numbers								
		1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Estimated Outturn	2001-02 Plans	2002-03 Plans	2003-04 Plans
Registry of Friendly Societies	CS FTEs	167	165	158	108	40	36	5	0	0
	Overtime	4	3	3	3	1	0	0	0	0
	Casuals	1	1	0	3	4	0	0	0	0
	TOTAL	172	169	161	114	45	36	5	0	0

Registry of Friendly Societies

Table 11: Departmental expenditure limits and annually managed expenditure cash plans 1995-96 to 2000-01

	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-00 Outturn	£ million 2000-01 Estimated
Departmental Expenditure Limits						
Current Budget						
Administration	3	2	3	1	2	3
Non-voted expenditure	#	–2	–1	–4		–
Capital Budget						
Administration	#	5	1	#	#	#
Non-voted expenditure						
Total spending in DEL	2	6	4	–3	2	3

Crown Estate

Table 2

Crown Estate	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**
£ million						
Net Total Resources (Voted)	2	2	2	2	2	2
Net Capital Expenditure (Voted)						
Adjust for non-cash transaction	#	#	#	#	#	#
Adjust for movements in working capital						
Adjust for transfers from provision						
Excess cash to be CFERed						
Net Cash Required	**2**	**2**	**2**	**2**	**2**	**2**

Crown Estate

Table 4: Consumption – Analysis of resource budget spending plans

	Outturn		**Estimated Outturn**		**Plans**	
£ million	**1998-99**	**1999-00**	**2000-01**	**2001-02**	**2002-03**	**2003-04**
Resource Budget						
Departmental Expenditure Limits (DEL)						
RfR 1						
Non-voted expenditure[1]						
Total DEL						
Of which:						
Annually Managed Expenditure (AME)						
RfR 1						
Administration	2	2	2	2	2	2
	2	2	2	2	2	2
Non-voted expenditure[1]						
Total AME	**2**	**2**	**2**	**2**	**2**	**2**
Of which:						
Public Corporations[2]	2	2	2	2	2	2
Of which:						
Voted	2	2	2	2	2	2

[1] *Includes expenditure of Non-Departmental Public Bodies (NDPBs), some of which is financed by voted grants.*

[2] *Central government spending does not include spending on public corporations.*

Crown Estate

Table 6: Reconciliation of resource expenditure between Estimates, accounts and budgets

£ million	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
1. Net Resource Outturn (Estimates)	**2**	**2**	**2**	**2**	**2**	**2**
Adjustments for:						
2. Non-voted expenditure in the OCS	–	–	–	–	–	–
3. Consolidated Fund Extra Receipts in the OCS	–	–	–	–	–	–
4. Provision voted for earlier years	–	–	–	–	–	–
5. Other adjustments	–	–	–	–	–	–
6. Net Operating Costs (Accounts)	**2**	**2**	**2**	**2**	**2**	**2**
Adjustments for:						
7. Other Consolidated Fund Extra Receipts	–	–	–	–	–	–
8. Full resource consumption of non-departmental public bodies	–	–	–	–	–	–
9. Full resource consumption of public corporations	–	–	–	–	–	–
10. Capital grants to the private sector and local authorities	–	–	–	–	–	–
11. Gains/losses from sale of capital assets	–	–	–	–	–	–
12. European Union income and related adjustments	–	–	–	–	–	–
13. Voted expenditure outside the budget	–	–	–	–	–	–
14. Unallocated resource provision	–	–	–	–	–	–
15. Other adjustments	–	–	–	–	–	–
16. Resource Budget Outturn (Budget)	**2**	**2**	**2**	**2**	**2**	**2**
Of which:						
17. Departmental Expenditure Limit (DEL)	–	–	–	–	–	–
18. Spending in Employment Opportunities Fund (EOF) DEL	–	–	–	–	–	–
19. Annually Managed Expenditure (AME)	2	2	2	2	2	2

Crown Estate

Table 7: Reconciliation of capital expenditure between Estimates and budgets

Crown Estate £ million	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Net Voted Capital Outturn (Estimates)						
Other Consolidated Fund Extra Receipts						
Full capital expenditure by non-departmental public bodies						
Full capital expenditure by public corporations		-23	109	43	47	47
Capital grants to the private sector and local authorities						
Gains/losses from sale of capital assets						
Local authority credit approvals						
Levy funded bodies						
Unallocated capital provision						
Provision voted for earlier years						
Other adjustments (if any, specify)						
Capital Budget Outturn		-23	109	43	47	47
of which:						
Departmental Expenditure Limits (DEL)						
Spending in Employment Opportunities (EOF) (DEL)						
Annually Managed Expenditure (AME)		-23	109	43	47	47

Crown Estate

Table 10 Staff Numbers

		Staff-years								
		1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Estimated Outturn	1999-00 Plans	2000-01 Plans	2001-02 Plans	2002-03 Plans	2003-04 Plans
Crown Estate Office	**CS FTEs**	**24**	**23**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Crown Estate

Table 11: Departmental expenditure limits and annually managed expenditure cash plans, 1995-96 to 2000-01

£ million

	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-2000 Outturn	2000-01 Estimated
Crown Estate Office						
Departmental AME						
Current Budget						
Crown Estate Office	2	2	2	2	2	2
Capital Budget						
Non-voted expenditure	4	11	-17	-	-	-
Total Departmental AME	**6**	**13**	**-15**	**2**	**2**	**2**

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