EXPLANATORY MEMORANDUM TO

THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000 (ESTIMATES AND ACCOUNTS) ORDER 2011

2011 No. 723

1. This explanatory memorandum has been prepared by Her Majesty's Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1. This instrument designates the bodies for inclusion in departmental Estimates and accounts for the financial year that ends on 31 March 2012. The designated bodies fall within the departmental budgetary control limits set by HM Treasury and so inclusion of these bodies within departmental Estimates and accounts simplifies government's financial reporting to Parliament by better aligning the main elements of the spending control framework.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1. None.

4. Legislative Context

4.1. This instrument is being made in exercise of the powers conferred by section 4A of the Government Resources and Accounts Act 2000. This is the first use of the power.

4.2. The Clear Line of Sight reforms aim to simplify financial reporting to Parliament by better aligning the budgetary control, Estimates and accounting boundaries. This order gives effect to part of the reforms by specifying which bodies form part of departmental groups for the purposes of Estimates and resource accounts.

4.3. The House of Commons formally approved the Clear Line of Sight reforms, including the consolidation proposals, through a vote in the House on 5 July 2010 (House of Commons Debates, vol. 513 cc85-108). Through this, an undertaking was given to Parliament that from 1 April 2011 departmental Estimates and accounts would include Non-Departmental Public Bodies and other bodies classified to central government by the Office for National Statistics, whose spending is in budgets.

5. Territorial Extent and Application

5.1. This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1. As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- **What is being done and why**

7.1 In July 2007, the Government announced in *The Governance of Britain* Green Paper a "Clear Line of Sight" (Alignment) Project to simplify its financial reporting to Parliament by better aligning budgets, Estimates and accounts. The Treasury submitted detailed proposals for better alignment to Parliament in a memorandum in March 2009 (Cm 7567). The Liaison Committee of the House of Commons responded to the Government's proposals in its report *Financial Scrutiny: Parliamentary Control over Government's Budgets (HC 804)*, published on 3 July 2009. The report accepted, on behalf of the relevant select committees of the House of Commons, all of the Government's proposals for a better-aligned public spending framework as set out in Cm 7567. The proposals were endorsed through a vote in the House on 5 July 2010 (see paragraph 4.3 above).

7.2 The Clear Line of Sight ("CLOS") Project aims to simplify government's financial reporting to Parliament by better aligning the treatment of public spending data under the main elements of the spending control framework (budgets, Estimates and accounts). These changes will increase the transparency of government expenditure and make it easier for Parliament, and the wider public, to understand and challenge departmental spending plans and outturn.

7.3 The current public spending control framework is complex, reflecting significant differences in the definitions of public spending used in the main control mechanisms. The main control mechanisms are the budgetary controls set by the Treasury in departmental spending plans, the Estimates of government departments presented to the House to seek formal authority for departmental spending and accounts that are published and presented to the House by departments and other central government bodies.

7.4 The CLOS reforms will mean that the scope of these main control mechanisms is consistent. A key component of this is the consolidation into departmental Estimates and accounts of expenditure by all bodies within the departmental group. Currently Estimates and accounts cover spending plans of relevant government departments only, whilst budgets include the spending of NDPBs and other central government bodies for which the department is responsible. The designation of these bodies ensures that parliamentary controls over government spending are closely aligned with budgeting controls.

7.5 The departmental group is defined by reference to the Office for National Statistics (ONS) classification to central government. Those bodies classified to central government and within the budgetary framework are inside the boundary and other entities are excluded. Parliament has agreed that this boundary should also be used for Estimates and accounts, to create consistency across all three frameworks.

7.6 This instrument designates the bodies that fall within this agreed boundary and therefore lists the bodies that are to be consolidated into Estimates and accounts from April 2011.

- **Consolidation**

7.7 The instrument does not amend or consolidate any other piece of legislation. A new instrument will be prepared each year to designate departmental boundaries. Amending orders will be brought forward within each year as necessary to keep the lists accurate.

8. Consultation outcome

8.1 There was extensive consultation during 2008 and 2009 about all aspects of the alignment proposals with departments and other bodies with an interest in these issues, including the National Audit Office and the accountancy bodies. The proposals were modified to take account of the comments received, but there were no objections to the principle of consolidating bodies within the central government boundary into department Estimates and accounts.

8.2 The Scottish Ministers, the Department of Finance and Personnel for Northern Ireland and the Welsh Ministers were consulted in accordance with section 4A(8) of the Government Resources and Accounts Act 2000. Government departments were consulted and given the opportunity to comment on those designations applicable to them.

9 Guidance

9.1 Her Majesty's Treasury will continue to provide guidance and training on the consolidation of designated bodies into departmental Estimates and accounts.

10 Impact

10.1 There is no impact on business, charities outside the public sector or voluntary bodies.

10.2 Public sector bodies should not need to collect any additional information to consolidate designated bodies into their Estimates and accounts. These bodies, including charities in the public sector, already form part of departmental budgetary controls and so departments must already monitor in-year spending. In addition, the Whole of Government Accounts project requires the collection of similar outturn data

from all public bodies. There should therefore be no material impact on the public sector.

10.3 An impact assessment has not been prepared for this Instrument because no material impact on the private sector, voluntary sector or public sector is foreseen.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The consolidation of bodies within the central government boundary will support greater transparency of spending data by providing Members of Parliament with information about departmental spending plans that is easier to understand and to track. This will allow the House of Commons to better scrutinise and challenge departmental spending, as well as supporting public bodies in managing and controlling their spending within a more coherent framework, removing inefficiencies and providing better value for money.

13. Contact

Alice Campbell at Her Majesty's Treasury Tel: 020 7270 5658 or email: alice.campbell@hmtreasury.gsi.gov.uk can answer any queries regarding the instrument.