EXPLANATORY MEMORANDUM TO

THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000 (ESTIMATES AND ACCOUNTS) ORDER 2012

2012 No. 717

1. Introduction

1.1. 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 2013. 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 better aligns 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 power was first used for financial year 2011-12.

4.2. This order gives effect to part of the Clear Line of Sight 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 (Hansard Volume 513 No. 26, p.85-108). 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 negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

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 (full details set out in paragraph 4.3 above).

7.2 A key component of the Clear Line of Sight reforms is the consolidation into a department's Estimates and accounts of expenditure by all bodies within the departmental group. The designation of these bodies ensures that Parliamentary controls over government spending are closely aligned with budgeting controls.

7.3 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 within the boundary and other entities are excluded.

7.4 This instrument designates the bodies that fall within this agreed boundary and for each department lists the bodies whose expenditure is to be consolidated into the department's Estimates and accounts for the financial year 2012-13.

7.5 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 up-to-date and accurate.

8. Consultation outcome

8.1 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 are already monitoring 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 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 supports 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 allows 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

13.1 Debbie McNicholas at Her Majesty's Treasury Tel: 020 7270 5534 or email: debbie.mcnicholas@hmtreasury.gsi.gov.uk can answer any queries regarding the instrument.