

BUDGET RESPONSIBILITY BILL

Memorandum from His Majesty's Treasury to the Delegated Powers and Regulatory Reform Committee

A. INTRODUCTION

1. This memorandum has been prepared for the Delegated Powers and Regulatory Reform Committee to assist with its scrutiny of the Budget Responsibility ("the Bill"). The Bill was introduced in the House of Commons on 18 July 2024. This memorandum identifies the provisions of the Bill that confer powers to make delegated legislation. It explains in each case why the power has been taken and explains the nature of, and the reason for, the procedure selected.

B. PURPOSE AND EFFECT OF THE BILL

2. The purpose of this Bill is to improve the transparency of fiscal policy and give the Office of Budget Responsibility ("the Office") greater responsibility to scrutinise fiscally significant government announcements. It thus delivers on a key manifesto commitment to deliver economic stability and sound public finances.
3. This Bill amends the Budget Responsibility and National Audit Act 2011 ("the BRNAA"). It imposes duties on His Majesty's Treasury and the Office that apply when a Minister of the Crown is proposing to make a fiscally significant announcement or to announce a combination of measures that is fiscally significant. It obliges the Treasury to request that the Office includes details of the announcement in its report. This will be a request made in accordance with the existing processes in the Charter for the Treasury to commission a report from the Office.
4. If no such request is made by the Treasury, and the Office is of the opinion that the measure or combination of other such measures is fiscally significant, it places a new requirement on the Office to prepare a report that includes at minimum a costing for each fiscally significant measure as soon as is reasonably practicable.

C. DELEGATED POWERS

5. This Bill delegates powers to the Treasury to make supplementary provision in relation to an "announcement of fiscally significant measures" in the Charter for Budget Responsibility ("the Charter") and to bring the Bill into force by regulations made by statutory instrument. The Charter was made under the BRNAA, which delegated to Treasury the power to set out in it details of the formulation and implementation of fiscal policy and policy for the management of the National Debt.
6. Any modification of the Charter made as a result of the delegated powers in this Bill must be published in draft at least 28 days before it is laid before Parliament. The modified Charter does not come into force until it has been approved by a resolution of the House of Commons.

Clause 1(3): Announcement of fiscally significant measures

Power conferred on: the Treasury

Power exercised by: guidance in the Charter for Budget Responsibility

Parliamentary Procedure: approval by resolution of the House of Commons.

Context and Purpose

7. The purpose of delegating these powers is to allow for additional detail to be specified in the Charter, particularly where this involves descriptions of calculation methods or explanations of broad terms that might require a significant amount of drafting to elucidate or narrow. The delegated powers allow the government to:
 - a. specify the amount, as a percentage of gross domestic product, over a period of time that the Treasury may also specify, at or above which an announcement will be “fiscally significant”; and
 - b. make supplementary provision for the purposes of “fiscally significant announcements”. This supplementary provision may include provision about the meanings including provision about the meaning of expressions that are not defined in the section or in other provisions of the BRNAA”.

Justification for taking the power

8. The purpose of making provision for details to be specified in the Charter is to allow for a limited degree of flexibility for technical detail, particularly the methods for calculating costings and gross domestic product and the method by which the Office may determine that an announcement of a measure is fiscally significant.
9. It will be necessary to make determinations on whether measures are fiscally significant with reference to their broader impact on macroeconomic stability, so as to ensure the provisions are only triggered when appropriate. Setting the technical details out in the Charter will enable the Government to adjust the necessary approach reflecting wider economic circumstances over time.
10. This is consistent with the established approach taken under the BRNAA, under which key matters relating to the government’s fiscal rules are determined in detail in the Charter and adjusted over time, reflecting the economic context. This will ensure that decisions taken on the framework for the fiscal lock can be monitored over time in the round.
11. Delegating this power also allows for more detailed explanation of the meanings of “temporary period” and “emergency”, and other terms which are not defined in the section or the BRNAA, which could otherwise be interpreted more broadly than the government intends.
12. Making provision for these details to be set out in the Charter will also assist stakeholders and members of the public to better understand what is intended and to allow for changes, subject to the procedures described below, to reflect stakeholders’ views and the wider fiscal context. Given the range of situations that could fall within the ordinary meaning of these terms, it is helpful to be able to give this detail in narrative form in the Charter.
13. The government will also be able to make minor adjustments over time, as circumstances change. It will not be possible for future Governments to use this mechanism to arbitrarily change the rules at the same time as making announcements of fiscally significant measures, since it will always be

necessary to publish any changes 28 days before they are laid before Parliament (as below).

Justification for the procedure

14. The process for making these modifications will remain subject to the obligations to publish the modified Charter in draft 28 days ahead of laying and to obtain the approval of the House of Commons. This means that Members of Parliament will have the opportunity to consider any supplementary provision relating to announcements of fiscally significant measures that are made in the Charter.
15. Nothing in the BRNAA was drawn to the attention of Parliament by the Delegated Powers and Regulatory Reform Committee during its passage (see <https://publications.parliament.uk/pa/ld201011/ldselect/lddelreg/56/56.pdf>) and this process has been used to agree previous modifications of the Office's "main duty" as set out in the Charter. The government therefore considers that this is an appropriate level of scrutiny for a delegation of this sort.

Clause 2(2): Commencement

Power conferred on: the Treasury

Power exercised by: Statutory Instrument

Parliamentary Procedure: none.

Context and Purpose

16. The Bill includes a power to provide for the commencement of clause 1 by regulations, to be exercised by statutory instrument. Different days may be appointed for different purposes. Clause 2 will be commenced upon Royal Assent.

Justification for taking the power

17. This is a conventional power to bring provisions of clause 1 into force by commencement regulations. Different provisions of clause 1 may be brought into force on different days for different purposes. This will allow the provisions of clause 1 to be brought into force at the appropriate times, taking into account the Office's need to have time to prepare for its additional duties.

Justification for the procedure

18. The power to commence provisions of clause 1 by regulations will not be subject to any Parliamentary procedure. This is the usual practice with commencement regulations, as Parliament will already have approved the provisions in the Bill.