



# Fiscal Responsibility Act 2010

## CHAPTER 3

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# Fiscal Responsibility Act 2010

## 2010 CHAPTER 3

An Act to make provision for and in connection with the imposition of duties for securing sound public finances. [10th February 2010]

**B**E IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

### 1 Initial duties

- (1) The Treasury must ensure that, for each of the financial years ending in 2011 to 2016, public sector net borrowing expressed as a percentage of gross domestic product is less than it was for the preceding financial year.
- (2) The Treasury must ensure that, for the financial year ending in 2014, public sector net borrowing expressed as a percentage of gross domestic product is no more than half of what it was for the financial year ending in 2010.
- (3) The Treasury must ensure that—
  - (a) public sector net debt as at the end of the financial year ending in 2016 expressed as a percentage of gross domestic product (centred on 31 March 2016), is less than
  - (b) public sector net debt as at the end of the previous financial year expressed as a percentage of gross domestic product (centred on 31 March 2015).

### 2 Further duties for securing sound public finances

- (1) The Treasury may make an order imposing on the Treasury a duty or duties framed by reference to any one or more of the financial years ending in 2011 to 2016.
- (2) The Treasury must—

- (a) no later than 31 March 2016 make an order imposing on the Treasury a duty or duties framed by reference to a financial year or financial years ending after that date and specified in the order, and
  - (b) no later than each relevant date, make an order imposing on the Treasury a duty or duties framed by reference to a financial year or financial years ending after that relevant date and so specified.
- (3) For the purposes of paragraph (b) of subsection (2) the following are relevant dates—
  - (a) the last day of the financial year, or the latest financial year, specified in the order under paragraph (a) of that subsection, and
  - (b) the last day of the financial year, or the latest financial year, specified in an order made under paragraph (b) of that subsection.
- (4) A duty imposed by an order under this section must be one imposed for the purpose of securing sound public finances.
- (5) A duty imposed by an order under this section may be—
  - (a) a duty similar to any of the duties in section 1, or
  - (b) any other general duty relating to fiscal policy which the Treasury consider appropriate.
- (6) A duty imposed by an order under this section must be consistent with the key principles as applied by the code for fiscal stability.
- (7) An order under this section is to be made by statutory instrument.
- (8) No order may be made under this section unless a draft of the statutory instrument containing it has been laid before Parliament and approved by a resolution of the House of Commons.

### **3 Progress and compliance reports**

- (1) The Treasury must make a report on the progress which has been made towards complying with the duty in section 1(1) in respect of a financial year whenever—
  - (a) an Economic and Fiscal Strategy Report, or
  - (b) a Pre-Budget Report,is laid before Parliament during the financial year.
- (2) The Treasury must, on the first occasion on which a Pre-Budget Report is laid before Parliament after the end of a financial year in respect of which the duty in section 1(1) applies, make a report stating whether or not it appears to them at that time that the duty relating to that financial year was complied with and, if not, why not.
- (3) The Treasury must make a report on the progress which has been made towards complying with the duty in section 1(2) whenever—
  - (a) an Economic and Fiscal Strategy Report, or
  - (b) a Pre-Budget Report,is laid before Parliament before 1 April 2014.
- (4) The Treasury must, on the first occasion on which a Pre-Budget Report is laid before Parliament after 31 March 2014, make a report stating whether or not it appears to them at that time that the duty in section 1(2) was complied with and, if not, why not.

- (5) The Treasury must make a report on the progress which has been made towards complying with the duty in section 1(3) whenever –
  - (a) an Economic and Fiscal Strategy Report, or
  - (b) a Pre-Budget Report,is laid before Parliament during the financial year ending with 31 March 2016.
- (6) The Treasury must, on the first occasion on which a Pre-Budget Report is laid before Parliament after 31 March 2016, make a report stating whether or not it appears to them at that time that the duty in section 1(3) was complied with and, if not, why not.
- (7) An order under section 2 must include provision requiring the Treasury to make –
  - (a) progress reports, and
  - (b) a report as to compliance,in relation to the duty or duties imposed by the order.
- (8) The code for fiscal stability may make provision about the content and form of reports made under or by virtue of this section.

#### **4 Accountability to Parliament**

- (1) Each report made under or by virtue of section 3 must be laid before Parliament.
- (2) The only means of securing accountability in relation to –
  - (a) the duties in section 1, and
  - (b) duties imposed by orders under section 2,is that established by the provision made by or under section 3 for the making of progress reports and reports as to compliance and the duty imposed by subsection (1).
- (3) Accordingly, the fact that –
  - (a) any duty in section 1, or
  - (b) any duty imposed by an order under section 2,has not been, or will or may not be, complied with does not affect the lawfulness of anything done, or omitted to be done, by any person.

#### **5 Interpretation**

- (1) The code for fiscal stability –
  - (a) must explain the meaning of the expressions “public sector net borrowing”, “gross domestic product”, “public sector net debt” and “gross domestic product (centred on a date)” used in section 1 for so long as is required for the purposes of this Act, and
  - (b) may explain the meaning of expressions used in an order under section 2.
- (2) In this Act –
  - “the code for fiscal stability” means the code under section 155 of the Finance Act 1998,
  - “an Economic and Fiscal Strategy Report” means an Economic and Fiscal Strategy Report prepared under section 156(1)(b) of that Act,

“the key principles” means the principles specified in section 155(2) of that Act, and

“a Pre-Budget Report” means a Pre-Budget Report prepared under section 156(2) of that Act.

## **6 Short title**

This Act may be cited as the Fiscal Responsibility Act 2010.

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