These notes refer to the Fiscal Responsibility Act 2010 (c.3) which received Royal Assent on 10 February 2010

FISCAL RESPONSIBILITY ACT 2010

EXPLANATORY NOTES

COMMENTARY ON SECTIONS AND SCHEDULES

Section 1: Initial duties

10. Section 1 imposes three initial duties on the Treasury to secure sound public finances.

11. *Subsection (1)* places a duty on the Treasury to ensure that for each of the financial years ending in 2011 to 2016, public sector net borrowing as a percentage of GDP is less than it was for the preceding year.

12. *Subsection (2)* places a duty on the Treasury to ensure that for the financial year ending in 2014, public sector net borrowing as a percentage of GDP is no more than half of what it was for the financial year ending in 2010.

13. *Subsection (3)* places a duty on the Treasury to ensure that public sector net debt as at the end of the financial year 2016 as a percentage of GDP (centred on 31 March 2016) is less than public sector net debt as at the end of the previous financial year as a percentage of GDP (centred on 31 March 2015).

Section 2: Subsequent duties for securing sound public finances

14. *Subsection (1)* provides that the Treasury may make an Order imposing further duties framed by reference to all or part of the same period as the duties established by section 1.

15. *Subsection (2)* requires the Treasury, no later than 31 March 2016, to make an Order imposing a subsequent duty or duties on the Treasury. This duty or duties must be referable to a later financial year. This subsection also places a duty on the Treasury, no later than each "relevant date" (defined in the following subsection), to make a further Order in relation to a later financial year.

16. *Subsection (3)* explains the phrase "relevant date" for the purpose of *subsection (2)*. The relevant date is the last day of the financial year specified in the first Order made under section 2(2) and the last day of the financial year specified in a subsequent Order imposing a duty or duties on the Treasury to secure sound public finances.

17. *Subsection (4)* provides that all duties imposed by virtue of section 2 must be for the purpose of securing sound public finances.

18. The effect of *subsections (2) to (4)* is that the Treasury must always have a duty or duties to secure sound public finances.

19. *Subsection (5)* provides that duties in Orders made under section 2 may be similar to the duties in section 1 or may be general duties relating to fiscal policy, as the Treasury consider appropriate.

20. *Subsection (6)* provides that Orders made under this section must be consistent with the key principles as applied by the code for fiscal stability. The key principles are set

out in section 155(2) of the Finance Act 1998 as transparency, stability, responsibility, fairness and efficiency.

21. *Subsection (8)* sets out that Orders made under this section are subject to the affirmative procedure in the House of Commons.

Section 3: Progress and compliance reports

22. Section 3 makes provision in relation to reporting on the progress towards and compliance with duties made under or by virtue of sections 1 and 2. *Subsections (1)* to *(6)* set out provision for reporting on the initial duties; *subsection (7)* requires the Treasury to make provision in an Order made under section 2 for reporting on subsequent duties.

23. *Subsection (8)* states that the code for fiscal stability may make provision about the content and form of reports made under or by virtue of section 3.

Section 4: Accountability to Parliament

24. *Subsection (1)* provides that all reports described in section 3 must be laid before Parliament.

25. *Subsection (2)* provides that accountability in relation to the duties imposed by section 1 and imposed by Order under section 2 is solely by way of reports laid before Parliament as required by or under section 3.

26. *Subsection (3)* provides that the fact that the duties in section 1, or a duty in an Order made by the Treasury under section 2, are not complied with does not affect the lawfulness of anything done, or omitted to be done, by any person.

Section 5: Interpretation

27. Section 5 makes provision in relation to interpretation.

28. *Subsection (1)* provides that the code for fiscal stability must explain the meaning of terms used in section 1. These terms are: "public sector net borrowing," "gross domestic product," "public sector net debt" and "gross domestic product (centred on a date)." The code may also explain the meaning of terms used in an Order made under section 2.

29. S*ubsection (2)* provides that "the code for fiscal stability" means the code under section 155 of the Finance Act 1998, "an Economic and Fiscal Strategy Report" means a Report mentioned in 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.

Section 6: Short title

30. Section 6 provides that the Act may be known as the Fiscal Responsibility Act 2010.