

BUDGET RESPONSIBILITY AND NATIONAL AUDIT ACT 2011

EXPLANATORY NOTES

COMMENTARY ON SECTIONS AND SCHEDULES

Part 1: Budget Responsibility

Section 1: Charter for Budget Responsibility

25. *Section 1* imposes a range of duties on the Treasury with regard to the operation of fiscal policy. The section effectively replaces section 155 of the FA 1998, which established the statutory Code for Fiscal Stability in the previous Government's fiscal framework.
26. *Subsection (1)* requires the Treasury to prepare and lay before Parliament a document to be known as the Charter for Budget Responsibility (the "Charter"). The Charter will explain the Government's approach to fiscal and debt management policy in a single statutory document.
27. *Subsection (2)* imposes obligations on the Treasury with regard to the contents of the Charter. The Charter must set out: (a) the Treasury's fiscal and debt management objectives; and (b) the fiscal mandate. The fiscal mandate comprises the means by which the Treasury's objectives in relation to fiscal policy will be attained. It consists of a set of targets set by the Treasury for the fiscal position. These are to be consistent with the Government's fiscal policy objectives, as described in the Charter. The mandate for fiscal policy was set by the Chancellor of the Exchequer in the June 2010 Budget. The mandate requires that the Treasury balance the cyclically-adjusted current budget deficit by the end of the rolling, five-year forecast period, which is part of the Government's plan for consolidating the public finances. In addition, the Charter must specify the minimum contents of the annual Budget document.
28. *Subsection (4)* requires the Treasury to lay the Charter before Parliament upon its publication. *Subsection (7)* sets out that the Charter does not come into force until it has been approved by an affirmative resolution of the House of Commons.
29. *Subsections (5), (6), and (8)* make provision for amending and publishing the Charter. The mechanism for amending the Charter will require the Treasury to lay a revised Charter before Parliament and again secure an affirmative resolution of the House of Commons.