

## Summary: Intervention & Options

<b>Department /Agency:</b> HM Treasury	<b>Title:</b> Impact Assessment of the Fiscal Responsibility Bill	
<b>Stage:</b> Introduction of Bill	<b>Version:</b> 1	<b>Date:</b> 09 December 2009
<b>Related Publications:</b> The Fiscal Responsibility Bill, as introduced in the House of Commons on 9 December 2009 and the 2009 Pre-Budget Report		

### Available to view or download at:

<http://www.hm-treasury.gov.uk>

### What is the problem under consideration? Why is government intervention necessary?

The financial crisis and resulting global downturn have had a profound impact on the public finances in the UK. Both Government borrowing and debt levels have risen significantly.

In light of this impact, and with the economy stabilising and exceptional uncertainty receding, a sustained period of consolidation is appropriate to ensure sound public finances over the medium term. Putting a framework in place will aid this.

### What are the policy objectives and the intended effects?

The objective is to support fiscal policy, in particular for the period of consolidation ahead. The Fiscal Responsibility Bill (FRB) will set out a clear framework for ensuring fiscal sustainability over the medium and long term, providing certainty about the future path of the public finances, and creating an accountability framework for achieving fiscal targets

Well-timed and planned fiscal consolidation will support economic growth during the recovery, helping to maintain low long-term interest rates and giving businesses and individuals the certainty, space and confidence to plan and invest for the long term. The FRB provides a framework for achieving this consolidation.

### What policy options have been considered? Please justify any preferred option.

The Government believes the measures included in the Bill will support confidence in the Government's commitment to fiscal responsibility. The Government believes that legislating now is the most appropriate way to strengthen the fiscal framework at this time.

The FRB will provide a firm and statutory basis for fiscal consolidation and strengthen the fiscal framework by giving Parliament a new role in holding the Government to account for its fiscal policy. The Bill will enhance transparency and accountability, requiring the Treasury to report on progress against meeting its fiscal plan at each Budget and Pre-Budget Report.

### When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

The effectiveness of the legislation will be subject to ongoing review at each Budget and Pre-Budget Report. In particular, the Bill will provide for the Treasury to report on progress at relevant fiscal events.

### **Ministerial Sign-off** For final stage Impact Assessments:

*I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.*

Signed by the responsible Minister:



..... Date:

## Summary: Analysis & Evidence

COSTS	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups' There are no monetisable costs arising from the Bill.
	<b>One-off</b> (Transition)	Yrs	
	£ N/A		
	<b>Average Annual Cost</b> (excluding one-off)		
£ N/A		<b>Total Cost (PV)</b>	£ N/A
Other <b>key non-monetised costs</b> by 'main affected groups'			

BENEFITS	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups' There are no monetisable benefits arising from the Bill.
	<b>One-off</b>	Yrs	
	£ NA		
	<b>Average Annual Benefit</b> (excluding one-off)		
£ NA		<b>Total Benefit (PV)</b>	£ NA
Other <b>key non-monetised benefits</b> by 'main affected groups'			
There are significant non-monetised benefits. These include the benefits to the public finances of a credible fiscal framework in supporting a low cost of Government borrowing, and the economic benefits of maintaining confidence in the stability of the UK economy.			

### Key Assumptions/Sensitivities/Risks

Price Base Year	Time Period Years	<b>Net Benefit Range (NPV)</b> £	<b>NET BENEFIT (NPV Best estimate)</b> £
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What is the geographic coverage of the policy/option?	UK
On what date will the policy be implemented?	On Royal Assent
Which organisation(s) will enforce the policy?	Parliament
What is the total annual cost of enforcement for these organisations?	£ N/A
Does enforcement comply with Hampton principles?	N/A
Will implementation go beyond minimum EU requirements?	N/A
What is the value of the proposed offsetting measure per year?	£ N/A
What is the value of changes in greenhouse gas emissions?	£ N/A
Will the proposal have a significant impact on competition?	No
Annual cost (£-£) per organisation (excluding one-off)	Micro    Small    Medium    Large
Are any of these organisations exempt?	N/A    N/A    N/A    N/A

**Impact on Admin Burdens Baseline** (2005 Prices) (Increase - Decrease)

Increase of £    NA    Decrease of £    NA    **Net Impact**    £ NA

Key:    Annual costs and benefits: Constant Prices    (Net) Present Value

## Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No