Clear Line of Sight (Alignment) Project

Aligning budgets, Estimates and resource accounts
The origins of the project

“We recommend that the Government … replace the current system of authorisation based primarily on Estimates with one linked more clearly with the public expenditure planning and control system, so that the House of Commons would … authorise Departmental Expenditure Limits and … Annually Managed Expenditure”

Treasury Committee Report on the 2007 CSR, June 2007
Parliamentary opinion

“… potentially an historic development… we emphasise the magnitude of the prize which is potentially available: a comprehensible and coherent system of planning, authorising and reporting of government expenditure… we commend the alignment project to the House.”

(Liaison Committee report on financial scrutiny, April 2008)
The challenge

- To modernise the public spending system to improve accountability and transparency
- To simplify the reporting of public finances to make it all easier to understand
- To make it easier for departments to manage their financial resources and to strengthen value for money incentives
Different systems to present government expenditure

• **National Accounts** – fiscal performance is measured by reference to the National Accounts
• **Budgets** – used to control public spending and need to align with the National Accounts
• **Estimates** – seek annual Parliamentary authority for departments’ spending
• **Resource Accounts** – report departments’ actual spend for the year on a ‘commercial’ basis, adapted for the public sector, and compare outturn with Estimates
The challenge

Resource Accounts

 amounts included under each framework (£bn) for departments’ 2008-09 resource plans as at August 2008. Excludes devolved administrations.
What this means in practice

- Different frameworks make it complex to understand, manage and scrutinise public spending

- **Weakened accountability** – a quarter of Government spending is not voted by Parliament in Estimates

- Publications with numbers presented on different bases – making it difficult to track spending numbers from plan to outturn

- **Weakened value for money incentives**

- **Burdensome and inefficient** – only two thirds of Government spending is aligned across all frameworks, requiring numerous reconciliations
How has this challenge been met?

- Aligned Budgets, Estimates and accounts as far as is practicable
- Reduced the number of publication events
- Accelerated publication of the combined departmental report and accounts
Resource Accounts

Amounts included under each framework (£bn) for departments’ 2008-09 resource plans as at August 2008. Excludes devolved administrations.
Aligning budgets, Estimates and accounts

- Simplification of budget rules, but no fundamental change to budgets (to manage fiscal risk)
- Separate near and non cash limits removed from budgets
- Estimates based on budgets – Parliament will vote DEL, AME and net cash requirement
- Spending of NDPBs consolidated into Estimates and Accounts
- Estimates voted net of income
- Accounts still be based on IFRS but will largely align with budgets and Estimates
Publications...

- New format for main Estimate (but no change to timing)
- Single Supplementary Estimate, slightly earlier than current Spring Supplementary
- Combined departmental report and accounts to be published in June (a month earlier than at present)
- Possibility of interim statement, published in December
The benefits...

- Transparency – single set of rules and numbers
- Accountability – better data for Parliament and more effective scrutiny (and probably more challenge from Select Committees)
- Financial discipline – will help to integrate departmental groups, in a practical and symbolic way
- Value for money – potential for greater efficiency from better financial data
Progress so far...

- Support from Parliament for all proposals
- Broad agreement amongst departments and other stakeholders
- Legislation in place
- Budgetary changes already implemented
- Work progressing to implement other changes in 2011-12
What next?

- Main Estimates on Alignment basis 2011-12
- Consolidated accounts dry run for 2010-11 accounts – summer 2011
- Consolidated accounts within combined departmental report and accounts 2011-12 – published summer 2012