



HM TREASURY

Alignment (Clear Line of Sight) Project Briefing No 5: June 2010

Introduction

The purpose of this newsletter is to provide an update to interested Members on the progress of the Treasury's Alignment (or "Clear Line of Sight") Project, which aims to modernise the existing financial reporting framework through better alignment between departmental budgets, parliamentary Estimates and resource accounts, and to simplify and streamline government's financial reporting documents presented to Parliament.

Previous newsletters set out the underlying principles and broad approach of the Alignment Project, and summarised the proposals for achieving a better aligned framework, as set out in the Treasury's March 2009 Memorandum to Parliament (Cm 7567) (the 'Second' memorandum). The proposals were approved by the Liaison Committee in its formal response in July 2009 ([HC 804 of session 2008-09](#)).

Why is change desirable?

There are a number of issues with the current system:

- The different frameworks used to monitor and report on public spending – budgets, parliamentary Estimates and resource accounts – can make it complex to manage, understand and scrutinise public spending.
- Spending publications are presented on different bases, making it more difficult to track numbers from plan to outturn and to explain and understand what's going on.
- A third of Government spending is not voted by Parliament in Estimates, resulting in less effective accountability.
- Reducing the need for detailed reconciliations between budgets, Estimates and accounts will make the system less burdensome and more efficient for departments.

What are the benefits for Parliament?

- A more transparent system with a single set of rules and numbers
- Improved ability for Parliament to scrutinise and challenge departmental spending
- A smaller number of more coherent financial publications presented to Parliament
- Improved risk management and stronger value for money incentives for Government departments
- A more cost-effective system, reducing administrative burdens

What are the main changes needed to achieve better alignment?

- Parliamentary controls over government spending are aligned with the Treasury's budgeting controls, consistent with the Treasury Committee's recommendation.
- All non-voted expenditure and income within budgets is brought within the coverage of Estimates.
- The Estimates and resource accounting boundaries are widened to include non-departmental public bodies (NDPBs) and other central government bodies.
- Parliamentary controls in Estimates are on a net basis, to line up with budgetary controls, with details of income shown in the Estimates, and appropriate safeguards in place so that firm control is maintained over the use of income by departments.
- The budgeting concepts of near-cash and non-cash are removed from budgets, so that there is a single Resource Departmental Expenditure Limit (DEL) budget.
- The number of departmental and Treasury spending documents is reduced to just three main "publication events" each year, to improve clarity and consistency.

Where are we now?

In February 2010, the Treasury published a third memorandum to Parliament. This Memorandum provided additional information covering a number of outstanding issues on which the Treasury had undertaken to provide Parliament with further information and new issues that had arisen since the March 2009 Memorandum. A positive response to these further proposals was received from the Liaison Committee in March 2010.

The legislation necessary for alignment (the Constitutional Reform and Governance Act 2010) received Royal Assent immediately before the Election. A Commencement Order will bring the alignment provisions into effect within the next few months.

The first phase of implementation of the alignment reforms was completed in April 2010 with changes to departmental budgets, which have been reflected in 2010-11 Main Estimates.

What's next?

- 5th July 2010 – debate and vote on the Floor of the House on the alignment proposals
- Autumn 2010 – Commencement Order for alignment provisions
- Early 2011 – Secondary legislation needed to implement the reforms
- April 2011 – Full implementation of new framework

Why is a Vote on the Floor of the House necessary?

In expressing Parliament's full support for the alignment proposals, the Liaison Committee indicated in HC 804 that, given the significance of the reforms, they should be subject to formal approval of the whole House through a debate on a government motion. The debate has now been arranged and will take place on 5th July 2010.

If you would like to know more about the Alignment project, please contact Alice Campbell (alice.campbell@hmtreasury.gsi.gov.uk).