

Office for
**Budget
Responsibility**

Annual report and accounts 2020-21

Office for Budget Responsibility: Annual report and accounts 2020-21

Annual report presented to Parliament pursuant to Paragraph 15, Schedule 1 of the Budget Responsibility and National Audit Act 2011

Accounts presented to Parliament pursuant to Paragraph 18, Schedule 1 of the Budget Responsibility and National Audit Act 2011

Ordered by the House of Commons to be printed on 5 July 2021



© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents

Any enquiries regarding this publication should be sent to us at obr.enquiries@obr.uk

ISBN 978-1-5286-2630-9

CCS0421437282 06/21

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of

Her Majesty's Stationery Office

Contents

Chapter 1	Performance report.....	1
	Overview	1
	Statement of performance and activities	4
	Performance analysis.....	8
	Operations	9
Chapter 2	Accountability report	13
	Corporate governance report.....	13
	Governance statement.....	17
	Remuneration and staff report.....	24
	Parliamentary accountability and audit report	30
	The Certificate and Report of the Comptroller and Auditor General to the House of Commons	31
Chapter 3	Financial statements.....	37
	Notes to the accounts	40

1 Performance report

1.1 The performance report contains:

- the **overview**, which includes the Chairman’s message;
- the **statement of performance and activities**, which sets out how we have delivered our statutory duties over the past year;
- the **performance analysis**, which describes how we measure performance against our objectives; and
- an outline of the key elements of our **operations**.

Overview

Chairman’s message

1.2 Welcome to the Annual report and accounts of the Office for Budget Responsibility (OBR), which was established in 2010 to provide independent and authoritative analysis of the UK’s public finances.

1.3 The Budget Responsibility and National Audit Act 2011 states that “*it shall be the duty of the Office to examine and report on the sustainability of the public finances*”. In practice we fulfil our remit by publishing a range of core publications and by engaging with domestic and international peers as widely as possible. In brief we carry this out by:

- Producing **five-year forecasts** for the economy and public finances twice a year, usually alongside the Government’s annual Budget and Spring Statement.
- Assessing the likely **costs or savings from individual tax and spending measures** announced in each fiscal statement, including the impact of any changes in behaviour they might prompt.
- Using our forecasts to **assess the Government’s performance against its fiscal and welfare spending targets**. We also assess the uncertainty around the chances of the Government meeting its fiscal objectives.
- Publishing **analysis of the outturn public finance data** produced monthly by the Office for National Statistics (ONS). We focus on how the evolution of the data through the year compares in broad terms to what would be implied by our most recent forecast.

- Assessing the **long-term outlook for and riskiness of the public finances**, drawing on measures of the public-sector balance sheet and 50-year projections of spending, receipts and the key fiscal aggregates.
- Appearing before the Treasury Select Committee, the Scottish Finance Committee and the Welsh Finance Committee to **explain the judgements and conclusions of our work**.
- Holding regular **briefing events and interviews** alongside the publication of our major reports and contribute to wider discussion at external conferences and events.
- Engaging with a range of **international counterparts** through several networks for independent fiscal institutions, contributing to the development of new bodies and sharing knowledge with organisations with similar remits.

1.4 In setting about these tasks, our guiding principle is to undertake them in as transparent a way as possible – not just in terms of the outputs we produce, but also in the way we engage with government departments and agencies in preparing them. People may agree or disagree with the analysis and conclusions we present, but we want them to be as confident as possible that they are based on our best professional judgement and not on politically motivated wishful thinking. To that end, we have also accompanied the flagship publications we are required to produce by the Act with descriptive materials that explain the methods and techniques that we employ, and the data used in the construction of our forecasts and analysis.

1.5 This has been a momentous year for the OBR, which marked its 10th anniversary in May 2020. In the intervening decade, in the words of our latest external review by the OECD, the OBR has *'built a solid reputation for independent, credible, high-quality analysis...earned the respect of peer institutions and [is] considered by many as a model independent fiscal institution.'* Much credit for these achievements belongs to its first statutory Chairman Sir Robert Chote whose vision, leadership, and commitment shaped every aspect of the organisation's work over the last 10 years. It was a great privilege to take over from Sir Robert in October of this year and to carry on the OBR's work of bringing greater objectivity, transparency, and rigour to the forecasting and analysis of the UK economy and public finances.

1.6 But 2020-21 has also been a challenging year for the OBR, as it has for the whole country. The coronavirus pandemic imparted the largest shock to the UK economy in three centuries. And the government's policy response has seen an unprecedented peacetime expansion in the size and scope of the state and the largest budget deficit since the second world war. The turn of the calendar year also saw the end of the Brexit transition period and implementation of the new UK-EU Trade and Cooperation Agreement. Providing the Government, Parliament, and the public with a clear and complete picture of the economic and fiscal impact of these developments has been the greatest test of the OBR to date.

- 1.7 The OBR and its staff have risen admirably to these challenges with an array of innovative outputs over the past year. Within a month of coronavirus being declared a global pandemic, we published our first illustrative scenario of its potential impact on the UK economy and public finances in April 2020. This was expanded into three scenarios for the path of the pandemic in the July 2020 *Fiscal sustainability report*. These were updated in our November 2020 *Economic and fiscal outlook (EFO)*, taking into account discussions with the Government's public health experts. Given the ongoing uncertainty surrounding the Brexit negotiations, the November 2020 *EFO* also included a No Deal scenario illustrating the economic and fiscal implications of defaulting to trading with the EU on World Trade Organization terms. The March 2021 *EFO* provided an updated outlook taking account of the development and rollout of vaccines and the Government's roadmap for reopening the economy. To enable real-time monitoring of the fiscal impact of the pandemic, we also began publishing monthly profiles for major tax and spending categories as well as regular updates on the overall cost of the Government's rapidly evolving economic policy response.
- 1.8 In all the analysis we have undertaken, we have come under no pressure from Ministers, political advisers or officials to change any of the analysis we have presented or the conclusions we have reached.
- 1.9 However, as also highlighted by the non-executive members of our Oversight board, keeping pace with the rapidly changing economic and fiscal picture and producing these additional outputs has taken a considerable toll on OBR staff, most of whom have been working from home throughout most of the past year, often in difficult conditions. The addition of 7 new staff positions, abatement in the exceptional pandemic-related demands on the organisation, and a return to office-based working for those that wish to should enable a return to a more manageable and sustainable workload in the coming financial year. We will be keeping staff welfare under active review to ensure this is the case.
- 1.10 At the end of an important, challenging, and productive year for the organisation, my colleagues on the Budget Responsibility Committee and I would like to express our gratitude to the staff of the OBR for all their hard work. We are also grateful to the many officials in government departments and agencies, and to our other outside stakeholders, for their time and patience in helping us fulfil our remit. Any suggestions as to how we might do so more effectively are always welcome.



Richard Hughes, Chairman, 21 June 2021

Statement of performance and activities

1.11 The Office for Budget Responsibility (OBR) provides independent and authoritative analysis of the UK's public finances. We are a non-departmental public body (NDPB) by virtue of the *Budget Responsibility and National Audit Act 2011*.¹

1.12 The *Act* requires the OBR to examine and report on the sustainability of the public finances. This is a broad remit that allows us to analyse the public finances from many angles. We have complete discretion to set our own work programme, subject to meeting the core requirements and guidance set out in the *Act* and the accompanying *Charter for Budget Responsibility*. Our core requirements are:

- The production of at least two fiscal and economic forecasts, in each case accompanied by an assessment of the extent to which the Government's fiscal mandate has been, or is likely to be, achieved. The *Charter* sets out that the Government intends to adopt the OBR's forecasts as the official forecasts for the annual Budget.
- An assessment of the Government's performance against its cap on a subset of welfare spending, and an annual report on trends in welfare spending.
- An annual assessment of the accuracy of our previously prepared fiscal and economic forecasts.
- An analysis of the sustainability of the public finances, including long-term fiscal projections once every two years.
- A biennial report on fiscal risks to which the Government is committed to respond within a year.
- A forecast of the receipts from taxes and spending on social security that it has devolved – or intends to devolve – to the Scottish and Welsh Governments. We also produce the official forecast of devolved Welsh taxes for the Welsh Government, as part of its annual budget process.

1.13 The *Charter* sets out that our forecasts should be based on all Government policy decisions that have a material impact on the fiscal outlook and that can be quantified with reasonable accuracy. To this end, we also independently scrutinise and certify the Government's estimates of the cost of policy decisions. Importantly, the *Act* and *Charter* also specify that we should not consider the effect of alternative policies or provide normative commentary on the merits of government policies.

1.14 Our independence is central to the effective delivery of our responsibilities, and to support this we are required by the *Act* to perform our duties objectively, transparently and

¹ <http://obr.uk/topics/legislation-and-related-material/>

impartially. A detailed *Memorandum of Understanding* between us and our main stakeholder departments sets out how the requirements of the *Act* and *Charter* are pursued in practice. It was most recently reviewed and updated in March 2017.

Performance summary – Achievements in 2020-21

Core responsibilities

- 1.15 In 2020-21, we fulfilled our statutory core responsibilities through the publication of the following reports:
- In July 2020 we published our ***Fiscal sustainability report***, which we adapted to provide a revised view on the medium-term prospects for the economy and public finances (our March 2020 forecast, which would normally provide the starting point for our long-term projections, having been finalised before the full extent of the pandemic had become clear). We used this updated view, together with upside and downside scenarios for the evolution of the pandemic and public health response, to evaluate the sensitivity of the long-term public finances to alternative starting points.
 - The November 2020 ***Economic and fiscal outlook*** set out our latest economic and fiscal forecast and assessment of the likelihood that the Government would meet its legislated targets as well as its stated ambitions to ‘balance the books’ and get ‘debt back under control’. It was the first of our forecasts to incorporate the full impact of the coronavirus pandemic on the economy and public finances and brought together the full extent of the policy interventions made by the Treasury up to that point. To demonstrate the extreme uncertainty around the path of the virus (and consequently the economy and public finances) we provided updated upside and downside scenarios alongside our central forecast, which incorporated various paths for the easing of restrictions on social contact, the effectiveness and rollout of vaccines and the effectiveness of the test and trace regime. In addition, with the possibility that the UK might end the transition out of the European Union without a comprehensive free trade agreement, we also published scenarios to illustrate the potential effect of trading with the EU on World Trade Organization terms from January 2021.
 - The March 2021 ***Economic and fiscal outlook (EFO)*** took account of the latest developments in the pandemic, development and rollout of vaccines, and the Government’s ‘Roadmap’ for easing public health restrictions. We published our central forecast alongside the scenarios set out in November and incorporated Budget policy measures and those announced since the November forecast.
 - Our latest ***Forecast evaluation report (FER)*** was published in January 2021. This year we focused on how our March 2018 and March 2019 economy and fiscal forecasts for 2019-20 fared against the outturns. The *FER* was shorter and less detailed than usual as the task of analysing and explaining the impact on the economy and public finances of the pandemic and the numerous associated government policy announcements, as well as the outcome of the EU exit negotiations, limited the time

and resources we had to focus on forecast evaluation this year. We noted that our next *FER* would analyse perhaps the largest economic and fiscal forecast errors on record when it looks back at our March 2020 and earlier forecasts for 2020-21.

- Our seventh **Welfare trends report (WTR)** was published in March 2021. As with the *FER*, resource pressures required us to prepare a shorter than usual report that focused on the drivers of the sharp rise in spending on universal credit this year, and our assumptions about the medium-term implications of the pandemic for working-age welfare spending.

- 1.16 In April 2019 we formally took on the role of producing the independent forecast of devolved Welsh taxes for the Welsh Government. We published our second *Welsh taxes outlook (WTO)* in December 2020, alongside notes setting out our forecast methodology for each of the devolved taxes.²
- 1.17 Alongside both *EFOs* published this year we also published *Devolved tax and spending forecasts* for the tax and social security streams that have been devolved to the Scottish and Welsh governments.³

Supplementary coronavirus analysis

- 1.18 We supplemented our core outputs with wider analysis that supports our key objective of examining and reporting on the sustainability of the public finances. The last pre-pandemic forecast in March 2020 was finalised before the full impact of the coronavirus became clear. As the magnitude of the pandemic became evident, and the associated fiscal and public health interventions were announced, we set about supporting public understanding of the effects on the economy and public finances by publishing a series of analytical outputs on a dedicated 'coronavirus analysis' section of our website.
- 1.19 The first of these was the *Coronavirus reference scenario* on 14 April 2020. Published a month after coronavirus was declared a global pandemic, this illustrated the large, but temporary hit to the economy and public finances likely to result in order to provide some economic context alongside the plethora of information on the public health aspect of the pandemic. As set out in the Performance analysis section below – the reference scenario drew a record number of visitors to our website when it was published.
- 1.20 This was followed by a 'monthly profiles' publication, which provided monthly forecast profiles for the main tax and spending categories and the key measures and debt in order to facilitate the public's interpretation of incoming data on the public finances as the pandemic unfolded. We updated our monthly profiles publication following publication of the *FSR*, the *Chancellor's Summer Economic Update* and the two subsequent *EFOs*. The monthly profiles also assisted our own interpretation of the public finances data, on which we continued to provide our regular monthly commentary.

² <https://obr.uk/welsh-taxes-outlook-december-2020/>

³ <https://obr.uk/download/march-2021-devolved-tax-and-spending-forecasts/> and <https://obr.uk/download/november-2020-devolved-tax-and-spending-forecasts/>

- 1.21 To keep track of the mounting cost of the numerous policy measures announced since the start of the pandemic, we also compiled a running total of the fiscal cost of the various interventions announced by the Government to support individuals, businesses and public services. This policy measures database was a widely referenced tool for keeping track of the costs of the novel job retention and self-employment income support schemes. As well as providing a useful reference point for external stakeholders, the database also helped to bring together our own early estimates of the cost of policy measures for incorporation into the next forecast.

Communications and stakeholder engagement

- 1.22 The BRC and OBR staff have made numerous presentations to external audiences through the year on the role of the OBR and on our analysis and forecasts. We held press conferences after the publication of each *EFO* and the *FSR*. Presentations have been delivered, among others, to the Government Economic Service, Office for National Statistics, the International Monetary Fund (IMF), Scottish Fiscal Commission, and the European Commission. We also hosted a variety of international visitors and delegations interested in the work of the OBR.
- 1.23 We engage widely with external analysts ahead of the production of our main reports in order to inform our internal work, though the judgements and conclusions of all our analysis are solely the responsibility of the BRC. As well as meetings with relevant analysts in government departments, this year we have engaged with external institutions including the Bank of England, the Institute for Government, the National Institute of Economic and Social Research, the Institute for Fiscal Studies, the Office for National Statistics, the National Audit Office, the Resolution Foundation and Transport for London. We have also discussed forecast issues with government economists in Scotland and Wales, and with the Scottish Fiscal Commission. We have discussed our analysis with experts from international organisations including IMF, the Organisation for Economic Co-operation and Development (OECD), and the European Commission.
- 1.24 Given the continued central importance of the path of the pandemic and associated public health interventions to the work of the OBR, we have also held discussions with the Scientific Pandemic Influenza Group on Modelling (SPI-M), the Department of Health and Social Care, NHS England and NHS Improvement, the Government Office for Science, the Joint Biosecurity Centre, the UK Vaccines Task Force and the Joint Committee on Vaccination and Immunisation.
- 1.25 We are accountable to Parliament primarily through appearances at the Treasury Committee, which have been held after the publication of *EFOs*. The transcripts can be found via our website.⁴ The Chairman and BRC members have also appeared before the finance committees of the Scottish Parliament and the Welsh Parliament.

⁴ <http://obr.uk/topics/evidence-to-parliaments/>

Performance analysis

How we measure performance

- 1.26 Under Section 15 (2) of the *Budget Responsibility and National Audit Act 2011* the non-executive members of the OBR are required to assess the extent to which the OBR has performed its duties. This assessment appears in the *Accountability report* in Chapter 2.
- 1.27 We collect website traffic data to monitor how and when our outputs are accessed. During 2020-21, we produced frequent and timely coronavirus analysis, forecasts and scenarios to help explain the impact of the pandemic on the economy and public finances. This led to record high levels of website traffic. In April, we published our *Coronavirus reference scenario* and recorded 111,000 hits versus our previous record of nearly 79,000 in November 2017 (when we made a large downgrade to our productivity forecast). In 2020-21 as a whole, we received 723,000 hits, nearly 190,000 more than our previous record in 2019-20. The reference scenario and our key publications brought many of these visitors to the site, but the higher hit rate for this financial year is also partly attributable to the regular coronavirus updates released in months that would usually fall outside peak months for OBR outputs.
- 1.28 In 2020-21, we redesigned our website to improve navigation, increase the prominence of some of our non-core publications, and build in an enhanced search function. Site accessibility was also upgraded to comply with new regulations coming into force during the year. We moved our website onto higher performing servers after the website had struggled under peak demand surges, including for the publication of the reference scenario. Since moving servers, performance and speed of the website has drastically improved on publication days where there is peak demand.
- 1.29 We also monitored social media analytics to inform our communication strategy for core publications. For 2020-21 as a whole, we saw a record level of Twitter engagement since the OBR was established, which – as with website hits – can be mostly attributed to the relevance and novelty of the analysis we are attempting to communicate. The number of followers reached over 13,000 (around 48 per cent growth on 2019-20 and our largest ever annual growth) and retweets increased by 180 per cent on the year. Impressions (the number of times a tweet has appeared on users feeds or search results) also hit an OBR record of 5 million in 2020-21, with one single tweet that was seen 1 million times, outperforming our previous record of 280,000. There was a record number of mentions of our account in March 2021 (4,700 – just under double our previous record). This points to OBR analysis making a greater impact and reaching a broader audience on social media thanks to our increased communications team capacity.
- 1.30 This year, the second *external review* of the OBR was undertaken, this time by the OECD.⁵ An external review is required every five years under the Budget Responsibility and National Audit Act. The overarching conclusions of the review were extremely positive with regard to

⁵ <https://obr.uk/download/oeed-external-review-of-the-office-for-budget-responsibility/>

successes of the OBR over the past decade, noting that the OBR had become “a fixed part of the UK’s institutional landscape” and that our “publications are of high quality, meeting and surpassing international standards”. The report also concluded that the OBR had “achieved the goal of reducing bias in the official economic and budgetary forecasts”. The review also made recommendations to consider, relating to Government interactions, risks associated with expanding our remit and personnel which management are taking forward.

- 1.31 In terms of the performance of our forecasts, we can compare the absolute size of our forecast differences to the average across official forecasts made in the 20 years before the OBR was created. This is a reasonable basis for comparison, but it is important to note that any differences between our forecast record and that of the Treasury before us could be influenced by many factors beyond the control of the forecaster in question. For what it is worth, given the limitations of such comparisons, our forecasts for real GDP and borrowing prior to the unprecedented shock delivered by the pandemic were on average been more accurate than those of the previous 20 years. But as we noted in the *Forecast evaluation reports* that explored this comparison even before the pandemic struck, forecast errors are at their greatest when major shocks hit – something that the fall in GDP in 2020 and the rise in the 2020-21 budget deficit have illustrated very clearly.

Financial performance and sustainability

- 1.32 The OBR is committed to the central government target of paying valid invoices within five days of receipt. In the reporting period, 94 per cent of invoices (91 per cent in 2019-20) that we have received have been paid within the target time of five days.
- 1.33 The OBR’s trade creditor days for the period, calculated as the proportion that is the aggregate amount owed to trade creditors at 31 March 2020 compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days when compared with the period of account, was zero days (2019-20: zero days).
- 1.34 We lease office space from the Ministry of Justice (MoJ) at its central London office, where we contribute to its environmental and sustainability agenda through the building facilities committee and policies implemented throughout the MoJ estate. Throughout 2020-21 several new initiatives were interrupted by the national lockdowns and occupation of the building has been very low in numbers as staff worked from home whenever possible. Some initiatives continued, such as the continued phasing-out of consumer single use plastics across cleaning and catering, rollout of automatic water metering to monitor usage closely and the ongoing provision of an online real-time energy use display.

Operations

- 1.35 Our financial management and oversight arrangements were established in the *Framework document*, which was most recently updated in March 2019. Key elements of the arrangements are described in the governance statement. We are funded via a delegated budget from our sponsor department, HM Treasury. Our 2020-21 funding was originally agreed in a multi-year budget settlement in March 2016. Since the original allocation we

have taken on responsibility and associated resources for Welsh tax forecasting and negotiated additional funding for resources to increase our analytical capacity and to acquire more office space. At the beginning of 2020-21 we were given a funding allocation of £3,823,000 by the Treasury. The delegation letter acknowledged the potential pressures on departments as the effects of the pandemic were beginning to unfold. In November the Treasury agreed to transfer an additional £500,000 of funding to the OBR for the remainder of the 2020-21 financial year to cover resourcing pressures, extending our delegated spending limit to £4,323,000. The statement of comprehensive net expenditure in this year's accounts puts our total spending for the year at £3,961,000.

- 1.36 For 2021-22, we have received a funding allocation that continues the £500,000 uplift to cover additional analytical pressures from the coronavirus and climate change, but the Treasury has only allocated this level of funding for one year, with an indicative settlement that falls by almost 10 per cent next year. We have indicated that such a settlement, which does not allow us to plan more than one year and hire new staff on permanent contracts would not allow us to meet our mandate to the standard that the Treasury, Parliament and other stakeholders have come to expect. The Treasury has however, indicated that it is willing to meet our needs in a flexible manner, if pressures arise in year that cannot be absorbed. Our budget for future years will be revisited in the upcoming Spending Review. The Chairman of the OBR is designated as the Accounting Officer responsible for the effective management of public funds.

Service agreements

- 1.37 We share our workspace and accommodation with the MoJ at 102 Petty France. As part of this arrangement we pay a share of the MoJ's rent and rates, and a share of the cost of the MoJ's service contracts for security and facilities management. Our IT infrastructure and maintenance are also delivered via the MoJ network. We work with the MoJ to ensure that appropriate steps are taken to achieve value-for-money in the procurement of shared services.
- 1.38 As a small organisation, we achieve greater value-for-money by contracting administrative human resources, finance, accounting, procurement and payroll services from HM Treasury, rather than employing our own staff to deliver those functions.

Going concern

- 1.39 The OBR is a statutory corporate body established under the *Budget Responsibility and National Audit Act 2011*, which entered into force on 4 April 2011 under SI 892 (2011). This legislation provides the basis for the creation and continued operation of the OBR. The OBR is funded annually by Parliament through Grant-in-Aid financed from the HM Treasury supply estimate. A multi-year budget settlement with the Treasury in March 2021 sets out indicative funding to 2023-24.

1.40 The OBR's statement of financial position at 31 March 2021 shows net liabilities of £518,000 which includes dilapidations provision, accrued payments for IT project costs, accommodation and performance-related staff bonuses for 2020-21. This reflects the inclusion of liabilities falling due in 2020-21 which, insofar as the OBR is unable to meet them from its other sources of income, would fall, in the last resort, to be met by Grant-in-Aid from central government. Under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need, but there is no reason to believe that, if required, grant funding and parliamentary approval would not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for these financial statements.

Business model

1.41 The OBR's two overarching business objectives that guide our work are:

- to **fulfil our duties under the Act and Charter** to examine and report on the sustainability of the public finances; and
- to **ensure our governance and operational arrangements are fit for purpose** and allow us to operate as a responsible, effective and transparent NDPB, while meeting statutory and other requirements.

Risk management

1.42 The main risks faced by the OBR relate to the successful delivery of our core responsibility to produce independent and authoritative analysis of the sustainability of the public finances. We produce high-profile outputs that are central to fiscal management in the UK and in particular to the delivery of the Government's annual Budget. The operational and financial risks that we face are relatively less significant as the OBR is a small organisation with a small budget that is primarily spent on staff and office costs.

1.43 Our risk management strategy involves all members of staff in the OBR and our Oversight Board. Our approach is described in the governance statement in the accountability report.



Richard Hughes, Chairman, 21 June 2021

2 Accountability report

2.1 The accountability report contains:

- the **corporate governance report**, which includes the non-executive members' assessment of the OBR's delivery against its legal duties, the statement of Accounting Officer's responsibilities, the governance statement and the risk management strategy;
- the **remuneration and staff report**, which details the pay, pension arrangements and staffing structure of the office; and
- the **parliamentary accountability and audit report**, which details audit arrangements and contains the certificate and report of the Comptroller and Auditor General.

Corporate governance report

Non-executive members' assessment

2.2 The *Budget Responsibility and National Audit Act 2011* requires the non-executive directors of the Office for Budget Responsibility to keep under review the way in which the OBR has performed its main duties – to prepare its key reports objectively, transparently and impartially (Sections 4 and 5 of the Act).

2.3 To fulfil this role, we monitor the OBR's work and its operational and governance arrangements through the OBR's Oversight Board (which one of us chairs) and the Audit and Risk Assurance Committee (which the other of us chairs). We also meet annually (this year, like last year, remotely) with the members of the BRC and Chief of Staff individually and with other OBR staff in groups specifically to discuss performance over the past year and to identify any concerns. As ever, OBR colleagues have readily provided us with the necessary information. Finally, we monitor public comments on the OBR's work made by the Treasury Select Committee and others.

2.4 The Act also requires that at least once every five years the non-executive members of the OBR arrange an external review. The most recent review was commissioned from the Organisation for Economic Co-operation and Development (OECD) in April 2019. The report was received in September 2020. It concluded, among other things, that the OBR was well-governed with strong competent leadership, that it was supported by a highly capable and professional staff, that its publications were of high quality, comparing favourably with those of its peers, that it had reduced bias in the official economic and budgetary forecasts and that it had succeeded in bringing greater transparency to the public finances.

- 2.5 The review made a number of recommendations, addressed to the Government as well as the OBR. These recommendations included clarifying legislation on the timing of forecasts, holding fiscal events on fixed dates, ensuring that the OBR has adequate resources and certainty about receiving them, avoiding mission creep, engaging more with other economists and fiscal analysts, increasing the profile of non-forecast outputs, avoiding overlong publications, engaging more with Parliament and continuing to increase staff diversity. Most or all of these go with the grain of what OBR management is already doing or planning to do. None implied significant criticism.
- 2.6 The circumstances facing the OBR in 2020-21 were very difficult. The pandemic meant that OBR staff, like those in many other organisations, had to work remotely for most of the year. It also significantly affected the timetable and number of fiscal events, greatly increased the uncertainties of forecasting, involved a great deal of additional work and required the organisation to make judgements in areas falling outside its normal expertise.
- 2.7 In our view the OBR has coped well. As described elsewhere in this report, it met all its statutory responsibilities, in some cases pragmatically descopeing some of its publications to help make that possible. It also produced a number of additional analyses, adding significantly to informed public debate. Its outputs continue to be seen as authoritative. It was already making efforts, as reflected in the OECD recommendations, to increase its impact in social and other media. The relevance of its objective analyses in uncertain times, provided strong support for that. Finally, our impression is that its reputation for independence was enhanced by the careful way it presented its work when some of the results were, or could have been, politically sensitive.
- 2.8 This was only achieved at considerable personal cost to OBR staff. Many are clearly exhausted after a gruelling year. Fiscal events inevitably require periods of intense activity. In the early days of the OBR, these periods were often interleaved with less active periods, allowing staff to undertake additional research, improve their models, spend time on professional development and keep more acceptable hours. That cyclical pattern has now all but been eliminated. The last 18 months has seen many staff working at full stretch for most of the time. This has inevitably affected morale, as demonstrated by the most recent staff survey. We do not believe that it has yet been reflected in the quality of the OBR's outputs. But there must be a considerable risk of that happening without some improvement in working hours.
- 2.9 It is to be hoped that some of the pressure will be reduced as the pandemic winds down. The OBR has also had a welcome increase in its staff complement with funding for an additional 7 staff since last November. But we understand that at the time of writing the additional resources have not been guaranteed to continue; and staff fear that new colleagues will be employed more on additional work than on helping with existing work.
- 2.10 Levels of engagement remain high. We know from our interactions with them that many staff feel proud of belonging to the OBR and of the work they do. Declining staff survey results in some areas are, however, clearly a matter of concern. Implementation of plans for some structural changes have been delayed pending agreement on future resources and

the arrival of a new deputy chief of staff. OBR management are keenly aware of the need to address the workload issue, to work smarter, and to confirm that areas like internal communication and staff training have kept up with the increased size of the organisation. Their success in doing so will depend not just on their own efforts. It will also depend on the willingness of the Treasury to recognise the level of resources required to retain quality of output and to use the forthcoming discussions about revisions to the Charter to establish greater predictability (and to some extent realism) about the timetables to which the OBR is expected to work.

- 2.11 We remain confident that the OBR has continued to be free to make its own judgements and reach analytical conclusions without inappropriate interference from outside. This has been more important than ever during a period when some of the OBR's outputs could have been regarded as more than usually politically sensitive. The OBR has continued to be transparent about its interactions, including the increased number of interactions between the BRC chair and the Chancellor. The members of the BRC have confirmed to us again that they have come under no pressure from ministers, special advisers or officials to change the conclusions of their analysis. Other staff have said the same. There is a standing instruction that any emails exchanged between the OBR and relevant departments that could be perceived, even unintentionally, to go beyond fact checking and clarification should be referred to us. During the last year there was only one such reference, the substance of which we did not regard as a cause for concern. The relationship between the OBR and departments appears to us to continue to be conducted on the mutually respectful basis which we have come to expect.
- 2.12 We continue to regard it as a privilege to serve as non-executives on the OBR Oversight Board. We hope that the next year will be less stressful for the organisation than the year which has just passed.



Sir Christopher Kelly



Bronwyn Curtis

Non-executive members of the Office for Budget Responsibility, 17 June 2021

Statement of Accounting Officer's responsibilities

- 2.13 Under Paragraph 18, Schedule 1 of the *Budget Responsibility and National Audit Act 2011*, HM Treasury has directed the OBR to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.
- 2.14 The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the OBR and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

- 2.15 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:
- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - make judgements and estimates on a reasonable basis;
 - state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts;
 - prepare the accounts on a going concern basis; and
 - confirm that the *Annual report and accounts* as a whole is fair, balanced and understandable and take personal responsibility for the *Annual report and accounts* and the judgements required for determining that it is fair, balanced and understandable.
- 2.16 The Accounting Officer of HM Treasury has designated the Chairman as Accounting Officer of the OBR. The Accounting Officer is responsible for ensuring that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer is required to take all steps to ensure he is aware of any relevant audit information and to establish that the entity's auditors are aware of that information.
- 2.17 As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Office for Budget Responsibility's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.
- 2.18 I confirm that the Annual report and accounts as a whole is fair, balanced and understandable and take personal responsibility for the *Annual report and accounts* and the judgements required for determining that it is fair, balanced and understandable.
- 2.19 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the OBR's assets, are set out in *Managing Public Money*, published by HM Treasury.

Governance statement

- 2.20 As Accounting Officer, I have responsibility for reviewing the effectiveness of our governance arrangements and risk management. My review is informed by the work of the non-executive members of our Oversight Board, HM Treasury as providers of our HR and finance systems, our internal and external auditors, and the staff within the organisation who have responsibility for the development and maintenance of internal processes. I also held discussions with my predecessor to ensure a smooth transition.
- 2.21 The Board reflects on the quality of the support received from the board secretariat throughout the year. No concerns have been raised about the quality of the support or information provided.

Governance structures

- 2.22 Corporate governance structures within the OBR are framed by the requirements of the *Budget Responsibility and National Audit Act 2011*, which sets out the legal duties of the OBR, its functions and broad governance structure. In support of the primary legislation, the *Office for Budget Responsibility and HM Treasury Framework Document*, updated in March 2019 and available on our website, describes how we are accountable to Parliament and the Chancellor, our governance structures, my responsibilities as Accounting Officer, our audit arrangements, and our management and budgeting processes.¹
- 2.23 Our governance structure has been designed, where relevant, to be consistent with the principles of the *Corporate Governance Code of Good Practice for Central Government Departments*, published by HM Treasury. Smaller non-ministerial bodies, such as the OBR, are encouraged to adopt the practices set out in this Code, which is primarily aimed at ministerial departments.

Members of the Office for Budget Responsibility

- 2.24 The OBR is comprised of five members: the Budget Responsibility Committee (BRC) – Richard Hughes (Chairman), Professor Sir Charlie Bean and Andy King; and two non-executive members – Sir Christopher Kelly and Bronwyn Curtis OBE.
- 2.25 During the 2020-21 reporting year Sir Robert Chote's second five-year term as Chairman ended. He was succeeded by Richard Hughes in October 2020. In June 2021, Bronwyn Curtis was re-appointed as a non-executive member of the OBR for a second and final three-year term.
- 2.26 As at 31 March 2021 the OBR employed a staff of 35 to provide analytical and corporate support, led by the Chief of Staff – Stephen Farrington.

¹ <https://obr.uk/download/framework-document-2/>

- 2.27 The BRC is solely responsible for the delivery of the OBR's core responsibilities. The non-executive members are required to keep the OBR's performance under review and, together with the BRC, form the OBR's Oversight Board.
- 2.28 Appointments to the BRC are made by the Chancellor of the Exchequer, with the agreement of the Treasury Select Committee. The Chancellor is required to consult the Chair of the BRC about appointments of the two other members of the BRC. The non-executive members are nominated by the OBR and appointed by the Chancellor.

The Budget Responsibility Committee

Richard Hughes, Chairman (from October 2020)



Richard Hughes began his five-year term as Chairman of the Office for Budget Responsibility in October 2020. He started his career at HM Treasury in 2000 where he worked on a range of domestic and international macroeconomic issues and led the 2007 Comprehensive Spending Review. Following a brief secondment to the French Ministry of Finance in 2007, he joined the International Monetary Fund in 2008 where he headed the Fiscal Affairs Department's Public Finance Division and worked on fiscal reform in a range of advanced, emerging, and developing countries.

Richard returned to HM Treasury between 2016 and 2019 as Director of Fiscal Policy where he oversaw the government's fiscal strategy, debt management, and treasury operations and served as Acting Chief Economist.

In the year leading up to his appointment, Richard worked as a Research Associate at the Resolution Foundation where he published papers on fiscal rules, public investment, and the economic and fiscal implications of coronavirus. He also served as Senior Counsellor to the Haut Conseil des Finances Publiques (High Council on Public Finance) in France, Lecturer at Sciences Po in Paris, Visiting Fellow at the Blavatnik School of Government in Oxford.

Sir Robert Chote, Chairman (2010-2020)



Robert Chote was appointed as Chairman of the Office for Budget Responsibility in October 2010 and reappointed for a second five-year term in 2015. He chaired the OECD's network of parliamentary budget officials and independent fiscal institutions, as well as the external advisory group of the Irish parliamentary budget office during his tenure at the OBR.

Previously Robert served as Director of the Institute for Fiscal Studies from 2002 to 2010, as an advisor to senior management at the International Monetary Fund from 1999 to 2002, as Economics Editor of the Financial Times from 1995 to 1999, and as an economics and business writer on the Independent and Independent on Sunday from 1990 to 1994.

Professor Sir Charlie Bean



Charlie Bean joined the OBR in January 2017 and holds a part-time Professorship at the London School of Economics. He is also Chairman of the Trustees of the Centre for Economic Policy Research (an academic research network). From 2000 to 2014, he worked at the Bank of England, first as Executive Director and Chief Economist, and then as Deputy Governor for Monetary Policy. Before joining the Bank, he was a member of the economics department at the LSE and has also worked at HM Treasury. He has published extensively on economic issues, most recently his independent review of UK economic statistics. He has also served as an adviser to the Treasury and other Parliamentary committees, and was President of the Royal Economic Society from 2013 to 2015.

Andy King



Before being appointed to the Budget Responsibility Committee in 2018, Andy King was Chief of Staff at the Office for Budget Responsibility from 2013. Andy joined the civil service as an economist in 1998, working in the Treasury until 2001 and at the British Embassy in Tokyo until 2005. Andy then worked in a range of macroeconomic policy roles at the Treasury, including heading the Fiscal Policy Team for the June 2010 Budget and the Macroeconomic Coordination & Strategy team overseeing reforms to the UK monetary policy framework and UK-focused relations with international organisations. In 2009-10, Andy worked as a macro-fiscal advisor in the Liberian Finance Ministry. He was appointed to the IMF Fiscal Affairs Department's panel of technical experts in 2014 and has since advised several Finance Ministries in Africa and Asia on approaches to fiscal governance, reporting and forecasting.

Non-executive members

Sir Christopher Kelly



Sir Christopher has served in various roles in HM Treasury and the Department of Social Security, ending his civil service career as Permanent Secretary of the Department of Health between 1997 and 2000. Since then he has led on a number of reviews and chaired a wide range of committees and organisations including the NSPCC, Financial Ombudsman Service, the Committee on Standards in Public Life and the King's Fund. He is currently the senior independent director on the Board of the Co-op Group and chair of its insurance subsidiary. He is also a trustee of the Canal and River Trust, where he chairs the Audit and Risk Committee.

Bronwyn Curtis OBE



Bronwyn Curtis OBE is a global financial economist who has served in senior executive positions in both the financial and media sectors. She has served as Chairman of the Society of Business (now Professional) Economists and a Council/Board Member of the National Institute of Economic and Social Research. She has also held a number of roles on boards of academic institutions and is a trustee of Centre for Economic Policy Research. She has also worked as a consultant to the World Bank and UNCTAD on commodity projects in West Africa, Asia and the Caribbean.

- 2.29 Appointments to the BRC are usually for a period of five years and may be renewed once. Non-executive members’ appointments are typically for three years and may also be renewed once.

Table 2.1: Members’ contract lengths and expiry dates

Member	Contract length	Contract expiry date
Richard Hughes (from 4 October 2020)	5 years	3 October 2025
Sir Charlie Bean	5 years	1 January 2022
Andy King	5 years	31 August 2023
Sir Robert Chote (until 3 October 2020)	5 years	3 October 2020
Sir Christopher Kelly	3 years	20 June 2023
Bronwyn Curtis OBE	3 years	7 June 2024

The Oversight Board

- 2.30 The Act requires the Office to appoint five members, the three executive members of the BRC and the two non-executive members. The five members of the OBR have established the OBR’s Oversight Board, as required by the *Framework Document*. Consistent with best practice, the Oversight Board is chaired by one of the non-executive members, currently Sir Christopher Kelly.
- 2.31 The Board’s terms of reference are published on our website.² The Board is responsible for establishing and taking forward the strategic aims of the OBR and for ensuring that effective governance arrangements are in place. It also provides assurance on internal risk management and controls.
- 2.32 All members in post at the time of each meeting attended the three Oversight Board meetings during 2020-21. Minutes of each meeting are published on our website.
- 2.33 The Board members do not hold any directorships or have significant interests in organisations that might conflict with their management responsibilities.

² <https://obr.uk/topics/governance-and-reporting/>

The Audit and Risk Assurance Committee

- 2.34 The Audit and Risk Assurance Committee is a sub-committee of the Oversight Board. The Committee consists of the Chairman and the two non-executive members. It has been chaired by Bronwyn Curtis since June 2018. The terms of reference for the Committee are published on our website alongside those of the Oversight Board.³
- 2.35 All members in post at the time of each scheduled meeting attended them during 2020-21. Minutes of each meeting are published with the Board minutes on our website.

Executive management

- 2.36 I lead the OBR's management group, which includes the OBR's Chief of Staff and Deputy Chief of Staff and other staff and members of the BRC as appropriate. This has responsibility for the overall management of the OBR. We are responsible for implementing strategic decisions taken by the Board, for making any necessary and appropriate decisions relating to the day-to-day performance of the OBR's business, and for the effective management of OBR staff.

Risk management

- 2.37 The main risks the OBR faces relate to the successful delivery of our core responsibility to produce independent and authoritative analysis of the sustainability of the public finances. We produce high-profile outputs that are central to fiscal management in the UK and, in particular, to the delivery of the Government's annual Budget. The operational and financial risks that we face are relatively less significant as the OBR is a small organisation with a commensurately small budget that is primarily spent on staff and accommodation costs.
- 2.38 Our risk management strategy involves all members of staff in the OBR and our Board. As we are a small organisation, our approach to risk management is naturally very closely integrated with both the longer-term strategic planning and the day-to-day management of the organisation. All members of staff and all members of the Board are involved in the identification of risks. There is clear ownership and responsibilities for managing risks.
- 2.39 The Chief of Staff is responsible for compiling and maintaining a register of the key risks facing the organisation. OBR staff and the BRC are consulted in identifying these risks. The register is discussed in detail at Board meetings and a mitigation strategy has been agreed for each risk. I am responsible, along with the Chief of Staff, for ensuring the mitigation strategies are implemented and reported back to the Board. We also ensure that staff and the BRC are regularly consulted on any new risks.

Pandemic risk management

- 2.40 The onset of the pandemic from March 2020 crystallised several risks identified in the OBR risk register. The lack of access to the office, potential for high staff absence and reliability of the remote access IT network had been considered as risks to the delivery of the *Economic and fiscal outlook*, and to a lesser extent, our other core publications. Our plans were found to be robust.

- 2.41 Within weeks of switching to remote working, we produced our *Coronavirus reference scenario*, which required inputs and collaboration across the organisation and the smooth transition to remote access of the filing and email systems. The reference scenario proved to be a useful test run for the *Fiscal sustainability report*, our first core publication delivered remotely, which combined elements of our medium-term forecasts, long term projections and fiscal risks analysis within one report. We took this experience into the production of the *Economic and fiscal outlooks*, also prepared and published entirely remotely, in November and March. None of these publications were produced without difficulty, requiring flexibility, patience and commitment from staff across the OBR.
- 2.42 We have been very fortunate to escape the difficulty of wide-ranging staff absence and therefore assisted HM Treasury's surge capacity during the first lockdown by giving them access to OBR staff expertise, particularly on anticipating movements in the public finances data.
- 2.43 Our IT network is provided and maintained by the Ministry of Justice, as part of our arrangement for sharing office space. The network has been maintained well throughout the year, with relatively few difficulties. The rollout of video call facilities and hardware delivery was timely and effective, as was the adaptation demonstrated by staff to switch to new ways of working.
- 2.44 As part of our internal audit programme for the year, the Government Internal Audit Agency reviewed our pandemic response and concluded that our risk management, control environment and governance framework were robust.

Analytical risks

- 2.45 To deliver our objectives, it is important that OBR staff have appropriate skills and experience and that we are able to draw on relevant external analysis, while ensuring the judgements we take are solely those of the BRC. The potential loss of experienced staff, an increase in the demands placed on our staff without corresponding increases in resources, and the effective maintenance and development of the forecasting infrastructure, such as the macroeconomic model, are risks that the Board and management of the OBR are focused on mitigating. To ensure we are open to external analysis, we have an Advisory Panel and we consult widely with stakeholders and outside analysts.
- 2.46 The disaggregated nature of the public finances forecast means we also require close and effective working with experts in several government departments. To mitigate the risks around this process we have agreed a *Memorandum of Understanding (MoU)* with the key government departments involved in our work that sets out roles and responsibilities, coordination of the forecast process, and the process for information sharing. The *MoU* was reviewed and updated during 2016-17 to ensure that it continues to provide a robust framework for our work with departments. I chair a regular meeting of senior officials from the key departments to ensure effective working. Were I to have concerns about these relationships, I have recourse under the *MoU* to raise issues with the relevant departmental

Permanent Secretaries. Neither I nor my predecessor have had reason to deploy this mechanism so far.

- 2.47 It is central to our objectives that our analysis and judgements are produced independently from Ministers and that they are perceived to be so by the public. The *MoU* provides a framework within which we can work with Government officials while retaining our independence. To mitigate risks around the perception of independence, we set out transparently our process for working with Government in each of our major reports and publish a log of contact with Ministers, special advisers and their private office officials. We have detailed the approach taken in each aspect of our forecast process in briefing papers available on our website. To date we have come under no pressure from Ministers, advisers or officials to change any of our conclusions.
- 2.48 We have also published a separate *Memorandum of Understanding* with HM Treasury covering the shared ownership of our macroeconomic model. This sets out governance arrangements for shared ownership, details the process for agreeing and implementing a rolling model development plan, and commits both parties to providing sufficient resources to meet these requirements. This helps address a key risk around the effective maintenance and development of our forecasting infrastructure.

Operational risks

- 2.49 Our budget is small and is primarily spent on staff and accommodation costs. The financial risks we face are therefore relatively low. Nevertheless, as Accounting Officer I am responsible for safeguarding the public funds for which I have charge, and I have ensured we have robust processes in place to do so that are proportionate to our size and the level of financial risks we face.
- 2.50 We have been provided with a finance business partner who attends our Board and Audit Committee meetings. Our current financial adviser is also the Deputy Director of Finance at HM Treasury. In her capacity as our financial adviser she is accountable to me. This arrangement is operationally efficient and represents value-for-money given that the OBR contracts administrative finance services from HM Treasury. The Board considers an update report on our finances at each meeting.
- 2.51 Our financial management services are provided by HM Treasury, which reviews its controls, processes and systems regularly. The Treasury Group Director of Finance has provided assurance on the current processes.

Opinion on effectiveness of governance arrangements

- 2.52 The GIAA Deputy Head of Treasury Group Internal Audit has provided an annual opinion on the adequacy and effectiveness of the OBR's framework of governance, risk management and control to me, as the Accounting Officer, and to the Audit and Risk Assurance Committee. GIAA's findings and agreed actions were not significant, reflecting a generally sound control environment, but did identify some control improvements that will be implemented.

- 2.53 My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the OBR, who have been delegated responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their reports. On this basis, I consider the OBR's governance arrangements to be effective.
- 2.54 I have taken the necessary steps to ensure that the NAO, as external auditors, and I, as Accounting Officer, are aware of all relevant audit information. I can confirm that as far as I am aware, there is no relevant audit information of which the NAO, as external auditors, are unaware.



Richard Hughes, Chairman, 21 June 2021

Remuneration and staff report

Members' remuneration

- 2.55 The table below reports the remuneration of each member of the Budget Responsibility Committee. Members' remuneration is set by HM Treasury on appointment. Current members' letters of appointment, which include detailed remuneration arrangements, are published on the OBR website.³ As stipulated in the letters of appointment, BRC members are not entitled to any bonus payments. Salary includes gross salary only. These disclosures have been subject to external audit.
- 2.56 The non-executive members of the OBR do not receive any fees.
- 2.57 Members of the BRC are subject to the deduction of appropriate taxes via the PAYE system.
- 2.58 No benefits in kind have been paid to members of the BRC.

³ <https://obr.uk/about-the-obr/who-we-are/>

Table 2.2: Remuneration (salary, benefits in kind and pensions) (audited)

	Salary (£)		Pension benefits (£)		Total (£)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Richard Hughes (4 Oct 2020-Mar 2021)	78,101	–	15,620	–	93,721	–
Charlie Bean (0.5FTE)	65,847	64,973	–	–	65,847	64,973
Andy King (0.9FTE)	111,992	110,942	22,398	22,178	134,390	133,120
Sir Robert Chote (Apr- 3 Oct 2020)	96,095	162,041	16,516	32,408	112,611	194,449

Pensions

2.59 As part of their contractual terms, Richard Hughes, Robert Chote and Andy King received a payment equivalent to 20 per cent of their annual fee into a personal pension scheme, shown in Table 2.2. The OBR does not pay any pension contributions on behalf of Professor Sir Charlie Bean.

Civil Service pensions

2.60 Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced, the Civil Servants and Others Pension Scheme (alpha), which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS), which has four sections: three final salary schemes with a normal pension age of 60 (classic, premium, classic plus); and one providing benefits on a whole career basis with a normal pension age of 65 (nuvos).

2.61 These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under all the above schemes are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt either for a defined benefit arrangement or a partnership pension account.

2.62 The following transition arrangements were put in place for the introduction of alpha:

- members within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015;
- members who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch to alpha between 1 June 2015 and 1 February 2022; and

- all members who switch to alpha have their existing PCSPS benefits 'banked'. Any earlier final salary benefits members hold will be based on their final salary upon leaving alpha.

2.63 Further details of the schemes:

- **Employee contributions** are salary-related and range from 4.6 to 8.05 per cent of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha.
- **Employer contributions** are also salary-related, and in 2020-21 range from 26.6 to 30.3 per cent of pensionable earnings, based on four salary bands. Scheme administration charges of 0.32 per cent are included in the employer monthly contributions. For 2020-21, employers' contributions of £461,989 were payable to the PCSPS (2019-20: £357,374), the increase reflecting both a rise in pay and the number of staff enrolled.
- **Benefits** for classic accrue at a rate of 1/80th of final pensionable earnings for each year of service; for premium, the rate is 1/60th. Classic plus is essentially a hybrid, with benefits calculated broadly as per classic in respect of service before 1 October 2002, and as per premium since that date. Benefits in nuvos are based on pensionable earnings during the period of scheme membership, with 2.3 per cent of member's pensionable earnings credited to their earned pension account at the end of each scheme year (31 March), and the accrued pension updated in line with Pensions Increase legislation. 'alpha' is similar to nuvos, except the accrual rate is 2.32 per cent.
- A **lump sum** equivalent to three years' pension is payable on retirement for members of classic. For premium, there is no automatic lump sum. In all cases members may give up (commute) their pension for a lump sum up to the limits set by the Finance Act 2004.

2.64 The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020-21 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. The Scheme Actuary valued the scheme as at 31 March 2016. Details can be found in the Civil Service Pension Scheme actuarial valuation as at 31 March 2016: Report by the Scheme Actuary.

2.65 More information on Civil Service pension arrangements can be found at www.civilservicepensionscheme.org.uk.

Expenses

2.66 The OBR has not incurred any costs for travel and subsistence expenses for BRC members in 2020-21 (£4,440 for Robert Chote and £609 for Andy King in 2019-20).

Staff summary

- 2.67 The OBR currently has 35 permanent staff members (as at 31 March 2021) working across the economy, receipts and spending forecasts, sustainability and risk, devolved and policy costings analysis, and strategy, operations and communications teams. Members of staff are all civil servants and are primarily employees of the OBR, rather than seconded from other departments. All staff report to and are accountable to Richard Hughes as Chairman.
- 2.68 The OBR staff are led by the Chief of Staff – Stephen Farrington, supported by the Deputy Chief of Staff (vacant as at 31 March).
- 2.69 As of 31 March 2021, the gender balance of the members of the OBR, the senior civil servant Chief (SCS2) and the non-SCS OBR staff was as set out in Table 2.3. Over recent years we have taken steps that increased the recruitment of female staff to the OBR, including the incoming Deputy Chief of Staff.

Table 2.3: Gender balance

Member	Male	Female	Total
BRC and non-executive members	4	1	5
Senior civil servants	1	0	1
Non-SCS staff	19	15	34
Total	24	16	40

- 2.70 The OBR Board and management are determined to attract excellent female staff at all grades and to pay them fairly. Departments with fewer than 250 staff are not required to publish data on the gender pay gap, but we publish this information voluntarily. Given the size of the workforce at the OBR, raw pay differentials can be very volatile from year to year as more or less experienced members of staff join or leave. Salaries are set within ranges that reflect the responsibilities of posts and the experience and expertise required of them.
- 2.71 The most meaningful like-for-like comparison can be derived from looking at the gender pay gap for junior and senior analysts separately. As at the end of March 2021 these show a pay gap of 2.7 per cent (7.3 in 2019-20) for senior analysts, and minus 25.7 per cent for more junior posts, with women paid more than men on average (minus 12.4 per cent in 2019-20). These are calculated on a mean basis with full time equivalent salaries. Sharp movements this year demonstrate this metric is also volatile, as regular staff turnover can move the data substantially. The reduction in the pay gap at the more senior grade reflects an increase in the number of experienced female staff at that grade. At the more junior grade female staff outnumber male staff and are also more experienced than their male counterparts in general.
- 2.72 The OBR is committed to equal opportunities for all staff, regardless of age, race, religion, sex, sexual orientation, disability or another determinate factor. We collect and monitor diversity information to assess how we can improve.

2.73 As Table 2.4 shows, the gender balance of the OBR has improved in recent years as we have made active efforts to recruit more female staff through the application process and wider outreach.

Table 2.4: Gender balance

	Per cent			
	2020-21	2019-20	2018-19	2017-18
Female	43	41	29	22
Male	57	59	71	78

2.74 We collect data on the diversity of our workforce as part of our normal recruitment process. Recruitment of new staff is undertaken without knowledge of names, gender or ethnic diversity criteria of applicants, until the interview stage. We recognise that we have a responsibility to recruit staff on merit and to reflect contributions from a diverse range of backgrounds. We primarily intend for our recruitment process to ensure this is the case and now report on the diversity of OBR staff in this, and in future annual reports in order to track progress and ensure accountability for change.

2.75 As set out in Table 2.5, we have a significant number of respondents that have chosen not to disclose their ethnicity. Around one third of those that remain identify as being from a diverse ethnic background and the remaining two thirds as white.

Table 2.5: Ethnicity

	Per cent	
	2020-21	2019-20
Diverse ethnic background	23	24
White	60	50
Prefer not to say	0	3
Not known	17	26

Staff remuneration

2.76 The OBR's staff are civil servants and pay arrangements are governed by the policy framework set out by the Cabinet Office and HM Treasury. The total pay cost for OBR staff in 2020-21 was £2,329,000 (£1,946,000 in 2019-20).⁴ This includes a pot of £34,230 for non-consolidated performance-related payments available to OBR staff (but not SCS staff). Pay and bonus payments to SCS staff are subject to a civil service wide process overseen by the Cabinet Office. The Oversight Board is responsible for overseeing the pay remit for OBR staff. As such, the Oversight Board approves the Remuneration and staff report.

⁴ Figures rounded to the nearest £1,000.

Staff numbers and related costs (audited)

Table 2.6: Analysis of total staff costs

	£ 000's	
	2020-21	2019-20
Wages and salaries	2,329	1,946
Social Security costs	284	223
Other pension costs	532	439
Total costs	3,145	2,608

Average number of persons employed

2.77 The average number of full-time equivalent persons employed during the year was 33.2 (2019-20: 30). The increase relates to additional Brexit and Welsh Government funding.

Exit packages (audited)

2.78 The OBR did not incur any costs for exit packages (2019-20: nil).

Pay relativity (audited)

2.79 Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

2.80 The remuneration of the highest-paid director in the OBR in the year ended 31 March 2021 was £158,762 (FTE basis, £162,041 year ended 31 March 2020). This was 2.7 times (3.1 times 2019-20) the median remuneration of the workforce, which was £58,236 (£52,828 in 2019-20). The median salary includes the full-year equivalent salary of all staff in post as at 31 March 2021. The main difference since last year is from a higher increase in staff pay relative to contracted increases for executive members.

2.81 In 2020-21, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £24,517 to £109,721 in 2020-21 (£23,250 to £107,642 in 2019-20).

Employee matters

2.82 During the period ending 31 March 2021, the average number of working days lost due to sickness absence was 0.1 days per full-time equivalent (FTE) (2019-20: 0.8 days per FTE).

2.83 There were no reported health and safety incidents in 2020-21. We work with the Ministry of Justice and HM Treasury to offer First Aid training to staff.

2.84 The OBR aims to attract talented and skilled individuals from diverse backgrounds and values the different experiences that everyone brings to the workplace. As a Disability Confident Committed Employer, we are dedicated to giving full and fair consideration to

applications made by disabled persons and to giving due regard to their aptitudes and abilities. We currently have no staff reporting a disability, but we are committed to supporting staff with training, career development, workplace adjustments and employing measures to support individual needs.



Richard Hughes, Chairman, 21 June 2021

Parliamentary accountability and audit report

- 2.85 The accounts of the OBR are audited by the Comptroller and Auditor General under Paragraph 18 (4), Schedule 1 of the *Budget Responsibility and National Audit Act 2011*. The audit fee charged was £16,000 (£16,000 in 2019-20). The auditors received no fees for non-audit services. The auditors have been provided with all relevant audit information necessary to complete their audit and the Accounting Officer has taken all the necessary steps to ensure that the auditors are aware of any relevant information.
- 2.86 All expenditure was applied to the purpose intended by Parliament (audited).
- 2.87 The OBR has no remote contingent liabilities (audited).
- 2.88 No losses or special payments above £300,000 have been incurred either individually or in total by the OBR in 2020-21 (2019-20: none) (audited).

Table 2.7: Expenditure and income

	£ 000's			
	2020-21	2019-20	2018-19	2017-18
Expenditure	3,973	3,333	2,860	2,569
Income	(12)	(17)	-	(6)
Net expenditure	3,961	3,316	2,860	2,563



Richard Hughes, Chairman, 21 June 2021

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Office for Budget Responsibility for the year ended 31 March 2021 under the Budget Responsibility and National Audit Act 2011. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union and interpreted by HM Treasury's Government Reporting Manual

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Office for Budget Responsibility's affairs as at 31 March 2021 and of the Office for Budget Responsibility's net expenditure for the year then ended;
- have been properly prepared in accordance with the Budget Responsibility and National Audit Act 2011 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Office for Budget Responsibility in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

The Office for Budget Responsibility's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office for Budget Responsibility's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue

My responsibilities and the responsibilities of the Board and the Accounting Officer with respect to going concern are described in the relevant sections of this report

The going concern basis of accounting for the Office for Budget Responsibility is adopted in consideration of the requirements set out in the International Financial Reporting Standards as adopted by the European Union and interpreted by HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Performance Report and Accountability Report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Board and the Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Budget Responsibility and National Audit Act 2011, and

- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Office for Budget Responsibility and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Report Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer, are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Board and the Accounting Officer determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Office for Budget Responsibility's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board and the Accounting Officer anticipate that the services provided by the Office for Budget Responsibility will not continue to be provided in the future.

Auditors responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Budget Responsibility and National Audit Act 2011.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Office for Budget Responsibility's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office for Budget Responsibility's policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office for Budget Responsibility's controls relating to the Budget Responsibility's and National Audit Act 2011;
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals; and
- obtaining an understanding of the Office for Budget Responsibility's framework of authority as well as other legal and regulatory frameworks that the Office for Budget Responsibility operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Office for Budget Responsibility. The key laws and regulations I considered in this context included the Budget Responsibility and National Audit Act 2011, Managing Public Money, Employment Law and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them,

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date: 28 June 2021

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

3 Financial statements

1 April 2020 to 31 March 2021

Statement of comprehensive net expenditure

for the year ended 31 March

		£ 000's	
	Note	2021	2020
Expenditure			
<i>of which:</i>			
Staff costs	2	3,145	2,608
Other expenditure	3	691	725
Provision additions	9	137	
Income			
Other income		(12)	(17)
Net expenditure		3,961	3,316

There were no items of other comprehensive expenditure.

The Notes on pages 40 to 46 form part of these accounts.

Statement of financial position

as at 31 March

	Note	£ 000's	
		2021	2020
Current assets			
Receivables due within one year	5	39	26
Cash and cash equivalents	6	112	225
Total current assets		151	251
Current liabilities			
Payables due within one year	7	(669)	(528)
Provisions	9	-	(80)
Total current liabilities		(669)	(608)
Net current liabilities		(518)	(357)
Taxpayers' equity			
General fund		(518)	(357)
Total taxpayers' equity		(518)	(357)

The Notes on pages 40 to 46 form part of these accounts.

The financial statements were approved by the Board on 17 June 2021.



Richard Hughes, Chairman

21 June 2021

Statement of cash flows

for the year ended 31 March

	Note	£ 000's	
		2021	2020
Cash flows from operating activities			
Net operating cost		(3,961)	(3,316)
Changes in working capital other than cash		128	59
Net Movement in provisions		(80)	-
Net cash outflow from operating activities		(3,913)	(3,257)
Cash flows from financing activities			
Grant-in-Aid from HM Treasury		3,800	3,262
Net financing		3,800	3,262
Net increase/(decrease) in cash and cash equivalents in the period	6	(113)	5
Cash and cash equivalents at the beginning of the period		225	220
Cash and cash equivalents at the end of the period	6	112	225

The Notes on pages 40 to 46 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2021

	£ 000's	
	General reserve	
Balance at 1 April 2020		(357)
Grant-in-Aid from HM Treasury		3,800
Comprehensive expenditure for the year		(3,961)
Balance at 31 March 2021		(518)

for the year ended 31 March 2020

	£ 000's	
	General reserve	
Balance at 1 April 2019		(303)
Grant-in-Aid from HM Treasury		3,262
Comprehensive expenditure for the year		(3,316)
Balance at 31 March 2020		(357)

The Notes on pages 40 to 46 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

Pursuant to the Framework Document¹ between the Office for Budget Responsibility (OBR) and HM Treasury, these financial statements have been prepared in accordance with the 2020-21 Government Financial Reporting Manual (FReM).² The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the circumstances of the OBR for the purpose of giving a true and fair view has been selected. The policies adopted by the OBR are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 IFRSs in issue but not yet effective

As per the FReM, these accounts apply EU adopted IFRS and Interpretations in place as at 1 January 2020. Standards and interpretations that have been issued but are not yet effective have not therefore been adopted in this account.

IFRS 16 Leases

In preparation for the initially planned 1 April 2020 implementation date for IFRS 16, the OBR carried out an impact assessment of this standard to its financial statements. Due to the outbreak of Covid-19 on 11th March 2020, the Financial Reporting Advisory Body (FRAB) deferred the implementation of IFRS 16 for government departments to 1 April 2022. The OBR will review and revise impact assessment prior to that new implementation date. The OBR does not intend to early adopt IFRS 16.

When implemented eventually, IFRS 16 will impact the recognition of leases in the OBR's financial statements. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

On transition, the OBR will recognise, measure, present and disclose the right-of-use asset under leases previously classified as operating leases, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease, recognised in the statement of financial position immediately before the date of initial application.

As at the end of the financial year, the OBR's operating lease obligations were £2,660k for accommodation, will give rise to right-of-use assets. Further details of this lease are in Note 8 accompanied by details on an IT lease that will not give rise to a right-of-use asset as it falls outside of the scope of IFRS 16 due to the nature of the leasehold contract.

¹ http://budgetresponsibility.org.uk/docs/dlm_uploads/2014_Framework_document.pdf

² <https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023 (subject to endorsement by the UK).

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts.

This standard is not expected to have a material impact on the OBR's financial statements because the OBR does not have, or plan to sign any insurance contracts in the foreseeable future.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the OBR.

1.2 Accounting convention

These accounts have been prepared on accruals basis under the historical cost convention, modified to account for the initial recognition of certain financial instruments at fair value where required under applicable accounting standards.

1.3 Basis of preparation

The OBR's Statement of Financial Position at 31 March 2021 shows net liabilities of £518k. This reflects the inclusion of liabilities falling due within 2020-21 which, in so far as the OBR is unable to meet them from its other sources of income, would fall, in the last resort, to be met by grants from central government. Under normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need, but there is no reason to believe that, if required, grant funding and parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going-concern basis for these financial statements.

1.4 Significant judgements and estimates

A provision of £80k which was recognised for dilapidation costs at the end of financial year 2019-20 was revised up by the Landlord for financial year 2020-21 to £217k. Further details can be found in Note 9.

1.5 Financing

The OBR is financed via a Grant-in-Aid from HM Treasury. The Grant-in-Aid is credited to the general fund in the year in which it is received. The total Grant-in-Aid received by the OBR from HM Treasury for the period ended 31 March 2021 was £3,800k. This total represents the OBR's cash requirement within the reporting period over and above its cash balance held at the end of the previous financial year adjusted for cash in transit at the end of the previous financial year.

Financial statements

1.6 Property, plant and equipment

The threshold for capitalising non-current assets is £5,000, consistent with the accounting policies of HM Treasury. Accordingly, the OBR does not currently hold any property, plant or equipment as it primarily rents office space and leases IT equipment under an operating lease.

1.7 Pensions

The provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Service and Other Pension Scheme (CSOPS), which are described in the Remuneration and Staff Report, cover the majority of past and present employees. The defined benefit schemes within the PCSPS and CSOPS are contributory. The OBR recognises the expected costs of the scheme on a systematic and rational basis over the period during which it benefits from employees' service by payments of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

1.8 Employee benefits

The OBR has accrued for the cost of the outstanding employee paid holiday entitlement. It is calculated based on pay and Employers' National Insurance Contributions.

1.9 Financial instruments

Trade receivables and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Cash

Cash and cash equivalents comprise cash at bank.

1.11 Leases

Operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease, in line with IAS 17 which will be superseded by IFRS 16. Refer to Note 1 for further discussion on this.

1.12 Provisions

Provisions are recognised in accordance with IAS 37 when a present obligation exists as the result of a past event, when it is probable that economic benefits will flow from the OBR in order to settle the liability and that a reliable estimate can be made of the sum required to make a final settlement. Where the future payment amount is unknown, provisions are set at a level which covers the estimated number of future payments and the estimated average payment amount. Future payments may be subject to discount rates based on the expected timing of cash flows to arrive at the net present value of all expected future cash flows. Provisions are calculated using the best available information, but the actual future outcomes of items provided for may differ from expectations. In accordance with IAS 1, provisions are separately disclosed as both current and non-current.

2. Staff numbers and related costs

2.1. Analysis of total staff costs

	£ 000's	
	Permanent staff	
	2020-21	2019-20
Wages and salaries	1,719	1,429
Social Security costs	210	158
Other pension costs	418	336
Total costs	2,347	1,923

	£ 000's	
	BRC members	
	2020-21	2019-20
Wages and salaries	352	338
Social Security costs	45	43
Other pension costs	54	55
Total costs	451	436

	£ 000's	
	Other staff	
	2020-21	2019-20
Wages and salaries	259	179
Social Security costs	29	22
Other pension costs	59	48
Total costs	347	249

Other staff include staff on fixed term appointments and secondments from other government departments.

Further details of staff costs and numbers are now disclosed in the Remuneration and staff report (see pages 24 to 30).

3. Other expenditure

	£ 000's	
	2020-21	2019-20
Accommodation costs	345	367
Subscriptions, printing and office services	163	120
IT costs	130	90
External auditor's remuneration	16	16
Bank charges	1	1
Staff support and staff-related costs, including training and travel	36	26
Consultancy	-	105
Total	691	725

The decrease in consultancy expenditure is mainly due to a contribution in the prior year of £86k to the Public Governance Directorate of the Organisation for Economic Co-operation and Development (OECD), in relation to an external review engagement for the OBR.

No payments were made to the external auditors in respect of non-audit services.

4. Financial instruments

As the cash requirements of the OBR are met through Grant-in-Aid provided by HM Treasury, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments, namely trade receivables and payables as detailed in Note 5 and Note 7, relate to contracts to buy non-financial items in line with the OBR's expected purchase and usage requirements. The OBR is therefore exposed to little credit, liquidity or market risk.

5. Receivables

	£ 000's	
	2020-21	2019-20
Amounts falling due within one year		
Accrued income	26	17
Other trade receivables	13	9
Total falling due within one year	39	26

Accrued income relates to recharges of printing costs to HM Treasury.

6. Cash and cash equivalents

	£ 000's	
	2020-21	2019-20
Balance at 1 April 2020	225	220
Net change in cash balances – inflow/(outflow)	(113)	5
Balance at 31 March 2021	112	225

All cash balances are held with the Government Banking Service.

7. Payables and other current liabilities

	£ 000's	
	2020-21	2019-20
Amounts falling due within one year		
Taxation and social security	106	77
Trade and other payables	66	75
Accruals	497	376
Total falling due within one year	669	528

The increase in accruals by £121k is mainly due to the realisation of the £217k provision for dilapidation costs (see also Note 9), offset by a decrease of £90k of accommodation charge, due to the timing of the final quarter's payment.

8. Commitments and leases

The OBR has not entered into either any capital commitments or non-cancellable contracts.

The OBR relocated to new premises on 12 September 2016, leasing office space by means of an agreement set out within a Memorandum of Terms of Occupation (MOTO). This MOTO covers the provision of accommodation, including rates and service charges, but excludes IT. The MOTO agreement runs for 12 years from 12 September 2016 to 23 December 2028. There are no finance leases included within the MOTO. Charges under this MOTO for 2020-21 totalled £345k.

Arrangements for the provision of IT equipment and services are by separate agreement. IT equipment is accounted for under an operating lease. Charges for IT services in 2020-21 totalled £35k.

Obligations and commitments over the lease period comprise:

	£ '000's	
	2020-21	2019-20
Accommodation and office services		
Within one year	346	347
Between one and five years	1,357	1,370
Later than five years	957	1,290
Total	2,660	3,007
IT services		
Within one year	35	39
Between one and five years	140	157
Later than five years	105	157
Total	280	353

These figures do not take account of any future increases in the underlying costs which would be passed on to the OBR.

9. Provisions

	£ 000's	
	2020-21	2019-20
Balance at 1 April 2020	80	80
Provided during the year	137	-
Utilised during the year	(217)	-
Balance at 31 March 2021	-	80
Not later than one year	-	80
Later than one year and not later than five years	-	-

Under the MOTO covering its former tenancy the OBR had an obligation to pay a pro-rata share of dilapidation costs chargeable to the landlord by the freeholder that arose on cessation of the head lease.

In 2016-17 a provision for £132k was recognised following the professional assessment that the property would most likely be retained for business use, and a professional estimate of the likely expenditure payable by the OBR. A review of the original professional estimate by the landlord resulted in the revision of that provision to a lower value of £80k for financial year 2018-19. A review of the original professional estimate by the landlord resulted in the revision of that provision

to a higher value of £217k for financial year 2020-21 and this provision subsequently became to an accrual as the costs were agreed.

10. Related party transactions

As the sponsoring department for the OBR, HM Treasury is regarded as a related party with which the OBR has had various material transactions during the year, including the provision of HR and financial services to the OBR.

The OBR has leased office space from the Ministry of Justice (MoJ) since 12 September 2016. The OBR has ongoing transactions with the MoJ due in accordance with the MOTO through which the MoJ recharges the OBR for the cost of accommodation and office services and separately under the MoJ's agreement to provide IT services. The total charged by the MoJ in 2020-21 was £380k.

Board member remuneration is disclosed in the Remuneration Report. No Board member, key manager or other related party has undertaken any other material transactions with the OBR.

11. Events after the reporting period

There were no significant events after the reporting period.

12. Date authorised for issue

The financial statements were authorised for issue on the date that the Comptroller and Auditor General (C&AG) certified the accounts.

