

**Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee
– 7 February 2018, 10.00-12.30**

Oversight Board

Attending

Members: Sir Christopher Kelly, Robert Chote, Graham Parker CBE, Sir Charlie Bean.
Staff attending: Andy King (Chief of Staff) and Mark Dembowicz (Head of Strategy, Operations and Communications).

1. Procedures

The Board reviewed the minutes from the previous meeting and cleared them for publication. The Board reviewed each risk identified in the risk register and discussed the updates that had been made since the previous meeting.

2. Update on OBR activity

The Board discussed a summary of the OBR's recent outputs, stakeholder engagement, management issues and upcoming priorities, presented by the BRC. The following issues were discussed:

1. On 10 October we published our latest *Forecast evaluation report*. As well as the usual analysis of recent economic and fiscal forecast accuracy, we included a fuller discussion of the continuing disappointment in hourly productivity growth and the hypotheses put forward for this period being a temporary, albeit extended, one. We used this to signal that a material downward revision to trend productivity growth would be included in our November forecast, with some offsetting revisions likely to trend average hours and the sustainable unemployment rate. The message was picked up and understood by media and other commentators. Alongside the FER we published the seventh in our briefing paper series, setting out how we go about evaluating forecast accuracy.
2. On 22 November we published our latest *Economic and fiscal outlook* alongside the first Autumn Budget for decades. The weaker outlook for productivity and GDP growth was the main story in terms of our economy forecast. The fiscal effects of this were cushioned to an extent by stronger in-year performance of the public finances. We concluded that the Government was on track to meet its three medium-term fiscal targets but that it was unlikely that it would balance the budget by the middle of the next decade. Our assumption that the elasticity of house prices to the

introduction of a permanent first-time buyer relief would be greater than one – thereby raising the post-tax price of houses for first-time buyers – received considerable media coverage.

3. On 25 January we published our latest Welfare trends report, which focused exclusively on universal credit (UC). This was a very challenging report to produce because the complexity of the modelling that underpins the estimated effect of UC on spending and the pressure that DWP's UC analysts are under from other quarters, notably in preparing a full business case to present to the Treasury and Cabinet Office later this year. It was also a valuable one, revealing several important forecast issues to address and highlighting the risks posed by gaps in the administrative data and DWP's capacity to analyse what information is available.
4. We continue to produce our monthly commentary on the public finances. In January we noted that the underlying improvement seen in the year-to-date appears to be better than we had assumed in our November forecast.
5. Interactions with departments, staffing and office management. Forecast processes went well, despite the regular staff turnover between March and Autumn forecasts, and lessons learnt had been documented. The Board discussed our interactions with the Scottish and Welsh administrations, noting the Chairman's appearance at the Scottish Finance Committee and our work with the Welsh Government on our involvement in its fiscal framework.
6. The Board also discussed our bid for a sum from the Governments Brexit preparations pot and our preparations for the departure of Graham Parker and an experienced analyst later in the year.
7. The Board also noted that two former staff members had won the Rybczynski prize for their essay on health spending, which drew on work published whilst they were at the OBR.
8. The Board also discussed the main priorities over the next few months, including a paper on the timetable for recruiting Graham Parker's replacement on the BRC and the vacant non-executive position.

Kate Ivers (OBR financial adviser) and Andy Ginever (OBR office manager) attended for item 3.

3. Finances and accounts

The Board discussed the financial position for the year to date. The Board was updated on the position on dilapidations at 20 Victoria Street, a decision on which remains an outstanding.

Audit Committee

Attending

Members: Sir Christopher Kelly, Robert Chote, Andy King (Chief of Staff), Mark Dembowicz, Kate Ivers (OBR financial adviser), Andy Ginever (OBR office manager), Neil Chapman (Government Internal Audit Agency).

1. Internal audit progress report 2017-18 and plan for 2018-19

GIAA presented a progress report for the internal audit undertaken so far in 2017-18, on HR and finance systems contracted from HM Treasury and the actions outstanding. A second audit is underway, on the governance arrangements between the OBR and its HM Treasury sponsor team. The final stage of the audit would be reported to the Board at the next meeting. All actions and plans are on track. The Committee discussed options for internal audit for 2018-19.