

OBR secures new four-year budget from Treasury

The Office for Budget Responsibility has negotiated a new four-year budget settlement with the Treasury. This will provide extra resources to help us scrutinise social security and tax credit spending more intensively, following the Government's recent request that we publicly police its new 'welfare cap'.

The agreement, detailed today in a letter from the Permanent Secretary to the Treasury¹, gives the OBR a firm budget through to 2015-16 and an indicative one for the subsequent two years – beyond the horizon for which most departmental budgets are set out. In line with international best practice for official fiscal watchdogs, agreeing and publishing a transparent multi-year budget will help underpin the OBR's independence and protect it from potential political pressure.²

The OBR's budget will rise from £1.82 million in 2013-14 to £2.08 million in 2014-15 and £2.15 million in 2015-16. The indicative budgets for the subsequent two years are £2.17 million in 2016-17 and £2.19 million in 2017-18. We would expect these figures to be confirmed after the next Spending Review, barring further changes to our remit or unavoidable additional cost pressures. The OBR has successfully operated within its budget allocations during its first four years of operation.

The new settlement will allow the OBR to increase its staffing at full capacity from 17 to 19 civil servants, in addition to the three appointed members of the Budget Responsibility Committee. The staff are recruited on open competition from the wider civil service and other organisations and report to the OBR's chairman.

The increase in staffing has allowed us to create a new three-person team dedicated to the analysis and forecasting of welfare spending, and the scrutiny of welfare policy measures. This was always an important part of our role, but will become even more so as the Government has asked us to produce an annual report on welfare trends and to police its newly created cap on welfare

¹ <http://budgetresponsibility.org.uk/transparency/letters/>

² Multi-year funding commitments are recommended in the OECD's *Principles for Independent Fiscal Institutions*.

spending (excluding the basic state pension and spending that moves most closely with the ups and downs of the economy).³

The extra resources will also allow the OBR to fulfil its new role in forecasting the receipts from taxes due to be devolved to the Welsh Assembly, mirroring our existing role in forecasting taxes due to be devolved to the Scottish Parliament. We will also put more resources into the scrutiny of Budget and Autumn Statement policy costings, where the volume of measures being submitted to the OBR has increased.

The structure of the OBR is currently as follows:

- Budget Responsibility Committee: 3 people
- Non-executive board members (unremunerated): 2 people
- Head of Staff: 1 person
- Economic analysis and forecasting: 5 people
- Fiscal forecasting and tax policy costing: 6 people
- Welfare analysis, forecasting and policy costing: 3 people
- Long-term sustainability, balance sheet and fiscal analysis: 2 people
- Operations, finance, office management and coordination: 2 people

The settlement also provides additional resources specific to 2014-15, to help pay for the external review of the OBR's publications and processes that was required in the legislation that put the OBR on a statutory basis. Work on the review is already under way, led by Kevin Page, formerly the Parliamentary Budget Officer in Canada and now based at the University of Ottawa. His team has already visited the UK to meet with users of the OBR's outputs and they will report publicly in the autumn.

The budget delegation letter has been published alongside an updated OBR/HM Treasury Framework Document, which sets out the OBR's governance and management arrangements which has been drawn up by the Treasury and agreed with the OBR.

Robert Chote, chairman of the OBR, commented:

"I am very pleased that we have reached agreement with the Treasury on our budget for the next few years, reflecting the additional tasks we have been given. I have always insisted that a transparent multi-year budget is an important safeguard for our independence, and a bulwark against political interference. Very sensibly, this is also now recommended in the OECD's principles for independent fiscal institutions."

³ More information on the definition of the welfare cap can be found on page 140 of the March 2014 *Economic and fiscal outlook* at <http://budgetresponsibility.org.uk/pubs/37839-OBR-Cm-8820-accessible-web-v2.pdf>

Notes

1. The Office for Budget Responsibility is the UK's independent fiscal watchdog – responsible for producing forecasts for the economy and the public finances, judging progress towards the Government's fiscal targets, and reporting on long-term fiscal sustainability.
2. Our documents are available here: <http://budgetresponsibility.org.uk/>
3. Questions should be sent to OBRpress@obr.gsi.gov.uk