

Office for
**Budget
Responsibility**

Corporate and business plan 2012-13 to 2014-15

Introduction

- 1.1 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) and became a statutory body on 4 April 2011 following Royal Assent of the *Budget Responsibility and National Audit Act 2011*. Prior to Royal Assent the OBR existed as a non-statutory body from 17 May 2010.
- 1.2 This Corporate and business plan sets out our key achievements in 2011-12, sets out our business plan for 2012-13, and outlines our corporate objectives and anticipated outputs and structure up to 2014-15.

Statutory remit and structure of the OBR

- 1.3 The *Budget Responsibility and National Audit Act 2011* requires the OBR to examine and report on the sustainability of the public finances. This is a broad remit which allows us to analyse the public finances from a multitude of angles. We have complete discretion to set our own work programme, subject to meeting the following core annual requirements and guidance set out in the *Act* and the accompanying *Charter for Budget Responsibility*:
 - 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 accuracy of its previously prepared fiscal and economic forecasts; and
 - an analysis of the sustainability of the public finances.
- 1.4 The *Charter* sets out that the OBR's forecasts should be based on all Government policy decisions that have material impact on the fiscal outlook and which 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. The *Act* and *Charter* also specify that we should not consider the effect of alternative policies and should not provide normative commentary on the particular merits of Government policy.

- 1.5 Our independence is central to the effective delivery of our responsibilities, and to support this we are required by the Act to perform our objectives objectively, transparently and impartially.
- 1.6 The OBR comprises five members: the Budget Responsibility Committee (BRC) – Robert Chote (Chair), Steve Nickell and Graham Parker; and two Non-executive members – Lord Burns and Kate Barker. The BRC is solely responsible for the delivery of the OBR’s core responsibilities as set out above. 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, which is chaired by Lord Burns. The OBR currently employs a staff of 17 to provide analytical and corporate support, led by the Head of Staff – Tom Josephs.
- 1.7 We are accountable to both the Chancellor of the Exchequer and Parliament for the analysis we produce and the way we use public funds. Our sponsor department is HM Treasury. The OBR has a multi-year financial settlement over the spending review period.

Strategic objectives, outputs and structures

Objectives

- 1.8 The principal objective of the OBR is to provide independent and authoritative analysis of the UK’s public finances. We aim to achieve this objective through:
- delivering high quality, objective and impartial economic and fiscal analysis, forecasts and long-term projections;
 - raising public understanding by presenting our outputs clearly through published documents, the website, presentations and speeches;
 - ensuring we are fully transparent about the assumptions, judgements and methodologies that we use, and the conclusions we reach;
 - working effectively with stakeholders both inside and outside Government, while protecting our independence and taking full responsibility for the content of all our outputs; and
 - ensuring we have robust governance structures, are managed effectively and are transparent about how we work and our finances.

Outputs

1.9 We will deliver our objectives through a range of outputs:

- we publish medium-term forecasts twice a year in our *Economic and fiscal outlook (EFO)* publication. Our Spring *EFO* is published at the same time as the Budget and incorporates the impact of any tax and spending policy measures announced in it. Our annual *Forecast evaluation report* will examine what lessons we can learn from our recent forecasting performance for improving the techniques we use;
- in the *EFO*, we assess whether the Government has a greater than 50 per cent probability of hitting its fiscal targets under current policy. We also investigate how robust this judgement is, given the uncertainty inherent in all fiscal forecasts;
- during the run-up to Budgets and other policy statements, we subject the Government's draft costings of tax and spending measures to detailed challenge and scrutiny. We will then state in the *EFO* and the Treasury's costing documents whether we endorse the costings that the Government finally publishes as reasonable central estimates;
- we assess the long-term sustainability of the public finances in our annual *Fiscal sustainability report* which sets out long-term projections for different categories of spending and revenue, analyses the public sector's balance sheet and reports on summary indicators of long-term sustainability;
- we undertake a variety of relevant research projects through the year. We publish material through our series of Briefing papers, Working papers and Discussion papers to inform people about our work. We also provide a regular commentary on the monthly public finances;
- we answer parliamentary questions on our forecasts and give evidence to parliamentary committees. BRC members and OBR staff also give talks and presentations at external events; and
- we will produce an open and transparent Annual Report on our activities over the previous year together with our audited accounts.

Structures

1.10 We have a set of management, advisory and support structures to help us meet our objectives:

Corporate and business plan
2012-13 to 2014-15

- the OBR's Oversight Board comprises the members of the BRC and the Non-executive members, and is chaired by Lord Burns. The Oversight Board oversees the strategic aims of the OBR, ensure high standards of corporate governance and internal control, and review the performance of the OBR. It is also responsible for production of the Annual Report;
- a management group, led by Robert Chote as the Chair of the OBR, has executive responsibility for the overall management of the OBR, responsible for implementing strategic decisions taken by the OBR and making any decisions relating to the day-to-day running of the OBR;
- an advisory panel of technical experts advises us on our work programme and analytical methods. The panel was appointed in March 2011. It meets once or twice a year and its members also provide further advice and comment on request from the OBR; and
- we purchase administrative support services from other Government departments. Finance, HR and security vetting support services are provided by HM Treasury under a Service Level Agreement. IS support services are provided by the Attorney General's Office with whom we share office accommodation.

Achievements in 2011-12

- 1.11 The key achievements in 2011-12 were the delivery of the first *Fiscal sustainability report* in July and the first *Forecast evaluation report* in October. This was followed by two economic and fiscal forecasts, in November 2011 and March 2012, which included the certification of the costings of Government policies. Alongside the March EFO we also published our first forecasts of Scottish tax consistent with the requirements of the *Scotland Act*, and a methodological paper to explain our approach.
- 1.12 We published two Briefing papers in 2011-12 – *Estimating the output gap* and *Forecasting the economy*. We also published two Working papers alongside the Autumn EFO – *Estimating the UK's historical output gap* and *The long-run difference between RPI and CPI inflation*.
- 1.13 The first of our regular commentaries on the HMT/ONS Public sector finances data release was published in April 2011 and this is now published on a monthly basis. Our new website was launched in April 2011.
- 1.14 We also established the Oversight Board and Audit Committee, which complete the permanent governance structure of the OBR.

Specific milestones in 2011-12

<p>April 2011</p>	<p>OBR becomes a statutory body on 4 April 2011. OBR and HM Treasury publish the <i>OBR and HMT Framework Document</i> and <i>Memorandum of Understanding</i> between OBR, HMRC, DWP and HMT</p> <p>Launch of new website and monthly commentary on the public finances</p> <p>Publication of Briefing paper No. 2: <i>Estimating the output gap</i>.</p>
<p>June 2011</p>	<p>First meeting of advisory panel</p> <p>Appointment of Lord Burns and Kate Barker as non-executive members of the OBR</p>
<p>July 2011</p>	<p>Publication of first <i>Fiscal sustainability report</i></p>
<p>September 2011</p>	<p>First meeting of Oversight Board and Audit Committee</p>
<p>October 2011</p>	<p>Publication of Briefing paper – <i>Forecasting the economy</i></p> <p>Publication of first <i>Forecast evaluation report</i></p>
<p>November 2011</p>	<p>Publication of <i>Autumn Economic and fiscal outlook</i></p> <p>Publication of first Working papers – <i>Estimating the UK's historical output gap</i> and <i>The long-run difference between RPI and CPI inflation</i></p>
<p>March 2012</p>	<p>Publication of methodological note on forecasting Scottish tax receipts</p> <p>Publication of <i>Spring Economic and fiscal outlook</i></p> <p>Publication of first forecast of Scottish tax receipts</p>

Business activity plan for 2012-13

1.15 Two business objectives will guide the work of the OBR in 2012-13:

Business objective 1: Fulfil our duties under the *Act* and *Charter* to examine and report on the sustainability of the public finances

1.16 We will achieve this by:

- Publishing our next *Fiscal sustainability report* in July 2012;
- Publishing our next *Forecast evaluation report* in Autumn 2012;
- Producing two sets of updated economic and fiscal forecasts, in Autumn 2012 and alongside Budget 2013, on dates set by the Chancellor of the Exchequer;
- Scrutinising the Government's costings of new policies, including for Budget 2013;
- Continuing to publish monthly commentary on the ONS/HMT *Public Sector Finances* release;
- Publishing further *Briefing papers* including on how we scrutinise the Government's policy costings and on how we deal with uncertainty in our forecasts;
- Publishing further *Working papers*, including on our approach to cyclical adjustment;
- Working with our advisory panel of technical experts who advise us on our work programme and analytical methods;
- Informing our analysis and methodological approaches by engaging widely with economic and fiscal analysts in Government and the private sector from across the UK, and with international organisations; and
- Developing our communications strategy for external stakeholders. We aim to continue to develop our website and other channels of communication in response to user feedback over the coming year, including by adding more data sets and non-technical explanations of the public finances.

Business objective 2: Ensure our governance and operational arrangements are fit for purpose and allow us to operate as a responsible, effective and transparent NDPB, whilst meeting statutory and other requirements.

1.17 We will achieve this by:

- Facilitating and working with our Oversight Board and continuing to develop appropriate corporate processes;
- Asking for feedback on our performance from our key stakeholders via a survey and using the results to inform our Annual Report;
- Maintaining corporate and human resources policies and processes that will facilitate the hiring, retention and development of a skilled, highly motivated and professional staff. In particular we will:
 - monitor and assess the effectiveness of the new performance appraisal system we have established for OBR staff;
 - continually review our staff structures against our deliverables to ensure any resource pressures are quickly identified and dealt with;
 - recruit for any vacancies that arise through open competitions; and
 - ensure staff are fully involved in the operation and development of the OBR through ongoing and open communication and consultation.
- Ensuring independent financial reporting and accounting arrangements are in place, and establish appropriate internal controls, working with our independent qualified Financial Adviser and endorsed by the Audit Committee. In particular we will:
 - ensure we have appropriate processes in place to record and monitor all financial transactions;
 - record hospitality and expenses and publish those of the BRC on the website;
 - keep our budget under review on a monthly, quarterly and annual basis, and provide appropriate reporting to the Board;
 - ensure we have an agreed strategy to live within our flat cash financial settlement for the next three years;

- produce and publish audited annual accounts alongside an open and transparent first Annual Report; and
- review support service contracts ahead of renewal to ensure value for money and appropriate level of service.
- Maintaining a security policy, business continuity plan and risk management plan that has been endorsed by our Audit Committee; and
- Being transparent about the way we work and how we spend public funds, demonstrated by:
 - publishing briefing papers on our analytical methodologies and policy costings process and;
 - publishing our correspondence with Parliament, responses to FOI requests, and minutes of our Board meetings;
 - publishing records of hospitality and expenses of the BRC members, and all financial transactions over £500; and
 - publishing a full and transparent first Annual Report with audited accounts.

Specific milestones in 2012-13

Spring – Summer 2012	<p>Publication of the first <i>Annual report and accounts</i>, covering our first full year of operation under the <i>Budget Responsibility and National Audit Act 2011</i></p> <p>Publication of a discussion paper on our cyclical adjustment methodology</p> <p>Publication of briefing papers on scrutinising policy costings and on dealing with forecast uncertainty</p> <p>Publication of the <i>Fiscal sustainability report</i> (12 July)</p>
Autumn 2012	<p>Publication of the 2012 <i>Forecast evaluation report</i></p> <p>Publication of the Autumn 2012 <i>Economic and fiscal outlook</i></p>
Spring 2013	<p>Publication of the Spring 2013 <i>Economic and fiscal outlook</i></p>

Outputs in 2013-14 and 2014-15

- 1.18 In 2013-14 and 2014-15 we currently expect to be required to deliver the same set of core outputs as set out above.

Resource Management

Finances

- 1.19 The OBR is funded by a delegated budget from HM Treasury. Robert Chote is the OBR's Accounting Officer. The OBR's Oversight Board has an Audit Committee function which is chaired by Kate Barker, one of our Non-executive members. This will provide oversight of our internal control and risk management structures.
- 1.20 Our delegated budget has been set at a flat £1.75 million per year for 2011-12 through to 2014-15. This allows us to be confident of our funding and plan across a number of years. Ensuring that we have the resources necessary to carry out our role is an important part of our independence. In 2012-13, over 70 per cent of our expenditure is expected to be on staff costs. The next single largest component of expenditure is accommodation which is expected to be just less than 15 per cent of total budget.
- 1.21 The OBR is committed to achieving value for money for the taxpayer and to be transparent about the way on which we spend public funds. Sharing services is important in reducing costs, and as a small organisation it makes sense economically to pool resource to achieve scale. We therefore purchase administrative support services such as IS, HR and finance from other Government departments. We publish hospitality and expenses of the BRC on a quarterly basis on our website, and all transactions over £500 on the website every six months. The pay and contracts of the BRC members are also published on our website.
- 1.22 In order to live within our flat cash settlement in 2013-14 and 2014-15 we have ensured our baseline non-staff costs have been kept low and allow space for inflation-driven cost increases in future years. We have also built in contingency in our current staff costs budget so that we can remain within our settlement in future years while allowing for future salary increases.
- 1.23 We will publish full audited accounts in our *Annual report* each year.

Staff

1.24 Supporting the BRC and non-executive members we currently have a headcount of 17 full-time OBR staff. When the OBR was first established a number of our staff were transferred from HM Treasury under Cabinet Office guidelines changes. Since then our staff have been recruited on open competition from the wider Civil Service and other organisations. All staff are currently permanent employees of the OBR rather than secondees from other departments. Below is the current OBR organisation structure. In order to maintain a highly skilled and motivated workforce, the OBR will encourage staff, particularly over the next year, to take up training and personal development opportunities which are appropriate to the challenges of the OBR.

