

Corporate and business plan – 2011-12 to 2013-14

Introduction

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.

This is the first Corporate Plan produced by the OBR covering the period 2011-12 to 2013-14. It sets out our key objectives and plans for delivering our priorities over the three years, and incorporates our business plan for 2011-12. It also reports on our main achievements over 2010-11.

1. Statutory remit and structure of the OBR

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.

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. Importantly, 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.

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.

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.

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.

2. Strategic objectives, outputs and structures

Objectives

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 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

We will deliver our objectives through a range of outputs:

- we will publish five-year 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 will 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 will undertake a variety of relevant research projects through the year. We will publish material through our series of Briefing papers, Working papers and Discussion papers to inform people about our work. We will also provide a regular briefing 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

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

- the OBR's Oversight Board comprises the members of the BRC and the Non-executive members, and is chaired by Lord Burns. The first meeting took place in September 2011. The Oversight Board will oversee the strategic aims of the OBR, ensure high standards of corporate governance and internal control, and review the performance of the OBR. It will also be responsible for production of the Annual Report;
- a management group, chaired 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 will advise us on our work programme and analytical methods. The panel was appointed in March 2011. It will meet once or twice a year and its members will 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 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.

3. Achievements in 2010-11

The key achievements in 2010-11 relate to the establishment of the OBR as a statutory body, the delivery of a series of economic and fiscal forecasts, and the certification of the costings of Government policies.

The OBR was initially established on an interim basis in May 2010 with Sir Alan Budd as interim Chair of the BRC. Over the course of the year legislation was taken through Parliament by HM Treasury to put the OBR on a statutory basis. The permanent members of the BRC were appointed in October 2010 by the Chancellor following an open competition process, with Robert Chote appointed as Chair.

The OBR's financial settlement and governance structure were agreed through negotiation between the OBR and HMT Treasury, and published in a settlement letter and the *OBR and HMT Framework Document*. The OBR's permanent staff were

appointed through the year by open competition or under the Cabinet Office's guidelines for Machinery of Government changes.

The publication over 2010-11 of four economic and fiscal forecasts and the certification of Government policy costings was a considerable challenge requiring extensive analytical and presentational work. It also required close interaction with officials in a number of Government departments, in particular HM Revenue and Customs, the Department for Work and Pension and HM Treasury, which required considerable work on project management and planning. Working relations between the key departments involved were formalised in the *Memorandum of Understanding between OBR, HM Treasury, DWP and HMRC*.

Specific milestones in 2010-11 were:

<i>May 2010</i>	OBR established as an interim and non-statutory body. Sir Alan Budd (Chair), Graham Parker and Geoffrey Dicks appointed as members of the interim BRC.
<i>June 2010:</i>	Publication of interim OBR's Pre-Budget Forecast on June 14 and Budget forecast on June 22. Interim OBR certifies Government's costings of Budget 2010 policies.
<i>September 2010</i>	Interim OBR publishes <i>Assessment of the effect of oil price fluctuations on the public finances</i>
<i>October 2010</i>	Appointment of Robert Chote (Chair), Graham Parker and Steve Nickell as permanent members of the BRC. Agreement with HM Treasury of the OBR's four year budget settlement.
<i>October 2010</i>	OBR certifies the Government's costings of expenditure measures for the 2010 Spending Review.
<i>November 2010</i>	OBR publishes November 2010 <i>Economic and fiscal outlook</i>
<i>December 2010</i>	OBR moves to permanent accommodation at 20 Victoria Street, London.
<i>January 2011</i>	OBR publishes first Briefing Paper: <i>Forecasting the public finances</i>
<i>March 2011</i>	OBR publishes March 2010 <i>Economic and fiscal outlook</i> and certifies the Government's policy costings for Budget 2011.

	<p>OBR publishes first discussion paper: <i>What should we include in the Fiscal Sustainability Report?</i></p> <p>OBR establishes an advisory panel of technical experts</p> <p>Budget Responsibility and National Audit Act receives Royal Assent.</p>
<i>April 2011</i>	<p>OBR becomes a statutory body on 4 April 2011. OBR and HM Treasury publish <i>OBR and HMT Framework Document</i> and <i>Memorandum of Understanding between OBR, HMRC, DWP and HM Treasury</i>.</p>

4. Business Activity Plan for 2011-12

Two business objectives will guide the work of the OBR in 2011-12:

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

We will achieve this by:

- Publishing our first *Fiscal sustainability report* in July 2011. This set out long-term projections for different categories of spending and revenue, analysed the public sector's balance sheet using new material from the Government's Whole Of Government Accounts, and reported on summary indicators of long-term sustainability;
- Publishing our first *Forecast evaluation report* in October 2011. This will examine what lessons we can learn from our recent forecasting performance for improving the techniques we use;
- Producing two sets of updated economic and fiscal forecasts, in Autumn 2011 and alongside Budget 2012, on dates set by the Chancellor of the Exchequer;
- Scrutinising the Government's costings of new policies, including for Budget 2012;
- Publishing monthly commentary on the ONS/HMT *Public Sector Finances* release. Our first commentary was released on 21 April 2010;
- Publishing further *Briefing papers*. We aim to publish three briefing papers this year: (i) a description of the methodology we use to estimate the output gap was published in April 2011; (ii) a detailed description of the methodology that we use to produce the economic forecast was published in October 2011; and (iii) a detailed description of how we scrutinise policy costings;
- Publishing further *Discussion papers*. We aim to publish two working papers this year on: (i) analysis of the historical output gap; and (ii) our approach to cyclical adjustment;
- Establishing our advisory panel of technical experts who will advise us on our work programme and analytical methods. The first meeting of this group took place in June 2011;
- 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 launched a new website in April 2011, and will continue to develop this and other channels of communication in response to user feedback over the coming year.

Business objective 2: Ensure that the OBR's governance arrangements are fit for purpose to operate as a responsible, effective and transparent NDPB, meeting statutory and other requirements.

We will achieve this by:

- Establishing our Oversight Board and adopting appropriate corporate processes;
- Developing corporate and human resources processes that will facilitate the hiring, retention and development of a skilled, highly motivated and professional staff. In particular we will:
 - introduce a new performance appraisal system appropriate for the needs of the OBR;
 - 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 function of our Board. 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;
 - prepare to produce and publish our first audited annual accounts alongside an open and transparent Annual Report in summer 2012; and
 - review support service contracts ahead of renewal to ensure value for money and appropriate level of service.
- Finalising 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:
 - publishing briefing papers on our analytical methodologies and processes, explaining how we produce our economic forecast, fiscal forecasts and policy costings;
 - 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 Annual Report with audited accounts.

Specific milestones in 2011-12 are:

<i>April 2011</i>	<p>Launch of new website and monthly commentary on the public finances</p> <p>Publication of Briefing paper on estimating the output gap</p>
<i>June 2011</i>	<p>First meeting of advisory panel</p> <p>Appointment of Lord Burns and Kate Barker as non-executive members</p>
<i>July 2011</i>	<p>Publication of first <i>Fiscal Sustainability Report</i>.</p>
<i>September 2011</i>	<p>First meeting of Oversight Board</p> <p>Publication of Autumn <i>Economic and fiscal outlook</i></p>
<i>October 2011</i>	<p>Publication of Briefing paper on economic forecast approach and methodology</p> <p>Publication of first <i>Forecast evaluation report</i></p>

<p><i>November 2011 to March 2012</i></p>	<p>Publication of Autumn <i>Economic and fiscal outlook</i> (November 29th 2011)</p> <p>Publication of Spring <i>Economic and fiscal outlook</i></p> <p>Publication of Discussion papers on the historical output gap and cyclical adjustment</p> <p>Publication of Briefing paper on policy costings approach and methodology</p>
---	---

6. Outputs in 2012-13 and 2013-14

In 2012-13 and 2013-14 we currently expect to be required to deliver the same set of core outputs as set out in section 2. One additional requirement is that from April 2012 we will also have responsibility for producing forecasts for Scottish income tax, landfill tax, stamp duty land tax and aggregate levy receipts, in readiness for the proposed introduction of the new Scottish rate of income tax, the devolution of landfill tax and stamp duty to the Scottish Parliament, and the possible later devolution of the aggregates levy.

7. Resource Management

7.1 Finances

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.

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 2011-12, 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 under 15 per cent of total budget.

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.

In order to live within our flat cash settlement in 2012-13 and 2013-14 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.

We will publish full audited accounts in our Annual Report each July. In July 2011, the Treasury 2010-11 annual accounts included details of its expenditure on the costs of the non-statutory OBR up to March 2011.

7.2 Staff

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 the Cabinet Office guidelines governing machinery of Government changes. Since then our staff have been recruited on open competition from the wider Civil Service and other organisations. All staff are permanent employees of the OBR rather than secondees from other departments. Below is the current OBR organisation structure.

OBR organisational structure

