

# Corporate and business plan: 2015-16 to 2017-18

## 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*. Previously we had been a non-statutory body from 17 May 2010.
- 1.2 This *Corporate and business plan* sets out our key achievements in 2014-15, our business plan for 2015-16, and our corporate objectives and anticipated outputs and structure up to 2017-18. It is effective from 1 April 2015 and is prepared on the basis of our existing remit.

## 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 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 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 says that the Government intends to adopt the OBR's forecasts as the official forecasts for the annual Budget;
  - an assessment of the accuracy of our previously prepared fiscal and economic forecasts; and
  - an analysis of the sustainability of the public finances.
- 1.4 In Autumn Statement 2013, the Government set out an additional responsibility for the OBR, namely to assess the Government's performance against a 'welfare cap',

subsequently set at Budget 2014, and to produce an annual report on trends in welfare spending. This new responsibility was reflected in our resourcing, described below.

- 1.5 The Charter says that our forecasts should be based on all Government policy decisions that have 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. The *Act* and *Charter* also specify that we should not consider the effect of alternative policies and should not provide normative commentary on the merits or otherwise of Government policy. Our Briefing paper No. 6: *Policy costings and our forecast* set out the process and methodology for our approach to policy costings.
- 1.6 Our independence is central to the effective delivery of our responsibilities. To support this we are required by the *Act* to perform our objectives objectively, transparently and impartially.
- 1.7 The OBR comprises five members: the three members of the Budget Responsibility Committee (BRC) – Robert Chote (Chair), Sir Stephen Nickell and Graham Parker CBE; and two non-executive members – Lord Burns and Dame 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. In 2014-15, consistent with the requirements of the *Act*, the non-executive members commissioned an external review of the OBR, carried out by Kevin Page, former Parliamentary Budget Officer in Canada. The review was published in September 2014.<sup>1</sup>
- 1.8 In 2014-15, the OBR employed a staff of 19 to provide analytical and corporate support, led by the Head of Staff – Andy King. From 2015-16, the OBR staff will expand to 21, reflecting growing responsibilities in relation to forecasting devolved taxes.
- 1.9 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. A new multi-year funding settlement for the period 2014-15 to 2017-18 was agreed with the Treasury in May 2014, which covers the remaining years in which detailed Government spending plans have been set and an indicative budget for two further years.

## Objectives, outputs and structures

### Objectives

- 1.10 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;

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<sup>1</sup> [http://budgetresponsibility.org.uk/wordpress/docs/External\\_review\\_2014.pdf](http://budgetresponsibility.org.uk/wordpress/docs/External_review_2014.pdf)

- 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

1.11 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. We publish these forecasts alongside the Government's Budget and Autumn Statement fiscal events, and incorporate the impact of any tax and spending policy measures announced at those events. Our annual *Forecast evaluation report* will examine what lessons we can learn from our recent forecasting performance;
- in the *EFO*, we assess whether the Government has a greater than 50 per cent probability of hitting its fiscal targets – and whether relevant welfare spending will remain below the welfare cap commitment – under current policy. We also investigate the robustness of this judgement, given the uncertainty inherent in all fiscal forecasts;
- in 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 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*. This 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 fiscal sustainability;
- we publish an annual *Welfare trends report*, which looks in detail at the trends and drivers which influence spending on social security and tax credits;
- we undertake a variety of relevant research projects through the year. We publish Briefing papers, Working papers and Discussion papers to inform people about our work. We also provide a monthly commentary on the ONS public finances data;

- we answer enquiries on our forecasts and give evidence to parliamentary committees. BRC members and OBR staff also give talks and presentations at external events; and
- we produce an *Annual report* on our activities, together with our audited accounts.

## Structures

1.12 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 Oversight Board oversees the strategic aims of the OBR, reviews its performance and is responsible for the content and production of the *Annual Report*. The Audit Committee is a sub-committee of the Board chaired by Dame Kate Barker. Its role is to ensure high standards of corporate governance and internal control;
- 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 originally appointed in March 2011 and the membership has recently been refreshed. It meets once 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 2014-15

- 1.13 The key achievements in 2014-15 were the delivery of the December 2014 and March 2015 *Economic and fiscal outlooks*, the *Fiscal sustainability report* in July 2014 and the *Forecast evaluation report* in October 2014. In the December 2014 *Economic and fiscal outlook* we extended our analysis of the implications of the Government's total spending growth assumptions. We also published the first *Welfare trends report* in October 2014.
- 1.14 We published three Working papers in 2014-15: Working Paper No. 5: *Output gap measurement: judgement and uncertainty*; Working paper No. 6: *Forecasting house prices*; and Working paper No. 7: *Crisis and consolidation in the public finances*.
- 1.15 The non-executive members commissioned the first external review of the OBR in April 2014, which was carried out by Kevin Page, former Parliamentary Budget Officer for

Canada. Both the staff and members of the OBR engaged with the review team throughout, via group and one-to-one discussions, and to provide data and information about the OBR's operations and outputs.

- 1.16 We also published a set of audited accounts in June 2014 in our third *Annual report and accounts*.

## Specific milestones in 2014-15

May 2014	Meeting of OBR advisory panel – reviewed OBR outputs in previous year and discussed developments in our house price forecast model and measuring the output gap, ahead of the publication of new Working papers in the summer
June 2014	Publication of <i>Annual report and accounts</i>
July 2014	Publication of <i>Fiscal sustainability report</i> Publication of Working Paper No.5: <i>Output gap measurement: judgement and uncertainty</i> Publication of Working paper No.6: <i>Forecasting house prices</i>
September 2014	Publication of Working paper No.7: <i>Crisis and consolidation in the public finances</i> Publication of the first External Review of the OBR
October 2014	Publication of <i>Forecast evaluation report</i> Publication of <i>Welfare trends report</i>
December 2014	Publication of autumn <i>Economic and fiscal outlook</i>
March 2015	Publication of spring <i>Economic and fiscal outlook</i> Publication of <i>Briefing paper No.6: Policy costings and our forecast</i>

## Business activity plan for 2015-16

- 1.17 Having been established following the 2010 General Election, 2015-16 will be the first year in which the OBR has been operating in the run-up to and following a General Election. The Chancellor of the Exchequer is responsible for announcing the date of a forecast, and the OBR must be given 10 weeks' advance notice. Given the uncertainty surrounding the

outcome of the election, we planned our publication timetable around the possibility of an additional forecast between the General Election in May and the start of the summer parliamentary recess in July. As a result, we brought forward publication and produced less comprehensive versions of the *Fiscal sustainability* and *Welfare trends reports* in June 2015. If necessary, we will also produce a less comprehensive version of the *Forecast evaluation report* later this year.

1.18 Two business objectives will continue to guide the work of the OBR in 2015-16:

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

1.19 We will achieve this by:

- publishing our next *Fiscal sustainability report* in June 2015. This will set out long-term projections for different categories of spending and revenue, analyse the public sector's balance sheet using the Government's updated Whole of Government Accounts, and report on summary indicators of long-term sustainability;
- publishing our next report *Welfare trends report* in June 2015;
- publishing our next *Forecast evaluation report* in autumn 2015. This will examine what we can learn from our recent performance for improving the techniques we use;
- producing three sets of updated economic and fiscal forecasts, in July 2015, autumn 2015 and alongside Budget 2016, on dates set by the Chancellor of the Exchequer. We will continue to publish forecasts for some Scottish and Welsh taxes alongside the UK forecast;
- scrutinising the Government's costings of new policies, including for the next Spending Review, if necessary, and for Budget 2016;
- continuing to publish monthly commentary on the ONS/HMT Public Sector Finances release;
- publishing further Briefing and Working papers, if the timing and number of fiscal event means that we have the resources available;
- continuing to work with our advisory panel of technical experts 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.

**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.

1.20 We will achieve this by:

- facilitating and working with our Oversight Board and continuing to develop appropriate corporate processes;
- acting on the recommendations of the first External Review of the OBR;
- 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 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 maintain appropriate internal controls, working with our independent qualified Financial Adviser and endorsed by the Audit & Risk Assurance 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 Oversight Board;
  - ensure we have an agreed strategy to live within our new multi-year financial settlement;
  - produce and publish audited annual accounts within our *Annual report and accounts*; and
  - review support service contracts ahead of renewal to ensure value for money and appropriate level of service.

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- maintaining a security policy, business continuity plan and risk management plan that have been endorsed by our Audit & Risk Assurance Committee; and
- being transparent about the way we work and how we spend public funds, demonstrated by:
  - publishing our correspondence with Parliament and minutes of our Board meetings;
  - publishing a regular log of substantive contact that we have with Treasury Ministers, Special Advisers and their private offices;
  - publishing records of hospitality and expenses of the BRC members, and all financial transactions over £500; and
  - publishing a transparent *Annual report and accounts*.

### Key milestones in 2015-16

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	Publication of the 2015 <i>Fiscal sustainability report</i>
Spring – Summer 2015	Publication of our second <i>Welfare trends report</i>
	Publication of the July 2015 <i>Economic and fiscal outlook</i>
	Publication of the <i>Annual report and accounts</i>
Autumn 2015	Publication of the 2015 <i>Forecast evaluation report</i>
	Publication of the autumn 2015 <i>Economic and fiscal outlook</i>
Spring 2016	Publication of the spring 2015 <i>Economic and fiscal outlook</i>

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### Outputs in 2016-17 and 2017-18

In 2016-17 and 2017-18, we currently expect to be required to deliver the same set of core outputs as set out above. There is a possibility that our remit may evolve over the course of this Parliament. We will report in future annual business plans on how we intend to deliver any new responsibilities.



## Resource management

### Finances

- 1.21 The OBR is financed via a Grant-in-aid from HM Treasury. Robert Chote is the OBR's Accounting Officer. The OBR's Oversight Board has an Audit & Risk Assurance Committee that is chaired by Kate Barker, one of our non-executive members. This provides oversight of our internal control and risk management structures.
- 1.22 At Spending Round 2013, which set detailed departmental spending plans for 2015-16, we agreed a new multi-year financial settlement with the Treasury covering the years from 2014-15 to 2017-18. A multi-year settlement allows us to be confident of our funding and plan across a number of years. Our latest funding settlement includes an increased budget for additional members of staff to focus on welfare-related issues, associated with the new responsibilities we have been given to assess performance against the welfare cap and analyse trends in welfare spending. It also includes additional resources to cover the expansion of our responsibilities in relation to devolved taxes.
- 1.23 In 2015-16, 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 around 20 per cent of the total budget.
- 1.24 As the Government has not set detailed spending plans beyond 2015-16, our multi-year settlement represents a firm commitment for 2015-16 and an indicative settlement for 2016-17 and 2017-18.<sup>2</sup>
- 1.25 The OBR is committed to achieving value for money for the taxpayer and to be transparent about the way in which we spend public funds. Sharing services is important in reducing costs, and as a small organisation it makes sense financially 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 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. We publish full audited accounts in our *Annual report and accounts* each summer.

### Staff

- 1.26 We currently have a headcount of 19 full-time OBR staff supporting the BRC and non-executive members. When the OBR was first established, a number of our staff were transferred from HM Treasury under 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 OBR staff ultimately report to and are appraised by the Chair of the Budget Responsibility Committee. Below is the current OBR organisation structure.

<sup>2</sup> [http://budgetresponsibility.org.uk/wordpress/docs/2014\\_Framework\\_document.pdf](http://budgetresponsibility.org.uk/wordpress/docs/2014_Framework_document.pdf)

Budget Responsibility Committee



Graham Parker



Chairman Robert Chote



Sir Stephen Nickell

Non-Executive Members



Dame Kate Barker



Lord Burns

Andy King  
Head of staff

Operations, finance, office management and co-ordination {3 staff members}

Economy analysis and forecast {4 staff members}

Fiscal forecast and tax policy costings {6 staff members}

Long-term sustainability and fiscal analysis {2 staff members}

Welfare spending forecast and welfare costings {3 staff members}