

Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee

15 June 2020

Oversight Board

Attending

Members: Sir Christopher Kelly, Bronwyn Curtis, Robert Chote, Sir Charles Bean, Andy King. Staff: Steve Farrington (Chief of Staff), Shaun Butcher (Deputy Chief of Staff), Mark Dembowicz (Head of Strategy, Operations and Communications).

1. Procedures

The board reviewed and discussed the risk register and agreed some changes, particularly in relation to the ongoing effects of the pandemic. Some specific risks and mitigation strategies were discussed in detail. The re-organisation of analytical outputs and rapid development of working from home effectively had helped mitigate a number of risks.

2. Update on OBR activity

The Board discussed a summary of the OBR's recent outputs, stakeholder engagement, management issues and priorities. In relation to our outputs, the following issues were discussed:

- On 11 March we published our latest *Economic and fiscal outlook*. Our pre-measures forecast was relatively unchanged from our Restated March 2019 forecast. But the policy package – the largest sustained fiscal loosening since 1992 – was the largest the OBR has had to consider. In the event, the forecast was already out of date on Budget day, due to coronavirus and the associated additional policy announcements.
- On 13 March we published our legally mandated second forecast of 2019-20. It involved a minor refinement of our debt interest forecast and received very little press attention.
- On 14 April we published an initial illustrative reference scenario of the potential impact of coronavirus on the economy and public finances. It assumed a three-month lockdown followed by another three-month period of gradually lifting restrictions, and a stylised assumption of no lasting economic damage. GDP fell by 13 per cent in 2020 and borrowing reached 14 per cent of GDP. Our assumption of a 35 per cent fall in GDP of the second quarter of 2020 was widely used across the media.

- On 30 April we began publishing a database of initial broad-brush estimates of the costs of various policy interventions. Updates were published on 14 May and 4 June.
- On 14 May we refined the fiscal results of the scenario for 2020-21, and updated policy costings. We added monthly profiles through the year for various receipts and spending lines, as well as the main fiscal aggregates. The profiles allow us to track progress against the reference scenario and provide public guidance on whether the data are positive or negative surprises.
- We continue to produce our monthly commentary on the public finances. In the May release, borrowing was marginally lower than assumed in the monthly profiles of our reference scenario.

The Board paid tribute to the impressive achievements of the staff at the OBR, both in aiding the public understanding of the effect of the virus on the economy and public finances and adapting to the difficult circumstances of delivering and coordinating this work remotely.

The Board discussed the nomination of Richard Hughes as the new Chair of the OBR, remaining stages of the process and preparation for the transition. Sir Chris Kelly had also been re-appointed for a second term as a non-executive member, until June 2023.

The Board also thanked Robert Chote for leading the OBR for its first ten successful years and wished him the best for future endeavours.

The Board also discussed our engagement with Government and other stakeholders including:

- Relative to the Brexit-disrupted forecasts of October 2018 and March 2019, and the cancellation of the Autumn 2019 Budget, the March 2020 Budget forecast process went smoothly, particularly against the backdrop of the change in Chancellor and the size and complexity of the Budget policy package.
- During the coronavirus lockdown the OBR provided some short-term expertise to the Treasury to aid in the reconciliation of our borrowing forecast with cash data and interpretation of the public sector finances, and to the Cabinet Office to assist on presenting data for media briefings.
- The ongoing production of the *Fiscal sustainability report* was presenting challenges in creating a starting point consistent with the latest data and policy announcements.

Staff and office management developments discussed include:

- The impact of working from home during the start of the pandemic, including operational and staff wellbeing.

- Ongoing work to manage any phased return to the office, in conjunction with the Ministry of Justice, with whom we share our office space.
- Management of staff turnover and temporary funding for additional posts related to Brexit analysis.

3. External review

The Board discussed progress on the External Review and issues relating to the delay of the final report.

4. Pay remit

It was agreed that the pay remit would be approved by correspondence.

5. Finances and accounts

The Board discussed the financial position at the end of 2019-20, which will be incorporated into the *Annual report and accounts* due to be published in July.

6. Annual report and accounts

The Board reviewed the *Annual report and accounts* which were approved for publication.

Audit Committee

Attending

Attendees: Sir Chris Kelly, Robert Chote, Mark Dembowicz, Steve Farrington, Roxana Rudalescu (National Audit Office), Neil Chapman (Government Internal Audit Agency)

1. NAO Audit Completion Report 2019-20

The NAO presented the Audit Report, which proposed a clear audit opinion. The Report was considered and agreed by the Audit Committee, which was invited to review the findings set out in the report, including the letters of representation and audit certificate. No material issues were raised.

The Committee expressed their gratitude to the OBR, Treasury and NAO staff who overcame the significant challenge of maintaining the normal timetable for the production of the *Annual report and accounts* in difficult circumstances.

2. Internal audit plan for 2019-20

The Government Internal Audit Agency presented the draft annual opinion report and draft internal audit plan for 2019-20, which was agreed by the Board. The GIAA also submitted the internal audit charter, MOU and fees letter for consideration.