

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

18 November 2021

Oversight Board

Attending

Members: Sir Christopher Kelly, Bronwyn Curtis, Richard Hughes, Sir Charles Bean, Andy King.

Staff: Steve Farrington (Chief of Staff), Laura Gardiner (Deputy Chief of Staff), Sandra Powell (Business and Finance Manager).

1. Procedures

The Board reviewed the minutes from the last meeting and cleared them for publication.

2. Update on OBR activity

The Board discussed a **summary of the OBR's recent outputs**, reviews of the forecast process, OBR budget, management issues and priorities. In relation to our outputs, the following issues were discussed:

- On 6 July we published our third ***Fiscal risks report***. This edition switched from our previous compendium approach to focus on: coronavirus, climate change and debt interest risks. The analysis continues to be extensively used by analysts and the media.
- On 27 October we published our latest ***Economic and fiscal outlook (EFO)*** alongside the Budget and Spending review. A reduction in our coronavirus scarring assumption and higher inflation boosted nominal growth and receipts. Our commentary focused on the increase in the tax burden and the shifts in the composition of the larger post-pandemic state. The Treasury also published a revised *Charter for Budget Responsibility* in which the Chancellor set himself (multiple) new fiscal rules and targets.
- Alongside the *EFO* we published our latest **working paper** setting out our first forecast for public sector net worth (PSNW). PSNW is the broadest balance sheet aggregate and is one of the measures included in the revised *Charter* that the Treasury intends to 'take into account' when setting fiscal policy.
- We continue to produce our regular **monthly commentary** on the latest public finances release.

Reviews of the forecast process: The Board discussed recent media coverage of the forecast process for the October 2021 Budget and Spending review.

In response to the reports we:

- Provided a detailed account of the forecast process in the Foreword to the EFO document.
- Published the correspondence between the OBR and Treasury relating to the forecast timetable.
- Asked the Board's non-executive members to conduct a review of the decision-making process. We will publish the findings and any recommendations.
- Committed to seeking public input into the upcoming review of the *Memorandum of Understanding (MoU)* that will govern the forecast process and timetable for future EFOs.

The Parliamentary passage of the revised *Charter* will trigger the **review of the MoU** between the OBR, HMT, DWP and HMRC. We will use this opportunity to address our concerns around the setting and management of the forecast timetable and consult with the departments on their anticipated changes.

The Board discussed the **OBR budget** for this year and the main pressures within the budget, in the context of analytical challenges that we face. There was also some discussion on the process and governance of setting the OBR's budget.

The Board discussed a range of **staff and office management** issues including the results from the latest pulse staff survey (conducted after a very challenging and intense period for the office through the pandemic); the plan to address issues; the staffing and accommodation budget; staff vacancies and recruitment progress; and the 'hybrid' approach to work and office use.

The Board discussed the recruitment process for replacing Prof. Sir Charlie Bean on the BRC, whose term comes to an end on 31 December 2021. The interview for a successor was held on 20 September and a candidate has been recommended to the Chancellor for appointment. The Treasury Select Committee (TSC) to hold a confirmatory appointment hearing on 16 December.

The Board also discussed our **forthcoming issues**. Our main priorities over the next few months are:

- The publication of our next **Forecast evaluation report (FER)** on 9 December. The report will cover the evolution of our forecasts through the pandemic and lesson learned.
- Alongside the *FER* we intend to publish a working paper on forecast uncertainty setting out in more detail the methodology behind the new stochastic simulations approach to generating fan charts and forecast probabilities that we previewed in the October EFO.
- Publishing updated monthly profiles for our latest fiscal forecast and our regular monthly public finances commentary.

- Publishing our latest **Welsh taxes outlook** alongside the draft Welsh government budget on 20 December. And publishing shortly afterwards a working paper on devolved income taxes.
- Preparing to publish our next **Welfare trends report** in January which will compare the pandemic's impact on benefits with previous recessions.
- Preparing for the arrival and induction of a new BRC member in January.

3. Risk register

The Board discussed updates that had been made since the previous meeting and agreed some changes and mitigations, including in relation to the forecast process, website security and management, staffing and accommodation.

4. Finances and accounts

Ranjit Solomon (HMT Finance) attended item 4. The Board discussed the financial position for the year to date and the OBR's Spending Review bid.

5. Audit Committee

Attendees: Sir Chris Kelly, Bronwyn Curtis, Richard Hughes, Laura Gardiner, Steve Farrington, OBR business manager and Heather Clifton (Government Internal Audit Agency).

Internal audit plan for 2021-22: The GIAA presented progress on the audit plan for 2021-22.