

Office for
**Budget
Responsibility**

Annual report and accounts 2023-24

Office for Budget Responsibility: Annual report and accounts 2023-24

Annual report presented to Parliament pursuant
to Paragraph 15, Schedule 1 of the Budget
Responsibility and National Audit Act 2011

Accounts presented to Parliament pursuant
to Paragraph 18, Schedule 1 of the Budget
Responsibility and National Audit Act 2011

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1 Performance report

1.1 The performance report contains:

- the **overview**, which includes the Chair's message;
- the **statement of performance and activities**, which sets out how we have delivered our statutory duties over the past year;
- the **performance analysis**, which describes how we measure performance against our objectives; and
- an outline of the key elements of our **operations**.

Overview

Chair's message

1.2 The Office for Budget Responsibility (OBR) was established in 2010 to provide independent and authoritative analysis of the UK's public finances.

1.3 The *Budget Responsibility and National Audit Act 2011* states that "it shall be the duty of the Office to examine and report on the sustainability of the public finances". In practice we fulfil our remit by publishing a range of core publications and by engaging with domestic and international peers as widely as possible. In brief we carry this out by:

- Producing **five-year forecasts** for the economy and public finances twice a year, usually alongside the Government's annual Budget and Spring Statement.
- Assessing the likely **costs or savings from individual tax and spending measures** announced in each fiscal statement, including the impact of any changes in behaviour they might prompt.
- Using our forecasts to **assess the Government's performance against its fiscal and welfare spending targets**. We also assess the uncertainty around the chances of the Government meeting its fiscal objectives.
- Publishing **analysis of the public finance data** produced monthly by the Office for National Statistics (ONS). We focus on how the evolution of the data through the year compares to monthly profiles that we publish, which are consistent with our most recent forecast.

- Assessing the **long-term outlook for and risks to the public finances**, drawing on 50-year projections of spending, receipts and the key fiscal aggregates and alternative measures of fiscal sustainability. We also analyse a range of specific risks to the public finances over the medium and long term.
- Appearing before Parliamentary committees – including the Treasury Select Committee, the Scottish Finance Committee, the Welsh Finance Committee, and the Northern Ireland Assembly – to **explain our forecast judgements and conclusions of our analytical work**.
- Holding regular **briefing events and interviews** alongside the publication of our major reports and contributing to wider discussion at external conferences and events and in media appearances.
- Engaging with a range of **domestic and international counterparts** through speaking at and organising roundtables and seminars, participating in global networks for independent fiscal institutions, and sharing knowledge with similar organisations with similar remits.

1.4 In setting about these tasks, our guiding principle is to undertake them in as transparent a way as possible – not just in terms of the outputs we produce, but also in the way we engage with government departments and agencies and outside experts in preparing them. People may agree or disagree with the analysis and conclusions we present, and no forecast ever proves to be entirely prescient – especially given the shocks experienced in recent years. But we want them to be confident that our forecasts are based on our best professional judgement and an impartial assessment of the available data, and not on political considerations or wishful thinking.

1.5 As the acute impact of the pandemic and subsequent global energy and inflation shock continues to fade, our analytical focus has turned to more structural issues including health and inactivity, energy and climate change, and interest rates and public debt. These issues were the topics of last year's *Fiscal risks and sustainability report*, and health-related inactivity has remained a key focus of our *Economic and fiscal outlooks*. We have also accompanied our statutory publications with an expanded range of descriptive materials that explain the methods and techniques that we employ, and the data used in the construction of our forecasts and analysis. This year we added an 'OBR Articles' series to our range of outputs to provide short, single-topic insights on economic and fiscal issues in addition to our longer statutory publications. We have used a series of Articles to set out much more detail on the modelling framework that we use, and continue to develop, to assess the impact of the Government's policy decisions on the supply side of the economy. We also continue to draw on wide range of evidence and outside expertise to guide our forecasts and analysis. Last year we also refreshed and expanded our external advisory panel, which now comprises 25 experts covering a range of subject areas and backgrounds.

- 1.6 Against a more stable political backdrop than last year (when four different Chancellors held office), this has been a year of considerable change to the leadership of the OBR. Andy King stepped down at the end of his first term as a member of the BRC in August, and we welcomed Tom Josephs as the fiscal expert on the BRC in September. We are very grateful for the expertise, commitment, and creativity that Andy brought to the Office and wish him well in his new endeavours. And we are very fortunate to have attracted such a capable successor in Tom, who has very quickly settled into his role. Following Sir Chris Kelly's departure as Chair of the Oversight Board, we are also delighted to have appointed Dame Susan Rice and Baroness Hogg to the Board and are already benefiting greatly from their wealth of expertise and insight.
- 1.7 This year has seen a welcome return to established practices in our engagement with the Treasury during the forecast process. Both the November 2023 Autumn Statement and March 2024 Spring Budget were accompanied by an OBR forecast commissioned at least 10 weeks prior by the Chancellor. The earlier-than-usual March Budget date, and the publication of key ONS data releases in early February, made the forecast process more challenging than usual for OBR staff, but much to their credit, did not impair the quality of the forecast.
- 1.8 The first ever cut in the budget the OBR receives from the Treasury in the coming financial year will necessitate a planned reduction in our staffing levels from 55 to around 50 full-time equivalents (FTE) by the end of 2024-25. In addition to these resource pressures, staff concerns around change management, fair treatment, pay, and training have caused our staff survey results to fall back significantly this year, closer to those prevailing in the wider civil service, although our staff engagement remains extremely high. Taking action to address these issues will be a priority for myself and the leadership of the Office in the year ahead.
- 1.9 In all the analysis we have undertaken, we have come under no pressure from government Ministers, political advisers or officials to change any of the analysis we have presented or the conclusions we have reached. Over the course of the year, we have engaged regularly with our non-executive members to assure them, and seek their guidance, on our approach to managing in novel circumstances. I am grateful for all of their support and advice and would especially like to thank Bronwyn Curtis as she steps down after two terms on the Oversight Board, including as Chair for the final year of her tenure. The staff and fellow members of the OBR have benefited hugely from her experience and insight over the past six years.
- 1.10 At the end of another important, challenging, and productive year for the organisation, my colleagues on the Budget Responsibility Committee and I would like to express our gratitude to the staff of the OBR for all their hard work and commitment. We are also grateful to the many officials in Government departments and agencies, and to our other outside stakeholders, for their time and patience in helping us fulfil our remit. Any suggestions as to how we might do so more effectively are always welcome.



Richard Hughes, Chair

1 July 2024

Statement of performance and activities

- 1.11 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) by virtue of the *Budget Responsibility and National Audit Act 2011*.
- 1.12 The Act 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 core requirements and guidance set out in the Act and the accompanying *Charter for Budget Responsibility*. Our core requirements, as set out in the January 2023 *Charter*, are:
- 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 Government's performance against its cap on a subset of welfare spending, and a biennial report on trends in welfare spending.
 - An annual assessment of the accuracy of our previous fiscal and economic forecasts.
 - An annual report on the sustainability of the public finances and associated risks.
 - A forecast of the receipts from taxes and spending on social security that are, or are intended to be, devolved to the Scottish and Welsh Governments. We also produce the official forecast of devolved Welsh taxes for the Welsh Government, as part of its annual budget process.
- 1.13 The *Charter* sets out that our forecasts should be based on all government policy decisions that have a 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. Importantly, the Act and *Charter* also specify that we should not consider the effect of alternative policies or provide normative commentary on the merits of government policies.

- 1.14 Our independence is central to the effective delivery of our responsibilities, and to support this we are required by the *Act* to perform our duties objectively, transparently and impartially. A detailed *Memorandum of Understanding* between us and our main stakeholder departments sets out how the requirements of the *Act* and *Charter* are pursued in practice.

Performance summary – Achievements in 2023-24

Core responsibilities

- 1.15 In 2023-24, we fulfilled our statutory core responsibilities through the publication of the following reports:
- In July 2023 we published our second ***Fiscal risks and sustainability report***. We focused on three key areas of fiscal risk: the drivers of, and prospects for, the rise in health-related inactivity among working-age adults; the impact of the rise in gas prices on energy demand and supply and the fiscal costs of meeting or missing the net zero emissions target in 2050; and the impact of recent interest rate rises and prospects for reducing debt over the medium term. In addition, we updated our fiscal risks register for a range of other risks, detailing how they have evolved since our last update in July 2021 and any mitigating actions the Government has taken.
 - Our latest ***Forecast evaluation report*** was published in October 2023 and focused on the accuracy of our March 2021 and March 2022 economy and fiscal forecasts for 2022-23. Over this period, higher energy, food and other prices following the Russian invasion of Ukraine led to a moderation in real demand and higher inflation than anticipated in our forecasts. The upward surprise in inflation led to significantly higher nominal tax receipts than we had expected. But higher welfare spending, debt interest costs and the policy response pushed up spending by more, leading to higher-than-forecast borrowing.
 - The November 2023 ***Economic and fiscal outlook*** set out an updated economic and fiscal forecast and assessment of the likelihood that the Government would meet its fiscal mandate and supplementary targets. In this forecast we anticipated a higher level of real GDP than previously expected in response to data revisions, alongside more persistent inflation, the latter boosting tax revenues. Autumn Statement policy measures – including personal and business tax cuts and a package of welfare reforms – largely offset the associated reduction in borrowing, while providing a modest boost to output.
 - As part of our role for producing the independent forecast of devolved Welsh taxes for the Welsh Government, we published our fourth ***Welsh taxes outlook*** in December 2023, alongside the draft Welsh Budget. We also published an update, including an evaluation of the performance of previous forecasts, alongside the final Budget in late February.

- The March 2024 **Economic and fiscal outlook** presented a pre-policy measures economic and fiscal forecast that was little changed from that published in November, with lower inflation and interest rates reducing welfare and debt servicing costs, but also tax revenues. The Budget announced further personal tax cuts, the cost of which was only partially recouped by tax rises in later years, leaving underlying debt falling in five years' time by a historically modest margin.
- Alongside both medium-term forecasts published this year we also published **Devolved tax and spending forecasts** for the tax and social security streams that have been devolved to the Scottish and Welsh governments.

Supplementary analysis

1.16 In pursuit of our aim to increase transparency and understanding of our forecasts and wider work, we increased the range of supplementary analysis published during 2023-24. This included the launch of a new staff-authored Articles series, a set of notes on the economic impacts of specific policy measures announced in the Autumn Statement, a discussion paper on our plans for climate change analysis, and four working papers:

- *Working paper No.18: Emissions and our tax forecasts*, published in May 2023, assessed the proportion of emissions that are directly or indirectly linked to tax bases, the value of the associated receipts, and the risks they face from decarbonisation;
- *Working paper No.19: The OBR's forecast performance*, published in August 2023, evaluated the OBR's overall forecasting record since 2010, comparing our economic and fiscal forecasts against those of external UK forecasters, the Bank of England, other official forecasters in Europe, and the official UK forecasts produced by the Treasury during the 20 years before the OBR was established;
- *Working paper No.20: A review of welfare policy costings*, published in October 2023, drew lessons from an evaluation of major policy costings for our approach to scrutinising them in future; and
- *Working paper No.21: Developments in devolved income tax*, published in October 2023, explored the drivers behind the widening gap in income tax per person in Scotland and Wales relative to the UK, in order to identify trends that should be factored into our devolved income tax forecasts.

1.17 We continued the publication of 'monthly profiles' for the public finances, which set out in-year monthly forecasts for the main tax and spending categories and the key measures of debt in order to facilitate the public's interpretation of regular fiscal data from the ONS. And we published updated 'ready reckoners' in a new tool that allows its user to obtain quick estimates of the impact that a particular change in one or more economic variables would have on fiscal variables.

Communications and stakeholder engagement

- 1.18 This year we revised and expanded our advisory panel via a public expression of interest process, in order to include a wider range of experts across six different areas of our work. The new advisory panel held its first annual meeting in September 2023 to discuss our longer-term work plans, with sub-groups of topic experts on macroeconomics and econometrics, and labour market and migration, meeting throughout the year.
- 1.19 The Budget Responsibility Committee (BRC) and OBR staff have undertaken a wide range of stakeholder engagement, delivering presentations and attending discussions and roundtables with numerous external audiences throughout the year. As well as meetings with relevant analysts in government departments, this year we have engaged with numerous external UK organisations and institutions including the Bank of England, the Office for National Statistics, the Chief Medical Officer, the Climate Change Committee, the Greater London Authority, the Institute for Government, the National Institute of Economic and Social Research, the Institute for Fiscal Studies, the National Audit Office, the Government Economic Service, the Society of Professional Economists, the Resolution Foundation, the Centre for Policy Studies, the Health Foundation, Reform, the Fraser of Allander Institute, the Institute for Public Policy Research, the Economics Observatory, the Society of Motor Manufacturers and Traders and the Overseas Development Institute. We have also increased our regional activity, including roundtables and presentations at the Darlington Economic Campus, Sheffield Policy Campus and the South Yorkshire Combined Mayoral Authority. We detail our engagement with government and non-government institutions in the foreword of each publication.
- 1.20 We also hosted or attended events and meetings with a variety of international organisations and delegations interested in the work of the OBR, including the International Monetary Fund (IMF), the OECD, the US Congressional Budget Office, the Austrian Parliamentary Budget Office, the New South Wales Parliamentary Budget Office and the French High Council of Public Finance. We continue to engage with our international sister organisations via the OECD's Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions and the EU Independent Fiscal Institutions network, which is run by its members.
- 1.21 The BRC has given evidence to a range of Parliamentary committees, including the Public Accounts Committee, the Lords Economic Affairs Committee, the Scottish Finance and Public Administration Committee and the Welsh Parliament Finance Committee. The BRC has also held press conferences and given evidence to the Treasury Select Committee alongside the publication of both forecasts.

Performance analysis

How we measure performance

- 1.22 Under Section 15 (2) of the *Budget Responsibility and National Audit Act 2011* the non-executive members of the OBR are required to assess the extent to which the OBR has performed its duties. This assessment appears in the *Accountability report* in Chapter 2.

Forecasting

- 1.23 In terms of the performance of our forecasts, *Working paper No.19* marked our first comprehensive look at our overall forecasting record, beyond our annual *Forecast evaluation reports*. It concluded that the OBR's forecasting errors were small relative to the underlying volatility in outturn data. We have tended to overestimate real GDP growth and underestimate government borrowing over the medium term, with the latter due mainly to a tendency to underestimate the medium-term level of government spending. Our real GDP growth forecast differences are similar to those of external forecasters, but our borrowing forecasts tend to be less accurate beyond the first year of the forecast. Similarly, the OBR's forecasts for real GDP growth in the UK are more accurate than the average of other official forecasters in Europe, but the UK's borrowing forecasts are less accurate than the average beyond the first year. However, both our real GDP growth and borrowing forecasts are more accurate and less biased than the previous UK official forecasts produced by the Treasury.

Communication

- 1.24 We collect website traffic data to monitor how and when our outputs are accessed. During 2023-24, we continued to build on our successes by publishing the *Fiscal risks and sustainability (FRS)* report in HTML for the first time, providing a more accessible alternative to our standard PDF reports. We achieved over 1.3 million total hits across the year, 11 per cent more than our previous record in 2022-23. This is largely due to the success of our publications in July, November, and March, when we recorded 98,000, 187,000 and 194,000 website hits respectively, versus our previous record of 201,000 in November 2022.
- 1.25 We carry out internal quarterly reviews – as recommended by Cabinet Office – on the accessibility of our public website by running automated and manual tests on a sample of pages and PDFs. Over the course of 2023-24 the accessibility index rating of the website fell slightly from 87 to 85 per cent, but still scores as a 'great' ranking according to Silktide.¹ We will continue to seek improvements, and address the reasons for the fall, over the coming year by targeting the high-priority recommendations via our internal quarterly reviews.
- 1.26 We also monitor social media analytics to inform our communication strategy for core publications. Our number of Twitter followers passed 20,000 this year (reaching 21,300 by

¹ Silktide produces a monthly UK Central Government Index.

the end of the period, which is a modest boost of 8 per cent, similar to growth in 2021-22). In 2023-24 we continued to see record levels of social media engagement, which can mostly be attributed to the success of our July *FRS* and November *Economic and fiscal outlook (EFO)* content. The 2023 *FRS* achieved three times the reach of our 2022 report, making it our most successful July publication. Our November 2023 *EFO* reached 1.2 million people with the highest engagement rate for that reach as well as the second-highest number of likes and retweets, making it our joint second-most successful publication of all time, behind only the November 2020 *EFO* (1.7 million) and on a par with the March 2021 *EFO* (1.2 million).

Financial performance and sustainability

- 1.27 The OBR is committed to the central government target of paying valid invoices within five days of receipt. In the reporting period, 96 per cent of invoices (95 per cent in 2022-23) that we have received have been paid within the target time of five days.
- 1.28 The OBR's trade creditor days for the period, calculated as the proportion that is the aggregate amount owed to trade creditors at 31 March 2024 compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days when compared with the period of account, was 29.9 days (2022-23: zero days).
- 1.29 We lease office space from the Government Property Agency, along with other public bodies at 102 Petty France. We contribute to its environmental and sustainability agenda through the building facilities committee and through policies implemented throughout the government estate.

Operations

- 1.30 Our financial management and oversight arrangements are established in the *Framework document*, which was most recently updated in March 2019.² Key elements of the arrangements are described in the governance statement. We are funded via a delegated budget from our sponsor department, HM Treasury.
- 1.31 Our original delegated budget, set at the 2021 Spending Review, was £4,316,000 for 2023-24. This was uplifted by £250,000 in our annual delegation letter to £4,566,000 to provide additional resources for a new supply side analysis unit. The delegation letter also committed to funding the cost of transferring the OBR's IT function to HM Treasury's TrIS network. Our budget was increased by £1,000,000 in supplementary estimates to cover the new analytical unit, our IT migration costs, and a number of one-off in-year pay-related pressures, including the civil service-wide in-year pay uplift of £1,500. The statement of comprehensive net expenditure in this year's accounts puts our total spending for the year at £5,442,000. In line with supply estimate manual guidance, a virement will be made within HM Treasury Group accounts to cover the difference between our revised delegated budget and actual expenditure.

² <https://obr.uk/download/framework-document-2/?tmtv=1686657679>

- 1.32 We received a multi-year funding allocation in the 2021 Spending Review that gradually reverses a pandemic-related uplift to cover additional analytical pressures over the three years to 2024-25. Our funding is delegated from the main Treasury Estimate so we work closely with the finance and sponsor teams to identify pressures across the year. We also use Treasury services for the management of our finances and accounts. The Chair of the OBR is designated as the Accounting Officer responsible for the effective management of public funds.

Service agreements

- 1.33 We share our workspace and accommodation at 102 Petty France, which is managed by the Government Property Agency. As part of this arrangement, we pay a share of the building rent and rates, and a share of the cost of the Ministry of Justice's (MoJ's) service contracts (as the largest central government tenant) for security and facilities management.
- 1.34 In December 2023 we transferred our IT infrastructure and maintenance to the Treasury's TrIS network, which is also used by other Treasury Arm's Length Bodies. Our internal filing systems are segmented from other organisations on the TrIS network. The move to the TrIS network aligns the software and other IT requirements of the OBR to HM Treasury, which offers a better match of functionality, software and maintenance requirements for our operations than our previous agreement with the MoJ.
- 1.35 As a small organisation, we achieve greater value for money by contracting administrative human resources, finance, accounting, procurement and payroll services from HM Treasury, rather than employing our own staff to deliver those functions.

Going concern

- 1.36 The OBR is a statutory corporate body established under the *Budget Responsibility and National Audit Act 2011*, which came into force on 4 April 2011 under SI 892 (2011). This legislation provides the basis for the creation and continued operation of the OBR. The OBR is funded annually by Parliament through Grant-in-Aid financed from the Treasury supply estimate. A multi-year budget settlement from the Treasury sets out funding to 2024-25.
- 1.37 The OBR's statement of financial position at 31 March 2024 shows net liabilities of £457,000 which includes accrued payments for staff costs and performance-related staff bonuses for 2023-24. This reflects the inclusion of liabilities falling due in 2023-24 which, insofar as the OBR is unable to meet them from its other sources of income, would fall, in the last resort, to be met by Grant-in-Aid from central government. Under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need, but there is no reason to believe that, if required, grant funding and parliamentary approval would not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for these financial statements.

Business model

- 1.38 The OBR's two overarching business objectives that guide our work are:

- to **fulfil our duties under the Act and Charter** to examine and report on the sustainability of the public finances; and
- to **ensure our governance and operational arrangements are fit for purpose** and allow us to operate as a responsible, effective and transparent NDPB, while meeting statutory and other requirements.

Risk management

- 1.39 The main risks faced by the OBR relate to the successful delivery of our core responsibility to produce independent and authoritative analysis of the sustainability of the public finances. We produce high-profile outputs that are central to fiscal management in the UK and in particular to the delivery of the Government's annual Budget. The operational and financial risks that we face are relatively less significant as the OBR is a small organisation with a small budget that is primarily spent on staff and office costs.
- 1.40 Our risk management strategy involves all members of staff in the OBR and our Oversight Board. Our approach is described in the governance statement in the accountability report.



Richard Hughes, Chair

1 July 2024

2 Accountability report

2.1 The accountability report contains:

- the **corporate governance report**, which includes the non-executive members' assessment of the OBR's delivery against its legal duties, the statement of Accounting Officer's responsibilities, the governance statement and the risk management strategy;
- the **remuneration and staff report**, which details the pay, pension arrangements and staffing structure of the office; and
- the **parliamentary accountability and audit report**, which details audit arrangements and contains the certificate and report of the Comptroller and Auditor General.

Corporate governance report

Non-executive members' assessment

2.2 The Budget Responsibility and National Audit Act 2011 requires the OBR's non-executive members to keep under review the way the Office performs its main duties – to prepare its key reports objectively, transparently, and impartially. A key purpose of creating the OBR as a body separate from the Treasury and other parts of government would be undermined if its independence and objectivity were to be compromised by its own actions or by pressure from outside.

2.3 We fulfil this responsibility through the Oversight Board and the Audit and Risk Committee and through other meetings with the Budget Responsibility Committee (BRC) and their staff. Dame Susan Rice and Baroness Sarah Hogg were appointed by the Chancellor to the Oversight Board on 21 June 2023 for three years. They are replacing Sir Chris Kelly who stepped down in June 2023 and Bronwyn Curtis whose term ends on 7 June 2024. In the past year the Oversight Board and the Audit and Risk Committee have each met three times. In preparation for this assessment, we have considered external commentary on the OBR's work and also, as in previous years, held meetings with the BRC and the Chiefs of Staff and separately with other OBR colleagues specifically to discuss performance over the past year and to identify any concerns.

2.4 The Act requires that at least once in every five years the non-executive members of the OBR "Appoint a person or body to review and report on such of the Office reports as the Committee determines". In May this year, we appointed Laura van Geest, former head of the Netherlands Bureau for Economic Policy Analysis (*Centraal Planbureau*) to lead the external review due in 2025. The terms of reference are to assess the progress made on the recommendations in the last external review in 2020 by the Organisation for Economic Co-

operation and Development (OECD), performance against the OBR's objectives, and the scale and scope of the Office's activities.

- 2.5 The heightened public scrutiny of the OBR that we noted last year intensified in 2023-24. The low-growth, higher-inflation, higher-interest-rate environment, more constrained fiscal position, and phase of the electoral cycle brought greater attention to the BRC's judgements – both on the economic forecast and on the impact of recent policy measures, especially on the supply side of the economy. The higher profile has resulted in more discussion of the forecasts, both positive and negative, but our overall impression is that the OBR's outputs are seen as authoritative and objective and that it has maintained its independence and continued to enhance the transparency of its forecasts despite the heightened scrutiny of its role and the outputs.
- 2.6 The increased transparency around the forecast timetable, the Working Papers, Occasional Papers, and Articles on an array of forecast issues and the wider engagement with the external community including regional presentations have all contributed. The Working Paper on the *OBR's Forecast Performance* published in August 2023 was especially enlightening. It provided a comprehensive evaluation of the OBR's economic and fiscal forecasting record since its establishment in 2010. It compared the 27 forecasts against outturn over the previous 13 years and the record against other UK and international forecasters. The results were heartening, as we all know how difficult and uncertain forecasting is, finding that the OBR's forecast errors were small relative to variation in outturn. The OBR's GDP forecast errors were similar to those of other UK forecasters, albeit with a tendency to overestimate future growth. Its fiscal forecasts were more accurate and less biased than other UK forecasters in the near term, but underestimated borrowing in the medium term due, in part, to its legal obligation to base its forecast on stated government policy.
- 2.7 It is important that the OBR's publications are seen to be impartial and balanced editorially. There has been increased effort by the BRC in this area, not just in terms of the text, but also the presentation and prominence of particular topics, charts and facts. These efforts appear to have been successful in maintaining the OBR's reputation for balance and impartiality.
- 2.8 The lead up to the Budget and the production of the March 2024 *EFO* have been more straightforward since the implementation of the recommendation that we made in December 2021 to publish the forecast timetable in advance. There were some extra constraints due to the timing of critical ONS data releases and the early Budget date, and consideration will be given to a more bespoke forecast timetable in future.
- 2.9 Changes to personnel at senior levels in the OBR can be challenging, given the size of the organisation, but the appointment of Tom Josephs to the BRC to replace Andy King on the BRC created minimal disruption, possibly because of his previous experience at the OBR as Chief of Staff. The, often robust, discussions between the OBR, the Treasury and other government departments have been more structured, but the pressures on OBR staff have not abated, despite the modest increase in resources to deal with the extra work on the

supply side and labour markets. The non-executive members will continue to monitor the impact of extensions to the OBR's role on its capability to fulfil all demands upon it.

- 2.10 The redesign of the Advisory Panel into six broad topic areas and the open recruitment process has resulted in a group of more diverse and specialist members whose knowledge was tapped ahead of the budget process. Also, since 2020, the members of the think-tank roundtable give their insights into the economy and public finances ahead of fiscal events. The members include the Institute for Fiscal Studies, National Institute for Economic and Social Research, the Institute for Government, and the Resolution Foundation.
- 2.11 Following our discussions with staff at all levels but particularly the BRC, we are confident that OBR judgements and forecasts are their own and there has not been pressure put on them from external sources to change their analysis or their conclusions. Any contact between the OBR and relevant departments that could be perceived as, even unintentionally, going beyond clarification or fact-checking is referred to us. No such referrals have been made in the past year. The OBR also publishes a log of substantive contact between the OBR and Treasury Ministers, their private offices, and special advisers and records its interactions with other parties.
- 2.12 The deterioration in the satisfaction ratings in the annual civil service staff survey from the usually very high levels to the more typical civil service levels are a concern for retention and morale. Even though there is better planning of workloads, the demands related to recent fiscal events have left less time to devote to career development, model recalibration and working papers which can be personally cited. There are also higher-paid opportunities elsewhere with more opportunities for promotion, including in the Bank of England and the private sector. The adjustment to more widespread hybrid working has posed some challenges, as we noted in last year's report, including around mentoring opportunities, desk and meeting room space, and expected working patterns, which will continue to be the case as these patterns change again. However, there did not seem to have been any adverse effects despite the volume of or complexity of work and there continue to be high levels of staff engagement.
- 2.13 The BRC are aware of these concerns, but they are constrained by the budget limitations affecting all Government departments and related bodies. In that context, the budget for 2024-25 requires a reduction in the budget and a headcount of four-to-five staff. This is the first cut in the OBR budget since inception, but it is significant given that the OBR is such a small organisation. It has required a reallocation of resources so that the recently increased focus on modelling, the dynamic effects of policy changes, and fiscal risk analysis can be maintained.
- 2.14 The OBR avoids getting involved in the political debate or engaging in any scoring of new policies during the campaigns ahead of General Elections. OBR engagement with opposition parties will take place within the institutional arrangements established by the Cabinet Secretary and Permanent Secretary to HM Treasury for access talks.

- 2.15 We believe that the OBR is delivering on its remit objectively, transparently and impartially, and the operational and governance arrangements are working well. The OBR listens to feedback and has been proactive in making changes when required. The quality of the people and their output is admirable.



Baroness Hogg



Dame Susan Rice

Non-executive members of the Office for Budget Responsibility, 26 June 2024

Statement of Accounting Officer's responsibilities

- 2.16 Under Paragraph 18, Schedule 1 of the *Budget Responsibility and National Audit Act 2011*, HM Treasury has directed the OBR to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.
- 2.17 The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the OBR and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.
- 2.18 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:
- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - make judgements and estimates on a reasonable basis;
 - state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts;
 - prepare the accounts on a going concern basis; and
 - confirm that the *Annual report and accounts* as a whole is fair, balanced and understandable and take personal responsibility for the *Annual report and accounts* and the judgements required for determining that it is fair, balanced and understandable.
- 2.19 The Accounting Officer of HM Treasury has designated the Chair as Accounting Officer of the OBR. The Accounting Officer is responsible for ensuring that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer is required to take all steps to ensure he is aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

- 2.20 As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Office for Budget Responsibility's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.
- 2.21 I confirm that the Annual report and accounts as a whole is fair, balanced and understandable and take personal responsibility for the *Annual report and accounts* and the judgements required for determining that it is fair, balanced and understandable.
- 2.22 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the OBR's assets, are set out in *Managing Public Money*, published by HM Treasury.

Governance statement

- 2.23 As Accounting Officer, I have responsibility for reviewing the effectiveness of our governance arrangements and risk management. My review is informed by the work of the non-executive members of our Oversight Board, HM Treasury as providers of our HR and finance systems, our internal and external auditors, and the staff within the organisation who have responsibility for the development and maintenance of internal processes.
- 2.24 The Board reflects on the quality of the support received from the board secretariat throughout the year. No concerns have been raised about the quality of the support or information provided.

Governance structures

- 2.25 Corporate governance structures within the OBR are framed by the requirements of the *Budget Responsibility and National Audit Act 2011*, which sets out the legal duties of the OBR, its functions and broad governance structure. In support of the primary legislation, the *Office for Budget Responsibility and HM Treasury Framework Document*, updated in March 2019 and available on our website, describes how we are accountable to Parliament and the Chancellor, our governance structures, my responsibilities as Accounting Officer, our audit arrangements, and our management and budgeting processes.
- 2.26 Our governance structure has been designed, where relevant, to be consistent with the principles of the *Corporate Governance Code of Good Practice for Central Government Departments*, published by HM Treasury. Smaller non-ministerial bodies, such as the OBR, are encouraged to adopt the practices set out in this Code, which is primarily aimed at ministerial departments.

Members of the Office for Budget Responsibility

- 2.27 The OBR comprised six members at end-March 2024: the Budget Responsibility Committee – Richard Hughes (Chair), Tom Josephs, and Professor David Miles CBE; and three non-executive members – Baroness Sarah Hogg, Dame Susan Rice and Bronwyn Curtis OBE.

- 2.28 During the year, Andy King stepped down from the BRC and Oversight Board on 31 August 2023 and was replaced by Tom Josephs (appointed 18 September 2023). Sir Christopher Kelly's term ended on 20 June 2023. Bronwyn Curtis' term ended on 7 June 2024.
- 2.29 Appointments to the BRC are made by the Chancellor of the Exchequer, with the agreement of the Treasury Select Committee. The Chancellor is required to consult the Chair of the BRC about appointments of the two other members of the BRC. The non-executive members are nominated by the OBR and appointed by the Chancellor. BRC appointments are usually for a period of five years and may be renewed once. Non-executive members' appointments are typically for three years and may also be renewed once.
- 2.30 As at 31 March 2024 the OBR employed a staff of 52 to provide analytical and corporate support, led by the Chief of Staff, Stephen Farrington, and the Deputies, James Ebdon (maternity cover) and Laura Gardiner.
- 2.31 The BRC is solely responsible for the delivery of the OBR's core responsibilities. 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.

The Budget Responsibility Committee

Richard Hughes, Chair



Richard Hughes began his five-year term as Chair of the Office for Budget Responsibility in October 2020. He started his career at HM Treasury in 2000 where he worked on a range of domestic and international macroeconomic issues and led the 2007 Comprehensive Spending Review. Following a brief secondment to the French Ministry of Finance in 2007, he joined the International Monetary Fund in 2008 where he headed the Fiscal Affairs Department's Public Finance Division and worked on fiscal reform in a range of advanced, emerging, and developing countries.

Richard returned to HM Treasury between 2016 and 2019 as Director of Fiscal Policy where he oversaw the government's fiscal strategy, debt management, and treasury operations and served as Acting Chief Economist.

In the year leading up to his appointment, Richard worked as a Research Associate at the Resolution Foundation where he published papers on fiscal rules, public investment, and the economic and fiscal implications of coronavirus. He also served as Senior Counsellor to the Haut Conseil des Finances Publiques (High Council on Public Finance) in France, Lecturer at Sciences Po in Paris, Visiting Fellow at the Blavatnik School of Government in Oxford.

Tom Josephs (from 18 September 2023)



After starting his career in a private sector consultancy, Tom worked in HM Treasury from 2000 to 2010 in a range of roles covering macroeconomics, Budget policy coordination, and fiscal analysis and forecasting. In 2010 he was appointed to the OBR as its first Chief of Staff and led the establishment and development of the organisation in its early years. In 2013, Tom joined the International Monetary Fund as a Senior Economist in the Fiscal Affairs Department providing advice on fiscal policy, analysis and institutions in a range of countries in Africa, the Middle East and Europe.

He returned to the UK Civil Service in 2016, first as Director of Trade Policy at the Department for International Trade, then from 2019 as Director of Fiscal Group leading HM Treasury's work on fiscal policy and government financing through Covid, and then from 2022 at the Department for Work and Pensions as Director for Private Pensions. He holds undergraduate and Masters degrees from the University of Manchester.

Professor David Miles CBE



David Miles joined the Budget Responsibility Committee in January 2022. He retains a part-time Professorship of Financial Economics at Imperial College, London. He has had previous academic positions at Birkbeck College, London and at Oxford University. He has undergraduate and master's degrees from Oxford and a PhD from the University of London.

David is a member of the Commission of the Central Bank of Ireland. He was a member of the Monetary Policy Committee at the Bank of England between May 2009 and September 2015, and Chief UK Economist at Morgan Stanley from October 2004 to May 2009.

As an economist he has focused on the interaction between financial markets and the wider economy. He has worked on issues of demographics, government debt, financing, housing markets and monetary policy. In 2004 he led a government review on the UK mortgage market. In 2018 he completed a review for the UK Treasury on reference prices of UK government bonds. He has recently been an advisor to the IMF and to the Reserve Bank of New Zealand. He is a research fellow of the Centre of Economic Policy Research and at the CESIFO research institute Munich. He stepped down as Chair of trustees of the Institute for Fiscal Studies upon joining the OBR. David was awarded a CBE in January 2016.

Andy King (to 31 August 2023)



Before being appointed to the Budget Responsibility Committee in 2018, Andy King was Chief of Staff at the Office for Budget Responsibility from 2013.

Andy joined the civil service as an economist in 1998, working in the Treasury until 2001 and at the British Embassy in Tokyo until 2005. Andy then worked in a range of macroeconomic policy roles at the Treasury, including heading the Fiscal Policy Team for the June 2010 Budget and the Macroeconomic Coordination & Strategy team overseeing reforms to the UK monetary policy framework and UK-focused relations with international organisations. In 2009-10, Andy worked as a macro-fiscal advisor in the Liberian Finance

Ministry. He was appointed to the IMF Fiscal Affairs Department's panel of technical experts in 2014 and has since advised several Finance Ministries in Africa and Asia on approaches to fiscal governance, reporting and forecasting.

Non-executive members

Bronwyn Curtis OBE



Bronwyn Curtis OBE is a global financial economist who has served in senior executive positions in both the financial and media sectors. She has served as Chairman of the Society of Business (now Professional) Economists and a Council/Board Member of the National Institute of Economic and Social Research. She has also held a number of roles on boards of academic institutions and is a trustee of Centre for Economic Policy Research. She has also worked as a consultant to the World Bank and UNCTAD on commodity projects in West Africa, Asia and the Caribbean.

Dame Susan Rice (from 21 June 2023)



The first woman to head a UK clearing bank, Dame Susan Rice was founding chair of the Scottish Fiscal Commission, Scotland's independent economic and fiscal forecaster, a director of the Bank of England, a member of the First Minister's Council of Economic Advisors in Scotland and president of the Scottish Council for Development and Industry. Her executive career spanned finance, medical research, higher education.

She has extensive experience in corporate governance as chair or member of boards in a wide range of public and private sector organisations - including SSE, J Sainsbury's, Scottish Water. She chairs the Forth Green Freeport and GEFI which delivers the Path to COP campaigns.

A long-term focus on net zero and sustainability, economic development and regeneration alongside finance and ethics in business runs throughout these roles. A Freeman of the City of London, she is a fellow of the RSE, the RSA and the CBIS.

Baroness Sarah Hogg (from 21 June 2023)



Baroness Hogg (Sarah) is a former Chairman of the Financial Reporting Council, Frontier Economics and 3i Group plc. She has served on the boards of several FTSE 100 companies, and a number of public sector institutions, including the Financial Conduct Authority, the Takeover Panel, the BBC and HM Treasury. She was Head of the Prime Minister's Policy Unit from 1990 to 1995. She started her career with *The Economist*, and was later the Economics Editor for a number of national publications. She is currently Senior Independent Director of IDS Group plc.¹

Sir Christopher Kelly (to 20 June 2023)



Sir Christopher has served in various roles in HM Treasury and the Department of Social Security, ending his civil service career as Permanent Secretary of the Department of Health between 1997 and 2000. Since then he has led on a number of reviews and chaired a wide range of committees and organisations including the NSPCC, Financial Ombudsman Service, the Committee on Standards in Public Life and the King's Fund. He is currently the senior independent director on the Board of the Co-op Group and chair of its insurance subsidiary. He is also a trustee of the Canal and River Trust, where he chairs the Audit and Risk Committee.

Table 2.1: Members' contract lengths and expiry dates

Member	Contract length	Contract expiry date
Richard Hughes	5 years	3 October 2025
Tom Josephs	5 years	18 September 2028
Prof. David Miles CBE	5 years	1 January 2027
Andy King	5 years	31 August 2023
Bronwyn Curtis OBE	3 years	7 June 2024
Dame Susan Rice	3 years	19 June 2026
Baroness Hogg	3 years	19 June 2026
Sir Christopher Kelly	3 years	20 June 2023

The Oversight Board

- 2.32** The Act requires the Office to appoint a minimum of five members, the three executive members of the BRC and the two non-executive members. The six members of the OBR have established the OBR's Oversight Board, as required by the *Framework Document*. Consistent with best practice, the Oversight Board is chaired by one of the non-executive members, most recently by Bronwyn Curtis OBE.

¹ Official House of Lords portrait used under Attribution 3.0 Unported (CC BY 3.0) licence at <https://creativecommons.org/licenses/by/3.0/>

- 2.33 The Board's terms of reference are published on our website. The Board is responsible for establishing and taking forward the strategic aims of the OBR and for ensuring that effective governance arrangements are in place. It also provides assurance on internal risk management and controls.
- 2.34 All members in post at the time of each meeting attended all Oversight Board meetings during 2023-24. Minutes of each meeting are published on our website.
- 2.35 Details of company directorships and other significant interests held by members of the management board which may conflict with their management responsibilities have been disclosed. The Board members do not hold any directorships or have significant interests in organisations that might conflict with their management responsibilities.

The Audit and Risk Assurance Committee

- 2.36 The Audit and Risk Assurance Committee is a sub-committee of the Oversight Board. The Committee consists of the Chair of the OBR and the non-executive members. It was chaired by Bronwyn Curtis until June 2023, who was succeeded by Dame Susan Rice in October 2023. The terms of reference for the Committee are published on our website alongside those of the Oversight Board.
- 2.37 All members in post at the time of each scheduled meeting attended them during 2023-24. Minutes of each meeting are published with the Board minutes on our website.

Executive management

- 2.38 I lead the OBR's management group, which includes the OBR's Chief of Staff and Deputy Chief of Staff and other staff and members of the BRC as appropriate. This has responsibility for the overall management of the OBR. We are responsible for implementing strategic decisions taken by the Board, for making any necessary and appropriate decisions relating to the day-to-day performance of the OBR's business, and for the effective management of OBR staff.

Risk management

- 2.39 The main risks the OBR faces relate to the successful delivery of our core responsibility to produce independent and authoritative analysis of the sustainability of the public finances. We produce high-profile outputs that are central to fiscal management in the UK and, in particular, to the delivery of the Government's annual Budget. The operational and financial risks that we face are relatively less significant as the OBR is a small organisation with a commensurately small budget that is primarily spent on staff and accommodation.
- 2.40 Our risk management strategy involves members of staff in the OBR and our Board. As we are a small organisation, our approach to risk management is naturally very closely integrated with both the longer-term strategic planning and the day-to-day management of the organisation. All members of staff and all members of the Board are involved in the identification of risks. There is clear ownership and responsibilities for managing risks. The

systems have been in place for the year under review and up to the date of approval of the annual report and accounts.

- 2.41 The Chief of Staff is responsible for compiling and maintaining a register of the key risks facing the organisation. OBR staff and the BRC are consulted in identifying these risks. The register is discussed in detail at Board meetings and a mitigation strategy has been agreed for each risk. I am responsible, along with the Chief of Staff, for ensuring the mitigation strategies are implemented and reported back to the Board. We also ensure that staff and the BRC are regularly consulted on any new risks.

Analytical risks

- 2.42 To deliver our objectives, it is important that OBR staff have appropriate skills and experience and that we are able to draw on relevant external analysis, while ensuring the judgements we take are solely those of the BRC. The potential loss of experienced staff, an increase in the demands placed on our staff without corresponding increases in resources, and the effective maintenance and development of the forecasting infrastructure, such as the macroeconomic model, are risks that the Board and management of the OBR are focused on mitigating.
- 2.43 The disaggregated nature of the public finances forecast means we also require close and effective working with experts across government. To mitigate the risks around this process we have agreed a *Memorandum of Understanding (MoU)* with the key government departments involved in our work that sets out roles and responsibilities, coordination of the forecast process, and the process for information sharing. The MoU was updated to reflect our latest practices in November 2023.² I chair a regular meeting of senior officials from the key departments to ensure effective working. Were I to have concerns about these relationships, I have recourse under the MoU to raise issues with the relevant departmental Permanent Secretaries. Neither I nor my predecessor have had reason to deploy this mechanism so far.
- 2.44 It is central to our objectives that our analysis and judgements are produced independently from Ministers and that they are perceived to be so by the public. The MoU provides a framework within which we can work with Government officials while retaining our independence. To mitigate risks around the perception of independence, we set out transparently our process for working with Government in each of our major reports and publish a log of contact with Ministers, special advisers and their private office officials. We have detailed the approach taken in each aspect of our forecast process in briefing papers available on our website. To date we have come under no pressure from Ministers, advisers or officials to change any of our conclusions.
- 2.45 We have also published a separate *Memorandum of Understanding* with HM Treasury covering the shared ownership of our macroeconomic model. This sets out governance arrangements for shared ownership, details the process for agreeing and implementing a

² <https://obr.uk/download/memorandum-of-understanding-4/?tmstv=1713526106>

rolling model development plan, and commits both parties to providing sufficient resources to meet these requirements. This helps address a key risk around the effective maintenance and development of our forecasting infrastructure.

Operational risks

- 2.46 Our budget is small and is primarily spent on staff and accommodation costs. The financial risks we face are therefore relatively low. Nevertheless, as Accounting Officer I am responsible for safeguarding the public funds for which I have charge, and I have ensured we have robust processes in place to do so that are proportionate to our size and the level of financial risks we face.
- 2.47 We contract financial management services from HM Treasury, which reviews its controls, processes and systems regularly. The Treasury Group Director of Finance has provided assurance on the current processes.
- 2.48 As part of this agreement we have been provided with a finance business partner who assists in our financial management and its alignment to our requirements as part of the Treasury Group finances. The Treasury's Deputy Finance Director also attends our Board and Audit Committee meetings as a financial adviser (on OBR and wider Group issues and policies). In this capacity as our financial adviser they are accountable to me. This arrangement is operationally efficient and represents value-for-money given that the OBR contracts administrative finance services from HM Treasury. The Board considers an update report on our finances at each meeting.

Opinion on effectiveness of governance arrangements

- 2.49 The GIAA Deputy Head of Treasury Group Internal Audit has provided an annual opinion on the adequacy and effectiveness of the OBR's framework of governance, risk management and control to me, as the Accounting Officer, and to the Audit and Risk Assurance Committee. GIAA's findings and agreed actions were not significant, reflecting a generally sound control environment, but did identify some control improvements that will be implemented.
- 2.50 Our operational and governance arrangements take account of the requirements of government functional standards. In most cases the standards relate to areas where we have limited or no resource requirement. We aim to align with HM Treasury on the application of the analytical functional standard.
- 2.51 My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the OBR, who have been delegated responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their reports. On this basis, I consider the OBR's governance arrangements to be effective. I also confirm that I am satisfied with the effectiveness of the OBR's whistleblowing arrangements.



Richard Hughes, Chair

1 July 2024

Remuneration and staff report

Members' remuneration

- 2.52** The table below reports the remuneration of each member of the Budget Responsibility Committee. Members' remuneration is set by HM Treasury on appointment. Current members' letters of appointment, which include detailed remuneration arrangements, are published on the OBR website.³ As stipulated in the letters of appointment, BRC members are not entitled to any bonus payments. Salary includes gross salary only. These disclosures have been subject to external audit.
- 2.53** The non-executive members of the OBR do not receive any fees. Members of the BRC are subject to the deduction of appropriate taxes via the PAYE system. No benefits in kind have been paid to members of the BRC.
- 2.54** As part of their contractual terms the BRC receive a payment equivalent to 20 per cent of their annual fee into a personal pension scheme, shown in Table 2.2.
- 2.55** Members of the BRC are entitled to annual salary increases that are linked to the CPI inflation rate. In 2023-24 the BRC refused their contracted CPI uprating and agreed to limit pay increases to match the civil service pay guidance. The savings from the lower uprating were recycled into enhanced pay awards for the OBR's non-SCS civil service staff.

Table 2.2: Remuneration (salary, benefits in kind and pensions) (audited)

	Salary (£) (Full year equivalent)		Pension benefits (£)		Total (£)	
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Richard Hughes	174,866	167,912	34,973	33,582	209,839	201,494
Andy King (0.9 FTE)	49,656 (119,175)	117,729	9,931	23,546	59,587	141,275
Tom Josephs	76,128 (142,000)	-	15,226	-	91,354	-
Prof. David Miles CBE (0.5 FTE) ¹	66,870	64,762	13,374	12,952	80,244	77,714

¹ In 2023-24 Andy King was in post from 1 April to 31 August and Tom Josephs from 18 September to 31 March.

³ <https://obr.uk/about-the-obr/who-we-are/>

Pensions

Civil Service pensions

- 2.56 Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced, the Civil Servants and Others Pension Scheme (alpha), which provides benefits on a career-average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS), which has four sections: three final-salary schemes with a normal pension age of 60 (classic, premium, classic plus); and one providing benefits on a whole career basis with a normal pension age of 65 (nuvos).
- 2.57 These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under all the above schemes are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt either for a defined benefit arrangement or a partnership pension account.
- 2.58 The following transition arrangements were put in place for the introduction of alpha:
- members within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015;
 - members who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 were switched to alpha between 1 June 2015 and 1 April 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period; and
 - all members who switch to alpha have their existing PCSPS benefits 'banked'. Any earlier final salary benefits members hold will be based on their final salary upon leaving alpha.
- 2.59 Further details of the schemes:
- **Employee contributions** are salary-related and range from 4.6 to 8.05 per cent of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha.
 - **Employer contributions** are also salary-related, and in 2023-24 range from 26.6 to 30.3 per cent of pensionable earnings, based on four salary bands. Scheme administration charges of 0.32 per cent are included in the employer monthly contributions. For 2023-24, employers' contributions of £725,671 were payable to the PCSPS (2022-23: £610,316), the increase reflecting both a rise in pay and the number of staff enrolled.

- **Benefits** for classic accrue at a rate of 1/80th of final pensionable earnings for each year of service; for premium, the rate is 1/60th. Classic plus is essentially a hybrid, with benefits calculated broadly as per classic in respect of service before 1 October 2002, and as per premium since that date. Benefits in nuvos are based on pensionable earnings during the period of scheme membership, with 2.3 per cent of members' pensionable earnings credited to their earned pension account at the end of each scheme year (31 March), and the accrued pension uprated in line with Pensions Increase legislation. 'alpha' is similar to nuvos, except the accrual rate is 2.32 per cent.
- A **lump sum** equivalent to three years' pension is payable on retirement for members of classic. For premium, there is no automatic lump sum. In all cases members may give up (commute) their pension for a lump sum up to the limits set by the Finance Act 2004.

2.60 The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2023-24 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. The Scheme Actuary valued the scheme as at 31 March 2016. Details can be found in the Civil Service Pension Scheme actuarial valuation.⁴

Expenses

2.61 The OBR has incurred costs of £1,050 (£826 in 2022-23) for Richard Hughes' travel and subsistence expenses in 2023-24. Andy King's were £1,565 (£989 in 2022-23). Tom Josephs' £389 (£0 in 2022-23) and David Miles' were £286 (£281 in 2022-23).

Staff summary

2.62 The OBR currently has 52 permanent staff members (as at 31 March 2024) working across the economy, receipts and spending forecasts, sustainability and risks, devolved and policy costings analysis, indirect effects and strategy, operations and communications teams. Members of staff are all civil servants and are primarily employees of the OBR, rather than seconded from other departments. All staff report and are accountable to Richard Hughes as Chair. Staff turnover in 2023-24 was 16.4 percent.

2.63 As of 31 March 2024, the gender balance of the members of the OBR, the SCS- and non-SCS staff was as set out in Table 2.3. Over recent years we have taken steps to increase recruitment of female staff to the OBR, including the appointment of the Deputy Chief of Staff. Gender balance across OBR staff has remained broadly stable since a significant improvement in 2019-20 (Table 2.4).

⁴ <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>

Table 2.3: Gender balance, 31 March 2024

Member (as at 31 March)	Male	Female	Total
BRC and non-executive members	3	3	6
Senior civil servants	2	1	3
Non-SCS staff	30	19	49
Total	35	23	58
Memo: Staff grade E (senior analyst) and above (inc. SCS)	19	12	31

Table 2.4: Gender balance (staff)

	Per cent				
	2023-24	2022-23	2021-22	2020-21	2019-20
Female	38	42	41	43	41
Male	62	58	59	57	59

- 2.64 The OBR Board and management are determined to attract excellent female staff at all grades and to pay them fairly. Departments with fewer than 250 staff are not required to publish data on the gender pay gap, but we publish this information voluntarily. Given the size of the workforce at the OBR, raw pay differentials can be very volatile from year to year as more or less experienced members of staff join or leave. Salaries are set within ranges that reflect the responsibilities of posts and the experience and expertise required.
- 2.65 The most meaningful like-for-like comparison can be derived from looking at the gender pay gap for junior and senior analysts separately. As at the end of March 2024 these show a pay gap of 6.3 per cent (13.6 in 2022-23) for senior analysts, and minus 2.8 per cent for more junior posts, with women paid slightly more than men on average (minus 10.6 per cent in 2022-23). These are calculated on a mean basis with full-time equivalent salaries. Sharp movements this year demonstrate this metric is also volatile, as staff turnover can move the data substantially. The smaller pay gap at the more senior grade relative to last year reflects the number of internal female promotions and recruitment into higher grades. In the more junior grade the gap has narrowed as we have recruited more experienced male staff in that grade.
- 2.66 We collect data on the diversity of our workforce as part of our normal recruitment process. Recruitment of new staff is undertaken without knowledge of names, gender or ethnic diversity criteria of applicants, until the interview stage. We recognise that we have a responsibility to recruit staff on merit and to reflect contributions from a diverse range of backgrounds.
- 2.67 As set out in Table 2.5, we have a significant number of staff who have chosen not to disclose their ethnicity. Around a quarter of those that remain identify as being from a diverse ethnic background and the rest identifying as white.

Table 2.5: Ethnicity

	Per cent		
	2023-24	2022-23	2021-22
Diverse ethnic background	21	18	24
White	63	69	66
Prefer not to say	8	6	0
Unknown	8	7	10

- 2.68 The OBR is committed to equal opportunities for all staff, regardless of age, race, religion, gender, sexual orientation, disability or another determinate factor. We collect and monitor diversity information to assess how we can improve, including information on disability, sexuality and socioeconomic background, alongside the characteristics reported on above. Reporting in these other areas is currently disclosive given staff numbers, but we track progress internally. We have also made a concerted effort to improve the quality and completeness of this information for both new and existing staff, with disclosure increasing for all characteristics, enhancing our ability to monitor and improve.
- 2.69 Over the past couple of years we have introduced a range of measures to improve diversity and inclusion across the protected characteristics, led by a more active diversity and inclusion group. Activities have included all staff development sessions on considering our individual and collective approach to race, improved recruitment materials, efforts to learn from initiatives in larger departments, and the introduction of a mentorship scheme matching junior staff (with one or more protected characteristics) to more senior mentors across the civil service.
- 2.70 We recognise we have further to go to maintain progress on staff diversity, and in particular to improve our recruitment and retention policies and practices to deliver a workforce that brings the greatest possible diversity of background, experience and thought. As such, last year the Oversight Board has committed to targets in relation to staff diversity. The initial targets relate to gender and ethnic background, reflecting our size and disclosure controls on the data we hold in relation to different protected characteristics, but do not preclude a broader commitment to promoting equal opportunities and improving the diversity of our staff in relation to a range of determinate factors. The initial date for the achievement of these targets is September 2025, and we will report against them in our annual report each year. The targets (broadly reflecting the diversity of the population in London and the South East), and our current position against them, are as follows:
- OBR staff identifying as female to fall within a 45-55 per cent range – this figure stood at 38 per cent on 31 March 2024;
 - OBR staff at 'Range E' level and above identifying as female to fall within a 45-55 per cent range – this figure stood at 39 per cent on 31 March 2024; and
 - OBR staff from diverse ethnic backgrounds to fall within a 20-30 per cent range (including those who prefer not to disclose) – this figure stood at 21 per cent on 31 March 2024.

Remuneration

- 2.71** The OBR's staff are civil servants and pay arrangements are governed by the policy framework set out by the Cabinet Office and HM Treasury. Pay and performance-related bonus payments to SCS staff are subject to a civil service-wide process overseen by the Cabinet Office and operated in line with HM Treasury appraisal processes.
- 2.72** Total pay costs in 2023-24 were £3,187,000 (£2,717,000 in 2022-23).⁵ This includes a pot of £41,082 for non-consolidated performance-related payments available to OBR staff (£39,171 in 2022-23). The Oversight Board is responsible for overseeing the pay remit for non-SCS OBR staff. The Oversight Board approves the Remuneration and staff report.
- 2.73** The average remuneration in salary and allowances of staff was £56,828 in 2023-24, an increase of 7.1 per cent on a year earlier. The average bonus was £2,147, an increase of 87.6 per cent on 2022-23. Average bonuses increased significantly as a result of the fixed non-consolidated payment of £1,500 per full-time employee, in line with the central civil service pay remit guidance. Increases in average salaries have resulted from the employment of more experienced staff at higher grades, in addition to the regular civil service pay increases.

Staff numbers and related costs (audited)

Table 2.6: Analysis of pay

	£ 000's	
	2023-24	2022-23
Wages and salaries	3,187	2,717
Social Security costs	383	330
Other pension costs	799	680
Total costs	4,369	3,727
Memo: per cent change on previous year	17.2	

Fair pay (audited)

- 2.74** Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median, 25th and 75th percentile of remuneration of the organisation's workforce.

⁵ Figures include members, SCS and non-SCS staff and are rounded to the nearest £1,000.

Table 2.7: Fair pay – total remuneration

	£	
	2023-24	2022-23
Highest paid director remuneration	174,866	167,912
25th percentile remuneration of staff	43,172	38,809
Ratio of highest paid director to 25th percentile of staff	4.1	4.3
Median remuneration of staff	58,171	52,309
Ratio of highest paid director to median of staff	3.0	3.2
75th percentile remuneration of staff	69,539	62,844
Ratio of highest paid director to 75th percentile of staff	2.5	2.7

Note: remuneration includes basic pay, overtime, allowances, and bonuses for staff. The highest paid director is only entitled to basic salary of these elements of remuneration. SCS staff are not entitled to overtime payments.

Table 2.8: Fair pay – salary

	£	
	2023-24	2022-23
Highest paid director salary	174,866	167,912
25th percentile salary of staff	41,200	38,264
Ratio of highest paid director to 25th percentile of staff	4.2	4.4
Median salary of staff	57,880	52,009
Ratio of highest paid director to median of staff	3.0	3.2
75th percentile salary of staff	67,701	62,164
Ratio of highest paid director to 75th percentile of staff	2.6	2.7

Note: remuneration includes basic pay, overtime and allowances for staff (excludes bonuses). The highest paid director is only entitled to basic salary of these elements of remuneration. SCS staff are not entitled to overtime payments.

- 2.75 In 2023-24, no permanent employees received remuneration in excess of the highest-paid director (nil in 2022-23). Remuneration ranged within a £20,000 to £25,000 band to £174,866 (£167,912 year ended 31 March 2022) – the actual salary of the highest paid director. The highest paid director's salary increased by 4.1 per cent between 2022-23 and 2023-24. The ratios of remuneration relative to the highest paid director for each percentile reported have all fallen, as average staff pay has increased by more than the pay of the highest paid director.

Average number of persons employed (audited)

- 2.76 The average number of full-time equivalent persons employed during the year was 51.2 (2022-23: 41.9). The increase relates to additional resources to cover analytical pressures being fully utilised.

Exit packages (audited)

- 2.77 The OBR did not incur any costs for exit packages (2022-23: nil).

Employee matters

- 2.78 During the period ending 31 March 2024, the average number of working days lost due to sickness absence was 1.4 days per full-time equivalent (FTE) (2022-23: 6.39 days).

- 2.79 There were no reported health and safety incidents in 2023-24. We work with the Ministry of Justice to monitor health and safety at 102 Petty France and offer First Aid training to staff.
- 2.80 The OBR aims to attract talented and skilled individuals from diverse backgrounds and values the different experiences that everyone brings to the workplace. As a Disability Confident Committed Employer, we are dedicated to giving full and fair consideration to applications made by disabled persons and to giving due regard to their aptitudes and abilities. We are committed to supporting staff with training, career development, workplace adjustments and employing measures to support their individual needs.



Richard Hughes, Chair

1 July 2024

Parliamentary accountability and audit report

- 2.81 The accounts of the OBR are audited by the Comptroller and Auditor General under Paragraph 18 (4), Schedule 1 of the *Budget Responsibility and National Audit Act 2011*. The audit fee charged was £17,500 (£17,000 in 2022-23). The auditors received no fees for non-audit services.
- 2.82 All expenditure was applied to the purpose intended by Parliament (audited).
- 2.83 The OBR has no remote contingent liabilities (2022-23: none) (audited).
- 2.84 No losses or special payments above £300,000 have been incurred either individually or in total by the OBR in 2023-24 (2022-23: none) (audited).

Table 2.9: Expenditure and income

	£ 000's			
	2023-24	2022-23	2021-22	2020-21
Expenditure	5,475	4,387	3,946	3,973
Income	(33)	(32)	(18)	(12)
Net expenditure	5,442	4,355	3,928	3,961



Richard Hughes, Chair

1 July 2024

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Office for Budget Responsibility for the year ended 31 March 2024 under the Budget Responsibility and National Audit Act 2011.

The financial statements comprise the Office for Budget Responsibility's

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Office for Budget Responsibility's affairs as at 31 March 2024 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Budget Responsibility and National Audit Act 2011 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Office for Budget Responsibility in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Office for Budget Responsibility's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office for Budget Responsibility's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Office for Budget Responsibility is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future

Other Information

The other information comprises information included in the Performance Report and Accountability Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Budget Responsibility and National Audit Act 2011.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Budget Responsibility and National Audit Act 2011; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Office for Budget Responsibility and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the Office for Budget Responsibility or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Office for Budget Responsibility from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with HM Treasury directions issued under the Budget Responsibility and National Audit Act 2011;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Budget Responsibility and National Audit Act 2011; and
- assessing the Office for Budget Responsibility's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Office for Budget Responsibility will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Budget Responsibility and National Audit Act 2011.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Office for Budget Responsibility's accounting policies;
- inquired of management, the Office for Budget Responsibility's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office for Budget Responsibility's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office for Budget Responsibility's controls relating to the Office for Budget Responsibility's compliance with the Budget Responsibility and National Audit Act 2011 and Managing Public Money;
- inquired of management, the Office for Budget Responsibility's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Office for Budget Responsibility for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Office for Budget Responsibility's framework of authority and other legal and regulatory frameworks in which the Office for Budget Responsibility operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Office for Budget Responsibility. The key laws and regulations I considered in this context included the Budget Responsibility and National Audit Act 2011, Managing Public Money, employment law and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date: 3 July 2024

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

3 Financial statements

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2024

	Note	£ 000's	
		2023-24	2022-23
Expenditure			
Staff costs	2	4,369	3,727
Other expenditure	3	1,101	654
Total		5,470	4,381
Income			
Other income		(33)	(32)
Net expenditure		5,437	4,349
Finance expense		5	6
Net expenditure for the year		5,442	4,355

There were no items of other comprehensive expenditure.

The notes on pages 44 to 50 form part of these accounts.

Statement of Financial Position

as at 31 March 2024

	Note	£ 000's	
		2023-24	2022-23
Non-Current Assets			
Right of Use Assets	7	408	556
Total non-current assets		408	556
Current assets			
Receivables due within one year	5	96	46
Cash and cash equivalents	6	277	32
Total current assets		373	78
Total assets		781	634
Current liabilities			
Payables due within one year	8	(945)	(578)
Provision	9	(15)	(15)
Total current liabilities		(960)	(593)
Non-Current liabilities			
Payables due after one year	8	(278)	(422)
Total non-current liabilities		(278)	(422)
Total liabilities		(1,238)	(1,015)
Net liabilities		(457)	(381)
Taxpayers' equity			
General fund		(457)	(381)
Total taxpayers' equity		(457)	(381)

The notes on pages 44 to 50 form part of these accounts.

The financial statements were approved by the Board on 26 June 2024.



Richard Hughes, Chair

1 July 2024

Statement of Cash Flows

for the period ended 31 March 2024

	Note	£ 000's	
		2023-24	2022-23
Cash flows from operating activities			
Net operating cost		(5,437)	(4,349)
Adjustment for non-cash transactions		147	148
(Increase/decrease in Receivables	5	(50)	(17)
Increase /(decrease) in Payables	8	294	(13)
Net cash outflow from operating activities		(5,046)	(4,321)
Cash flows from financing activities			
Grant-in-Aid from HM Treasury		5,366	4,400
Repayment of capital element of lease liability		(70)	(139)
Repayment of interest element of lease liability		(5)	(6)
Net financing		5,291	4,261
Net increase/(decrease) in cash and cash equivalents in the period		245	24
Cash and cash equivalents at the beginning of the period	6	32	8
Cash and cash equivalents at the end of the period	6	277	32

Statement of changes in taxpayers' equity

for the period ended 31 March 2024

	£ 000's
	General reserve
Balance at 1 April 2023	(381)
Grant-in-Aid from HM Treasury	5,366
Comprehensive expenditure for the year	(5,442)
Balance at 31 March 2024	(457)

for the period ended 31 March 2023

	£ 000's
	General reserve
Balance at 1 April 2022	(426)
Grant-in-Aid from HM Treasury	4,400
Comprehensive expenditure for the year	(4,355)
Balance at 31 March 2023	(381)

The notes on pages 44 to 50 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

Pursuant to the Framework Document¹ between the Office for Budget Responsibility (OBR) and HM Treasury, these financial statements have been prepared in accordance with the 2023-24 Government Financial Reporting Manual (FReM)². The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the circumstances of the OBR for the purpose of giving a true and fair view has been selected. The policies adopted by the OBR are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 IFRSs in issue but not yet effective

As per the FReM, these accounts apply UK adopted IFRS and Interpretations in place as at 1 January 2023. OBR has not early-adopted any new or amended standards in preparing these consolidated financial statements.

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2025 (subject to endorsement by the UK).

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts.

This standard is not expected to have a material impact on the OBR's financial statements because the OBR does not have, nor plan to sign any insurance contracts in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 was issued in April 2024 and applies to annual reporting periods beginning on or after 1 January 2027 (Subject to UK endorsement). OBR does not intend to early adopt IFRS 18.

IFRS 18 sets out general and specific requirements for the presentation and disclosure of information in general purpose financial statements. The objective of IFRS 18 is to improve comparability of financial performance between organisations applying IFRS. Once effective, IFRS 18 will replace IAS 1 Presentation of Financial Statements.

The impact of adopting this standard is still being assessed.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the OBR.

¹ <https://obr.uk/download/framework-document-2/>

² <https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>

1.2 Accounting convention

These accounts have been prepared on accruals basis under the historical cost convention, modified to account for the initial recognition of certain financial instruments at fair value where required under applicable accounting standards.

1.3 Basis of preparation

The OBR's Statement of Financial Position at 31 March 2024 shows net liabilities of £457k. This reflects the inclusion of liabilities falling due within 2023-24 which, in so far as the OBR is unable to meet them from its other sources of income, would fall, in the last resort, to be met by grants from central government.

Under normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need, but there is no reason to believe that, if required, grant funding and parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going-concern basis for these financial statements.

1.4 Significant judgements and estimates

In determining whether an arrangement contains a lease, as required by IFRS 16, there is significant judgement in determining whether the arrangement conveys the right to control the use of an identified asset, and in determining the lease term. For the OBR, this is particularly pertinent in respect of the OBR's assessment of the likelihood of exercise of early termination options. Management has assessed that it is not reasonably certain that it won't exercise the break clause in its lease in 2026, so the accounts have been prepared on the basis that the lease term will end then.

1.5 Financing

The OBR is financed via a Grant-in-Aid from HM Treasury. The Grant-in-Aid is credited to the general fund in the year in which it is received. The total Grant-in-Aid received by the OBR from HM Treasury for the period ended 31 March 2024 was £5,366k. This total represents the OBR's cash requirement within the reporting period over and above its cash balance held at the end of the previous financial year adjusted for cash in transit at the end of the previous financial year.

1.6 Property, plant and equipment

The threshold for capitalising non-current assets is £5,000, consistent with the accounting policies of HM Treasury. The OBR does not currently hold any property, plant or equipment as it rents office space and leases IT equipment under an operating lease.

1.7 Pensions

The provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Service and Other Pension Scheme (CSOPS), which are described in the Remuneration and Staff Report, cover the majority of past and present employees. The defined benefit schemes within the PCSPS and CSOPS are contributory. The OBR recognises the expected costs of the scheme on a systematic and rational basis over the period during which it benefits from employees' service by payments of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

1.8 Employee benefits

The OBR accrued for the cost of the outstanding employee paid holiday entitlement. It is calculated based on pay and Employers' National Insurance Contributions.

1.9 Financial instruments

Trade receivables and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10 Cash

Cash and cash equivalents comprise cash at bank.

1.11 Leases

At the inception of each contract, the Company assesses whether the contract is, or contains a lease, where a lease is any arrangement which conveys the right to control an asset for a period of time in exchange for consideration. OBR recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost and is depreciated on a straight-line basis over the residual lease term. The lease liability is initially measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, a rate determined by HM Treasury and based on government's incremental borrowing rate.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and impairment losses and reflecting adjustments for lease modifications or revisions to payments. The lease liability is subsequently measured at the present value of the remaining payments, reflecting adjustments for lease modifications or revisions to payments.

1.12 Provisions

Provisions are recognised in accordance with IAS 37 when a present obligation exists as the result of a past event, when it is probable that economic benefits will flow from the OBR in order to settle the liability and that a reliable estimate can be made of the sum required to make a final settlement. Where the future payment amount is unknown, provisions are set at a level which covers the estimated number of future payments and the estimated average payment amount. Future payments may be subject to discount rates based on the expected timing of cash flows to arrive at the net present value of all expected future cash flows. Provisions are calculated using the best available information, but the actual future outcomes of items provided for may differ from expectations. In accordance with IAS 1, provisions are separately disclosed as both current and non-current.

2. Staff costs

2.1 Analysis of total staff costs

	£ 000's	
	Permanent staff	
	2023-24	2022-23
Wages and salaries	2,739	2,314
Social Security costs	331	278
Other pension costs	706	597
Total costs	3,776	3,189

	£ 000's	
	BRC members	
	2023-24	2022-23
Wages and salaries	368	350
Social Security costs	47	47
Other pension costs	73	70
Total costs	488	467

	£ 000's	
	Other staff	
	2023-24	2022-23
Wages and salaries	80	53
Social Security costs	5	5
Other pension costs	20	13
Total costs	105	71

Other staff include staff on fixed term appointments and secondments from other government departments.

Further details of staff costs and numbers are disclosed in the Remuneration and Staff Report (see pages 25 to 32).

3. Other expenditure

	£ 000's	
	2023-24	2022-23
Accommodation costs	245	227
Subscriptions, printing and office services	153	145
IT costs	470	71
External auditor's remuneration	18	17
Legal and consultancy costs	3	-
Bank charges	1	1
Staff support and staff-related costs, including training and travel	63	45
Depreciation	148	148
Total	1,101	654

The £399k increase in IT costs was mainly due to an IT system migration occurring in-year.

No payments were made to the external auditors in respect of non-audit services.

4. Financial instruments

As the cash requirements of the OBR are met through Grant-in-Aid provided by HM Treasury, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments, namely trade receivables and payables as detailed in Note 5 and Note 8, relate to contracts to buy non-financial items in line with the OBR's expected purchase and usage requirements. The OBR is therefore exposed to little credit, liquidity or market risk.

5. Receivables

	£ 000's	
	2023-24	2022-23
Amounts falling due within one year		
Accrued income	3	8
VAT receivable	69	12
Other trade receivables	24	26
Total falling due within one year	96	46

Accrued income relates to recharges from HM Treasury.

6. Cash and cash equivalents

	£ 000's	
	2023-24	2022-23
Balance at 1 April	32	8
Net change in cash balances – inflow/(outflow)	245	24
Balance at 31 March	277	32

All cash balances are held with the Government Banking Service.

7. Right of use Assets

	£ '000's	
	2023-24	2022-23
Cost		
At 1 April	704	704
Cost Additions - Right of use Property	-	-
Cost at 31 March	704	704
Depreciation		
At 1 April	(148)	-
Charged in year	(148)	(148)
Depreciation at 31 March	(296)	(148)
Carrying value at 31 March	408	556

The OBR recognises a right of use asset for its lease of office space at 102 Petty France.

8. Payables and other current liabilities

	£ 000's	
	2023-24	2022-23
Amounts falling due within one year		
Taxation and social security	120	81
Trade and other payables	253	58
Current lease liability	216	143
Accruals	356	296
Total falling due within one year	945	578
Non-current lease liability	278	422
Total falling due later than one year	278	422

The £195k increase in trade and other payables falling due within one year was due to an increase in balances outstanding to related parties at the reporting date. More information is disclosed in Note 11.

9. Provisions

	£ 000's	
	2023-24	2022-23
Balance at 1 April 2023	15	15
Provided during the year	-	-
Utilised during the year	-	-
Balance at 31 March 2024	15	15
Not later than one year	-	-
Later than one year and not later than five years	15	15

Under the agreement covering its tenancy, the OBR has an obligation to pay a pro-rata share of dilapidation costs chargeable to the landlord by the freeholder that arises on cessation of the head lease.

In 2022-23, a provision for £15k was recognised following the professional assessment that the property would most likely be retained for business use, and a professional estimate of the likely expenditure payable by the OBR.

10. Commitments and Leases

The OBR has not entered into any capital commitments or non-cancellable contracts.

The OBR relocated to new premises on 12 September 2016, leasing office space by means of an agreement set out within a Memorandum of Terms of Occupation (MOTO). The MOTO covers the provision of accommodation, including rates and service charges, but excludes IT. The MOTO agreement runs for 12 years from 12 September 2016 to 23 December 2028. On 30 September 2022, the lease was replaced with a new agreement with GPA running until December 2028 with a break clause at December 2026.

Obligations and commitments over the lease period comprise:

	£ '000's	
	2023-24	2022-23
Accommodation and office services		
Within one year	225	148
Between one and five years	237	426
Later than five years	-	-
Total	462	574

These figures do not take in to account any future increases in the underlying costs which would be passed on to the OBR.

11. Related party transactions

As the sponsoring department for the OBR, HM Treasury is regarded as a related party with which the OBR has had various material transactions during the year, including the provision of HR, IT (as from December 2023) and financial services to the OBR.

The OBR has leased office space from the Ministry of Justice (MoJ) since 12 September 2016 and subsequently GPA from 30 September 2022. The OBR has ongoing transactions with the MoJ and GPA in accordance with the MOTO through which the MoJ recharges the OBR for the cost of accommodation and office services and separately under the MoJ's agreement to provide IT services until 8 December 2023. The total charged by the MoJ in 2023-24 was £196k (2022-23: £364k) and total charged by GPA was £229k (2022-23: £58k).

Board member remuneration is disclosed in the Remuneration Report. No Board member, key manager or other related party has undertaken any other material transactions with the OBR.

12. Events after the reporting period

There were no significant events after the reporting period.

13. Date authorised for issue

The financial statements were authorised for issue on the date that the Comptroller and Auditor General (C&AG) certified the accounts.

