

Robert Chote
Chairman
Office for Budget Responsibility
20 Victoria Street
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27th October, 2014

Dear Robert,

As you know, Dame Kate Barker and I recently commissioned Kevin Page to undertake the first external review of the Office for Budget Responsibility (OBR). The review fulfills our responsibility under the Budget Responsibility and National Audit Act 2011 to commission and publish an external review of the OBR every five years. Kevin Page and his team carried out the review between May and August this year, and published the final document on 3 September.

The review was very positive about the performance of the OBR over the last four years. It also made a number of recommendations which we discussed at the most recent meeting of the OBR oversight board. We have decided that the first step we need to take is to seek the views of those who are most directly responsible for each of the recommendations.

I am therefore writing to you for your views on how the following recommendations could be taken forward:

- *As per the OBR's enabling legislation and interconnected Charter for Budget Responsibility, the UK Parliament is a legal stakeholder of the OBR. As part of this evaluation, an unsuccessful effort was made to broadly survey MPs and Peers vis-à-vis their perceptions and interactions with the OBR and its products. The long-term sustainability of the OBR will depend on ensuring relevance to key stakeholders, particularly those in Parliament. In an effort to address the gap in understanding of MP and Peer perceptions, it is recommended that the survey of Parliamentarians be reissued before the end of this session of Parliament. The survey and suggested guidelines for reissuing can be found in Annex F of the review document;*
- *The nature of the fiscal community in the UK is relatively closed, as it is in other OECD jurisdictions. The OBR, together with HM Treasury and other government departments, have made significant strides in transparency in economic and fiscal forecasting to support the democratisation of access. However, additional measures are recommended to further enhance the OBR's efforts. It is recommended that additional backgrounders be included with the publication of major reports to aid the accessibility of the documents for non-technical readers. This includes briefing material and associated outreach documents that promote a broader understanding for Members of Parliament, Members of the House of Lords, civil society and citizens of the approach and analytical tools used by the OBR to prepare its Economic and Fiscal Outlooks and Fiscal Sustainability Reports (such as OBR (2014) A brief guide to the public finances).*

Lord Burns

Chair, Oversight Board

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- *When compared to peer IFIs, this evaluation found the OBR's staff to have the necessary competencies for the execution of its mandate. Its human resources practices also appeared consistent with the relevant OECD Principles. The OBR's on-going success depends on the retention and renewal of the expertise and competencies of its staff, many of which are drawn from various departments in the Civil Service. This operating feature is reinforced with the interdependency with government officials for the discharge of its mandate. **It is therefore recommended that a formal fiscal community-wide staff development and rotation programme be established to maximise the talent pool upon which the OBR can draw.** While such a programme should aim to increase the availability of expertise necessary for the OBR, it should also be mindful of not depleting scarce Civil Service human resources in this field; and*

We have asked Sir Nicholas Macpherson for his views on this final recommendation, in addition to the following:

- *Stakeholder confidence in and the initial successes of the OBR are inextricably linked to its senior leadership (i.e. the Budget Responsibility Committee). With such importance placed on human resources, **it is recommended that long-term succession planning be undertaken to mitigate risks related to the eventual transition of the OBR's senior leadership** to ensure the continuity of the organisation and the development of institutional confidence. Such a plan would need to go further than merely staggering the contracts of senior leaders. Long-term planning should strive to foster institutional memory and organisational sustainability over many years; and*
- *Given that the organisational underpinnings of the OBR are in their institutional infancy and are interdependent with a host of government departments and agencies, **it is recommended that caution be exercised in considering the expansion of the OBR's mandate (e.g. costing certification of opposition manifestos).** The OBR may not have the organisational capacity to expand its remit without further drawing on the resources of other government departments. In addition, the particularly narrow legal framework of the OBR and its interdependencies within the executive branch may risk creating perceptions of conflicts-of-interest; and*

We would appreciate a reply to this letter before 5 December 2014, in order to consider our wider response to the review at our next board meeting.

*Yours ever,
Terry*

Lord Burns
Chair, Oversight Board