

Memorandum of Understanding: between the Welsh Government and the Office for Budget Responsibility

Main responsibilities and legislative background

1. The main fiscal responsibilities in relation to the new devolved tax powers of the Welsh Government and the Office for Budget Responsibility (OBR) are set out in legislation, including the Budget Responsibility & National Audit Act 2011, the Wales Act 2014, the Command Paper: *Wales Bill: Financial Empowerment and Accountability*¹ (published alongside the Wales Bill in 2014), and the Wales Act 2017. Further responsibilities are set out in the December 2016 fiscal framework agreement between the UK and Welsh Governments.
2. Under the terms of the fiscal framework agreement, the Welsh Government must establish independent forecasting arrangements for the devolved taxes. In accordance with this, an arrangement has been made between the Welsh Government and the OBR for it to provide the independent forecasts of devolved tax revenues to be produced alongside Welsh Government budgets. Further detail of this arrangement is set out in the related Terms of Reference.
3. The Welsh Government has responsibility to develop policies and implement new tax powers as they are devolved to the National Assembly for Wales. The Welsh Government will provide regular financial information to the Assembly, UK Government, Office for National Statistics and the OBR setting out its tax, borrowing and spending plans and will ensure that outturn receipts from the fully devolved taxes are published.
4. In addition to the arrangement noted in paragraph 2, the OBR will continue to produce all UK-wide economic and fiscal forecasts and report on the UK public finances from all levels of government, including revenues from taxes devolved to Wales. Legislation and the fiscal framework agreement provide the right of access for the OBR to any relevant information from within the Welsh Government to fulfil the OBR's main duties, including any assistance and explanations. Final judgements and assumptions used in the OBR's forecasts and other analysis will be decided by the OBR's Budget Responsibility Committee.

¹ *Wales Bill: Financial Empowerment and Accountability*, March 2014, Cm 8838.

5. This Memorandum does not constitute a legally binding agreement. Signatories to this memorandum may request a review of its contents and implementation at any time.

Purpose of this Memorandum of Understanding

6. The Memorandum of Understanding (MoU) sets out the principles underpinning the working arrangements required to meet the Welsh Government's and the OBR's main responsibilities, including:
 - effective information sharing and cooperative working relationships between the OBR, the Welsh Government and other bodies that contribute to forecasts;
 - providing forecasts of sufficient quality and timeliness to allow effective and efficient budget-making by the Welsh Government and UK Government; and
 - ensuring that forecasts are sufficiently transparent and well-explained that they can be scrutinised and compared by the UK Parliament, the National Assembly for Wales, other stakeholders and the general public.

Co-ordinating the process

7. The Welsh Government and the OBR will share any relevant information required for the other to fulfil their responsibilities, including pre-measures forecasts and explanatory notes. Neither institution will publish material that is shared by the other through these exchanges without seeking and receiving its prior consent.
8. As part of the forecast development process the OBR will set up challenge meetings on pre-measures forecasts of devolved taxes. Officials from the Welsh Government must participate in challenge meetings as required by the OBR to explain their analysis or forecasts. Reciprocally, at the request of the Welsh Government, officials from the OBR must attend challenge meetings set up by the Welsh Government. Both organisations will share their forecasts, relevant papers and where necessary macroeconomic determinants ahead of the challenge meetings.
9. The OBR will fulfil its responsibilities with regard to producing reports and presenting them to the UK Parliament and National Assembly for Wales as required. In doing so, the OBR will endeavour to provide regular information explaining how and why their latest forecasts differ from those previously published, if that is the case. The reports will seek to improve public understanding of the forecasting methodologies and the judgements and assumptions that have been used.

Regular information exchange

10. The OBR has a statutory right to full and timely access to all official information relevant to its analysis.² While the Welsh Government's right of access to such information does not have the same statutory basis, the OBR will, subject to the requirements of other information-sharing agreements,³ act reciprocally in sharing full and timely information relevant for the Welsh Government's analysis across its responsibilities in relation to the Welsh taxes. Information requested by either the Welsh Government or the OBR will be provided with reasonable timeliness, as will any necessary assistance to understand it.
11. The OBR and the Welsh Government, and all supporting bodies, will ensure that shared information is objective and of necessary quality for each to meet its responsibilities satisfactorily.
12. Information being exchanged will not include confidential taxpayer information. Tax confidential information will not be regularly required by the OBR or the Welsh Government to undertake their functions. In the unlikely situation that taxpayer confidential information is requested it will only be provided if provision fully meets the criteria for release as set out in the relevant legislation.⁴
13. The OBR will share with the Welsh Government relevant information around the assumptions and judgements that it has made in relation to UK Government policy costings that affect the devolved taxes forecasts. The Welsh Government will share with the OBR relevant information about its own policy costings where these affect the devolved taxes, or any information or analysis undertaken on the effect of policy changes on the tax revenues that are reserved to the UK Government.⁵

² Section 65 of the Wales Act 2017 and section 9 of the Budget Responsibility and National Audit Act 2011.

³ Such as the *Memorandum of Understanding between the Office for Budget Responsibility, HM Treasury, the Department for Work & Pensions and HM Revenue & Customs*.

⁴ Notably section 18 the Commission for Revenue and Customs Act 2005 and section 18 of the Tax Collection and Management (Wales) Act 2016.

⁵ For example, if the Welsh Government were to change the rate of Welsh income tax, this would be likely to prompt behavioural responses affecting UK Government revenue from income tax and National Insurance contributions. For more information on interactions and behavioural responses see the OBR's *Briefing Paper 6: Policy costings and our forecast*.