

Office for
**Budget
Responsibility**

Annual report and accounts 2022-23

Office for Budget Responsibility: Annual report and accounts 2022-23

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 and the Welsh Finance Committee 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. To that end, we have also accompanied the flagship publications we are required to produce by the Act with an ever-increasing 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.

1.5 The backdrop to my second full year as Chair of the OBR has been one of considerable political uncertainty with four different Chancellors holding office. Despite having prepared an updated forecast for its first day in office, the Liz Truss Government did not request a revised forecast to accompany either the then-Prime Minister’s announcement of the Energy Price Guarantee or the then-Chancellor’s Kwasi Kwarteng’s Growth Plan (or “mini-budget”) in September. We were subsequently brought back into the fiscal policy-making process for the Medium-Term Fiscal Plan that was intended for November. In the event, there was a change of political administration in mid-October, and we worked with the new Chancellor (Jeremy Hunt) to produce a forecast to accompany his Autumn Statement in November.

1.6 Through this period, the OBR was effectively required to operate a continuous forecast process across the whole of the summer and autumn. The timing of both the stages of the forecast and the publication date changed frequently, increasing uncertainty both within and outside of the OBR. This created challenges with regard to the management of our staff, resources, and outputs. The uncertainty over the course of the production of the November forecast led us to reduce the length of the published *Economic and fiscal outlook (EFO)* and

associated material, but importantly, we are confident that the analysis and conclusions in the forecast itself were not diminished by the disruption. The heightened public interest surrounding the process leading up to the Autumn Statement also provided an opportunity to publish the timetable for our forecast, a practice recommended by our non-executive members and one which we have continued in subsequent forecasts. As usual we also set out all of the key decision-making points and communications between ourselves and government ministers in the *Foreword to the EFO*, in line with our commitment to remain transparent across both the content of the forecast, and the process by which it is produced.

- 1.7 The analytical challenges we face have also moved on somewhat from the pandemic and its aftermath to understanding an energy and inflation shock to the global and UK economy that has required further novel policy interventions. We have approached these new challenges by drawing on an ever-wider range of evidence and outside expertise to guide our forecasts and analysis. The past year has also brought deeper structural issues in the domestic economy to the fore, where trends in economic inactivity have forced us to further sharpen our focus on the evolution of the supply potential of the economy. This was also the main theme of the Budget in March, in which the Government attempted to boost labour participation via a range of policy measures. The changes made to our potential supply forecast for the impact of these measures drew upon our extended framework for supply-side analysis, that we set out in *Briefing Paper No. 8 – Forecasting the supply side of the economy* published alongside our November *EFO*.
- 1.8 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 Sir Chris Kelly, as he steps down after two terms as Chair of the Oversight Board. The staff and fellow members of the OBR have benefited hugely from his experience and insight over the past six years.
- 1.9 Despite a challenging and eventful year for the OBR our staff survey results show that engagement and attachment to our organisational objectives remain very high. Unsurprisingly, in a busy and difficult year, resources and workload scores deteriorated, along with a further fall in satisfaction on pay and benefits. Over the course of the coming year, we will continue our efforts to make improvements in how we work: including by diversifying the range of outputs for publishing OBR staff's analysis beyond our larger, statutory publications; and by ensuring that we continue to offer an interesting, engaging, and inclusive place to work. The introduction this year of new staff diversity targets approved by the Oversight Board – detailed within the accountability report – are one aspect of our ongoing commitment and efforts in this area.

- 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

20 June 2023

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
- 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, updated in the revised January 2022 *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 <http://obr.uk/topics/legislation-and-related-material/>

- 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 2022-23

Core responsibilities

- 1.15 In 2022-23, we fulfilled our statutory core responsibilities through the publication of the following reports:
- Our latest ***Welfare trends report*** – which following the January 2022 update to the *Charter for Budget Responsibility*, has moved from an annual to a biennial publication – was published in May 2022. With the UK at the time emerging from the Covid-induced recession that had sizable impacts on welfare spending over the recent past and continues to do so across our forecasts, the focus of this report was on changes in non-pensioner welfare spending during and after recessions, comparing the pandemic to the previous three UK recessions over the past four decades.
 - In July 2022 we published our first ***Fiscal risks and sustainability report***, which combined the previously separate *Fiscal sustainability reports* and *Fiscal risks reports*. We focused on three key themes: heightened geopolitical tensions both in the security and trade arenas, where we looked back at how both conventional and trade wars had affected the economy and public finances in the past and explored the implications of potential threats that we face today; higher energy prices, where we assessed the fiscal risks from higher fossil fuel prices and the fiscal implications of long-term changes in energy supply and demand; and demographic change, where we updated our 50-year projections for the public finances for the first time since before the pandemic.
 - The November 2022 ***Economic and fiscal outlook*** was prepared amid political uncertainty and followed a string of large-scale policy announcements and reversals since the previous forecast. The main publication was truncated, as a result of the uncertainty around the timing and commissioning of the forecast. Instead, we prioritised the underlying assumptions, judgements and associated analysis in order to ensure the analytical basis of our forecast was undiminished. The forecast anticipated a material weakening in the public finances due to a weaker economy and higher

interest rates and inflation. Major policy announcements since the March 2022 forecast included near-term support for businesses' and households' energy bills in May, followed by a medium-term fiscal loosening in September that was largely reversed in October, before a further medium-term tightening of policy in the Autumn Statement.

- Our latest **Forecast evaluation report** was published in January 2023 and focused on the accuracy of the forecast for the economic recovery from the pandemic and its impact on the public finances in 2021-22. The unexpected strength and speed of the recovery, alongside continuing constraints on supply and higher gas prices, meant we had significantly underestimated inflation, while higher-than-expected nominal GDP and its tax-rich composition led to a significant overestimate of borrowing.
- The March 2023 **Economic and fiscal outlook** set out our latest economic and fiscal forecast and assessment of the likelihood that the Government would meet its new fiscal mandate and supplementary targets, which were published in a revised draft *Charter for Budget Responsibility* in January 2023. A brighter outlook for the economy since November improved the prospects for the public finances, but persistent supply-side challenges continued to weigh on medium-term prospects. Budget measures led to an upgrade to the labour supply and business investment forecasts, partly addressing some of those structural challenges, alongside further support for household energy bills.
- As part of our role for producing the independent forecast of devolved Welsh taxes for the Welsh Government, we published our third **Welsh taxes outlook (WTO)** in December 2022, 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.
- Alongside both *EFOs* 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 we published Briefing paper No.8: *Forecasting potential output – the supply side of the economy* alongside the November 2022 forecast. It set out the main drivers of, and our forecast methodology for, potential output, which is the starting point for our economy forecast. It also set out the factors we consider when incorporating policy measures into the forecast – which include the need for them to be significant, durable, additional and evidence-based.
- 1.17 We continued the publication of 'monthly profiles' for the public finances, which sets 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.

These profiles were originally part of our attempt to bring clarity to the public finance numbers during the pandemic, but they have also assisted our own – and other commentators’ – interpretation of the public finances data, and we continue to use them in our regular monthly commentary.

Communications and stakeholder engagement

- 1.18 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. We also remotely hosted or attended a variety of domestic and international visitors and delegations interested in the work of the OBR, including the Government Economic Service, the Bank of England, the International Monetary Fund (IMF), the OECD, the European Fiscal Board, the Institute for Government, the Resolution Foundation, the Society of Professional Economists, the National Institute for Economic and Social Research, Reform, the Centre for Policy Studies, the Fraser of Allander Institute, Policy Exchange, the Office for Statistics Regulation, and the Government Actuaries Department.
- 1.19 The BRC has given evidence to a range of Parliamentary committees, including 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 and the *Fiscal risks and sustainability* report.
- 1.20 As well as meetings with relevant analysts in government departments, this year we have engaged with a wide range of external institutions ahead of the production of our forecasts including the Bank of England, the Institute for Government, the National Institute of Economic and Social Research, the Institute for Fiscal Studies, the Office for National Statistics, the National Audit Office, the Resolution Foundation and Transport for London. We detail our engagement with government and non-government institutions in the foreword of each publication.
- 1.21 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.

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.
- 1.23 In terms of the performance of our forecasts, our latest *Forecast evaluation report* examined our recent forecasting performance as the pandemic receded, and our longer-term

performance relative to official forecasts made before the OBR was created. Over the longer term, despite the OBR period now containing the largest forecast errors on record owing to the pandemic, it remains the case that our median absolute forecast errors for real GDP and net borrowing are smaller in size than the median errors in official forecasts of the 20 years before the OBR was created. Prior to the pandemic this was also the case for mean errors, but the size of our pandemic-related forecast errors has pushed our mean absolute forecast error for real GDP slightly above that for the 20 years before the OBR's creation.

- 1.24 We also measure our performance based on feedback from external stakeholders and international organisations. The IMF's September 2022 Public Investment Management Report said *'The independence and quality of OBR's analyses confirm that the institution plays a central role in the UK's fiscal framework'*.² The role of the OBR has also received affirmation of its importance from the Treasury Select Committee. In a letter to the Chancellor of the Exchequer in September 2022 the Chair of the committee said, *'Independent forecasts are an essential component of both accountability and demonstrating fiscal credibility to markets and the public.'*³
- 1.25 We collect website traffic data to monitor how and when our outputs are accessed. During 2022-23, we published our first HTML publications for our *Forecast evaluation report* in January 2023 and our *Economic and fiscal outlook* in March 2023, which received nearly eight times and 70 per cent more views respectively compared to our previous publications.. Increased interest in the OBR's work throughout the autumn led to record-high levels of website traffic. The November *Economic and fiscal outlook* recorded 201,000 website hits, versus our previous record of 111,000 in April 2020 (when we published our Coronavirus reference scenario). In 2022-23 as a whole, we received nearly 1.2 million hits, around double the figure for 2021-22 and 64 per cent more than our previous record (of 723,000) in 2020-21.
- 1.26 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 2022-23 we improved the accessibility index rating of the website from 75 to 87 per cent.⁴
- 1.27 We also monitor social media analytics to inform our communication strategy for core publications. For 2022-23 as a whole, we saw a record level of social media engagement since the OBR was established, which – as with website hits – can be mostly attributed to the increased interest in the work of the OBR throughout the autumn. Our number of Twitter followers reached over 19,800 (40 per cent growth on 2021-22). And there was a record number of mentions of our account (6,200 – a 75 per cent increase on the previous year) and profile visits (158,000 – a near tripling) in September 2022.

² <https://www.imf.org/en/Publications/CR/Issues/2022/09/01/United-Kingdom-Technical-Assistance-Report-Public-Investment-Management-Assessment-522790>

³ <https://committees.parliament.uk/publications/30126/documents/174302/default/>

⁴ As measured by SilkTide's UK Central Government Index.

Financial performance and sustainability

- 1.28 The OBR is committed to the central government target of paying valid invoices within five days of receipt. In the reporting period, 95 per cent of invoices (97.9 per cent in 2021-22) that we have received have been paid within the target time of five days.
- 1.29 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 2023 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 zero days (2021-22: zero days).
- 1.30 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 policies implemented throughout the government estate.

Operations

- 1.31 Our financial management and oversight arrangements are established in the *Framework document*, which was most recently updated in March 2019.⁵ Key elements of the arrangements are described in the governance statement. We are funded via a delegated budget from our sponsor department, HM Treasury.
- 1.32 Our delegated budget, set at the 2021 Spending Review, was £4,347,000 for 2022-23. The statement of comprehensive net expenditure in this year's accounts puts our total spending for the year at £4,355,000. Total spending exceeds the original delegation as a result of the inclusion of the new IFRS16 standard in public sector accounts. Our budget delegation letter set out that any budget adjustments necessary for this purpose would not pose a pressure on our budget. In line with Supply Estimate Manual guidance, a virement will be made within HM Treasury Group accounts to cover this difference. Excluding the effect of IFRS16 adjustments our total spending was £4,346,000.
- 1.33 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 Group Shared 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.

⁵ <https://obr.uk/download/framework-document-2/?fmsv=1686657679>

Service agreements

- 1.34 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. Our IT infrastructure and maintenance are also delivered via the MoJ network. We work with the MoJ to ensure that appropriate steps are taken to achieve value-for-money in shared services.
- 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 2023 shows net liabilities of £381,000 which includes accrued payments for staff costs and performance-related staff bonuses for 2022-23. This reflects the inclusion of liabilities falling due in 2022-23 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

20 June 2023

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 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 (which one of us chairs) and the Audit and Risk Committee (which the other of us chairs) and through other meetings with the Budget Responsibility Committee (BRC) and their staff. In the past year the Oversight Board and the Audit and Risk Committee have each met four times. In preparation for this assessment we have 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.

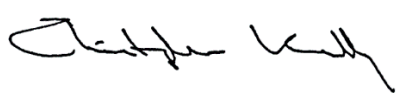
2.4 The OBR came under an unusual amount of public scrutiny in 2023 because of the circumstances surrounding the Autumn 2022 fiscal event (also known as the 'Mini Budget'), the two subsequent Budgets in November and March, and the perceived political significance of the BRC's judgements about the impact of measures intended to affect the supply side of the economy. Our impression is that the way it handled these issues - including the undramatic way it refuted the suggestion that the absence of any forecast accompanying the Autumn event was because it had been unable to provide one to the timetable required – has rightly strengthened public perception of the OBR's independence. The BRC's decision to work on an updated forecast during the summer months showed

commendable foresight – though it did mean staff being permanently engaged in forecasting for a long period, which must have had an associated opportunity cost. Paradoxically, greater public awareness of the OBR and its remit may also have made it more subject to criticism from those who disagree with its judgements, especially in relation to the likely effects of various measures on the supply side.

- 2.5 Production of the March 2023 *EFO* followed a more orderly and established process than the Autumn events. The resulting assessment was generally well-received. The process did, however, involve more frequent contact than usual between the BRC and Treasury Ministers and officials and a greater risk of the BRC being pulled into policy advice, which is outside their remit. It also put a lot of pressure on OBR staff because of the need to engage with a wide range of supply side policies on which both evidence about likely impact and existing expertise within the Office was limited, or already engaged in the demanding forecast process. As on other occasions when novel issues have arisen, staff responded well to the challenge. The OBR was, however, not sufficiently resourced to assess all the material provided without pulling in staff from across the Office. It may, depending on circumstances, not always be able to do the same on any future occasions when the economic forecast is relatively less straightforward. This creates an obvious risk to the quality of analysis and assurance. The OBR has already put in a request for a modest increase in resources to mitigate this risk. It is also sensibly reflecting on whether the increased interest in the supply side and labour participation requires any changes in their approach to future fiscal events.
- 2.6 For the first time the forecast timetable for the Autumn forecast was published in advance. This followed a recommendation we made in December 2021. We argued then that advance publication would be in the interests of transparency and would help avoid any misunderstandings of the sort which led to (unjustified, in our view) suggestions that the timetable for the Autumn 2021 *EFO* had been artificially manipulated in response to pressure. Our second recommendation – that a new condition should be written into the Memorandum of Understanding between the Treasury and the OBR stipulating the normal time between closure of the pre-measures forecast and the Budget with changes to that period needing to be publicly justified – has yet to be implemented.
- 2.7 Generally, we remain as confident as we can be that – while like other forecasters it can be fallible - the OBR has remained robust about its own judgements and has been able to make them without inappropriate interference from outside. The members of the BRC have confirmed to us that, as in previous years, they have not come under undue pressure to change the conclusions of their analysis or the way they have reached them – though robust discussion has at times taken place. OBR staff have said the same. There is a standing instruction that any contacts between the OBR and relevant departments that could be perceived as, even unintentionally, going beyond clarification or fact checking should be referred to us. No such referrals have been made in the past year.
- 2.8 To aid transparency, the OBR has continued to publish a log of substantive contact between the OBR and Treasury Ministers, their private offices, and special advisers. It has also continued to record its interactions with others. Notably, it has continued to make regular

use of pre-forecast discussions with the Institute for Fiscal Studies, National Institute for Economic and Social Research, the Institute for Government and the Resolution Foundation.

- 2.9 In our last assessment we recognised that impartiality in the documents produced by the OBR requires more than the avoidance of normative statements. It also involves editorial balance in terms of the order of presentation, the areas given greater prominence, the choice of factoids and so on. We noted then that the BRC intended to strengthen its focus on the overall tone and balance of published documents. Our own observations, and the absence of any public criticism of such issues over the last year, suggests that these efforts have been successful.
- 2.10 Many OBR staff continue to work from home. A lot of effort has been put into mitigating any untoward effects of hybrid working and levels of staff engagement, remain impressively high. We have seen no evidence that standards have fallen, despite the considerable pressure caused by the volume of work and the nature of outside events.
- 2.11 Staff have continued, as in previous years, to express concerns to us about opportunities for advancement and personal development – reflecting both the small size of the organisation and the risk that continuing demands for immediate work can squeeze out time to reflect, to work on models and to take opportunities to develop personal expertise. They have, however, also told us that they welcome the greater emphasis now being placed on personal development in annual assessments, improved planning of workload demands, and the steps taken to remove some of the analytical material previously more usually included in EFOs in favour of separate (attributed) publication in working papers or other publications.
- 2.12 There is widespread recognition among staff of higher paid opportunities elsewhere, including in the Bank of England, and concern about the implications for retention and morale. The BRC are aware of these concerns and are doing what they can to address them. But they are, of course, constrained by the budget limitations affecting all Government departments and related bodies. In that context, it is anomalous in our view that while the OBR by statute reports both to Government and to Parliament, via the Treasury Select Committee (TSC), there is no obligation for the TSC to be consulted about the OBR's budget.
- 2.13 We are grateful for the opportunity to be involved in the OBR. Our admiration for the BRC, their staff and the quality and independence of their work is considerable.



Sir Christopher Kelly



Bronwyn Curtis

Non-executive members of the Office for Budget Responsibility, 16 June 2023

Statement of Accounting Officer's responsibilities

- 2.14 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.
- 2.15 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.
- 2.16 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.
- 2.17 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.
- 2.18 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.
- 2.19 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.
- 2.20 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

- 2.21 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.
- 2.22 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

- 2.23 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.
- 2.24 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

- 2.25 The OBR comprises five members: the Budget Responsibility Committee (BRC) – Richard Hughes (Chair), Andy King, and Professor David Miles CBE; and two non-executive members – Sir Christopher Kelly and Bronwyn Curtis OBE.
- 2.26 Sir Christopher Kelly's term ends on 20 June 2023. Andy King will step down from the BRC and Oversight Board at the end of his five year term as a member of the OBR on 31 August. A recruitment campaign to replace him will be undertaken by HM Treasury.
- 2.27 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.

- 2.28 As at 31 March 2023 the OBR employed a staff of 45 to provide analytical and corporate support, led by the Chief of Staff, Stephen Farrington and the Deputy, Laura Gardiner.
- 2.29 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.

Andy King



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.

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.

Non-executive members

Sir Christopher Kelly



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.

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.

- 2.30 Appointments to the BRC 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.

Table 2.1: Members' contract lengths and expiry dates

| Member | Contract length | Contract expiry date |
|-----------------------|-----------------|----------------------|
| Richard Hughes | 5 years | 3 October 2025 |
| Andy King | 5 years | 31 August 2023 |
| Prof. David Miles CBE | 5 years | 1 January 2027 |
| Sir Christopher Kelly | 3 years | 20 June 2023 |
| Bronwyn Curtis OBE | 3 years | 7 June 2024 |

The Oversight Board

- 2.31 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 five 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 Sir Christopher Kelly.
- 2.32 Since the end of the reporting year, the Chancellor has appointed Baroness Hogg and Dame Susan Rice as non-executive members of the OBR.
- 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 2022-23. Minutes of each meeting are published on our website.
- 2.35 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 and the two non-executive members. It has been chaired by Bronwyn Curtis since June 2018. 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 2022-23. 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.
- 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 last reviewed and updated during 2016-17 and is currently in the process of being reviewed again following the publication of an updated Charter for Budget Responsibility, to ensure that it continues to provide a robust framework for our work with departments. 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 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 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 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.



Richard Hughes, Chair

20 June 2023

Remuneration and staff report

Members' remuneration

- 2.51 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.¹ 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.

¹ <https://obr.uk/about-the-obr/who-we-are/>

- 2.52 The non-executive members of the OBR do not receive any fees.
- 2.53 Members of the BRC are subject to the deduction of appropriate taxes via the PAYE system.
- 2.54 No benefits in kind have been paid to members of the BRC.
- 2.55 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.
- 2.56 Members of the BRC are entitled to annual salary increases that are linked to the CPI inflation rate. In 2022-23 the three members of the Budget Responsibility Committee refused the CPI uprating and agreed to limit their pay increase 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 (£) | |
|---|--------------------------------------|--------------------|----------------------|---------|-----------|---------|
| | 2022-23 | 2021-22 | 2022-23 | 2021-22 | 2022-23 | 2021-22 |
| Richard Hughes | 167,912 | 162,096 | 33,582 | 32,419 | 201,494 | 194,515 |
| Andy King (0.9 FTE) | 117,729 | 114,254 | 23,546 | 22,851 | 141,275 | 137,105 |
| Prof. David Miles CBE (0.5 FTE) ¹ | 64,762 | 16,070 (64,280) | 12,952 | 3,214 | 77,714 | 19,284 |

¹ In 2021-22 Prof. Miles was in post from 1 January to 31 March.

Pensions

Civil Service pensions

- 2.57 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).
- 2.58 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.
- 2.59 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.

2.60 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 2022-23 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 2022-23, employers' contributions of £610,316 were payable to the PCSPS (2021-22: £558,043), 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.

2.61 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 2022-23 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.²

Expenses

2.62 The OBR has incurred costs of £826 (£280 in 2021-22) for Richard Hughes’ travel and subsistence expenses in 2022-23. Andy King’s were £989 (£932 in 2021-22) and David Miles’ were £281 (zero in 2021-22).

Staff summary

2.63 The OBR currently has 45 permanent staff members (as at 31 March 2023) working across the economy, receipts and spending forecasts, sustainability and risks, devolved and policy costings analysis, 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.

2.64 As of 31 March 2023, 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).

Table 2.3: Gender balance, 31 March 2023

| Member | Male | Female | Total |
|---|-----------|-----------|-----------|
| BRC and non-executive members | 4 | 1 | 5 |
| Senior civil servants | 1 | 1 | 2 |
| Non-SCS staff | 25 | 18 | 43 |
| Total | 30 | 20 | 50 |
| Memo: Staff grade E (senior analyst) and above (inc. SCS) | 16 | 10 | 26 |

Table 2.4: Gender balance (staff)

| | Per cent | | | |
|--------|----------|---------|---------|---------|
| | 2022-23 | 2021-22 | 2020-21 | 2019-20 |
| Female | 42 | 41 | 43 | 41 |
| Male | 58 | 59 | 57 | 59 |

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

- 2.66 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 2023 these show a pay gap of 13.6 per cent (15.6 in 2021-22) for senior analysts, and minus 10.6 per cent for more junior posts, with women paid more than men on average (minus 19 per cent in 2021-22). 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 male promotions into higher grades, while experienced female staff remain in post. In the more junior grade the gap has narrowed as we have recruited entry-level female staff and more experienced male staff in that grade.
- 2.67 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. We intend for our recruitment process to ensure this is the case and now report on the diversity of OBR staff.
- 2.68 As set out in Table 2.5, we have a significant number of staff who have chosen not to disclose their ethnicity. Around a fifth of those that remain identify as being from a diverse ethnic background and the rest identifying as white.

Table 2.5: Ethnicity

| | Per cent | | |
|---------------------------|----------|---------|---------|
| | 2022-23 | 2021-22 | 2020-21 |
| Diverse ethnic background | 18 | 24 | 23 |
| White | 69 | 66 | 60 |
| Prefer not to say | 6 | 0 | 0 |
| Unknown | 7 | 10 | 17 |

- 2.69 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.
- 2.70 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 over the past year the introduction of a mentorship scheme matching junior staff (with one or more protected characteristics) to

more senior mentors across the civil service. We plan to run a second phase of this mentorship scheme in the coming year.

2.71 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, prompted by staff-level discussions, in the past 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 targets are as follows (broadly reflecting the diversity of the population in London and the South East):

- OBR staff identifying as female to fall within a 45-55 per cent range;
- OBR staff at 'Range E' level and above identifying as female to fall within a 45-55 per cent range; and
- OBR staff from diverse ethnic backgrounds to fall within a 20-30 per cent range (including those who prefer not to disclose).

2.72 The initial date for the achievement of these targets is September 2025, and we will report against them in our annual report each year (Tables 2.3 and 2.5 present our current position).

Remuneration

2.73 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.

2.74 Total pay costs in 2022-23 were £2,717,000 (£2,486,000 in 2021-22).³ This includes a pot of £39,171 for non-consolidated performance-related payments available to OBR staff (£36,750 in 2021-22). The Oversight Board is responsible for overseeing the pay remit for non-SCS OBR staff. The Oversight Board approves the Remuneration and staff report.

2.75 The average remuneration in salary and allowances of permanent staff was £53,080 in 2022-23, a fall of 1.6 per cent on a year earlier. The average bonus was £1,145, an increase of 24.7 per cent on 2021-22. Reductions in average salaries have resulted from the employment of more staff, with lower-than-average experience.

³ Figures include members, SCS and non-SCS staff and are rounded to the nearest £1,000.

Staff numbers and related costs (audited)

Table 2.6: Analysis of pay

| | £ 000's | |
|-----------------------|--------------|--------------|
| | 2022-23 | 2021-22 |
| Wages and salaries | 2,717 | 2,486 |
| Social Security costs | 330 | 277 |
| Other pension costs | 680 | 609 |
| Total costs | 3,727 | 3,372 |

Pay relativity (audited)

2.76 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.

Table 2.7: Pay relativity – total remuneration

| | £ | |
|--|---------|---------|
| | 2022-23 | 2021-22 |
| Highest paid director remuneration | 167,912 | 162,096 |
| 25th percentile remuneration of staff | 38,809 | 37,836 |
| Ratio of highest paid director to 25th percentile of staff | 4.3 | 4.3 |
| Median remuneration of staff | 52,309 | 53,576 |
| Ratio of highest paid director to median of staff | 3.2 | 3.0 |
| 75th percentile remuneration of staff | 62,844 | 61,562 |
| Ratio of highest paid director to 75th percentile of staff | 2.7 | 2.6 |

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: Pay relativity – salary

| | £ | |
|--|---------|---------|
| | 2022-23 | 2021-22 |
| Highest paid director salary | 167,912 | 162,096 |
| 25th percentile salary of staff | 38,264 | 37,196 |
| Ratio of highest paid director to 25th percentile of staff | 4.4 | 4.4 |
| Median salary of staff | 52,009 | 52,936 |
| Ratio of highest paid director to median of staff | 3.2 | 3.1 |
| 75th percentile salary of staff | 62,164 | 61,363 |
| Ratio of highest paid director to 75th percentile of staff | 2.7 | 2.6 |

Note: salary includes basic pay, overtime and allowances for staff. The highest paid director is only entitled to basic pay of these elements of salary.

2.77 In 2022-23, no permanent employees received remuneration in excess of the highest-paid director (nil in 2021-22). Remuneration ranged within a £20,000 to £25,000 band to £167,912 (£162,096 year ended 31 March 2022) – the actual salary of the highest paid director. The highest paid director's salary increased by 3.6 per cent between 2021-22 and 2022-23.

Average number of persons employed (audited)

- 2.78 The average number of full-time equivalent persons employed during the year was 41.9 (2021-22: 38.7). The increase relates to additional resources to cover analytical pressures being fully utilised.

Exit packages (audited)

- 2.79 The OBR did not incur any costs for exit packages (2021-22: nil).

Employee matters

- 2.80 During the period ending 31 March 2023, the average number of working days lost due to sickness absence was 6.39 days per full-time equivalent (FTE) (2021-22: 0.85 days).
- 2.81 There were no reported health and safety incidents in 2022-23. We work with the Ministry of Justice and HM Treasury to offer First Aid training to staff.
- 2.82 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

20 June 2023

Parliamentary accountability and audit report

- 2.83 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 £17,000 (£16,500 in 2021-22). The auditors received no fees for non-audit services.
- 2.84 All expenditure was applied to the purpose intended by Parliament (audited).
- 2.85 The OBR has no remote contingent liabilities (audited).
- 2.86 No losses or special payments above £300,000 have been incurred either individually or in total by the OBR in 2022-23 (2021-22: none) (audited).

Table 2.9: Expenditure and income

| | £ 000's | | | |
|------------------------|--------------|--------------|--------------|--------------|
| | 2022-23 | 2021-22 | 2020-21 | 2019-20 |
| Expenditure | 4,387 | 3,946 | 3,973 | 3,333 |
| Income | (32) | (18) | (12) | (17) |
| Net expenditure | 4,355 | 3,928 | 3,961 | 3,316 |



Richard Hughes, Chair

20 June 2023

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 2023 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 2023;
- 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 2023 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 require 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 the information included in the Performance Report and Accountability Report, but does not include the financial statements nor my auditor's certificate and report. 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;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Budget Responsibility and National Audit Act 2011;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made 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 also 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
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated 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 evidence sufficient 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: 26 June 2023

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

3 Financial statements

1 April 2022 to 31 March 2023

Statement of comprehensive net expenditure

for the year ended 31 March

| | | £ 000's | |
|------------------------|------|--------------|--------------|
| | Note | 2023 | 2022 |
| Expenditure | | | |
| <i>of which:</i> | | | |
| Staff costs | 2 | 3,727 | 3,372 |
| Other expenditure | 3 | 660 | 559 |
| Provision additions | 9 | - | 15 |
| Income | | | |
| Other income | | (32) | (18) |
| Net expenditure | | 4,355 | 3,928 |

There were no items of other comprehensive expenditure.

The Notes on pages 42 to 49 form part of these accounts.

Statement of financial position

as at 31 March

| | Note | £ 000's | |
|--------------------------------------|------|----------------|--------------|
| | | 2023 | 2022 |
| Non-Current Assets | | | |
| Right of Use Assets | 7 | 556 | - |
| Total non-current assets | | 556 | - |
| Current assets | | | |
| Receivables due within one year | 5 | 46 | 29 |
| Cash and cash equivalents | 6 | 32 | 8 |
| Total current assets | | 78 | 37 |
| Total assets | | 634 | 37 |
| Current liabilities | | | |
| Payables due within one year | 8 | (578) | (448) |
| Provision | 9 | (15) | (15) |
| Total current liabilities | | (593) | (463) |
| Non-Current liabilities | | | |
| Payables due after one year | 8 | (422) | - |
| Total non-current liabilities | | (422) | - |
| Total liabilities | | (1,015) | (463) |
| Net liabilities | | (381) | (426) |
| Taxpayers' equity | | | |
| General fund | | (381) | (426) |
| Total taxpayers' equity | | (381) | (426) |

The Notes on pages 42 to 49 form part of these accounts.

The financial statements were approved by the Board on 8 June 2023.



Richard Hughes, Chair

20 June 2023

Statement of cash flows

for the year ended 31 March

| | Note | £ 000's | |
|---|----------|----------------|----------------|
| | | 2023 | 2022 |
| Cash flows from operating activities | | | |
| Net operating cost | | (4,355) | (3,928) |
| Adjustment for non-cash transactions | | 148 | - |
| Changes in working capital other than cash | | (30) | (211) |
| Net Movement in provisions | | - | 15 |
| Net cash outflow from operating activities | | (4,237) | (4,124) |
| Cash flows from financing activities | | | |
| Grant-in-Aid from HM Treasury | | 4,400 | 4,020 |
| Repayment of lease liability | | (139) | - |
| Net financing | | 4,261 | 4,020 |
| Net increase/(decrease) in cash and cash equivalents in the period | 6 | 24 | (104) |
| Cash and cash equivalents at the beginning of the period | | 8 | 112 |
| Cash and cash equivalents at the end of the period | | 32 | 8 |

The Notes on pages 42 to 49 form part of these accounts.

Statement of changes in taxpayers' equity

for the year 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) |

for the year ended 31 March 2022

| | £ 000's | |
|--|---------|-----------------|
| | | General reserve |
| Balance at 1 April 2021 | | (518) |
| Grant-in-Aid from HM Treasury | | 4,020 |
| Comprehensive expenditure for the year | | (3,928) |
| Balance at 31 March 2022 | | (426) |

The Notes on pages 42 to 49 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 2022-23 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 2022.

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, or plan to sign any insurance contracts in the foreseeable future.

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

1.2 Adoption of new accounting standards

IFRS16-Leases

The OBR has adopted IFRS 16 with effect from 1 April 2022. As required by the FReM, prior periods have not been restated.

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

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

IFRS 16 represents a significant change in lessee accounting by removing the distinction between operating leases (off-statement of financial position financing) and finance leases (on-statement of financial position financing) and introducing a single lessee accounting model. IFRS 16 requires recognition of assets and liabilities for all leases in the Statement of Financial Position (SoFP), with exemption given to low value leases and short-term leases, i.e. those with lease terms of less than 12 months. The adoption of the standard results in the recognition of a right-of-use asset, representing a right to use the underlying leased asset and a lease liability, representing an obligation to make lease payments.

The OBR has made the following transitional arrangements:

- To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2021-22 reflect the requirements of IAS 17.
- As a practical expedient, not to reassess the classification of contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. However, new contracts have been classified using the IFRS 16 criteria.
- For leases previously treated as operating leases:
 - To measure the liability at the present value of the remaining payments, discounted by the incremental cost of borrowing³ as at the transition date.
 - To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease.
 - As a practical expedient, to exclude leases whose term ends within twelve months of first adoption.
 - As a practical expedient, to use hindsight in assessing remaining lease terms.

On the date of the initial application of 1 April 2022, the Statement of Financial Position has been adjusted to increase both right of use assets and leases liabilities by £704k.

A reconciliation between the prior year's closing lease commitments and opening lease liability is presented below.

| | £ 000's |
|--|--------------|
| Commitment at 31 March 2022 | 2,314 |
| Reassessment of occupancy term | (713) |
| Exclusion of rates and service charges | (882) |
| Impact of discounting | (15) |
| Lease liability at 1 April 2022 | 704 |

³ The discount rate reflecting the department's incremental cost of borrowing is set centrally by HM Treasury at 0.95%, and promulgated in PES (Public Expenditure System) papers.

Financial statements

1.3 Accounting convention

These accounts have been prepared on the 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.

1.4 Basis of preparation

The OBR's Statement of Financial Position at 31 March 2023 shows net liabilities of £381k. This reflects the inclusion of liabilities falling due within 2022-23 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.

1.5 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, particularly in respect of whether the OBR is reasonably certain not to exercise termination options. Management has assessed that it is reasonably certain to exercise the break clause in its lease in 2026.

1.6 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 2023 was £4,400k. 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.

1.7 Property, plant and equipment

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

1.8 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.

1.9 Employee benefits

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

1.10 Financial instruments

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

1.11 Cash

Cash and cash equivalents comprise cash at bank.

1.12 Leases

IFRS 16 has been applied to the OBR from 1 April 2022. Under this policy, at the inception of each contract, the OBR 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. The 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. See also Note 1.2 for further detail on the first-time adoption of this standard.

1.13 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 numbers and related costs

2.1. Analysis of total staff costs

| | £ 000's | |
|-----------------------|-----------------|--------------|
| | Permanent staff | |
| | 2022-23 | 2021-22 |
| Wages and salaries | 2,314 | 2,036 |
| Social Security costs | 278 | 224 |
| Other pension costs | 597 | 525 |
| Total costs | 3,189 | 2,785 |

| | £ 000's | |
|-----------------------|-------------|------------|
| | BRC members | |
| | 2022-23 | 2021-22 |
| Wages and salaries | 350 | 342 |
| Social Security costs | 47 | 44 |
| Other pension costs | 70 | 58 |
| Total costs | 467 | 444 |

| | £ 000's | |
|-----------------------|-------------|------------|
| | Other staff | |
| | 2022-23 | 2021-22 |
| Wages and salaries | 53 | 108 |
| Social Security costs | 5 | 9 |
| Other pension costs | 13 | 26 |
| Total costs | 71 | 143 |

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

£32k of secondment income has been received in 2022-23, resulting in net staff costs of £3,695k.

Further details of staff costs and numbers are disclosed in the Remuneration and staff report (see pages 24 to 30).

3. Other expenditure

| | £ 000's | |
|--|------------|------------|
| | 2022-23 | 2021-22 |
| Accommodation costs | 227 | 312 |
| Subscriptions, printing and office services | 145 | 116 |
| IT costs | 71 | 84 |
| External auditor's remuneration | 17 | 17 |
| Bank charges | 1 | 1 |
| Staff support and staff-related costs, including training and travel | 45 | 29 |
| Interest expense | 6 | - |
| Depreciation | 148 | - |
| Total | 660 | 559 |

The increase in other expenditure in 2022-23 is largely due to the introduction of depreciation on the right of use asset following the adoption of IFRS16.

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 | |
|--|-----------|-----------|
| | 2022-23 | 2021-22 |
| Amounts falling due within one year | | |
| Accrued income | 8 | 2 |
| VAT receivable | 12 | 5 |
| Other trade receivables | 26 | 22 |
| Total falling due within one year | 46 | 29 |

Accrued income relates to secondment of staff to the Northern Ireland Fiscal Council.

6. Cash and cash equivalents

| | £ 000's | |
|--|-----------|----------|
| | 2022-23 | 2021-22 |
| Balance at 1 April | 8 | 112 |
| Net change in cash balances – inflow/(outflow) | 24 | (104) |
| Balance at 31 March | 32 | 8 |

All cash balances are held with the Government Banking Service.

7. Right of use Assets

| | £ '000's | |
|-----------------------------------|--------------|----------|
| | 2022-23 | 2021-22 |
| Costs | | |
| At 1 April | 704 | - |
| Additions | - | - |
| Cost at 31 March | 704 | - |
| Depreciation | | |
| At 1 April | - | - |
| Charged in year | (148) | - |
| Depreciation at 31 March | (148) | - |
| Carrying value at 31 March | 556 | - |

On implementation of IFRS 16, the OBR has recognised a right of use asset for its lease of office space at 102 Petty France.

8. Payables and other current liabilities

| | £ 000's | |
|--|------------|------------|
| | 2022-23 | 2021-22 |
| Amounts falling due within one year | | |
| Taxation and social security | 81 | 77 |
| Trade and other payables | 58 | 52 |
| Current lease liability | 143 | - |
| Accruals | 296 | 319 |
| Total falling due within one year | 578 | 448 |
| Non-current lease liability | 422 | - |
| Total falling due later than one year | 422 | - |

The £551k increase in payables is due to the addition of the lease liability for the OBR's office (£564k).

9. Provisions

| | £ 000's | |
|---|-----------|-----------|
| | 2022-23 | 2021-22 |
| Balance at 1 April | 15 | - |
| Provided during the year | - | 15 |
| Utilised during the year | - | - |
| Balance at 31 March | 15 | 15 |
| Not later than one year | - | 15 |
| Later than one year and not later than five years | 15 | - |

Under the Memorandum of Terms of Occupation (MOTO) 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 2021-22 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 either 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 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 | |
|--|------------|-------------|
| | 2022-23 | 2021-22 |
| Accommodation and office services | | |
| Within one year | 148 | 344 |
| Between one and five years | 426 | 1339 |
| Later than five years | - | 631 |
| Total | 574 | 2314 |

These figures do not take account of 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 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. The total charged by the MoJ in 2022-23 was £364k (2021-22: £378k) and total charged by GPA was £58K (2021-22: nil).

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.

