

**Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee
– 25 January 2017, 10.00-12.30**

Oversight Board

Attending

Members: Lord Burns (Chair), Dame Kate Barker, Robert Chote, Graham Parker CBE, Sir Charlie Bean. Staff attending: Andy King (Chief of Staff) and Mark Dembowicz (Head of Strategy, Operations and Communications).

1. Procedures

The Board reviewed the risk register and discussed the updates that had been made since the previous meeting, which incorporated feedback from a wider review of risks undertaken by the full OBR staff team in October 2016. The Board agreed that it would be useful for the Board secretariat to provide more background on changes in the assessment of the impact and/or likelihood of risks. The Chair welcomed Professor Sir Charlie Bean to the BRC and Oversight Board.

2. Update on OBR activity

The Board discussed a summary of the OBR's recent outputs, stakeholder engagement, management issues and upcoming priorities, presented by the BRC. The following issues were discussed:

1. The November 2016 *Economic and fiscal outlook (EFO)*, which was our first forecast since the referendum on the UK's membership of the EU. This was prepared against a backdrop of little information about the Government's policy stance on key issues. We were transparent in our explanation of what information the Government had provided, what assumptions and judgements we had therefore had to make, and how that had fed through to our economy and fiscal forecasts. On the public finances, we published a detailed illustration of the role of Brexit-related assumptions and judgements in the revision to borrowing relative to our March 2016 forecast. We also took a transparent approach to the issue of the UK's contributions to the EU, assuming that they would stop altogether in April 2019 but that the Government would recycle the saving into other spending (consistent with statements that had been made about guaranteeing funding in a variety of areas);
2. The 2016-17 edition of the *Fiscal sustainability report*, which we published in January. It had initially been planned for July 2016, but that report was

cancelled in the immediate aftermath of the referendum. Updated long-term projections were prepared and published after the November 2016 EFO. The results of this year's projections were materially different from previous reports, as we factored in ongoing non-demographic cost pressures in the health sector. This assumption was based on analysis that we had published in September 2016, in a well-received working paper on long-term trends in health spending;

3. Our monthly commentary on the public finances, which had recently highlighted the risk of revisions to the public finances that had started to show larger improvements in borrowing than anticipated in our November forecast;
4. Interactions with departments, staffing and office management, including consideration of how the process worked for the November 2016 EFO, which was the first under the new Chancellor and Prime Minister. It was also the first forecast since we had recruited six more analysts, who are deployed across all the key forecast areas;
5. The process for finalising the review of the MoU between the OBR and key forecasting departments and the review of our progress against the recommendations of the 2015 HM Treasury review of the OBR;
6. The plan for the publication of our Annual Report and Accounts, including agreement on the processes to be adopted for gathering assurance from staff and external stakeholders on our performance; and
7. Upcoming priorities, including the March 2017 forecast and the first *Fiscal risks report*. The Board also discussed the timetable for the departure and replacement of Dame Kate Barker, whose term ends in June 2017.

3. Finances and accounts

The Board discussed the financial position for the year to date and some exceptional costs which relate to the move to new premises. These one-off costs pose a risk to our ability to stay within our full year budget, which has been acknowledged by the Treasury in the most recent budget delegation letter (31 March 2016). There is a risk that dilapidation costs would fall into 2017/18 as the AGO were still residing in 20 Victoria Street. Kate Ivers agreed that if these costs fell into 2017/18 and could not be met by the OBR, then HM Treasury would pick up any shortfall in the budget.

Audit Committee

Attending

Members: Lord Burns, Dame Kate Barker (Chair), Robert Chote, Andy King (Chief of Staff), Mark Dembowicz, Kate Ivers (OBR financial adviser), Alex Nesbitt (OBR

accounts adviser), Andy Ginever (OBR office manager), Neil Chapman (Government Internal Audit Agency).

1. Internal audit progress report and plan for 2015-16

GIAA presented a progress report for the internal audit (covering plans for the move to new offices): all actions had been completed. The final stage of the audit would be reported to the Board at the next meeting. The Committee discussed options for internal audit for 2017-18 and accepted the draft audit plan together with the associated fees.