

Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee  
– 30 September 2013, 10.00-12.30

Oversight Board

Attending

Members: Lord Burns (Chair), Kate Barker, Robert Chote, Graham Parker, Steve Nickell  
Andy King (Secretary)

**1. Update on OBR activity**

1. 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:
  - the third *Fiscal sustainability report* had been published in July. The public response had focused largely on two aspects of the analysis – the implications of different net migration assumptions for our 50-year fiscal projections and long-term prospects for North Sea revenues;
  - the Government's 2013 Spending Round in June had included a small number of welfare policy costings that required OBR certification, which had been delivered smoothly;
  - monthly commentaries on the public finances had attracted attention for the costing of the Swiss capital tax agreement, the yield from which now seems likely to be significantly lower than expected in the March 2013 *EFO*. We have asked Treasury and HMRC to re-estimate the revenues expected from the Swiss deal and other tax disclosure agreements;
  - there has recently been debate around a possible future OBR role in costing manifesto pledges. Our response had focused on the legal and practical implications rather than the merits of the proposal, since it is for Parliament to decide the remit of the OBR. The Board discussed some historical and international examples of costing opposition policies; and
  - looking forward, the 2013 *Forecast evaluation report* will be published on 9 October, accompanied by documentation of the macroeconomic

model that we use for forecasting, and we are beginning the forecasting process for the Chancellor's Autumn Statement, the date for which has yet to be announced. Steve Nickell will be appearing in front of the Treasury Select Committee on 9 October for a hearing on his proposed re-appointment to the BRC.

## **2. Review of Board responsibilities and activities**

2. The Board took stock of its activity over the previous year against its terms of reference and statutory responsibilities: The following points were made:
  - it was felt that the Board had addressed all of the responsibilities set out in the terms of reference, with activity appropriately focused on the Annual Report and associated processes, BRC members' appraisal and wider staff pay policy; and
  - a light-touch review of the Oversight Board and Audit Committee terms of reference ahead of the January 2014 Board meeting would be helpful.

## **3. OBR finances for 2013-14 and approach for securing the OBR's next multi-year budget (Liz Corrin (OBR financial adviser) also attended)**

3. The Board discussed two papers setting out the in-year financial position and the approach being taken by OBR and the Treasury to set a new multi-year budget for the OBR to extend beyond the SR2010 period (2011-12 to 2014-15). The following points were made:
  - the OBR's 2013-14 budget ceiling has been raised by £45,000 of Budget Exchange carried forward from 2012-13's underspend – due to a number of staff vacancies over the summer, that ceiling seems likely to be underspent by around £30,000;
  - following the 2013 Spending Round and before the end of this financial year, the OBR should agree a new multi-year budget with the Treasury – consistent with the current 4-year settlement, the preferred option would be to cover the period from 2014-15 to 2017-18, and, in addition, to budget for the creation of a new permanent Range E position from 2015-16 or earlier to meet rising demands for OBR analysis and costing certification. (The recent debate around costing of manifesto commitments has not featured in these discussions and developments in this area would require further resourcing decisions); and
  - the Board discussed draft terms of reference and next steps on setting up the 'External Review' required by the legislation underpinning the OBR, and discussed by the Board in May 2013. The Review would be

financed by the Treasury, provision for which is also set out in the legislation. The Board sought early progress in securing an external reviewer, with whom to agree details of the terms of references and budget, and alongside that to agree the budget with the Treasury.

## **Audit Committee**

### Attending

Members: Lord Burns, Kate Barker (Chair) Robert Chote (Chair of OBR)  
Andy King (Secretary), Liz Corrin (OBR financial adviser), Steve Young (NAO), Neil Chapman (Internal Audit), Pirjo Shaer (Internal Audit)

### **1. Internal Audit**

4. Pirjo Shaer presented the plan for the 2013-14 internal audit of the OBR's HR processes and policies. The following points were discussed:
  - the plan was approved by the Committee;
  - clarification was provided that the audit would consider the OBR's processes for interacting with HR services provided by the Treasury under the service agreement, not the Treasury's delivery of those services; and
  - assessment of processes related to the OBR's forecasting spreadsheets would be held back until 2014-15, once production of the forthcoming Autumn Statement and Budget forecasts had been completed.

### **2. Follow-up on NAO recommendations from the 2012-13 Annual Report**

5. The Committee noted the OBR's response to the NAO's 2012-13 audit recommendations. The following points were discussed:
  - Steve Young confirmed that the NAO were content with the OBR's responses to the 4 recommendations made in the NAO's Audit Completion Report following the audit of the 2012-13 Annual Report and Accounts; and
  - it was agreed that Board members' register of interests would be made available ahead of each Board meeting, as well as being formally reviewed ahead of the Annual Report.

### **3. AOB**

6. Pirjo Shaer will send a copy of the revised Audit and Risk Committee Handbook, which will be circulated to members.