

Minutes of the Office for Budget Responsibility Oversight Board and Audit Committee
– 24 September 2015, 10.00-12.30

Oversight Board

Attending

Members: Lord Burns (Chair), Dame Kate Barker, Robert Chote, Graham Parker CBE, Sir Stephen Nickell, Andy King (Board Secretary), Mark Dembowicz

1. Procedures

The board reviewed and discussed the risk register and noted that the forthcoming budget settlement and outcomes of the Ramsden review may help in mitigating some of the identified risks, but may also create new risks as the OBR's role expands to meet the review recommendations. The board expects to subject the risk register to a comprehensive review at its next meeting, by when the OBR's budget is expected to have been settled.

2. Update on OBR activity

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

- The July 2015 *Economic and fiscal outlook*, which was published alongside the new Government's Summer Budget. The Budget contained large and wide-ranging policy measures, some of which we were not informed about before we closed down our *EFO*. This prompted a request from the Treasury Committee for further information on which measures we had been unable to incorporate, which we set out in a letter to the committee and is available on our website. Media interest around this *EFO* centred on our analysis of the effect of the new National Living Wage. The Government also proposed new fiscal targets.
- The re-appointment of Robert Chote as Chair and the Treasury Select Committee's re-appointment hearing at which it was confirmed.
- Interactions with government departments and the Treasury's Ramsden review of the OBR; and
- Publication of the 2014-15 Annual Report and Accounts.

2. OBR/HM Treasury correspondence

The Board discussed a recent article in the Times which reported that the Treasury had sought to influence the OBR in the drafting of the December 2014 *Economic and fiscal outlook*. The issue was subsequently raised at the Chairman's re-appointment hearing with the Treasury Committee, resulting in a request from the Committee '*for correspondence and other contacts between the OBR and Treasury officials over the period between the receipt of the draft Economic and Fiscal Outlook on 3 December 2014 by the Treasury under the exceptional pre-release arrangements, and its final publication.*'

The Chairman asked the non-executive members to review the correspondence in question – and also from the two subsequent *EFOs* in March and July 2015 – and the Board discussed the most appropriate way of engaging with the Committee on its request. The Board agreed that the non-executive members – in line with their statutory duty to ensure that the OBR operates with impartiality, objectivity and transparency – should play an active role in the process and report on whether or not the OBR had been influenced by the Treasury in a letter to the Committee. The non-executive members would also make any recommendations they felt necessary to improve the OBR's handling of such correspondence, so that the OBR's independence, both actual and perceived, was robust. At the board meeting, the non-executive members recommended that one step that should be taken was for them to be closely involved in any process that is developed to review similar correspondence in the future.

The Board also discussed the practical implications of publishing material that is an essential part of fact-checking in the time-pressured latter stages of the forecast process and the implications for free and frank staff-level communications with the Treasury and other departments.

3. HM Treasury's Ramsden review of the OBR

The Board discussed the detailed and wide-ranging recommendations made in the HM Treasury review of the OBR, which was led by Sir Dave Ramsden and was published on 3 September. The Board considered the recommendations in the context of the forthcoming decision on the OBR's budget settlement as part of the Government's 2015 Spending Review process. The board stressed the importance it placed on ensuring that expansions to the requirements on the OBR should be commensurately resourced to ensure the OBR's reputation would not be put at risk by being required to produce more than it had the capacity to produce to high quality.

4. Board review of activity

The Board took stock of its activity over the previous year against its terms of reference and statutory responsibilities. It was felt that the Board had addressed all its responsibilities under the terms of reference, with activity focused on the Treasury's Ramsden review, the Annual report and accounts and associated processes, BRC members' appraisal and the staff pay remit. The Board terms of reference had been refreshed following last year's review under this agenda item and were judged to

remain appropriate. The Board agreed that it would extend the terms of reference as necessary to include additional processes for reviewing correspondence with HM Treasury following each forecast event.

5. Finances and accounts (Andy Ginever and Kate Ivers attended for Item 5)

The Board discussed the financial position for the year to date and noted that the profiling was well aligned to the most recent outturns. At present the OBR budget is indicative beyond the current financial year and the Board would return to the implications of the Spending Review settlement and Treasury review recommendations once the new budget has been settled.

Audit Committee

Attending

Members: Lord Burns, Kate Barker (Chair), Robert Chote, Andy King, Mark Dembowicz, Andy Ginever (OBR financial manager), Kate Ivers (OBR financial adviser), Neil Chapman (Government Internal Audit Agency).

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

The Committee noted that the outstanding actions from the recent internal audit of the OBR's key forecasting spreadsheets had been completed and agreed that the next internal audit (on information and knowledge management) would take place in January 2016.