

Memorandum of Understanding between Office for Budget Responsibility, HM Treasury, Department for Work and Pensions and HM Revenue & Customs

April 2011

Office for
**Budget
Responsibility**



HM TREASURY

DWP Department for
Work and Pensions



HM Revenue
& Customs

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1. The Budget Responsibility & National Audit Act 2011 establishes the Office for Budget Responsibility ('the OBR') as a central part of the UK's fiscal framework, with responsibility for examining and reporting on the sustainability of the public finances. The OBR must be independent and expert—and perceived as such—in order to provide credible fiscal and economic forecasts and scrutiny of the long term sustainability of the public finances.
2. The OBR will provide essential analysis on which the Government can base its fiscal and economic policies. As such, for the OBR and the rest of Government to perform their respective functions effectively, close working will be essential.
3. This memorandum of understanding establishes a transparent framework for co-operation between the OBR and HM Treasury ('the Treasury'), the Department of Work and Pensions ('DWP') and HM Revenue and Customs ('HMRC'). This memorandum sets out the role of each body and how they will work together based on three guiding principles:
 - **Accountability and transparency:** the roles and responsibilities of each body must be clear and transparent, and respect the independence of the OBR;
 - **Effective co-ordination:** shared processes must be carefully ordered in response to the complex interdependencies of the four bodies; and
 - **Regular information exchange:** information must be shared regularly to enable each body to discharge its responsibilities effectively.
4. This memorandum does not constitute a legally binding agreement. The responsibilities of the OBR as set out in this memorandum are subject to the Budget Responsibility & National Audit Act 2011, and guidance provided in the Treasury's Charter for Budget Responsibility¹.

Accountability and transparency

5. The Government is responsible for all policy decisions and policy costings. The OBR will provide essential analysis on which the Government can base its fiscal and economic policy decisions.
6. The OBR will examine and report on the sustainability of the public finances. As set out in the Budget Responsibility & National Audit Act 2011, its responsibilities will include:

¹ Available from: www.hm-treasury.gov.uk

- The production of at least two fiscal and economic forecasts each financial year, including independent scrutiny of Government costings and any resultant impact on the forecasts;
 - An assessment of the extent to which the fiscal mandate has been, and is likely to be, achieved alongside those forecasts;
 - An assessment of the accuracy of previous fiscal and economic forecasts at least once each financial year; and
 - An analysis of the sustainability of the public finances at least once each financial year.
7. The OBR will need to draw on forecasting and analytical resources across Government. The Treasury, DWP and HMRC will allocate appropriate analytical resources, agreed by a Forecast Liaison Group (paragraph 10) as reasonable and necessary for the OBR to fulfil its minimum responsibilities in paragraph 6.
 8. In addition to paragraph 6, the OBR may also undertake any other analysis in accordance with the Budget Responsibility & National Audit Act 2011.
 9. The responsibilities of the Treasury, DWP and HMRC, in assisting the OBR to fulfil its responsibilities, are as follows:
 - The Treasury is responsible for fiscal policy. Analysis of the direct impact of Government policies on the public finances will be provided to the OBR for independent scrutiny (which will state whether the OBR agrees or disagrees with the Government's costings or whether it has been given insufficient time or information to reach a judgement) and to determine any resultant impact on the economic forecast.
 - DWP will provide forecasts of benefit payments, using their expertise on individual benefit regimes and access to benefit claimant data. It will base these on economic determinants provided by the OBR and the judgements and assumptions of the OBR's Budget Responsibility Committee. It will monitor payments against these forecasts, and will work jointly with the Treasury to quantify the direct impact of relevant policies on the public finances.
 - HMRC will provide forecasts of tax revenues and tax credit payments, using their expertise on individual tax regimes and access to confidential customer data. It will base these on economic determinants provided by the OBR, and the judgements and assumptions of the OBR's Budget Responsibility Committee. It will monitor receipts against these forecasts, and work with the Treasury to quantify the direct impact of relevant policies on the public finances.
 10. The Forecast Liaison Group, chaired by the OBR, with representatives from the Treasury, DWP and HMRC, will meet periodically to consider the high-level working relations necessary for each body to deliver the responsibilities set out in paragraph 9. This should include the planning and allocation of information and analytical resources, co-ordination of the OBR's fiscal and economic forecasts, and the resolution of areas of

dispute as appropriate. Where it is not possible to reach agreement, issues may be escalated to the Chair of the OBR and Permanent Secretaries as appropriate.

11. Signatories of this memorandum may request a review of its contents and implementation at any time.

Effective co-ordination

12. Consistent with the Charter for Budget Responsibility, the date for publication of the OBR's forecasts will be set by the Chancellor. In the absence of exceptional circumstances, at least 10 weeks' notice will be provided for the OBR to produce the fiscal and economic forecasts.
13. Once notice has been received of the publication date, the OBR will consult and agree with the Treasury, DWP and HMRC on the scope, timetable and process for delivery of the forecast. The OBR will ensure as far as possible that it gives reasonable advance notice of any changes to these.
14. The delivery of the fiscal and economic forecasts and policy costings will be supported by governance arrangements, including:
 - The Forecast Liaison Group, which will meet periodically through the year (see paragraph 10), and more regularly in the run up to the fiscal and economic forecasts, to plan and oversee its co-ordination and to consider indirect policy impacts. It will be chaired by the OBR, with representatives from the Treasury, DWP and HMRC.
 - The Policy Costings Steering Group, which will meet periodically through the year and more regularly in the run up to fiscal events, to oversee the policy costings and certification process. It will be chaired by the Treasury with representatives from the OBR and HMRC. A separate meeting on welfare policy costings will be arranged between DWP, the Treasury and the OBR as necessary.
15. The OBR retains complete discretion over the timing of its assessment of the accuracy of previous fiscal and economic forecasts and its analysis of the sustainability of the public finances. The OBR may choose to consult the Chancellor in preparing these reports, but is not obliged to do so.
16. The Government may submit requests for the OBR to examine and report on areas of interest relevant to the sustainability of the public finances. The OBR retains complete discretion in determining its work programme and the timing of analysis, subject to its statutory responsibilities and available analytical resources. Requests and resulting reports will be published by the OBR.
17. The OBR may request additional analytical resources from the Treasury, DWP and HMRC for analysis set out in paragraphs 8 and 16. This will be subject to the following joint commissioning procedures, with agreement through the Forecast Liaison Group:

- Requests for analytical resources should take account of the scale and priorities of other demands, including Ministerial commissions, and departmental budget constraints. Workloads will be prioritised using clear and transparent processes.
 - The OBR will provide the Treasury, DWP and HMRC with a timetable for its analysis as relevant, and will provide regular updates of any changes to this timetable.
18. Representation at relevant domestic and international economic forums will be agreed between the OBR and the Treasury in advance, reflecting their respective responsibilities.

Regular information exchange

19. The OBR has a statutory right to full and timely access to all Government information relevant to its analysis. The Treasury, DWP and HMRC will provide any information, and assistance to understand it, as requested by the OBR. This does not include confidential taxpayer and benefit claimant information².
20. The OBR will have full access to the Treasury's macroeconomic models and other Government forecasting and analytical models, and freedom to develop its own versions of these as it so chooses, within the limits governing access to confidential information, including confidential taxpayer and benefit claimant information. The Treasury, DWP and HMRC will provide necessary assistance to allow the OBR to appropriately scrutinise these models.
21. The Government will have full and timely access to information from the OBR, and assistance to understand it, as the Government regards reasonable and necessary in consultation with the OBR to fulfil its policymaking responsibilities. In particular, the OBR will provide the Government with timely access to the forecast information necessary to reach policy decisions ahead of fiscal events:
- The forecast timetable will take account of the schedule for key data releases to ensure information is as useful as possible for reaching policy decisions. In normal circumstances, the Government will expect to receive information that it may require for policy decisions at least 4 - 6 weeks ahead of a fiscal event.
 - Where the OBR receives less than the normal notice of a fiscal event set out in paragraph 12, or where the Government indicates it does not expect to make policy changes alongside an OBR forecast, this expectation of 4 - 6 weeks' notice will be reduced.
22. For conclusions and analyses other than the OBR's forecasts that may require a Government policy response, the OBR will provide early access to this information following the principles in paragraph 21. The timing of pre-publication access for those reports where these principles apply will be agreed in advance, in consultation with the OBR on the basis of the OBR's planned publication programme.

² The legal basis for the provision of information from HMRC to OBR will be for the purposes of HMRC's functions.

23. The Treasury, DWP and HMRC as relevant will receive a copy of the OBR's final reports (listed in paragraphs 6 and 8) 24 working hours prior to publication, in line with pre-release access arrangements for data releases from the Office for National Statistics (ONS). In line with those rules, exceptional pre-release access may be provided at the discretion of the OBR, for example at the Budget where early access to material may significantly improve the accuracy or usefulness of another publication, and the publication is intended to be published at the same time as, or shortly after, that material. Consistent with the Charter for Budget Responsibility, the OBR may share material from these products at an earlier stage if it requires factual comments on the presentation of analysis or forecasts that have been produced with the assistance of Treasury, DWP or HMRC officials, but is not obliged to do so. Pre-release information will be subject to confidentiality arrangements.
24. The OBR and the Treasury, DWP and HMRC will as far as possible ensure that shared information is objective and of necessary quality for each body to meet its responsibilities satisfactorily:
- Officials from the Treasury, DWP and HMRC must attend challenge meetings as required by the OBR's Budget Responsibility Committee to explain their forecasts and analysis. All final judgements and assumptions used in forecasts and other analysis will be decided by the OBR's Budget Responsibility Committee through this challenge process.
 - Outside of forecasting periods, the OBR, the Treasury, DWP and HMRC are expected to meet regularly to scrutinise and challenge material policy and forecasting assumptions.
 - The OBR, the Treasury, DWP and HMRC will support staff to provide information that is objective and of necessary quality, and this will be reflected through performance management processes. Ultimate responsibility for these matters will reside with the Chair of the OBR and respective Permanent Secretaries.
25. Signatories will work together to avoid duplication where possible and to ensure efficiency as far as appropriate to their separate responsibilities. Where more than one body requires access to the same information, they may reach agreement as to who should collect it, and how it should be shared. In making such decisions, consideration should be given to the timing of any information requirements.
26. It will be the responsibility of the OBR to respond to external queries on the data, analysis and judgements published in OBR documentation, consulting with other departments as necessary. Subject to paragraph 28, any requests for the release of supplementary information will be considered by the appropriate signatory, with consultation with other signatories as relevant. All releases of supplementary information should as far as possible follow the OBR's release policy³, which states that information will be released on a fixed date and time each month.
27. In the absence of exceptional circumstances and advance agreement by all relevant parties, all supplementary information will be based on the assumptions contained within the OBR's most recent relevant published analysis.

³ Available from: budgetresponsibility.independent.gov.uk

28. The OBR, the Treasury, DWP and HMRC will treat shared information in accordance with the requirements of the Freedom of Information Act 2000. Subject to this, and unless otherwise specified, signatories will not without prior consultation disclose shared information that is restricted, commercially sensitive or may otherwise harm the formulation and development of Government policies. Signatories reserve the right to place further conditions on the handling, disposal and retention of shared information.

This document can be found at:

www.hm-treasury.gov.uk and budgetresponsibility.independent.gov.uk

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