

Office for  
**Budget  
Responsibility**

**Annual report and accounts 2013-14**

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# Office for Budget Responsibility: Annual report and accounts 2013-14

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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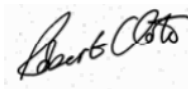
# Contents

Chapter 1	Chairman's message .....	1
Chapter 2	Non-executive members' assessment .....	3
Chapter 3	Members' report .....	5
	Members of the Office for Budget Responsibility .....	5
	Operations .....	7
	Auditors information .....	9
Chapter 4	Strategic report .....	11
	Aims, objectives and strategy .....	11
	Achievements in 2013-14 .....	12
	Staff .....	14
	Advisory panel .....	15
	Financial summary .....	15
Chapter 5	Remuneration report .....	17
Chapter 6	Statement of Accounting Officer's responsibilities .....	19
Chapter 7	Governance Statement .....	21
	Governance structures .....	21
	Risk management .....	22
Chapter 8	The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament .....	25
Chapter 9	Financial statements .....	29
	Notes to the Accounts .....	33

# 1 Chairman's message

- 1.1 Welcome to the Annual Report of the Office for Budget Responsibility, which was established in 2010 to provide independent and authoritative analysis of the UK's public finances.
- 1.2 The Act states that *"it shall be the duty of the Office to examine and report on the sustainability of the public finances"*. In practice we have four main tasks, each of which we have fulfilled over the past year:
- to prepare and publish the official five-year forecasts for the economy and the public finances that accompany each Budget and Autumn Statement;
  - to assess whether the Government is on course to meet the fiscal targets that it has set itself, and what the risks to meeting those targets are;
  - to scrutinise and comment publicly on the Treasury's assessment of the amount that particular tax and spending measures will raise or cost; and
  - to analyse and report on the health of the public sector's balance sheet and the long-term sustainability of the public finances on existing policies.
- 1.3 From autumn 2014, we will also be responsible for assessing the Government's performance against its new welfare cap and producing an annual report on trends in welfare spending.
- 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 in preparing them. People may agree or disagree with the analysis we present, but we want them to be as confident as possible that they are based on our best professional judgement and not on politically motivated wishful thinking. To that end, we have also accompanied the flagship publications we are required to produce by the Act with descriptive materials that explain the methods and techniques that we use.
- 1.5 A second principle has been to recognise explicitly the enormous uncertainty that lies around all analysis of the public finances, both because of uncertainty regarding the path of the economy and uncertainty regarding how much the government will raise and spend in any given state of the economy. In our *Economic and fiscal outlook* publications, for example, we do not simply quantify the uncertainty around our central projections, we use sensitivity and scenario analysis to explain how different economic and fiscal judgements would affect the public finances.

- 1.6 In all the analysis we have undertaken, we have come under no pressure from Ministers, political advisers or officials to change any of the analysis we have presented or the conclusions we have reached. We surveyed a wide range of stakeholders on the quality of our work in 2012 and I am pleased to report that they expressed considerable confidence in our independence and impartiality. Our work is being externally reviewed this year by Kevin Page, former Parliamentary Budget Officer for Canada.
- 1.7 In undertaking all our work over the past year, my colleagues on the Budget Responsibility Committee and I would like to express our particular gratitude to the permanent staff of the OBR for all their hard work. 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.

A handwritten signature in black ink, appearing to read 'Robert Chote', is positioned above the printed name.

Robert Chote, Chairman

21 May 2014

## 2 Non-executive members' assessment

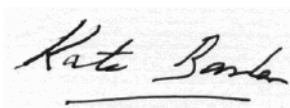
- 2.1 Our statutory duties as non-executive members of the Office for Budget Responsibility (OBR) are set out in the Budget Responsibility and National Audit Act 2011. This requires us to keep under review the way in which the OBR has performed its main duties. In the Annual Report, under Paragraph 15, Schedule 1 of the Act, we are required to assess the extent to which the OBR has been able to perform its main duties with complete discretion and in line with the principles of impartiality, objectivity and transparency.
- 2.2 To fulfil our roles, we have continued to monitor and assess the OBR's work and its operational and governance arrangements through the OBR's Oversight Board and Audit Committee. In the spring of 2014, we met with the staff at the OBR and with the individual members of the BRC to review the performance of the OBR over the past year. We have again taken note of the relevant reports of the House of Commons Treasury Committee. The OBR has readily provided us with all of the necessary information and assistance.
- 2.3 In terms of the OBR's core responsibilities, we note:
- the OBR published the essential two economic and fiscal forecasts in the December 2013 and March 2014 *Economic and fiscal outlooks*;
  - in addition, the OBR published an analysis of the sustainability of the public finances in its July 2013 *Fiscal sustainability report*, and a thorough assessment of the accuracy of its previous forecasts in the October 2013 *Forecast evaluation report*; and
  - the OBR has also produced wider analysis relevant to its remit through the publication of briefing papers, and a monthly analysis of the public finances.
- 2.4 All of these outputs have generally been seen as robust, authoritative and objective, although inevitably outside commentators will disagree with some of the conclusions reached. Importantly, the OBR continues to be seen as very transparent with regard to its analysis and projections.
- 2.5 Our interactions with the OBR have enabled us to remain confident that the OBR has been free to use its own discretion in taking judgements and reaching analytical conclusions. The structures and processes for working with Government have operated effectively again this year, and the OBR has been transparent about these interactions. The BRC have made clear that they have come under no pressure from Ministers, special advisers or officials to change the conclusions of their analysis. We note that the Chairman has continued to

demonstrate a willingness to clarify the position if there has been a risk of the OBR's work being misinterpreted in public debate.

- 2.6 We remain content that the OBR's internal management structures and working practices are effective, and that the OBR currently has the resources, skills and expertise that it needs to meet its objectives. The Treasury has provided a new multi-year budget settlement that takes into account the additional resource required to meet new responsibilities in relation to the welfare cap and forecasting Welsh taxes. We found robust morale among staff and the BRC, that staff turnover had been handled successfully, and that working relationships within the OBR were positive and effective. Through the OBR's Oversight Board and Audit and Risk Assurance Committee we have also monitored the OBR's operational risks, such as the accidental loss or leak of confidential material or the loss of IT services and/or access to office space ahead of delivery of major reports. Over the past year, we have asked the internal auditors to assess the OBR's human resource systems. This has provided us with reassurance that effective systems are in place. The internal audit reviews have made some useful suggestions for aligning policies with best practice, which we will ensure are implemented.
- 2.7 Our overall assessment therefore is that the OBR continues to deliver its remit in line with the principles of impartiality, objectivity and transparency and that the operational and governance arrangements are working well. A key issue is to ensure that it can maintain the right level and mix of skills and experience among the staff. The reappointment of Steve Nickell in November 2013, and nomination for reappointment of Graham Parker in March 2014, to the BRC provide continuity within the executive members of the BRC. It is also vital that the forecasting infrastructure is kept fit for purpose, in line with the Memorandum of Understanding with HM Treasury on the maintenance and development of the macroeconomic model.
- 2.8 We will continue to monitor the OBR and seek to provide guidance and challenge wherever necessary. Looking further ahead, we have commissioned a detailed external review on the work of the OBR since October 2010, as required by the Act.
- 2.9 We look forward to continuing our work with the OBR together over the coming year, following the Chancellor's reappointment of Kate Barker to a second and final three-year term as a non-executive member of the OBR.



Lord Burns



Kate Barker

Non-executive members of the Office for Budget Responsibility, 21 May 2014



## 3 Members' report

### Members of the Office for Budget Responsibility

- 3.1 The OBR is comprised of five members: the Budget Responsibility Committee (BRC) – Robert Chote (Chairman), Stephen Nickell and Graham Parker; and two non-executive members – Lord Burns and Kate Barker. Short biographies of the OBR members are provided below. The OBR currently employs a staff of 19 to provide analytical and corporate support, led by the Head of Staff – Andy King.
- 3.2 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. Further details on our governance structures are set out in Chapter 7.
- 3.3 Appointments to the BRC are made by the Chancellor of the Exchequer, with the agreement of the Treasury Select Committee. The Chair of the BRC is required to be consulted by the Chancellor of the Exchequer for appointments to the two other positions on the BRC. The non-executive members are nominated by the OBR and appointed by the Chancellor of the Exchequer. The initial appointments to the non-executive members' positions were made by the Chancellor, in consultation with the Chair of the BRC.

#### The Budget Responsibility Committee

##### Robert Chote, Chairman



Robert Chote has been Chairman of the Office for Budget Responsibility since October 2010. Previously Robert served as Director of the Institute for Fiscal Studies from 2002 to 2010, as an adviser to senior management at the International Monetary Fund from 1999 to 2002, as Economics Editor of the Financial Times from 1995 to 1999, and as an economics and business writer on the Independent and Independent on Sunday from 1990 to 1994.

He is a member of the Finance Committee of the University of Cambridge and a Governor of the National Institute for Economic and Social Research.

### Professor Stephen Nickell CBE



Stephen Nickell has held Economics Professorships at both the London School of Economics and Oxford and was President of the Royal Economic Society from 2000 to 2003. He was a member of the Bank of England Monetary Policy Committee from 2000 to 2006.

He is a Fellow of the Econometric Society and the British Academy as well as being a foreign honorary member of the American Economic Association and the American Academy of Arts and Sciences.

### Graham Parker CBE



Graham Parker worked in a variety of civil service roles from 1972, including seven years working on manpower planning, five years advising on economic statistics, 13 years providing analysis, forecasts and policy costings for the Inland Revenue and nine years as head of the Public Sector Finances team in the Treasury, forecasting the whole of public sector expenditure and receipts, and advising on the fiscal position.

He was awarded a CBE in 2008 for his service to the Treasury and his work on the public finances. Following his retirement in January 2009, Graham was appointed to the IMF Fiscal Affairs Department's panel of technical experts in July 2009.

## Non-executive members

### Lord Burns GCB



Lord Burns is non-executive Chairman of Santander UK plc and of Channel Four Television Corporation. He is a former Chief Economic Adviser and Permanent Secretary to HM Treasury, Chairman of Marks and Spencer plc and Welsh Water, and Independent Adviser to the Secretary of State on the BBC Charter Review. Lord Burns is also Chairman of the Governing Body of the Royal Academy of Music.

## Kate Barker CBE



Kate Barker is presently a Senior Adviser to Credit Suisse, a member of the Jersey Fiscal Policy Panel, and a non-executive director of Electra Private Equity plc, Taylor Wimpey plc and the Yorkshire Building Society. Previously, Kate Barker was a member of the Monetary Policy Committee of the Bank of England from 2001 until 2010. During this period, she also led two major policy reviews for the Government, on housing supply and on land use planning. Before joining the MPC, she was Chief Economic Adviser at the CBI.

- 3.4 Appointments to the BRC will usually be for a period of five years and may be renewed once. Non-executive members' appointments will typically be for three years and may also be renewed once. Special arrangements were in place for the first appointed members of the OBR in order to ensure future appointments are staggered. Over the past year, Stephen Nickell and Kate Barker have been re-appointed for final terms and Graham Parker has been nominated for reappointment, subject to confirmation by the Treasury Select Committee. Stephen Nickell and Graham Parker both intend to serve three years out of their full five-year terms. The duration of contracts for members is set by the *Budget Responsibility and National Audit Act 2011* and further detail is provided within the *OBR and HMT Framework Document*.<sup>1</sup>

## Members' contract lengths and expiry dates

Member	Contract length	Contract expiry date
Robert Chote	5 years	03 October 2015
Stephen Nickell	5 years	25 October 2018
Graham Parker	5 years	25 October 2019
Lord Burns	4 years	20 June 2015
Kate Barker	3 years	20 June 2017

## Operations

- 3.5 Our financial management and oversight arrangements were established in the *Framework document* drawn up by the Treasury and agreed with the OBR. This document was updated and re-issued in May 2014. Key elements of the arrangements are described in Chapter 6. Our sponsor department is HM Treasury and we are funded via a delegated budget from the Treasury. A new multi-year budget settlement has been agreed with the Treasury, comprising a commitment for the years 2014-15 and 2015-16 and an indicative settlement for 2016-17 and 2017-18, which extend beyond the period covered by Spending Round 2013. The Chairman of the OBR is designated as the Accounting Officer responsible for the effective management of public funds.

<sup>1</sup> <http://budgetresponsibility.org.uk/independence/legislation-and-related-material/>

### Service agreements

- 3.6 We share our workspace and accommodation with the Attorney General's Office (AGO) at 20 Victoria Street. As part of this arrangement, we pay a share of the cost of the AGO's service contracts for security and facilities management. Our IT infrastructure and maintenance is also delivered via the AGO network. We work together with the AGO to ensure that both departments continue to achieve value-for-money in the procurement of shared services.
- 3.7 As a small organisation, to ensure value-for-money, we contract administrative human resources, finance, accounting, procurement and payroll services from HM Treasury. These services are outlined within a Service Level Agreement (SLA) between HM Treasury and the OBR.

### Finance performance

- 3.8 As part of the Treasury Group, the OBR is committed to the central government target of paying valid invoices within 5 days of receipt. In the reporting period, 82 per cent of invoices (69 per cent in 2012-13) that the OBR have received have been paid within the target time of five days.
- 3.9 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 2014 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 0 days (2012-13: 0 days).

### Sickness absence

- 3.10 During the period ending 31 March 2014 the average number of working days lost due to sickness absence was 1.3 days per full-time equivalent (FTE) (2012-13: 1.3 days per FTE).

### Personal data incidents

- 3.11 There were no personal data related incidents for the period ending 31 March 2014.

### Financial instruments

- 3.12 The OBR is not exposed to liquidity, interest rate or currency risk. Details of financial assets and liabilities are provided in the notes to the accounts.

### Pension liabilities

- 3.13 Civil service employees of the OBR are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The details of this and pension liabilities are given in the accounting policy notes. Details of pension arrangements for office holders are contained in the remuneration report.

## Register of interests

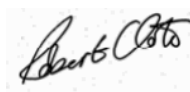
- 3.14 The Board members do not hold any directorships or have significant interests in organisations that may conflict with their management responsibilities.

## Sustainability

- 3.15 The OBR works with the AGO to agree priorities for ensuring that the environmental impact of our building and operations are minimised. The 20 Victoria Street Sustainability Group has agreed a number of initiatives, which we hope will improve the sustainability of both our operations as well as reducing the overall shared cost of accommodation. In 2013, the Display Energy Rating on the office's Display Energy Certificate (DEC) improved from 'Red' to 'Amber'.

## Auditors information

- 3.16 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*. His certificate and report appear in Chapter 7. The audit fee charged was £15,000. The auditors received no fees for non-audit services. The auditors have been provided with all relevant audit information necessary to complete their audit and the Accounting Officer has taken all of the necessary steps to ensure that the auditors are aware of any relevant information.



Robert Chote, Chairman

21 May 2014



## 4 Strategic report

### Aims, objectives and strategy

- 4.1 The Office for Budget Responsibility (OBR) provides independent and authoritative analysis of the UK's public finances. We are a non-departmental public body and became a statutory body on 4 April 2011 following Royal Assent of the *Budget Responsibility and National Audit Act 2011*.<sup>2</sup> Prior to Royal Assent, the OBR existed as a non-statutory body from 17 May 2010.
- 4.2 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 following core annual requirements and guidance set out in the Act and the accompanying *Charter for Budget Responsibility*:<sup>3</sup>
- 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 accuracy of our previously prepared fiscal and economic forecasts; and
  - an analysis of the sustainability of the public finances.
- 4.3 From autumn 2014, we will also be responsible for assessing the Government's performance against its new welfare cap and producing an annual report on trends in welfare spending.
- 4.4 The *Charter* sets out that the OBR's 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 and should not provide normative commentary on the particular merits of government policy.

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<sup>2</sup> <http://budgetresponsibility.org.uk/independence/legislation-and-related-material/>

<sup>3</sup> <http://budgetresponsibility.org.uk/independence/legislation-and-related-material/>

- 4.5 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.

## Business model

- 4.6 The OBR's corporate and business plan is published annually on our website.<sup>4</sup> This document describes our statutory remit and structure and the two overarching business objectives that guide our work:
- 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, whilst meeting statutory and other requirements.

## Risk management

- 4.7 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 small budget that is primarily spent on staff and accommodation costs.
- 4.8 Our risk management strategy involves all members of staff in the OBR and our Board. Our approach is described in the Governance Statement in Chapter 7.

# Achievements in 2013-14

## Core responsibilities

- 4.9 In 2013-14, we fulfilled our statutory core responsibilities through the publication of the following reports:
- the December 2013 and March 2014 *Economic and fiscal outlooks (EFO)* set out our latest economic and fiscal forecasts and assessments of the likelihood that the Government will meet its fiscal mandate.<sup>5</sup> In the December 2013 *EFO*, we revised our growth forecast up and our borrowing forecast down, reflecting the stronger than expected pick-up in the economy through 2013. While the Government is on track to meet its fiscal mandate by a substantial margin, it is not currently on track to meet its target to have debt falling in 2015-16. In the March 2014 *EFO*, we made smaller upward revisions to our growth forecast and downward revisions to our borrowing

<sup>4</sup> <http://budgetresponsibility.org.uk/transparency/governance/>

<sup>5</sup> <http://budgetresponsibility.org.uk/economic-fiscal-outlook-december-2013/>



forecast, with our assessment of the Government's performance against its fiscal targets unchanged. Alongside each *EFO* we also scrutinised and certified all of the Government's policy costings;

- our third *Fiscal sustainability report (FSR)* was published in July 2013.<sup>6</sup> In this we set out long-term projections of tax and expenditure under current policy settings, which suggested that the public finances are likely to come under pressure over the longer term primarily as a result of an ageing population. We produced further analysis of the effects on the public finances of different profiles of net migration and the pressures posed by the long-term care system. We also assessed the additional information on public sector balance sheets provided in the 2011-12 Whole of Government Accounts; and
- our *Forecast evaluation report (FER)* was published in October 2013. The report analysed why our GDP forecasts had been too optimistic in the period from June 2010 to the middle of 2013 and why our forecast for the public finances had only moved off-track towards the end of that period. On the basis of the analysis it set out a number of lessons for future forecasts.

4.10 Alongside our medium-term forecasts, in accordance with the *Scotland Act 2012*, we forecast Scottish receipts from four taxes – Scottish income tax, landfill tax, stamp duty land tax and aggregates levy – which the Government intends to devolve to the Scottish Parliament from April 2015 onwards. From autumn 2014, we will produce similar forecasts for Welsh tax receipts.

## Wider analysis

4.11 We supplement our core outputs with wider analysis that supports our key objective of examining and reporting on the sustainability of the public finances. In 2013-14, we published two briefing papers (described below), a supplementary forecast note on house prices, and continued our monthly commentary on the ONS/HMT public sector finance data release.<sup>7</sup>

4.12 Our briefing papers provide in-depth explanations of how we produce our forecasts and carry out the analysis that underpins them.<sup>8</sup> In October 2013, we published *Briefing paper No. 5 – The macroeconomic model*, which sets out a detailed description of the large-scale macroeconomic model that we use to help us in producing our economic forecasts. In March 2014, we published *Briefing paper No. 6 – Policy costings and our forecast*, which describes how we meet our responsibility of providing “independent scrutiny and certification of the Government's policy costings”. It sets out how we approach the costings process, including the roles of the Treasury and other relevant departments, and how we incorporate the impact of policy measures in our forecasts. In December 2013, we

<sup>6</sup> <http://budgetresponsibility.org.uk/fiscal-sustainability-report-july-2013/>

<sup>7</sup> <http://budgetresponsibility.org.uk/category/topics/monthly-public-finance-data/>

<sup>8</sup> <http://budgetresponsibility.org.uk/category/publications/briefing-papers/>

published a short forecast note detailing a house price model that we use to inform our house price forecast.

- 4.13 We provided further detail on how we approach our role in a detailed lecture by the Chairman – *Britain's fiscal watchdog – a view from the kennel* – that took place in May 2013 and is published on our website.<sup>9</sup>

## Communications and stakeholder engagement

- 4.14 The BRC and OBR staff have made numerous presentations to a wide range of external audiences through the year on the role of the OBR and on our analysis and forecasts. We have held press conferences after the publication of each *EFO*, and the *FSR* and *FER*. Presentations have been given, among others, to: the Government Economic Service, Organisation for Economic Cooperation and Development (OECD), European Commission, the Institute and Faculty of Actuaries, the London School of Economics and the Local Government Association's annual conference. We hosted a variety of international delegations interested in the work of the OBR.
- 4.15 We also engage widely with external analysts ahead of the production of our main reports in order to inform our internal work, though the judgements and conclusions of all our analysis are solely the responsibility of the BRC. As well as meetings with relevant analysts in government departments, this year we have engaged with external institutions including the Bank of England, the National Institute of Economic and Social Research, the Institute for Fiscal Studies, the Office for National Statistics and the National Audit Office. We have also discussed forecast issues with government economists in Scotland. We have discussed our analysis with experts from international organisations including the International Monetary Fund, the OECD, and the European Commission.
- 4.16 We are accountable to Parliament primarily through appearances at the Treasury Select Committee, which have been held after the publication of both of our *EFOs*, in December 2013 and March 2014. In January 2014, the TSC held its first evidence session on a *Fiscal sustainability report*. The Chairman also provided written and oral evidence on the proposal that the OBR be involved in scrutinising opposition parties' manifesto policy costings. The transcripts can be found via our website.<sup>10</sup> The Chairman has also appeared before the Scottish Parliament Finance Committee.

## Staff

- 4.17 The OBR currently has 19 permanent staff members. Members of staff are all civil servants and are primarily permanent employees of the OBR rather than seconded from other departments. All staff members report to and are accountable to Robert Chote as Chairman of the BRC.

<sup>9</sup> [http://budgetresponsibility.org.uk/wordpress/docs/Lecture\\_May-2013.pdf](http://budgetresponsibility.org.uk/wordpress/docs/Lecture_May-2013.pdf)

<sup>10</sup> <http://budgetresponsibility.org.uk/transparency/evidence-to-parliament/>

- 4.18 The OBR staff are led by the Head of Staff – Andy King. There are currently five analysts working on the macroeconomic forecast, five working on the public finances forecast, and three working on policy costings, long-term fiscal sustainability and other analytical projects. Three analysts form a new team working on all aspects of welfare spending, following the addition of new responsibilities for the OBR in relation to the Government’s welfare cap. Two members of staff work on the OBR’s operations, finances, office management, website and project management of the production of our reports and associated press events.
- 4.19 As of 31 March 2014, the gender balance of the members of the OBR, the senior civil servant Head of Staff and the non-SCS OBR staff was as set out in the table below.

	Male	Female	Total
BRC and non-executive members	4	1	5
Senior civil servants	1	0	1
Non-SCS staff	13	5	18

## Advisory Panel

- 4.20 The OBR has established a seven-person panel of outside experts to give regular advice on its work programme and methods.
- 4.21 Current members of the Advisory Panel are: Ben Broadbent, of the Monetary Policy Committee at the Bank of England; Wendy Carlin, Professor of Economics at University College London; Carl Emmerson, Deputy Director at the Institute for Fiscal Studies; John Llewellyn, Principal at Llewellyn Consulting; Andrew Scott, Professor of Economics and Deputy Dean at the London Business School; Peter Spencer, Professor of Economics and Finance at the University of York; and Simon Wren-Lewis, Professor of Economics at Oxford University.
- 4.22 The Advisory Panel meets at least annually to discuss technical and methodological aspects of the OBR’s work and is also consulted on an ad hoc basis through the year. We will continue to review the frequency of these meetings as our work programme develops. Members of the panel are not involved in the production of the OBR’s forecasts. The members advise the OBR on a pro bono basis.

## Financial summary

- 4.23 The OBR is funded via Grant-in-Aid from HM Treasury’s supply estimate, which is subject to Parliamentary control. The OBR is separately identified on the face of the Treasury estimate. The OBR agreed a four year, flat cash funding allocation of £1.75 million a year with the Treasury at the time of the 2010 Spending Review. The budget was increased to £1.77 million to include the VAT on the rental payment to the AGO.

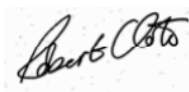
- 4.24 In 2013-14, staff costs accounted for £1.27 million of expenditure and non-pay costs amounted to £0.46 million. The OBR's net expenditure for the period totalled £1.74 million.
- 4.25 The vast majority of our non-pay expenditure funds our share of the cost-sharing agreement with the Attorney General's Office. The total cost to the OBR in 2013-14 under this agreement has been £350,000. This total includes our share of the building rent, service charges, council tax rates, utilities, security, maintenance, telephones, IT hardware and IT support.

### Accounts direction

- 4.26 The financial statements have been prepared in accordance with a Direction issued by HM Treasury under Paragraph 18, Schedule 1 of the *Budget Responsibility and National Audit Act 2011*.

### Going concern

- 4.27 The OBR is a statutory corporate body established under the *Budget Responsibility and National Audit Act 2011*, which entered 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 HM Treasury supply estimate. Beyond 2013-14, the OBR has received a new multi-year budget settlement from the Treasury covering firm plans to 2015-16 and an indicative settlement to 2017-18. The OBR has concluded that it is a going concern.
- 4.28 The OBR's Statement of Financial Position at 31 March 2014 shows net liabilities of £185,000. This reflects the inclusion of liabilities falling due in 2014-15 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 grants 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 will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for these financial statements.



Robert Chote, Chairman

21 May 2014

## 5 Remuneration report

### Members' remuneration

- 5.1 The table below reports the remuneration of each member of the Budget Responsibility Committee. Members' remuneration is set by the Treasury on appointment. Current members' letters of appointment, which include detailed remuneration arrangements, are published on the OBR website.<sup>11</sup> As stipulated in the letters of appointment, the BRC are not entitled to any bonus payments.
- 5.2 The non-executive members of the OBR do not receive any fees.
- 5.3 All of the members of the BRC are subject to the deduction of appropriate taxes via the PAYE system.

### Remuneration (salary, benefits in kind and pensions) (Audited)

Name	Salary (£)		Benefits in kind (£)		Pension benefits (£)		Total (£)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Robert Chote								
Chairman	147,051	143,537	-	-	29,410	28,707	176,461	172,244
Stephen Nickell								
BRC member (0.6FTE)	71,342	69,657	-	-	-	-	71,342	69,657
Graham Parker								
BRC member (0.6FTE)	71,342	69,657	-	-	-	-	71,342	69,657

### Pensions

- 5.4 As part of his contractual terms, Robert Chote receives a payment equivalent to 20 per cent of his annual fee into his personal pension scheme, which amounts to £29,410 (£28,707 in 2012-13).
- 5.5 The OBR does not pay into the Civil Service Pension Scheme on behalf of any of the members of the BRC.

<sup>11</sup> <http://budgetresponsibility.org.uk/about-the-obr/who-we-are/>

## Expenses

- 5.6 The OBR publishes a record of travel and subsistence expenses for BRC members on its website on a quarterly basis. The OBR has incurred a cost of £858 (£4,635 in 2012-13) for Robert Chote's travel and subsistence expenses over the period. These figures do not include expenses that have been claimed and subsequently recovered from a third party. No other member of the BRC made any claims for expenses.

## Staff remuneration

- 5.7 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. Total pay cost for OBR staff members in 2013-14 was £918,000 (£934,000 in 2012-13).<sup>12</sup> This includes a pot of £19,421 paid in-year for non-consolidated performance-related payments available to the OBR's non-senior civil service staff. The Oversight Board is responsible for overseeing the pay remit for OBR staff. As such, the Oversight Board approves the Remuneration Report.

## Pay relativity

- 5.8 Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.
- 5.9 The remuneration of the highest-paid director in the OBR in the year ended 31 March 2014 was £147,051 (£143,537 year ended 31 March 2013). This was 3.2 times (3.5 times 2012-13) the median remuneration of the workforce, which was £46,242 (£40,556 in 2012-13). The median remuneration has risen as staff who joined the OBR were on average paid more than the staff they replaced. The median salary includes the full-year equivalent salary of all staff in post as at 31 March 2014.
- 5.10 In 2012-13 and 2013-14, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £19,410 to £71,342 in 2013-14 (£14,687 to £75,709 in 2012-13).
- 5.11 Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.



Robert Chote, Chairman

21 May 2014

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<sup>12</sup> Figures rounded to the nearest £1,000.

## 6 Statement of Accounting Officer's responsibilities

- 6.1 Under Paragraph 18, Schedule 1 of the *Budget Responsibility and National Audit Act 2011*, HM Treasury has directed the Office for Budget Responsibility (OBR) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.
- 6.2 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 income and expenditure, changes in taxpayers' equity and cash flows for the financial year.
- 6.3 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; and
  - prepare the accounts on a going concern basis.
- 6.4 The Accounting Officer of HM Treasury has designated the Chairman as Accounting Officer of the OBR.
- 6.5 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.





# 7 Governance Statement

- 7.1 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, our internal and external auditors, and the staff within the organisation who have responsibility for the development and maintenance of internal processes.

## Governance structures

- 7.2 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 and the functions and broad governance structure of the Office. In support of the primary legislation, the *Office for Budget Responsibility and HM Treasury Framework Document*, 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.
- 7.3 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.<sup>13</sup> 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. The Oversight Board has reviewed our governance arrangements and is satisfied that they are effective and that they comply with the principles and practices set out in the Code.

## The Oversight Board

- 7.4 The Act requires the Office to appoint five members, the three executive members of the Budget Responsibility Committee (BRC) and the two non-executive members. The five members of the OBR have established the OBR's Oversight Board, as required by the *OBR/HM Treasury Framework Document*. Consistent with best practice, the Oversight Board is chaired by one of the non-executive members, currently Lord Burns.
- 7.5 The Board's terms of reference are published on the OBR's website.<sup>14</sup> 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.

<sup>13</sup> <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>

<sup>14</sup> <http://budgetresponsibility.org.uk/transparency/governance/>

- 7.6 All members attended the scheduled meetings of the Oversight Board over 2013-14. Minutes of the meetings are published on the OBR website.

### The Audit and Risk Assurance Committee

- 7.7 The Audit and Risk Assurance Committee is a sub-committee of the Oversight Board. The Committee consists of the two non-executive members and is chaired by Kate Barker. The terms of reference for the Committee are published on the OBR website. Its function is to provide advice to the Oversight Board and the Accounting Officer on the appropriateness and adequacy of risk management, internal controls and governance arrangements.
- 7.8 All members attended the scheduled meetings of the Committee over 2013-14. Minutes of all meetings of the Committee are also published on the OBR website.

### Executive management

- 7.9 I lead the OBR's management group, which includes the OBR's Head of Staff and other members of staff 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

- 7.10 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 small budget that is primarily spent on staff and accommodation costs.
- 7.11 Our risk management strategy involves all 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.
- 7.12 The Head of Staff is responsible for compiling and maintaining a register of the key risks facing the organisation. All members of 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 with the Head of Staff for ensuring the mitigation strategies are implemented and reporting back to the Board. We also ensure that staff and the BRC are regularly consulted on any new risks.

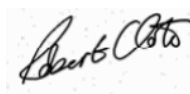
## Analytical risks

- 7.13 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 judgments we take are solely those of the BRC. I am assured that we currently have the resources we need to meet our objectives, and this is also the view of our non-executive members. The potential loss of experienced staff members, an increase in the demands placed on our staff without corresponding increases in resource, 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. To ensure we are open to external analysis, we have set up an Advisory Panel and we consult widely with stakeholders and outside analysts, as set out in Chapter 3.
- 7.14 The disaggregated nature of the public finances forecast means we also require close and effective working with experts in a number of government departments. To mitigate the risks around this process we have agreed a *Memorandum of Understanding* 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. I chair a regular meeting of senior officials from the key departments to ensure effective working. If I have concerns around these working relationships, I have recourse under the *Memorandum of Understanding* to raise issues with the relevant departmental Permanent Secretaries. I have not had reason to deploy this mechanism so far.
- 7.15 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 *Memorandum of Understanding* 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.
- 7.16 Last year we published a *Memorandum of Understanding* with HM Treasury covering the shared ownership of the macroeconomic model. This sets out governance arrangements for shared ownership, a process for agreeing and implementing a rolling model development plan, and commits both parties to providing sufficient resource to meet these requirements. This helps address a key risk around the effective maintenance and development of our forecasting infrastructure.
- 7.17 Our budget is small at £1.77 million this year 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 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.

- 7.18 Our financial management services are provided by HM Treasury. I have received assurance from the Treasury Group Director of Finance that she is content that the processes that are in place under the shared agreement are sound from their perspective and that we can be assured that they know of nothing that might be compromising our management of public funds.
- 7.19 We have appointed a qualified financial adviser who attends our Board and Audit Committee meetings. Our current financial adviser is also the Deputy Director of Finance at HM Treasury. In her capacity as our financial adviser she is 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.
- 7.20 The key operational risks we face are the accidental loss or leak of confidential material, or the loss of IT services and/or access to our office space, ahead of delivery of our major reports. We have developed a business continuity plan and subscribe to back-up IT facilities and office space. We have a robust security policy to mitigate the risks of accidental loss or leak of confidential material. Last year, we asked Internal Audit to review our knowledge management systems and our IT service contracts. We have taken forward a number of recommendations and are working with the National Archives to deliver our updated records management policy. This year, we asked Internal Audit to assess our human resource systems, which has provided us with reassurance that effective systems are in place. Following the audit, we have aligned our bribery and whistleblowing policies with best practice.

### Opinion on effectiveness of governance arrangements

- 7.21 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 management letter and other reports. On this basis, I consider the OBR's governance arrangements to be effective.



Robert Chote, Chairman

21 May 2014

## 8 The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Office for Budget Responsibility for the year ended 31 March 2014 under the Budget Responsibility and National Audit Act 2011. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Office for Budget Responsibility, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Office for Budget Responsibility and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Budget Responsibility and National Audit Act 2011. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office for Budget Responsibility's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office for Budget Responsibility; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate. 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.

## Opinion on regularity

In my opinion, in all material respects 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.

## Opinion on financial statements

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 2014 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Budget Responsibility and National Audit Act 2011 and HM Treasury directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has 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 Members' report and Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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 or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Amyas C E Morse**

**Comptroller and Auditor General**

**22 May 2014**

National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP





## 9 Financial statements

01 April 2013 – 31 March 2014

### Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
<b>Expenditure</b>			
Staff costs	3.1	1,274	1,280
Other expenditure	4	<u>463</u>	<u>452</u>
		<b>1,737</b>	<b>1,732</b>
<b>Income</b>			
Other income	5	(1)	(7)
<b>Net expenditure</b>		<u><b>1,736</b></u>	<u><b>1,725</b></u>

There were no items of other comprehensive expenditure.

The notes on pages 33 to 38 form part of these accounts.

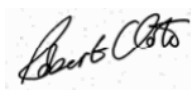
## Statement of Financial Position

as at 31 March 2014

	Note	2013-14 £000	2012-13 £000
<b>Current assets</b>			
Receivables due within one year	7	14	12
Cash and cash equivalents	8	42	259
<b>Total current assets</b>		<b>56</b>	<b>271</b>
<b>Current liabilities</b>			
Payables due within one year	9	(241)	(240)
<b>Total current liabilities</b>		<b>(241)</b>	<b>(240)</b>
<b>Net current assets/(liabilities)</b>		<b>(185)</b>	<b>31</b>
<b>Net assets/(liabilities)</b>		<b>(185)</b>	<b>31</b>
<b>Taxpayers' equity</b>			
General fund		(185)	31
<b>Total taxpayers' equity</b>		<b>(185)</b>	<b>31</b>

The financial statements were approved on 21 May 2014.

The notes on pages 33 to 38 form part of these accounts.



Robert Chote, Chairman

21 May 2014

## Statement of Cash Flows

for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
<b>Cash flows from operating activities</b>			
Net operating cost		(1,736)	(1,725)
Changes in working capital other than cash		(1)	7
<b>Net cash outflow from operating activities</b>		<b>(1,737)</b>	<b>(1,718)</b>
<b>Cash flows from financing activities</b>			
Grant-in-Aid from HM Treasury		1,520	1,615
<b>Net financing</b>		<b>1,520</b>	<b>1,615</b>
<b>Net decrease in cash and cash equivalents in the period</b>	8	<b>(217)</b>	<b>(103)</b>
Cash and cash equivalents at the beginning of the period		259	362
<b>Cash and cash equivalents at the end of the period</b>	8	<b>42</b>	<b>259</b>

The notes on pages 33 to 38 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2014

	General Reserve £000
<b>Balance at 1 April 2013</b>	31
Grant-in-Aid from HM Treasury	1,520
Comprehensive Expenditure for the year	(1,736)
<b>Balance at 31 March 2014</b>	<b>(185)</b>

for the year ended 31 March 2013

	General Reserve £000
<b>Balance at 1 April 2012</b>	141
Grant-in-Aid from HM Treasury	1,615
Comprehensive Expenditure for the year	(1,725)
<b>Balance at 31 March 2013</b>	<b>31</b>

The notes on pages 33 to 38 form part of these accounts.

## Notes to the Accounts

No significant accounting estimates or judgements were made in the preparation of these accounts.

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM).<sup>15</sup> 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 particular circumstances of the Office for Budget Responsibility for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Office for Budget Responsibility are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### IFRSs in issue but not yet effective

As per the FReM, these accounts apply EU adopted IFRS and Interpretations in place as at 1 January 2013. The Office for Budget Responsibility has reviewed the effects that new accounting standards are expected to have on its financial statements and there is no material impact.

#### 1.1 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention.

#### 1.2 Basis of preparation

The OBR's Statement of Financial Position at 31 March 2014 shows net liabilities of £185,000. This reflects the inclusion of liabilities falling due in 2014-15 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.

#### 1.3 Financing

The Office for Budget Responsibility 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 Office for Budget Responsibility from HM Treasury in the financial year 2013-14 was £1,520,000. This total represents the cash requirement within the reporting period and the carryover of a cash balance into the following financial year.

#### 1.4 Pensions

The provisions of the Principal Civil Service Pension Scheme (PCSPS), which are described in note 3.2, cover the majority of past and present employees. The defined benefit scheme within the PCSPS

<sup>15</sup> [www.hm-treasury.gov.uk/frem\\_index.htm](http://www.hm-treasury.gov.uk/frem_index.htm)

is unfunded and is contributory. The Office for Budget Responsibility 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

### 1.5 Employee benefits

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

### 1.6 Financial instruments

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

Cash and cash equivalents comprise cash at bank.

### 1.7 Leases

Operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

## 2. Statement of operating costs by operating segment

The operating segment analysis is reported in a manner consistent with the internal reporting provided to the Office for Budget Responsibility board. The board has been identified as the chief operating decision maker, in accordance with accounting standards. As at 31 March 2014, the Office for Budget Responsibility was reported internally as one segment.

## 3. Staff numbers and related costs

### 3.1 Analysis of total staff costs

	2013-14 Permanent staff £000	2012-13 Permanent staff £000
Wages and salaries	1,011	1,012
Social Security costs	105	104
Other pension costs	158	164
<b>Total costs</b>	<b>1,274</b>	<b>1,280</b>

### 3.2 Pension schemes

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which the Office for Budget Responsibility is unable to identify its share of the underlying

assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2013. Details can be found in the Accounts of the Cabinet Office: Civil Superannuation.<sup>16</sup>

For 2013-14, employers' contributions of £128,520 (2012-13: £135,650) were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. 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 2013-14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of nil (2012-13: nil) were paid to one or more of a panel of three appointed stakeholder pension providers.

During the year 2013-14, payments towards the pension costs of the Chairman were £29,410 (2012-13: £28,707). The nature of these payments is disclosed in the remuneration report on 17.

### 3.3 Average number of persons employed

The average number of full-time equivalent persons employed during the year was 15.8 (2012-13: 17.1)

### 3.4 Exit packages

The OBR did not incur any costs for exit packages (2012-13: nil).

## 4. Other expenditure

	2013-14 £000	2012-13 £000
Accommodation costs	231	230
Printing and office services	82	83
IT costs	83	79
Contracted out services	26	25
External auditor's remuneration	15	20
Staff Support and Staff-related costs, including training and travel	16	15
Analytical consultancy provided by the Government Actuary's Department for input into the <i>Fiscal sustainability report</i>	10	-
<b>Total</b>	<b>463</b>	<b>452</b>

No payments were made to the external auditors in respect of non-audit services.

<sup>16</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/274258/0048.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/274258/0048.pdf).

## 5. Income

The Office for Budget Responsibility has received £730 income (2012-13: £6,900) within the reporting period. The income relates mainly to the sale of the *Economic and fiscal outlook* publications to external parties.

## 6. Financial instruments

As the cash requirements of the Office for Budget Responsibility 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 relate to contracts to buy non-financial items in line with the Office for Budget Responsibility's expected purchase and usage requirements and the Office for Budget Responsibility is therefore exposed to little credit, liquidity or market risk.

## 7. Receivables

	2013-14 £000	2012-13 £000
<b>Amounts falling due within one year</b>		
Trade receivables	3	-
Taxation and social security	5	7
Deposits and advances	3	2
Prepayments and accrued income	2	3
Other receivables	1	-
<b>Total falling due within one year</b>	<b>14</b>	<b>12</b>
<i>Of which:</i>		
<i>Balances with other central government bodies</i>	<i>7</i>	<i>7</i>
<i>Balances with bodies external to government</i>	<i>7</i>	<i>5</i>

## 8. Cash and cash equivalents

	2013-14 £000	2012-13 £000
Balance at 1 April	259	362
Net change in cash balances - outflow	(217)	(103)
<b>Balance at 31 March 2014</b>	<b>42</b>	<b>259</b>

All cash balances are held with the Government Banking Service.



## 9. Payables and other current liabilities

	2013-14	2012-13
	£000	£000
<b>Amounts falling due within one year</b>		
Taxation and social security	28	32
Trade & other payables	16	18
Accruals	197	190
<b>Total falling due within one year</b>	<b>241</b>	<b>240</b>
<i>Of which:</i>		
<i>Balances with other central government bodies</i>	134	139
<i>Balances with bodies external to government</i>	107	101

## 10. Commitments and Leases

The Office for Budget Responsibility has neither entered into any capital commitments nor any non-cancellable contracts.

The Office for Budget Responsibility leases its office space from the Attorney General's Office (AGO) by means of an agreement as set out within a Memorandum of Terms of Occupation. This covers both the provision of accommodation and office services. The agreement runs for a period of 6 years from 13 December 2010. In 2013-14, accommodation, IT and printing & other office operating leases charges were £231,000, £68,000 and £51,000 respectively.

Obligations over the lease period comprise:

	2013-14	2012-13
	£000	£000
<b>Accommodation</b>		
Not later than one year	220	220
Later than one year and not later than five years	381	598
	<b>601</b>	<b>818</b>
<b>IT and office services</b>		
Not later than one year	115	115
Later than one year and not later than five years	199	312
	<b>314</b>	<b>427</b>

These figures do not take account of any future increases in the underlying costs which would be passed on to the Office for Budget Responsibility.

## 11. Related party transactions

The sponsoring department of the Office for Budget Responsibility is HM Treasury. HM Treasury is regarded as a related party with which the Office for Budget Responsibility has had various material transactions during the year, including the provision of HR and financial services to the Office for Budget Responsibility.

The Office for Budget Responsibility has ongoing transactions with the AGO relating to an arrangement through which AGO recharges the Office for Budget Responsibility in respect of costs for accommodation and IT and office services.

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 Office for Budget Responsibility.

## 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 22 May 2014 by the Accounting Officer.

There were no changes to the accounts between the date when the Accounting Officer signed the accounts and the date they were authorised for issue.

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