

Office for
**Budget
Responsibility**

Annual report and accounts 2021-22

Office for Budget Responsibility: Annual report and accounts 2021-22

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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1 Performance report

1.1 The performance report contains:

- the **overview**, which includes the Chair's message;
- the **statement of performance and activities**, which sets out how we have delivered our statutory duties over the past year;
- the **performance analysis**, which describes how we measure performance against our objectives; and
- an outline of the key elements of our **operations**.

Overview

Chair's message

1.2 Welcome to the *Annual report and accounts* of the Office for Budget Responsibility (OBR), which was established in 2010 to provide independent and authoritative analysis of the UK's public finances.

1.3 The *Budget Responsibility and National Audit Act 2011* states that "it shall be the duty of the Office to examine and report on the sustainability of the public finances". In practice we fulfil our remit by publishing a range of core publications and by engaging with domestic and international peers as widely as possible. In brief we carry this out by:

- Producing **five-year forecasts** for the economy and public finances twice a year, usually alongside the Government's annual Budget and Spring Statement.
- Assessing the likely **costs or savings from individual tax and spending measures** announced in each fiscal statement, including the impact of any changes in behaviour they might prompt.
- Using our forecasts to **assess the Government's performance against its fiscal and welfare spending targets**. We also assess the uncertainty around the chances of the Government meeting its fiscal objectives.
- Publishing **analysis of the public finance data** produced monthly by the Office for National Statistics (ONS). We focus on how the evolution of the data through the year compares to monthly profiles that we publish, which are consistent with our most recent forecast.

- Assessing the **long-term outlook for and risks to the public finances**, drawing on 50-year projections of spending, receipts and the key fiscal aggregates and alternative measures of fiscal sustainability. And considering the likelihood and impact of a range of specific risks to the public finances over the medium and long term.
- Appearing before Parliamentary committees, including the Treasury Select Committee, the Scottish Finance Committee and the Welsh Finance Committee to **explain our forecast judgements and conclusions of our analytical work**.
- Holding regular **briefing events and interviews** alongside the publication of our major reports and contributing to wider discussion at external conferences and events and in media appearances.
- Engaging with a range of **domestic and international counterparts** through speaking at roundtables and seminars, participating in global networks for independent fiscal institutions, and sharing knowledge with organisations with similar remits.

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 and outside experts in preparing them. People may agree or disagree with the analysis and conclusions we present, and no forecast ever proves to be entirely prescient – especially given the shocks experienced in recent years. But we want them to be confident that our forecasts are based on our best professional judgement and an impartial assessment of the available data, 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 an ever increasing range of descriptive materials that explain the methods and techniques that we employ, and the data used in the construction of our forecasts and analysis.

1.5 This is my first full reporting year as Chair of the OBR, and the past two years have been marked by a succession of extraordinary shocks to the UK economy in the form of the Covid pandemic, Russian invasion of Ukraine, and rising energy and goods prices. Understanding, analysing, and communicating the implications of these rapidly evolving global challenges for the UK economy and public finances has been the central focus of the OBR's work during this period. This has required us to forge links with outside experts and quickly get to grips with new topics including epidemiology, geopolitics, and energy. It has also necessitated a more intensive exploration of the uncertainty and risks in our *Economic and fiscal outlooks (EFOs)* and latest *Fiscal risks report (FRR)*. Alongside this, we have also deepened our understanding of the potential longer-term structural changes to the UK economy and public finances emanating from the UK's departure from the European Union, the pandemic, and climate change and the transition to net zero.

1.6 Deepening our understanding and analysis of these evolving challenges while addressing the workload problems highlighted in our last *Annual report* has required us to recruit additional staff. As of end-March 2022, the OBR's staff complement stood at 40 FTEs (full-time equivalent staff), up 7 FTEs from the previous March, and both staff surveys and

interviews conducted by our non-executive members suggest that workload pressures have eased and staff morale has improved. We have also bid farewell to Professor Sir Charlie Bean, whose five-year term ended at the end of 2021, and welcomed Professor David Miles as the economy expert on the Budget Responsibility Committee in January. We are very grateful for the expertise, professionalism, and collegiality that Charlie brought to the Office and wish him well in his retirement. We are very fortunate to have been able to attract such a capable successor in David, who has settled admirably quickly into a fast-moving forecasting environment.

1.7 In all the analysis we have undertaken, we have come under no pressure from Government Ministers, political advisers or officials to change any of the analysis we have presented or the conclusions we have reached. Over the past year, the non-executive members of our oversight board have highlighted two episodes in which our independence and objectivity have been called into question publicly:

- The first related to the earlier-than-usual closing of the pre-measures economy forecast underpinning the October 2021 *EFO*.¹ To provide assurance that there had been no undue political influence over the forecast timetable, we published all correspondence between HM Treasury and the OBR in relation to this forecast timetable and asked our non-executives to conduct their own review of the decision-making process. Their review found no evidence to suggest that our independence had been compromised, though did make a number of recommendations for further improving the transparency around the forecasting process, which we will be taking forward with the Treasury in the context of the forthcoming review of the *Memorandum of Understanding* underpinning the forecast process.²
- The second related to a press report following the 2022 Spring Statement which alleged that the Chancellor was concerned the OBR had exceeded its remit by making normative judgements about Government policy.³ Following their own review of the March 2022 *EFO* which accompanied the Spring Statement, our non-executives concluded that nothing in that document fell on the wrong side of impartiality. We will nonetheless reinforce our efforts to ensure that the material in our *EFOs* and other publications continues to be both objective and balanced in substance and presentation.

1.8 These two reviews conducted by our non-executive members concluded that our independence had not been compromised in relation to the forecast timetable for the October 2021 *EFO* and that we had not strayed into making normative judgements or gone beyond our remit in the March 2022 *EFO*. At the same time, we very much agree with their recommendations for improving the transparency around the forecast process and monitoring the balance of our reports to ensure they continue to present a complete, objective, and impartial view of the UK's economic and fiscal prospects.

¹ <https://www.ft.com/content/0c160b29-02f7-4b14-9f72-11df6b5e68fa>

² <https://obr.uk/non-executive-members-review-the-budget-timetable-decision-making-process/>

³ <https://www.thetimes.co.uk/article/rishi-sunak-viscerally-hates-office-for-budget-responsibility-mffwtgnvh>

- 1.9 At the end of an important, challenging, and productive year for the organisation, my colleagues on the Budget Responsibility Committee and I would like to express our gratitude to the staff of the OBR for all their hard work and commitment. 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.



Richard Hughes, Chair, 23 June 2022

Statement of performance and activities

- 1.10 The Office for Budget Responsibility (OBR) provides independent and authoritative analysis of the UK's public finances. We are a non-departmental public body (NDPB) by virtue of the *Budget Responsibility and National Audit Act 2011*.⁴
- 1.11 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 core requirements and guidance set out in the Act and the accompanying *Charter for Budget Responsibility*. Our core requirements, updated in the revised January 2022 *Charter*, are:
- 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 Government's performance against its cap on a subset of welfare spending, and a biennial report on trends in welfare spending.
 - An annual assessment of the accuracy of our previously prepared fiscal and economic forecasts.
 - An annual report on the sustainability of the public finances and associated risks.
 - A forecast of the receipts from taxes and spending on social security that it has devolved – or intends to devolve – to the Scottish and Welsh Governments. We also produce the official forecast of devolved Welsh taxes for the Welsh Government, as part of its annual budget process.

⁴ <http://obr.uk/topics/legislation-and-related-material/>

- 1.12 The *Charter* sets out that our 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 or provide normative commentary on the merits of government policies.
- 1.13 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. A detailed *Memorandum of Understanding* between us and our main stakeholder departments sets out how the requirements of the *Act* and *Charter* are pursued in practice.

Performance summary – Achievements in 2021-22

Core responsibilities

- 1.14 In 2021-22, we fulfilled our statutory core responsibilities through the publication of the following reports:
- In July 2021 we published our ***Fiscal risks report***, in which we focussed on three large, and potentially catastrophic risks: the economic and fiscal implications of the pandemic over the medium and long-term; the economic and fiscal impact of climate change and scenarios for the potential fiscal impact of meeting the Government's target of getting to net zero by 2050; and the sensitivity of the public finances to potential changes in the cost of government debt from rising global interest rates, higher inflation, or a loss of investor confidence.
 - The October 2021 ***Economic and fiscal outlook (EFO)*** set out our latest economic and fiscal forecast and assessment of the likelihood that the Government would meet its new fiscal mandate and supplementary targets, which were published in a revised draft *Charter for Budget Responsibility* alongside the Government's Budget and Spending Review. In the forecast we revised down our central judgement on the impact of pandemic-related scarring from 3 per cent to 2 per cent and incorporated significant tax and spending policy measures, including the new Health and Social Care levy and three-year spending plans agreed in the 2021 Spending Review.
 - Our latest ***Forecast evaluation report (FER)*** was published in December 2021, focussing on the evolution of the five forecasts we published in the first year of the pandemic. We concluded that we were quicker than other forecasters in recognising the severity of the impact on the economy but underestimated the adaptability of the economy to pandemic conditions. We also recognised the need for analytical agility and the use of high-frequency data, as well as the importance of consulting a wider range of expertise.

- The March 2022 **Economic and fiscal outlook** was prepared against the backdrop of very large increases in global energy prices following the Russian invasion of Ukraine. Our tax receipts forecast was revised up significantly, reflecting strong growth across the major taxes and our economy forecast centred on higher-energy-price and supply bottleneck-driven inflation and the consequent effect on household living standards, consumption, and output.

- 1.15 As part of our role for producing the independent forecast of devolved Welsh taxes for the Welsh Government, we published our third **Welsh taxes outlook** (WTO) in December 2021, alongside the draft Welsh Budget. We also published an update, including an evaluation of previous forecast, alongside the final Budget in early March.
- 1.16 Alongside both EFOs published this year we also published **Devolved tax and spending forecasts** for the tax and social security streams that have been devolved to the Scottish and Welsh governments.

Supplementary analysis

- 1.17 In pursuit of our aim to continually develop and improve our forecasting methodologies and coverage we published two working papers during 2021-22. *Working paper No. 16 Forecasting the balance sheet: Public sector net worth* expanded the methodology behind our inclusion of net worth as a balance sheet measure in the EFO. *Working paper No. 17: Evaluating forecast uncertainty with stochastic simulations* set out the details behind our improved methodology for assessing the likelihood of the Government achieving its fiscal targets.
- 1.18 We also continued the publication of ‘monthly profiles’, which sets out monthly forecasts for the main tax and spending categories and the key measures of debt in order to facilitate the public’s interpretation of regular data on the public finances. These profiles were originally part of our attempt to bring clarity to the public finance numbers during the pandemic, but they have also assisted our own interpretation of the public finances data, and we continue to use them in our regular monthly commentary.

Communications and stakeholder engagement

- 1.19 The BRC and OBR staff have undertaken a wide range of stakeholder engagement, delivering presentations and attending discussions and roundtables with numerous external audiences throughout the year. We also remotely hosted or attended a variety of domestic and international visitors and delegations interested in the work of the OBR, including the Government Economic Service, the International Monetary Fund (IMF), the OECD, the European Commission, the European Fiscal Board, the Institute for Government, the Resolution Foundation, the Society of Professional Economists, the National Institute for Economic and Social Research, Morgan Stanley, the Fraser of Allander Institute, Policy Exchange, the Government Actuaries Department and the United States Council of Economic Advisers. The BRC have given evidence to a range of Parliamentary committees, including the Northern Ireland Finance Committee on the new Northern Ireland Fiscal Council, the Scottish Finance and Public Administration Committee, the Welsh Parliament

Finance Committee and the UK Environmental Audit and Work and Pensions Committees. The BRC have also held press conferences and given evidence to the Treasury Select Committee alongside the publication of both forecasts and the *Fiscal risks report*.

- 1.20 We 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. Given the continued central importance of the path of the pandemic and associated public health interventions to the work of the OBR, we have continued to discuss our forecasts with a range of public health experts including the Scientific Pandemic Influenza Group on Modelling (SPI-M), the Department of Health and Social Care, the Joint Biosecurity Centre, the UK Vaccines Task Force and the Joint Committee on Vaccination and Immunisation. As well as meetings with relevant analysts in government departments, this year we have engaged with a wide range of external institutions ahead of the production of our forecasts including the Bank of England, the Institute for Government, the National Institute of Economic and Social Research, the Institute for Fiscal Studies, the Office for National Statistics, the National Audit Office, the Resolution Foundation and Transport for London. We detail our engagement with government and non-government institutions in the foreword of each publication.
- 1.21 We continue to engage with our international sister organisations via the OECD's Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions and the EU Independent Fiscal Institutions network, which is run by its members.

Performance analysis

How we measure performance

- 1.22 Under Section 15 (2) of the *Budget Responsibility and National Audit Act 2011* the non-executive members of the OBR are required to assess the extent to which the OBR has performed its duties. This assessment appears in the *Accountability report* in Chapter 2.
- 1.23 In terms of the performance of our forecasts, our latest *Forecast evaluation report* examined our recent forecasting performance through the pandemic period, and our longer-term performance relative to official forecasts made before the OBR was created. Over the longer term, despite the OBR period now containing the largest forecast errors on record owing to the pandemic, it remains the case that our median absolute forecast errors for real GDP and net borrowing are smaller in size than the median errors in official forecasts of the 20 years before the OBR was created. Prior to the pandemic this was also the case for mean errors, but the size of our pandemic-related forecast errors has pushed our mean absolute forecast error for real GDP slightly above that for the 20 years before the OBR's creation.
- 1.24 We also measure our performance based on feedback from external stakeholders. The second *external review* of the OBR was undertaken in 2020, by the OECD.⁵ An external review is required every five years under the Budget Responsibility and National Audit Act.

⁵ <https://obr.uk/download/oecd-external-review-of-the-office-for-budget-responsibility/>

The overarching conclusions of the review were extremely positive with regard to successes of the OBR over the past decade, noting that the OBR had become “a fixed part of the UK’s institutional landscape” and that our “publications are of high quality, meeting and surpassing international standards”. The report also concluded that the OBR had “achieved the goal of reducing bias in the official economic and budgetary forecasts”.

- 1.25 We collect website traffic data to monitor how and when our outputs are accessed. In 2021-22 we received 600,000 website visits, 123,000 fewer than our previous record in 2020-21, but over 75,000 more than in 2019-20 (the last time we published according to our usual publication schedule). Our core publications brought many of these visitors to the site, with our forecasts-in-depth pages and *Economic and fiscal outlook* publication contributing 250,000 visits (160,000 and 90,000 hits respectively).
- 1.26 We carry out internal quarterly reviews – as recommended by Cabinet Office – on the accessibility of our public website by running automated and manual tests on a sample of pages and PDFs. Over the course of 2021-22 we improved the accessibility index rating of the website from 34 to 75 per cent.⁶
- 1.27 We also monitor social media analytics to inform our communication strategy for core publications. Our number of Twitter followers grew by more than 7 per cent to over 14,000 during this year. We continued to see high levels of Twitter engagement, although engagement levels and impressions were down on 2020-21, where our pandemic coverage boosted engagement. We have increased our use of video, started live-tweeting during Treasury Select Committee evidence sessions and have increased our output beyond publication days to highlight recent analysis.
- 1.28 We produced a video to explain our climate change analysis in the *Fiscal risks report* in July 2021 which received over 100,000 impressions (the number of times a tweet has appeared on users’ feeds for search results) and 11,000 views, more than triple the views of our previous videos. Our *Economic and fiscal outlook* videos have also increased engagement receiving nearly 5,000 views and 20,000 impressions this year (29 per cent and 23 per cent growth on 2020-21, respectively). There was a record number of profile visits in March 2022 (55,900 – just over double our previous record in March 2021). This points to OBR analysis making a greater impact and reaching a broader audience on social media.

Financial performance and sustainability

- 1.29 The OBR is committed to the central government target of paying valid invoices within five days of receipt. In the reporting period, 97.9 per cent of invoices (94 per cent in 2020-21) that we have received have been paid within the target time of five days.
- 1.30 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 2022 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 zero days (2020-21: zero days).

⁶ As measured by SilkTide’s UK Central Government Index.

- 1.31 We lease office space from the Ministry of Justice (MoJ) at its central London office, where we contribute to its environmental and sustainability agenda through the building facilities committee and policies implemented throughout the MoJ estate. Throughout 2021-22, occupation of this building was significantly reduced as staff worked from home at various times in line with Government guidance. Sustainability initiatives were also reduced during this period and the successful trial of electric hand dryers in place of paper towel had to be put on hold due to Covid risks. Some initiatives continued, such as the continued phasing-out of consumer single use plastics across cleaning and catering. The MoJ is developing delivery plans for office spaces to ensure that the operation of these areas can contribute towards the Greening Government Commitments for the Government estate.

Operations

- 1.32 Our financial management and oversight arrangements are established in the *Framework document*, which was most recently updated in March 2019.⁷ Key elements of the arrangements are described in the governance statement. We are funded via a delegated budget from our sponsor department, HM Treasury.
- 1.33 Our delegated budget, set at the beginning of the financial year, was £4,380,000. This included recurring additional funding alongside our core budget for analytical capacity associated with the UK leaving the EU and another year of additional funding for short-term analytical resources required during the pandemic. Our budget delegation also includes a separate line for our Welsh tax forecasting responsibilities. The statement of comprehensive net expenditure in this year's accounts puts our total spending for the year at £3,928,000. Our significant underspend is due to a postponement of an increase in office space which is being reconsidered in light of new working patterns.
- 1.34 For 2021-22, we have received a multi-year funding allocation that gradually reverses the £500,000 uplift to cover additional analytical pressures over three years. Our funding is delegated from the main Treasury Estimate so we work closely with the finance and sponsor teams to identify pressures across the year. The Chair of the OBR is designated as the Accounting Officer responsible for the effective management of public funds.

Service agreements

- 1.35 We share our workspace and accommodation with the MoJ at 102 Petty France. As part of this arrangement we pay a share of the MoJ's rent and rates, and a share of the cost of the MoJ's service contracts for security and facilities management. Our IT infrastructure and maintenance are also delivered via the MoJ network. We work with the MoJ to ensure that appropriate steps are taken to achieve value-for-money in shared services.
- 1.36 As a small organisation, we achieve greater value-for-money by contracting administrative human resources, finance, accounting, procurement and payroll services from HM Treasury, rather than employing our own staff to deliver those functions.

⁷ https://obr.uk/docs/dlm_uploads/OBR_HMT_framework_document_2019_update_web.pdf

Going concern

- 1.37 The OBR is a statutory corporate body established under the *Budget Responsibility and National Audit Act 2011*, which came 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 Treasury supply estimate. A multi-year budget settlement from the Treasury sets out funding to 2024-25.
- 1.38 The OBR's statement of financial position at 31 March 2022 shows net liabilities of £426,000 which includes dilapidations provision, accrued payments for IT project costs, accommodation and performance-related staff bonuses for 2021-22. This reflects the inclusion of liabilities falling due in 2021-22 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 Grant-in-Aid 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 would not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for these financial statements.

Business model

- 1.39 The OBR's two overarching business objectives that guide our work are:
- 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, while meeting statutory and other requirements.

Risk management

- 1.40 The main risks faced by the OBR 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 office costs.
- 1.41 Our risk management strategy involves all members of staff in the OBR and our Oversight Board. Our approach is described in the governance statement in the accountability report.



Richard Hughes, Chair, 23 June 2022

2 Accountability report

2.1 The accountability report contains:

- the **corporate governance report**, which includes the non-executive members' assessment of the OBR's delivery against its legal duties, the statement of Accounting Officer's responsibilities, the governance statement and the risk management strategy;
- the **remuneration and staff report**, which details the pay, pension arrangements and staffing structure of the office; and
- the **parliamentary accountability and audit report**, which details audit arrangements and contains the certificate and report of the Comptroller and Auditor General.

Corporate governance report

Non-executive members' assessment

2.2 The non-executive directors of the Office for Budget Responsibility are required by the Budget Responsibility and National Audit Act 2011 to keep under review the way the OBR has performed its main duties – to prepare its key reports objectively, transparently, and impartially. The key purpose of setting up the OBR as a body separate from the Treasury and other parts of government would be undermined if its independence and objectivity were to be compromised by its own actions or by pressure from outside.

2.3 We fulfil this role by monitoring the OBR's work and its operational and governance arrangements through the Oversight Board (which one of us chairs) and the Audit and Risk Committee (which the other of us chairs) and through other contacts with the Budget Responsibility Committee (BRC) and their staff. In the past year the Oversight Board and the Audit and Risk Committee have met twice. We also meet annually with the members of the BRC and the Chief of Staff and with other OBR staff in groups specifically to discuss performance over the past year and to identify any concerns.

2.4 The background to this year's assessment included significant changes in the membership of the BRC and the easing of lockdown measures. In addition, continuing uncertainties remained about the course of the economy, not least because of the consequences of the Russian invasion of the Ukraine – though some of the effects of Brexit and of the pandemic may have become clearer over the last 12 months.

2.5 We have seen no evidence to suggest that the changes in the BRC have led to any reduction in standards, though they have undoubtedly led to some changes in emphasis in the work undertaken. The easing of lockdown has helped working circumstances (though many OBR

staff continue to work partly from home). In terms of its main duties, the OBR has met all its statutory objectives. In doing so it has continued to increase its impact in social and other media and to make greater use of outside advice in compliance with the recommendations of the 2019 external review by the Organisation for Economic Co-operation and Development. The exogenous nature of the shocks and challenges that the UK economy has faced in recent years (Covid, climate change, Ukraine etc.) has led the OBR to build up links with epidemiologists, climate scientists and so on. They have also established regular meetings with the National Institute for Economic and Social Research, the Institute for Fiscal Studies, the Resolution Foundation, and the Institute for Government.

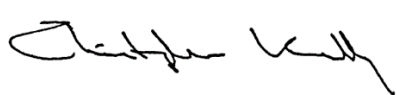
- 2.6 The OBR's external reputation, as far as we can judge, remains high. Levels of staff engagement also remain at an impressively high level, though some concerns remain about opportunities for advancement and personal development. Workload concerns have eased significantly as the result of an increase in staff complement (the continuation of which is not guaranteed), a smaller number of vacancies and changes in organisation.
- 2.7 As in previous years, we are confident that the OBR has been able to make its own judgements without inappropriate interference from outside. It has also remained transparent about its interactions with others, including publishing a log on its website of substantive contact between the OBR and Treasury Ministers, their private office staff, and special advisers. The members of the BRC have confirmed to us that, as in previous years, they have come under no undue pressure to change the conclusions of their analysis or the way they have reached them - though robust discussion of particular points have at times taken place within the established guidelines. OBR staff have said the same. There is a standing instruction that any contacts between the OBR and relevant departments that could be perceived as, even unintentionally, going beyond clarification or fact checking should be referred to us. No such referrals have been made in the past year.
- 2.8 Unusually however, there were two occasions when press reporting suggested that the OBR's independence or political impartiality might have been compromised. We looked carefully at the facts in both cases. We did not find anything to cause us concern.
- 2.9 The first instance concerned the decision-making process around the forecast timetable for the Autumn 2021 Budget. The timetable on this occasion involved an unusually long period between the closure of the pre-measures forecast – intended to give the Chancellor a stable basis for his final Budget and Spending Review decisions – and the announcement of those decisions on Budget Day. One consequence of the extended timetable, combined with the earlier than usual timing of the Budget, was that the pre-measures forecast was closed several days before the publication of revised quarterly estimates of GDP. These revisions could not therefore be taken into account in the pre-measures forecast. It was suggested in the Financial Times that this was done deliberately at the request of the Chancellor with the intention that the October 27 Budget would then be based on a more pessimistic reading of the economy than would be justified if the GDP revisions had been incorporated. It was further suggested that this would create circumstances in which he could announce a big improvement in the economy in the Autumn 2022 Budget, raising his chances of a public finance windfall which would allow pre-election tax cuts. The implication was that in

agreeing the forecast timetable the OBR had behaved with less independence and impartiality than its mandate requires.

- 2.10 If substantiated, this assertion could significantly damage the OBR's credibility. The BRC therefore asked us to undertake a review. We reported the outcome of this review on 2 December 2021. Our report is available on the OBR's website, consistent with the OBR's commitment to transparency. We found no evidence to suggest that the OBR had behaved with less than the forthright independence rightly expected of it, nor that the negotiations about the timetable between the Treasury and the OBR involved any unreasonable pressure on the OBR to do anything with which it felt uncomfortable, or which were unjustified by the circumstances – though there were clearly some robust discussions about the trade-offs and practicalities concerned.
- 2.11 We made two recommendations in our report which we hope will be considered in forthcoming discussions about changes to the *Memorandum of Understanding (MoU)* between the OBR, the Treasury and other government departments about the way they work together:
- The main features of forecast timetables should, once agreed, be published in advance, to avoid any misunderstandings and in the interests of transparency.
 - A new condition should be written into the *MoU* stipulating the normal time between closure of the pre-measures forecast and the Budget. Changes to that period would have to be publicly justified. That would not remove the flexibility to make changes if that was justified by the circumstances. It would, however mean that deliberate decisions would have to be taken and explained if the normal timetable was extended. It should also mean that there need not necessarily have to be potentially difficult discussions between the OBR and HM Treasury before every forecast round.
- 2.12 The second incident concerned the Spring 2022 statement. Press reporting after the statement alleged that the Chancellor was concerned that the OBR had exceeded its remit by commentary in the March *EFO* which in some areas might be construed as relating to the merits of Government policy. As we understand it, there has been no confirmation that this was indeed the Chancellor's view. But we nevertheless thought it important to carefully examine the *EFO* and its accompanying presentations in the light of the assertions. It is clearly right for the OBR to explain their forecasts and discuss some of the possible risks and implications if it is to do more than simply publish sets of tables and graphs. Whether such commentary always remains impartial and non-judgemental is a matter of subjective opinion on which views may reasonably differ. We understand that there have occasionally been instances in the past when forthright discussions have taken place with the Treasury about whether the OBR has strayed beyond its remit in some of the comments it has made in different publications. That is perhaps to be expected in what are bound to be some sensitive areas. On this occasion, however, our own judgement is that there was nothing in the March *EFO* which fell on the wrong side of the impartiality which the OBR needs to retain. Comments from outside observers suggest that many take the same view. We also

note that as usual, Treasury officials had sight of the *EFO* pre-publication and the opportunity to provide factual comments.

- 2.13 We recognise, however, that impartiality involves more than the avoidance of normative statements. It extends to the editorial balance of the document in terms of the order of presentation, the areas given more or less prominence, the choice of factoids and so on. Even though we do not think that the Spring *EFO* fell on the wrong side of the line in any of these dimensions, we recognise that independent institutions need to ensure they are above reproach in their commitment to objectivity. The BRC intend to redouble their focus on the overall tone and balance of the document as it develops on future occasions to ensure appropriate balance and impartiality. We welcome this as a way of helping to ensure that the OBR continues to maintain the highest standards in this area.



Sir Christopher Kelly



Bronwyn Curtis

Non-executive members of the Office for Budget Responsibility, 9 June 2022

Statement of Accounting Officer's responsibilities

- 2.14 Under Paragraph 18, Schedule 1 of the *Budget Responsibility and National Audit Act 2011*, HM Treasury has directed the OBR to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.
- 2.15 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 net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.
- 2.16 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;
 - prepare the accounts on a going concern basis; and
 - confirm that the *Annual report and accounts* as a whole is fair, balanced and understandable and take personal responsibility for the *Annual report and accounts*

and the judgements required for determining that it is fair, balanced and understandable.

- 2.17 The Accounting Officer of HM Treasury has designated the Chair as Accounting Officer of the OBR. The Accounting Officer is responsible for ensuring that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer is required to take all steps to ensure he is aware of any relevant audit information and to establish that the entity's auditors are aware of that information.
- 2.18 As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Office for Budget Responsibility's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.
- 2.19 I confirm that the Annual report and accounts as a whole is fair, balanced and understandable and take personal responsibility for the *Annual report and accounts* and the judgements required for determining that it is fair, balanced and understandable.
- 2.20 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.

Governance statement

- 2.21 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, HM Treasury as providers of our HR and finance systems, our internal and external auditors, and the staff within the organisation who have responsibility for the development and maintenance of internal processes.
- 2.22 The Board reflects on the quality of the support received from the board secretariat throughout the year. No concerns have been raised about the quality of the support or information provided.

Governance structures

- 2.23 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, its functions and broad governance structure. In support of the primary legislation, the *Office for Budget Responsibility and HM Treasury Framework Document*, updated in March 2019 and 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.
- 2.24 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. 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.

Members of the Office for Budget Responsibility

- 2.25 The OBR comprises five members: the Budget Responsibility Committee (BRC) – Richard Hughes (Chair), Professor David Miles CBE and Andy King; and two non-executive members – Sir Christopher Kelly and Bronwyn Curtis OBE.
- 2.26 During the 2021-22 reporting year Professor Sir Charlie Bean's five-year term as BRC member ended. He was succeeded by Professor David Miles CBE in January 2022
- 2.27 As at 31 March 2022 the OBR employed a permanent staff of 41 to provide analytical and corporate support, led by the Chief of Staff, Stephen Farrington and the Deputy, Laura Gardiner.¹
- 2.28 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.
- 2.29 Appointments to the BRC are made by the Chancellor of the Exchequer, with the agreement of the Treasury Select Committee. The Chancellor is required to consult the Chair of the BRC about appointments of the two other members of the BRC. The non-executive members are nominated by the OBR and appointed by the Chancellor.

The Budget Responsibility Committee

Richard Hughes, Chair



Richard Hughes began his five-year term as Chair of the Office for Budget Responsibility in October 2020. He started his career at HM Treasury in 2000 where he worked on a range of domestic and international macroeconomic issues and led the 2007 Comprehensive Spending Review. Following a brief secondment to the French Ministry of Finance in 2007, he joined the International Monetary Fund in 2008 where he headed the Fiscal Affairs Department's Public Finance Division and worked on fiscal reform in a range of advanced, emerging, and developing countries.

Richard returned to HM Treasury between 2016 and 2019 as Director of Fiscal Policy where he oversaw the government's fiscal strategy, debt management, and treasury operations and served as Acting Chief Economist.

In the year leading up to his appointment, Richard worked as a Research Associate at the Resolution Foundation where he published papers on fiscal rules, public investment, and the economic and fiscal implications of coronavirus. He also served as Senior Counsellor to the Haut Conseil des Finances Publiques (High Council on Public Finance) in France, Lecturer at Sciences Po in Paris, Visiting Fellow at the Blavatnik School of Government in Oxford.

¹ Permanent staff numbers include employees on loan from other government departments and those on career breaks

Andy King



Before being appointed to the Budget Responsibility Committee in 2018, Andy King was Chief of Staff at the Office for Budget Responsibility from 2013. Andy joined the civil service as an economist in 1998, working in the Treasury until 2001 and at the British Embassy in Tokyo until 2005. Andy then worked in a range of macroeconomic policy roles at the Treasury, including heading the Fiscal Policy Team for the June 2010 Budget and the Macroeconomic Coordination & Strategy team overseeing reforms to the UK monetary policy framework and UK-focused relations with international organisations. In 2009-10, Andy worked as a macro-fiscal advisor in the Liberian Finance Ministry. He was appointed to the IMF Fiscal Affairs Department's panel of technical experts in 2014 and has since advised several Finance Ministries in Africa and Asia on approaches to fiscal governance, reporting and forecasting.

Professor David Miles CBE (from January 2022)



David Miles joined the Budget Responsibility Committee in January 2022. He retains a part-time Professorship of Financial Economics at Imperial College, London. He has had previous academic positions at Birkbeck College, London and at Oxford University. He has undergraduate and master's degrees from Oxford and a PhD from the University of London.

David is a member of the Commission of the Central Bank of Ireland. He was a member of the Monetary Policy Committee at the Bank of England between May 2009 and September 2015, and Chief UK Economist at Morgan Stanley from October 2004 to May 2009.

As an economist he has focused on the interaction between financial markets and the wider economy. He has worked on issues of demographics, government debt, financing, housing markets and monetary policy. In 2004 he led a government review on the UK mortgage market. In 2018 he completed a review for the UK Treasury on reference prices of UK government bonds. He has recently been an advisor to the IMF and to the Reserve Bank of New Zealand. He is a research fellow of the Centre of Economic Policy Research and at the CESIFO research institute Munich. He stepped down as Chair of trustees of the Institute for Fiscal Studies upon joining the OBR. David was awarded a CBE in January 2016.

Professor Sir Charlie Bean (2017-2021)



Charlie Bean joined the OBR in January 2017 and holds a part-time Professorship at the London School of Economics. He is also Chair of the Trustees of the Centre for Economic Policy Research (an academic research network). From 2000 to 2014, he worked at the Bank of England, first as Executive Director and Chief Economist, and then as Deputy Governor for Monetary Policy. Before joining the Bank, he was a member of the economics department at the LSE and has also worked at HM Treasury. He has published extensively on economic issues, most recently his independent review of UK economic statistics. He has also served as an adviser to the Treasury and other Parliamentary committees and was President of the Royal Economic Society from 2013 to 2015.

Non-executive members

Sir Christopher Kelly



Sir Christopher has served in various roles in HM Treasury and the Department of Social Security, ending his civil service career as Permanent Secretary of the Department of Health between 1997 and 2000. Since then he has led on a number of reviews and chaired a wide range of committees and organisations including the NSPCC, Financial Ombudsman Service, the Committee on Standards in Public Life and the King's Fund. He is currently the senior independent director on the Board of the Co-op Group and chair of its insurance subsidiary. He is also a trustee of the Canal and River Trust, where he chairs the Audit and Risk Committee.

Bronwyn Curtis OBE



Bronwyn Curtis OBE is a global financial economist who has served in senior executive positions in both the financial and media sectors. She has served as Chairman of the Society of Business (now Professional) Economists and a Council/Board Member of the National Institute of Economic and Social Research. She has also held a number of roles on boards of academic institutions and is a trustee of Centre for Economic Policy Research. She has also worked as a consultant to the World Bank and UNCTAD on commodity projects in West Africa, Asia and the Caribbean.

- 2.30 Appointments to the BRC are usually for a period of five years and may be renewed once. Non-executive members' appointments are typically for three years and may also be renewed once.

Table 2.1: Members' contract lengths and expiry dates

Member	Contract length	Contract expiry date
Richard Hughes	5 years	3 October 2025
Andy King	5 years	31 August 2023
Prof. David Miles CBE	5 years	1 January 2027
Sir Charlie Bean (left 31 December 2021)	5 years	1 January 2022
Sir Christopher Kelly	3 years	20 June 2023
Bronwyn Curtis OBE	3 years	7 June 2024

The Oversight Board

- 2.31 The Act requires the Office to appoint five members, the three executive members of the BRC and the two non-executive members. The five members of the OBR have established the OBR's Oversight Board, as required by the *Framework Document*. Consistent with best practice, the Oversight Board is chaired by one of the non-executive members, currently Sir Christopher Kelly.
- 2.32 The Board's terms of reference are published on our website. 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.
- 2.33 All members in post at the time of each meeting attended all Oversight Board meetings during 2021-22. Minutes of each meeting are published on our website.
- 2.34 The Board members do not hold any directorships or have significant interests in organisations that might conflict with their management responsibilities.

The Audit and Risk Assurance Committee

- 2.35 The Audit and Risk Assurance Committee is a sub-committee of the Oversight Board. The Committee consists of the Chair and the two non-executive members. It has been chaired by Bronwyn Curtis since June 2018. The terms of reference for the Committee are published on our website alongside those of the Oversight Board.
- 2.36 All members in post at the time of each scheduled meeting attended them during 2021-22. Minutes of each meeting are published with the Board minutes on our website.

Executive management

- 2.37 I lead the OBR's management group, which includes the OBR's Chief of Staff and Deputy Chief of Staff and other staff and members of the BRC 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

- 2.38 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 commensurately small budget that is primarily spent on staff and accommodation.
- 2.39 Our risk management strategy involves 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.
- 2.40 The Chief of Staff is responsible for compiling and maintaining a register of the key risks facing the organisation. OBR 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, along with the Chief of Staff, for ensuring the mitigation strategies are implemented and reported back to the Board. We also ensure that staff and the BRC are regularly consulted on any new risks.

Pandemic risk management

- 2.41 The onset of the pandemic from March 2020 crystallised several risks identified in the OBR risk register. The lack of access to the office, potential for high staff absence and reliability of the remote access IT network had been considered as risks to the delivery of the *Economic and fiscal outlook*, and to a lesser extent, our other core publications. Our plans were found to be robust in the first year of the pandemic, and have remained so as public health restrictions have continued to affect the way we work over the past year.
- 2.42 Over the course of this year we have moved from fully remote to hybrid working, with some staff attending the office but many continuing to work from home at least some of the time, and meetings operating either online or hybrid. We are in the process of formalising this hybrid working approach in order to maintain the benefits that this flexibility has brought while also maximising those from in-person working.
- 2.43 We have been very fortunate to once again escape the difficulty of wide-ranging staff absence, although have faced periods of heightened staff sickness in connection to Covid-19 which we navigated well.
- 2.44 Our IT network is provided and maintained by the Ministry of Justice, as part of our arrangement for sharing office space. The network has again been maintained well throughout the year, with relatively few difficulties.

Analytical risks

- 2.45 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 judgements we take are solely those of the BRC. The potential loss of experienced staff, an increase in the demands placed on our staff without corresponding increases in resources, 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 an Advisory Panel and consult a growing group of stakeholders and outside analysts.
- 2.46 The disaggregated nature of the public finances forecast means we also require close and effective working with experts in several government departments. To mitigate the risks around this process we have agreed a *Memorandum of Understanding (MoU)* 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. The MoU was last reviewed and updated during 2016-17, and is currently in the process of being reviewed again following the publication of an updated Charter for Budget Responsibility, to ensure that it continues to provide a robust framework for our work with departments. I chair a regular meeting of senior officials from the key departments to ensure effective working. Were I to have concerns about these relationships, I have recourse under the MoU to raise issues with the relevant departmental Permanent Secretaries. Neither I nor my predecessor have had reason to deploy this mechanism so far.
- 2.47 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 MoU 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.
- 2.48 We have also published a separate *Memorandum of Understanding* with HM Treasury covering the shared ownership of our macroeconomic model. This sets out governance arrangements for shared ownership, details the process for agreeing and implementing a rolling model development plan, and commits both parties to providing sufficient resources to meet these requirements. This helps address a key risk around the effective maintenance and development of our forecasting infrastructure.

Operational risks

- 2.49 Our budget is small 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 the 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.

- 2.50 We contract financial management services from HM Treasury, which reviews its controls, processes and systems regularly. The Treasury Group Director of Finance has provided assurance on the current processes.
- 2.51 We have been provided with a finance business partner who assists in our financial management and its alignment to our requirements as part of the Treasury Group finances. The Treasury's Deputy Finance Director also attends our Board and Audit Committee meetings as a financial adviser (on OBR and wider Group issues and policies). In this capacity as our financial adviser they are 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.

Opinion on effectiveness of governance arrangements

- 2.52 The GIAA Deputy Head of Treasury Group Internal Audit has provided an annual opinion on the adequacy and effectiveness of the OBR's framework of governance, risk management and control to me, as the Accounting Officer, and to the Audit and Risk Assurance Committee. GIAA's findings and agreed actions were not significant, reflecting a generally sound control environment, but did identify some control improvements that will be implemented.
- 2.53 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 reports. On this basis, I consider the OBR's governance arrangements to be effective.



Richard Hughes, Chair, 23 June 2022

Remuneration and staff report

Members' remuneration

- 2.54 The table below reports the remuneration of each member of the Budget Responsibility Committee. Members' remuneration is set by HM Treasury on appointment. Current members' letters of appointment, which include detailed remuneration arrangements, are

published on the OBR website.² As stipulated in the letters of appointment, BRC members are not entitled to any bonus payments. Salary includes gross salary only. These disclosures have been subject to external audit.

- 2.55 The non-executive members of the OBR do not receive any fees.
- 2.56 Members of the BRC are subject to the deduction of appropriate taxes via the PAYE system.
- 2.57 No benefits in kind have been paid to members of the BRC.
- 2.58 As part of their contractual terms the BRC receive a payment equivalent to 20 per cent of their annual fee into a personal pension scheme, shown in Table 2.2. The OBR did not pay any pension contributions on behalf of Professor Sir Charlie Bean.

Table 2.2: Remuneration (salary, benefits in kind and pensions) (audited)

	Salary (£) (Full year equivalent)		Pension benefits (£)		Total (£)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Richard Hughes (4 Oct to 31 Mar 21)	162,096 –	78,101 (162,041)	32,419 –	15,620 –	194,515 –	93,721 –
Andy King (0.9FTE)	114,254	111,992	22,851	22,398	137,105	134,390
Prof. David Miles CBE (1 Jan to 31 Mar 22) (0.5 FTE)	16,070 (64,280)	– –	3,214 –	– –	19,284 –	– –
Sir Charlie Bean (1 Apr to 31 Dec 21) (0.5FTE)	49,846 (65,847)	65,847 –	– –	– –	49,846 –	65,847 –

Pensions

Civil Service pensions

- 2.59 Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced, the Civil Servants and Others Pension Scheme (alpha), which provides benefits on a career-average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS), which has four sections: three final-salary schemes with a normal pension age of 60 (classic, premium, classic plus); and one providing benefits on a whole career basis with a normal pension age of 65 (nuvos).
- 2.60 These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under all the above schemes are increased

² <https://obr.uk/about-the-obr/who-we-are/>

annually in line with Pensions Increase legislation. Members joining from October 2002 may opt either for a defined benefit arrangement or a partnership pension account.

2.61 The following transition arrangements were put in place for the introduction of alpha:

- members within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015;
- members who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 will switch to alpha between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period; and
- all members who switch to alpha have their existing PCSPS benefits 'banked'. Any earlier final salary benefits members hold will be based on their final salary upon leaving alpha.

2.62 Further details of the schemes:

- **Employee contributions** are salary-related and range from 4.6 to 8.05 per cent of pensionable earnings for members of classic, premium, classic plus, nuvos and alpha.
- **Employer contributions** are also salary-related, and in 2021-22 range from 26.6 to 30.3 per cent of pensionable earnings, based on four salary bands. Scheme administration charges of 0.32 per cent are included in the employer monthly contributions. For 2021-22, employers' contributions of £558,043 were payable to the PCSPS (2020-21: £461,989), the increase reflecting both a rise in pay and the number of staff enrolled.
- **Benefits** for classic accrue at a rate of 1/80th of final pensionable earnings for each year of service; for premium, the rate is 1/60th. Classic plus is essentially a hybrid, with benefits calculated broadly as per classic in respect of service before 1 October 2002, and as per premium since that date. Benefits in nuvos are based on pensionable earnings during the period of scheme membership, with 2.3 per cent of member's pensionable earnings credited to their earned pension account at the end of each scheme year (31 March), and the accrued pension uprated in line with Pensions Increase legislation. 'alpha' is similar to nuvos, except the accrual rate is 2.32 per cent.
- A **lump sum** equivalent to three years' pension is payable on retirement for members of classic. For premium, there is no automatic lump sum. In all cases members may give up (commute) their pension for a lump sum up to the limits set by the Finance Act 2004.

- 2.63 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 2021-22 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. The Scheme Actuary valued the scheme as at 31 March 2016. Details can be found in the Civil Service Pension Scheme actuarial valuation.³

Expenses

- 2.64 The OBR has incurred costs of £280 (zero in 2020-21) for Richard Hughes' travel and subsistence expenses in 2021-22. Charlie Bean's expenses were £280 (zero in 2020-21), Andy King's were £932 (zero in 2020-21) and David Miles' were zero (n/a in 2020-21).

Staff summary

- 2.65 The OBR currently has 41 permanent staff members (as at 31 March 2022) working across the economy, receipts and spending forecasts, sustainability and risk, devolved and policy costings analysis, and strategy, operations and communications teams. Members of staff are all civil servants and are primarily employees of the OBR, rather than seconded from other departments. All staff report and are accountable to Richard Hughes as Chair.
- 2.66 As of 31 March 2022, the gender balance of the members of the OBR, the SCS- and non-SCS staff was as set out in Table 2.3. Over recent years we have taken steps to increase recruitment of female staff to the OBR, including the appointment of the Deputy Chief of Staff. Gender balance across OBR staff has remained broadly stable since a significant improvement in 2019-20.

Table 2.3: Gender balance

Member	Male	Female	Total
BRC and non-executive members	4	1	5
Senior civil servants	1	1	2
Non-SCS staff	23	16	39
Total	28	18	46

Table 2.4: Gender balance (staff)

	Per cent			
	2021-22	2020-21	2019-20	2018-19
Female	41	43	41	29
Male	59	57	59	71

- 2.67 The OBR Board and management are determined to attract excellent female staff at all grades and to pay them fairly. Departments with fewer than 250 staff are not required to publish data on the gender pay gap, but we publish this information voluntarily. Given the size of the workforce at the OBR, raw pay differentials can be very volatile from year to year

³ <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>

as more or less experienced members of staff join or leave. Salaries are set within ranges that reflect the responsibilities of posts and the experience and expertise required.

- 2.68 The most meaningful like-for-like comparison can be derived from looking at the gender pay gap for junior and senior analysts separately. As at the end of March 2022 these show a pay gap of 15.6 per cent (2.7 in 2020-21) for senior analysts, and minus 19.0 per cent for more junior posts, with women paid more than men on average (minus 25.7 per cent in 2020-21). These are calculated on a mean basis with full-time equivalent salaries. Sharp movements this year demonstrate this metric is also volatile, as regular staff turnover can move the data substantially. The increase in the pay gap at the more senior grade reflects a number of internal female promotions into higher grades, while experienced male staff remain in post. This is also reflected in the more junior grade, where the gap has narrowed as we have more experienced female staff while recruitment amongst male staff has been at entry level positions.
- 2.69 We collect data on the diversity of our workforce as part of our normal recruitment process. Recruitment of new staff is undertaken without knowledge of names, gender or ethnic diversity criteria of applicants, until the interview stage. We recognise that we have a responsibility to recruit staff on merit and to reflect contributions from a diverse range of backgrounds. We intend for our recruitment process to ensure this is the case and now report on the diversity of OBR staff.
- 2.70 As set out in Table 2.5, we have a significant number of staff who have chosen not to disclose their ethnicity. Around a quarter of those that remain identify as being from a diverse ethnic background and the remaining three quarters as white.

Table 2.5: Ethnicity

	Per cent		
	2021-22	2020-21	2019-20
Diverse ethnic background	24	23	24
White	66	60	50
Prefer not to say	0	0	3
Unknown	10	17	26

- 2.71 The OBR is committed to equal opportunities for all staff, regardless of age, race, religion, gender, sexual orientation, disability or another determinate factor. We collect and monitor diversity information to assess how we can improve, including information on disability, sexuality and socioeconomic background, alongside the characteristics reported on above. Reporting in these other areas is currently disclosive given staff numbers, but we track progress internally. We have also made a concerted effort to improve the quality and completeness of this information for both new and existing staff, with disclosure increasing for all characteristics, enhancing our ability to monitor and improve.
- 2.72 Over the past year we have introduced a range of measures to improve diversity and inclusion across the protected characteristics, led by a more active diversity and inclusion group. Activities have included whole-team meetings, all staff development sessions on

considering our individual and collective approach to race, improved recruitment materials and efforts to learn from initiatives in larger departments.

Remuneration (audited)

- 2.73** 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. Pay and performance-related bonus payments to SCS staff are subject to a civil service-wide process overseen by the Cabinet Office and operated in line with HM Treasury appraisal processes.
- 2.74** Total pay costs in 2021-22 were £2,487,000 (£2,329,000 in 2020-21).⁴ This includes a pot of £36,750 for non-consolidated performance-related payments available to OBR staff (£34,230 in 2020-21). The Oversight Board is responsible for overseeing the pay remit for non-SCS OBR staff. As such, the Oversight Board approves the Remuneration and staff report.
- 2.75** The average remuneration in salary and allowances of permanent staff was £53,961 in 2021-22, a fall of 3.3 per cent on a year earlier. The average bonus was £918, a fall of 47.2 per cent compared with 2020-21. Reductions in average salaries have resulted from the employment of more staff, with lower than average experience. The fall in average bonuses relative to salaries stems from the consolidation of nearly half of the bonus pot into salaries (in 2019-20, where bonuses were paid in respect of performance in that year in 2020-21).

Staff numbers and related costs (audited)

Table 2.6: Analysis of pay

	£ 000's	
	2021-22	2020-21
Wages and salaries	2,487	2,329
Social Security costs	276	284
Other pension costs	609	532
Total costs	3,372	3,145

Average number of persons employed

- 2.76** The average number of full-time equivalent persons employed during the year was 38.7 (2020-21: 33.2). The increase relates to additional resources to cover analytical pressures.

Exit packages (audited)

- 2.77** The OBR did not incur any costs for exit packages (2020-21: nil).

⁴ Figures include members, SCS and non-SCS staff and are rounded to the nearest £1,000.

Pay relativity (audited)

- 2.78 Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median, 25th and 75th percentile of remuneration of the organisation's workforce.
- 2.79 The remuneration of the highest-paid director in the OBR in the year ended 31 March 2022 was £162,096 (£158,762 year ended 31 March 2021 on an FTE basis), an increase of 2.1 per cent on last year. The remuneration of the highest-paid director was 3.0 times (2.7 in 2020-21) the median remuneration of permanent staff, which was £53,576 (£58,236 in 2020-21). The median salary includes the full-year equivalent salary (which includes salary, allowances, bonuses and overtime) of all staff in post as at 31 March 2022. The main differences since last year are from lower starting salaries of less-experienced recent recruits and a civil service-wide pay freeze relative to contracted increases for executive members. The remuneration of the highest paid director was 4.3 times the salary at the 25th percentile (£37,836) and 2.6 times the salary at the 75th percentile (£61,652).
- 2.80 In 2021-22, no permanent employees received remuneration in excess of the highest-paid director (2020-21: nil). Remuneration ranged within a £20,000 to £25,000 band to £162,096 (£20,000-£25,000 band to £158,762 year ended 31 March 2021, on an FTE basis) – the actual salary of the highest paid director.

Employee matters

- 2.81 During the period ending 31 March 2022, the average number of working days lost due to sickness absence was 0.85 days per full-time equivalent (FTE) (2020-21: 0.1 days).
- 2.82 There were no reported health and safety incidents in 2021-22. We work with the Ministry of Justice and HM Treasury to offer First Aid training to staff.
- 2.83 The OBR aims to attract talented and skilled individuals from diverse backgrounds and values the different experiences that everyone brings to the workplace. As a Disability Confident Committed Employer, we are dedicated to giving full and fair consideration to applications made by disabled persons and to giving due regard to their aptitudes and abilities. We are committed to supporting staff with training, career development, workplace adjustments and employing measures to support their individual needs.



Richard Hughes, Chair, 23 June 2022

Parliamentary accountability and audit report

- 2.84 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*. The audit fee charged was £16,500 (£16,000 in 2020-21). The auditors received no fees for non-audit services.
- 2.85 All expenditure was applied to the purpose intended by Parliament (audited).
- 2.86 The OBR has no remote contingent liabilities (audited).
- 2.87 No losses or special payments above £300,000 have been incurred either individually or in total by the OBR in 2021-22 (2020-21: none) (audited).

Table 2.7: Expenditure and income

	£ 000's			
	2021-22	2020-21	2019-20	2018-19
Expenditure	3,946	3,973	3,333	2,860
Income	(18)	(12)	(17)	-
Net expenditure	3,928	3,961	3,316	2,860



Richard Hughes, Chair, 23 June 2022

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Office for Budget Responsibility for the year ended 31 March 2022 under the Budget Responsibility and National Audit Act 2011.

The financial statements comprise the Office for Budget Responsibility's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

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 2022 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Budget Responsibility and National Audit Act 2011 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure 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.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements of Public Sector Entities in the United Kingdom. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Office for Budget Responsibility in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Office for Budget Responsibility's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Office for Budget Responsibility's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Office for Budget Responsibility is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Performance Report and Accountability Report but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Budget Responsibility and National Audit Act 2011.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have 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 Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Office for Budget Responsibility and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Office for Budget Responsibility or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;

- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Office for Budget Responsibility's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Office for Budget Responsibility will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Budget Responsibility and National Audit Act 2011.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud.

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Office for Budget Responsibility's accounting policies,

- Inquiring of management, the Office for Budget Responsibility's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Office for Budget Responsibility's policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Office for Budget Responsibility's controls relating to the Office for Budget Responsibility's compliance with the Budget Responsibility and National Audit Act 2011 and Managing Public Money;
- discussing among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Office for Budget Responsibility for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Office for Budget Responsibility's framework of authority as well as other legal and regulatory frameworks in which the Office for Budget Responsibility operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Office for Budget Responsibility. The key laws and regulations I considered in this context included the Budget Responsibility and National Audit Act 2011, Managing Public Money, employment law and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;

- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date: 27 June 2022

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

3 Financial statements

1 April 2021 to 31 March 2022

Statement of comprehensive net expenditure

for the year ended 31 March

	Note	£ 000's	
		2022	2021
Expenditure			
of which:			
Staff costs	2	3,372	3,145
Other expenditure	3	559	691
Provision additions	9	15	137
Income			
Other income		(18)	(12)
Net expenditure		3,928	3,961

There were no items of other comprehensive expenditure.

The Notes on pages 40 to 46 form part of these accounts.

Statement of financial position

as at 31 March

	Note	£ 000's	
		2022	2021
Current assets			
Receivables due within one year	5	29	39
Cash and cash equivalents	6	8	112
Total current assets		37	151
Current liabilities			
Payables due within one year	7	(448)	(669)
Provisions	9	(15)	-
Total current liabilities		(463)	(669)
Net current liabilities		(426)	(518)
Taxpayers' equity			
General fund		(426)	(518)
Total taxpayers' equity		(426)	(518)

The Notes on pages 40 to 46 form part of these accounts.

The financial statements were approved by the Board on 9 June 2022.



Richard Hughes, Chair

23 June 2022

Statement of cash flows

for the year ended 31 March

	Note	£ 000's	
		2022	2021
Cash flows from operating activities			
Net operating cost		(3,928)	(3,961)
Changes in working capital other than cash		(211)	128
Net Movement in provisions		15	(80)
Net cash outflow from operating activities		(4,124)	(3,913)
Cash flows from financing activities			
Grant-in-Aid from HM Treasury		4,020	3,800
Net financing		4,020	3,800
Net increase/(decrease) in cash and cash equivalents in the period	6	(104)	(113)
Cash and cash equivalents at the beginning of the period		112	225
Cash and cash equivalents at the end of the period	6	8	112

The Notes on pages 40 to 46 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2022

	£ 000's
	General reserve
Balance at 1 April 2021	(518)
Grant-in-Aid from HM Treasury	4,020
Comprehensive expenditure for the year	(3,928)
Balance at 31 March 2022	(426)

for the year ended 31 March 2021

	£ 000's
	General reserve
Balance at 1 April 2020	(357)
Grant-in-Aid from HM Treasury	3,800
Comprehensive expenditure for the year	(3,961)
Balance at 31 March 2021	(518)

The Notes on pages 40 to 46 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

Pursuant to the Framework Document between the Office for Budget Responsibility (OBR) and HM Treasury, these financial statements have been prepared in accordance with the 2021-22 Government Financial Reporting Manual (FReM).¹ The accounting policies contained in the FReM apply UK-adopted international accounting standards 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 circumstances of the OBR for the purpose of giving a true and fair view has been selected. The policies adopted by the OBR are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 IFRSs in issue but not yet effective

As per the FReM, these accounts apply UK-adopted international accounting standards and Interpretations in place as at 1 January 2021. Standards and interpretations that have been issued but are not yet effective have not therefore been adopted in this account.

IFRS 16 Leases

In preparation for the initially planned 1 April 2020 implementation date for IFRS 16 for central government, the OBR carried out an impact assessment of this standard to its financial statements. Due to the outbreak of Covid-19 on 11 March 2020, the Financial Reporting Advisory Body (FRAB) deferred the implementation of IFRS 16 for government departments to 1 April 2022. The assessment as at 31 March 2022 shows an expected increase of both right of use assets and lease liabilities of £1,125k. There is no material impact on the Statement of Comprehensive Expenditure.

When implemented, IFRS 16 will impact the recognition of leases in the OBR's financial statements. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

On transition, the OBR will recognise, measure, present and disclose the right-of-use asset under leases previously classified as operating leases, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease, recognised in the statement of financial position immediately before the date of initial application.

As at the end of the financial year, the OBR's operating lease obligations were £1,125k for accommodation, which will give rise to right-of-use assets. This is excluding commitments for business rates, service charges and IT services that are outside the scope of IFRS 16 but shown within Note 8.

¹ <https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2025 (subject to endorsement by the UK).

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts.

This standard is not expected to have a material impact on the OBR's financial statements because the OBR does not have, or plan to sign any insurance contracts in the foreseeable future.

There are no other IFRS or IFRIC interpretations not yet effective.

1.2 Accounting convention

These accounts have been prepared on the accruals basis under the historical cost convention, modified to account for the initial recognition of certain financial instruments at fair value where required under applicable accounting standards.

1.3 Basis of preparation

The OBR's Statement of Financial Position at 31 March 2022 shows net liabilities of £426k. This reflects the inclusion of liabilities falling due within 2022-23 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.

1.4 Significant judgements and estimates

A provision of £15k was recognised for dilapidation costs at the end of financial year 2021-22. The provision is based on modelling by the Government Property Agency (GPA) allocated between tenants based on length of occupation and floor space.

1.5 Financing

The OBR 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 OBR from HM Treasury for the period ended 31 March 2022 was £4,020k. This total represents the OBR's cash requirement within the reporting period over and above its cash balance held at the end of the previous financial year adjusted for cash in transit at the end of the previous financial year.

1.6 Property, plant and equipment

The threshold for capitalising non-current assets is £5,000, consistent with the accounting policies of HM Treasury. Accordingly, the OBR does not currently hold any property, plant or equipment as it primarily rents office space and leases IT equipment under an operating lease.

1.7 Pensions

The provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Service and Other Pension Scheme (CSOPS), which are described in the Remuneration and Staff Report, cover the majority of past and present employees. The defined benefit schemes within the PCSPS and CSOPS are contributory. The OBR 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. Liability for payment of future benefits is a charge on the scheme.

1.8 Employee benefits

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

1.9 Financial instruments

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

1.10 Cash

Cash and cash equivalents comprise cash at bank.

1.11 Leases

Operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease, in line with IAS 17 which will be superseded by IFRS 16. Refer to Note 1.1 for further discussion on this.

1.12 Provisions

Provisions are recognised in accordance with IAS 37 when a present obligation exists as the result of a past event, when it is probable that economic benefits will flow from the OBR in order to settle the liability and that a reliable estimate can be made of the sum required to make a final settlement. Where the future payment amount is unknown, provisions are set at a level which covers the estimated number of future payments and the estimated average payment amount. Future payments may be subject to discount rates based on the expected timing of cash flows to arrive at the net present value of all expected future cash flows. Provisions are calculated using the best available information, but the actual future outcomes of items provided for may differ from expectations. In accordance with IAS 1, provisions are separately disclosed as both current and non-current.

2. Staff numbers and related costs

2.1. Analysis of total staff costs

	£ 000's	
	Permanent staff	
	2021-22	2020-21
Wages and salaries	2,036	1,719
Social Security costs	224	210
Other pension costs	525	418
Total costs	2,785	2,347

	£ 000's	
	BRC members	
	2021-22	2020-21
Wages and salaries	342	352
Social Security costs	44	45
Other pension costs	58	54
Total costs	444	451

	£ 000's	
	Other staff	
	2021-22	2020-21
Wages and salaries	108	259
Social Security costs	9	29
Other pension costs	26	59
Total costs	143	347

Other staff include staff on fixed term appointments and secondments from other government departments.

£17k of secondment income has been received in 2021-22, resulting in net staff costs of £3,355k.

Further details of staff costs and numbers are disclosed in the Remuneration and staff report (see pages 23 to 28).

3. Other expenditure

	£ 000's	
	2021-22	2020-21
Accommodation costs	312	345
Subscriptions, printing and office services	116	163
IT costs	84	130
External auditor's remuneration	17	16
Bank charges	1	1
Staff support and staff-related costs, including training and travel	29	36
Consultancy	-	-
Total	559	691

The decrease in IT expenditure is mainly due to the upgrade of IT software in the prior year.

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

4. Financial instruments

As the cash requirements of the OBR 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, namely trade receivables and payables as detailed in Note 5 and Note 7, relate to contracts to buy non-financial items in line with the OBR's expected purchase and usage requirements. The OBR is therefore exposed to little credit, liquidity or market risk.

5. Receivables

	£ 000's	
	2021-22	2020-21
Amounts falling due within one year		
Accrued income	2	26
Other trade receivables	27	13
Total falling due within one year	29	39

6. Cash and cash equivalents

	£ 000's	
	2021-22	2020-21
Balance at 1 April	112	225
Net change in cash balances – inflow/(outflow)	(104)	(113)
Balance at 31 March	8	112

All cash balances are held with the Government Banking Service.

7. Payables and other current liabilities

	£ 000's	
	2021-22	2020-21
Amounts falling due within one year		
Taxation and social security	77	106
Trade and other payables	52	66
Accruals	319	497
Total falling due within one year	448	669

The decrease in accruals by £178k is mainly due to the payment in year of a dilapidation costs of £217k that was finalised in 2020-21 and recognised as an accrual in 2021-22.

8. Commitments and leases

The OBR has not entered into either any capital commitments or non-cancellable contracts.

The OBR relocated to new premises on 12 September 2016, leasing office space by means of an agreement set out within a Memorandum of Terms of Occupation (MOTO). This MOTO covers the

provision of accommodation, including rates and service charges, but excludes IT. The MOTO agreement runs for 12 years from 12 September 2016 to 23 December 2028. There are no finance leases included within the MOTO. Charges under this MOTO for 2021-22 totalled £322k.

Arrangements for the provision of IT equipment and services are by separate agreement. IT equipment is accounted for under an operating lease. Charges for IT services in 2021-22 totalled £57k.

Obligations and commitments over the lease period comprise:

	£ '000's	
	2021-22	2020-21
Accommodation and office services		
Within one year	344	346
Between one and five years	1,339	1,357
Later than five years	631	957
Total	2,314	2,660
IT services		
Within one year	53	35
Between one and five years	212	140
Later than five years	106	105
Total	371	280

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

9. Provisions

	£ 000's	
	2021-22	2020-21
Balance at 1 April 2021	-	80
Provided during the year	15	137
Utilised during the year	-	(217)
Balance at 31 March 2022	15	-
Not later than one year	15	-
Later than one year and not later than five years	-	-

Under the MOTO covering its tenancy the OBR has an obligation to pay a pro-rata share of dilapidation costs chargeable to the landlord by the freeholder that arise on cessation of the head lease.

In 2021-22 a provision for £15k was recognised following an estimate by GPA of the likely expenditure payable by the OBR.

10. Related party transactions

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

The OBR has leased office space from the Ministry of Justice (MoJ) since 12 September 2016. The OBR has ongoing transactions with the MoJ in accordance with the MOTO through which the MoJ recharges the OBR for the cost of accommodation and office services and separately under the MoJ's agreement to provide IT services. The total charged by the MoJ in 2021-22 was £378k.

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 OBR.

11. Events after the reporting period

There were no significant events after the reporting period.

12. Date authorised for issue

The financial statements were authorised for issue on the date that the Comptroller and Auditor General (C&AG) certified the accounts.

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.

