

Office for  
**Budget  
Responsibility**

**Annual report and accounts 2024-25**

# Office for Budget Responsibility: Annual report and accounts 2024-25

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 The Office for Budget Responsibility (OBR) 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 each month 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. We also analyse a range of specific risks to the public finances over the medium and long term.
- Appearing before Parliamentary committees – including the Treasury Committee, the Scottish Finance and Public Administration Committee, the Welsh Finance Committee, and the Northern Ireland Assembly – 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 and organising roundtables and seminars, participating in global networks for independent fiscal institutions, and sharing knowledge with similar 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, and not on political considerations or wishful thinking.

1.5 The General Election in July and the ensuing change of government had a number of important consequences for the work of the OBR over 2024-25. The election announcement in May required us to delay several statutory publications that were in train – the *Fiscal risks and sustainability report*, *Forecast evaluation report* and *Welfare trends report* – and partially shift our focus towards preparatory work for the range of possible election outcomes. These reports were instead completed over the summer and published during September and October, at the same time as we were preparing the forecast for the new Government's first Budget. The disruption did not in any way affect the quality or impact of these publications or disrupt the preparation of the forecast for the Budget itself, as testament to the nimbleness of OBR staff.

1.6 In its first month, the new Government announced a Budget Responsibility Bill, which strengthened our role by stipulating that all major tax and spending announcements should be accompanied by an OBR forecast. Later in July, the Treasury published a document that set out its estimate of £21.9 billion of net spending pressures over and above the departmental expenditure limits (DELs) set by the Treasury for 2024-25, at the time of the Spring Budget in March. This prompted us to initiate a review into the preparation of the March 2024 departmental spending forecast and the adequacy of the information and

assurances provided by the Treasury to the OBR, led by our non-executive members. The review found that there was £9.5 billion of undisclosed spending pressures at the time of our March 2024 forecast which would have led to a materially different judgement about departmental spending had this information been shared with the OBR. This conclusion, and the review's 10 recommendations for improving the transparency and credibility of the departmental spending forecast, were well-received, accepted by the Treasury, and have been progressively implemented across the two forecasts this year.

- 1.7 The two forecasts we completed in 2024-25, summarised in the October 2024 and March 2025 *Economic and fiscal outlooks (EFOs)*, largely proceeded smoothly. Both forecasts were commissioned by the Chancellor with much more notice than the minimum 10 weeks we require, and the working relationship with the Treasury and other departments was largely effective. This was a notable feat in the October *EFO*, given the change of governing party, significant changes to the fiscal rules, and magnitude of both tax and spending changes in the Autumn Budget. The preparation of the March *EFO* also proceeded relatively well, especially given the uncertainty created by the new US administration's tariff announcements a week later, whose economic and fiscal implications the *EFO* captured via a range of quantified scenarios. The exception was the process around the welfare and employment support package, where details of the package were sent to us very late, and analysis was incomplete in a number of important areas. This meant that we were not able to reflect all of these policies' economic effects in the forecast, and could only incorporate their fiscal effects on a provisional basis in some cases.
- 1.8 The third external review of the OBR was commissioned by our non-executive members in May and published in February. The report was positive about our performance over the past five years, particularly in relation to navigating a series of unprecedented shocks, broadening the range of our engagement with external institutions, and cementing the OBR's central place in the UK economic and fiscal landscape. The review's recommendations to strengthen our independence, infrastructure and impact provide a valuable roadmap for the work of the OBR over the coming five years, and a number of recommendations have already been addressed. We are grateful to the reviewer, Laura Van Geest, and her team for their time and insight.
- 1.9 One external review recommendation which is particularly relevant to the financial position and independence of the OBR itself is that the Treasury should provide the OBR with an unringfenced, rolling multi-year budget at least three years into the future. We have agreed with the Treasury a modest increase in our budget in 2025-26 to support additional responsibilities given to us. We look forward to being able to plan for the years beyond that on the basis of a three-year budget settlement to be confirmed after the conclusion of this summer's Spending Review. This longer-term planning will consider the optimal structure and staffing strategy for the OBR as a mature institution approaching its 15<sup>th</sup> birthday, ways in which we can be more efficient in our use of resources, and how we can maintain high levels of staff morale and engagement. On the latter, this year's staff survey results show welcome signs, with a rebound in most areas from the deterioration seen last year. We aspire to make similar improvements in the year to come.

- 1.10 At the end of another 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 similarly grateful for the support and advice of our non-executive members, whose guidance we have drawn on particularly heavily this year in terms of conducting the review into departmental spending and supporting us with a range of other matters. 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. We always welcome their suggestions for how we might so do more effectively. Finally, in all the analysis we have undertaken this year, as in previous years, 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.



Richard Hughes, Chair

19 June 2025

## Statement of performance and activities

- 1.11 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*.
- 1.12 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, as set out in the *January 2025 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 previous 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 are, or are intended to be, devolved 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.

1.13 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.

1.14 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 2024-25

### Core responsibilities

1.15 In 2024-25, we fulfilled our statutory core responsibilities through the publication of the following reports:

- In September 2024 we published our third ***Fiscal risks and sustainability report***. We focused on three topics: the potential fiscal costs of climate-related damage, building on our previous work on climate change mitigation costs; long-term health trends, where we updated our assumptions of the underlying drivers of health spending alongside exploring the economic and fiscal consequences of alternative scenarios for the health of the UK population; and an update to our comprehensive long-term fiscal projections, including scenarios looking at the fiscal impact of different migration and productivity assumptions.
- Our latest ***Forecast evaluation report*** was published in October 2024 and focused on the accuracy of our March 2023 economy and fiscal forecasts for 2023-24, as well as assessing our communication of uncertainty via alternative scenarios for energy prices and interest rates. Over this period, inflation fell rapidly but remained higher than anticipated in our forecast, due in part to a tighter labour market and stronger nominal wage growth. The upward surprise in inflation and earnings led to higher nominal tax receipts than we had expected, but had a smaller impact on spending, meaning borrowing was lower than we forecast.
- The latest edition of our biennial ***Welfare trends report***, published in October 2024, focused on incapacity benefits spending over the past half-century, highlighting three key drivers – population health, the state of the labour market, and the

structure of the benefits system. It then examined changes in incapacity benefits onflows and off-flows since 2010. It concluded that only a relatively small part of the rise in onflows over this period reflected a higher number of people initiating claims, with lower dropout rates and rising approval rates at health assessments both being more important drivers of recent trends in caseloads. The only thing substantially affecting off-flow rates was a large volume of reassessments in the early 2010s.

- The October 2024 **Economic and fiscal outlook** presented a broadly unchanged underlying economic and fiscal backdrop compared to our March *EFO*. Against this backdrop the new Government's Autumn Budget policy measures delivered a large and sustained increase in departmental spending. This included a significant increase in current and capital spending which totalled a little over 2 per cent of GDP per year over the remainder of the decade and included the funding of some of the undisclosed pressures identified in our concurrently published review into the March 2024 departmental spending forecast. Half of the increase in spending was funded through an increase in taxes including employer National Insurance contributions (NICs), with the remainder funded by an increase in borrowing. Our economy forecast incorporated the supply-side boost from higher planned public investment, offset over the forecast period by the impact of higher employer NICs on real wages.
- As part of our role producing the independent forecast of devolved Welsh taxes for the Welsh Government, we published our fourth **Welsh taxes outlook** in December 2024, alongside the draft Welsh Budget. We also published an update, including an evaluation of the performance of previous forecasts, alongside the final Budget in late February.
- The March 2025 **Economic and fiscal outlook** again set out an updated economic and fiscal forecast and assessment of the likelihood that the Government would meet its fiscal mandate and supplementary targets. It presented a deterioration in the underlying economic and fiscal outlook since October including a halving of the rate of economic growth in 2025 and a significant rise in gilt yields, which would have been sufficient to breach the Government's current balance fiscal rule. Government policies – including the direct savings from welfare measures and a reduction in planned levels of departmental spending, and the indirect boost to output and tax receipts from planning reforms – offset the underlying deterioration meaning the Government's fiscal rules were forecast to be met by similar margins as in October. We assessed the risks and uncertainty surrounding this outlook as even higher than usual, and illustrated these with scenarios for future shocks to interest rates, productivity and global trade policy.
- Alongside both medium-term forecasts 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

1.16 In pursuit of our aim to increase transparency and understanding of our forecasts and wider work, during 2024-25 we published the following supplementary analysis:

- *Discussion paper No.5: **Public investment and potential output***, published in August 2024, explored the key transmission mechanisms through which public investment can affect potential output and outlined our proposed approach to modelling these impacts, including the presentation of stylised results from our calibrated model. We set out a range of questions on which we welcomed feedback. This exercise proved very useful in preparing our approach to reflecting the Government's October 2024 Budget increase in public investment in our forecasts.
- Our staff-authored **Articles** series included an investigation of how new distributional analysis of earnings had been used to improve our income tax forecasts; and a discussion and presentation of our analysis of how health status affects labour market participation, which underpinned the health scenarios presented in our September 2024 *Fiscal risks and sustainability* report.
- In January 2025 we published a series of supplementary releases to our October 2024 *Economic and fiscal outlook*, which provided **more detail on the costings of several capital tax measures** incorporated into that forecast.
- We continued the publication of '**monthly profiles**' for the public finances after each forecast, which set out in-year monthly forecasts for the main tax and spending categories and the key measures of debt. These are intended to facilitate the public's interpretation of regular fiscal data from the ONS, which is also supported by our '**monthly commentary**' on these data.
- We published an update to our '**ready reckoner**' tool, launched last year, which allows its user to obtain quick estimates of the impact that a particular change in one or more economic variables would have on fiscal variables.

## Communications and stakeholder engagement

1.17 In July 2024 we held the second annual meeting of our revised and expanded advisory panel, at which we discussed the OBR's longer-term work programme, our approach to assessing the impact of public investment on potential output, and the likely effects of the Government's proposed reforms to the planning system. The panel also participated in a roundtable with those leading the third independent external review of the OBR (without OBR staff present). In January 2025, we met with a sub-group of advisory panel experts on macroeconomics to discuss scenarios for global trade policy following the outcome of the US election. We held our regular roundtables with a set of thinktanks in September 2024 and February 2025 to discuss recent economic and fiscal developments. And we hosted roundtables with welfare experts to launch our *Welfare trends* report in Leeds; with the Bank of England, the National Institute of Economic and Social Research and other experts to

launch our *Forecast evaluation report* and discuss how to develop our presentation of uncertainty; and with city forecasters to discuss the outlook for potential output.

- 1.18 The Budget Responsibility Committee (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. As well as meetings with relevant analysts in government departments, this year we have engaged with numerous external UK organisations and institutions including the Bank of England, the Office for National Statistics, the National Audit Office, the Migration Advisory Committee, the Government Economic Service, the Institute for Government, the National Institute of Economic and Social Research, the Institute for Fiscal Studies, the Resolution Foundation, the Centre for Policy Studies, the Health Foundation, the King's Fund, Reform, CenTax, the New Economics Foundation, Citizens Advice, the Institute for Employment Studies, Policy in Practice, Sheffield Hallam University, the Joseph Rowntree Foundation, the Society of Professional Economists, the Fraser of Allander Institute, the Network for Greening the Financial System's partner academic consortium, Paul Watkiss Associates, Westminster Forum, the Green Alliance, the National Housing Federation, Vistry Group, Barratt Homes, and the British Universities Finance Directors Group. We also regularly engage with partner institutions in the devolved nations: the Scottish Fiscal Commission, Welsh Government and Northern Ireland Fiscal Council. We detail our engagement with government and non-government institutions in the foreword of each publication.
- 1.19 We also hosted or attended events and meetings with a variety of international organisations and delegations interested in the work of the OBR, including the International Monetary Fund (IMF), the OECD, the US Congressional Budget Office, the French High Council of Public Finance, the Spanish Independent Authority for Fiscal Responsibility and the Kyiv School of Economics. 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.
- 1.20 The BRC and senior staff gave evidence to a range of Parliamentary committees, including the Public Accounts Committee, the Lords Economic Affairs Committee, the Scottish Finance and Public Administration Committee and the Welsh Parliament Finance Committee. The BRC has also held press conferences and given evidence to the Treasury Committee alongside the publication of both forecasts.

## Performance analysis

### How we measure performance

- 1.21 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.

## External review

- 1.22 This year, the third external review of the OBR was undertaken, this time by Laura van Geest, former head of the Netherlands Bureau of Economic Policy Analysis (CPB). An external review is required every five years under the *Budget Responsibility and National Audit Act*. The overarching conclusions of the review were extremely positive, noting that “over the last five years, the OBR has successfully navigated a series of unprecedented economic and fiscal challenges”, and “that it emerges stronger from the period”. The review also highlighted that since our previous external review in 2020, the OBR “has worked to broaden and deepen its credibility with partner institutions, academics, and across different parts of the economic, fiscal and political landscape”. The review made recommendations for us to consider, designed to safeguard and underpin our independence, update and streamline our analytical infrastructure, and deepen the impact of our communications. We will publish an implementation plan in response to the review in the coming year.

## Forecasting

- 1.23 In terms of the performance of our forecasts, our latest *Forecast evaluation report* examined our forecasting performance for the 2023-24 financial year. This year we also began work redesigning the *Forecast evaluation report* to provide a more holistic look at our forecasting record and incorporate aspects of the approach in *Working paper No.19: The OBR’s forecast performance*, published in August 2023, which evaluated the OBR’s overall forecasting record since 2010. This paper showed that both our real GDP growth and borrowing forecasts have been more accurate and less biased than the previous UK official forecasts produced by the Treasury.

## Communication

- 1.24 We collect website traffic data to monitor how and when our outputs are accessed. During 2024-25, we continued to build on our successes by publishing the *Welfare trends report* (WTR) in HTML for the first time, providing a more accessible alternative to our standard PDF reports. We achieved over 1.8 million total hits across the year, 38 per cent more than our previous record in 2023-24. This is largely due to the success of our October 2024 *Economic and fiscal outlook* (EFO) which recorded 208,000 website hits, compared to our previous record of 201,000 in November 2022.
- 1.25 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 2024-25 the accessibility index rating of the website improved from 85 to 89 per cent, which is a ‘great’ ranking according to Silktide.<sup>1</sup> We will continue to seek improvements over the coming year and build on this success by targeting the high-priority recommendations of our internal quarterly reviews.
- 1.26 We also monitor social media analytics to inform our communications strategy for core publications. Our number of X (formerly known as Twitter) followers had reached 22,600 by the end of 2024-25, which is a modest boost of 6 per cent, similar to last year’s growth of 8

<sup>1</sup> Silktide produces a monthly UK Central Government Index.

per cent. In 2024-25 we continued to see record levels of social media engagement around our *Fiscal risks and sustainability (FRS)* content. The 2024 *FRS* achieved nearly four times the reach of our 2022 report, making it our most successful *FRS* publication. Our *EFO* content fared less well in comparison to November 2023's record-breaking performance, more in line with the wider downward trend in X engagement. During 2024-25 we produced eight YouTube videos (up from six the previous year), resulting in a 39 per cent increase in views and a 48 per cent rise in subscribers. Impressions grew by 28 per cent, likely due to higher video quality and a growing audience as well as improved visibility within the YouTube algorithm as a result. Our regular *EFO* '5 things you need to know' video saw a 77 per cent increase in views in March 2025 compared to October 2024, driven by website links and organic YouTube growth. As part of a review and update of our communications strategy over the coming year – one of the recommendations of the recent external review – we will be evaluating our use of social media platforms.

### Financial performance and sustainability

- 1.27 The OBR is committed to the central government target of paying valid invoices within five days of receipt. In the reporting period, 86 per cent of invoices (96 per cent in 2023-24) that we have received have been paid within the target time of five days.
- 1.28 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 2025 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 (2023-24: 29.9 days).
- 1.29 We lease office space from the Government Property Agency, along with other public bodies at 102 Petty France. We contribute to its environmental and sustainability agenda through the building facilities committee and through policies implemented throughout the government estate.

## Operations

- 1.30 Our financial management and oversight arrangements are established in *the Framework document*, which was most recently updated in March 2019.<sup>2</sup> Key elements of the arrangements are described in the governance statement. We are funded via a delegated budget from our sponsor department, HM Treasury.
- 1.31 Our original delegated budget, set at the 2021 Spending Review, was £4,088,000 for 2024-25. This anticipated a nominal fall in our annual budget that was intended to roll off a Covid-related increase in analytical capacity. Our most recent delegation for 2024-25 has subsequently increased to £5,640,000, which reflects additional funding from HM Treasury for a new supply-side analytical unit, a permanent increase in IT-related costs and pay pressures that could not be met through existing funding. The statement of comprehensive net expenditure in this year's accounts puts our total spending for the year at £5,625,000.

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<sup>2</sup> <https://obr.uk/download/framework-document-2/?tmstv=1686657679>

- 1.32 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. We also use Treasury services for the management of our finances and accounts. The Chair of the OBR is designated as the Accounting Officer responsible for the effective management of public funds.

## Service agreements

- 1.33 We share our workspace and accommodation at 102 Petty France, which is managed by the Government Property Agency. As part of this arrangement, we pay a share of the building rent and rates, and a share of the cost of the Ministry of Justice's (MoJ's) service contracts (as the largest central government tenant) for security and facilities management.
- 1.34 In December 2023 we transferred our IT infrastructure and maintenance to the Treasury's TrIS network, which is also used by other Treasury arm's-length bodies. Our internal filing systems are segmented from other organisations on the TrIS network. The move to the TrIS network aligns the software and other IT requirements of the OBR to HM Treasury, which offers a better match of functionality, software and maintenance requirements for our operations than our previous agreement with the MoJ.
- 1.35 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.

## Going concern

- 1.36 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.
- 1.37 The OBR's statement of financial position at 31 March 2025 shows net liabilities of £442,000 which includes accrued payments for staff costs and performance-related staff bonuses for 2024-25. This reflects the inclusion of liabilities falling due in 2024-25 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

- 1.38 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

- 1.39 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.
- 1.40 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

19 June 2025

## 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 *Budget Responsibility and National Audit Act 2011* requires the OBR's non-executive members to keep under review the way the Office performs its main duties – to prepare its key reports objectively, transparently, and impartially. We fulfil this responsibility through the Oversight Board (Chair, Baroness Hogg) and the Audit and Risk Committee (Chair, Dame Susan Rice), which have had three formal meetings in the past year, and through a number of other meetings with the Budget Responsibility Committee (BRC) and its staff.
- 2.3 In preparation for this assessment, we have considered external commentary on the OBR's work and also, as in previous years, held meetings separately with the BRC, the Chiefs of Staff and other OBR colleagues specifically to discuss organisational performance over the past year and to identify any concerns.
- 2.4 The Act requires that at least once in every five years the non-executive members of the OBR “...appoint a person or body to review and report on such of the Office reports as the Committee determines”. In May last year, we appointed Laura van Geest, former head of the Netherlands Bureau for Economic Policy Analysis (Centraal Planbureau), to lead the latest external review. She was assisted by Johannes Hers (AFM, formerly CBO Netherlands Bureau for Policy Analysis) and Sebastian Barnes (OECD, former Chair of the Irish Fiscal Advisory Council). They were supported by two secondees from the Treasury and the OBR.
- 2.5 The report was completed in December 2024 and formally launched at an Institute for Government roundtable in early February 2025. Its findings were positive, concluding that

the OBR consistently demonstrates responsiveness, transparency and openness to evolving analysis, ways of working and methodological approach, while including some useful suggestions as to how these characteristics may be protected and further enhanced in the future. We value these findings, which our recent discussions with OBR staff showed to be widely understood and shared. There has been good progress on the 11 specific recommendations and the OBR will publish a formal response to the review this summer.

- 2.6 The outcome of the 2024 General Election gave the OBR its first experience of a change of the main governing party since the Office's creation 15 years ago. The new Labour Chancellor made strengthening the role of the OBR a key plank of her strategy. She took early action with the 'fiscal lock' provision now incorporated into the *Budget Responsibility Act*, closing the mini-budget loophole.
- 2.7 Public discussion of the OBR's work has continued at a heightened level, with this work often being used to explain or substantiate the views of others. The fact that both government and opposition parties regularly cite OBR analysis reflects the OBR's reputation for independence and objectivity. This is not, however, prompted by the OBR itself, which endeavours to ensure that statements and testimony remain dispassionate and independent. However, we are also aware that the heightened attention paid to the OBR, with limited resources to respond to 24/7 media demands, is an increasing challenge.
- 2.8 Before and after the General Election, the Government claimed to have identified a £22 billion 'black hole' in the previous Government's departmental expenditure limit (DEL) plans for 2024–25. This prompted the OBR to conduct a review of the preparation of the DEL forecast for the March 2024 budget, reporting to the non-executive members. The review identified roughly £9 billion of pressures which the Treasury acknowledges should have been disclosed to the OBR. The report included ten recommendations to improve the transparency and integrity of the DEL forecast, and good progress has been made in their implementation.
- 2.9 The 2024 Autumn Budget included significant changes to tax, spending and the fiscal rules. The OBR's work last summer to improve its analysis of supply-side impact of public investment spending proved timely, as did ongoing work on understanding and modelling the government balance sheet, giving the OBR an enhanced ability to forecast public sector net financial liabilities (PSNFL), which is now a government target. The OBR also published detailed supplementary information on the costing of capital tax policies as a first step towards improving wider policy costings transparency.
- 2.10 Deterioration in the economic and geopolitical outlook since October led the Government to take policy actions in the spring of 2025. The Government's decision to bring welfare reform measures forward to before the spring *Economic and fiscal outlook (EFO)* was published came quite late in the forecast process, with an inevitable lack of the detail needed to certify some policy costings; the OBR also took a different view from that which the DWP took for other areas. Discussions between the OBR and the Treasury have subsequently taken place as to how to avoid such difficulties in the future.

- 2.11 The March 2025 *EFO* reflected the supply-side impact of the Government's residential planning reforms, a further development in the Office's supply-side analysis. The *EFO* also included a set of US and global tariff scenarios, making the OBR the first official institution to provide an assessment of the economic impact of the Trump tariffs. Finally, the *Devolved tax and spending forecasts* report included new analysis of the net tax positions in Scotland and Wales, showing where devolved taxes are increasing or decreasing devolved government spending power.
- 2.12 We noted a number of examples of the growing output of the OBR. Its September 2024 *Fiscal risks and sustainability* report included groundbreaking analysis of the long-term impact of health, climate and demographic changes, under alternative migration scenarios. The October 2024 *Welfare trends* report included the most comprehensive assessment ever of the drivers of the rise in spending on incapacity benefits, attracting Parliamentary and public interest. The OBR's *Forecast evaluation* report, also published in October, considered the performance of the OBR's March 2023 forecast and its communication of uncertainty via alternative scenarios for energy prices and interest rates. We will continue to keep an eye on the adequacy of resources as expectations for the OBR continue to grow at a rate that outpaces the increase in its budget.
- 2.13 The recent staff survey showed an improvement in every measure, with the OBR showing consistently stronger results than the civil service average. The good morale we observed in our recent discussions with staff across the OBR mirrored these findings.
- 2.14 In those discussions, we observed a broad understanding among staff of the role of the OBR; an interesting variety of views on the value of new methods of less formal public communications; some concern as to whether the OBR is adequately resourced to develop its economic modelling capacity; and a reassuring consensus among staff that the BRC understands the needs of the organisation and communicates well within it. There was great enthusiasm for the staff-led programme to enhance the framework for learning and development.
- 2.15 Staff appreciated the way recent internal succession has been handled in the OBR. They pointed out that, as in any small organisation, they often have to look outside for promotion, although movement has been constrained recently due to a reduction in suitable openings across the civil service.
- 2.16 In summary, we are confident that the OBR is delivering its remit, working to enhance its outputs, demonstrating its independence and communicating in ways that are clear, transparent and impartial. Expenditure is tightly managed, as growing demands on the OBR put pressure on resources. The OBR's governance is suitable and works effectively; its internal culture appears healthy; and it continues to serve a vital public service function.

- 2.17 Finally, we are pleased to note the Government's recent announcement that nominates Richard Hughes for re-appointment for a second and final five-year term, which remains subject to the approval of the Treasury Select Committee in due course.



Baroness Hogg



Dame Susan Rice

**Non-executive members of the Office for Budget Responsibility, 12 June 2025**

## Statement of Accounting Officer's responsibilities

- 2.18 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.
- 2.19 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.
- 2.20 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
- 2.21 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.

- 2.22 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.
- 2.23 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.
- 2.24 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

- 2.25 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.
- 2.26 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

- 2.27 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.
- 2.28 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

- 2.29 The OBR comprised five members at end-March 2025: the Budget Responsibility Committee – Richard Hughes (Chair), Tom Josephs, and Professor David Miles CBE; and two non-

executive members – Baroness Sarah Hogg and Dame Susan Rice. Bronwyn Curtis’s term as a non-executive member ended on 7 June 2024.

- 2.30 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. BRC appointments 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.
- 2.31 As at 31 March 2025 the OBR employed a staff of 49 to provide analytical and corporate support, led by the acting Chief of Staff, Laura Gardiner (SCS2), and the acting Deputy, James Ebdon (SCS1). Laura succeeded Steve Farrington in early February as acting Chief of Staff and has since been appointed as the permanent Chief of Staff.
- 2.32 The BRC is solely accountable 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.
- 2.33 The OBR is subject to Business Appointment Rules regulation and as such, ensures that staff are aware of their responsibility to check the appropriateness of any appointments on leaving the OBR.

## 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, and a Visiting Fellow at the Blavatnik School of Government in Oxford.

## Tom Josephs, Member of the Budget Responsibility Committee



After starting his career in a private sector consultancy, Tom worked in HM Treasury from 2000 to 2010 in a range of roles covering macroeconomics, Budget policy coordination, and fiscal analysis and forecasting. In 2010 he was appointed to the OBR as its first Chief of Staff and led the establishment and development of the organisation in its early years. In 2013, Tom joined the International Monetary Fund as a Senior Economist in the Fiscal Affairs Department providing advice on fiscal policy, analysis and institutions in a range of countries in Africa, the Middle East and Europe.

He returned to the UK civil service in 2016, first as Director of Trade Policy at the Department for International Trade, then from 2019 as Director of Fiscal Group leading HM Treasury's work on fiscal policy and government financing through Covid, and then from 2022 at the Department for Work and Pensions as Director for Private Pensions. He holds undergraduate and master's degrees from the University of Manchester.

## Professor David Miles CBE, Member of the Budget Responsibility Committee



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 University 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 International Monetary Fund 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.

## Non-executive members

### Baroness Sarah Hogg



Baroness Hogg (Sarah) is a former Chairman of the Financial Reporting Council, Frontier Economics and 3i Group plc. She has served on the boards of several FTSE 100 companies, and a number of public sector institutions, including the Financial Conduct Authority, the Takeover Panel, the BBC and HM Treasury. She was Head of the Prime Minister's Policy Unit from 1990 to 1995. She started her career with *The Economist*, and was later the Economics Editor for a number of national publications. She is currently Senior Independent Director of IDS Group plc.<sup>1</sup>

### Dame Susan Rice



The first woman to head a UK clearing bank, Dame Susan Rice was founding Chair of the Scottish Fiscal Commission, Scotland's independent economic and fiscal forecaster, a Director of the Bank of England, a member of the First Minister's Council of Economic Advisors in Scotland and President of the Scottish Council for Development and Industry. Her executive career spanned finance, medical research, higher education.

She has extensive experience in corporate governance as chair or member of boards in a wide range of public and private sector organisations – including SSE, J Sainsbury's, Scottish Water. She chairs the Forth Green Freeport and GEFI, which delivers the Path to COP campaigns.

A long-term focus on net zero and sustainability, economic development and regeneration alongside finance and ethics in business runs throughout these roles. A Freeman of the City of London, she is a fellow of the RSE, the RSA and the CBIS.

### Bronwyn Curtis OBE (to 7 June 2024)



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 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.

<sup>1</sup> House of Lords portrait used under Attribution 3.0 Unported (CC BY 3.0) licence at <https://creativecommons.org/licenses/by/3.0/>

Table 2.1: Members' contract lengths and expiry dates

Member	Contract length	Contract expiry date
Richard Hughes	5 years	3 October 2025
Prof. David Miles CBE	5 years	1 January 2027
Tom Josephs	5 years	18 September 2028
Bronwyn Curtis OBE	3 years	7 June 2024
Dame Susan Rice	3 years	19 June 2026
Baroness Sarah Hogg	3 years	19 June 2026

## The Oversight Board

- 2.34 The Act requires the Office to appoint a minimum of 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 Baroness Hogg.
- 2.35 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.
- 2.36 All members in post at the time of each meeting attended all Oversight Board meetings during 2024-25. Minutes of each meeting are published on our website.
- 2.37 Details of company directorships and other significant interests held by members of the management board which may conflict with their management responsibilities have been disclosed. 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

- 2.38 The Audit and Risk Assurance Committee is a sub-committee of the Oversight Board. The Committee consists of the Chair of the OBR and the non-executive members. It has been chaired by Dame Susan Rice since October 2023. The terms of reference for the Committee are published on our website alongside those of the Oversight Board.
- 2.39 All members in post at the time of each scheduled meeting attended them during 2024-25. Minutes of each meeting are published with the Board minutes on our website.

## Executive management

- 2.40 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

- 2.41 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.
- 2.42 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. The systems have been in place for the year under review and up to the date of approval of the *Annual report and accounts*.
- 2.43 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.

## Analytical risks

- 2.44 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.
- 2.45 The disaggregated nature of the public finances forecast means we also require close and effective working with experts across government. 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 updated to reflect our latest practices in November 2023,<sup>2</sup> and is now in the process of being updated following the update to the *Charter for Budget Responsibility* in January 2025. 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.

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<sup>2</sup> <https://obr.uk/download/memorandum-of-understanding-4/?tmstv=1713526106>

- 2.46 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.
- 2.47 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

- 2.48 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.
- 2.49 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.
- 2.50 As part of this agreement 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). 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

- 2.51 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 improvements that will be implemented.

- 2.52 Our operational and governance arrangements take account of the requirements of government functional standards. In most cases the standards relate to areas where we have limited or no resource requirement. We aim to align with HM Treasury on the application of the analytical functional standard.
- 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. I also confirm that I am satisfied with the effectiveness of the OBR's whistleblowing arrangements.



Richard Hughes, Chair

19 June 2025

## 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.<sup>3</sup> 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. Members of the BRC are subject to the deduction of appropriate taxes via the PAYE system. No benefits in kind have been paid to members of the BRC.
- 2.56 As part of their contractual terms, members of the BRC receive a payment equivalent to 20 per cent of their annual fee into a personal pension scheme, shown in Table 2.2.
- 2.57 Members of the BRC are entitled to annual salary increases that are linked to the CPI inflation rate.

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<sup>3</sup> <https://obr.uk/about-the-obr/who-we-are/>

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

	Salary (£) (Full year equivalent)		Pension benefits (£)		Total (£)	
	2024-25	2023-24	2024-25	2023-24	2024-25	2023-24
Richard Hughes	180,863	174,866	36,172	34,973	217,035	209,839
Tom Josephs	143,294	76,128 (142,000)	28,860	15,226	172,154	91,354
Prof. David Miles CBE (0.8 FTE) <sup>1</sup>	110,998	66,870	22,200	13,374	133,198	80,244

<sup>1</sup> Prof. Miles contract was increased from 0.5 to 0.8 per cent FTE in April 2024.

## Pensions

### Civil service pensions

- 2.58** 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).
- 2.59** 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 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.
- 2.60** 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 were switched to alpha between 1 June 2015 and 1 April 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, 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.

## 2.61 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 2024-25 range from 28.97 per cent of pensionable earnings (2023-24: range from 26.6 to 30.3 per cent, based on four salary bands). Scheme administration charges of 0.32 per cent are included in the employer monthly contributions. For 2024-25, employers' contributions of £812,081 were payable to the PCSPS (2023-24: £725,671), 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 members' 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.

2.62 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 2024-25 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.<sup>4</sup>

## Expenses

2.63 The OBR has incurred costs of £535 (£1,050 in 2023-24) for Richard Hughes's travel and subsistence expenses in 2024-25. Tom Josephs's were £2,482 (£389 in 2023-24) and David Miles's were £293 (£286 in 2023-24).

## Staff summary

2.64 The OBR currently has 49 permanent staff members (as at 31 March 2025) working across the economy, receipts and spending forecasts, sustainability and risks, devolved and policy costings analysis, indirect effects, and strategy, operations and communications teams.

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<sup>4</sup> <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>

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. Staff turnover in 2024-25 was 18.3 per cent (16.4 per cent in 2023-24).

- 2.65 As of 31 March 2025, the gender balance of the members of the OBR, the senior civil service (SCS)- and non-SCS staff was as set out in Table 2.3. Over recent years we have made changes to our recruitment processes to increase recruitment of female staff to the OBR. Gender balance across OBR staff has remained broadly stable at around or just above 40 per cent since 2019-20, reaching a high of 45 per cent in 2024-25 (Table 2.4).

Table 2.3: Gender balance (as at 31 March 2025)

(as at 31 March)	Male	Female	Total
BRC and non-executive members	3	2	5
Senior civil servants	1	1	2
Non-SCS staff	26	21	47
<b>Total</b>	<b>30</b>	<b>24</b>	<b>54</b>
Memo: Staff grade E (senior analyst) and above (inc. SCS)	17	12	29

Table 2.4: Gender balance (staff)

	Per cent					
	2024-25	2023-24	2022-23	2021-22	2020-21	2019-20
Female	45	38	42	41	43	41
Male	55	62	58	59	57	59

- 2.66 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 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.
- 2.67 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 2025 these show a pay gap of 6.5 per cent (6.3 in 2023-24) for senior analysts, and 1.3 per cent for more junior posts (minus 2.8 per cent in 2023-24). These are calculated on a mean basis with full-time equivalent salaries. Relatively stable turnover means these metrics have remained stable in 2024-25.
- 2.68 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.

- 2.69 As set out in Table 2.5, we have a 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 rest identify as white.

Table 2.5: Ethnicity

	Per cent		
	2024-25	2023-24	2022-23
Diverse ethnic background	23	21	18
White	61	63	69
Prefer not to say	10	8	6
Unknown	6	8	7

- 2.70 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.
- 2.71 Over the past couple of years 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 all staff development sessions on considering our individual and collective approach to race, improved recruitment materials, efforts to learn from initiatives in larger departments, and the introduction of a mentorship scheme matching junior staff (with one or more protected characteristics) to more senior mentors across the civil service.
- 2.72 We recognise we have further to go to maintain progress on staff diversity, and in particular to improve our recruitment and retention policies and practices to deliver a workforce that brings the greatest possible diversity of background, experience and thought. As such, in 2022-23 the Oversight Board committed to targets in relation to staff diversity. The initial targets relate to gender and ethnic background, reflecting our size and disclosure controls on the data we hold in relation to different protected characteristics, but do not preclude a broader commitment to promoting equal opportunities and improving the diversity of our staff in relation to a range of determinate factors. The initial date for the achievement of these targets is September 2025, and we will report against them in our annual report each year. The targets (broadly reflecting the diversity of the population in London and the South East), and our current position against them, are as follows:
- OBR staff identifying as female to fall within a 45-55 per cent range – this figure stood at 45 per cent on 31 March 2025;
  - OBR staff at 'Range E' level and above identifying as female to fall within a 45-55 per cent range – this figure stood at 42 per cent on 31 March 2025; and

- OBR staff from diverse ethnic backgrounds to fall within a 20-30 per cent range (including those who prefer not to disclose) – this figure stood at 23 per cent on 31 March 2025

## 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 2024-25 were £3,406,000 (£3,187,000 in 2023-24).<sup>5</sup> This includes a pot of £51,780 for non-consolidated performance-related payments available to OBR staff (£41,082 in 2023-24). The Oversight Board is responsible for overseeing the pay remit for non-SCS OBR staff. The Oversight Board approves the remuneration and staff report.
- 2.75** The average remuneration in salary and allowances of staff was £56,411 in 2024-25, a fall of 0.7 per cent on a year earlier. The average bonus was £1,046, a fall of over 50 per cent, which reflects the one-off £1,500 per full-time employee payment in 2023-24, which was paid in line with the central civil service pay remit guidance.

## Staff numbers and related costs (audited)

Table 2.6: Analysis of pay

	£ 000's	
	2024-25	2023-24
Wages and salaries	3,406	3,187
Social Security costs	401	383
Other pension costs	899	799
<b>Total costs</b>	<b>4,706</b>	<b>4,369</b>
Memo: per cent change on previous year	7.7	

## Fair pay (audited)

- 2.76** 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.

<sup>5</sup> Figures include members, SCS and non-SCS staff and are rounded to the nearest £1,000.

Table 2.7: Fair pay

	£	
	2024-25	2023-24
Highest paid director remuneration	180,863	174,866
25th percentile remuneration of staff	45,792	43,172
Ratio of highest paid director to 25th percentile of staff	3.9	4.1
Median remuneration of staff	59,220	58,171
Ratio of highest paid director to median of staff	3.1	3.0
75th percentile remuneration of staff	68,444	69,539
Ratio of highest paid director to 75th percentile of staff	2.6	2.5

Note: remuneration includes basic pay, overtime, allowances, and bonuses for staff. The highest paid director is only entitled to basic salary of these elements of remuneration. SCS staff are not entitled to overtime payments.

Table 2.8: Fair pay - salary

	£	
	2024-25	2023-24
Highest paid director salary	180,863	174,866
25th percentile salary of staff	44,843	41,200
Ratio of highest paid director to 25th percentile of staff	4.0	4.2
Median salary of staff	59,220	57,880
Ratio of highest paid director to median of staff	3.1	3.0
75th percentile salary of staff	67,444	67,701
Ratio of highest paid director to 75th percentile of staff	2.7	2.6

Note: remuneration includes basic pay, overtime and allowances for staff (excludes bonuses). The highest paid director is only entitled to basic salary of these elements of remuneration. SCS staff are not entitled to overtime payments.

**2.77** In 2024-25, no permanent employees received remuneration in excess of the highest-paid director (nil in 2023-24). Remuneration ranged within a £20,000 to £25,000 band to £180,863 (£174,866 year ended 31 March 2024) – the actual salary of the highest-paid director. The highest-paid director's salary increased by 3.4 per cent between 2023-24 and 2024-25. The ratios of remuneration relative to the highest-paid director for each percentile reported have all remained broadly stable between reporting years.

### Average number of persons employed (audited)

**2.78** The average number of full-time equivalent persons employed during the year was 48.2 (2023-24: 51.2). The decrease relates to a higher turnover rate relative to last year.

### Exit packages (audited)

**2.79** The OBR did not incur any costs for exit packages (2023-24: nil).

## Employee matters

**2.80** During the period ending 31 March 2025, the average number of working days lost due to sickness absence was 3.6 days per full-time equivalent (FTE) (2023-24: 1.4 days).

- 2.81 There were no reported health and safety incidents in 2024-25. We work with the MoJ to monitor health and safety at 102 Petty France and offer first aid training to staff.
- 2.82 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

19 June 2025

## Parliamentary accountability and audit report

- 2.83 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 £26,000 (£17,500 in 2023-24). The auditors received no fees for non-audit services.
- 2.84 All expenditure was applied to the purpose intended by Parliament (audited).
- 2.85 The OBR has no remote contingent liabilities (2023-24: none) (audited).
- 2.86 No losses or special payments above £300,000 have been incurred either individually or in total by the OBR in 2024-25 (2023-24: none) (audited).

Table 2.9: Expenditure and income

	£ 000's				
	2024-25	2023-24	2022-23	2021-22	2020-21
Expenditure	5,658	5,475	4,387	3,946	3,973
Income	(33)	(33)	(32)	(18)	(12)
<b>Net expenditure</b>	<b>5,625</b>	<b>5,442</b>	<b>4,355</b>	<b>3,928</b>	<b>3,961</b>



Richard Hughes, Chair

19 June 2025

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

### 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 2025 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 2025;
- 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 2025 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 and Regularity of Public Sector Bodies in the United Kingdom (2024)*. 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 2024*. 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. In applying the Ethical Standards, I have considered the potential implications for my audit arising

from extending a loan staff arrangement with the Office for Value for Money within HM Treasury, to October 2025. The loan staff arrangement concerns one of my directors and was for an initial period of 12 months from September 2024. The arrangement was extended by a further two months so that the secondee is able to support the completion of the Office for Value for Money's work. I am satisfied that appropriate safeguards have been implemented to protect my and the NAO team's independence and objectivity throughout the audit. 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 requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is 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 and my auditor's certificate and report thereon. 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.

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 Report and Accountability Report 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 Report and Accountability Report.

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

- adequate accounting records have not been kept by the Office for Budget Responsibility or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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 is 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;

- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Office for Budget Responsibility from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with HM Treasury directions issued under the Budget Responsibility and National Audit Act 2011;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Budget Responsibility and National Audit Act 2011; 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Office for Budget Responsibility's accounting policies;
- inquired 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 on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of 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;
- inquired of management, the Office for Budget Responsibility's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding 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 required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Office for Budget Responsibility's framework of authority and other legal and regulatory frameworks in which the Office for Budget Responsibility operates. I focused 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

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on 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 communicated relevant identified laws and regulations and potential risks of fraud 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

## Other auditor's responsibilities

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

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 I identify during my audit.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**  
**Comptroller and Auditor General**

**Date**  
**20 June 2025**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

### 3 Financial statements

#### Statement of Comprehensive Net Expenditure

for the year ended 31 March 2025

	Note	£ 000's	
		2024-25	2023-24
<b>Expenditure</b>			
Staff costs	2	4,706	4,369
Other expenditure	3	938	1,101
Total		5,644	5,470
<b>Income</b>			
Other income		(33)	(33)
<b>Net expenditure</b>		5,611	5,437
Finance expense		14	5
<b>Net expenditure for the year</b>		<b>5,625</b>	<b>5,442</b>

There were no items of other comprehensive expenditure.

The notes on pages 42 to 50 form part of these accounts.

## Statement of Financial Position

as at 31 March 2025

	Note	£ 000's	
		2024-25	2023-24
<b>Non-Current Assets</b>			
Right of Use Assets	7.2	535	408
<b>Total non-current assets</b>		<b>535</b>	<b>408</b>
<b>Current assets</b>			
Receivables due within one year	5	32	96
Cash and cash equivalents	6	221	277
<b>Total current assets</b>		<b>253</b>	<b>373</b>
<b>Total assets</b>		<b>788</b>	<b>781</b>
<b>Current liabilities</b>			
Payables due within one year	9	(777)	(945)
Provision	10	(28)	(15)
<b>Total current liabilities</b>		<b>(805)</b>	<b>(960)</b>
<b>Non-Current liabilities</b>			
Payables due after one year	9	(425)	(278)
<b>Total non-current liabilities</b>		<b>(425)</b>	<b>(278)</b>
<b>Total asset less total liabilities</b>		<b>(442)</b>	<b>(457)</b>
<b>Taxpayers' equity</b>			
General fund		(442)	(457)
<b>Total taxpayers' equity</b>		<b>(442)</b>	<b>(457)</b>

The notes on pages 42 to 50 form part of these accounts.



Richard Hughes, Chair and Accounting Officer

19 June 2025

## Statement of Cash Flows

for the year ended 31 March 2025

		£ 000's	
	Note	2024-25	2023-24
<b>Cash flows from operating activities</b>			
Net operating cost		(5,611)	(5,437)
Adjustment for non-cash transactions	3	145	147
(Increase/decrease in trade and other receivables	5	64	(50)
Increase /(decrease) in trade and other payables	9	(21)	223
Adjustments for movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	9	(63)	71
Movement in provisions	10	13	
<b>Net cash outflow from operating activities</b>		<b>(5,473)</b>	<b>(5,046)</b>
<b>Cash flows from financing activities</b>			
Grant-in-Aid from HM Treasury		5,640	5,366
Repayment of capital element of lease liability		(209)	(70)
Repayment of interest element of lease liability		(14)	(5)
<b>Net financing</b>		<b>5,417</b>	<b>5,291</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>(56)</b>	<b>245</b>
Cash and cash equivalents at the beginning of the period		277	32
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>221</b>	<b>277</b>

The notes on pages 42 to 50 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2025

	£ 000's
	General reserve
<b>Balance at 1 April 2024</b>	<b>(457)</b>
Grant-in-Aid from HM Treasury	5,640
Comprehensive expenditure for the year	(5,625)
<b>Balance at 31 March 2025</b>	<b>(442)</b>

	£ 000's
	General reserve
<b>Balance at 1 April 2023</b>	<b>(381)</b>
Grant-in-Aid from HM Treasury	5,366
Comprehensive expenditure for the year	(5,442)
<b>Balance at 31 March 2024</b>	<b>(457)</b>

The notes on pages 42 to 50 form part of these accounts.

## Notes to the financial statements

### 1. Statement of accounting policies

These financial statements relate to the individual entity named the Office for Budget Responsibility (a body corporate established under Section 3 of the Budget Responsibility and National Audit Act 2011), which is not a group. The reporting period is 1 April 2024 to 31 March 2025. The presentation currency is the pound sterling and the level of rounding used in presenting amounts in the financial statements is thousands of pounds, unless otherwise indicated.

In accordance with paragraph 18 of Schedule 1 to the Budget Responsibility and National Audit Act 2011, HM Treasury has directed the OBR to prepare its financial statements in accordance with the Government Financial Reporting Manual (FReM), which adapts and interprets UK-adopted international accounting standards 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 financial statements.

#### 1.1 IFRSs in issue but not yet effective

As per the FReM, these accounts apply UK adopted IFRS and Interpretations in place as at 1 January 2024. The OBR has not early-adopted any new or amended standards in preparing these consolidated financial statements.

##### IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and is effective for entities preparing financial statements in accordance with the FReM from 1 April 2025 (with limited options for early adoption).

IFRS 17 replaces IFRS 4 Insurance Contracts and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.

IFRS 17 is not expected to have a material impact on the OBR's financial statements because the OBR has not issued any insurance contracts, nor plans to issue any in the foreseeable future.

##### IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 was issued in April 2024 and applies to annual reporting periods beginning on or after 1 January 2027. The OBR does not intend to early adopt IFRS 18.

IFRS 18 sets out general and specific requirements for the presentation and disclosure of information in general purpose financial statements. The objective of IFRS 18 is to improve comparability of financial performance between organisations applying IFRS. Once effective, IFRS 18 will replace IAS 1 Presentation of Financial Statements.

It is not possible to assess the impact on the OBR's financial statements before any pronouncements are issued by HM Treasury on the adoption of IFRS 18 in the FReM.

### IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 was issued in May 2024 and applies to annual reporting periods beginning on or after 1 January 2027 (subject to UK endorsement).

IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for the disclosure requirements. Instead, these entities apply the requirements in IFRS 19.

It is not possible to assess the impact on the OBR's financial statements before any pronouncements are issued by HM Treasury on the adoption of IFRS 19 in the FReM. However, the Financial Reporting Advisory Board has stated that due to the nature of public sector reporting, they do not anticipate that there will be a significant impact from IFRS 19 on the public sector.<sup>6</sup>

### Non-investment asset valuations

In December 2023, HM Treasury released an exposure draft on potential changes to make to valuing and accounting for non-investment assets (such as property, plant and equipment; and intangible assets), which are to be included in the 2025-26 FReM for mandatory implementation.

The proposed changes are not expected to have a material impact on the OBR's financial statements, because the OBR has not recognised any non-investment assets (other than right-of-use assets, which are valued in accordance with IFRS 16).

### Social benefits

The 2025-26 FReM will include new guidance on accounting for social benefits. These changes are not expected to have a material impact on the OBR's financial statements, because the OBR does not pay social benefits.

## 1.2 Accounting convention

These accounts have been prepared on 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 FReM's interpretation of going concern for the public sector context for non-trading entities provides that the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern, and that sponsored entities whose statements of financial position show total net liabilities should prepare their financial statements on a going concern basis unless, after discussion with their sponsors, the going concern basis is deemed inappropriate.

<sup>6</sup> [Financial Reporting Advisory Board paper 154 \(11\): Overview and work plan on IFRS 18 and IFRS 19 \(November 2024\)](#)

The OBR's financial statements have accordingly been prepared on a going concern basis, since its services are anticipated to continue to be provided in the future and no matters have arisen which would cause the OBR or HM Treasury to deem the going concern basis inappropriate.

### 1.4 Significant judgements and estimates

In determining whether an arrangement contains a lease, as required by IFRS 16, there is significant judgement in determining whether the arrangement conveys the right to control the use of an identified asset, and in determining the lease term. For the OBR, this is particularly pertinent in respect of the OBR's assessment of the likelihood of exercise of early termination options. Note 7.1 describes the OBR's leasing arrangements and the judgements taken in respect of the lease term.

### 1.5 Financing

The OBR is financed via grant-in-aid from HM Treasury. Grant-in-aid receipts are credited to the General Fund in the year in which they are received.

### 1.6 Property, plant and equipment

The threshold for capitalising non-current assets is £5,000. The OBR does not currently hold any property, plant or equipment as it rents office space and leases IT equipment.

### 1.7 Pensions

The provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servants and Other Pension Scheme or alpha, which are described in the Remuneration and Staff Report, cover the majority of past and present employees. The PCSPS and alpha are contributory defined benefit plans and are administered by MyCSP on behalf of the Cabinet Office. As one of many participating organisations, the OBR is not able to identify its share of any liability for making future pension payments to members. In accordance with the FReM's interpretation of IAS 19, the OBR accounts for its employees' membership of the PCSPS and alpha as defined contribution plans.

The OBR's employer contributions to the PCSPS and alpha in the next annual reporting period are expected to be similar to the current year 'Other pension costs' amounts disclosed in Note 2. The actual outturn will depend on any changes in staff remuneration and employer contribution rates set by the scheme administrators during the period.

As an indication of the OBR's level of participation in the PCSPS and alpha compared to other participating entities, less than 0.01% of employer contributions to the Civil Service pension arrangements are paid by the OBR.

### 1.8 Employee benefits

The OBR accrues for the cost of the outstanding employee paid holiday entitlement, which 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

The OBR has a lease for office space in 102 Petty France (Note 7), in respect of which it recognises a right of use asset and corresponding lease. The right-of-use asset is measured using a cost model (calculated as the present value of future lease payments) as a proxy for current value in existing use, because the valuation produced by using a cost model is not expected to be materially different from the valuation which would be produced by a revaluation model. The OBR cannot readily determine the interest rate implicit in the lease, so the future lease payments due are discounted using the HM Treasury lease discount rate applicable at the time the lease liability was last remeasured.

The OBR holds leases for IT equipment for which the underlying assets are of low value. Utilising the recognition exemption in IFRS 16, the OBR has elected to recognise the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

## 1.12 Provisions

Provisions are recognised in accordance with IAS 37. The OBR recognises a provision for estimated dilapidations on its leased office space.

## 1.13 Domicile, legal form and nature, and group membership disclosures

The OBR is a body corporate and non-departmental public body established under Section 3 of the Budget Responsibility and National Audit Act 2011 and is domiciled in the United Kingdom. The main duty of the OBR is to examine and report on the sustainability of the public finances.

The OBR's office address is 14T, 102 Petty France, London SW1H 9AJ. The OBR's sponsor department is HM Treasury, whose main office address is 1 Horse Guards Road, London SW1A 2HQ. The OBR's results are included in the group accounts of HM Treasury and the Whole of Government Accounts – copies of both are available online from [gov.uk/official-documents](https://www.gov.uk/official-documents).

## 2. Staff costs

### 2.1 Analysis of total staff costs

	£ 000's	
	Permanent staff	
	2024-25	2023-24
Wages and salaries	2,900	2,739
Social Security costs	339	331
Other pension costs	796	706
<b>Total costs</b>	<b>4,035</b>	<b>3,776</b>

	£ 000's	
	BRC members	
	2024-25	2023-24
Wages and salaries	435	368
Social Security costs	56	47
Other pension costs	87	73
<b>Total costs</b>	<b>578</b>	<b>488</b>

	£ 000's	
	Other staff	
	2024-25	2023-24
Wages and salaries	71	80
Social Security costs	6	5
Other pension costs	16	20
<b>Total costs</b>	<b>93</b>	<b>105</b>

## 3. Other operating expenditure

	£ 000's	
	2024-25	2023-24
Accommodation costs	197	245
Subscriptions, printing and office services	156	153
IT costs	339	470
External auditor's remuneration	26	18
Legal and consultancy costs	0	3
Bank charges	1	1
Staff support and staff-related costs, including training and travel	74	63
Depreciation	145	148
<b>Total</b>	<b>938</b>	<b>1,101</b>

The OBR did not purchase any non-audit services from its external auditor during 2024-25 (2023-24: £nil).

## 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 relate to contracts to buy non-financial items in line with the OBR's expected purchase and usage requirements and the OBR is therefore exposed to little credit, liquidity or market risk.

## 5. Trade receivables, financial and other assets

	£ 000's	
	2024-25	2023-24
<b>Amounts falling due within one year</b>		
Accrued income	5	3
VAT receivable	14	69
Other trade receivables	13	24
<b>Total falling due within one year</b>	<b>32</b>	<b>96</b>

## 6. Cash and cash equivalents

	£ 000's	
	2024-25	2023-24
Balance at 1 April	277	32
Net change in cash balances – inflow/(outflow)	(56)	245
<b>Balance at 31 March</b>	<b>221</b>	<b>277</b>

All cash balances are held with the Government Banking Service.

## 7. Leases

### 7.1 Leasing arrangements

The OBR held a single lease during 2024-25, for office space within the 102 Petty France building in London, under a Memorandum of Terms of Occupation (MOTO) with the Government Property Agency (GPA). The current MOTO commenced on 30 September 2022.

Until September 2024, the OBR measured the lease liability based on a lease term ending in December 2026, on the basis that the GPA was reasonably certain to exercise a break clause in the head lease at that point.

At the end of September 2024, the GPA informed 102 Petty France tenants, including the OBR, that it no longer intended to exercise the break clause, and occupation would continue until the lease expiry in December 2028. This was a significant event which made the OBR reasonably certain not to exercise the break clause option previously included in its determination of the lease term resulting in an additional two years of lease payments until the end of the revised lease term.

The OBR has accordingly remeasured the lease liability (and correspondingly adjusted the carrying value of the right-of-use asset) by discounting the revised lease payments using a revised discount rate.

## 7.2 Quantitative disclosures in respect of right-of-use assets and lease liabilities

	£ '000's	
	2024-25	2023-24
<b>Cost</b>		
At 1 April	704	704
Remeasurement - existing leases	272	-
<b>At 31 March</b>	<b>976</b>	<b>704</b>
<b>Depreciation</b>		
At 1 April	(296)	(148)
Depreciation charged in year	(145)	(148)
<b>At 31 March</b>	<b>(441)</b>	<b>(296)</b>
<b>Net book value at 31 March</b>	<b>535</b>	<b>408</b>

	2024-25
	£'000's
<b>Obligations under leases comprise:</b>	
Not later than one year	157
Later than one year and not later than five years	409
Less: interest element	(9)
<b>Present value of obligations</b>	<b>557</b>

Immediately prior to the remeasurement date (September 2024), the carrying value of the lease liability was £348,000 and the net book value of the right of use asset was £334,000. The remeasurement increased the lease liability by £272,000 to £620,000 and the right-of-use asset by the same amount to £606,000. Depreciation charged on the right-of-use asset between the remeasurement date and the year-end was £71,000; if the remeasurement had not taken place, depreciation charged during this period would have been £74,000.

The interest expense on lease liabilities is presented in the Statement of Comprehensive Net Expenditure (the finance expense line item relates entirely to the 102 Petty France lease liability).

Cash outflows for leases are presented as separate line items (capital and interest elements) within financing activities in the Statement of Cash Flows.

There were immaterial expenses relating to leases of low-value IT equipment assets, which are recognised as other operating expenditure (Note 3). There were no short-term leases or sale and leaseback transactions during 2024-25 (2023-24: £nil).

## 8. Other financial commitments

The OBR has entered into non-cancellable contracts with the Government Property Agency (which are not leases or PFI contracts or other service concession arrangements) for office services associated with the OBR's occupation of office premises at 102 Petty France. The commitments disclosed below relate to the non-lease components of the contract (i.e., costs other than rent).

	£ '000's	
	2024-25	2023-24
<b>Office services (excluding lease rental payments)</b>		
Not later than one year	87	225
Later than one year and not later than five years	248	237
<b>Total other financial commitments</b>	<b>335</b>	<b>462</b>

## 9. Trade payables and other current liabilities

	£ 000's	
	2024-25	2023-24
<b>Amounts falling due within one year</b>		
Taxation and social security	101	120
Trade and other payables	167	253
Current lease liability	132	216
Accruals	377	356
<b>Total falling due within one year</b>	<b>777</b>	<b>945</b>
Non-current lease liability	425	278
<b>Total falling due later than one year</b>	<b>425</b>	<b>278</b>

## 10. Provisions

	£ 000's	
	2024-25	2023-24
Balance at 1 April 2024	15	15
Provided during the year	13	-
Utilised during the year	-	-
<b>Balance at 31 March 2025</b>	<b>28</b>	<b>15</b>
Not later than one year	-	-
Later than one year and not later than five years	28	15

Under the agreement covering of leased offices at 102 Petty France, the OBR has an obligation to pay a pro-rata share of dilapidation costs chargeable to the landlord by the freeholder that arises on cessation of the head lease. The amount provided is estimated based on information provided by the Government Property Agency (GPA) on expected costs and the apportionment of these between tenants. The increase during 2024-25 reflects changes in the GPA's desktop assessment of expected costs.

## 11. Related party transactions

The OBR is a non-departmental public body. The OBR's sponsor department is HM Treasury, which is regarded as a related party. During 2024-25, the OBR has had material transactions with the

department, including grant-in-aid payments and the department's provision of HR, IT and financial services to the OBR.

The OBR has leased office space from the Government Property Agency (GPA) from 30 September 2022. The OBR has ongoing material transactions with the GPA in accordance with the Memorandum of Terms of Occupation through which the GPA recharges the OBR for the cost of accommodation and office services.

For accounting purposes, His Majesty's Government of the United Kingdom is the common parent entity of the OBR, HM Treasury and the GPA. Grant-in-aid payments from HM Treasury (as shown in the Statement of Changes in Taxpayers' Equity) were significant and represent the OBR's funding source. There were no individually significant transactions with the GPA during 2024-25 (2023-24: nil). Payments to the GPA for rent and office services and recharges for services provided by HM Treasury were collectively but not individually significant – their extent is indicated by the 'payments in respect of leases' line items shown in the Statement of Cash Flows, along with smaller amounts included within 'Other operating expenditure' (Note 3).

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 during 2024-25 (2023-24: nil).

## 12. Events after the reporting period

There were no events after the reporting period requiring disclosure in the financial statements.

The financial statements were authorised for issue by the Accounting Officer on the date of the Certificate and Report of the Comptroller and Auditor General.

