

Corporate and business plan: 2017-18 to 2019-20

Introduction

- 1.1 The Office for Budget Responsibility (OBR) provides independent and authoritative analysis of the UK's public finances. We are a non-departmental public body (NDPB) under the authority of the *Budget Responsibility and National Audit Act 2011*.
- 1.2 This *Corporate and business plan* sets out our key achievements in 2016-17, our business plan for 2017-18, and our corporate objectives and anticipated outputs and structure to 2019-20.

Statutory remit and structure of the OBR

- 1.3 The *Budget Responsibility and National Audit Act 2011* requires the OBR to examine and report on the sustainability of the public finances. This is a broad remit that allows us to analyse the public finances from many angles. We have complete discretion to set our own work programme, subject to meeting the following core annual requirements and guidance set out in the *Act* and the accompanying *Charter for Budget Responsibility*:
 - the production of at least two economic and fiscal 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* says that the Government intends to adopt the OBR's forecasts as the official forecasts for the annual Budget;
 - an assessment of the accuracy of our previously prepared economic and fiscal forecasts;
 - an analysis of the sustainability of the public finances, which since the 2015 update to the *Charter* must contain long-term fiscal projections every other year;
 - an assessment of the Government's performance against its 'welfare cap' on a subset of welfare spending and production of an annual report on trends in welfare spending; and

- following the recommendations of the HM Treasury review of the Office for Budget Responsibility and subsequent amendment to the *Charter*, production of a report on fiscal risks at least once every two years.¹
- 1.4 The *Charter* says 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. The *Act* and *Charter* also specify that we should not consider the effect of alternative policies and should not provide normative commentary on the particular merits of Government policy. Our Briefing paper No. 6: *Policy costings and our forecast* set out the process and methodology for our approach to policy costings.
- 1.5 Our independence is central to the effective delivery of our responsibilities. To support this we are required by the *Act* to carry out our activities objectively, transparently and impartially. To underpin this, our relationship with government departments is subject to a detailed memorandum of understanding that was reviewed and updated this year.²
- 1.6 The OBR comprises five members: the three members of the Budget Responsibility Committee (BRC) – Robert Chote (Chair), Sir Charlie Bean and Graham Parker CBE; and two non-executive members – Lord Burns and Sir Christopher Kelly, who was appointed by the Chancellor to replace Dame Kate Barker in June 2017. The BRC is solely responsible for the delivery of the OBR's core responsibilities. The non-executive members are required to keep the OBR's performance under review, and together with the BRC form the OBR's Oversight Board, which is chaired by Lord Burns. In 2014-15, consistent with the requirements of the *Act*, the non-executive members commissioned an external review of the OBR, carried out by Kevin Page, former Parliamentary Budget Officer in Canada. The review was published in September 2014.³ In 2015-16, the Treasury undertook its own review of the OBR, which was published in September 2015.⁴
- 1.7 The OBR employs a staff of civil servants to provide analytical and corporate support, led by the Chief of Staff – Andy King. This team expanded in 2016-17, in order to deliver the new fiscal risks report, to build resilience in delivery of our existing core responsibilities and to meet other recommendations of the Treasury's review of the OBR. At full complement, the staff team amounts to 27 people, up from 21 in 2015-16.
- 1.8 We are accountable to both the Chancellor of the Exchequer and Parliament for the analysis we produce and the way we use public funds. Our sponsor department is HM Treasury. A multi-year funding settlement for the period 2016-17 to 2020-21 was agreed with the Treasury in March 2016. This settlement provided an additional £500,000 in 2016-17 in order to fund the recommendations set out in the Treasury's review of the OBR. Our delegated budget for 2017-18 is £2.69 million.

¹ <https://www.gov.uk/government/publications/hm-treasury-review-of-the-office-for-budget-responsibility>

² http://budgetresponsibility.org.uk/docs/dlm_uploads/MoU_2017_updateWebPDF.pdf

³ http://budgetresponsibility.org.uk/wordpress/docs/External_review_2014.pdf

⁴ http://budgetresponsibility.org.uk/docs/dlm_uploads/HM_Treasury_review_of_the_OBR_03092015.pdf

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Objectives, outputs and structures

Objectives

- 1.9 The principal objective of the OBR is to provide independent and authoritative analysis of the UK's public finances. We aim to achieve this objective through:
- delivering high quality, objective and impartial economic and fiscal analysis, forecasts, long-term projections and risk assessment;
 - raising public understanding, by presenting our outputs clearly through published documents, the website, presentations and speeches;
 - ensuring we are fully transparent about the assumptions, judgements and methodologies that we use, and the conclusions we reach;
 - working effectively with stakeholders both inside and outside Government, while protecting our independence and taking full responsibility for the content of all our outputs; and
 - ensuring we have robust governance structures, are managed effectively and are transparent about how we work and our finances.

Outputs

- 1.10 We deliver our objectives through a range of outputs:
- we publish medium-term forecasts twice a year in our *Economic and fiscal outlook (EFO)* publication. We have published these forecasts alongside the Government's Budget and Autumn Statement fiscal events, incorporating the impact of any tax and spending policy measures announced at those events. This timetable is subject to change under the Treasury's plans to move to a single fiscal event each year. Our annual *Forecast evaluation report* examines what lessons we can learn from our recent forecasting performance;
 - in the *EFO*, we assess whether the Government has a greater than 50 per cent probability of hitting its fiscal targets – and whether relevant welfare spending will remain below the welfare cap commitment – under current policy. We also investigate the robustness of this judgement, given the uncertainty inherent in all fiscal forecasts;
 - in the run-up to Budgets and other policy statements, we subject the Government's draft costings of tax and spending measures to detailed challenge and scrutiny. We then state in the *EFO* whether we endorse the costings that the Government finally publishes as reasonable central estimates. We assign each costing a subjective uncertainty rating;
 - we assess the long-term sustainability of the public finances in our biennial *Fiscal sustainability report*. This sets out long-term projections for different categories of spending

and revenue, analyses the public sector's balance sheet and reports on summary indicators of long-term fiscal sustainability;

- we published a discussion paper on the content of our forthcoming *Fiscal risks report*, which we will produce every other year. The first full report will be published in July 2017;
- we publish an annual *Welfare trends report*, which looks in detail at the trends and drivers that influence spending on social security and tax credits;
- we undertake a variety of relevant research projects through the year. We publish Briefing papers, Working papers and Discussion papers to inform people about our work. We also provide a monthly commentary on the ONS public finances data;
- we answer enquiries on our forecasts and give evidence to parliamentary committees. BRC members and OBR staff also give talks and presentations at external events; and
- we produce an *Annual report* on our activities, together with our audited accounts.

Structures

1.11 We have a set of management, advisory and support structures to help us meet our objectives:

- the OBR's Oversight Board comprises the BRC members and the non-executive members. It is chaired by Lord Burns. The Board oversees the strategic aims of the OBR, reviews its performance and is responsible for the content and production of the *Annual Report*. The Audit & Risk Assurance Committee is a sub-committee of the Board. Its role is to ensure high standards of corporate governance and internal control;
- a management group, led by Robert Chote as the Chair of the OBR, has executive responsibility for the overall management of the OBR, responsible for implementing strategic decisions taken by the OBR and making any decisions relating to its day-to-day running;
- an advisory panel of technical experts advises us on our work programme and analytical methods. The panel was originally appointed in March 2011 and the membership was refreshed in 2015. It meets once a year and its members also provide further advice and comment on request from the OBR; and
- we purchase administrative support services from other Government departments. Finance, HR and security vetting support services are provided by HM Treasury under a Service Level Agreement. Accommodation and IS support services are provided by the Ministry of Justice.

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Achievements in 2016-17

- 1.12 The key achievements in 2016-17 were the delivery of the November 2016 and March 2017 *Economic and fiscal outlooks*, and the *Forecast evaluation report* and *Welfare trends report* in October 2016. We altered our usual publication timetable in 2016 following the outcome of the referendum on the UK's membership of the EU, postponing the long-term projections that we originally planned to publish in July in the *Fiscal sustainability report*. Instead, in July and subsequent months we published a selection of *Fiscal sustainability analytical papers*, the conclusions of which were not affected by the referendum. We published a full *Fiscal sustainability report*, including updated long-term projections, in January 2017. We also published a discussion paper on what to include in the first *Fiscal risks report*.
- 1.13 We published two working papers in 2016-17: Working Paper No. 9: *Fiscal sustainability and public spending on health* (published in September 2016) and Working paper No. 10: *Forestalling ahead of property tax changes* (October 2016).
- 1.14 We added new section to our website, where we provide more detailed information on each area of our fiscal and economic forecasts, and published a new brief guide to welfare spending. We also expanded the historical forecasts database to cover a much wider range of economic and public finance variables.
- 1.15 Finally, we published a set of audited accounts in July 2016 in our *Annual report and accounts* and continued publication of our monthly commentary on the public sector finances data.

Specific milestones in 2016 -17

June 2016	Meeting of the OBR advisory panel
July 2016	Publication of first batch of <i>Fiscal sustainability analytical papers</i>
	Publication of <i>Annual report and accounts</i>
September 2016	Publication of Working Paper No. 9: <i>Fiscal sustainability and public spending on health</i>
	Move offices from 20 Victoria Street to 102 Petty France
October 2016	Publication of <i>Forecast evaluation report</i> and <i>Welfare trends report</i>
	Publication of Working paper No. 10: <i>Forestalling ahead of property tax changes</i>
November 2016	Publication of autumn <i>Economic and fiscal outlook</i>
January 2017	Publication of <i>Fiscal sustainability report</i>
March 2017	Publication of spring <i>Economic and fiscal outlook</i>

Business activity plan for 2017-18

1.16 Our responsibilities have increased following the Treasury review of the OBR. In meeting our responsibilities, two business objectives will continue to guide the work of the OBR in 2017-18:

Business objective 1: Fulfil our duties under the *Act* and *Charter* to examine and report on the sustainability of the public finances

1.17 We will achieve this by:

- publishing our first *Fiscal risks report* in July 2017;
- publishing our next report *Welfare trends report* in autumn 2017;
- publishing our next *Forecast evaluation report* in autumn 2017. This will include the results of our first formal review of fiscal forecast models;
- producing updated economic and fiscal forecasts on dates set by the Chancellor of the Exchequer. The Treasury has announced the intention to move towards a single fiscal event, which may have implications for the timing of our future forecast publications;
- scrutinising the Government's costings of new policies;
- continuing to publish monthly commentary on the ONS public sector finances data;
- publishing further working papers and briefing material, with continued focus this year on using the website to deliver this material, as well as standalone documents;
- working with our advisory panel on our work programme and analytical methods;
- informing our analysis and methodological approaches by engaging widely with economic and fiscal analysts in Government and the private sector from across the UK and internationally;
- continue to develop our website to deliver a wider range of information for different audiences; and
- developing our communications strategy for external stakeholders.

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Business objective 2: 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

1.18 We will achieve this by:

- facilitating and working with our Oversight Board, and maintaining and developing appropriate corporate processes, including the first time we have run a process for replacing one of our non-executive members;
- making further progress on the recommendations of the External Review of the OBR and the Treasury review of the OBR;
- maintaining corporate and human resources policies and processes that will facilitate the hiring, retention and development of a skilled, highly motivated and professional staff. In particular we will:
 - monitor and assess the effectiveness of the performance appraisal system we have established for OBR staff;
 - continually review our staff structures against our deliverables to ensure any resource pressures are quickly identified and dealt with;
 - recruit for any vacancies that arise through open competitions; and
 - ensure staff are fully involved in the operation and development of the OBR through ongoing and open communication and consultation.
- ensuring independent financial reporting and accounting arrangements are in place, and maintain appropriate internal controls, working with our independent qualified Financial Adviser and endorsed by the Audit & Risk Assurance Committee. In particular we will:
 - ensure we have appropriate processes in place to record and monitor all financial transactions;
 - record hospitality and expenses and publish those of the BRC on the website;
 - keep our budget under review on a monthly, quarterly and annual basis, and provide appropriate reporting to the Oversight Board;
 - ensure we have an agreed strategy to live within our multi-year financial settlement;
 - produce and publish audited annual accounts within our *Annual report and accounts*; and
 - review support service contracts ahead of renewal to ensure value for money and appropriate level of service.

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- maintaining a security policy, business continuity plan and risk management plan that have been endorsed by our Audit & Risk Assurance Committee; and
- being transparent about the way we work and how we spend public funds, demonstrated by:
 - publishing our correspondence with Parliament and minutes of our Board meetings;
 - publishing a regular log of substantive contact that BRC members have with Treasury Ministers, Special Advisers and their private offices;
 - publishing records of hospitality and expenses of the BRC members, and all financial transactions over £500; and
 - publishing a transparent *Annual report and accounts*.

Key milestones in 2017-18

<i>Spring – Summer 2017</i>	Publication of the first <i>Fiscal risks report</i>
	Publication of the <i>Annual report and accounts</i>
<i>Autumn 2017</i>	Publication of the <i>Forecast evaluation report</i>
	Publication of the <i>Welfare trends report</i>
	Publication of the <i>Economic and fiscal outlook</i>
<i>Spring 2018</i>	Publication of the <i>Economic and fiscal outlook</i>

Outputs in 2018-19 and 2019-20

- 1.19 In 2018-19 and beyond, we currently expect to be required to deliver the same set of core outputs as set out above. There is a possibility that our remit may evolve further over the Parliament that has just commenced. We would report in future business plans on how we intended to deliver any new responsibilities.

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Resource management

Finances

- 1.20 The OBR is financed via a Grant-in-aid from HM Treasury. Robert Chote is the OBR's Accounting Officer. The OBR's Oversight Board has an Audit & Risk Assurance Committee that provides oversight of our internal control and risk management structures.
- 1.21 In March 2016 we agreed a new multi-year financial settlement with the Treasury covering the years from 2016-17 to 2020-21. A multi-year settlement allows us to be confident of our funding and plan across a number of years. Our funding settlement included an increased budget for additional members of staff to cover the new requirement for us to produce a fiscal risks report and other recommendations of the Treasury review of the OBR, including increasing the capacity and resilience of our team.
- 1.22 In 2017-18, over 80 per cent of our expenditure is expected to be on staff costs. The next single largest component of expenditure is accommodation, which is expected to be around 10 per cent of our total budget.
- 1.23 The OBR is committed to achieving value for money for the taxpayer and to be transparent about the way in which we spend public funds. Sharing services is important in reducing costs, and as a small organisation it makes sense financially to pool resource to achieve scale. We therefore purchase administrative support services such as IS, HR and finance from other departments. We publish hospitality and expenses of the BRC on a quarterly basis and all transactions over £500 on the website every six months. The pay and contracts of the BRC members are also published on our website. We publish a full set of audited *Annual report and accounts* each summer.

Staff

- 1.24 At full capacity, we currently have a headcount of 27 full-time OBR staff supporting the BRC and non-executive members. When the OBR was established in 2010, a number of our staff were transferred from HM Treasury in accordance with 'machinery of government' change guidelines. Since then our staff have been recruited on open competition from the wider Civil Service and other organisations. All OBR staff ultimately report to and are appraised by the Chair of the Budget Responsibility Committee.
- 1.25 The current OBR organisation structure is set out in the organogram below.

Organogram (July 2017)

Budget Responsibility Committee



Graham
Parker
CBE



Chairman
Robert
Chote



Prof. Sir
Charlie
Bean

Non-Executive Members



Lord
Burns



Sir
Christopher
Kelly

Andy King
Chief of staff

Strategy, operations and comms {4 staff members}	Economy analysis and forecast {6 staff members}	Receipts and fiscal forecast coordination {4 staff members}	Policy costings and devolved fiscal issues {3 staff members}	Spending forecast and coordination {3 staff members}	Welfare spending {2 staff members}	Fiscal risks and sustainability {4 staff members}
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