

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

## Contents

1	Introduction .....	2
2	Accountability and transparency.....	4
	Introduction .....	4
	Fiscal events and statements, and Economic and fiscal outlooks .....	5
	Balance sheet analysis and long-term fiscal projections.....	6
	Assessment of the accuracy of previous forecasts .....	7
	Analysis of trends in welfare spending.....	7
	Assessment of fiscal risks .....	8
3	Effective coordination .....	9
	Fiscal events and statements, and Economic and fiscal outlooks .....	9
	Analysis of fiscal sustainability and long-term fiscal projections.....	10
	Assessment of the accuracy of previous forecasts .....	10
	Analysis of trends in welfare spending.....	11
	Assessment of fiscal risks .....	11
	Further analysis and reporting .....	11
4	Regular information exchange .....	13
	Rights of access to information .....	13
	Pre-release access to reports.....	14
	Quality of information.....	16
	Efficiency of information collection .....	17
	Handling external requests for information.....	17
A	Key points to note.....	18

# 1 Introduction

- 1.1 The *Budget Responsibility & National Audit Act 2011* ('the Act') establishes the Office for Budget Responsibility ('the OBR'), giving it a statutory duty "to examine and report on the sustainability of the public finances" and requiring government departments to provide it with the information and assistance necessary to carry out that duty.
- 1.2 Under this primary legislation, at least twice each fiscal year the OBR must prepare economic and fiscal forecasts and assess the extent to which the Government's fiscal mandate has been met. And, at least once a year, it must assess the performance of its past forecasts and analyse the sustainability of the public finances. Secondary legislation, the *Charter for Budget Responsibility* ('the Charter'), also requires the OBR to publish an annual report on trends in welfare spending and, at least once every two years, to produce long-term fiscal projections and a report on fiscal risks.<sup>1</sup> The OBR's publications represent the collective view of the three independent members of the Budget Responsibility Committee (BRC).
- 1.3 The OBR has a responsibility to provide the Government with forecasts of detail, quality and timeliness sufficient to allow effective and efficient decision-making at fiscal events. It must also ensure that these forecasts are sufficiently transparent and well-explained to allow effective scrutiny and challenge by Parliament and other stakeholders. This requires a close working relationship between the OBR and departments and agencies that contribute information and analysis in the forecast process. The Act sets out some key principles that should underpin these working relationships. It gives the OBR:
- "complete discretion in the performance of its duty" (Section 5(i));
  - a requirement to "perform that duty objectively, transparently and impartially" (Section 5(ii));
  - "a right of access (at any reasonable time) to all Government information which it may reasonably require for the purpose of the performance of its duty" (Section 9(i)); and
  - an entitlement to "require from any person holding or accountable for any Government information any assistance or explanation which the Office reasonably thinks necessary for that purpose" (Section 9(ii)).
- 1.4 Building on that statutory foundation, this memorandum of understanding sets out an agreed framework for cooperation between the OBR and HM Treasury ('the Treasury'), the

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<sup>1</sup> The Act and Charter are available at: <http://budgetresponsibility.org.uk/topics/legislation-and-related-material/>

Department of Work and Pensions ('DWP') and HM Revenue and Customs ('HMRC'). It sets out the role of each and how they will work together based on three principles:

- **accountability and transparency:** the roles and responsibilities of each body must be clear and transparent, and respect the independence of the OBR;
- **effective coordination:** shared processes must be timetabled and monitored to reflect the complex interdependencies between the four bodies; and
- **regular information exchange:** information must be shared regularly to enable each body to discharge its responsibilities effectively.

1.5 This memorandum does not constitute a legally binding agreement. The responsibilities of the OBR set out in this memorandum are subject to the requirements of the Act and the guidance in the Charter. Departments' responsibilities with respect to the OBR as set out in this memorandum are also subject to the requirements of the Act. Each signatory organisation will designate a team or individual as the contact point for questions about compliance with this memorandum. The OBR will designate a contact point for questions about compliance from signatories or other institutions that work with the OBR.

1.6 The responsibilities placed on the OBR by the Act and Charter involve working closely with a number of departments and other public sector entities that are not signatories to this memorandum. The Act places responsibilities on all departments in terms of providing information and assistance to the OBR in fulfilling its remit, so all public sector bodies are encouraged to use this memorandum as a guide to working with the OBR on its forecasts and reports.

1.7 The OBR has additional responsibilities in respect of devolved fiscal issues, set out in the Scotland Act 2012 and Wales Act 2014. Separate memoranda of understanding will be agreed with relevant institutions in respect of these responsibilities, taking into account any relevant statutory responsibilities of the institutions involved.

## 2 Accountability and transparency

### Introduction

- 2.1 The Government is responsible for all policy decisions and any policy costings it publishes. The OBR is responsible for all forecast judgements (including the implications of policy decisions included in the forecast) and for the content of its publications and any other material it makes publicly available. The OBR's forecasts and analysis provide the foundation on which the Government bases its fiscal and economic policy decisions, although the Government can dissociate itself from the OBR's forecasts if it wishes.
- 2.2 The OBR will examine and report on the sustainability of the public finances. As set out in the Act and the Charter, its responsibilities will include:
- the production of at least two **fiscal and economic forecasts** each financial year, including independent scrutiny of Government costings and any resultant impact on the forecasts. The OBR presents these forecasts in its *Economic and fiscal outlook (EFO)*;
  - an **assessment of the extent to which the Government's fiscal targets have been achieved**, or are likely to be achieved, alongside those forecasts. The OBR sets out these assessments in its *EFOs*;
  - an **assessment of the accuracy of previous fiscal and economic forecasts** at least once each financial year. The OBR presents this assessment in its *Forecast evaluation report (FER)*;
  - an **analysis of the sustainability of the public finances** at least once each financial year, which must include long-term fiscal projections at least once every two years. The OBR presents its long-term projections in its *Fiscal sustainability report (FSR)*;
  - a **report on trends in welfare spending** at least once each financial year – considering trends and drivers of welfare spending, including sources of past forecast errors and longer-term trends in welfare spending. The OBR presents this analysis in its *Welfare trends report (WTR)*; and
  - a **report on fiscal risks** setting out the main risks to the public finances, including macroeconomic risks and specific fiscal risks, at least once every two years. The OBR presents this assessment in its *Fiscal risks report (FRR)*.
- 2.3 As provided for in the Act, in order to meet the minimum responsibilities set for it by Parliament (paragraph 2.2), the OBR will need to draw on forecasting and analytical resources across Government. The Treasury, DWP and HMRC will allocate appropriate

analytical resources, agreed by the relevant liaison group or process (paragraphs 3.3, 3.5, 3.7, 3.9 and 3.13) as reasonable and necessary. Representatives of the Policy Costings Steering Group or Welfare Policy Costings Steering Group (paragraph 3.3) will discuss OBR requests for resource from other government departments throughout the policy costings process.

2.4 In addition to paragraph 1.2, the OBR may also undertake any other analysis in accordance with the Act. To the extent that this involves drawing on the resources of departments or agencies, the OBR will ensure that sufficient time is available to discuss the availability of those resources and the timing of any publication.

2.5 This memorandum will be reviewed within three months of any future revisions to the Charter that change the OBR's responsibilities. In advance of any such changes, the Treasury will discuss with relevant signatories potential resource implications of any new OBR responsibilities that are planned. In addition, signatories of this memorandum may request a review of its contents and implementation at any time.

## **Fiscal events and statements, and *Economic and fiscal outlooks***

2.6 The responsibilities of the Treasury, DWP and HMRC in assisting the OBR to fulfil its responsibilities in respect of forecasting, scrutinising the Government's policy costings and assessing the Government's performance against its fiscal targets are as follows:

- **the Treasury** is responsible for fiscal policy. It will provide outturns for all public spending and forecasts for elements of it, including spending subject to departmental expenditure limits. It will also produce forecasts for financial transactions, including some government lending schemes and financial asset sales. Alongside the forecast returns (i.e. the numbers) provided to the OBR, the Treasury will where requested by the OBR provide a 'forecast note' that describes the forecast and sets out the main sources of change since the last published forecast and the previous round of the current forecast. It will make relevant staff available to attend 'forecast challenge meetings' – including, where requested by the OBR, in respect of forecasts provided by other departments – at which the BRC can scrutinise the evidence, assumptions and judgements underpinning each forecast. The Treasury will also give the OBR access to its in-year forecasting and monitoring of the public finances. It will provide the OBR with analysis of the direct impact of Government policies on the public finances for independent scrutiny (and the OBR will state whether it agrees or disagrees with the Government's costings or whether it has been given insufficient time or information to reach a judgement) and to inform the OBR's judgements on any resultant impact on its economic forecast;
- **DWP** will provide forecasts of benefit payments using its expertise on individual benefit regimes and its access to confidential benefit claimant data (which is not extended to the OBR (paragraph 4.1)). It will base these on economic determinants provided by the

OBR and the judgements and assumptions of the BRC. Alongside the forecast returns provided to the OBR, DWP will prepare a forecast note that describes the forecast and sets out the main sources of change since the last published forecast and the previous round of the current forecast. It will make relevant staff available to attend forecast challenge meetings at which the BRC can scrutinise the evidence, assumptions and judgements underpinning each forecast. DWP will monitor spending against these forecasts, and will work jointly with the Treasury to quantify the direct impact of relevant policies on the public finances. DWP will allocate appropriate analytical resources to the maintenance and development of its forecast models to ensure they remain fit for purpose; and

- **HMRC** will provide forecasts of tax revenues and spending associated with tax credits, child benefit and tax-free childcare, using its expertise on individual tax regimes and access to confidential customer data (which is not extended to the OBR (paragraph 4.1)). It will base these on economic determinants provided by the OBR, and the judgements and assumptions of the BRC. Alongside the forecast returns provided to the OBR, HMRC will prepare forecast notes that describe the forecasts and set out the main sources of change since the last published forecasts and the previous round of the current forecast. It will make relevant staff available to attend challenge meetings at which the BRC can scrutinise the evidence, assumptions and judgements underpinning each forecast. HMRC will monitor receipts against these forecasts, and work with the Treasury to quantify the direct impact of relevant policies on the public finances. HMRC will allocate appropriate analytical resources to the maintenance and development of its forecast models to ensure they remain fit for purpose.

2.7 The Forecast Liaison Group (FLG), described in paragraph 3.3, will meet periodically to consider the high-level working relations necessary for each body to deliver the responsibilities set out in paragraph 1.3. This should include the planning and allocation of information and analytical resources, coordination of the OBR's fiscal and economic forecasts, and the resolution of areas of dispute that cannot be resolved at working or senior official level. Ultimately, if neither bilateral nor FLG resolution procedures succeed, dispute resolution will be the responsibility of the Chair of the OBR and Permanent Secretaries. Any such escalation should be undertaken with reference to the requirements of the Act and the Charter.

## Balance sheet analysis and long-term fiscal projections

2.8 The responsibilities of the Treasury, DWP and HMRC in assisting the OBR to fulfil its responsibilities in respect of balance sheet analysis and long-term fiscal projections are as follows:

- **the Treasury** is responsible for fiscal policy. Where a policy has been set over the long term, the Treasury will explain its policy decisions to the OBR. It will also advise the OBR if the Government plans to respond to the OBR's long-term projections by announcing policy changes that would affect those projections. In that case, it will provide analysis of the direct impact of Government policies on the public finances to

the OBR for independent scrutiny. The Treasury is also responsible for publication of the Whole of Government Accounts (WGA). It will make its WGA experts available to attend meetings with the BRC and OBR staff and will provide information as requested to explain the data, assumptions and judgements that underpin the latest WGA publications and changes from the previous publication;

- **DWP** will provide long-term projections of state pensions and other benefit payments using its expertise on individual benefit regimes and its access to benefit claimant data (which is not extended to the OBR (paragraph 4.1)). It will base these on economic determinants provided by the OBR and the judgements and assumptions of the BRC. Alongside the projection returns (i.e. the numbers) provided to the OBR, DWP will provide a written explanation of the projections and make relevant staff available to attend challenge meetings at which the BRC can scrutinise the evidence and methodology underpinning each projection; and
- **HMRC** will make relevant staff available to work with OBR staff to prepare long-term projections or analysis on issues selected by the BRC.

## Assessment of the accuracy of previous forecasts

2.9 The responsibilities of the Treasury, DWP and HMRC in assisting the OBR to fulfil its responsibilities in respect of analysis of previous forecasts are as follows:

- **the Treasury** is responsible for the cross-government public spending database. It will make its officials available to work with OBR staff to prepare the outturn public spending data in the format against which the accuracy of previous forecasts will be analysed. It will also carry out analysis of the forecasts for which it has production responsibility (as set out in paragraph 2.6); and
- **DWP and HMRC** will provide analysis of the forecasts for which each has production responsibility (as set out in paragraph 2.6).

## Analysis of trends in welfare spending

2.10 The responsibilities of DWP, HMRC and the Treasury in assisting the OBR to fulfil its responsibilities in respect of analysis of trends in welfare spending are as follows:

- **DWP** will make relevant staff available to work with OBR staff to produce analysis of issues selected by the BRC that pertain to trends in welfare spending that is administered by DWP;
- **HMRC** will make relevant staff available to work with OBR staff to produce analysis of issues selected by the BRC that pertain to trends in welfare spending that is administered by HMRC; and
- **the Treasury** will make relevant staff available to work with OBR staff where relevant.

## Assessment of fiscal risks

2.11 The responsibilities of the Treasury, DWP and HMRC in assisting the OBR to fulfil its responsibilities in respect of assessing fiscal risks are as follows:

- **the Treasury** has ultimate responsibility for managing fiscal risks. It will provide the OBR with an assessment of fiscal risks, agreed by its internal Fiscal Risks Group, and set out any commercial or other sensitivities that might affect the use of that information in OBR reports. The Treasury will make any relevant models available to the OBR and will make relevant staff available to explain them. It will also make relevant staff available to provide information requested by the BRC on specific fiscal risks for which they are best placed to do so; and
- **DWP and HMRC** will make relevant staff available to provide information requested by the BRC in respect of specific risks – in particular, but not exclusively, in relation to benefit spending and the tax system.

## 3 Effective coordination

### Fiscal events and statements, and *Economic and fiscal outlooks*

- 3.1 Consistent with the Charter for Budget Responsibility, the date for publication of the OBR's forecasts will be set by the Chancellor. In the absence of exceptional circumstances, the Chancellor will give the OBR at least 10 weeks' notice of the chosen date.
- 3.2 Once notice has been received of the publication date, the OBR will consult and agree with the Treasury, DWP and HMRC the scope, timetable and process for delivery of the forecast. Given the iterative nature of the forecast process – with the economy forecast feeding into fiscal forecasts, which in turn feed into the economy forecast – this will involve a number of rounds. The OBR will send each round of the pre-policy-measures fiscal forecast to the Chancellor with an accompanying note. It will aim where possible to take potentially quantitatively significant judgements as early as possible in the process to limit movement between rounds. But all participants will recognise that the flow of new information – including data releases and new evidence from forecast contributors – will require the OBR to refine judgements until the final pre-policy-measures round of the forecast. The OBR will highlight in its notes to the Chancellor the areas where it expects to reflect new information or refine judgements in subsequent forecast rounds. The OBR will also ensure as far as possible that it gives reasonable advance notice of any changes to the timetable and process for delivery of the forecast.
- 3.3 The delivery of the fiscal and economic forecasts and policy costings will be supported by dedicated governance arrangements, including:
- the **Forecast Liaison Group (FLG)**, which will meet in the run-up to the fiscal and economic forecasts to plan and oversee their coordination and to discuss any resourcing or other issues that have been raised. It will be chaired by the OBR, with representatives from the Treasury, DWP and HMRC. Representatives from other departments will be invited to attend when appropriate. The OBR will set out its forward work plan beyond the next forecast at each FLG;
  - the **Policy Costings Steering Group (PCSG)**, which will meet regularly in the run-up to fiscal events to oversee the policy costings and certification processes. It will be chaired by the Treasury with representatives from the OBR and HMRC. The Treasury will as far as possible ensure that the flow of policy costings to the OBR is spread out through the forecast process, recognising that there are limits to the number of costings that the OBR can process in the immediate run-up to the relevant deadlines;

- the **Welfare Policy Costings Steering Group (WPCSG)**, which will also meet in the run-up to fiscal events to address issues specific to welfare spending policy costings. It will be chaired by the Treasury with representatives from the OBR, DWP and HMRC; and
- an **indirect effects process** will be coordinated jointly by the Treasury and OBR in the run-up to fiscal events, to consider the potential effects of policy decisions on the economic and fiscal forecast, beyond those reflected in the direct costings. This will include meetings at which departments present to the BRC their analysis of the potential wider economic effects of policies under consideration. Consistent with the Charter, final judgements about the indirect effects of policies on the economy and fiscal forecast are the sole responsibility of the OBR. The OBR will prepare and maintain guidance for the Treasury and departments on when the BRC is likely to judge that a measure should be considered through the indirect effects process and the requirements of that process.

## Analysis of fiscal sustainability and long-term fiscal projections

- 3.4 As underpinned by the Charter, the OBR retains complete discretion over the timing of its analysis of the sustainability of the public finances and publication of its long-term fiscal projections. It may choose to consult the Chancellor about the timing of its reports, but is not obliged to do so.
- 3.5 The OBR will coordinate with the Treasury in setting the timetable for analysing its Whole of Government Accounts publications and with DWP, HMRC and other departments in setting the timetable for preparing long-term fiscal projections. Challenge meetings will be held at which the BRC will scrutinise the evidence, assumptions and judgements underpinning the long-term projections provided by departments. If resourcing or other disputes should arise that cannot be resolved at staff/official level, issues can be escalated following the procedure set out in paragraph 2.7.

## Assessment of the accuracy of previous forecasts

- 3.6 As underpinned by the Charter, the OBR retains complete discretion over the timing of its assessment of the accuracy of previous forecasts. It may choose to consult the Chancellor about the timing of its *Forecast evaluation report (FER)*, but is not obliged to do so.
- 3.7 The OBR will coordinate the process by which forecasting departments submit analysis of the accuracy of selected forecasts that inform each *FER*. This analysis will inform systematic development of fiscal forecasting models, based on an assessment against a set of criteria that will be set by the OBR. If resourcing or other disputes should arise that cannot be resolved at staff/official level, issues can be escalated following the procedure set out in paragraph 2.7.

## Analysis of trends in welfare spending

- 3.8 As underpinned by the Charter, the OBR retains complete discretion over the timing of its analysis of trends in welfare spending. It may choose to consult the Chancellor about the timing of its *Welfare trends report (WTR)*, but is not obliged to do so.
- 3.9 The delivery of this analysis will be supported by a staff/official-level **Welfare Trends Liaison Group (WTLG)**, which will be chaired by the OBR and include representatives of DWP, HMRC and the Treasury. WTLG will set the timetable for contributions from departments. It will also perform the function of a ‘challenge meeting’ by discussing emerging findings and draft material to allow the OBR to draw on the analytical expertise of departments throughout the process of preparing the *WTR*.
- 3.10 The OBR will engage with departments on the content, timing and possible analysis required for the *WTR* at the earliest opportunity. This will allow departments to assess resource requirements at an early stage in the planning process. The OBR should take account of the level of resourcing required from other departments when planning the scope of the report.
- 3.11 If resourcing or other disputes should arise that cannot be resolved by the WTLG at staff/official level, issues can be escalated following the procedure set out in paragraph 2.7.

## Assessment of fiscal risks

- 3.12 As underpinned by the Charter, the OBR retains complete discretion over the timing of its report assessing fiscal risks. Given the Charter requirement that the Government must respond to the OBR’s report within a year, the OBR will consult the Chancellor about the timing for its *Fiscal risks report (FRR)* publication.
- 3.13 The delivery of the analysis underpinning the *FRR* will be supported by a staff/official-level **Fiscal Risks Liaison Group (FRLG)**, which will be chaired by the OBR and include representatives of the Treasury and other departments and agencies responsible for managing significant fiscal risks. FRLG will set the timetable for contributions from departments, including the requirements for returns, notes and challenge meetings (e.g. on fiscal stress tests or details of contingent liabilities). FRLG will also perform the function of a ‘challenge meeting’ by discussing emerging findings and draft material to allow the OBR to draw on the analytical expertise of departments throughout the process of preparing the *FRR*.
- 3.14 If resourcing or other disputes should arise that cannot be resolved by the FRLG at staff/official level, issues can be escalated following the procedure set out in paragraph 2.7.

## Further analysis and reporting

- 3.15 The Government may submit requests for the OBR to examine and report on areas of interest relevant to the sustainability of the public finances, consistent (as the Act requires)

with current government policy. The OBR retains complete discretion in determining its work programme and the timing of analysis, subject to its statutory responsibilities and available analytical resources. Requests and resulting reports will be published by the OBR.

3.16 The OBR has a statutory right of access to information and assistance from departments (see paragraph 4.1). As such, it may request additional analytical resources from the Treasury, DWP and HMRC for analysis set out in paragraphs 1.2 and 3.15. This will be subject to joint commissioning procedures that will be operated at staff/official level, with any disputes that cannot be resolved at that level escalated in line with the procedure set out in paragraph 2.7. The joint commissioning procedures will be:

- **requests for analytical resources** should take account of the scale and priorities of other demands, including Ministerial commissions, and departmental budget constraints. Workloads will be prioritised using clear and transparent processes; and
- the OBR will **provide a timetable for its analysis** to the Treasury, DWP and HMRC as relevant, and will promptly notify contributors of any changes to this timetable.

## 4 Regular information exchange

### Rights of access to information

- 4.1 The Act gives the OBR the right to full and timely access to all Government information relevant to the reports that the Charter requires it to produce and to any analysis it chooses to pursue under its overarching duty to examine and report on the sustainability of the public finances. The Treasury, DWP and HMRC will provide any information requested and (as required by the Act) assistance to understand it. This does not include confidential taxpayer and benefit claimant information.<sup>1</sup>
- 4.2 Consistent with the provisions of the Act, the OBR will have full access to the Treasury's macroeconomic models and, subject to data confidentiality, any other Government forecasting and analytical models that the OBR reasonably considers necessary to fulfilling its statutory duties. Where a model is shared, a memorandum of understanding will be agreed between the relevant signatories.<sup>2</sup> The OBR will also have the freedom to develop its own versions of these models, within the limits governing access to confidential information, including confidential taxpayer and benefit claimant information. The Treasury, DWP and HMRC will provide necessary assistance to allow the OBR to run these models on the basis of BRC assumptions and then to scrutinise and, where it chooses, use the outputs from these models. Resource implications of such access and assistance will be considered in accordance with paragraph 3.16. Any disputes that cannot be resolved at official/staff level can be escalated in line with the procedure set out in paragraph 2.7.
- 4.3 As required by the Charter, the Government will have full and timely access to information from the OBR, and assistance to understand it, as the Government regards reasonable and necessary in consultation with the OBR to fulfil its policymaking responsibilities. In particular, the OBR will provide the Government with timely access to the forecast information necessary to reach policy decisions ahead of fiscal events:
- **in normal circumstances**, the forecast timetable will take account of the schedule for key data releases to ensure that OBR forecast rounds can take on board new information as efficiently as possible to underpin the Government's policy decision-making processes. In these circumstances, the Government will expect to receive the first round of forecast information that it may require for policy decisions around 4 to 6 weeks ahead of a fiscal event;

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<sup>1</sup> The legal basis for the provision of information from HMRC to OBR will be for the purposes of HMRC's functions.

<sup>2</sup> The memorandum of understanding with respect to the macroeconomic model is available on the OBR website alongside this full memorandum at <http://budgetresponsibility.org.uk/topics/legislation-and-related-material/#mou>

- **where the OBR receives less than the normal notice** of a fiscal event set out in paragraph 3.1, or where the Government indicates it does not expect to make policy changes alongside an OBR forecast, this expectation of 4 to 6 weeks' notice will be reduced; and
- **the OBR will inform relevant departments of changes to assumptions about policy delivery that it will apply to pre-existing policies** as early in the forecasting process as is practicable. The OBR will also provide relevant departments with an explanation of those updated judgements upon request.

4.4 For conclusions and analyses other than the OBR's forecasts that may require a Government policy response, the OBR will provide early access to the relevant information in line with the principles in paragraph 4.3. The timing of pre-publication access for those reports where these principles apply will be agreed in advance, in consultation with the OBR on the basis of the OBR's planned publication programme.

## Pre-release access to reports

4.5 The OBR will provide the Treasury, DWP and HMRC as relevant with pre-release access to some or all of the content of its reports (listed in paragraphs 2.2 and 2.4) under specific circumstances. This will be for one of three reasons:

- **24-hour pre-release process** to the final version of all OBR reports;
- **exceptional pre-release access greater than 24 hours**, at the OBR's discretion, for draft reports relevant to Government publications or announcements; or
- **fact-checking**, subject to conditions set by the OBR, for elements of draft OBR reports where it chooses to seek the views of officials on that draft content.

### 24-hour pre-release access

4.6 The OBR will provide copies of the final versions of its reports to the Treasury 24 hours in advance of publication and will make no further changes thereafter. The OBR will provide copies of the relevant sections of these reports to DWP and HMRC on the same basis, including the full *Welfare trends report* to DWP. The purpose is to allow departments to quote and reflect accurately the final published version of relevant reports in ministerial statements, briefings and associated publications.

4.7 Once reports have been provided to the Treasury, DWP or HMRC, it will be for those departments to determine which Ministers, special advisors and officials need to see them and to ensure that none of their content is released before the OBR has published them. Upon request, departments will provide the OBR with a named list of Ministers, special advisors and officials that received the 24-hour pre-release copy.

## Exceptional pre-release access greater than 24 hours

- 4.8 The Treasury may request exceptional pre-release access greater than 24 hours to advanced drafts of OBR reports, which will be provided at the discretion of the OBR. Material provided on this basis will be restricted to a named list of Ministers, special advisors and/or officials. The OBR will publish the list of individuals that received the material, with the names of junior officials (below Senior Civil Service) withheld. The Treasury, DWP and HMRC will ensure that none of the content of the draft reports is released or briefed to the media or other outside persons before the OBR has published them.
- 4.9 The purpose of exceptional pre-release access on this basis is to allow departments to prepare ministerial statements, briefing and publications that will reflect and accompany the publication of an OBR report, where the department and the OBR agree that 24 hours would provide insufficient time to do so with sufficient guarantee of accuracy – for example because of the length or complexity of the report and/or the extent to which the department is likely to wish to refer to it in its own material. The most likely circumstances in which the OBR would grant such access is at Budgets and other fiscal statements, where somewhat earlier access to the *Economic and fiscal outlook (EFO)* is necessary to ensure the accuracy and relevance of the Treasury's Budget document and the Chancellor's accompanying statement to Parliament. In this instance, the OBR may provide draft *EFO* material a number of days in advance of it being finalised (typically on the Friday before a Wednesday statement).
- 4.10 During the time in which departments have exceptional pre-release access to OBR documents, the OBR is happy to receive factual comments (in line with paragraph 4.11), but it does not seek broader comments on the drafting of the document or the way in which analysis and conclusions have been described, which are matters for the OBR's Budget Responsibility Committee. It is important to emphasise that the OBR will continue working on the report over subsequent days, so the final report may well differ considerably from that provided on exceptional pre-release for reasons that have nothing to do with any solicited or unsolicited input from departments. Hence the OBR also providing 24-hour pre-release of the final version.

## Fact-checking process

- 4.11 Consistent with the Charter, the OBR may share material from its draft reports at an earlier stage if it requires factual comments on the content or presentation of analysis or forecasts that have been produced with the assistance of officials from the Treasury, DWP or HMRC. (A typical instance would be where the OBR wishes to check that it has correctly described or interpreted an as-yet unannounced government policy decision.) The OBR will determine which officials are given sight of its draft material for fact-checking. It will be at the OBR's discretion to allow departments to share the information more widely if officials believe that others within the department would be better placed to provide factual comments on a given issue. Information shared for fact-checking purposes will also be subject to confidentiality arrangements.

## Review by OBR non-executive members

- 4.12 The OBR's non-executive members provide additional assurance over how the OBR engages with departments during pre-release access periods. They will review any correspondence that OBR staff feel either breaches the requirements of this memorandum or could be construed as doing so. That review will take place over the two weeks following a publication and any concerns the non-executive members have will be raised with the Treasury's Permanent Secretary or the Treasury Select Committee, if they deem that to be appropriate.

## Quality of information

- 4.13 The OBR and the Treasury, DWP and HMRC will as far as possible ensure that shared information is of the quality necessary for each body to meet its responsibilities:
- **Treasury, DWP and HMRC officials must attend challenge meetings** as required by the BRC to explain their forecasts, long-term projections and other analysis. All final judgements and assumptions used in OBR forecasts, projections and other analysis will be decided by the BRC, informed by this challenge process. In the run up to economic and fiscal forecasts, OBR staff will explain the BRC's judgements to departments' officials in as timely a manner as is possible given other pressures during the forecast process;
  - **the OBR will coordinate an equivalent challenge process for its analyses of trends in welfare spending and fiscal risks**, at which its provisional judgements can be discussed with experts in the relevant departments. The BRC will determine whether and how the output of those challenge processes is reflected in the OBR's *Welfare trends report* and *Fiscal risks report*;
  - **OBR staff and Treasury, DWP and HMRC officials are expected to meet regularly outside forecasting periods** to scrutinise and challenge material policy and forecasting assumptions. It will be the responsibility of Treasury, DWP and HMRC officials to alert the OBR in a timely manner to forecast issues that are identified during their regular monitoring of incoming data, e.g. if a forecast judgement or policy costing appears to be off-track;
  - consistent with the Act, **Treasury, DWP and HMRC officials must not withhold information requested by the BRC**. Where the requested information already exists, it should be provided without delay. Where it requires further analysis or other assistance to prepare, the timing of such provision will be subject to discussion of resourcing issues (paragraph 3.16). The OBR will consider advice from departments' officials over the handling or publication of information if commercial or other sensitivities are deemed relevant; and
  - the OBR, the Treasury, DWP and HMRC will **expect and support staff to provide information that is objective and of necessary quality**, and this will be reflected through

performance management processes. Ultimate responsibility for these matters will reside with the Chair of the OBR and respective Permanent Secretaries.

## Efficiency of information collection

- 4.14 Signatories will work together to avoid duplication and to ensure efficiency as far as possible in their respective responsibilities. Where more than one body requires access to the same information, they may reach agreement as to who should collect it, and how it should be shared. In making such decisions, consideration should be given to the timing of any information requirements.

## Handling external requests for information

- 4.15 Consistent with the complete discretion afforded to the OBR by the Act, it will be the responsibility of the OBR to choose how and when (subject to paragraph 4.16) to respond to external queries on the data, analysis and judgements published in OBR documentation or underpinning OBR forecasts or long-term projections. The OBR will consult with other departments as necessary. Subject to paragraph 4.18, any requests for the release of supplementary information will be considered by the appropriate signatory, with consultation with other signatories as relevant. In the event of dispute between signatories over the appropriate institution to respond to a request for supplementary information, the issue can be escalated in line with the procedures set out in paragraph 2.7.
- 4.16 All releases of supplementary information should as far as possible follow the OBR's release policy, which states that information will be released on fixed dates and times each month.<sup>3</sup>
- 4.17 In the absence of exceptional circumstances and advance agreement by all relevant parties, all supplementary information will be based on the assumptions contained within the OBR's most recent relevant published analysis.
- 4.18 The OBR, the Treasury, DWP and HMRC will treat shared information in accordance with the requirements of the Freedom of Information Act 2000. Subject to this, and unless otherwise specified, signatories will not without prior consultation disclose shared information that is restricted, commercially sensitive or may otherwise harm the formulation and development of Government policies. Signatories reserve the right to place further conditions on the handling, disposal and retention of shared information.

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<sup>3</sup> Available at <http://budgetresponsibility.org.uk/download/release-policy/>

# A Key points to note

- A.1 This annex provides a brief summary of the roles and responsibilities that departments have in relation to the OBR in fulfilling its statutory duties. It is subordinate to the full MoU and the statutory requirements that underpin it.
- A.2 The OBR has a right to information and assistance from departments – including the Treasury, DWP and HMRC – where that relates to its work. Access to information is one of the key provisions of the *Budget Responsibility and National Audit Act* ('the Act'), the *Charter for Budget Responsibility* ('the Charter') and the Memorandum of Understanding ('the MOU'). The OBR has well-established processes that allow regular and timely exchange of information, including through forecast returns and challenge meetings. This allows the OBR to reach its judgements, which reflect the collective view of the three independent members of the Budget Responsibility Committee ('the BRC').
- A.3 In terms of the forecast process, the key points that officials should be aware of include:
- the Act, the Charter and the MOU require the Treasury, DWP and HMRC to provide all information the OBR needs to produce a central economic and fiscal forecast;
  - under the Act, this duty extends to all departments, even where they are not covered by the MOU explicitly;
  - the information needs to be sufficiently detailed (particularly on areas where there are risks and uncertainties, or wherever there are judgements and assumptions involved in the forecast) for the BRC to be confident that they are sufficiently well informed to make the judgements necessary to produce a central forecast;
  - the BRC also need to be fully briefed on the methodology used in each area of the forecast, so that they can assure themselves that it is appropriate to produce a central forecast, or can make any changes they think necessary; and
  - these principles are embedded in existing processes, but it is worth being aware that the BRC is asked to account for them publicly at each forecast. (At the beginning of each Treasury Select Committee (TSC) hearing, the TSC chairman typically asks the BRC whether any information that it needed was withheld, or if any department was not as forthcoming as the OBR needed it to be, or if any undue pressure was placed on the BRC to alter their conclusions).
- A.4 In some areas of government, forecast providers face issues of sensitivity in providing information, because, for example:

- the data relate to areas where Ministers have policy targets that are not on track to be met;
- the data relate to areas where the department does not want to be seen to be making a forecast; or
- the data relate to areas where there is commercially sensitive information, or politically sensitive negotiations.

A.5 In these areas, the OBR requires departments to be open with them – consistent with the requirements of the Act – both in terms of supplying full information and in explaining the sensitivities attached to that information. The OBR will use that information to produce what the BRC judges to be a central forecast. Departments are free to disagree with that forecast and the OBR will explain where its judgements differ from policy assumptions.

A.6 The OBR will also protect sensitive information. For instance, it would not release details of a policy that has not yet been announced or of how a policy changed during the process of being formulated. Nor would it release information that would prejudice commercially sensitive information or politically sensitive negotiations.

A.7 The OBR would always prefer to work openly with forecast providers in fully discussing their forecasts, and if necessary discussing what assumptions might be made that would protect any sensitivities that genuinely need to be protected. In the absence of such full and open discussions, the risk of forecast errors will be greater and the OBR may have to explain that it was not fully informed.

A.8 For reference, the appropriate sections of each of our governance documents are:

- **Budget Responsibility and National Audit Act 2011**, Part 1, Section 9, Right to Information;
- **Charter for Budget Responsibility**: paragraphs 4.13 to 4.14; and
- **Memorandum of Understanding**: paragraphs 4.1, 4.2, 4.13 and 4.15.

A.9 These are all available via <http://budgetresponsibility.org.uk/independence/legislation-and-related-material/>

A.10 For more information on how these principles apply, please speak to your main forecast contact or Mark Dembowicz ([mark.dembowicz@obr.gsi.gov.uk](mailto:mark.dembowicz@obr.gsi.gov.uk), 0203 334 6101).