

# Communications: case study of the UK's Office for Budget Responsibility

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# Outline of presentation



- 1) Objectives of approach to communication**
- 2) Increasing transparency**
- 3) Communication channels**
- 4) Communication ‘strategy’**



# 1. Objectives of approach to communication

## Credibility, independence, transparency

- **Provide credible, independent, transparent analysis**
- **Transparency is key: “I was convinced...that the biggest contribution we could make to the quality of fiscal policy and debate was to increase significantly the transparency of official fiscal forecasts and analysis”**

*Robert Chote, 2013, Britain's fiscal watchdog: a view from the kennel*

- **Why is transparency so important?**
  - **Improve public understanding and policy debate**
  - **Build trust in the council**
  - **Analytical self-discipline**

# 2a. Increasing transparency

## Full detail on assumptions and models

### A. Determinants of the fiscal forecast

	Percentage change on previous year unless otherwise specified						
	Outturn			Forecast			
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>GDP and its components</b>							
Real GDP	2.2	0.5	1.0	2.3	2.8	3.1	3.0
Nominal GDP (£ billion) <sup>1</sup>	1478	1521	1576	1652	1740	1839	1941
Nominal GDP <sup>1</sup>	5.1	2.9	3.6	4.8	5.3	5.7	5.6
Nominal GDP (centred end-March)	3.4	3.3	4.3	5.1	5.5	5.7	5.4
Wages and salaries <sup>2</sup>	1.5	1.7	2.1	4.1	5.2	5.6	5.6
Non-oil PNFC profits <sup>2,3</sup>	-1.0	11.9	4.7	6.9	9.6	9.4	9.2
Non-oil PNFC net taxable income <sup>2,3</sup>	5.1	15.0	6.8	7.2	7.3	6.8	6.5
Consumer spending <sup>2,3</sup>	5.4	3.2	3.8	3.9	4.8	5.6	5.6
<b>Prices and earnings</b>							
GDP deflator	2.7	2.2	2.7	2.5	2.5	2.5	2.5
RPI (September)	4.6	5.6	3.0	2.3	2.6	3.7	4.0
CPI (September)	3.1	5.2	2.6	1.9	1.9	2.0	2.0
Whole economy earnings growth	0.9	2.1	2.4	3.5	4.4	4.5	4.6
<b>Key fiscal determinants</b>							
Claimant count (millions) <sup>4</sup>	1.47	1.58	1.66	1.61	1.49	1.31	1.16
Employment (millions)	29.1	29.1	29.1	29.3	29.5	29.8	30.1
VAT gap (per cent)	10.1	9.7	9.3	9.3	9.3	9.3	9.3
<i>Financial and property sectors</i>							
Equity prices (FTSE All-share index)	2885	2917	3138	3290	3465	3662	3866
HMRC financial sector profits <sup>1,3,5</sup>	4.0	-10.0	3.7	6.8	5.4	4.0	3.4
Financial sector net taxable income <sup>1</sup>	11.6	-6.0	2.4	8.2	7.1	7.0	6.5
Residential property prices <sup>6</sup>	5.3	-0.7	-0.6	0.5	3.3	4.5	4.5
Residential property transactions	-1.7	1.5	-1.5	18.8	15.6	7.4	6.2
Commercial property prices <sup>7</sup>	0.1	2.9	0.9	4.5	5.5	5.1	4.1
Commercial property transactions <sup>7</sup>	8.5	-3.3	-0.8	1.8	4.7	5.9	5.9
Volume of share transactions	-13.0	-16.0	2.4	2.3	2.8	3.1	3.0
<i>Oil and gas</i>							
Oil prices (\$ per barrel) <sup>3</sup>	80	111	118	112	105	99	95
Oil prices (£ per barrel) <sup>3</sup>	52.0	69.2	74.4	70.2	65.9	62.5	60.0
Gas prices (p/therm)	43.4	60.6	63.4	63.5	59.6	56.1	53.6
Oil production (million tonnes) <sup>3,8</sup>	63.0	51.9	48.3	47.7	47.2	46.6	44.7
Gas production (billion therms) <sup>3,8</sup>	20.6	16.1	16.1	15.9	15.6	15.6	14.9
<i>Interest rates and exchange rates</i>							
Market short-term interest rates (per cent) <sup>9</sup>	0.7	1.0	1.0	0.8	1.0	1.7	2.3
Market gilt rates (per cent) <sup>10</sup>	2.8	2.2	2.3	2.8	3.2	3.5	3.8
Euro/Sterling exchange rate	1.18	1.16	1.18	1.18	1.18	1.17	1.17

### B. Change in oil and gas revenue forecast

	£ billion					
	Forecast					
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
December forecast	7.3	6.7	6.0	4.9	4.6	4.4
March forecast	6.5	6.8	6.1	4.7	4.8	4.3
<b>Change</b>	<b>-0.8</b>	<b>0.1</b>	<b>0.1</b>	<b>-0.2</b>	<b>0.1</b>	<b>-0.1</b>
<i>of which:</i>						
Oil and gas production	-0.3	-0.3	-0.1	-0.1	-0.1	0.0
Expenditure	0.0	-1.7	-1.5	-1.7	-1.6	-2.0
Sterling oil price	0.0	1.2	0.8	0.6	0.6	0.5
Gas price	0.0	1.0	1.0	1.0	1.1	0.8
Inflation	0.0	0.0	0.1	0.1	0.1	0.1
Latest outturns and modellin	-0.6	-0.2	-0.2	-0.1	0.0	0.5

### C. Detailed reports on models/approaches

Office for  
**Budget  
Responsibility**

Briefing paper No. 1  
**Forecasting the public finances**

Office for  
**Budget  
Responsibility**

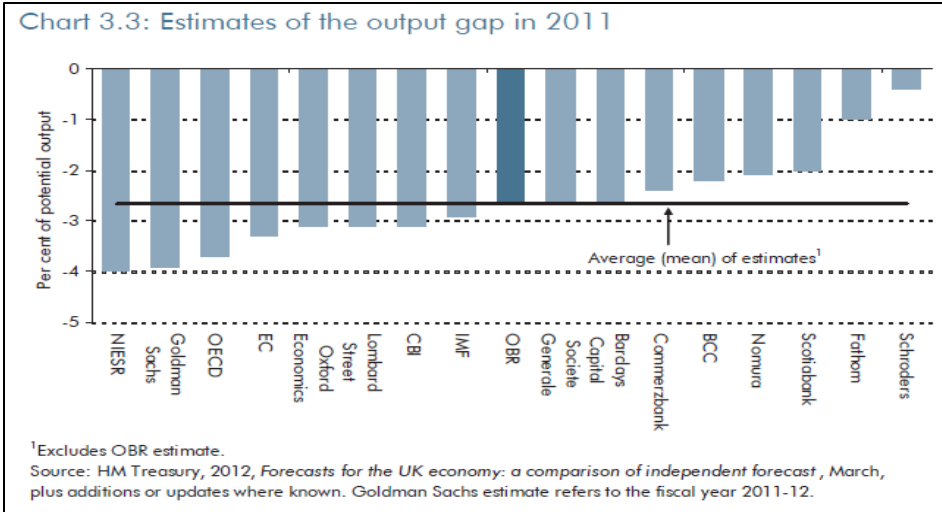
Briefing paper No. 5  
**The macroeconomic model**



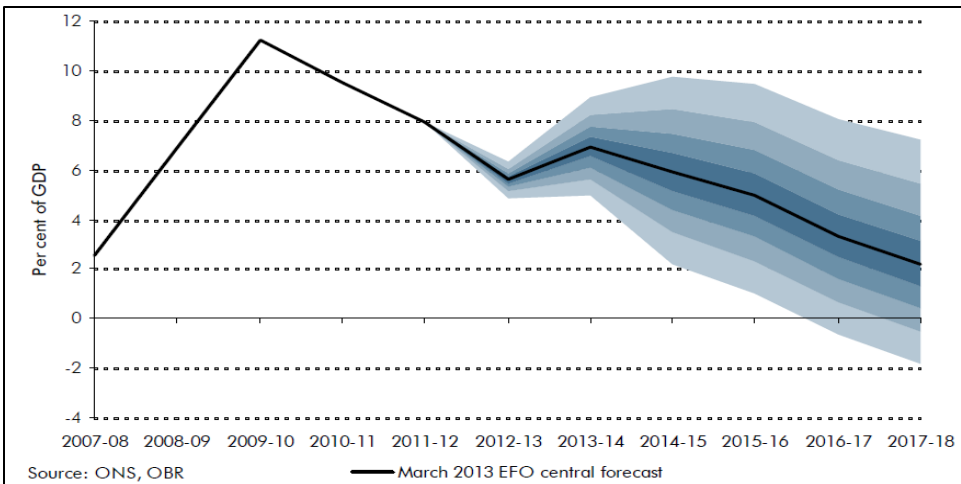
# 2b. Increasing transparency

## Recognize and analyze uncertainty

### A. External comparisons: e.g. output gaps



### B. Fan charts: e.g. overall borrowing



### C. Sensitivity analysis: e.g. interest rates

Per cent of GDP	Change in gilt rate (bps)					
	-50	0	50	100	150	200
Cyclically-adjusted current budget balance in 2017-18	1.0	0.8	0.5	0.2	0.0	-0.2
Change in public sector net debt between 2014-15 and 2015-16	2.3	2.4	2.6	2.7	2.8	2.9

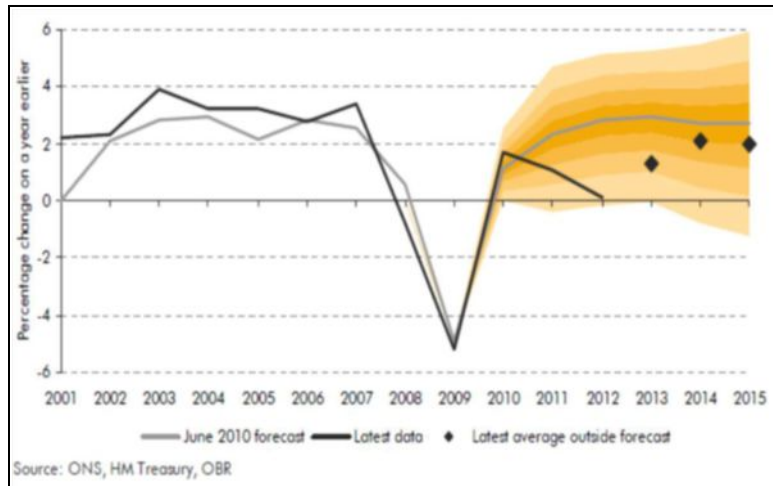
### D. Alternative economic scenarios

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Central forecast</b>						
<b>Economic assumptions</b>						
GDP (percentage change)	0.5	1.0	2.3	2.8	3.1	3.0
CPI inflation (Q3)	4.7	2.6	1.9	1.9	2.0	2.0
ILO unemployment (% rate)	8.3	8.7	8.5	7.9	7.0	6.1
Output gap	-2.6	-2.7	-2.4	-1.9	-1.1	-0.4
<b>Fiscal impact (per cent of GDP)</b>						
Public sector net borrowing	8.3	5.8	5.9	4.3	2.8	1.1
CACB	-4.6	-4.2	-2.7	-1.5	-0.7	0.5
Public sector net debt	67.3	71.9	75.0	76.3	76.0	74.3
<b>OECD stylised downside scenario in the euro area</b>						
<b>Economic assumptions</b>						
GDP (percentage change)	0.5	-1.9	-0.2	2.3	2.8	3.0
CPI inflation (Q3)	4.7	2.4	-0.6	0.0	0.7	0.8
ILO unemployment (% rate)	8.3	9.8	10.7	10.5	9.8	9.0
Output gap	-2.6	-5.1	-6.0	-5.1	-4.4	-3.7
<b>Fiscal impact (per cent of GDP)</b>						
Public sector net borrowing	8.3	7.5	8.8	7.6	6.3	4.6
CACB	-4.6	-4.7	-3.4	-2.5	-1.9	-0.7
Public sector net debt	67.3	75.6	83.7	88.9	92.2	93.5
<b>Temporary oil price spike</b>						
<b>Economic assumptions</b>						
GDP (percentage change)	0.5	0.3	2.3	3.0	3.3	3.2
CPI inflation (Q3)	4.7	4.4	1.5	1.6	1.6	1.5
ILO unemployment (% rate)	8.3	9.0	8.7	8.1	7.1	6.2
Output gap	-2.6	-3.3	-3.1	-2.4	-1.4	-0.4
<b>Fiscal impact (per cent of GDP)</b>						
Public sector net borrowing	8.3	6.0	6.1	4.5	3.1	1.3
CACB	-4.6	-4.1	-2.5	-1.4	-0.8	0.2
Public sector net debt	67.3	72.5	75.9	77.2	76.9	75.2

# 2c. Increasing transparency

## Ex post forecast evaluation

### A: 2010 GDP fan chart and latest outturn



### C: Forecast error decomposition: revenue

	£ billion						
	Forecast	Outturn	Error	of which:			
				Economic factors	Fiscal forecasting errors	Policy changes	Classification changes
Income tax and NICs	259.0	254.3	-4.7	-2.9	-3.1	1.2	0.0
<i>of which: Pay as you earn</i>	133.3	133.9	0.6	0.4	-0.3	0.6	0.0
<i>Self-assessment</i>	24.2	20.3	-3.9	-1.7	-2.4	0.3	0.0
<i>NICs</i>	103.3	101.6	-1.7	-0.3	-1.8	0.4	0.0
Value added tax	96.9	98.1	1.2	-1.3	2.5	0.0	0.0
Onshore corporation tax	38.4	33.8	-4.6	-1.4	-3.2	0.0	0.0
UK oil and gas receipts	10.2	11.3	1.1	-1.1	0.7	1.5	0.0
Fuel duties	28.9	26.8	-2.1	0.1	0.1	-2.3	0.0
Business rates	25.7	25.0	-0.7	0.1	-0.6	-0.2	0.0
Council tax	26.0	26.0	0.0	0.0	0.0	0.0	0.0
Excise duties	19.2	20.1	0.9	0.3	0.5	0.1	0.0
Capital taxes	15.9	16.2	0.3	-1.9	2.2	0.0	0.0
Other taxes	37.4	39.4	2.0	0.1	1.2	0.4	0.3
<b>National Accounts taxes</b>	<b>557.6</b>	<b>550.9</b>	<b>-6.7</b>	<b>-8.0</b>	<b>0.2</b>	<b>0.8</b>	<b>0.3</b>
Interest & dividend receipts	5.5	5.8	0.3	-2.8	0.6	0.0	2.4
Other receipts	21.1	19.8	-1.3	0.0	-0.3	0.0	-1.0
<b>Current receipts</b>	<b>584.2</b>	<b>576.4</b>	<b>-7.8</b>	<b>-10.8</b>	<b>0.5</b>	<b>0.8</b>	<b>1.7</b>

### B: Forecast error decomposition: GDP

	Percentage points						
	Private consumption	Private investment	Total Government	Net trade	Stocks	GDP	Statistical discrepancy
June 2010 forecast							
2010	2.8	0.2	1.2	-0.8	1.1	4.4	0.0
2011	2.8	1.3	-0.1	0.1	0.3	4.4	0.0
2012	2.8	1.7	-0.1	0.6	0.0	5.0	0.0
Latest data							
2010	3.3	0.8	0.4	-0.7	1.0	4.8	0.0
2011	2.3	0.3	-0.2	0.6	0.5	3.5	0.0
2012	2.4	0.2	0.4	-0.7	-0.3	1.8	-0.2
Difference <sup>1</sup>							
2010	0.5	0.7	-0.8	0.2	-0.1	0.4	0.0
2011	-0.5	-1.1	0.0	0.5	0.2	-1.0	0.0
2012	-0.3	-1.5	0.5	-1.3	-0.3	-3.2	-0.2

<sup>1</sup> Difference in unrounded numbers.

# 2d. Increasing transparency

## Process and internal governance

### A: Log of contact with Ministers

Office for  
Budget  
Responsibility

Log of substantive contact between the Office for Budget Responsibility and Treasury Ministers, Shadow Ministers, Special Advisers and their private office staff between 6 December 2013 and 18 March 2014

Date	Which Ministers, Offices or Special Advisers?	Type of contact	Brief summary of discussion/purpose
31/01/2014	Chancellor, Chief Secretary, Chancellor's and CST's office officials, special adviser, other Treasury officials	Email	Note on the first round economy forecast
13/02/2014	Chancellor, Chief Secretary, Chancellor's and CST's office officials, special adviser, other Treasury officials	Email	Note on the first round fiscal forecast
26/02/2014	Chancellor, Chief Secretary, Chancellor's and CST's office officials, special adviser, other Treasury officials	Email	Note on the second round economic and fiscal forecast
27/02/2014	Shadow Chancellor of the Exchequer	Meeting	To discuss policy costings process
07/03/2014	Chancellor, Chief Secretary, Chancellor's and CST's office	Email	Note on the third round economic and

### B: Description of forecast process and timetable

highlight the uncertainties around many of these costings.

- We then produced a third economy and fiscal forecast, which allowed us to take on latest data and to ensure that our judgements on the fiscal forecast had been incorporated. We finalised this forecast and sent it to the Chancellor on 7 March, and we met with him and Treasury officials to discuss it on 10 March. Alongside our third fiscal forecast, we provided a pre-measures forecast of spending subject to the Government's new welfare cap.
- During the week before publication we produced our final forecast, incorporating the effects of the final package of policy measures. We were provided with final details of all major policy decisions with a potential impact on the economy forecast on 11 March. We provided the Treasury with our final post-measures forecast on 13 March. Our final fiscal forecast included the direct fiscal effects of the full set of Budget policy decisions, the final version of which was provided to us on 14 March.
- At the Treasury's written request, and in line with pre-release access arrangements for data releases from the ONS, we provided the Chancellor with a full draft of the EFO

### C: Detailed annual report and accounts

Office for  
Budget  
Responsibility

Annual report and accounts 2013-14

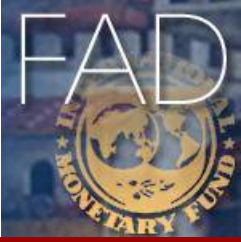
### D: Quarterly expenditure above £500

Office for  
Budget  
Responsibility

Expenditure over £500, April 2013 – September 2013

The Office for Budget Responsibility is committed to transparency in its use of public funds. The release of information covers expenditure to single suppliers to the OBR in excess of £500. The table below also includes instances where cumulative transactions to a single supplier in excess of £500 within the period covered by this release. The information below does not include any detail on remuneration or reimbursement of staff.

Supplier	Transaction description	Value (£)
The Stationery Office	Printing and publishing of the March 2013 <i>Economic and fiscal outlook</i> , the 2013 <i>Annual Report</i> , and the July 2013 <i>Fiscal sustainability report</i> .	9,092
Pynk and Fluffy	Website maintenance	1,440
National Audit Office	Audit of the Office for Budget Responsibility	20,000
Government Economic Service	Annual membership charges	2,278



## **2e. Increasing transparency**

### **Limits on transparency?**

**Some limits in practice:**

- 1) Legal restrictions: e.g. some taxpayer information**
- 2) Internal workings/debate prior to final judgments**
- 3) Obscure/unconsidered model outputs**

**Ultimately would consider requests consistent with UK's Freedom of Information laws**





# 3a. Communication channels

## Primary route: reports available via website

Office for Budget Responsibility

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Economic and fiscal outlook

March 2014

Office for Budget Responsibility

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Fiscal sustainability report

July 2014

Office for Budget Responsibility

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Forecast evaluation report

October 2014

Office for Budget Responsibility

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"It is the duty of the Office to examine and report on the sustainability of the public finances"

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Core publications

- Economic and fiscal outlook
- Fiscal sustainability report
- Forecast evaluation report
- Welfare trends report

A brief guide to the public finances

### Budget deficit rises in first half of 2014-15



Public sector net borrowing is up £5.4 billion year-on-year in the first half of 2014-15. While income tax receipts are expected to be end-loaded this year due to income shifting around last year's cut in the additional rate of income tax, genuine weaknesses mean it is looking likely that our full year receipts growth forecast will not be met.

Read more...

What we do

The Office for Budget Responsibility:

- produces forecasts for the economy and public finances,
- judges progress towards the Government's fiscal targets,
- assesses the long-term sustainability of the public finances,
- scrutinises the Treasury's costing of tax and welfare measures.

[...read more](#)

Topics

- Public finance forecasts
- Monthly public finance data
- Economic forecasts
- Long term sustainability
- Policy costings
- Forecast performance

### What else is new

[First Welfare trends report published](#)

16th October 2014

Our first Welfare trends report looks back at the past three decades of welfare spending and forward to prospects over the coming five years. We consider the key risks to our forecast for welfare spending, both inside and outside the Government's 'welfare cap'. Supporting documents can be accessed via the main Welfare trends report page [...]

What's coming

- 21

NOV

Public finances release
- 3

DEC

Economic and fiscal outlook
- 19

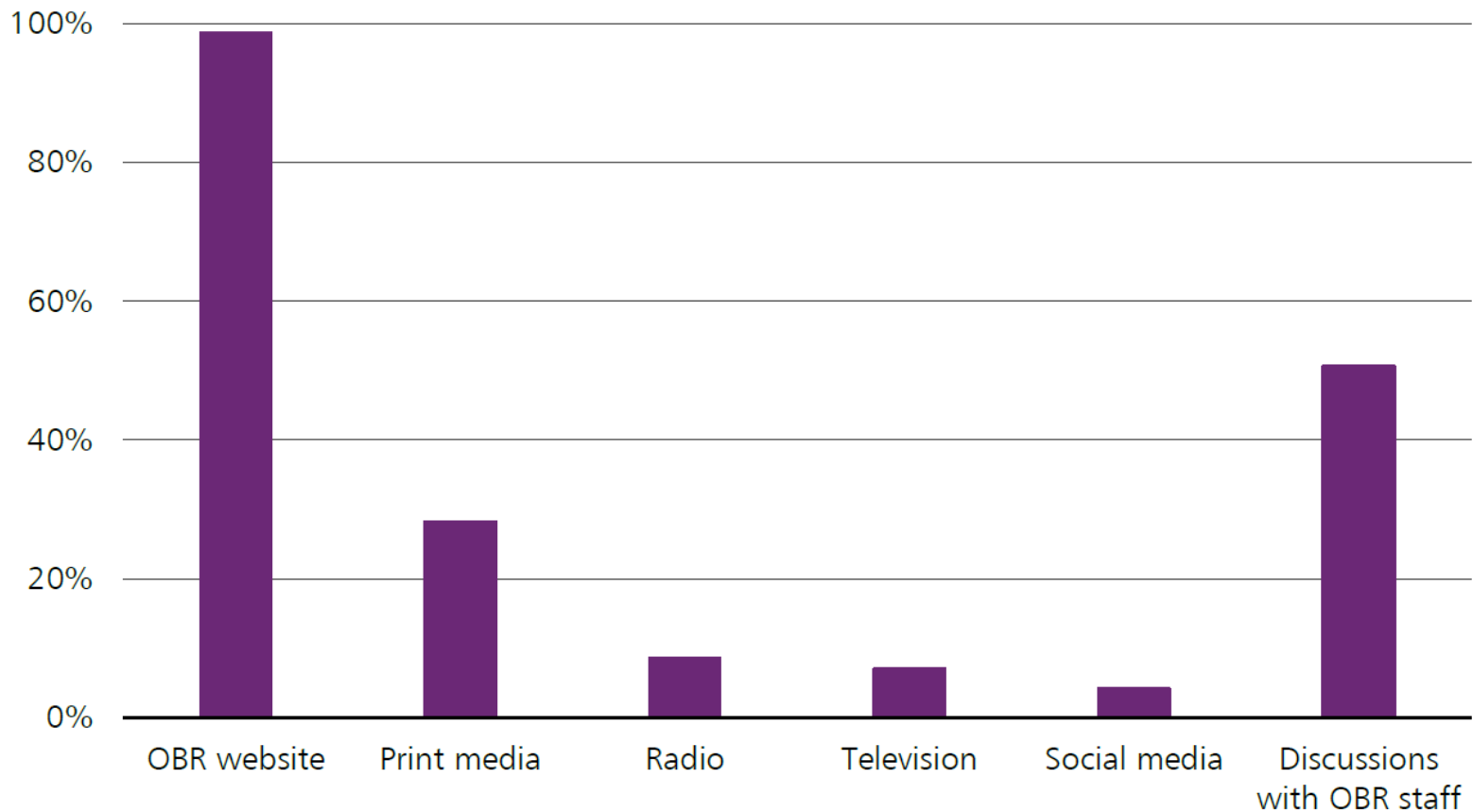
DEC

Public finances release

# 3b. Communication channels

## Website is main access point for reports

Chart 7.I: Stakeholder responses to survey question 'How do you access OBR reports? Please select all that apply'



Source: Review stakeholder survey results.

# 3c. Communication channels

## Supplementary routes



- 1) **Press conference – alongside main reports (4 per year)**
- 2) **Parliamentary committee hearing – 2/3 times per year**
- 3) **Press interviews – alongside main report, occasional other times**
- 4) **Press questions – mainly technical and handled by staff**
- 5) **Other – speeches (1/2 per year), seminars, stakeholder meetings**

# 3c. Communication channels

## Target audiences

- 1) The Government and the Treasury
- 2) Parliamentarians
- 3) Economic and financial media
- 4) UK and international analysts

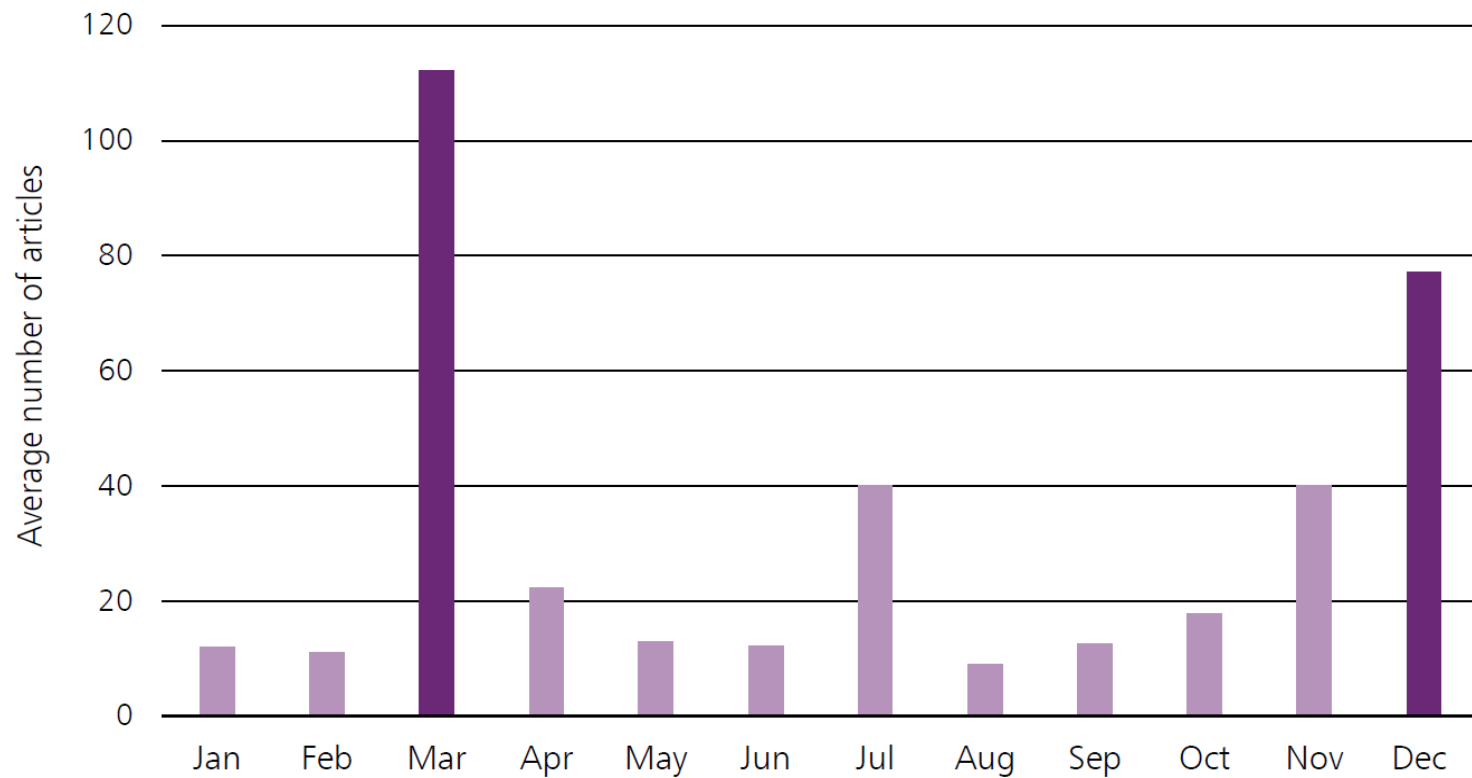


# 4a. Communication 'strategy'

Direct and active/proactive around release of core outputs, generally lower profile at other times

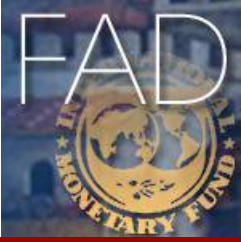


Chart 7.J: Average number of articles each month featuring 'Office for Budget Responsibility' or 'OBR' (October 2010 to June 2014)



Source: Review team analysis of Factiva.

Note: given the parameters of the search, these results are indicative of a broad trend rather than a definitive measure of all articles and whether they were positive, neutral or negative in tone.



# 4b. Communication 'strategy'

## Limited high profile interventions outside release of core outputs

Away from core reports:

- generally low profile: responding to technical questions, seminars, stakeholder outreach, 'context' speeches

- limited high-profile interventions. Only within remit and when analytical case is very clear:

- ▶ Greater impact
- ▶ Less risk of setting precedents
- ▶ Less risk to reputation for independence

Dear Prime Minister

I note that you said in your speech on the economy yesterday:

"As the Independent Office for Budget Responsibility has made clear, growth has been depressed by the financial crisis, by the problems in the eurozone and by a 60% rise in oil prices between August 2010 and April 2011. They are absolutely clear, and they are absolutely independent. They are absolutely clear that the deficit reduction plan is not responsible; in fact, quite the opposite."

For the avoidance of doubt, I think it is important to point out that every forecast published by the OBR since the June 2010 Budget has incorporated the widely held assumption that tax increases and spending cuts reduce economic growth in the short term.

To date our forecasts have used 'multipliers' that imply that every £100 of fiscal consolidation measures reduce GDP in that year by around £100 for

Last updated: March 8, 2013 8:16 pm

### OBR hits back at Cameron on austerity

By Claire Jones and George Parker

David Cameron has been rebuked by his own budget watchdog for trying to spin his way out of economic difficulty, after the prime minister suggested that austerity was not to blame for the lack of growth.

Mr Cameron claimed this week that the coalition's deficit reduction plan was not responsible for the flatlining economy, blaming instead the financial crisis, a 60 per cent rise in oil prices and eurozone problems.



But the prime minister's claim that the Office for Budget Responsibility endorsed his view brought a stinging letter from Robert Chote, the fiscal watchdog's chairman, who said all OBR forecasts concluded that "tax increases and spending cuts reduce economic growth in the short term".

More

ON THIS STORY

Janan Ganesh Better make this



## 4c. Communication ‘strategy’

### Context and objective (revisited)

- Remit: focused on forecasting and analysis, no policy recommendations, no analysis of alternative policies
- Institutional: new, small, initially lacked credibility
- Leadership: pre-existing reputations, experience with media

➔ Build institutional reputation through track-record of credible, independent, transparent analysis; rather than by “making waves”