

BUDGET RESPONSIBILITY AND NATIONAL AUDIT ACT 2011

EXPLANATORY NOTES

COMMENTARY ON SECTIONS AND SCHEDULES

Part 1: Budget Responsibility

Section 4: Main duty of Office

34. *Subsection (1)* establishes that the Office's main duty is to examine and report on the sustainability of the public finances.
35. *Subsection (2)* provides that the duty of the Office includes the matters set out in *subsections (3) and (4)*. The Office is not limited to these products and can also choose to report on other matters relating to the sustainability of the public finances in pursuance of its main duty.
36. *Subsections (3) and (4)* make provision for the Office's "core functions", which must be exercised by the Budget Responsibility Committee (see *paragraph 9 of Schedule 1*).
37. *Subsection (3)* requires the Office to prepare fiscal and economic forecasts at least twice for every financial year. It is the Government's intention to adopt these forecasts as the "official" Government forecasts. Although the Chancellor does reserve the right to disagree with them, he has said that this will require an explanation to Parliament.¹ Alongside these forecasts, the Office is required to prepare an assessment of whether the fiscal mandate has been, or is likely to be, achieved (as specified in the Charter).
38. *Subsection (4)* requires the Office to prepare two further reports on an annual basis. The first is an assessment of the accuracy of the fiscal and economic forecasts previously prepared by it. This type of analysis was previously produced by the Treasury, in a document known as the *End of year fiscal report*. The duty to assess the accuracy of its own fiscal and economic forecasts does not preclude the Office from considering other forecasts, provided this analysis is consistent with its statutory duties. The second report is the analysis of the sustainability of the public finances (this will include long-term projections and an analysis of the public sector balance sheet). Again, this type of analysis was previously carried out by the Treasury in a document known as the *Long-term public finance report*.
39. *Subsection (5)* requires the Office to include any forecast, assessment or analysis produced under *subsection (3) or (4)* in some form of report.
40. *Subsection (6)* requires every report produced under section 4 to include an explanation of the factors which the Office took into account when preparing the report. In

¹ Letter from the Chancellor of the Exchequer to the Chair of the Treasury Select Committee. Published in House of Commons Treasury Committee fourth report of session 2010-11 'Office for Budget Responsibility', 16 September 2010. HC385. Page 86. Available at:

<http://www.publications.parliament.uk/pa/cm201011/cmselect/cmtreasy/385/385.pdf>

These notes refer to the Budget Responsibility and National Audit Act 2011 (c.4) which received Royal Assent on 22 March 2011

particular, each report must include an explanation of the main assumptions made by the Office and an explanation of the main risks which the Office considered to be relevant.