

External review 2020

OECD review hails OBR's outputs and independence

During its first decade in operation the Office for Budget Responsibility has established itself as a fixed part of the UK's institutional landscape, delivering high quality publications, reducing bias in official forecasts and bringing greater transparency to the public finances, according to an external review led by the Organisation for Economic Cooperation and Development.

The review notes that the OBR has already operated under four Chancellors and that it has broad support across the political spectrum. But it warns that confidence in the management of the UK public finances could easily be undermined if the current or a future government were to impede the independent scrutiny that the OBR provides or were to be less supportive of its role.

The review makes a number of recommendations, addressed to both the Government and the OBR. These include: clarifying current legislation on the timing of forecasts; holding fiscal events on fixed dates; ensuring that the OBR has adequate resources; avoiding 'mission creep'; engaging more with other economists and fiscal analysts; increasing the profile of non-forecast outputs; avoiding overlong publications; engaging more with Parliament; and continuing to increase staff diversity.

The review was conducted by a four-person team: Lisa Von Trapp, of the OECD's Public Governance Directorate; Peter Fontaine, formerly of the US Congressional Budget Office; Michal Horvath, former Permanent Secretary of the EU independent fiscal institutions network; and Gemma Tetlow, Chief Economist of the Institute for Government. It was commissioned by the non-executive members of the OBR's oversight board, as required by legislation once every five years.

Sir Christopher Kelly, Chair of the OBR's Oversight board, said:

"I am grateful to the review team for the time and effort they have put into this report, providing constructive challenge to the OBR's leadership and staff and consulting widely with its stakeholders inside and outside government. The report provides a welcome endorsement of the work of the last 10 years, while making valuable recommendations that the institution can draw upon as it embarks on its second decade. Naturally, the review points out that additional activities would require additional funding."

Robert Chote, who steps down as Chairman of the OBR at the end of next week, added:

“The recommendations in this report will provide valuable food for thought, but I am delighted that the overall message is so positive – this reflects the hard work and professionalism of the staff and BRC members with whom I have had the privilege of working over the past decade. Quite understandably, the last few months have seen the Government make exceptional policy interventions in exceptional circumstances, but the report rightly emphasises that continued confidence in the management of the public finances will require a return to robust forecast processes and proper policy scrutiny”.

The review’s findings include:

- “Publications are of high quality, meeting and surpassing international standards, and comparing favourably with peers.”
- “The OBR has a particularly strong reputation for independence.”
- “The organisation’s focus on being scrupulously transparent has played an important part in building its reputation”
- “The OBR has earned the respect of peer institutions and is considered by many a model independent fiscal institution.”
- “Stakeholders report that the OBR has made the greatest impact in terms of fiscal transparency and that they have higher trust in the ‘numbers’”
- “Well-governed with strong, competent leadership, supported by a highly capable and professional staff.”
- “It has achieved the goal of reducing bias in the official economic and budgetary forecasts”
- “The *Economic and fiscal outlook* is comparable to similar [Netherlands] CPB output, which is a mark of quality and depth”
- “The OBR has been at the forefront of the discussions among IFIs on uncertainty surrounding forecasts and on communicating such uncertainty”
- “The OBR’s *Fiscal sustainability report* represents leading practice in the IFI community along several dimensions.”
- “The *Forecast evaluation report* stands out in the international context in terms of the level of detail provided and the thoroughness with which the annual report seeks to identify the sources of forecast errors. The work in this regard... is unparalleled in the IFI community”
- “The *Fiscal risks report* is a unique and inspirational initiative for the OBR’s European peers...although it has naturally faced some criticism and debate”
- “The OBR’s extensive review of costing information compares very favourably with the highest international standards.”
- “The success of the OBR’s focused communications strategy can be seen across different entry points to the public debate”
- “The OBR stands out among peer IFIs in terms of media coverage”

Among the risks identified:

- “It is important that the government commit to well-set-out timetables for the forecast and policy scrutiny process that it then observes”

- “There continue to be calls for the OBR to take on additional responsibilities. This reflects positively on the OBR’s success over its history. However, it risks drawing the OBR into areas where it does not currently have sufficient capacity or expertise, creating confusion about the organisation’s role, and diluting its effectiveness at carrying out its current remit”
- “In addition to changes in leadership, there are concerns around staff turnover as the OBR has a narrow pipeline of future staff to draw from”
- “The OBR could be side-lined by a government that was less committed to fiscal discipline and transparency; that questioned the integrity or professionalism of its forecasts because it took a very different view on how the economy operates and how fiscal policy affects the UK economy; or that simply did not wish the evidence base and likely consequences of its policy decisions to receive proper scrutiny”

Among the recommendations:

- “The Charter for Budget Responsibility should be revisited to clarify how the OBR should proceed if the Chancellor does not commission two forecasts during the financial year”
- “Barring exceptional circumstances, the dates for the Government’s fiscal events and accompanying OBR forecasts should be fixed in legislation.”
- “The OBR should continue to monitor the demands being placed on staff and the Treasury should fund an additional increase in resources if that proves warranted”
- “The OBR should do more to engage with the community of macroeconomic and fiscal experts outside government and should be given the necessary additional resources”
- “The OBR should explore how to broaden engagement with their reports outside of the *Economic and fiscal outlooks*”
- “The OBR should explore ways to ensure the messages in the *Fiscal risks report* and the government’s response receive greater attention”
- “Enhance awareness of the OBR’s role and encourage greater use and understanding of the OBR’s outputs by a wider group of parliamentarians”
- “The OBR should continue to broaden its recruitment pool to a more diverse group of recruits where possible”
- “The OBR should use the Advisory Panel more extensively”
- “Almost all stakeholders raised publication length as an issue and the OBR may wish to consult stakeholders further on this question”
- “The OBR should continue increasing disclosure of models and methods”
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Notes

1. The OBR is the UK’s independent fiscal watchdog. We produce forecasts for the economy and the public finances, assess progress against the Government’s fiscal targets, and report on long-term fiscal sustainability.
2. The OECD review is available on our website: <http://obr.uk/>
3. Questions should be sent to OBR.Press@obr.uk.