

Rt Hon Pat McFadden MP
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House of Commons
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Richard Hughes
Chair

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23 June 2022

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The Cost of living support package

Dear Pat,

Thank you for letter asking the OBR to provide an assessment of the impact of the cost of living support package announced by the Chancellor on 26 May.

Under the OBR's primary legislation, Parliament requires us to produce two forecasts for the public finances during each financial year and to use them to assess the Government's performance against its fiscal targets. Our secondary legislation specifies that the Chancellor will commission the OBR to produce forecasts at a particular date, at least twice year, one of which will be for the Budget. The legislation also makes clear that it is the government that is responsible for policy costings, and that – subject to receiving sufficient information from the Treasury to do so – the OBR's role is to scrutinise and certify the government's policy costings.

This scrutiny and certification process would normally be undertaken as part of the forecast process so that the costings of policy measures can reflect both the latest economic and public finance data and our latest assessment of the economic and fiscal outlook. The forecast process also allows us to capture the 'indirect' effects of policy measures – either individually, or more typically in aggregate - on the economy, and therefore the public finances.

The scale of the Chancellor's announcement is such that we would expect to consider its impact on the economy, as well as the direct revenue and expenditure effects of the individual policy decisions. A number of the policy measures are also novel in some respects (rather than simply changes to bases or rates for existing taxes or benefits) and we would need to consider questions around delivery and classification as part of the scrutiny process. Undertaking these assessments as part of the normal forecast process would therefore provide the most complete and accurate (although inevitably still highly uncertain) picture of the impact of the government's policy decisions on the public finances.

We will be able to provide our full assessment of all government policy decisions taken since the Spring Statement in our next forecast, which we will publish on the date for which the Chancellor chooses to commission it.

Warmest regards,



Richard Hughes, Chair