

Sir Mel Stride MP
House of Commons
London SW1A 0AA

Richard Hughes
Chair
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5 August 2025

Dear Sir Mel,

Thank you for your letter of 6 July regarding the Government's policy announcements since the publication of our March 2025 *Economic and fiscal outlook (EFO)*. In it, you asked:

- *Have the Treasury and the OBR discussed the feasibility of an emergency OBR forecast to update the fiscal outlook?*
- *How feasible would it be to conduct such a forecast, and what is the shortest notice the OBR would need in order to produce and publish it?*
- *Prior to announcing its recent policy changes on welfare and on Winter Fuel Payments, did the government contact the OBR about those decisions, and has any contact on those matters occurred since the announcements?*
- *If the March forecast had incorporated the £6-7bn of additional spending which the government have announced since the Spring Statement (i.e. a reduction in headroom of that magnitude) what estimate would the OBR's model have made of the probability of meeting each of the legislated fiscal rules?*
- *Would the OBR have forecast in March that welfare spending would exceed the level of the welfare cap (£194.5bn in 2029-30) if recent policy changes had been incorporated into the forecast?*

The 2024 *Budget Responsibility Act* amended the 2011 *Budget Responsibility and National Audit Act* to introduce a 'fiscal lock', which requires that any 'fiscally significant announcements' made by the Government be subject to an independent assessment by the OBR which may be, but doesn't need to be, a forecast (as defined in Section 4(3) of the 2011 Act). The associated amendments to the *Charter for Budget Responsibility*, approved by Parliament in January 2025, defined 'fiscally significant announcements' as a measure or combination of measures that have not been included in an OBR forecast and that the OBR considers to have a combined cost of at least 1 per cent of GDP in any year of the forecast.

We currently estimate that the combined cost of policy changes announced since the publication of our March 2025 *EFO*, including changes to winter fuel payments, universal credit, disability benefits, and employment support as well as Spending Review 2025 announcements whose costs were additional to the spending totals set at the March 2025 Budget, fall below the fiscal lock threshold for significance, with 1 per cent of GDP being equivalent to £29.9 billion in 2025-26 rising to £34.6 billion by 2029-30. Therefore, to date, there is no legal basis for triggering the fiscal lock and initiating an update to the economic and fiscal outlook as a result of these announcements.

While the OBR and the Treasury maintain regular contact on a range of issues including policy, economic and fiscal developments, and the timing of and timetable for the OBR's next forecast, we do not disclose the content of these discussions. Similarly, we do not provide ongoing commentary on the effect that developments since our most recent forecast would have on the Government's performance against its fiscal targets. Any policy announcements since our March 2025 forecast will be incorporated into our next *Economic and fiscal outlook*, subject to the proviso above.

In line with OBR policy, I will be publishing this reply, along with your letter, on our website.

Yours Sincerely,



Richard Hughes
Chair



HOUSE OF COMMONS

LONDON SW1A 0AA

Richard Hughes
Chairman
The Office for Budget Responsibility
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6 July 2025

Dear Richard,

When the Government announces costly spending decisions without identifying offsetting savings or credible funding plans, it directly affects the economic credibility of the United Kingdom. That credibility is vital for investment, business and consumer confidence, and our government's ability to finance its debts.

The government is making amendments to the Universal Credit and Personal Independence Payments Bill which will cost around £5bn in 2029-30, relative to the plans presented to the OBR when you conducted your last forecast in March. The Bill also includes a new additional Universal Credit health premium, the cost of which your March Economic and Fiscal Outlook did not incorporate due to lack of policy detail from the government.

This follows a commitment to significantly amend the changes to Winter Fuel Payments, at a cost of £1.25 billion by the government's own reckoning.

The Chancellor left less than £10bn of 'headroom' against the legislated fiscal rules at the time of the Spring Statement. In that forecast, you estimated that the probability of meeting the target of a balanced current budget by 2029-30 was just 54 percent, and the probability of achieving a reduction in Public Sector Net Financial Liabilities in that year was just 51 percent, based on the headroom pencilled in by the government at that time. The majority of that headroom has now been eroded.

The government has refused to clarify how these significant policy changes are to be funded. Parliament is being asked to approve legislation with substantial financial implications without the ability to properly scrutinise the impact on the government's fiscal policy. Departmental estimates have been approved with the government stating at the time of the recent Spending Review that the spending plans it had laid before Parliament were fully accounted for and affordable as per the OBR's fiscal forecasts.

With these matters in mind, I would like to ask the following questions:

- Have the Treasury and the OBR discussed the feasibility of an emergency OBR forecast to update the fiscal outlook?
- How feasible would it be to conduct such a forecast, and what is the shortest notice the OBR would need in order to produce and publish it?

- Prior to announcing its recent policy changes on welfare and on Winter Fuel Payments, did the government contact the OBR about those decisions, and has any contact on those matters occurred since the announcements? -
- If the March forecast had incorporated the £6-7bn of additional spending which the government have announced since the Spring Statement (i.e. a reduction in headroom of that magnitude) what estimate would the OBR's model have made of the probability of meeting each of the legislated fiscal rules?
- Would the OBR have forecast in March that welfare spending would exceed the level of the welfare cap (£194.5bn in 2029-30) if recent policy changes had been incorporated into the forecast?

The public, Parliament and markets deserve clarity and transparency about the impact of recent events on the nation's finances and the government's fiscal strategy. I would be grateful for your thoughts on these issues as soon as possible.

With best wishes,



Sir Mel Stride MP
Shadow Chancellor of the Exchequer