Office for
Budget Responsibility

The Rt Hon Rishi Sunak MP,
Chancellor of the Exchequer,
HM Treasury,
1 Horse Guards Road,
London
SW1A 2HQ

Robert Chote
Chairman

102 Petty France
London SW1H 9AJ

obr.uk

27 February 2020

Dear Chancellor

PUBLICATION OF A SECOND OBR FORECAST IN 2019-20

As you know, the Budget Responsibility and National Audit Act requires us to produce at least two forecasts in each financial year. But Parliament has specified in the Charter for Budget Responsibility – the secondary legislation that governs the forecast process – that: *"The Chancellor will commission the OBR to produce its fiscal and economic forecasts at a particular date, at least twice a year, one of which will be for the Budget."* So it is not for us to determine the date on which we publish our forecasts, unless in extremis we feel we have to do so to ensure that we are able to publish two forecasts within the financial year, as required by the primary legislation.

Following the cancellation of the Budget forecast that was scheduled for publication on 6 November, we have yet to publish a forecast in 2019-20. We will, of course, publish one as requested alongside your Budget on 11 March. But with only three weeks between the Budget and the end of the financial year, we would have very limited time to fulfil our legal responsibility to produce a second forecast. The medium-term outlook for the public finances is unlikely to change materially over that brief post-Budget period, with any additional data or market movements as likely to be noise as news.

We have therefore considered the available options, and have identified three potential approaches:

- A legislative remedy, which sets aside the legal duty to publish two forecasts for this financial year. This would be the cleanest solution, but would require Parliamentary time and approval.

- Fully re-opening our economic and fiscal forecasts and producing as substantive an update as possible at the very end of the financial year. Given the constraints of our immediate post-Budget activity (e.g. appearing before the Treasury Select Committee) and the need to quality assure the new forecast and print the formal publication that we are required to lay before Parliament, we would in practice have only around seven working days to complete the new forecast. This would allow us to incorporate a small number of additional data releases, some further management information on receipts and the

Office for **Budget Responsibility**

immediate (but not necessarily fully considered) financial market reaction to the Budget. In practice we would be incorporating very little substantive new information for forecasts that extend five years. We would also require additional inputs and interaction from our departmental contributors, so there is a danger that this could divert resources from the March 11 forecast and compromise its quality.

- The third option would be to produce a swifter and more limited update to the March 11 forecast, taking on no new data or market developments, but instead tying up some of the loose ends that always remain at the end of any forecast process. In particular, we could ensure our forecasts for debt interest and the Government's net cash requirement are fully consistent with the rest of the economic and fiscal forecast. If the Budget policy package raises the overall financing requirement materially, as would be the case if you were to incorporate your manifesto pledges and the implications of last year's Spending Round, this would require modelling input from the Debt Management Office that we would not be able to incorporate in the final stages of the Budget process given other pressures. It should be possible to lay such an update before Parliament by March 13, ahead of our expected appearance at the TSC.

Clearly none of these options is entirely satisfactory and, if opportunity presents, it would be desirable to make contingency for similar circumstances in the primary legislation. But we are where we are and our first priority is to ensure that there is full and robust scrutiny of the Budget package on March 11. In the event that the legislative solution is not feasible, we have confirmed with the Government Legal Department that the other options would satisfy our obligations under the Act. Our preferred approach would be to pursue the third option, which would allow us usefully to discharge our legal obligations without diverting resource from the Budget forecast. (For either option we would of course be sure to satisfy all of the requirements to publish forecasts for the economic and fiscal aggregates specified in the Charter, and to assess the Government's likelihood of meeting its fiscal rules.) As you know I have also discussed the options with the Chair-elect of the TSC, as I would want the committee to be content we are discharging our obligations appropriately.

At the end of the day it is for the Government to decide which of these options (or others) it wishes to pursue. Needless to say, we would appreciate as prompt a decision as possible to make the necessary preparations and to give the TSC and the public as much notice as possible of you want to proceed.

Best regards,

Robert.

Robert Chote
Chairman