



OECD Independent Fiscal Institutions Review

**Office for Budget Responsibility (OBR) of the
United Kingdom**



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Office for Budget Responsibility
(OBR) of the United Kingdom

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Abbreviations and Acronyms

AIReF	Independent Authority for Fiscal Responsibility (Autoridad Independiente de Responsabilidad Fiscal)
BoE	Bank of England
BRC	Budget Responsibility Committee
BRNA Act	Budget Responsibility and National Audit Act
CBO	US Congressional Budget Office
CBR	Slovak Council for Budget Responsibility
CFP	Public Finance Council (Conselho das Finanças Públicas)
CPB	Netherlands Bureau for Economic Analysis
DSGE	Dynamic stochastic general equilibrium
DWP	Department for Work and Pensions
EC	European Commission
ECA	European Court of Auditors
EFO	Economic and Fiscal Outlook
EUNIFI	EU Network of Independent Fiscal Institutions
EU-IFIs	Network of EU Independent Fiscal Institutions
FER	Forecast Evaluation Report
FRR	Fiscal Risks Report
FSR	Fiscal Sustainability Report
FTE	Full-Time Equivalent
GDP	Gross Domestic Product
HMRC	Her Majesty's Revenue and Customs
HMT	Her Majesty's Treasury
IFI	Independent Fiscal Institution
IFS	Institute for Fiscal Studies
IMAD	Slovenian Institute of Macroeconomic Analysis and Development
IMF	International Monetary Fund
MoU	Memorandum of Understanding
MPs	Members of Parliament
NAO	National Audit Office
NIESR	National Institute for Economic and Social Research
OBR	UK Office for Budget Responsibility

ONS	Office for National Statistics
PBO	Parliamentary Budget Office
PBO Network	OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions
SEFF	Scotland's Economic and Fiscal Forecasts
SFC	Scottish Fiscal Commission
TSC	Treasury Select Committee
UPB	Italian Parliamentary Budget Office (Ufficio Parlamentare di Bilancio)
UK	United Kingdom
US	United States
VAR	Vector Autoregressive
WTR	Welfare Trends Report

Executive summary and recommendations

The Office for Budget Responsibility (OBR) was set up in 2010 to provide independent economic and fiscal forecasts and analysis of the public finances of the United Kingdom (UK). It quickly built a solid reputation for independent, credible, high-quality analysis. Moreover, outside of the UK, the OBR has earned the respect of peer institutions and is considered by many as a model independent fiscal institution (IFI).

At ten years old, the OBR is a fixed part of the UK's institutional landscape. The OBR's institutional maturity is evident in how well it has weathered the latest periods of political instability. Its agility and the importance of its contribution to the public debate have been evident most recently in its response to the COVID 19 crisis, as well as how it deftly handled Brexit analysis in a non-partisan fashion, factoring that careful analysis into the forecasts and other reports.

The OBR is well governed with strong, competent leadership, supported by a highly capable and professional staff. Despite growing pressures on its mandated work, it has managed to deliver its remit within its resource constraints. Unlike many of its peer IFIs, the OBR has good access to information, guaranteed in legislation and reaffirmed through Memoranda of Understanding and good working relationships.

The OBR's publications are of high quality, meeting and surpassing international standards. It has achieved the goal of reducing bias in the official economic and budgetary forecasts. Stakeholders widely praise the OBR for bringing greater fiscal transparency.

The success of the OBR's focused communications strategy can be seen across different entry points to the public debate and it stands out among peer IFIs in terms of media coverage. Since the two previous reviews in 2014 and 2015, the OBR has increased the accessibility of its materials and is making greater use of online and social media channels. Nevertheless, the majority of engagement is with the OBR's flagship report, the semi-annual Economic and Fiscal Outlook, with much less attention paid to other core reports.

Stakeholders also identified several ongoing and potential risks for the OBR:

- **Exceptional circumstances.** It is important that the government commit to well-set-out timetables for the forecast and policy scrutiny process that it then observes – deviating from them because of 'exceptional circumstances' should not become the norm. Recent events have exposed a grey area in the OBR's legislation as it is unclear how the OBR should proceed should the Chancellor not commission two forecasts during the financial year or if there is no budget in that period.
- **Mission creep.** Because of the reputation it has built, there continue to be calls for the OBR to take on additional responsibilities, for example, costing opposition policies and evaluating the environmental – as well as economic and fiscal – impact of policies. 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. Even if a significant increase in resources was to be provided for undertaking new tasks, it could change the character of the OBR from the focused and agile institution it is today.

- **Change in leadership and staff turnover.** The current OBR Chair, who is highly regarded by stakeholders, will step down in October 2020, following two five-year terms. His communications acumen has been an important element in building trust and confidence in the OBR. The two previous reviews of the OBR identified changes in leadership as a significant risk to the OBR, with some arguing that the organisation's credibility was highly correlated with a few key individuals. This risk appears to have been mitigated as the OBR has matured and established a robust institutional culture and identity. The replacement of the first two members of the Budget Responsibility Committee, and the smooth appointment process for the incoming Chair, has provided assurance to stakeholders. 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, particularly when it comes to fiscal experts.
- **Greater hostility or indifference to independent scrutiny by government.** The OBR has operated under three Prime Ministers and four Chancellors (although it has yet to experience a change in the governing party). There is currently broad-based support for the OBR across the political spectrum, but confidence in management of the UK public finances could easily be undermined if the current or a future government were to impede the independent scrutiny provided by the OBR or were to be less supportive of its role. In particular, the OBR could be sidelined by a government that was less committed to fiscal discipline and transparency; that questioned the integrity and professionalism of its forecasts and judgments 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.

A summary of the main recommendations follows.

1. 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 or if there is no budget in that period. Ideally, and barring exceptional circumstances, the dates for the Government's fiscal events and accompanying OBR forecasts should be fixed in legislation.

2. The temporary resources provided for Brexit analysis should be made permanent (as assumed in the current budget allocation) to ease resourcing pressures and remove the appearance of a potential source of Treasury leverage. It will be important to avoid additional mission creep to allow the OBR to continue to fulfil its remit successfully within its limited resources.

3. The OBR should do more to engage with the community of macroeconomic and fiscal experts outside government, for example through its working and discussion paper series, and should be given the necessary additional resources to do so. It should seek to build interest in fiscal issues, in part to help to develop a broader pipeline of future staff. This is in line with recommendations from previous reviews.

4. The OBR should explore how to broaden engagement with their reports outside of the Economic and Fiscal Outlooks. In particular, there remains scope for the OBR to engage further with the UK Parliament's Treasury Select Committee and to enhance awareness of the OBR's role and encourage greater use and understanding of the OBR's outputs by a wider group of parliamentarians.

Introduction and Review Methodology

1. Under the legislation that created the Office for Budget Responsibility, the organisation is required to commission an external review every five years. The OBR's non-executive members, Sir Chris Kelly and Bronwyn Curtis OBE, asked the Organisation for Economic Co-operation and Development (OECD) to lead this review, assessing the OBR's performance and adherence to internationally agreed principles of best practice for independent fiscal institutions.

2. This is the third external (and second non-government) review of the OBR since it was set up in 2010. In 2014, Kevin Page, former Canadian Parliamentary Budget Officer, led the first independent external review (Page, 2014^[1]), which concluded that the OBR had "laudably achieved the core duties of its mandate" and "succeeded in reducing perceptions of bias in fiscal and economic forecasting". A second review, commissioned by the Chancellor of the Exchequer and headed by Sir Dave Ramsden, the Treasury's Chief Economic Adviser, drew explicitly on the Page Review and resulted in an expansion of the OBR's statutory responsibilities and an increase in its resources (HM Treasury, 2015^[2]).

3. The methodology for this review is anchored in the OECD "Principles for Independent Fiscal Institutions" (OECD, 2014^[3]) and a subsequent evaluation framework elaborated within the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO Network). Page pioneered the use of this framework in his review of the OBR.

4. Principle 9.1 of the OECD Principles for Independent Fiscal Institutions states that:

"IFIs should develop a mechanism for external evaluation of their work – to be conducted by local or international experts. This may take several forms: review of selected pieces of work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer review by an IFI in another country."

5. The Network of EU Independent Fiscal Institutions (EU-IFIs) reaffirmed this OECD Principle in their document "Defining and Enforcing Minimum Standards for Independent Fiscal Institutions" (EU Independent Fiscal Institutions, 2016^[4]) and reiterated it in their "Network Statement on the Need to Reinforce and Protect EU IFIs" (EU Independent Fiscal Institutions, 2019^[5]).

6. The evaluation framework takes as a starting point internationally agreed standards (e.g. the OECD Principles). As such, the review assesses the OBR against these standards, benchmarks it against peer institutions in OECD countries and, where possible, identifies the difference it has made. The framework covers four main elements:

- **Context**, the institutional setting and mandate of the OBR
- **Inputs**, human and financial resources, access to information and independence
- **Outputs**, the OBR's core products, including effectiveness of the methodology

- **Impact**, of the OBR's work, including effectiveness of communications and stakeholder confidence

7. The evaluation framework follows a performance framework approach used by governments globally and uses conventional evaluation tools such as stakeholder interviews and peer review.

8. The OECD will publish the final report and make it available electronically on the OECD's website. The OECD PBO Network will discuss the findings of the review at a peer review session during the PBO Annual Meeting following its publication.

The review team

9. The review team included one member of the OECD Secretariat's Budgeting and Public Expenditures Division in the Directorate for Public Governance, two international peers from the United States (US) and the Slovak Republic, and one local peer from the Institute for Government (UK). The review also draws upon contributions from other relevant members of the OECD Secretariat and peers within the PBO Network. A mission to London, UK, for stakeholder interviews was undertaken in May 2019 (see Annex B for more information).

Chapter 1. Context

1.1. Introduction

10. This chapter examines recent events and challenges for the OBR in its current operating environment. It also covers the context within which the OBR was originally established, its mandate, governance arrangements, and relationship with stakeholders. Finally, it assesses progress made since previous reviews.

11. The OBR was set up in 2010 to provide independent economic and fiscal forecasts and analysis of the public finances. It quickly built a solid reputation for independent, credible, high-quality analysis. It is widely credited with bringing greater transparency to the public finances and enriching the fiscal policy debate. A decade on, stakeholders view the OBR as a fixed and highly valued part of the UK institutional landscape.

1.1.1. Uncertainty since the Brexit referendum

12. Since the June 2016 UK referendum vote to leave the EU, the OBR has been operating in a highly unusual and unstable political environment. This has included uncertainty and instability around the timetable of the fiscal policy events alongside which the OBR presents its forecasts, as well as the conditioning policy assumptions on which they should be based. At successive fiscal events the timescales envisaged in the Memorandum of Understanding (MoU) with the Treasury have not been adhered to.

13. In October 2018, the OBR noted “repeated failures” on the Treasury’s part to stick to the agreed timetable. As a result, the OBR was not properly able to factor all policy changes into the forecast. The OBR instead used ready reckoner estimates to incorporate these late policy decisions. The OBR clearly set out these problems in the foreword to its October 2018 Economic and Fiscal Outlook, allowing the Treasury Select Committee (TSC) to pick-up on the issue in its inquiry. While it is commendable that the OBR made every effort to produce the best quality forecast possible, despite the late arrival of information, this type of accommodation may run the risk of encouraging ministers and government departments to push the boundaries.

14. On 14 October 2019, the government asked the OBR to produce a forecast at very short notice, before scrapping its plans for a 6 November budget and calling a snap general election for 12 December.¹ The OBR announced its plans to go forward with a technical restatement of its March public finance forecast, bringing it into line with current Office for National Statistics (ONS) statistical treatment but not incorporating any other new data, judgements nor an economy forecast update. The Cabinet Secretary – the country’s most senior civil servant – advised against publication on the night before its planned release, deeming it inconsistent with the Cabinet Office’s General Election Guidance that prevents government departments and public bodies (such as the OBR) from making announcements that could

¹ Notice was significantly less time than the ten weeks’ public notice the OBR is supposed to receive.

influence an election during a campaign.² This led some commentators to question whether the OBR's independence was being infringed upon. The OBR accepted the Cabinet Secretary's advice and published the release on 16 December, as soon as was practical after the election. The episode highlights the fact that the Guidance was not written with the role of 'watchdog' bodies like the OBR in mind, as distinct from conventional government departments and agencies that act for ministers. This should be addressed prior to the next election.

15. While the OBR is viewed as having ably (if conservatively) handled the uncertainty around Brexit, the issues encountered in 2018 and 2019 highlight how important it is that the new government return to the practice of well set out budgetary timetables that it then observes – deviating from them as a result of 'exceptional circumstances' should not become the norm. To maintain public confidence the OBR should continue to highlight when ministers and departments fail to adhere to agreed principles on timing and openness.

16. In addition, the cancellation of the Budget (and the accompanying OBR forecast) exposed a grey area in the OBR's legislation. Article 4(3) (a-b) of the Budget Responsibility and National Audit Act (BRNA) (UK Parliament, 2011^[6]), requires the OBR to prepare fiscal and economic forecasts on at least two occasions for each financial year. Article 4.2 of the Charter for Budget Responsibility (HM Treasury, 2017^[7]) provides 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". Article 4.21 also requires "The date of any OBR forecast [to] be communicated to the Treasury Select Committee and to Parliament in parallel to the OBR". Yet there are no clear provisions for what should happen if the Chancellor does not commission two forecasts or if there is no budget in that period.

17. Moreover, in recent fiscal events the OBR have been notified of a range of potential budget dates without that provisional timetable being communicated publicly to the TSC. The absence of a firm public announcement means that the OBR cannot plan properly with the other government departments involved in the forecast process. There are also concerns that the lack of formal public notification and unclear timetables impact on the ability of the Scottish Fiscal Commission (SFC) to deliver good quality and accurate forecasts.³

18. In light of the above, the provisions in the secondary legislation should be revisited. The current Chancellor is reviewing the Government's fiscal framework, including changes to the fiscal rules, ahead of Autumn Budget 2020. The amendments to the Charter that such changes would require would also provide an opportunity to address these ambiguities.

19. This is also important in light of new uncertainties related to the COVID-19 crisis. While timetables looked to be getting back on track for the 2020 spring budget process, the COVID-19 crisis has immediately brought new challenges and opportunities. On the one hand, the crisis rendered the budget (and OBR's most recent

² Similarly the Cabinet Secretary decided that the Treasury would not publish its estimates of how much the Labour Party policies would cost if the opposition were to win the upcoming election.

³ It is worth noting that proposed changes to Chapter 4 of the Charter must be published in draft form 28 days ahead of being laid in Parliament. This contrasts with Chapter 3, which sets out the Government's fiscal rules, where proposed changes are not subject to such a requirement.

forecasts) obsolete. On the other hand, the crisis affirmed the value of the OBR to UK stakeholders as the OBR rapidly produced a suite of COVID-19 scenario analysis and commentary and has since added a “Coronavirus policy monitoring database”. In July 2020, it published a modified version of its regular fiscal sustainability report to include medium-term economic and public finance scenarios, long-term projections and an update of its 2019 analysis of fiscal risks.

1.1.2. Context for establishment of the OBR

20. The establishment of the OBR came about – like many other independent fiscal institutions (IFIs) around the world – in the aftermath of the financial crisis. As the then Chancellor George Osborne put it, the objective was to “remove [from politicians] the temptation to fiddle the figures by giving up control over the economic and fiscal forecast” (HM Treasury, 2010_[8]).

21. There had long been a suspicion that the official economic and fiscal forecasts – which were produced by HM Treasury but ultimately under the control of the Chancellor – included a degree of politically motivated wishful thinking.⁴ With annual government borrowing having risen sharply during the financial crisis – to a post-war high of around 10% of GDP – there was a growing focus on the need for the Government to reassure voters and investors that it was committed to repairing the damage done to the public finances. In this context, the opposition Conservative party pledged, in 2008, to establish the OBR if it was elected (BBC News, 2009_[9]).

22. In 2010, the newly elected coalition (Conservative and Liberal Democrat) government set up the OBR on an interim basis and tasked it with providing advice on the arrangements for the permanent OBR. The Treasury Select Committee of the House of Commons also held an inquiry, took evidence and made recommendations. Both informed the subsequent legislation that allowed the OBR to become a statutory body in April 2011. The OBR is a non-departmental public body – that is, a body that has a role in the processes of national government but is not part of a government department and so operates at arm’s length from ministers.

23. Despite the Labour Party opposing the creation of an IFI while in government, the OBR enjoyed broad cross-party support at its founding and has continued to do so. Indeed, the fact that opposition parties have at several points called for the OBR to broaden its mandate and take on new tasks could be seen as a measure of their confidence in the institution. Although it has experienced a change of government, including very recently, so far the OBR has always operated under a government led by the Conservative Party.

24. The OBR’s legislative foundations lie in the BRNA Act (2011) and are operationalised through the Charter for Budget Responsibility and other supporting documents (see Box 1.1).

⁴ See, for example, (Chote, Emmerson and Frayne C, 2006_[44]).

Box 1.1. The OBR's legislative framework

The following documents set out the OBR's formal rights and responsibilities.

The Budget Responsibility and National Audit Act 2011 (UK Parliament, 2011_[6]) is the primary legislation that sets out the overarching duty of the OBR to “examine and report on the sustainability of the public finances”. The Act also gives the OBR “complete discretion” in the performance of its duties, as long as those duties are performed “objectively, transparently and impartially” and take into account the policies of the sitting government and not alternative policies. The OBR is also required to carry out its functions “efficiently and cost-effectively”. The Act states that the Charter for Budget Responsibility can include guidance about when the OBR should produce its analysis but not the methods that it should use. The Act also provides the OBR with broad-ranging powers to access “at any reasonable time” all government information – that is, information held by ministers or government departments – that it “may reasonably require for the purpose of the performance of its duty”.

The **Scotland Act 2012** (UK Parliament, 2012_[10]), **Scotland Act 2016** (UK Parliament, 2016_[11]) and the **Wales Act 2014** (UK Parliament, 2014_[12]) (and command papers that accompanied them) placed additional responsibilities on the OBR to produce forecasts for taxes and welfare spending that are devolved to Scotland (Scottish income tax, stamp-duty land tax, landfill tax, aggregates levy, air passenger duty and aspects of social security) and Wales (Welsh rates of income tax, stamp duty land tax, landfill tax and aggregates levy). In April 2019, the OBR also took on responsibility for producing the official forecasts of the devolved taxes for the Welsh Government.

The **Charter for Budget Responsibility** (HM Treasury, 2017_[7]) (April 2011, updated in March 2014, December 2014, October 2015 and January 2017) – which is prepared by the Treasury and approved by Parliament – sets out the Treasury's objectives for fiscal policy and for the management of the National Debt. It requires the OBR to make an assessment of whether government's policy is consistent with a greater than 50% chance of meeting its fiscal mandate. The Charter also sets out the minimum content the OBR should include in its key publications and the required timing of its forecasts and other publications. For example, the current Charter states that the OBR's forecasts must cover a period of at least five financial years following the date of publication. The Charter also requires the OBR to provide the government with “timely access to the information necessary to reach policy decisions ahead of fiscal policy events”.

The **Framework document** (HM Treasury and OBR, 2019_[13]) (April 2011, updated in April 2014 and March 2019) is signed by the Treasury and the OBR and sets out the broad governance and management framework within which the OBR operates but it does not convey any legal powers or responsibilities.

The **Memorandum of Understanding** (MoU, April 2011 and updated March 2017 (OBR, 2017_[14])) between the Treasury, HM Revenue and Customs (HMRC), the Department for Work and Pensions (DWP) and the OBR sets out the normal process for exchanging information. The memorandum is not legally binding but the departments are encouraged to use the memorandum as a guide to ensure they fulfil the responsibilities placed upon

them by the Act and Charter. The OBR also maintains a MoU with the Treasury on governance arrangements for shared ownership of the macroeconomic model.

Separate **MoUs** exist between the OBR and the SFC (OBR and Scottish Fiscal Commission, 2019_[15]) and the Welsh Government (OBR and Welsh Government, 2019_[16]).

Source: Authors, based on public information.

1.2. Mandate

25. The OBR has a clearly defined mandate designed to address the perception that earlier official forecasts were politically biased. The OBR is one of only three OECD IFIs that have responsibility for producing official, independent macroeconomic and fiscal forecasts – alongside the SFC and the Netherlands Bureau for Economic Analysis (CPB). Following some changes made in response to the 2014 Page Review and the 2015 Ramsden Review, the OBR has six main responsibilities in respect of the UK economy and public finances:

- a. Produce economic and fiscal forecasts at least twice every financial year, which must cover at least five future years (or more, at the Treasury’s request).
- b. Assess the extent to which the government’s fiscal targets have been, or are likely to be, achieved alongside each forecast.
- c. Assess the accuracy of its previous fiscal and economic forecasts at least once a year.
- d. Assess the long-term sustainability of the public finances. Initially, the OBR produced long-term projections for the public finances every year. Following the recommendations made by the Ramsden Review, it now produces long-term projections at least every two years and an assessment of fiscal risks at least every two years.
- e. Scrutinise and certify the government’s policy costings.
- f. Produce an annual report examining the trends and drivers of welfare spending.

26. The OBR is also now required specifically by legislation to produce forecasts for taxes devolved to Scotland and Wales, and to produce the forecasts of UK Government revenues in devolved areas which are used to support tax and social security devolution. The OBR had always had to do this in order to produce comprehensive forecasts for the UK public finances, but now devotes more time and resources to them and has developed more detailed dedicated publications tailored to Scottish and Welsh stakeholders.

27. Because it is widely respected and trusted, a range of individuals and organisations has called for the OBR’s mandate to be widened. To an extent, the OBR has been the victim of its own success. The Page review cautioned against considering an expansion of the OBR’s mandate, in particular around earlier calls for the OBR to cost election manifestos. More recently, the opposition Labour party has suggested the OBR should examine the climate change impacts of fiscal policy; other organisations have also suggested the OBR should scrutinise plans for public service spending more closely (UK Parliament, 2019_[17]). The OBR may not be the organisation best placed to perform these additional activities and it is not clear that it

is necessary to integrate these roles with the production of the economic and fiscal forecasts. The majority of stakeholders interviewed were happy with the OBR's current remit, saying it was important to "draw clear lines" and raising concerns that widening the OBR's remit would "muddy the waters".

1.3. Governance structure, accountability and stakeholder relations

28. The OBR's effectiveness relies heavily on the organisation – and particularly its senior figures – being trusted by the Government, Parliament and its wider group of stakeholders. As the Page Review noted, the OBR quickly gained the trust of stakeholders in its early years. The OBR has maintained stakeholders' widespread trust in the quality of its analysis, independence and impartiality. Furthermore, while the first external review of the OBR noted that stakeholders seemed to attach their confidence to "the OBR's senior leadership team and staff", confidence in the OBR's work now seems to be more deeply rooted, and the OBR is seen as having transitioned from being a collection of individuals to an established organisation. This view has been aided by the OBR being scrupulously transparent.

29. A three-person Budget Responsibility Committee (BRC), comprised of a Chair and two committee members appointed by the Chancellor subject to the approval of the TSC, leads the OBR. The BRC has executive responsibility to carry out the core functions of the OBR. The Chair is responsible for representing the views of the OBR to the Chancellor, Parliament and the public. The Chair is also designated as the Accounting Officer for the OBR, meaning he or she is responsible for the day-to-day operations and management of the OBR and for safeguarding public funds given to the OBR.⁵

30. Two non-executive members complement the OBR's executive. They are also appointed by the Chancellor for a three-year term, renewable once, following a recruitment process and nomination of candidates by the OBR. They ensure the BRC is constructively challenged in their role but also supported, providing a bulwark against political interference.

31. The executive and non-executive committee members sit on the OBR's Oversight Board, which is responsible for ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. One non-executive member chairs the Oversight Board and the other chairs its Audit Subcommittee. The Oversight Board meets three times a year, and the OBR publishes the meeting minutes and their Corporate and business plan on its website.⁶

32. The OBR is subject to internal audit in accordance with Government Internal Audit Standards. The OBR annual accounts are also subject to external audit by the Comptroller and Auditor General.

⁵ In principle, the Fixed Term Parliaments Act 2011 (UK Parliament, 2011_[46]) should lead to parliamentary terms of five years, although in practice they have proved to be shorter. The renewal dates for the BRC members' contracts do not currently align with the parliamentary electoral cycle and the renewal dates for the three original BRC members were staggered to ensure that their terms did not all finish at the same time.

⁶ See, <https://obr.uk/topics/governance-and-reporting/>

33. The OBR is jointly accountable to the Chancellor of the Exchequer and to Parliament (mainly through the House of Commons' Treasury Select Committee, TSC).⁷ In addition to the TSC's power to veto appointments or dismissals of OBR leadership, the OBR must submit its reports to both the Government and the Parliament and BRC members testify before the TSC after publishing each forecast. This provides an important forum for airing any concerns that the OBR has – for example, if the OBR felt the Government was putting them under undue pressure or otherwise failing to adhere to the BRNA Act. Parliament approves the BRNA Act and the Charter for Budget Responsibility and can request additional information from the OBR, consistent with the Act and Charter.

34. The Page Review in 2014 identified this dual accountability as unique among IFIs and a risk to the OBR, as it potentially creates a tension in the OBR's programme of work and outputs between serving the executive and serving Parliament, the body charged with holding the executive to account. However, most stakeholders interviewed for this second external review felt that these dual reporting lines were effective since they mean that both the executive and Parliament trust the OBR and are invested in the OBR's continuing success.

35. A minority of stakeholders – including the Shadow Chancellor in the run-up to the 2019 election – have instead called for the OBR to be accountable solely to Parliament in order to make it more independent of the Government and to give Parliament a “way in to challenging the Government” (Shipman, 2019_[18]).⁸ Others raised concerns about making the OBR part of the challenge between Parliament and the executive. One Parliamentary stakeholder warned “the Treasury might not trust it as much” if the OBR was solely accountable to Parliament and another suggested that this model could provide the opportunity for “a small group of politicians to interfere with the role of the OBR”.

1.3.1. Central and devolved government stakeholders

36. Compared to other IFIs the OBR is highly reliant on the government departments for input into its forecasts and analysis, notably the Economic and Fiscal Outlook (EFO). In particular, it relies on HMRC and DWP for information, expertise, and analytical capacity, and to a lesser degree bodies like the Debt Management Office, the Treasury, the Ministry of Housing, Local Government and Communities, and the Department for Education.⁹

37. There is, in principle, a risk to the OBR's ability to carry out its role if government departments became less cooperative in future – either as a result of departments or ministers being deliberately obstructive or because of senior civil servants or ministers viewing support for the OBR as of lower priority compared to other competing demands. As regards the Treasury, this risk is mitigated by the fact

⁷ The TSC is (by convention) chaired by a member of the ruling party and contains representatives from other parties in proportion to their share of seats in the House of Commons.

⁸ See also comments made by Peter Dowd, MP (Shadow Chief Secretary to the Treasury) in evidence to the Procedure Committee, 27 March 2019: <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/procedure-committee/should-there-be-a-commons-budget-committee/oral/98904.pdf>.

⁹ See Page Review for analysis of interdependence of OBR with government departments.

that the Treasury is also dependent on the work of the OBR, having contracted out the task of producing the official forecasts, and by the fact that since the OBR was created the Treasury's capacity to produce its own economic and fiscal forecasts has significantly diminished.

38. The Treasury and the OBR jointly maintain the macroeconomic model that underpins the OBR's forecasts, with governance arrangements for this shared ownership set out in a MoU. However, the OBR has complete freedom over the version of the model that it uses and could choose to adopt an alternative version. The Treasury also provides forecasts for a small number of fiscal components, such as debt interest payments. HMRC produce forecasts for almost all tax revenues and produce costings of new tax policies and DWP produce forecasts for almost all welfare spending and costings for new welfare policies. Many other departments have roles in respect of items of revenue or spending (more commonly the latter) for which they have policy or operational responsibility.

39. In all cases forecasts provided for the OBR by government departments are based on OBR judgements, assumptions and approved methodologies and the OBR is free to deviate from them if it wishes. The Treasury and OBR jointly agree on the forecast timetable that governs interactions between them and other departments in the forecast rounds ahead of each fiscal event. The Treasury checks and provides quality assurance of policy costing notes before they are sent to the OBR for scrutiny and proposed revisions, but it does not have the right to do so for forecast returns from other departments.

40. MoUs underpin the OBR's interactions with the Treasury, HMRC, and DWP. The OBR also works closely with the Office for National Statistics (ONS), which produces the various public finance statistics on which the OBR's forecasts are based. The OBR and ONS do not currently have a MoU. Though the relationship has worked well in general, there have been occasions when the OBR has had to anticipate the fiscal consequences of a classificatory decision that the ONS has announced but not yet implemented. As recommended by the Ramsden Review, the OBR and ONS are in the process of drawing up a MoU, which should help to clarify expectations on both sides.

41. The OBR's legal framework and the MoUs with relevant government departments and devolved administrations provide a necessary underpinning to its work, but they are not sufficient to allow the OBR to carry out its role easily and fully. Doing this requires maintaining good relationships, both at working level and among senior officials and ministers. These relationships have been somewhat strained in recent years by cutbacks to staffing in all of the government departments, a slight widening of the OBR's remit and the OBR's increased focus on challenging the modelling and policy costings produced by DWP and HMRC. All of these factors have increased the workload for staff in the Treasury, DWP and HMRC. So far, they and the OBR have managed to mitigate the adverse effects of this by investing time in developing good working relationships to try to get a clear understanding of the relative priorities of different pieces of work, to spread demands out through the year, and to learn lessons when things have gone wrong. In addition, following the Ramsden Review material was added to the MoU to help guide signatories when the OBR's right of access to information and assistance bumps up against resource constraints for those being called upon.

42. The OBR has close links to the SFC – whose forecasts for the Scottish economy and public finances depend on some of the outputs of the OBR’s UK forecasts – and the Welsh Government – for which the OBR produces the official forecasts for devolved taxes. The OBR and SFC have a statutory duty to co-operate with each other. This is reaffirmed in the fiscal framework agreement and underpinned by a MoU (January 2019).¹⁰ Where helpful, the OBR and SFC respond jointly to queries from the Scottish Parliament regarding their respective forecasts. A MoU also underpins OBR’s interactions with the Welsh Government.

43. The OBR’s relationship with the devolved administrations in Scotland and Wales has evolved considerably over the past nine years and continues to develop as the responsibilities and capabilities of the devolved nations change. The OBR’s forecasts of UK Government revenues and expenditure in devolved areas are central to the operations of the fiscal frameworks with both nations. Stakeholders in the devolved nations have found the OBR supportive in providing information and helping to build their analytical capacity. However, there remain some challenges, which in part reflect weaker lines of communication and trust between government departments and ministers in Westminster and those in Edinburgh and Cardiff.

44. The operation of the Scottish Government’s fiscal framework will be subject to a review following the provision of an independent report, to both the Scottish and UK governments, by the end of 2021. The OECD’s recent review of the SFC (OECD, 2019_[19]) noted that it would be prudent for institutions such as the SFC and the OBR to be given an opportunity to provide technical input in the forthcoming review.

45. Finally, while the OBR has no formal legal relationship with the Bank of England (BoE), the OBR sends a staff member to observe the pre-Monetary Policy Committee (MPC) briefing sessions at the Bank; the BRC meet relevant MPC members and senior staff ahead of each EFO forecast; and the OBR and Bank are both represented on several ONS user groups.

1.3.2. Parliamentary stakeholders

46. Within parliament, the TSC has the most direct contact with the OBR. There is little interaction with other parliamentary stakeholders. The OBR appears before the TSC twice a year to give evidence on the EFO, and has occasionally appeared to speak about policy costings or work on fiscal sustainability. The TSC maintains their own staff of economists who assist in briefing the committee more broadly on OBR analysis. TSC Members and staff praise the OBR for its accessibility.

47. While parliamentarians not on the TSC and members of the public may also benefit from OBR’s analysis, they mostly access it through intermediaries, such as the House of Commons Scrutiny Unit, the House of Commons Library, and the media. For these groups, faith in the OBR’s rigour and impartiality rely heavily on the appearance of, and statements made, by the BRC.

¹⁰ The MoU builds on a “shared principles” document developed by the OBR and SFC in 2017.

Box 1.2. Should there be a Commons Budget Committee?

The UK Parliament has a tradition of relatively weak *ex ante* scrutiny of the budget. Scrutiny has instead, been focused on *ex post* oversight of the public accounts through the Commons Public Accounts Committee. Unlike the majority of OECD parliaments, the House of Commons does not have a dedicated Budget or Finance Committee to oversee or coordinate the budget approval process.

A recent inquiry by the House of Commons Procedure Committee – *Should there be a Commons Budget Committee?* – noted that:

“[t]he comparative lack of *ex ante* financial scrutiny disadvantages the House in its ability to hold Government to account, and lessens the obligation on Government to explain transparently how it decides and embarks upon expenditure.”

This lack of scrutiny is manifested in several ways, as noted by the Procedure Committee:

- “Formal scrutiny of annual Estimates is limited, and the resulting legislation passes both Houses almost by default.
- The House has limited opportunities for proper examination of the sums the Government has asked it to appropriate.
- The departmental select committee system does not provide the systematic quality assurance and scrutiny of Estimates which the Government claims is undertaken once its spending plans are presented to Parliament.”

The Procedure Committee’s inquiry built on the findings of the 2011 Leigh-Pugh report (UK Parliament, 2011_[20]) on options to improve parliamentary scrutiny of government expenditure. That report was undertaken at the invitation of the then Chancellor of the Exchequer, George Osborne, but ultimately no actions were taken on its findings.

In line with the Leigh-Pugh report, the Procedure Committee has recommended in its own report the establishment of a Budget Committee and “increasing overall support available for budgetary scrutiny in the context of the resources available to comparable committees in other OECD states” (UK Parliament, 2019_[17]). It was the Committee’s view that the “House of Commons Scrutiny Unit could, over time, develop into a PBO – the House of Commons Budget Office”. A key rationale for recommending a Budget Committee was that it would:

“provide consistent monitoring of the implementation of Spending Review plans over the whole period covered by the review, with a focus on how annual spending plans in Main and Supplementary Estimates measure up to Spending Review expectations”.

Currently a spending review necessitates only the barest amount of parliamentary scrutiny. While the OBR plays a critical role in forecasting how much the government will actually spend given current plans, it does not comment on whether spending offers value for money or is achieving the objectives that the government had for it (The Times, 2017_[21]).

The Procedure Committee looked at a potential role for the OBR but concluded that:

“[i]t is clear to us that the current statutory role of the Office for Budget Responsibility would not easily enable it to support a Budget Committee. It would not be appropriate for a body intrinsically linked to, albeit distinct from, Government to support a committee of the House.

While the OBR does produce material of value to parliamentary scrutiny, given where it sits and its already very tight resources, it appears sensible to strengthen the existing House

of Commons Scrutiny Unit, which could in turn engage with relevant OBR analysis when it deems appropriate. The Scottish Parliament's Financial Scrutiny Unit already plays a similar role.

Source: Authors, based on public information.

1.3.3. Non-government stakeholders

48. Organisations outside government make use of the OBR's work and engage with the OBR, including local think tanks (such as the Institute for Fiscal Studies (IFS), National Institute for Economic and Social Research (NIESR) and the Resolution Foundation), non-government macroeconomic forecasters, academics, an informed minority of journalists and international organisations (European Commission, International Monetary Fund (IMF), and OECD).

49. Expert stakeholders overall find the OBR's analysis and reports unbiased, helpful, informative and well-written. They also welcome the high degree of transparency that the OBR provides, including evaluating its own previous forecasting errors and publishing data in easy-to-download spreadsheets on its website. Stakeholders who engage directly with the OBR staff noted that they are easy to contact, helpful, and constructive.

50. Third parties – particularly the IFS, the Resolution Foundation and a small number of well-informed journalists – are important channels for communicating the OBR's findings to a wider audience. There is also a growing community of informed social media participants (some from academia and the media) who disseminate, comment on and debate its work. The OBR's clear and transparent presentation of information enables these third parties to pick out the most salient issues – for example, occasions (like in Budget 2016) when the government has made decisions to delay or bring forward revenues and spending or pencilled in unspecified spending cuts solely in order to appear to remain on course to meet its fiscal targets.¹¹ Without them, it seems likely that the OBR's analysis would garner less attention and thus it might be less effective in imposing fiscal discipline on the government.

51. While the IFS produces some of its own analysis – for example, assessing and quantifying the impact of specific new policy measures – some of what the IFS does is to repackaging the OBR's work into a more direct contribution to the political debate. The IFS is less constrained than the OBR is in what it can say – in particular, the IFS can comment on the merit of the choices the government has made and whether alternative policy options would have been better.

52. The OBR tracks and reports on stakeholder engagement in its annual reports which show that it participates in events with a broad range of organisations in the UK and internationally, although typically on an ad hoc basis.¹²

¹¹ See for example, IFS presentation: <https://www.ifs.org.uk/publications/8200>

¹² From 2014-2019 the OBR reported presenting to a wide range of external audiences in the UK including the Government Economic Service, Local Government Association, Social Security Advisory Committee, Institute and Faculty of Actuaries, Trades Union Congress, London School of Economics (LSE), and Glasgow University Business School.

53. There are concrete examples of how the OBR engages with non-governmental stakeholders, for example, in recent months the OBR has engaged closely with the Resolution Foundation on the latter's series of papers examining the past performance of fiscal rules in the UK and its proposals for new ones with greater emphasis on the public sector balance sheet. Nevertheless, some stakeholders raised concerns that the OBR does not engage often and widely enough with the community of macroeconomic and fiscal experts outside government. Others called for the OBR to do more to use its convening power to connect with the academic community, in order to open OBR analysis up to greater scrutiny and challenge, to build interest in fiscal issues, and to help develop a pipeline of future staff. This was an explicit recommendation of the Ramsden Review, but in subsequent negotiations with the Treasury the funds the OBR sought for 'fiscal forecasting community and academic outreach' posts were not forthcoming.

54. In a similar vein, stakeholders also suggested that the OBR could develop its engagement with universities as a soft recruiting tool by promoting interest in the type of work the OBR does, particularly on the fiscal side where there is a much smaller pool of experts.

1.3.4. International stakeholders

55. The OBR is seen as a model internationally and regularly shares experiences with peer institutions and with governments and parliaments that are creating new IFIs or looking to enhance fiscal transparency. The OBR participates in several international IFI networks – the Network of EU Independent Fiscal Institutions (EU-IFIs, a voluntary network), the EU Network of Independent Fiscal Institutions (EUNIFI, convened by the European Commission), and the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO Network) – and contributes to other forums such as the African Network of Parliamentary Budget Offices. Since 2017, the OBR Chair has also served as the Chair of the OECD PBO Network. In these forums the OBR has contributed to standard setting in the global IFI community and has held critical exchanges on key pieces of work such as the OBR's first Fiscal risks report (FRR).¹³

1.4. Progress since previous reviews

56. Since the Page and Ramsden Reviews, the OBR (and in some cases its counterparts) has implemented or partially implemented the majority of the recommendations made (see Table 1.1). The upshot of previous recommendations has been increased resources for OBR (see also Chapter 2) and new tasks that are viewed as complementary to, or a natural extension of, its original mandate (see also Chapter 3). Efforts have been made to strengthen the OBR's succession planning and further develop its communications and the accessibility of its materials.

57. Less progress has been made in other areas. While parliamentarians and parliamentary staff praise the accessibility of the OBR, parliamentary engagement has remained fairly limited. Non-government stakeholders continue to raise concerns that

¹³ At the time of this review, the OBR's Advisory Panel included a former head of the Netherlands Bureau for Economic Policy Analysis. The Chair of the OBR chairs the External Advisory Group of the Parliamentary Budget Office in Ireland.

the OBR does not engage often and widely enough with the community of macroeconomic and fiscal experts outside government and have called for the OBR to do more to use its convening power. As noted above, this was an explicit recommendation of the Ramsden Review but funding the OBR sought for this activity was not forthcoming.

Table 1.1. Summary of previous review recommendations and progress

Summary of recommendations Page Review (2014)	Progress	Notes
It is recommended that the survey of Parliamentarians be reissued before the end of this session of Parliament.	○	The OBR has judged reissuing this survey as having limited value.
It is recommended that long-term succession planning be undertaken to mitigate risks related to the eventual transition of the OBR's senior leadership.	●	OBR has successfully gone through appointments of two new BRC members and a new Chief of Staff. The new government launched the search for the next Chair of OBR on 23 January 2020 ¹⁴ and nominated a candidate on 5 June. The TSC confirmed the candidate in mid-July. ¹⁵
It is recommended that a formal fiscal community-wide staff development and rotation programme be established to maximize the talent pool upon which the OBR can draw.	○	No formal rotation programme. Outreach to fiscal community could be strengthened,
It is recommended that caution be exercised in considering the expansion of the OBR's mandate (e.g. costing certification of opposition manifestos).	●	New work (e.g. FRR) is directly related to original mandate.
It is recommended that additional backgrounders be included with the publication of major reports to aid the accessibility of the documents for non-technical readers.	●	Range of publications is robust, with good graphic, non-technical, and web materials.

¹⁴ See <https://www.gov.uk/government/news/chancellor-launches-search-for-the-next-chair-of-the-office-for-budget-responsibility>

¹⁵ See <https://obr.uk/treasury-announces-candidate-for-next-chair-of-the-obr/>

Summary of recommendations Ramsden Review (2015)		
Legislation		
The default assumption should remain that the government uses the OBR's economic and fiscal forecasts as the UK's official forecasts.	●	Accepted practice.
The OBR should receive a multi-year budget on a rolling basis, to ensure that its budget extends at least 3 years into the future at any given time.	●	There are some challenges as the OBR's budget is linked to its parent department. Currently this would mean that the budget would extend beyond the Treasury's spending review settlement. A new settlement has been delayed due to Brexit related uncertainties.
The government should discuss with devolved administrations opportunities to amend relevant legislation: <ul style="list-style-type: none"> to ensure that the OBR has the appropriate information, explanation and assistance to enable it to carry out its functions to ensure that the OBR provides information on its forecast judgements to the appropriate devolved bodies and similar arrangements should be put in place for 'city deals' involving significant fiscal devolution 	●	OBR access to information is set out in legislation (in Scotland Act 2016 and Wales Act 2017). There have not been any City Deals to date that have been considered to involve "significant fiscal devolution".
No changes should be made to the OBR's remit and the underpinning legislation, the Budget Responsibility and National Audit Act, at this stage.	●	
Operating framework		
The government should update the Charter for Budget Responsibility to: <ul style="list-style-type: none"> replace the requirement for the OBR to include long-term projections in every edition of its annual sustainability report with a requirement to produce biennial projections incorporate the requirement for the OBR to produce a regular report on fiscal risks, in line with the recommendations of the IMF's Fiscal Transparency Code; the government should respond formally to the report incorporate the requirement for the OBR to produce an annual Welfare trends report 	●	The Charter was amended in October 2015 to include new requirements for long-term projections and for fiscal risks and welfare trends reports.
OBR and the signatory departments should review the Memorandum of Understanding (MoU) by September 2016 and where necessary set out additional detail on governance and processes, including steps to strengthen and formalise the arrangements around the signatory departments' compliance with the MoU and delivery of the forecast and policy costings	●	MOU updated in 2017.
The OBR and ONS should agree a set of principles on the anticipation of pending ONS classification decisions or changes to the forecast.	●	The OBR set out its approach in its 2015 EFO and details forecast items on its website that the ONS refers to regularly.
The OBR, devolved administrations and bodies and fiscally significant 'city deals' should consider agreeing Memoranda of Understanding to reflect developments in fiscal devolution in the UK.	●	The OBR has MOUs with the Scottish Fiscal Commission (January 2019) and the Welsh Government (April 2019). No "fiscally significant" City Deals have been introduced to require further MOUs.
That the OBR and HM Treasury Framework document remains appropriate. It should be reviewed periodically.	●	The joint OBR-Treasury Framework document was reviewed and amended in 2019.
Forecast performance and capability		
The Treasury, working in partnership with the OBR, should put in place a succession plan to help manage the transition of the BRC membership. To deliver this: <ul style="list-style-type: none"> the Treasury should seek candidates both within the UK and internationally there should be increased flexibility in job description (full-time or part-time opportunity) to increase the pool of potential candidates 	●	New BRC member appointed on close to full-time basis.

<p>The Treasury should ensure that the OBR is adequately resourced to build resilience in producing the forecast in light of the eventual movement of experienced staff, and to meet the other recommendations of this review.</p>	●	<p>Staffing increases in recent years judged as mostly adequate, but the continued increase in demand for OBR work warrants additional staffing.</p>
<p>The Treasury should ensure that the OBR is adequately resourced to support methodological development and research and take an explicit convening role in the UK's (small) fiscal forecasting community.</p>	○	<p>Resources to support methodological development and research remain limited. Fiscal forecasting community would still like to see OBR playing a more explicit convening role but funding was not provided for this recommendation of the Ramsden Review.</p>
<p>The OBR should work more systematically with forecasting departments on model development, building on existing practice to ensure key models are fit for purpose. Forecasting departments should ensure model development is adequately resourced. To deliver this:</p> <ul style="list-style-type: none"> the OBR should publish an assessment of the performance of individual forecasting models and their priorities for model improvement the existing MoU for the macroeconomic model and steering group should be extended to include the main fiscal forecasting models the forecast timetable and process should be reviewed to ensure sufficient time is allocated for quality assurance across all departments 	●	<p>OBR has worked in a productive fashion with departments, but resources limited. Treasury capacity for model maintenance has declined.</p> <p>OBR publishes annual forecast evaluation reports that now report on a systematic review of forecast models undertaken each year.</p> <p>No new fiscal forecast model MOUs have been established.</p> <p>The fiscal forecast timetable has sometimes been quite-compressed, reducing opportunities for quality assurance review. Exceptional circumstances have recently put forecast timetable under even greater pressure.</p>
<p>Transparency and accessibility</p>		
<p>The OBR should conduct more in-depth analysis on specific fiscal sustainability issues.</p>	●	<p>OBR published a series of papers in 2016 on fiscal sustainability and long-term projections in a 2017 report. Other reports (2017) touched on sustainability in areas such as migration and drivers of health spending.</p>
<p>The OBR should improve the accessibility of its website, taking into account user feedback, to increase the prominence of key material and improve the organisation of data and information.</p>	●	<p>OBR has worked to improve website. Easily navigated. Major reports have online "at-a-glance" sections and "in-depth" areas.</p>
<p>The OBR should increase accessibility of its material to a wider range of stakeholders, engaging through more diverse communications approaches, and making better use of online and social media channels.</p>	●	<p>OBR uses multiple communications channels and has increased use of animations, charts, tweets and infographics for key messages.</p>
<p>The government and the OBR should ensure greater availability of tools and data to allow third parties to cost alternative policy options.</p>	●	<p>OBR makes its macroeconomic model available online and publishes considerable data and information on its analytic methods, as well as interactive tools such as the welfare spending dashboard.</p>
<p>The OBR should undertake more systematic engagement with Parliamentarians and devolved administrations to enhance understanding of the OBR's role and encourage greater use of the OBR's output.</p>	●	<p>OBR focus remains on Treasury Select Committee in the UK House of Commons. Also appears before Finance Committees of the Scottish Parliament and the Welsh Parliament. It has very occasionally appeared before other UK Parliament Select Committees.</p>

Key: ●=yes; ●=partial; ○=no.

1.5. Adherence to international standards

58. In line with the Page Review, this review finds that the OBR meets the OECD Principles, many of which are reaffirmed by the EU-IFI Minimum Standards (see Table 1.2). This high level of adherence to agreed global standards provides the OBR with legitimacy among peer institutions and should provide confidence to its stakeholders in the United Kingdom. Moreover, the OBR has a particularly strong reputation for independence among peers (see section 2.5).

Table 1.2. Does the OBR meet the OECD Principles for Independent Fiscal Institutions (assessment of legislation and practice)?

Key: ●=yes; ◐=partial; ○= no

OECD Principle	Is there a related EU-IFI standard? ¹⁶	Assessment	Notes
1. LOCAL OWNERSHIP			
1.1 Broad national ownership, commitment, and consensus across the political spectrum. Models from abroad should not be artificially copied or imposed.		●	Broad cross-party support.
1.2 Local needs and the local institutional environment should determine options for the role and structure of the IFI.		●	
2. INDEPENDENCE AND NON-PARTISANSHIP			
2.1 Does not present its analysis from a political perspective; strives to demonstrate objectivity and professional excellence, and serves all parties. IFIs should be precluded from any normative policy-making responsibilities to avoid even the perception of partisanship.		●	The Charter states that the OBR ‘should not provide normative commentary on the particular merits of government policies’.
2.2 The leadership of an IFI should be selected on the basis of merit and technical competence, without reference to political affiliation. The qualifications should be made explicit.	✓	●	
2.3 Term lengths and number of terms that the leadership of the IFI may serve should be clearly specified in legislation along with dismissal criteria and process.		●	Members of the BRC are appointed for a five-year fixed term, renewable once, subject to the approval of the Chancellor and the TSC. BRC members cannot be dismissed without the agreement of both the Chancellor and the TSC.

¹⁶ This table has been updated from previous OECD IFI reviews to reflect the newer EU IFI standards released in January 2019. See, https://www.euifis.eu/download/statement_reinforcing_and_protecting_ifi_s.pdf.

2.3 The leadership's term should optimally be independent of the electoral cycle.	✓	●	Renewal dates for the BRC members' were staggered and do not currently align with the parliamentary electoral cycle.
2.4 The position of head of the IFI should be a remunerated and preferably full-time position. Strict conflict-of-interest standards should be applied.	✓	●	The Chair is a full time position. Other members of the BRC have had the option of working on a full-time or part-time basis in order to attract a diverse a range of candidates.
2.5 The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.	✓	●	The OBR staff are part of the civil service. However, according to the BRNA Act and the Framework document, within the arrangements approved by the Minister for the Civil Service, and in line with the Civil Service Management Code, the OBR has responsibility for the recruitment, retention and motivation of its staff.
2.6 Staff should be selected through open competition based on merit and technical competence, without reference to political affiliation, in line with civil service conditions.		●	
3. MANDATE			
3.1 The mandate should be defined in legislation, including types of reports and analysis they are to produce, who may request them and timelines for release.		●	It will be important going forward that timelines are respected.
3.2 IFIs should have the scope to produce reports and analysis at their own initiative and autonomy to determine their own work programme within their mandate.	✓	●	The Charter gives the OBR complete discretion to decide the content of its publications and its own work programme of research and additional analysis.
3.3. Clear links to the budget process should be established within the mandate.		●	
4. RESOURCES			
4.1 The resources allocated to IFIs must be commensurate with their mandate.	✓	●	Resources remain modest but the OBR has so far been able to secure additional

			resources in line with expansions to its remit.
4.1 The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies.	✓	●	The OBR's budget is formally part of the Treasury budget but separately identified within it and published in 'delegation letters'. The Framework document provides that the OBR can submit an additional Memorandum alongside that of the Treasury to Parliament in order to "protect the independence of the OBR and ensure transparency in the resources that are provided to the OBR".
4.1 Multiannual funding commitments may further enhance IFIs independence and provide additional protection from political pressure.		●	The OBR's budget has typically been set out three or four years in advance, including indicative settlements for later years. This practice is not guaranteed legislatively.
5. RELATIONSHIP WITH THE LEGISLATURE			
5.1 Mechanisms should be put in place to encourage appropriate accountability to the legislature.	✓	●	The OBR is jointly accountable to the Chancellor of the Exchequer and to Parliament. OBR flagship publications must be laid formally before Parliament. The TSC can call the OBR to give evidence on its work at any time, and routinely does so. The OBR also provides evidence to the Finance Committees of the Scottish and Welsh Parliaments. See also 2.3.
5.1 The budgetary calendar should allow sufficient time for the IFI to carry out analysis necessary for parliamentary work.	✓	●	The dates of budgets and other fiscal events are at the discretion of the government. Recent events have meant agreed timetables have not always been respected.

5.2 The role of the IFI vis-a-vis the parliament's budget committee (or equivalent), other committees, and individual members in terms of requests for analysis should be clearly established in legislation.		●	
6. ACCESS TO INFORMATION			
6.1 IFI should have full access to all relevant information in a timely manner.	✓	●	The Act gives the OBR "right of access (at any reasonable time) to all Government information which it may reasonably require for the performance of its duty". MoUs between the OBR and government departments further underpin access to information.
6.2 Any restrictions on access to government information should be clearly defined in legislation.	✓	●	No restrictions in place.
7. TRANSPARENCY			
7.1 IFI should act as transparently as possible, including full transparency in their work and operations.		●	In addition to its work, the OBR publishes communications between the OBR, ministers, and officials in government departments.
7.2 IFI reports and analysis (including underlying data and methodology) should be published, made freely available to all and sent to parliament.		●	The OBR's reports are laid in parliament and are published online with accompanying spreadsheets containing the data in each.
7.3 The release dates of major reports and analysis should be formally established, especially in order to coordinate them with the release of relevant government reports and analysis.		●	Consistent with acting transparently, the OBR's work programme is published according to a regular and predictable timetable, with release dates set out in advance.
7.4 IFIs should release their reports and analysis, on matters relating to their core mandate on economic and fiscal issues, in their own name.		●	

8. COMMUNICATIONS			
8.1 IFIs should develop effective communication channels from the outset.	✓	●	The OBR has invested in communications from the outset. In its Corporate and business plan the OBR continues to have as an objective ‘maintaining and developing its “communications with external stakeholders”’. ¹⁷
9. EXTERNAL EVALUATION			
9.1 IFIs should develop a mechanism for external evaluation of their work.	✓	●	The Act provides for the OBR to be reviewed at least once every five years. This is the second non-governmental external review of the OBR. The OBR maintains an Advisory Panel of economic and fiscal experts.

¹⁷ See https://obr.uk/docs/dlm_uploads/OBR-Business-plan-2018-19.pdf

1.6. Conclusions

59. A decade old, the OBR is a fixed part of the UK institutional landscape and viewed as having a solid reputation for independence and producing high-quality analysis. It is vital that the OBR is, and is seen to be, impartial and free from political interference. The organisation's focus on being scrupulously transparent has played an important part in building its reputation. The OBR should jealously guard this culture of transparency to help head off any potential future threats to its standing.

60. The OBR has also built a strong reputation internationally. The OBR's leadership and staff regularly engage with, and promote cooperation among, peer IFIs. This review, as well as previous reviews, finds that the OBR globally meets the OECD Principles for IFIs. This adherence to agreed global standards provides OBR with legitimacy among peer institutions and should provide confidence to its stakeholders in the United Kingdom.

61. The OBR's dual accounting lines to the Chancellor and to Parliament had the potential to create tension in the OBR's work, but appear in practice to have helped ensure that both trust and support the OBR. The OBR is currently viewed favourably across the political spectrum and by a range of external stakeholders.

62. Because of the reputation the OBR has built, there continue to be calls for it 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.

63. Despite the current broad-based support for the OBR, there remains a risk that confidence in management of the UK public finances could be undermined if the current or a future government were to hamper the independent scrutiny provided by the OBR or were to be less supportive of its role. The UK's political landscape has been volatile since the referendum on EU membership in June 2016 and the debates around Brexit (and now the added uncertainty due to the COVID-19 pandemic) continue to put economic forecasters in the spotlight. In particular, the OBR could be side-lined by a government that was less committed to fiscal discipline and transparency; that questioned the integrity and professionalism of its forecasts and judgments 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. The OBR could help head off these risks by continuing to emphasise the importance of fiscal transparency for good policy and informed public debate – and enlisting supportive stakeholders in that effort. It should continue to be clear about the implications of government policy for fiscal sustainability, explaining its forecasting methodology and judgments clearly, and – as far as possible – engaging with external experts to test and refine its forecasting models and judgments.

64. Recent events highlight the importance of ensuring that the government commits to well-set-out budgetary timetables that it then observes – deviating from them because of 'exceptional circumstances' should not become the norm. Secondary legislation should be revisited to clarify how the OBR should proceed should the Chancellor not commission two forecasts during any financial year or if there is no budget in that period. Ideally, and barring exceptional circumstances, the dates for the

Government's fiscal events and accompanying OBR forecasts should be fixed in legislation. To maintain public confidence the OBR should continue to highlight when ministers and departments fail to adhere to the agreed principles on timing and openness.

65. The OBR maintains good working relationships with government stakeholders despite pressures related to cutbacks to staffing in all departments it engages with, a widening of the OBR's remit, and the OBR's increased focus on challenging the modelling and policy costings produced by DWP and HMRC. The OBR and key government departments should continue to ensure a clear understanding of the relative priorities of different pieces of work, to work to spread demands out through the year, and to learn lessons when things have gone wrong.

66. 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 to do so. It could use its convening power to connect with the academic community, in order to open OBR analysis up to greater scrutiny and challenge, to build interest in fiscal issues, and to help develop a pipeline of future staff.

Chapter 2. Resources and Independence

2.1. Introduction

67. This chapter looks at the extent to which the OBR has sufficient funding and human resources, as well as whether these resources are predictable and sustainable. It also assesses the OBR's access to information, and independence to deliver its mandate.

68. So far the OBR has managed to deliver its remit with the resources provided, and has been largely successful in seeking additional resources when necessary. Nevertheless, it remains a lean organisation with a fairly tight budget, and pressures on its mandated work have continued to grow over time. In its 2018 Annual Report, the OBR cautioned that:

“The potential loss of experienced staff, an increase in the demands placed on our staff without corresponding increases in resources, and the effective maintenance and development of the forecasting infrastructure, such as the macroeconomic model, are risks that the Board and management of the OBR are focused on mitigating.” (OBR, 2018^[22])

69. The OBR has good access to information, guaranteed in legislation and reaffirmed through a Memorandum of Understanding (MoU) with HM Treasury, DWP, and HM Revenue & Customs (HMRC). Moreover, the OBR has successfully built strong working relationships with leadership and staff in these departments which helps facilitate access to information. These provisions have been replicated for the OBR in Scotland and Wales in respect of fiscal devolution.

70. Despite some potential challenges, stakeholders view the OBR as highly independent and credit its leadership with instilling a strong culture of independence within the institution from the outset.

2.2. Funding

71. OECD Principle 4.1 states that:

- an IFI must have “resources commensurate with its mandate to fulfil it in a credible manner” and that
- “[t]he appropriations for IFIs should be published and treated in the same manner as the budgets of independent bodies...in order to ensure their independence. Multiannual funding commitments may further enhance IFIs independence...” (OECD, 2014^[3])

72. Although it is a non-departmental public body, the OBR is a part of the Treasury Group and funded through the Treasury's budget. As such, the OBR must request its annual funding from the Chancellor of the Exchequer (who has overall responsibility for the Treasury Group). This creates a potential risk to the OBR's budget and independence. In practice, however, there are several protections in place to mitigate this risk and the most obvious alternative institutional form – that of a Non-

Ministerial Department – would also require its budget to be negotiated with the Treasury.¹⁸

73. The OBR’s budget is separately identified within the Treasury’s budget and published. According to the Framework document, the OBR can submit an additional Memorandum to Parliament alongside that of the Treasury in order to “protect the independence of the OBR and ensure transparency in the resources that are provided to the OBR”. Finally, in practice, the OBR’s budget is typically set out three or four years in advance (including ‘indicative settlements for later years), although this is not guaranteed legislatively. This is an important and very unusual protection in the UK not enjoyed by most arm’s length bodies.¹⁹ So far, the OBR has never been threatened with budget cuts.

74. Both the Page and Ramsden Reviews cautioned that the OBR would likely need additional resources to deliver fully on its mandate. The Ramsden Review also recommended that the OBR take on new tasks that required additional resources; some but not all of these were then funded.

75. In line with these recommendations, the OBR has continued to grow and now commands significantly greater human and financial resources, as compared to its early years when it was arguably under-resourced (see Table 2.1). Most of the increase in resources in recent years was temporary resources for Brexit analysis, although this has now been baselined through to 2022-23 (albeit indicatively in the last two years).

Table 2.1. OBR Budget 2011-2020 (millions GBP)

Year	Pay	Non-pay	Total
2011-12	1.25	0.46	1.75
2012-13	1.28	0.45	1.77
2013-14	1.27	0.46	1.77
2014-15	1.47	0.51	1.98
2015-16	1.59	0.52	2.23
2016-17	1.97	0.92	2.67
2017-18	2.01	0.56	2.69
2018-19	2.34	0.57	3.05
2019-20	2.71	0.72	3.43

Note: Amounts for the 2018-2019 and 2019-2020 programme years include temporary funds for Brexit analysis. The total is delegated by the Treasury but decisions on spending on pay and non-pay are for the OBR to take.

Source: Authors, based on information provided by the OBR.

76. In terms of resourcing pressures, management and staff at the OBR note that there are now fewer peaks and troughs in workload than in the past, with staff being under higher pressure throughout the year. While the OBR has managed to fulfil its

¹⁸ By contrast, as an independent parliamentary body, the National Audit Office and the Comptroller and Auditor General must jointly prepare an estimate of NAO’s use of resources, which is submitted, to the Public Accounts Committee in Parliament. The Commission reviews the estimate and lays it before the House of Commons for approval. The NAO is a much larger body, roughly twenty times larger than the OBR, employing around 800 staff.

¹⁹ The National Infrastructure Commission, which based some of its corporate arrangements on the OBR’s, is another rare example of a body with this type of budgetary protection.

expanding remit over the past few years, this has only been possible by staff working at higher intensity, with less time available for tasks such as maintaining and improving the OBR's models, working papers, and other non "core" work.

77. Specifically, the OBR's workload has continued to expand since the Page and Ramsden reviews along the following lines:

- The OBR now publishes a *Welfare trends report* every year and a *Fiscal sustainability report* every other year and a *Fiscal risks report* every two years.
- It has significantly expanded the amount and the depth of the work it does in reviewing and approving policy costings undertaken by DWP and other government agencies.
- It produces more in-depth analyses and explanations of uncertainty associated with its forecasts and policy costings.
- Its subnational work has expanded in Scotland and Wales.
- It has had to conduct new analyses related to Brexit, and more recently, the COVID-19 pandemic.
- The Treasury's capability and role in model maintenance and development has fallen off in recent years, with these tasks increasingly falling to OBR staff.

78. An example of where key pressure points have appeared is in relation to policy costing. In recent years, the OBR has increased the staffing and resources it deploys in carefully reviewing and challenging the fiscal implications of policy plans and preliminary costings of proposed policies produced by government agencies. The largest source of costings is typically HMRC, but the greatest increase in scrutiny work in recent years has related to those produced by DWP. In autumn 2018, the OBR reviewed about 150 draft policy costings and responded with "action" items for roughly 90 of them.

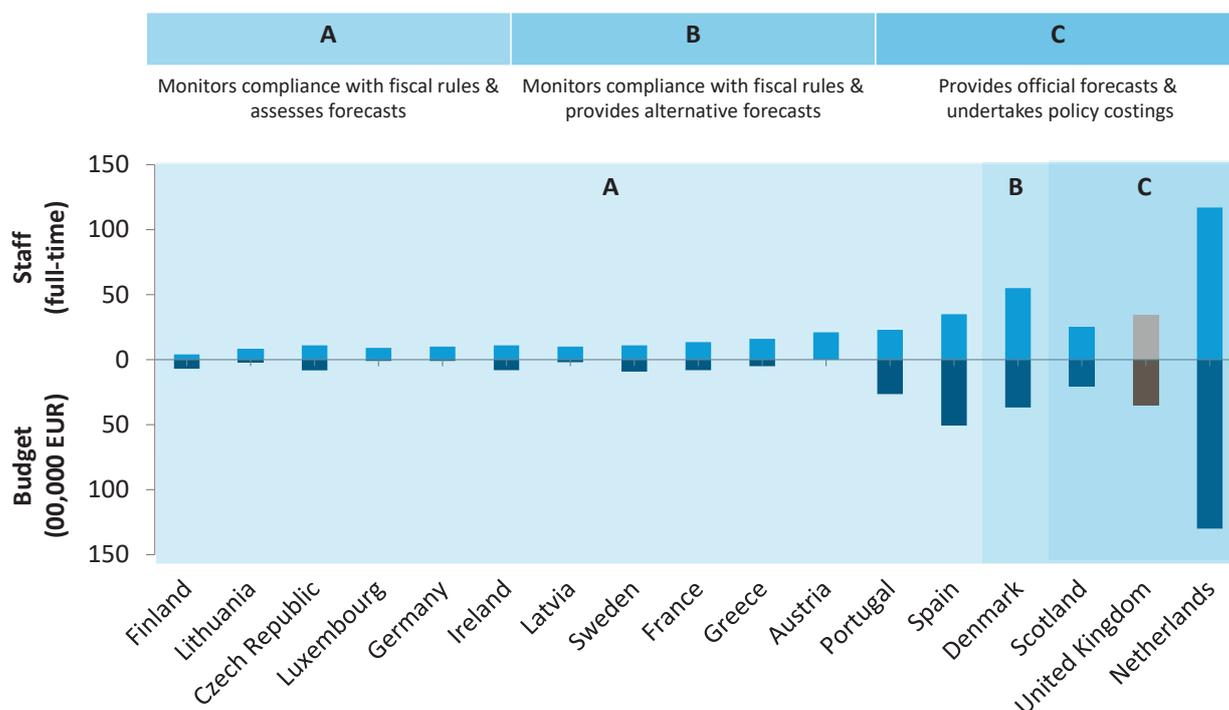
79. Examples of such actions include noting that a particular policy option is not specified well enough to determine its fiscal impact, or that key assumptions behind a preliminary costing are not well-founded. Prior to OBR certification of a policy costing, government staff often have to clarify the policy specification or revise some of its costing components. This iterative work consumes a significant amount of OBR resources. In part this reflects the growing body of evidence to draw upon, built up through the scrutiny processes ahead of successive fiscal events. Moreover, since 2014, the OBR regularly reports on uncertainty ratings (also routinely published in their database) and on re-costings via the updates on previous policies. At the request of the TSC, the OBR has also put a greater focus on scrutinising and evaluating anti-avoidance and HMRC operational measures to raise revenue through improved tax compliance.

80. These expansions of mandated work have begun to put a strain on the OBR's already tight resources and the OBR's workload is quite large in comparison to its funding. Figure 2.1 shows the OBR's funding relative to a number of other OECD IFIs in Europe with similar functions.

81. Making the temporary resources provided for Brexit analysis permanent would ease resourcing pressures and remove the appearance of a potential source of Treasury leverage over the OBR's work programme. Given recent pressures, the OBR should continue to monitor the demands being placed on staff, including in relation to

the recommendations in this report, and the Treasury should fund an additional increase in resources if that proves to be warranted. Not surprisingly, the production of additional outputs and the need to work from home because of COVID-19 have created particular challenges for staff and leadership more recently.

Figure 2.1. Mandate and resources of select OECD IFIs in Europe



Notes: The OBR also monitors compliance with fiscal rules. Budget data for Austrian Fiscal Council are not available.

Source: OECD IFI Database 2019.

2.3. Human resources

2.3.1. Leadership

82. As noted in Chapter 1, the OBR is led by a three-person Budget Responsibility Committee comprised of a Chair and two committee members appointed by the Chancellor, subject to the approval of the Treasury Select Committee.

83. Stakeholders view the current BRC as an extremely effective and cohesive leadership team. All three members of the BRC are deeply involved in the preparation and review of the OBR's flagship publications. They work closely with the OBR's staff, helping to maintain a strong institutional culture of professional excellence and independence.

84. Initially, the Chair was full time and the two other committee members were part time but, following the last round of appointments, one committee member is part time and one is now close to full time. This is in line with the recommendation of the Ramsden Review that there be "increased flexibility in job description (full-time or part-time opportunity) to increase the pool of potential candidates."

85. Two unpaid part-time non-executive members, also appointed by the Chancellor for a three-year renewable term, complement the BRC and serve as Chairs of the Oversight Board and its Audit subcommittee (see Chapter 1).

86. The current OBR Chair will step down in October 2020, following two five-year terms. The change in leadership is viewed as a potential test for the OBR. However, the appointment of two new BRC members of the Committee in 2017 and 2018 ensures some continuity in OBR leadership after the transition to a new Chair. Moreover, one of the new BRC members has a long history with the Office, having previously served as its Chief of Staff.

87. Concerns around succession planning more generally have also been mitigated now that the BRC has successfully gone through appointment processes to replace two former members and the TSC has confirmed the appointment of the incoming new Chair. However, parliamentary stakeholders signalled they will be watching to ensure that appointment processes continue to be conducted in a timely manner, referencing the TSC's recommendation that "nominations to the BRC be made by the Chancellor at least four and a half months before the existing post holder steps down" (UK Parliament, 2018^[23]).

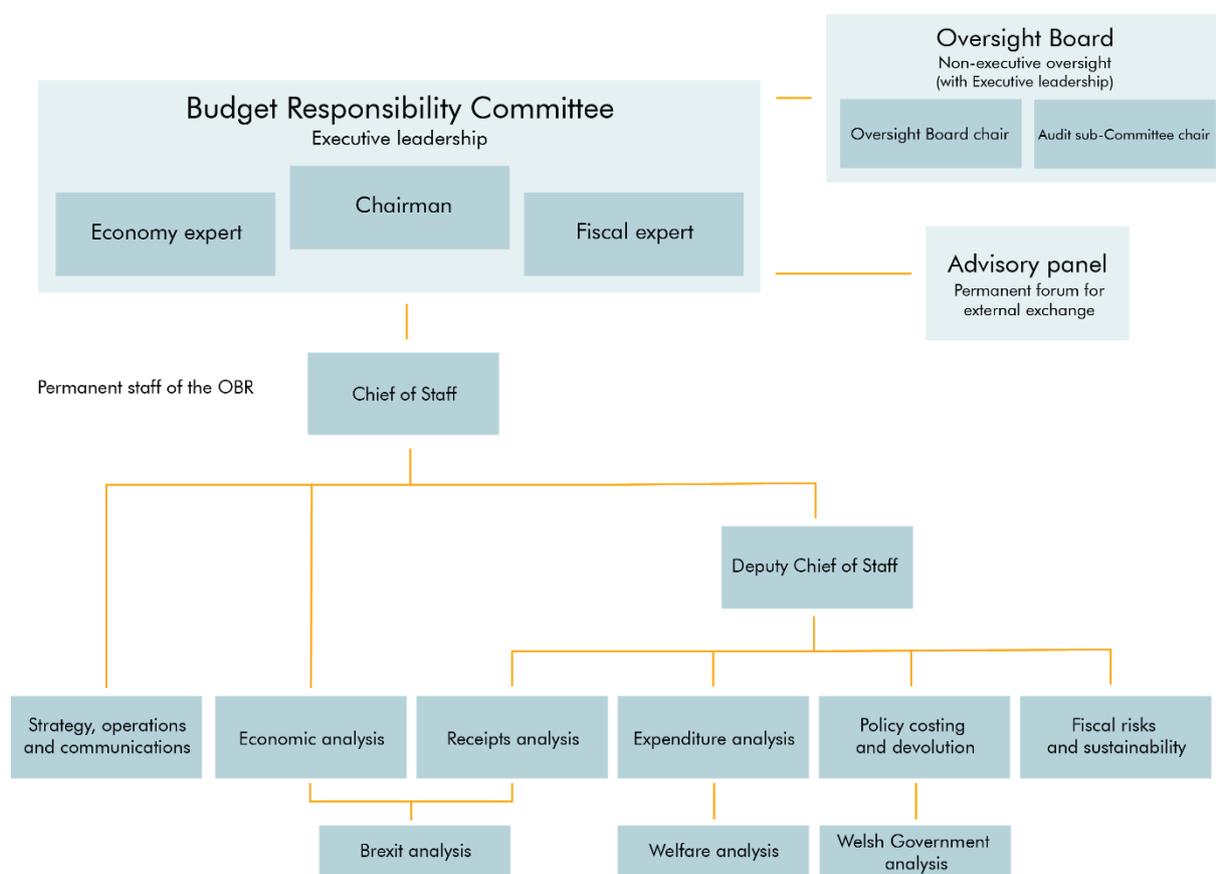
2.3.2. Staffing

88. The OBR has 34 staff positions. Six of these positions are still designated as temporary slots related to Brexit analysis, although – as noted above – the funding for them has now been baselined through to 2022-23. Staff turnover in the OBR tends to be moderate, and mainly at the analyst level, with only a few vacancies at any one time. Most of the staffing is for regular or "permanent" civil service positions. The OBR can hire non-nationals and has done so in the past.

89. The OBR's staff size has roughly doubled since 2012-2013 and increased by almost 50% since 2015-2016. Those increases have allowed the Office to meet its current mandate and keep up with the growing demand for its work highlighted earlier. Nonetheless, staffing remains modest: there is generally only one analyst with primary responsibility for a given topic or area.

90. The OBR staff is led by a Chief and Deputy Chief of Staff, as well as team leaders for economic forecasting and analysis; fiscal expenditure analysis; fiscal receipts; policy costing and devolution (Scotland and Wales support); fiscal risks and sustainability analysis; and strategy, operations and communications (see Figure 2.2).

Figure 2.2. OBR organisational chart

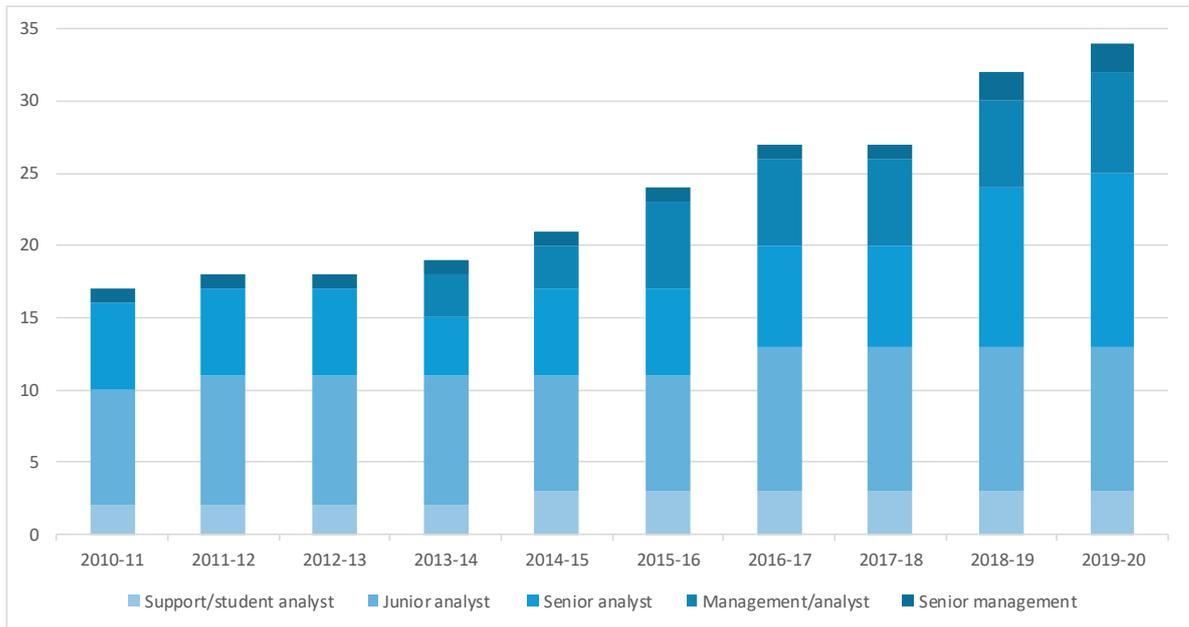


Source: OBR

91. Each of the OBR's team leaders is supported by several analysts. This group includes several senior analysts, a handful of junior analysts, and a few student economists on temporary work assignments. Figure 2.3 shows the historical breakdown of the OBR's staff allocation to categories of leadership and different analyst grades.

92. The OBR maintains very few administrative posts. It has effectively outsourced activities such as accounting, human resources, procurement, some knowledge and information management, and legal services through a service level agreement with the Treasury. The OBR buys some services (such as information technology support) from the Ministry of Justice (from which it rents its office space).

Figure 2.3. OBR Staffing levels by category



Note: Senior management includes only the Chief of staff and, since 2018, his Deputy. The “management/analyst” category consists of the various “team leaders”.

Source: Authors, based on information provided by the OBR.

93. Several challenges were raised at the time of the review in relation to staffing. First, over its history, OBR staff have relied to varying degrees on staff at HM Treasury to support development and maintenance of the shared primary model used to compile the economy forecast. The amount of experienced Treasury staff time dedicated to model maintenance and development has diminished over recent years, with resourcing recently concentrated on developing Brexit modelling capability, and there is more responsibility being placed on the OBR staff to maintain and update the model. In early discussions with the OBR, the review team expressed its view that it would be prudent to augment the OBR’s economic forecasting staff with at least one additional team member to serve as an overall model manager. OBR subsequently hired a model manager in early 2020.

94. Communications are viewed as an incredibly important task for the OBR, especially as its main mission is to provide comprehensive and consistent transparency about economic and fiscal forecasts in the UK. As the official forecaster, the OBR enjoys significant media coverage. Stakeholders praise the Chair’s acumen as a communications expert (partly reflecting his experience in that field as a former journalist and speechwriter). As the organisation has grown, the OBR has slowly increased its communications staff, with the number of staff with responsibilities related to strategy and communications growing from one to two in 2016 and a third person joining in January 2020. It will be important to ensure that the OBR can maintain and expand its communications capacity appropriately, for example to help manage stakeholder demands for greater OBR engagement with the community of macroeconomic and fiscal experts outside government and with academics.

95. The OBR's relatively modest size and flat hierarchy gives it a certain agility. Staff and stakeholders alike view this positively. At the same time, it creates potential risks to OBR's business continuity. Most of the team leaders have been in their positions for several years – some since OBR's start-up in 2010. It is good for operational effectiveness to have such a devoted, experienced group of leaders, but there is limited opportunity for promotion from within and smooth continuity would be difficult if several staff from that senior group depart.

96. It also means that staff development may lag because there is too much demand on an individual's time to allow for professional training and for taking advantage of outside career development opportunities. This is true for all levels of staff, but may be particularly acute for team leaders, who have significant responsibility for generating the Office's key reports. The results of the OBR's recent employee engagement surveys (2015-2018) bear out this concern. While highly positive overall, they show dissatisfaction on "learning and development," with the score for this category at 50% (Cabinet Office, 2018_[24]).²⁰

97. Along with "learning and development," "pay and benefits" was the area where OBR staff reported the most dissatisfaction in the OBR employee engagement survey (the Treasury scores similarly poorly on this metric). Pay for OBR staff is set based on UK civil service guidelines and generally in line with the pay scales for the Treasury, which is OBR's sponsor department. Treasury pay scales are traditionally lower than other ministries. In addition to the Treasury, HMRC and DWP are the OBR's most frequent source of new staff and key comparator departments for pay levels. Data provided by the OBR comparing their staff pay with the pay for comparable positions within Treasury, other government agencies, and at the BoE indicates that:

- After adjusting for level of experience, OBR pay for most analytical positions (as represented by median salaries) is comparable to the levels at many government agencies (particularly at Treasury and DWP), but notably below the average at HMRC.
- For the OBR economic analysis team, pay is generally well below levels obtained by comparably experienced staff at the BoE.

98. Strong analysts who gain significant experience may eventually be tempted to leave the OBR for better-paying positions in the private sector, at the Bank of England, or elsewhere in government – and this has happened in practice. This is not a two-way exchange. The review team raised the possibility of the much better resourced BoE offering to second an economic forecasting expert to the OBR, while recognising that there may be some institutional barriers to such a secondment. This strategy has been used by several IFIs, for example, the Bank of Spain seconded officials to Spain's IFI, the Independent Authority for Fiscal Responsibility (AIReF) during its early years of operation.

99. Pay constraints are a fact of life for most IFIs and are likely to remain so. Despite this, working for the OBR remains attractive because of the organization's mission, high visibility and credibility, its relatively small size with minimal

²⁰ This score of around 50% is lower than the comparable score for Treasury staff, which has stayed around 60% over the same period but is generally in line with the benchmark scores from the UK's Civil Service People Survey.

bureaucracy, the lack of a political filter on the work (given the OBR’s mandated independence) in contrast to most other civil service roles, and the opportunity to work on varied projects over time and to publish analytical work. Overall, staff show high satisfaction with their work and a highly positive attitude towards OBR’s organisational objectives and purpose.

Table 2.2. OBR Employee Engagement 2018

	OBR	Treasury	Civil Service benchmark score
Employee engagement index	79%	75%	62%
My work	87%	81%	76%
Organisational objectives and purpose	98%	87%	83%
Learning and development	50%	61%	54%
Pay	28%	29%	31%

Note: Percentage of staff responding positively.

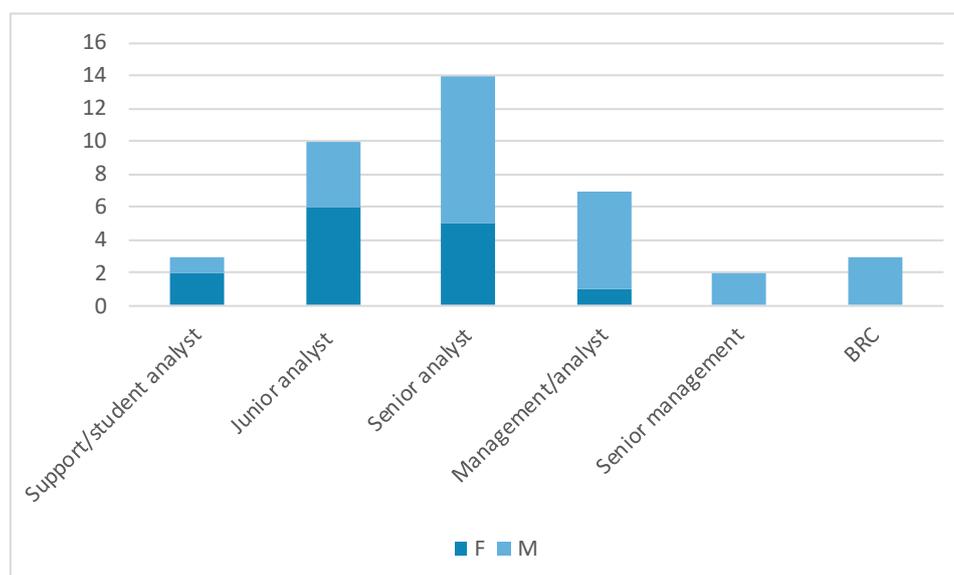
Source: OBR and (Cabinet Office, 2018_[24]).

100. Gender and other diversity has been another challenge for the OBR, particularly at the team-leader level up through the BRC. There is some diversity at the analyst level, but overall, the OBR has had a primarily white male workforce. This is partly due to the original composition of the OBR’s first staff contingent from the Treasury.

101. In terms of gender, the OBR has been making better progress on this front more recently. Recruitment in the past two years and in early 2020 has raised the OBR’s share of female employees from 19% to 44% at end-March 2020, although most of the women working at the OBR are still primarily working at the lower grades. This has brought the share broadly into line with the 46.2% of staff who on average identified as female at the Treasury between 2012 and 2019 (although the Treasury is arguably less diverse among its economic and fiscal specialists). But it remains below the average of 53.6% for the Civil Service as a whole. By comparison, the Scottish Fiscal Commission has managed to strike a 50-50 gender balance among senior analysts and senior management; overall there are slightly more women than men (OECD, 2019_[19]).

102. The gender gap may partly reflect the smaller pool of women studying economics in the UK (around a third of undergraduate economics students) and entering the Government Economic Service (GES), which lags behind the wider Fast Stream in terms of gender. A 2016 comparison showed that 32% of GES applicants were female compared to 49% of Fast Stream applicants as a whole from Recruitment Round 1 (Government Economic Service, 2016_[25]).²¹

²¹ The Fast Stream has traditionally lacked diversity in other areas as well – for example, a 2016 independent assessment of access to the Fast Stream by socio-economic background found that the profile of the Fast Stream’s intake is ‘less diverse than the student population at the University of Oxford’ (Bridge Group, 2016_[41]), (Social Mobility Commission, 2019_[42]). While the civil service is taking initiatives to diversify the intake of their Graduate Scheme, changes will take some time to feed through the system at higher grades.

Figure 2.4. Gender balance at the OBR by category (as of February 2020)

Note: Senior management includes only the Chief of staff and, since 2018, his Deputy. The “management/analyst” category consists of the various “team leaders”. The number of staff that work in strategy, operations and communications across these categories has increased from two in 2011 to five in 2019.
Source: Authors, based on information provided by the OBR.

2.3.3. Advisory Panel

103. In line with the OECD Principles, the OBR has established a nine-member Advisory Panel of economic and fiscal experts drawn mainly from academia, the private sector, and think tanks.

104. The Advisory Panel meets once a year, generally in the autumn, for roughly a half-day of discussions, primarily about the economic forecast, though other issues related to OBR’s work programme may also be covered.

105. OBR leadership also occasionally reaches out to individual members of the Advisory Committee for input about specific issues such as analysis of the UK labour market and documentation of OBR’s technical modelling (related to general equilibrium analysis for the UK economy).

106. While it appears that the OBR is making productive use of its Advisory Committee, interaction is fairly “light touch”. Several advisors that the review team met with indicated their willingness to engage more. A half-day, once-a-year meeting may not be enough to generate as much outside input to the OBR work as is possible (and desirable). By comparison, the US CBO’s Panel of Economic Advisors meets twice a year and the Advisory Board for Spain’s AIREF meets four times a year.

107. It may be worth considering meeting twice a year, along with the possibility of extending at least one of those meetings to a nearly full-day schedule that includes short presentations by Committee members on topics of interest to the OBR. The trade-off here is that slightly more staff time would go into organising an additional meeting and an additional time commitment would be required from panel members.

2.4. Access to information

108. As independent institutions, IFIs require access to information from across the public sector to ensure they are in the best possible position to deliver informed analysis and opinion. Consistent with this requirement, Principle 6.1 of the OECD Principles states:

“This creates a special duty to guarantee in legislation – and if necessary, to reaffirm through protocols or memoranda of understanding – that the IFI has full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals.”

109. The OBR reports good access to information. It has a strong legal framework for obtaining the information it needs to fulfil its remit:

- First, the OBR’s enabling legislation, the BRNA Act, provides it with a legal right to information from the government:

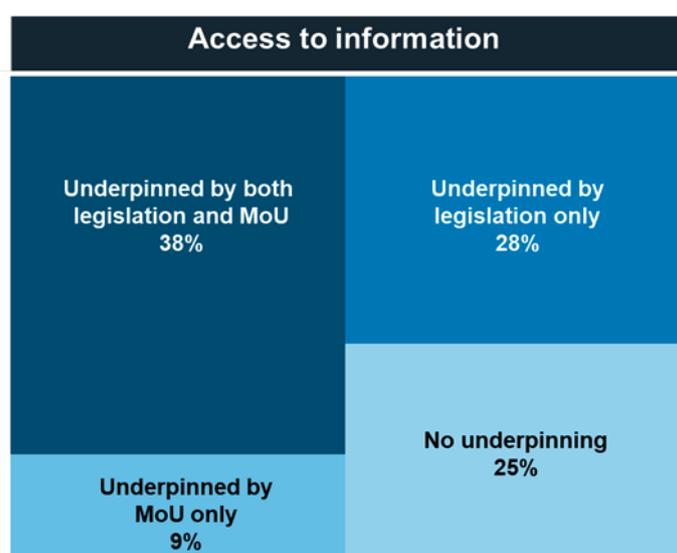
“The Office has a right of access (at any reasonable time) to all Government information which it may reasonably require for the purpose of the performance of its duty...” (BRNA Act, section 9)
- Second, the BRNA Act gives the OBR right of access to analysts to explain information:

“The Office is entitled to require from any person holding or accountable for any Government information any assistance or explanation which the Office reasonably thinks necessary for that purpose.”(BRNA Act, section 9)
- Third, the *Charter for Budget Responsibility* details the respective roles of the Treasury and the OBR in promoting greater budget responsibility and transparency in the UK. It notes that “the government has adopted the OBR’s fiscal and economic forecasts as the official forecasts for the Budget Report”, but adds that “the government retains the right to disagree with the OBR’s forecasts and, if this is the case, will explain why to Parliament”. The Charter also details how the OBR is to conduct its work independently of the Treasury but with input and consultation as necessary to complete that work.

110. A Memorandum of Understanding with the Treasury, DWP, and HMRC operationalises the OBR’s legal rights to information. The MoU details the products of the OBR and the responsibilities of the government agencies to “make relevant staff available” to work with the OBR as necessary for the Office to complete those products. The MoU also calls on the government agencies to provide data and analysis needed in the OBR’s development of those products.

111. Figure 2.4 shows that the instruments available to the OBR – both legislation and MoU – to access information are the ones available to the largest proportion of IFIs across OECD countries.

Figure 2.5. OECD IFIs arrangements to secure access to information



Note: The data includes 32 national IFIs in OECD countries. The data includes two IFIs for Austria, Finland, Greece, and Ireland, where there is both a Fiscal Council and a Parliamentary Budget Office.
Source: OECD IFI Database 2019.

112. Ultimately, legal access to information and a MoU for the framework of inter-agency cooperation are only successful if there is good and frequent personal communication between key personnel at the various agencies. OBR staff have worked hard to build and maintain those good relationships and there is good coordination under the current MoU.

2.5. Independence

113. Independence and non-partisanship refer to the ability of an IFI to undertake its duties free from political pressure or influence. Those attributes were considered particularly important in the wake of the financial crisis of 2008-2009, when several OECD countries – including the United Kingdom – began the process of establishing IFIs. The extent to which independence is fostered within an IFI is significantly influenced by its enabling legislation and subsequent working agreements.

114. The OBR has a particularly strong reputation for independence. Indeed, in a first attempt to measure IFI independence using a set of variables drawn from the OECD Principles and data from the OECD IFI Database, the OBR scored highest among the 26 institutions assessed (von Trapp and Nicol, 2018_[26]). Moreover, its IFI peers throughout the OECD have consistently looked to the OBR as a model of independence and operational credibility.

115. The BRNA Act provides a strong legal underpinning for the OBR's independence. Moreover, the Charter for Budget Responsibility, the Framework Document, and the MoU that stemmed from that legislation collectively do a good job of detailing how the OBR is to operate. Specifically, those documents clearly lay out how the OBR should fulfil its mandate while maintaining independence and non-partisanship.

116. Some observers might question the OBR's independence because of its close ties with the Treasury. It is formally part of the Treasury Group, receives its funding from the Treasury, and depends in part on Treasury (but much more on HMRC and DWP) for inputs necessary to do its work.²²

117. The OBR notes that it is able to show its independence in that working environment by being as transparent as possible. In particular, the Office takes pains to publish openly and clearly the sources of its information, the assumptions it makes, and the reasoning for the judgments it applies in developing economic and fiscal forecasts, as well as in completing its other work such as the review of government policy costings. To avoid any undue influence on the part of departments, the OBR has strict rules on handling the sharing of 'fact-check' drafts ahead of publications, as well as a system for referring any problems during that process to its non-executive members. In some cases, for example, Annex A of an EFO that covers policy measures, the OBR goes so far as to require departments to list the officials that were given access to the fact-check drafts.

118. **Separation of Responsibilities.** Under the MoU, the "*Government is responsible for all policy decisions and policy costings. The OBR will provide essential analysis on which the Government can base its fiscal and economic policy decisions*" (MoU, paragraph 5). That delineation of responsibilities makes it clear that the OBR is not involved in policymaking, but instead, is providing the independent economic and fiscal analysis that can inform policymaking.

119. **Operational Independence.** Under the BRNA Act, the OBR has significant autonomy to determine its own work schedule as long as it meets the legislation's requirements to prepare economic and fiscal forecasts in the timeframe needed by government. The legislation states, "[t]he Office has complete discretion in the performance of its duty" (BRNA Act, section 5). In addition, the OBR has autonomy in its hiring and internal organization (subject to civil service rules). Its overall leadership position is a full-time, remunerated chair with a clearly defined term of five years (not linked to individual government elections).

120. **De Facto Independence.** IFIs work to gain *de facto* independence over time through their actions and analysis. The first leader of any IFI has a particularly important role in establishing a culture of independence inside the institution, as well as ensuring that the institution gains credibility and relevance externally in its first several years of existence. The OBR Chair is credited with instilling a strong culture of independence among OBR staff.

121. There is always the concern that the culture of independence created by the first leader might be eroded over time, particularly if subsequent leaders do not continue to develop the IFI's reputation and credibility as a politically neutral arbiter of the numbers. However, successors to the first BRC members have shown themselves willing and able to continue to act in a non-partisan manner and uphold the OBR's culture of independence.

²² The Page Review concluded that the OBR draws upon the resources of numerous staff in government departments at different times throughout the year.

2.6. Conclusions

122. The OBR is well-governed with strong, competent leadership, supported by a highly capable and professional staff. Despite growing pressures on its mandated work, it has managed to deliver its remit within its resource constraints and has been largely successful in seeking additional resources when necessary.

123. The OBR has good access to information, guaranteed in legislation and reaffirmed through MoUs and good working relationships.

124. The OBR also has a high degree of *de facto* independence, reinforced through its institutional arrangements and transparent practices. The Chair is recognised as instilling a strong institutional culture of independence and non-partisanship that has the potential to last long beyond the end of his tenure.

125. Ensuring that the temporary resources provided for Brexit analysis are permanent (as currently assumed in the budget allocation) would ease resourcing pressures and remove the appearance of a potential source of Treasury leverage. Given recent pressures, 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 to be warranted. It will also be important for the OBR to maintain and expand its communications capacity appropriately, particularly following the departure of its first Chair.

126. The OBR should continue to seek to broaden its recruitment pool to a more diverse group of recruits where possible.

127. Should Advisory Panel members be willing, the OBR should use the Advisory Panel more extensively, by moving from one annual meeting to two and/or extending the duration of the meeting to more than a half-day.

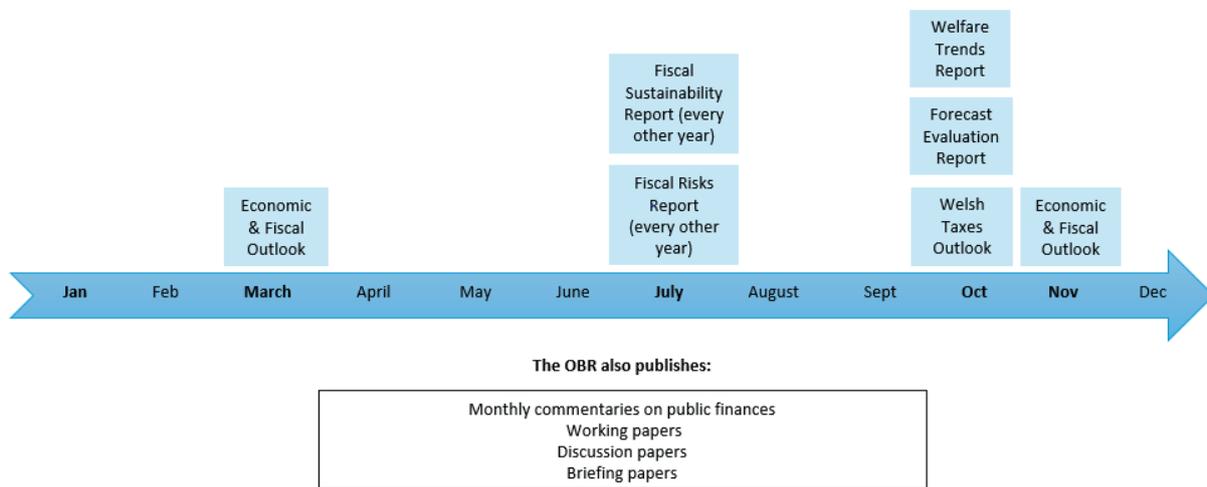
Chapter 3. Methodology and Outputs

3.1. Introduction

128. This chapter reviews aspects of the OBR’s flagship publications, as well as a selection of its supplementary materials, and offers ideas for further refinements to the style and methods used in OBR publications.

129. According to the Charter, the Chancellor commissions the OBR to produce its fiscal and economic forecasts on dates of the government’s choosing, but the OBR determines the timing of its other core publications after consulting the Treasury. Figure 3.1 depicts the approximate (typical) publication timetable for the OBR’s core publications.

Figure 3.1. Core publications timeline



Source: Authors based on information provided by the OBR.

Note: Because of early elections taking place in December 2019, there was no budget and no EFO published in November 2019. The three publications normally slated for October were published in late December after the election.

130. The OBR’s original core publications are the Economic and Fiscal Outlook (EFO), the Fiscal Sustainability Report (FSR) and the Forecast Evaluation Report (FER). The Page Review’s detailed evaluation of the EFO, FSR, and FER concluded that they meet the requirements outlined in the BRNA Act and the Charter and that they meet or surpass international standards. Specifically, on the EFO, the Page Review concluded that the methods used by the OBR “compare well with those of peer institutions” and that the “depth of the work produced by the OBR is generally more substantial than those of its peers (e.g. Australia, Canada, United States) for documents comparable to the EFO.”

131. The Page Review also assessed these reports in terms of transparency gains against the Treasury’s analogous products prior to the establishment of the OBR, finding that the gains in transparency “were both observable and marked.”

132. The OECD review team found that the conclusions reached in the Page Review continue to reflect the position of the OBR’s traditional outputs. The same positive conclusions can be drawn about the OBR’s new reports and outputs. Particularly commendable, and on the leading edge among peer IFIs, is the extensive work done at OBR to reflect critically on its forecasts in the FERs.

Box 3.1. The Forecast Evaluation Report

Leading the way in the global IFI community

The Page Review concluded that the OBR “demonstrates a willingness to continually improve its core products while being self-critical and continuously working to increase the transparency of its core product development and communications”.

The regular FERs are the OBR’s main platform for self-evaluation and self-reflection. The publication 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 on public finances done in this regard is unparalleled in the IFI community.

As it does for the EFOs, the OBR splits the FER analysis into a section on the economy and a section on public finances. Each contain a detailed comparison of observed outcomes with OBR forecasts. The reports do a meticulous job in decomposing observed deviations and attributing forecast errors to errors of assumption or judgment, policy changes, structural breaks in data series, data revisions or accounting classification decisions. The reports have a separate section highlighting the main lessons learned and identifying the key priorities for model development and data acquisition for the coming period.

Possible extensions

The FER contains valuable analysis confronting the OBR’s own modelling and thinking with observed reality as well as comparing the performance of OBR forecast with that of the official forecast undertaken by the Treasury over the 20 years prior to the OBR’s creation. Other IFIs have found it helpful to undertake additional evaluations of their record in the context of other forecasters.

This type of comparison would be feasible and more informative in relation to the OBR’s economic forecast. The OBR is required to condition its forecasts on current stated government policy whereas others can reflect how the forecaster expects policy to change. As such, the OBR’s forecasts may not always be directly comparable with many outside forecasts. Nevertheless, occasionally placing OBR’s economic forecasts in the context of similar output by other forecasters could still provide additional useful insights.

The Slovenian official independent forecasting body – the Institute of Macroeconomic Analysis and Development (IMAD) – produces such comparisons regularly, and the CBO’s

Economic Forecasting Record publications include a comparison with the US Federal Reserve and consensus forecasts.

There are potential wider benefits to producing such comparisons. For example, in the case of the Slovak Council for Budget Responsibility (CBR), this type of comparison has helped protect the Council from criticism that their forecasts have been too pessimistic in recent years. The fact that other institutions also made similar forecast errors demonstrated that all forecasting institutions had faced difficulties in capturing the effects of the business cycle on tax compliance in Slovakia (OECD, 2020_[27]).

3.2. Evolution of OBR's outputs

3.2.1. New reports

133. Since the previous reviews, the OBR's outputs have continued to evolve. The OBR's outputs now include two additional core publications: the Welfare Trends Report (WTR) and the FRR. The OBR also produces a Welsh Taxes Outlook.

134. The WTR was first published in October 2014 at the request of the Chancellor. In line with the recommendations of the Ramsden Review, the autumn 2016 update of the Charter approved by Parliament now mandates the OBR to produce an annual WTR, as well as a FRR every two years. The updated Charter states that the WTR:

"[w]ill set out the trends and drivers of welfare spending. This report will consider both sources of error compared to the previous forecast, and longer-term trends in welfare spending."

135. The Charter also envisages that the FRR will set out:

"[t]he main risks to the public finances, including macroeconomic risks and specific fiscal risks."

136. There have been six issues of the WTR so far. The introductory one in 2014 provided a comprehensive overview of trends in public spending on benefits and tax credits, as well as the OBR's judgments concerning contemporaneous developments in the area. Each successive report has had a special focus. The latest one, released in December 2019, focused on the fiscal impact of the large welfare cuts package in the July 2015 Budget.

137. The OBR has thus found different ways of complying with the instruction in the Charter. In all reports, the focus has been on the implications for the public finances. Questions of efficiency (in delivery) and equity have not been dealt with, in line with the OBR's mandate.

138. The first FRR was published in July 2017. It provided a detailed catalogue of risks to the public finances in the UK. At over 300 pages, it is the longest of the OBR's publications. The government responded to the first FRR formally in July 2018, as required in the Charter, by publishing a report on Managing Fiscal Risks that lists the steps taken to mitigate some of the risks identified in OBR's 2017 FRR.

139. The second FRR was published in July 2019. It reviewed the issues raised in 2017 and considered the Government's 2018 response to each, plus added detailed analysis of newly identified 'special topics'. It remains to be seen how substantive the

Government’s response to this report will be. It will be important that the Government issues a substantive response that builds on 2018 and keeps the fiscal risk management conversation going.

140. Drawing on a framework designed by the IMF, the FRR builds on existing analyses of uncertainty surrounding projections carried out in the EFOs and the FSRs. It evaluates macroeconomic risks (such as risks to potential growth, business cycle uncertainty, risks associated with sectoral composition, and Brexit), financial sector risks, key risks on the revenue and spending side of the budget, balance-sheet-type risks, and interest risks. The FRR includes a fiscal stress test to assess the public finance implications of an adverse economic scenario. In 2017, this was based on a scenario used by the Bank of England to test the resilience of the financial system to a negative global and domestic shock; in 2019, it was based on a ‘no deal’ Brexit scenario that had been published by the IMF.

3.2.2. Growth of work on policy costings

141. In preparing the EFO, the OBR reviews the policy measures proposed by government in each Budget or fiscal event costings of those policies submitted by the relevant department. As noted in Chapter 2, this has become an increasingly significant activity for OBR staff. While the OBR is not explicitly developing full-fledged cost estimates of policy options from the bottom up, its detailed review of the data used, the assumptions made, and the costing results that government agencies provide, constitutes a comprehensive activity that is somewhat comparable to bottom-up costings of policy proposals performed by larger peers such as the US CBO and NABO in South Korea. The government has never published an official policy costing that it knows that the OBR disagrees with and would replace with one of its own.

Table 3.1. OBR Policy Costings

How well do policy costings help fulfil OBR’s mandate?	The OBR is tasked with providing independent analysis of the UK public finances, including detailed fiscal outlooks. Its assessment of government policy costings is a critical component of its overarching independent analysis. OBR’s thorough review of those costings and publication of estimate uncertainty judgments adds to the transparency of budget information for public finances.
How does OBR’s costing approach compare to international standards?	The OBR’s extensive review of costing information compares very favourably with the highest international standards. The review includes a careful examination of data reliability, cost modelling, and the role of behaviour in determining ultimate policy effects. By questioning the quality and relative uncertainty of all three such factors (data, modelling, and behaviour), the OBR analysis is comprehensive and constitutes the sort of in-depth analysis called for by international standards, as opposed to cursory reviews prior to endorsement of the costings.
How do OBR costing activities compare to those of peer IFIs?	In the fall of 2018, in preparation for the Budget, the OBR reviewed about 150 draft policy costings and responded with “action” items for roughly 90 them. Another (generally smaller) costing exercise occurs in the spring. Those activities are resource-intensive and quite time-consuming, but reflect a lower level of activity than policy costing peers such as CBO and NABO, who each have significantly more staff resources devoted to the activity, with a broader mandate to cost out a high volume of legislative proposals. However, the level of detail and rigour of the OBR work compares very favourably with that of its international peers.

Source: Authors

3.2.3. Subnational forecasts

142. The OBR's role has also evolved in relation to subnational forecasts in Scotland and Wales. Since 2012, the OBR has been producing revenue forecasts for taxes devolved to Scotland (Scottish income tax, stamp-duty land tax (now Land and Buildings Transaction Tax) and landfill tax (now Scottish Landfill Tax)). Since 2016, the OBR must also forecast Scottish air passenger duty, aggregates levy, and aspects of Scottish social security. Since 2014, the OBR has also been forecasting taxes devolved to Wales (the Welsh rates of income tax, stamp-duty land tax (now the land transaction tax), landfill tax and aggregates levy). The OBR publishes this work and forecasts to of UK Government revenues and social security spending to support the fiscal frameworks for both countries alongside the EFO publications that capture the aggregate UK level. From April 2019, the OBR is providing independent forecasts for the Welsh Government of these devolved taxes for its own budget process, in accordance with the Welsh Government's Fiscal Framework (this fulfilling part of the role played by the Scottish Fiscal Commission in Scotland). The timing of these publications reflect the Welsh budget timetable.

3.2.4. Long-term projections

143. The Ramsden Review recommended decreasing the frequency of the production of long-term economic forecasts for the FSRs while keeping the legislative requirement to produce some analysis on an annual basis. It noted that:

“The overall messages from the long-term projections are relatively stable, so the annual updates provide limited new information. As a result, it is not clear that frequent publication of 50-year projections adds a great deal for increasing public understanding – and the analysis may have less impact for being more familiar.”

144. The amended Charter now mandates the OBR to produce long-term projections at least once every two years (this aligns with the frequency with which the Office for National Statistics produces long-term population projections). In the interim years, the reports are meant to focus on in-depth analyses of specific sustainability issues, which the OBR undertakes through the Fiscal Risks Report. While the updated Charter establishes a two-year frequency as a norm, it leaves some discretion with the OBR to produce a long-term projection at a higher frequency if circumstances merit it.

145. Anderson and Sheppard (Anderson and Sheppard, 2010_[28]) favour annual publication of long-term projections on two grounds: (1) to eliminate discretion over when the analysis is produced and (2) annual frequency raises the awareness of the long-term fiscal consequences of policy decisions. The more recent *OECD Recommendation on Budgetary Governance* (OECD, 2015_[29]) takes a different view – it stipulates that sustainability reports should be published regularly enough to contribute to public and political discussion on budgetary issues. The OECD's benchmarks for IFIs analyses of long-term fiscal sustainability take this recommendation as good practice, adding that forecasts should be prepared, at a minimum, every five years, ideally specified under law (Shaw, 2017_[30]). International practice is split with slightly under half of OECD member countries producing long-term projections annually. The OBR's legal mandate and practice represent a reasonable solution from the perspective of efficiency and public impact.

3.2.5. Self-initiated work

146. As part of its self-initiated work, the OBR continues to produce monthly commentaries on public finances outturn data, providing a same-day reaction to newly released official figures, as well as discussion, working, and briefing papers. The OBR also publishes about two working papers a year, mainly covering methodological issues associated with the execution of its mandate. Discussion papers are less frequent. They tend to serve as a vehicle to stimulate a discussion ahead of a larger project the OBR is embarking on that presents its staff with significant conceptual and methodological challenges. The last in the series, for example, was on the incorporation of Brexit into OBR's forecast. The OBR publishes supplementary information on its latest economic and fiscal forecasts if it receives an external request to do so. To aid transparency, such supplementary information is released each month on the same day as the commentary on the public finance statistics or exactly two weeks after that.

147. The OBR's briefing papers provide further insight into how the OBR approaches modelling in areas of its mandate. Together with the information presented in the online in-depth explainers²³ for economic and fiscal forecasts, these outputs are an important contribution to the institution's accountability and transparency.

148. In terms of original research, the Page Review noted that the OBR used "generally accepted modelling and econometric methods" (Page, 2014_[1]). This is laudable, and it is a reasonable approach for an institution like the OBR to rely on well-tested approaches. Nevertheless, the OBR could clearly engage more with the state-of-the-art techniques of economics to assess their practical relevance for elements of the OBR's mandate. This could include different variants of vector autoregressive (VAR) models, dynamic stochastic general equilibrium (DSGE) models including those types that permit the study of the implications of labour market and financial frictions, and models that feature income and wealth heterogeneity. The OBR could also have the ambition of developing innovative approaches to push the boundaries of applied fiscal policy analysis. A key set of recommendations from the Ramsden Review on allocating capacity to do original research is yet to be implemented. Having not received all the additional funding that it deemed necessary to fulfil the full set of Ramsden Review recommendations, the OBR does not currently regard this as the best use of its limited available resources.

3.3. Issues for reports

149. Stakeholders interviewed by the OECD review team demonstrated a detailed knowledge of the key reports. Overall, they expressed great appreciation for the quality, detail, and clarity of the presentation of the data and analysis in OBR publications.

150. Several stakeholders more active in the political arena noted that the EFOs have been the first point of reference for a factual check of the Chancellor's budget speeches. Stakeholders from think tanks and research institutes noted using OBR outputs as a benchmark and a source of crucial detailed information for their own analysis and projections. As such, OBR outputs provide useful basis for further work

²³ These are amongst the OBR's most popular website pages.

in areas the OBR is not mandated to venture into, such as distributive impacts of policy measures.

151. Taking into account additional stakeholder feedback, several aspects are worth considering to enhance further the appeal of OBR's output to different audiences, related to the content, transparency and accessibility of the documents.

3.3.1. Content

Economic and Fiscal Outlook

152. There is a clear logical sequence to the structure of the EFOs, taking into account the regular nature of the publication. The EFOs focus on changes relative to the previous forecast before discussing the bigger underlying movements that are the dominant drivers of economic and fiscal developments. While the most intensive users of the OBR's outputs find this approach helpful, some readers found the level of detail provided about changes to forecasts to be more than necessary. Several stakeholders were also critical of what they saw as unnecessary repetition in different contexts in one report.

153. The OBR has generally been relaxed with repetition on the grounds that many stakeholders read only those sections that are directly relevant or of interest to them, rather than the document as a whole, so each section needs to be relatively comprehensive and self-contained in its own right. The US CBO faced a similar challenge around incorporating information on changes to the projections in the main text of its Budget and Economic Outlooks. As this text became longer and more detailed over time, it was decided to keep a brief mention of key changes in the main text and to move the more detailed description into an appendix. That approach, if done well, provides those readers who want to see the "changes" information all the detail clearly laid out for them, while allowing other readers to have a quicker, better reading flow of the main text. The OBR should also continue to review what material might be suitable for online only publication in light of different audiences.

Fiscal Sustainability Report

154. The previous reviews concluded that the methods adopted in the FSR compared well against international standards. Since the time of earlier reviews, the OECD has developed a set of benchmarks for IFIs analyses of long-term fiscal sustainability (Shaw, 2017_[30]). Reviewed against these benchmarks, the OBR's FSRs are consistent with what the document labels as 'leading practice' along several dimensions. In particular, the coverage of the whole of government, detailed consideration of a variety of risks, the use of sensitivity analyses and international comparisons, set the FSR apart from what is standard practice for IFIs.

155. The OBR could re-explore explicitly considering the feedback between long-term fiscal developments and the macro economy (having last addressed this some years ago). Model-based work done on this at the US CBO is considered the benchmark approach among IFIs, and is used, for example, in the reports of the Slovak CBR as well. However, this approach is not without limitations – not being a fully-fledged general equilibrium analysis being one of them. It is also resource intensive.

156. Shaw also includes coverage of issues of equity and fairness among the leading practices for IFIs (Shaw, 2017_[30]). The OBR does not carry out analyses of

distributive impacts of measures, as it is not explicitly mandated or resourced to do so, and is consistent in this practice across flagship reports. Nevertheless, discussing issues related to intergenerational fairness more explicitly could be consistent with its mandate and would be an important contribution to the public debate. A recent inquiry by the House of Lords Intergenerational Fairness and Provision Committee found that "one particular government weakness is a lack of work on generational accounts... a way of measuring the financial sustainability of the Government's tax and spending decisions." The Slovak CBR considers intergenerational justice in connection with the long-term sustainability of public finances. Again, there would be resource implications in expanding the analysis this way.

Fiscal Risks Report

157. In terms of prescribed content, the FRR presents the most flexibility among the OBR's flagship publications. Before the publication of the first FRR, the OBR initiated an extensive written consultation on what such a report should include, and also co-organised a similarly themed workshop with other IFIs and international bodies present. In the end it drew heavily on the IMF's suggested template for what a report of this type should contain. The end result is a comprehensive and systematic coverage of risks to the macro economy and public finances. Adhering to the principles and processes that guide the preparation of its other outputs, the OBR avoided an examination of alternative policies or policy frameworks, and relied on the work of other public bodies in areas where it has no extensive in-house capacity.

158. It is commendable that the OBR has been at the forefront of this type of analysis. The FRR has had a positive reception by, and solicited much interest from, peer IFIs, governments in other countries, and international organisations. It has also had a positive reception in specialist media, although it has naturally faced some criticism and debate from some analytical commentators.

159. For example, some commentators have seen as a major omission the lack of discussion of the implications of a (near-) zero nominal interest rate environment for fiscal policy and the risk of this lasting longer than previously expected. In such a world, fiscal policy may be increasingly called upon - both in terms of frequency and magnitude of intervention - to achieve macroeconomic stabilisation objectives. Past episodes, which are covered in great depth in the report, do not offer good guidance here. A reflection by the Treasury on the implications of this for the outlook for the public finances would have been a timely and beneficial reassessment of the respective roles of monetary and fiscal policy in delivering macroeconomic stability to the UK economy.

160. The coverage of risks emanating from the financial sector was, for some observers, too descriptive. For this class of risks, the OBR relies on expertise in a different public body. The review team found this approach reasonable, given the absence of resources within the OBR to replicate or thoroughly scrutinise the work of financial regulators and the central bank.

161. Some additional criticisms of this very new product have been addressed by the second edition of the FRR. For example, the second FRR discussed the role of uncertainty, an important determinant of macroeconomic volatility. It also highlighted a limited number of key risks - in addition to the 'catalogue' approach that brings together risk of all categories - magnitudes, and probability distributions, which

should increase the likelihood of the issues raised being addressed by effective government action.

3.3.2. Treatment of uncertainty

162. The OBR has been at the forefront of the discussions among IFIs on uncertainty surrounding forecasts and on communicating such uncertainty. The FRR is a unique and inspirational initiative for the OBR's European peers. In addition to thinking about the range of types of risk considered in the FRR as indicated above, there are other ways of re-considering the OBR's work on uncertainty.

163. As noted in earlier reviews, the OBR's default way of indicating uncertainty surrounding its projections in the EFO is to construct confidence intervals around a central estimate using historical forecast errors. For the dates that precede the OBR's existence, the forecast errors used are those of the Treasury.

164. Model-based confidence intervals and model uncertainty do not feature extensively in the OBR's work. Model-based confidence bands could be useful in the evaluation of the likelihood of meeting the government's fiscal targets (see Box 3.3). To be able to construct such indicators of uncertainty, particularly on the fiscal side, the forecasting methodology of the OBR would have to be complemented with modelling approaches working at a more aggregated level. Although supplementing the OBR's necessarily disaggregated bottom-up fiscal forecasts with top-down ones would be a useful cross check, this again implies a need for additional resources.

165. Where model uncertainty is considered, as in the case of output gap estimations, the analysis plays only a limited role in the construction of macroeconomic and fiscal forecasts. The Page Review praised the amount of effort that the OBR puts into obtaining a range of estimates for the output gap – a key measure of slack in the economy playing a crucial role in both the medium-term macroeconomic outlook, and the estimations of the fiscal stance in the economy. Ultimately though, the OBR's leadership forms a judgment about the expected evolution of the output gap, and this single sequence of figures enters as an assumption into the macroeconomic forecast, and, in turn, has implications for budgetary predictions.

166. However, the OBR does examine a rich set of scenarios different from the central one, with fully calculated fiscal consequences, when it assesses the probability of meeting fiscal targets. It also estimates the sensitivity of target variables to key forecast parameters, for example estimating how wrong the central estimate of the output gap would have to be to breach a particular target.

167. It is good practice to consider multiple models to produce fiscal projections if data and resources permit the use of different modelling approaches. In such cases, the uncertainty in estimates revealed by the exercise could be communicated alongside the central projection.

168. One particularly nice feature of the OBR costing work is its careful evaluation and assignment of uncertainty ratings to the costing of each policy. The Office evaluates each costing in terms of the modelling challenges faced, the data availability and quality, and the role of potential behavioural responses to the policy. Based on this it ultimately comes up with an overall uncertainty rating at one of six possible rating levels: low, medium-low, medium, medium-high, high, or very high.

3.3.3. *Transparency and accessibility*

169. Overall, the OBR has done an excellent job of presenting its work in a transparent manner, balancing its duties of comprehensiveness and maintaining a public record with outreach to a broad generalist audience. Recognising that their reports are not the only vehicle to boost transparency and accessibility among non-specialists, the OBR has in particular invested in digital communications as described later in this section.

170. Although detailed knowledge and primary usage of OBR reports remains largely confined to the OBR's immediate circle of stakeholders, a somewhat wider audience accesses OBR analysis and conclusions through intermediaries that distil and repackage the OBR's results, particularly through social media. As mentioned in Chapter 1, the IFS and the Resolution Foundation play an important role in this regard.

171. Almost all stakeholders interviewed, specialist and non-specialist alike, raised publication length as a concern, principally in regard to the EFO – the length of the EFO has grown substantially between 2010 and 2016, expanding from around 150 pages to 260 pages (excluding indices of tables and figures). The OBR is not unique in this respect – publication length is a challenge for IFIs in general and there is no one size fits all perfect length. The Page Review also noted that while the level of disclosure reinforces the credibility of the fiscal and economic forecasting, it may come at the expense of limited accessibility for non-technical readers.

172. Recent analysis comparing economic and fiscal reports across six well-established IFIs finds that OBR reports tend to be longer and more “text heavy” than those of its peers (OECD, 2019^[19]). This may be expected, given that the OBR is generating a comprehensive bottom-up fiscal forecast, but there is still value in periodically revisiting how the document could be made shorter.

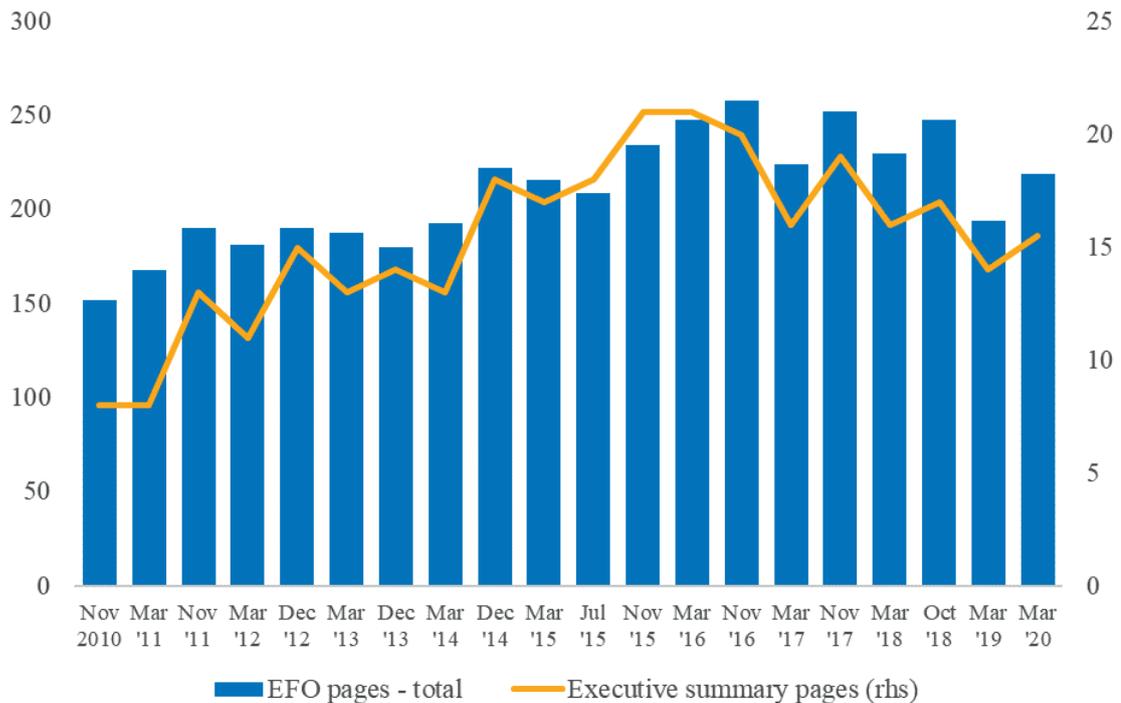
173. The EFO serves different goals and audiences with different needs and particular interests. In addition to communicating the expected outlook for the UK economy and public finances in broad terms, it also has a reference and record-keeping function across the detail of the tax and spending system and other less transparent aspects of government fiscal action. Several stakeholders have felt that as the space devoted to record keeping (referring back to old forecasts, assumptions, errors, revisions and special issues) has increased contributing to an undue expansion in the size of the publication.

174. In earlier years, much of the expansion can be explained also by more space being devoted to the analysis of uncertainty. Later, however, more analytical detail was gradually added on both the revenue and spending side of the budget (often in response to requests or questions from specialist stakeholders), and in the Annex on how different policy announcements are treated (which reflects the gradual loss of analytical content and transparency from the Treasury's own policy costings documents).

175. While trying to maintain comprehensiveness, BRC members have recognised the issue with the length of the publication and the review team observed a reduction in the length of the text towards the end of the analysed period (see figure 3.2). In addition, the OBR provides a three-to-four page overview with summary chart (aimed mainly at the media) and a non-technical executive summary (these are also highlighted and separately linked at the top of the relevant EFO webpage). The OBR may also wish to consider further consulting stakeholders. For example, in March

2019, the SFC undertook a limited qualitative survey on stakeholder views of its main forecast publication, Scotland’s Economic and Fiscal Forecasts (SEFF), which led to changes including around length. The subsequent SEFF was significantly shorter than its predecessors (136 pages as compared to 220 and 260 pages in previous versions).

Figure 3.2. EFO page length



Note: Total includes annexes.

Source: Authors, based on information provided by the OBR.

176. Concerns about accessibility of reports for non-technical stakeholders are partially mitigated by the fact that OBR produces outstanding supplementary material in its communication drive following the release of major reports. This includes infographics, animations, charts and short videos distributed through social media. These convey the key messages from reports in an accessible form for a wide audience very effectively. For more technical audiences, the box sets helpfully extract self-contained elements in reports, and make them available online in a neat arrangement according to topics. These communication products represent best practice among the OBR’s peers.

177. Parliamentary and media stakeholders have also praised the succinct presentations of the head of OBR as well as the approachability of OBR staff in answering clarifying questions.

178. The website’s “In-Depth” section together with OBR’s briefing, working and discussion papers provide a wealth of data and information that allow skilled observers to develop a good understanding of the data the OBR works with and how it approaches the analytical challenges faced when exercising its mandate.

179. The OBR has made the macro-econometric model, including the software code with equations, available to the public. This has earned OBR praise in the Page Review as an “extraordinary effort which surpasses international standards”. Further transparency gains could be achieved by demonstrating the workings of the model on widely scrutinised hypothetical shock scenarios.

180. Accessibility is, however, an issue in the case of the fiscal policy analysis toolkit (models used by HRMC and DWP to help the OBR forecast particular revenue and spending streams). In this case, cooperation from government departments would be essential, as recommended in the Ramsden Review, to increase the accessibility tools and data.

181. Accessibility of the fiscal policy analysis toolkit is a concern also in the context of cooperation with the oversight bodies that scrutinise devolved administrations. Given the issues of communication and trust between oversight bodies of devolved administrations and UK-level government departments (see Chapter 1), the shared use of the data, tools and expertise between UK government departments and the OBR presents the SFC with particular difficulties in obtaining essential input into their work. The OBR could continue to lead by example in transparency – as it did with the Welfare Trends Report it dedicated to the universal credit forecast – and thereby encourage more openness from DWP or HMRC.

3.4. Quality control

182. The leadership of the OBR is chosen with a view to providing the guidance, judgment and feedback needed for staff to produce comprehensive and relevant output. The chair of the OBR provides an overall consistency check, ensuring the focus of the publications is appropriate, and the coverage of the individual issues is accurate and in line with the core principles of the functioning of the OBR. One member of the BRC has always been an expert in macroeconomic analysis; another is an experienced fiscal economist.

183. The BRC seeks external advice both systematically, including through its Advisory Panel, and on an ad hoc basis to obtain feedback on existing work and to gather expert insight on issues pertinent to the period of analysis. As mentioned in the previous chapter, there is room to both engage more intensely with the Advisory Panel and to widen the pool of experts called upon to provide advice, peer review or evidence on a particular set of issues.

3.5. Comparison with other IFIs

184. The review team has looked at output from several peer institutions including the Italian Parliamentary Budget Office (UPB), Portugal’s Public Finance Council (CFP), the Netherlands’ CPB, and the Slovak CBR to obtain an international comparison group.²⁴ These peers all devote extensive resources to produce macroeconomic and fiscal forecasts, cover the short-, medium- and long-term horizons in their analysis, and operate within a rules-based framework requiring them to evaluate (the likelihood of) compliance with numerical fiscal targets. The CPB

²⁴ In previous reviews, the OBR’s work was assessed mainly relative to its peers in the US, Canada and Australia.

alongside the OBR is the only other official forecasting body among the IFIs operating in Europe. At the same time, however, we draw inspiration from the best practice as carried out by IFIs of any size and mandate in the areas identified as issues above.

185. When it comes to the EFO, FSR, and the FER, the OBR's work continues to stand out in terms of depth, degree of disaggregation and analytical decomposition, clarity of presentation and consideration for uncertainty. The work on the EFO is on par with the output of the CPB – a well-established and much respected forecasting body (see also table 3.2).

186. The CFP is the only institution that currently publishes an analogue of the FRR. The scope and level of detail in the OBR report is significantly greater relative to the CFP report. There are plans to introduce this type of a report in other IFIs. Over time, there will be opportunity to share experience and develop refined templates that may go beyond what has been recommended by the IMF. As was the case with the FSR, the OBR's FRR is work other IFIs are looking to learn from.

187. The OBR produces fewer working papers than some of its peers, mainly due to resource constraints. For comparison, the larger AIREF produced six working papers in 2015 and 2018, and three in 2016 and 2017. This volume was dictated largely by the need to find adequate tools to address questions related to AIREF's mandate, much of the work pushes the boundaries of applied public finance analysis in the context of Spain. Slovak CBR staff have also produced a handful of working and discussion papers a year, and have published some of them in peer-reviewed journals. Staff at the CPB, a body with a much broader mandate and capacity, produce 20 to 30 discussion papers each year, often of a more academic type, some of which also get published in peer-reviewed journals.

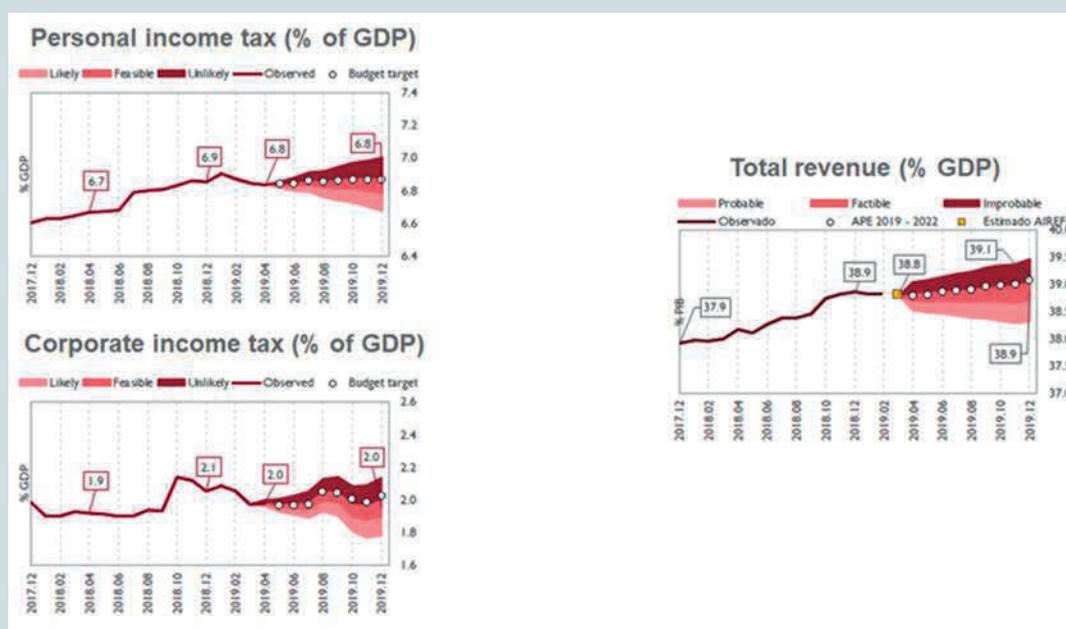
188. Other IFIs are also more likely to embrace a variety of statistical modelling techniques to obtain additional estimates for certain variables describing the macroeconomic and fiscal outlook that are complementary to a main, more structural or bottom-up approach to modelling used to obtain economic and fiscal projections. In addition to its main macroeconomic model, the CFP, for example, uses a VAR model to obtain short- to medium-term GDP forecasts, and has experimented with nowcasting methods too. The Italian and Slovak IFIs have done similar work with VARs and nowcasting as well. On the fiscal side, AIREF uses a VAR-based setup to assess the likelihood of meeting a public debt target and uses VAR-based short-term projections and confidence intervals to look at the revenue and the spending side of the budget too (see Box 3.3).

189. Other countries have also invested in improving access to the tools used to cost policy measures. The Slovak CBR, for example, has published a user-friendly interface that computes – using the institution's microsimulation tool in the background – the aggregate fiscal and distributive effects of a potentially wide range of parametric changes to the country's tax and benefit system. Modelling work in this area is, however, not always the domain of the local IFI. In Austria and Finland, government departments have developed such online tools.

Box 3.2. AIReF's approach to estimating and communicating uncertainty

AIReF relies heavily on VAR-based methods to construct confidence intervals around its estimates. AIReF's forecasts for non-financial revenue, non-financial expenditure and fiscal balances are updated on a monthly basis, taking into account the results of its own models for taxes, contributions, unemployment benefits, pensions and interests and the known national accounting data.

Confidence intervals are then constructed using a two-stage approach. First, a VAR model is estimated for the following variables: (i) sub-sector specific variables, such as expenditure, revenue and debt-to-GDP ratio; and (ii) common variables referring to the national aggregate: real GDP, GDP deflator and ten-year government bond yields. Second, using projected trajectories for the different variables and the estimated joint distribution of VAR shocks, 15,000 probabilistic scenarios are constructed. The construction of the confidence intervals for fiscal aggregates thus follows a bottom-up approach, taking into account historical covariances among variables.



AIReF also produces quarterly updates on whether the government is likely to meet its public debt target. This is also a VAR-based exercise done at the level of fiscal and macro aggregates, and the confidence intervals are constructed by bootstrapping. A clear limitation of this approach is that it relies on past experience. As a result, periods of increased uncertainty show up in the form of widened confidence bands with a considerable delay and unprecedented events may ex-post lie well outside the confidence bands constructed in real time.

The different percentile bands are converted into five verbal categories which makes communication of the main message to the broader public easier.

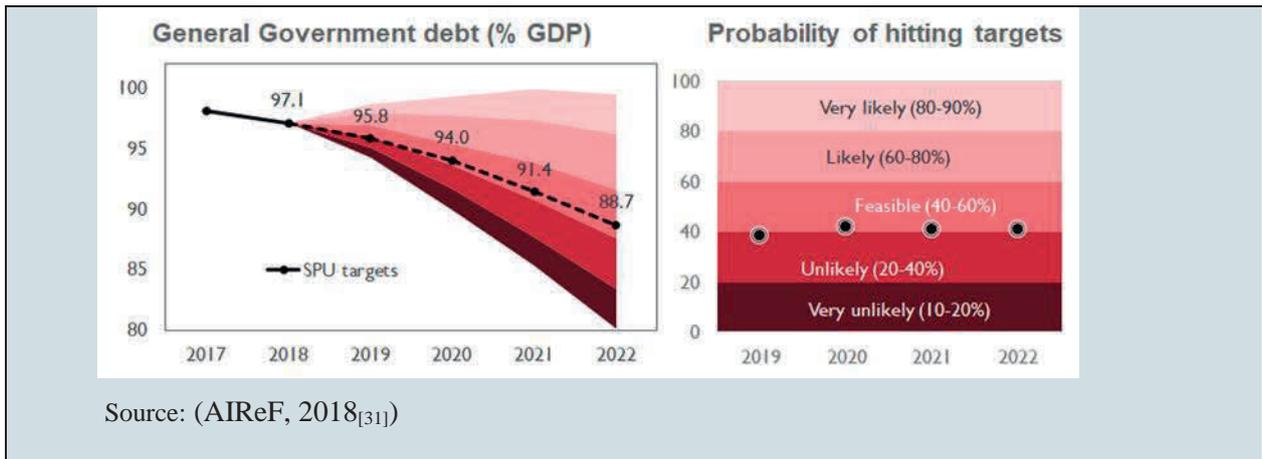


Table 3.2. Assessment of key outputs relative to peers

	How well does the report fulfil the legal mandate?	How does the content and methodology compare to international standards?	How does the content and methodology compare to those of peer IFIs?
Economic and Fiscal Outlook	The EFOs satisfy both the principles of delivery and expected content as set out in the Charter.	The EFO relies on standard empirical approaches with proven practical relevance to produce a comprehensive projection for the macro economy and public finances. Some central banks have been using approaches grounded more in theory with an emphasis on internal consistency and the forward-looking nature of economic decisions as an alternative or complement to the more empirical and backward-looking methods. While these approaches may not be suitable for the OBR's core model, they could potentially be used as a consistency check on a subset of variables.	The EFO is comparable to similar CPB output which is a mark of quality and depth. Some IFIs take model and model-based uncertainty more explicitly into account.
Fiscal Sustainability Report	The OBR complies with the requirements set out in BRNA Act as well as the Charter in terms of frequency and content.	OBR's work in the area defines international standards in terms of scope and depth of analysis, and transparency in accounting.	The OBR's FSR represents leading practice in the IFI community along several dimensions. Coverage of intergenerational fairness is the most notable gap relative to some of the peers. The CBO also considers long-term macro-fiscal interlinkages explicitly in its work.
Forecast Evaluation Report	Although neither the BRNA Act nor the Charter provide a detailed guidance, the OBR approached the task with commendable transparency and analytical rigour.	The report represents an exemplary level of transparency about the assumptions, judgments, and methodological choices as well as errors (or accuracy) arising from those identified ex post.	The OBR report stands out in terms of the level of detail in scrutinising its own economic and fiscal projections. Like the Slovenian IMAD and the US CBO, the OBR could also provide a systematic comparison with the forecasting performance of relevant peers.
Welfare Trends Report	The OBR has found two distinct ways of complying with the instruction in the Charter. Earlier WTRs (until 2016) had a broader scope. The recent 'special issues'-type editions meet the mandate in a slightly different reading of the instruction. Both have their merits but a periodic return to the broader scope could prevent losing sight of the bigger picture.	The report is quite unique in an international context, its origins and content having been motivated by concerns which are perhaps not as high on the agenda elsewhere.	Given the restrictions in the OBR's mandate not to evaluate alternative policies or examine distributive consequences of measures, the reports' scope cannot match that of comparable work done at the CBO, for example.

3.6. Conclusions

190. The review finds that the OBR's publications are of high quality, meeting and surpassing international standards, and comparing favourably with peers. They are viewed as independent and as bringing significant transparency gains.

191. Stakeholders express great appreciation for the quality, detail, and clarity of the presentation of the data and analysis in OBR publications and use OBR outputs as a benchmark and a source of crucial detailed information for their own analysis and projections. At the same time, almost all stakeholders interviewed raised publication length as an issue and the OBR may wish to consult stakeholders further on this question as it strives for a balance between comprehensiveness and clarity of presentation.

192. To the extent that resources allow, the OBR should use the working and discussion paper series more extensively as a way of engaging with alternative analytical tools to provide a critical reflection on existing work, to assess the relevance of the current state-of-the-art techniques for applied policy analysis, and to evaluate the importance of model uncertainty in the performance of its core mandate. As noted in Chapter 1, the OBR could use its convening power to sponsor workshops or conferences to seek the feedback and input from the greater analytical community. Recommendations from the Ramsden Review on allocating capacity to do original research are yet to be implemented, as they were not funded.

193. To facilitate (re-)production of impact assessments of government policies by outside researchers and other interested entities, including devolved administrations, the OBR should continue increasing disclosure of models and methods (including codes) used in generating macroeconomic and fiscal projections.

Chapter 4. Impact

4.1. Introduction

195. This chapter assesses evidence on the OBR’s potential impact, mainly by reviewing its communications, with a focus on key channels such as media and the parliamentary debate. It also touches on fiscal transparency gains.

196. Unlike the majority of its peer IFIs, the OBR is the UK’s official forecaster. It therefore has a more direct influence on the parameters of the annual budget. Nevertheless, the OBR is not a decision-making body and much of its influence still lies in its presence in the public debate through effective and timely communication.

197. Stakeholders see the OBR, and the OBR’s Chair in particular, as highly skilled communicators. The OBR has invested in communications from the outset and has garnered a significant media presence. The fiscal policy landscape in the UK is such that the OBR’s messages may be amplified in the media by other think tanks, such as the older IFS and the Resolution Foundation, which also receive significant media coverage.

198. The OBR’s ability to influence the public debate is enhanced by its good reputation. Stakeholders view the OBR as highly credible and praise the OBR for bringing transparency gains and enriching the fiscal policy debate. This is in line with the Page Review which concluded that the OBR had “succeeded in imbuing its work with a perception of independence and transparency,” and that stakeholders had “confidence in the OBR’s outputs.”²⁵

199. The parliamentary channel of debate may be less influential than in some peer countries, as the UK has a tradition of relatively weak ex ante parliamentary budget scrutiny. Nevertheless, the OBR has regular (if somewhat limited) parliamentary engagement and its work is picked up in the parliamentary debate. The OBR’s main interlocutor in parliament is the TSC.

200. While the OBR assesses whether government is on track to meet its targets for the public finances, the UK is not part of the European fiscal compact and is not subject to European “comply-or-explain” requirements. In practice, however, it would be difficult for government to ignore an OBR assessment that it was failing to comply with its own fiscal rules as statements to this effect are picked up in the media and the government does not publish a forecast of its own that it could use to claim the opposite. As a recent example, in autumn 2019, media covered a potential breach in the rules at several points: in September, following the OBR’s appearance before the TSC after government’s spending round statement; in November, when the OBR was prevented from publishing its restated March forecast due to snap elections; and in December, just after the elections, when the OBR published its restated March forecast.

²⁵ Based on a stakeholder survey conducted by Page of non-parliamentary stakeholders. 130 survey questionnaires were distributed with 71 responses.

4.2. Influence in the public debate

201. A critical channel of influence for any IFI is the public debate. OECD Principle 8.1 states that IFIs “should develop effective communication channels from the outset, especially with the media” (OECD, 2014^[31]). This assists in fostering informed constituencies that may then exercise timely pressure on government to behave transparently and responsibly in fiscal matters. While specialist stakeholders may engage with OBR reports directly, a broader public is most likely to access the OBR’s work through media analysis and summaries of its reports. Media interest is also likely to attract the attention of key stakeholders such as parliamentarians.

202. Since it was established, the OBR has invested in communications and its comprehensive communications strategy is considered advanced across OECD IFIs. With its latest *Corporate and business plan*, the OBR continues to have as an objective maintaining and developing its “communications with external stakeholders (OBR, 2018^[32]). In line with this, the OBR recently increased staff with responsibilities related to strategy and communications from two to three people. This should help the OBR to weather any upcoming communications challenges as it transitions to new leadership. Effective communications have been facilitated by the communications expertise of the current Chair, which is highly appreciated by stakeholders.

4.2.1. Traditional media

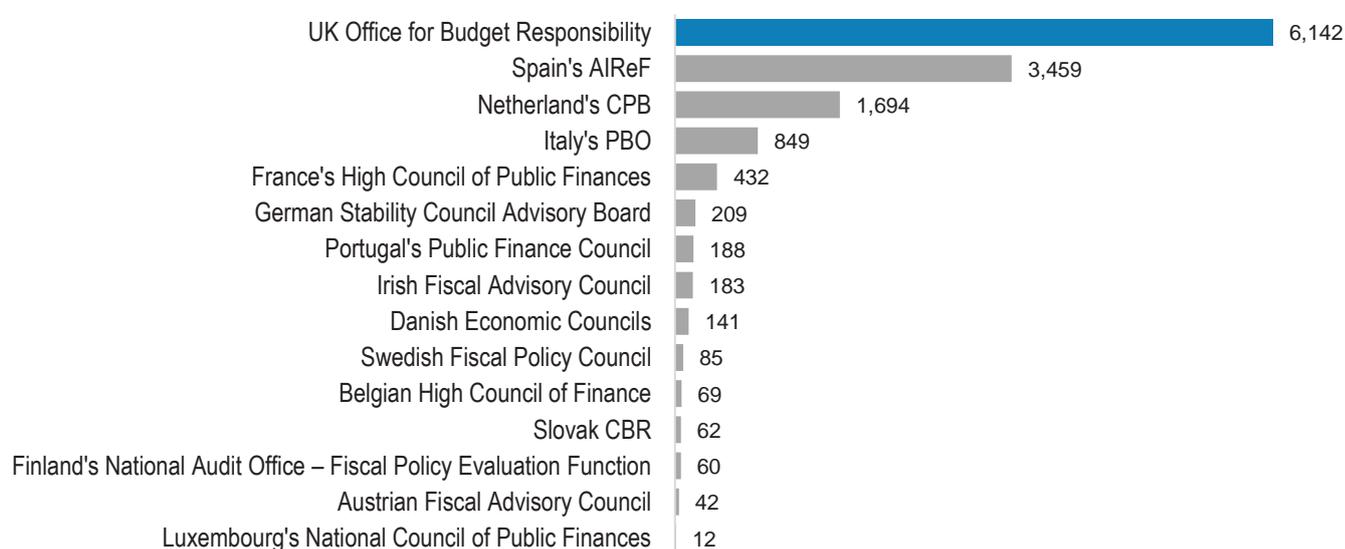
203. The OBR holds press conferences after the release of core publications. The most prominent are those for the EFOs, following the Chancellor's Budget Statement and Spring Statement. These are typically attended by around 20-30 journalists and analysts. The Chair of the OBR presents the reports main findings and the BRC takes questions. The press conferences are also available to the broadcast media via a pooled stream and the presentation slides, speaking notes, and a recorded version are posted on the OBR’s website afterwards.

204. The OBR’s Chair also gives interviews in all large media outlets (such as BBC news, Sky/Channel 4/ITV, and Newsnight) and some smaller radio stations. Live and recorded interviews usually occur on the release date of publications, with follow-up interviews afterwards. The OBR finds that these interviews have proven useful in communicating the reports’ main messages to a wider audience.

205. The OBR grants on- and off-the-record interviews to print media outlets on request. The OBR’s staff is accessible to journalists and regularly speaks to the press on background, with demand peaking around key publications. That staff accessibility and the resulting background explanations serve as an important and highly useful complement to the more-public presentations and interviews.

206. The OBR stands out among its peers in terms of print media coverage. A snapshot of this is demonstrated by a Factiva search of mentions of the OBR in European media by the think tank Bruegel. It found that the OBR had the highest average number of mentions in comparison to other European IFIs by a wide margin, although actual yearly mentions dropped off in 2018 (Claeys, 2019^[33]).

**Figure 4.1. Average annual media mentions for EU IFIs
(2012-2018)**



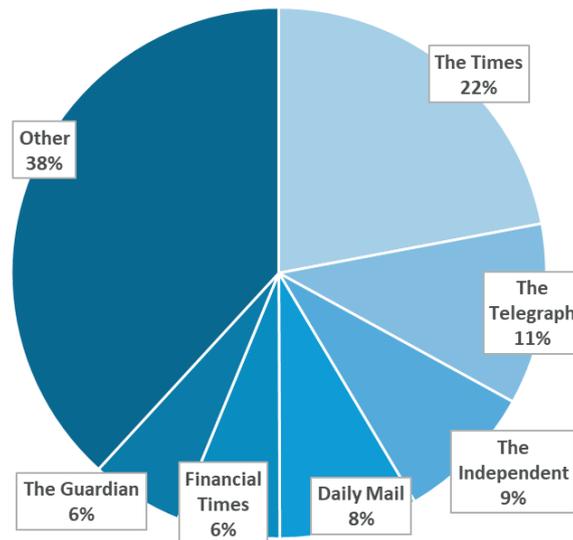
Source: Factiva search of over 3800 European media sources in (Claeys, 2019^[33]).

207. Using Factiva, the OECD review team also collected data on UK media mentions²⁶ covering a four-year period (September 2015-September 2019, starting directly following the Ramsden review). During that period, the OBR demonstrated high media penetration with around 13,600 total mentions.²⁷ Moreover, the OBR is regularly mentioned in articles in newspapers with the highest circulation numbers in the UK along the left-right political spectrum (see figure 4.2). Specialist press such as the Financial Times also regularly mentions the OBR.

²⁶ Mentions in national, regional, and local press tend to be in the context of national public finances. The same article may appear in different editions.

²⁷ Similarly to the European data, a drop off in mentions was observed in 2018. However, it is not possible to establish a downward trend and given the high media coverage the OBR's most recent Coronavirus reference scenario it is likely that an upward movement in mentions will be observed in 2020.

**Figure 4.2. OBR press coverage by key source
(September 2015 – September 2019)**



Note: The data includes articles that appear in both national, regional, print and online editions.

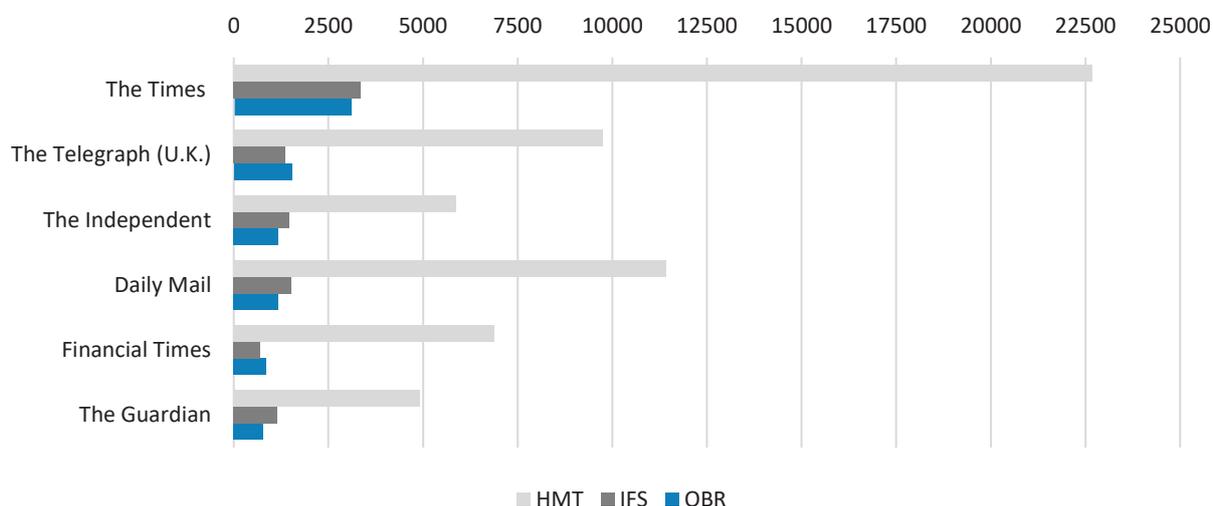
Source: Authors, based on Factiva data.

208. A comparison of mentions between the OBR and the IFS in key sources (see figure 4.3) finds that the OBR has a similar number of mentions to that of the much older IFS²⁸, considered one of the most influential voices in the economic debate and known for its media savvy. Or as a former economics editor of the BBC and political editor of ITV news put it in a 2016 article on the influence of the IFS, “Basically, when the IFS has pronounced, there’s no other argument. It is the word of God.” (Guardian, 2016_[34])

209. In addition, articles mentioning both the OBR and the IFS account for around 7% mentions, thus potentially amplifying key messages during periods when coverage peaks for both institutions such as budgets, Spring Statements, and election periods (see figure 4.4).

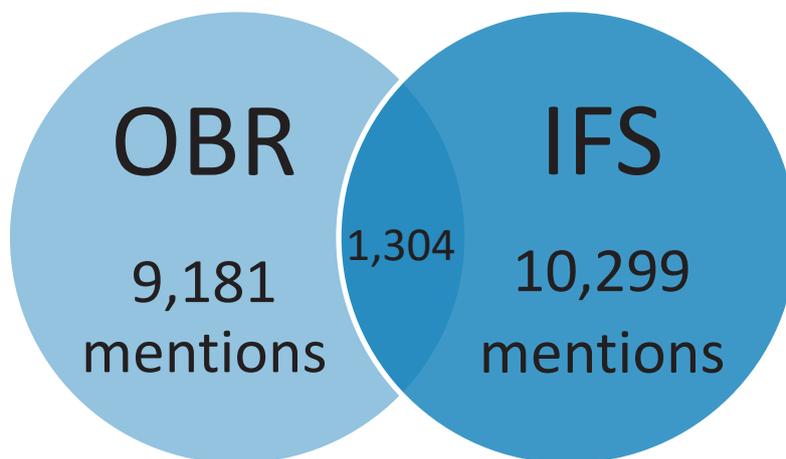
²⁸ Established 1969.

Figure 4.3. Media mentions by key source for OBR, IFS and Treasury (September 2015 – September 2019)



Note: The data includes articles that appear in both national, regional, print and online editions.
Source: Authors, based on Factiva data.

Figure 4.4. Overlap in key source mentions of the OBR and IFS (September 2015-mid November 2019)



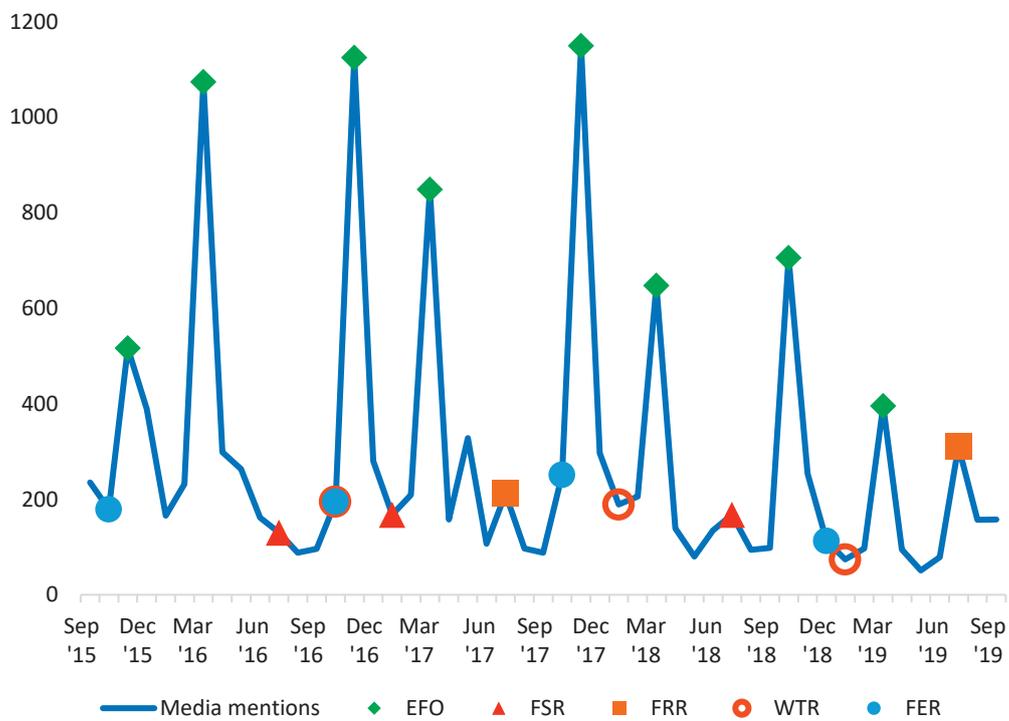
Note: Sources include the Guardian, Financial Times, Daily Mail, the Independent, the Telegraph and the Times. The data includes articles that appear in both national, regional, print and online editions.
Source: Authors, based on Factiva data.

210. The OBR focuses its communications around its core reports, keeping “noise” to a minimum. There are clear peaks in media coverage at the release of the EFOs, which inform the budgetary debate (see figure 4.5). By comparison, the OBR’s other reports have little media prominence, although the two FRRs received a small spike

in mentions, with much of the coverage for the 2019 FRR focused on the OBR’s analysis of a no-deal Brexit scenario.

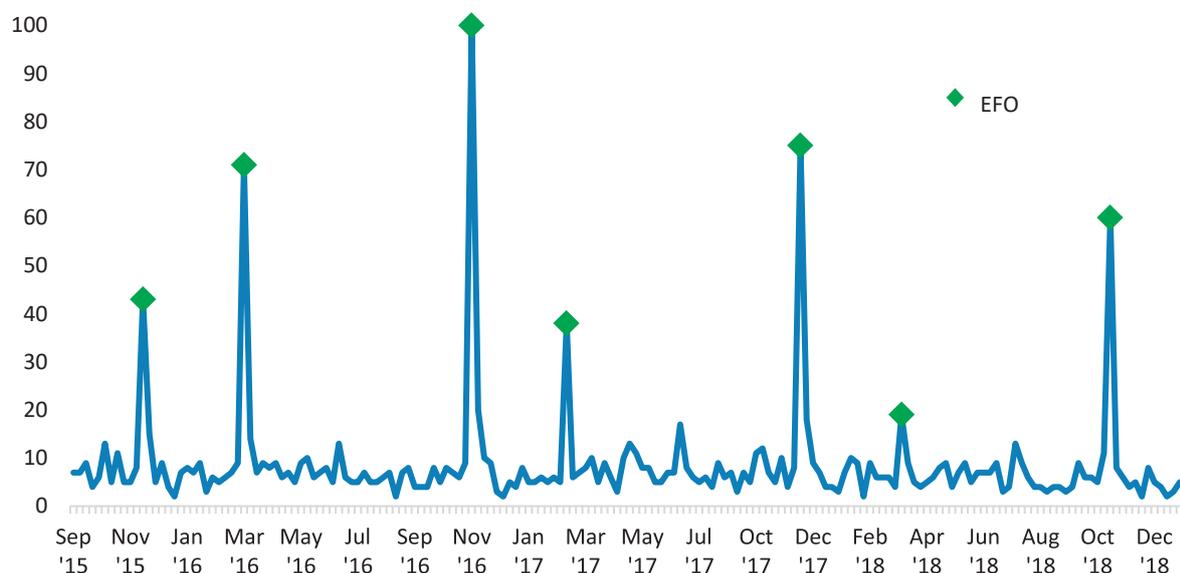
211. That the OBR’s focused communications strategy raises public interest in a predictable manner around key moments in the budget process can also be seen through data from Google Trends. Debrun shows via the weekly google searches for “Office for Budget Responsibility,” that interest in the OBR peaks around the Budget and Spring Statements when the EFOs are published (see figure 4.6) (Debrun, 2019^[35]).

Figure 4.5. OBR press coverage and report publication (September 2015 – September 2019)



Note: In July 2016, the OBR published analytical papers on fiscal sustainability in place of a FSR.
Source: Authors, based on Factiva data.

Figure 4.6. Weekly Google searches for “Office for Budget Responsibility” in the UK (September 2015 - January 2019)



Note: Numbers expressed in percent of the maximum number of Google hits over the period.

Source: Authors based on (Debrun, 2019^[35])

4.2.2. Website and social media

212. The OBR’s website is where stakeholders are most likely to access its work²⁹ and it has proven effective in fostering transparency around the institution’s work and operations. The website remains the OBR’s main communication tool, where it publishes all of its reports and papers, along with supporting documents (spreadsheets, infographics), briefing materials, databases, press releases and presentations from press conferences, and evidence to parliaments.

213. Underlining its commitment to good governance and transparency, the OBR also publishes details of its governance terms of reference, minutes of board meetings, and annual corporate and business plans. The OBR proactively discloses evidence to parliaments, requests for information, letters (mainly between the Chair and figures in the UK Government and Parliament) and a log of substantive contact made between ministers, special advisers, private office and opposition MPs and the OBR. Finally, the OBR maintains a public log of hospitality received and expenses incurred by the BRC, all OBR expenditure over £500, and staff post details. This level of disclosure is commendable and goes beyond what is standard among peer IFIs.

214. The OBR has previously sought feedback on its website through an anonymous survey. While the results of the survey were generally positive, some respondents highlighted that the search and navigation required some improvement. The OBR is working to redesign sections of the website to facilitate ease of use; progressively improve navigation; increase the prominence of products beyond key

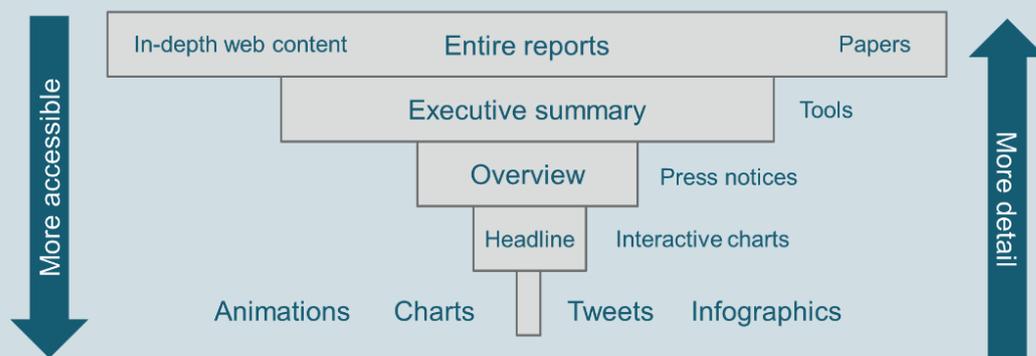
²⁹ The Page review found that 99% of the stakeholders they surveyed accessed the OBR’s work through its website.

publications; and build in an enhanced search function. It aims to launch the new design in September 2020.

215. The OBR has a clear communications strategy for developing web and social media content, using a tier system that presents messages at different levels of detail (see Box 4.1).

Box 4.1. Converting analysis into content on digital communications channels

In order to shape analysis into content, the OBR uses a tier system whereby detailed content is produced for those who have the time and knowledge to read it, and short, simplified or snappy information is produced or repackaged, for those who do not have the time, or who just have a general interest. The message is the same but presented in varied ways.



As a practical example, for the OBR’s flagship forecast report at the top would be the 250 page document, then the executive summary which highlights key messages in roughly 10 pages, and then the overview that translates these messages to roughly 2 pages. From this overview, OBR takes snippets of information and creates a “hero” or headline for the website’s home page. Then OBR picks out main messages to show in animations, chart, tweets with quotes from the report or infographics.

Source: Authors, based on information provided by the OBR.

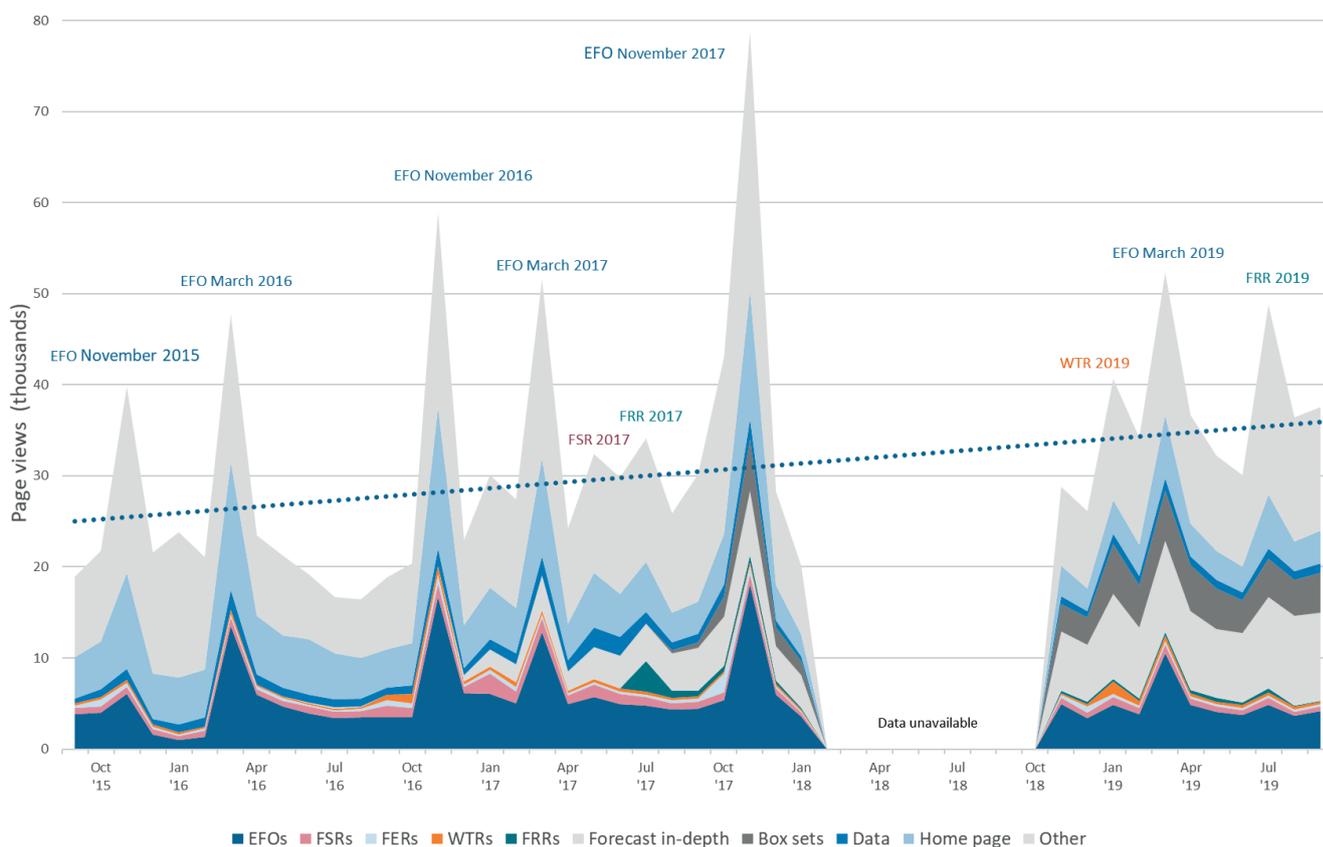
216. Data on unique page views shows the number of hits clearly increasing over time³⁰ (see figure 4.7) and that spikes in traffic occur around the release of key reports, in particular the EFOs which count for around 20% of the OBR’s annual web traffic (by contrast the OBR’s other reports combined count for only around 5% of web traffic). The OBR has observed that the release of key reports also drives traffic to other pages on the site.

217. The increasing number of visits to the forecast-in-depth pages shows the value of the investment the OBR has been putting into its supplementary online material

³⁰ For the years where complete data on unique page views is available, the number increased from 248,402 in 2014 to 435,565 in 2017, or about 75%.

since 2017. The forecast-in-depth page was launched in the second half of 2016; in 2017, it accounted for 11% of web traffic.

Figure 4.7. Total number of hits to the OBR's website (September 2015 - September 2019)



Note: Data is unavailable for February–October 2018.

Source: Authors, based on information provided by the OBR.

218. Social media, specifically Twitter, has also become a major channel for dissemination for the OBR, bringing a wider circle of informed readers that directly quote, clip, link, and share material. Tweets tend to receive the most attention when they are retweeted by widely-read journalists, academics, or think tanks that have a larger following than the OBR itself.³¹

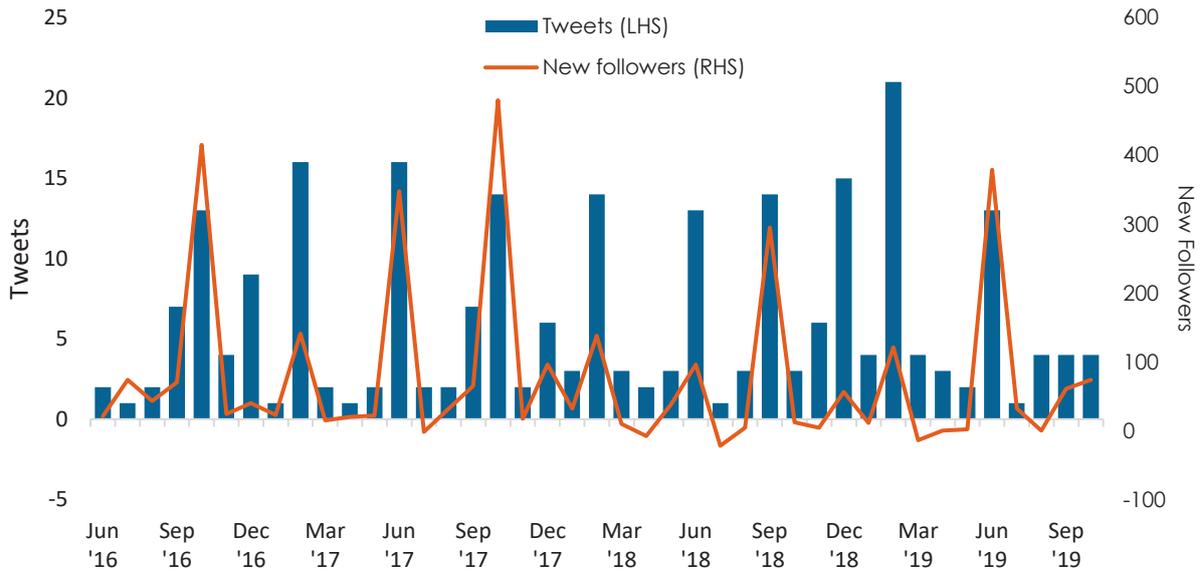
219. The OBR uses Twitter to promote its publications and data, and to announce events, appointments and vacancies. The focus is on the OBR's work, minimising the noise-to-signal ratio. The OBR does not retweet other Twitter posts or engage in debates with other users, to avoid any perception of bias.

220. In line with good practice among peers, at the release of each publication, the OBR tweets infographics and simple visuals with key messages. More recently it has

³¹ For example, both the IFS and the Resolution Foundation have around 40,000 followers.

been using animations. This strategy appears to have paid off as Twitter engagement tends to peak around report release dates (see figure 4.8). The EFOs and the FRR have tended to bring in the most new followers. However, the April 2020 Coronavirus reference scenario surpassed all previous engagement with more than eight times the views of the best performing EFO tweet.

Figure 4.8. OBR Tweets and net new followers (June 2016 to October 2019)



Source: Data provided by the OBR.

221. The OBR's number of followers has continued to grow over time, essentially tripling since the Page review. In the first half of July 2020 the OBR had 10,900 followers, having received a bump of 1600 new followers after the release of its first Coronavirus reference scenario in April. Table 4.2 shows that the OBR fares well in comparison to peer IFIs in terms of number of followers.

Table 4.1. Number of followers of selected OECD IFIs on Twitter (July 2020)

Institution	Number of followers on Twitter	Followers per million population	Year Joined
OBR (United Kingdom)	10,900	164	2011
CPB (Netherlands)	9,690	563	2010
AIReF (Spain)	6,239	133	2014
PBO (Canada)	2,687	72	2014
UPB (Italy)	2,213	37	2014
Fiscal Council (Ireland)	1,353	280	2014
SFC (Scotland)	1,199	220	2016

Source: Authors, based on public information.

4.2.3. Parliamentary debate

222. The Budget Responsibility and National Audit Act (2011) requires that all of the OBR's legislated forecasts and reports be laid before Parliament. Members of the BRC also give evidence to the TSC after each forecast is published. TSC stakeholders met during the review praised the OBR for its balanced analysis and praised the OBR's leadership and staff for their accessibility.

223. The OBR's Chair also appears at least once a year before the Scottish Parliament Finance Committee and the Welsh Parliament Finance Committee to give evidence on the devolved tax and spending forecasts. This is highly appreciated by subnational parliamentary stakeholders.

224. Outside of the above, it is rare for parliamentary committees to invite the OBR to give evidence. Two recent exceptions have been an evidence session with the Public Administration and Constitutional Affairs Committee on governance of statistics in March 2019 and the Work and Pensions Committee on the Spending Review in July 2019. These examples are a positive step towards greater parliamentary engagement but more could be done to bring messages from the OBR's work to relevant debates, as has been done by peer IFIs for example on issues such as pension reform.

225. Apart from engaging on reports, the TSC has the chance to hear from BRC members and to look more closely at elements of the OBR's operations during appointment processes. The TSC also took the opportunity to look at several issues following the Page and Ramsden reviews. Its report on *Reviewing the Office for Budget Responsibility* in February 2016 (Treasury Committee, UK Parliament, 2016_[36]) raised some challenging questions around the independence of the recommendations in the Ramsden review and highlighted the need for appointments to be done in a timely manner.

226. The TSC report also showed its support for OBR's independence, probing in depth whether Treasury requests for changes to the December 2014 EFO during the exceptional pre-release period "strayed beyond the factual" and raising concerns about "a lack of understanding in the Treasury about the importance of OBR's independence." At the same time, the TSC signalled its confidence in the OBR Chair's "personal resilience to pressure from Ministers and officials, and his willingness to speak his mind."³² Finally, the TSC report took up the question of expanding the OBR's mandate to include carrying out electoral policy costings.³³

227. Since that report, the TSC has only once asked for evidence from the OBR on topics outside of the EFOs and appointment processes (when it asked the OBR to contribute to its inquiry into the Treasury's 2019 Spending Round).

228. While the TSC holds evidence sessions for the EFOs, it does not do so for the OBR's other reports, thus limiting parliamentary scrutiny of the OBR's outputs. The one exception to this is an evidence session on the 2013 FSR where the TSC

³² While the TSC noted that it might again seek evidence "to ensure that that Ministers, special advisers or officials have not sought to influence the OBR's judgements and conclusions," so far it has not had cause to do so.

³³ The TSC held a one-off evidence session on the costing of pre-election policy proposals in 2014.

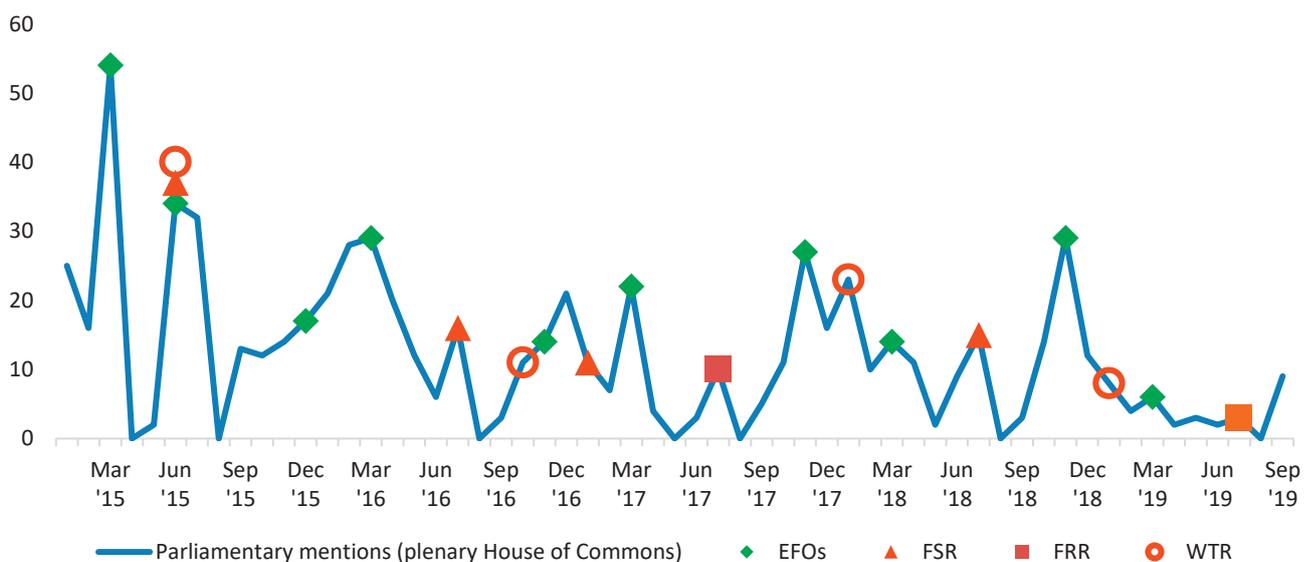
concluded that the FSR should be produced less frequently (a similar recommendation was adopted following the Ramsden review).

229. The incoming OBR Chair, in his former capacity as an official at the International Monetary Fund, praised the FRR as “a mechanism for Parliament and the public to assess the adequacy of the government’s strategies for managing these risks, and hold it to account for their implementation” (Hughes, 2018^[27]). But the lack of TSC engagement on the OBR’s reports outside of the EFOs shows a missed opportunity, particularly in the case of the still fairly new FRR where a corresponding lack of scrutiny of the government’s response does little to promote the important transparency gains this report represents. Moreover, the July timing of the FRR (and the FSR), just before parliament typically goes on recess, does not encourage parliamentary scrutiny.

230. A similar story emerges when looking at parliamentary mentions in the plenary. Parliamentarians are generally aware of the OBR and the OBR is regularly mentioned in plenary debates, although the overall annual number of mentions has been declining. However, while spikes in mentions appear to correspond with the release of OBR reports, further analysis shows that this is borne out only for mentions related to the EFO. The other reports have received strikingly few mentions, less than 10 each for the WTR and the FRR since they were first published in 2014 and 2017, respectively. The FSR fares similarly with 44 mentions in total but an average of only around 5 per report since it was first published in 2011.

231. As concrete examples, the modest spike in mentions of the OBR in July 2018 is not related to the release of the FSR, but rather to a one-day debate on the remit of the OBR. The FSR was only mentioned once when an MP listed the publications that the OBR produces. The spike in mentions of the OBR in January 2018 is mainly related to debates on leaving the EU and the finance bill. The WTR is not mentioned at all.

**Figure 4.9. OBR mentions in Parliament
(March 2015 - September 2019)**



Notes: Mentions in plenary, House of Commons. In July 2016, the OBR published analytical papers on fiscal sustainability in place of a FSR.

Source: Authors, based on public information available in the Hansard:
<https://hansard.parliament.uk/search/Contributions?startDate=2010-05-01&endDate=2019-05-10&searchTerm=%22office%20for%20budget%20responsibility%22&partial=False>

4.3. Continuing fiscal transparency gains

232. Stakeholders widely credit the OBR with increasing fiscal transparency, citing in particular publication of data not previously available when the Treasury produced the forecasts. This has been particularly important on the fiscal side where there has traditionally been less public information and where there is less expertise across think tanks and academia. As noted in Chapter 1, the OBR’s clear and transparent presentation of information enables third parties to pick out the most salient issues to address in the public debate – or as one stakeholder remarked, the new information provided by the OBR allows think tank and academic colleagues to spend less time doing detective work and more time analysing policy trade-offs.

233. Transparency gains were affirmed in previous reviews – the Page review found that OBR reports “demonstrated high levels of transparency regarding disclosures, risks and sensitivities” and “lent themselves to additional analysis by third parties.” The Ramsden review noted that “A marked increase in transparency has led to greater trust in the integrity of the forecasts.”

234. This greater trust appears to be well-founded – the IMF’s 2016 Fiscal Transparency Evaluation of the UK, “the OBR’s forecasting record indicates a lower degree of bias than under the Treasury forecasting regime” (IMF, 2016_[37]). In their FER 2018 the OBR also assessed that:

“For what it is worth, our economy forecasts have been significantly more accurate on average than those of the previous 20 years, based on the mean absolute forecast difference. But comparing the median absolute forecast differences shows that this is almost entirely down to recession years that represent outliers in the distribution of forecast differences. By contrast, our fiscal forecasts outperform the previous 20 years both on the mean and median comparisons. But the outperformance is greater for the mean, showing that the recession effect to some degree flatters this comparison too” (OBR, 2018_[38]).

235. Among examples of new data published are the supplementary tables to the EFO, some of which predate OBR but have been significantly enriched, and some of which have been added in response to requests.³⁴ These include expenditure tables, economy tables, and receipts and other tables.

236. For example, on the economy side, tables include many model variables in quarters, calendar years and financial years. On the fiscal side, the OBR provides a breakdown of policy decisions listing all policies on the Treasury’s scorecard. Previously Treasury only published the total exchequer cost or saving for each policy. The OBR also provides a list of policies that are not on the Treasury’s list of measures

³⁴ The OBR’s policy regarding requests is two-fold: i) data is sent directly to the requester and published on the OBR’s website (HMT has 24-hour pre-release access), and ii) data is added to the EFO supplementary tables and updated in subsequent EFOs.

but affect the overall level of borrowing and debt ('non-scorecard' policies) and describes how they affect the UK's fiscal position.

237. Public sector net debt is another area where the OBR has increased available data. Previously this was only a small paragraph in the Treasury's Budget 2010 document. By contrast, the OBR provides a full discussion with charts and tables.

238. Several of the OBR's databases are also worth noting:

- The *public finances databank*, initiated by Treasury, but the OBR has added considerable detail since.
- The *historical forecast database* collates around 100 of the OBR's forecasts since 2010, as well as Treasury's public finance aggregate forecasts from as early as the 1970s. Although this was publicly available information, the OBR initiated putting it into a consolidated database making it more accessible.
- The *policy measures database*, shows all policy measures since the 1970s on taxes, and since June 2010 on spending. Previously this data was published in separate reports. This database is particularly popular among stakeholders.

4.4. Conclusions

239. The OBR has achieved the goal of reducing bias in the forecasts and improved accuracy. Stakeholders report that the OBR has made the greatest impact in terms of fiscal transparency and that they have higher trust in the "numbers".

240. The success of the OBR's focused communications strategy can be seen across different entry points to the public debate – traditional media, website and social media, and the parliamentary debate. The OBR stands out among peer IFIs in terms of media coverage.

241. Since the previous reviews, the OBR has increased the accessibility of its materials and is making greater use of online and social media channels. Nevertheless, the majority of engagement is with the EFOs, with other OBR reports mainly serving a set of specialist stakeholder audiences. The OBR should explore how to broaden engagement with their outputs outside of the EFO. In particular, the lack of parliamentary scrutiny of the FRR and corresponding lack of scrutiny of the government's response does little to promote the important transparency gains this report represents. The OBR should explore ways to ensure the messages in the FRR and the government's response receive greater attention.

242. Although the OBR is clearly embedded in the political debate within parliament, discussions in the TSC have generally been limited to the OBR's macroeconomic and fiscal forecasts and operational issues. As noted above, there remains scope for the OBR to engage further with the TSC on reports outside of the EFO and to engage with parliamentarians beyond the TSC. For example, in line with good practices of peer IFIs, the OBR could hold a session during the induction period following elections or track relevant debates in other committees to see where it may be useful to highlight messages from its reports.

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Annex B. Interview list

The review team would also like to thank all those who have contributed evidence and insights to this review, in particular individuals from the following institutions and groups who met with the review team during its mission to London in May 2019:

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- BlackRock
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- HM Treasury
- HM Revenue and Customs
- House of Commons Scrutiny Unit
- IMF Country Desk
- Institute of Fiscal Studies
- Media:
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 - The Observer
 - The Guardian
 - The Telegraph
- Members of the OBR's Budget Responsibility Committee (Andy King and Sir Charlie Bean)
- Members of the OBR's Advisory Panel
- Members of Parliament from the Treasury Select Committee and the House of Lords Economic Affairs Committee
- National Institute of Economic and Social Research
- Non-executive members of the OBR
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- Office of National Statistics
- Resolution Foundation
- Scottish Fiscal Commission
- Shadow Cabinet
- UK Statistics Office

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