

Third external review: Response and implementation plan

- 1 The OBR's founding legislation – the *Budget Responsibility and National Audit Act 2011* – requires that an external review of the OBR is published once every five years. The third of these – conducted by Laura van Geest, former head of the Netherlands Bureau of Economic Policy Analysis (CPB) – was published in February 2025.¹ The review concludes that “Over the last five years, the OBR has successfully navigated a series of unprecedented economic and fiscal challenges”, and “that it emerges stronger from the period”. The review also highlights that since the OBR's last external review in 2020, “it has worked to broaden and deepen its credibility with partner institutions, academics, and across different parts of the economic, fiscal and political landscape.”
- 2 The report also set out 11 recommendations for the OBR, across three themes:
 - working with government and other actors to take continued steps towards safeguarding and underpinning the OBR's **independence**;
 - committing to a long-term programme of updating, streamlining and sharing more transparently its analytical **infrastructure**; and
 - deepening the **impact** of its communications to more effectively inform the UK fiscal debate.
- 3 The external review's findings and recommendations provide a valuable roadmap for the work of the OBR over the next five years. This document summarises the OBR's response to these recommendations and forward work plan in each area, which is described in detail in the table below. This sets out that:
 - most elements the **three recommendations** in relation to the OBR's **independence** have **already been implemented** via the actions of the Government and Parliament;
 - of the other eight recommendations which relate to **the OBR's infrastructure and impact**, **the OBR accepts seven and partly accepts one** (recommendation 10), in light of the legal limits placed on the OBR's mandate; and
 - **work is underway against all eight of these recommendations** and some initial steps have already been taken. These include innovations in the OBR's revamped *Forecast evaluation report* published in July, the establishment of processes for monitoring and evaluating judgements on the supply-side effects of government policies, and the inclusion of a wider range of economic scenarios and emphasis on the uncertainty around the medium-term forecast in the *March 2025 Economic and fiscal outlook*.
- 4 We will report on further progress against these recommendations in our Annual Report. We would welcome any feedback on our proposed approach. This can be sent to feedback@obr.uk.

¹ Van Geest, L., *External Review of the Office for Budget Responsibility*, February 2025.

Table A.1: Plans for implementing recommendations of the OBR's third external review

Recommendation	Status	Details	Timing
Independence			
<p>1 The OBR should receive a multi-year budget on a rolling basis so that its budget extends at least 3 years into the future at any given time.</p> <p>This arrangement should be set out in <i>Charter for Budget Responsibility</i>, safeguarding reasonable discretion for the OBR to independently prioritise activities within an overall, stable quantum of funding. The OBR's funding settlement should be commensurate with activities deemed necessary to perform more intensive scrutiny of DEL budgets.</p>	Accepted and implemented	<p>This recommendation was reflected in the January 2025 update to the <i>Charter for Budget Responsibility</i>, which reads (paragraph 3.22): <i>"The Treasury will provide the OBR with a multi-year funding envelope on a rolling basis so that its budget extends at least three years into the future at any given time. It will be for the OBR to independently prioritise activities within this overall quantum of funding consistent with delivering the requirements in the Act and in the Charter."</i></p> <p>The OBR's budget through to 2028-29 will be confirmed from within the Treasury Group's wider 2025 Spending Review settlement in the coming months.</p>	<p>Implemented in the January 2025 update to the <i>Charter for Budget Responsibility</i></p> <p>Details of the OBR's financial settlement beyond 2025-26 are expected later this year.</p>
<p>2 The OBR should maintain its existing accountability arrangements with Parliament, through which the Treasury Select Committee retains the power to veto appointments or dismissals of OBR leadership.</p> <p>This provides an important protection and creates a forum for airing parliamentary or OBR concerns. Going further, should a sitting Government wish to cut future OBR funding significantly, it should signal its intention to do so to the Treasury Select Committee in good time.</p>	Partly accepted and implemented	<p>These accountability arrangements are being maintained in the process for reappointment of the OBR Chair that is currently ongoing.</p> <p>The sub-recommendation concerning notifying the Treasury Select Committee of any intention to significantly cut the OBR's funding is for the Government to consider.</p>	Being implemented in the current appointment process for Chair.
<p>3 The OBR Oversight Board plays a crucial role in safeguarding the long-term interests of the organisation and should therefore play a meaningful role in the process to select and appoint both the Budget Responsibility Committee and OBR Chair.</p> <p>This could be with a responsibility to ensure candidates across the BRC are sufficiently balanced in terms of diversity of thought and are committed to wider organisational goals.</p>	Accepted and implemented	The non-executive members of the OBR's Oversight Board were consulted by the Treasury prior to the current's Chair's nomination for reappointment for a second term by the Chancellor.	Implemented in spring 2025.

Infrastructure

<p>4 The OBR should establish a clear policy and workplan for model maintenance and development across the breadth of its work, with an initial emphasis on its economy forecasting.</p> <p>This should include plans to publish information more systematically about its key models and associated tools, as well as a list of existing analytical issues that need to be prioritised for future work. Model maintenance and development should be an ongoing priority; supported by a commensurate increase in time and resources dedicated to this effort; and reported on at appropriate intervals in OBR outputs, with discussion about how evolving arrangements help shape BRC judgement.</p>	<p>Accepted and in progress</p>	<p>The OBR has:</p> <ol style="list-style-type: none"> 1. Revised the structure and content of its annual <i>Forecast evaluation report (FER)</i>, published in July 2025, to more systematically feed the lessons from that evaluation into the plan for improvements to economic and fiscal forecasting models and infrastructure. 2. Published, alongside the latest <i>FER</i>, a new annex containing more detail on economy and fiscal forecast differences, and developed a new time series of fiscal forecast differences across individual receipts and spending lines. 3. Also published, alongside the latest <i>FER</i>, a new database detailing economic model development priorities, mirroring the fiscal model assessment database. <p>The OBR will:</p> <ol style="list-style-type: none"> 4. Publish a series of papers and articles detailing the economy forecast models used by the OBR. 5. Update <i>Briefing Paper No.3: Forecasting the economy</i>, originally published in 2011, to bring it into line with current practice. 	<p>Papers and articles published on a rolling basis over the next three-to-four years, beginning in 2025.</p>
<p>5 The OBR should use clear criteria for additionality to the baseline forecast and the required evidence base for the policy measures it is willing to score dynamically; it should then apply these strictly.</p> <p>Agreeing a clear, well-understood process for monitoring supply-side impacts and ensuring symmetrical submission to the OBR of measures that have positive and negative impacts on growth is necessary to securing the long-term credibility of this practice. This will require a cross-government approach with an effective set of working arrangements between the OBR and HMT to secure consistency. This should ensure proper accounting of indirect effects in the forecast.</p>	<p>Accepted and in progress</p>	<p>The OBR has:</p> <ol style="list-style-type: none"> 1. Published <i>Briefing paper No.8: Forecasting potential output – the supply side of the economy</i> in November 2022, setting out how we forecast potential output and the criteria we use to account for the impact of policies on the supply side of the economy. 2. Expanded the contents of our <i>Economic and fiscal outlooks (EFOs)</i> to provide more detail on our supply-side policy judgements, including (since March 2023) a new policy chapter covering both the direct and indirect effects of policies. 3. Published papers and articles setting out in more detail our approach to assessing the supply-side effects of tax changes on labour supply; of full expensing within the corporation tax regime on business investment; and of changes to public investment on potential output 	<p>Review of the criteria for the supply-side effects of policies underway, to conclude in autumn 2025.</p>

4. Along with the Treasury and other government departments, established a process for monitoring and evaluating existing judgements on the supply-side effects of policies. The crystallisation of downside risks to the implementation of some policies led us to downgrade our labour supply forecast in October 2024.

The OBR will:

5. Review the practical application of the assessment criteria for the supply-side effects of policies – significance, durability, additionality, and the evidence-based.
6. As part of this review, consider whether additional processes are needed to ensure symmetrical submission of policy measures to the OBR by government.

6	<p>The OBR should conduct an evaluation of its use of dynamic scoring to date.</p> <p>Anticipating the next external OBR review, this evaluation should inform criteria for how this practice will be used going forwards (and mutatis mutandis for other practises as they emerge).</p>	Accepted and in progress	<p>The OBR will:</p> <ol style="list-style-type: none"> 1. Following on from the current review of criteria mentioned above, conduct a broader evaluation of its approach to the supply-side effects of policies, once any new processes have been implemented and bedded in. This will include input from external experts. 	By summer 2027.
7	<p>The OBR should consider mechanisms to signal to academic and practitioner community key areas of upcoming interest and review high-quality submissions.</p> <p>This could build on the development of the OBR's Advisory Panel, working to 'crowd-in' expertise on policy areas where the evidence base and policy consensus is less settled.</p>	Accepted and in progress	<p>The OBR has:</p> <ol style="list-style-type: none"> 1. Continued to use its expanded Advisory Panel, thinktank roundtables and other stakeholder engagement to inform its workplan and provide insights and evidence for its work. <p>The OBR will:</p> <ol style="list-style-type: none"> 2. Publish its 'areas of research interest' to invite evidence and submissions on priority analytical topics and policy areas. We will periodically update our published areas of research interest as new priorities emerge. 	Areas of research interest to be published in 2025.

Impact				
8	<p>The OBR should focus more explicitly on highlighting uncertainty around its medium-term forecasts in a user-friendly manner.</p> <p>This applies especially to the presentation of the fiscal forecast which the OBR is legally obliged to condition on stated policy. The OBR could experiment with asymmetric fan charts to correct for the historical optimism bias resulting from mandated adherence to stated policies. The OBR should consider in parallel the presentation of various economic scenarios. These important discussions, as well as those suggested below, should be properly foregrounded within OBR outputs and in media discussions.</p>	Accepted and in progress	<p>The OBR has:</p> <ol style="list-style-type: none"> 1. Reviewed how it presents uncertainty around the central forecast in the October 2024 <i>FER</i>, which concluded that we need to consider more extreme assumptions in the construction of scenarios as well as exploring other ways to present uncertainty. 2. Placed a greater emphasis on the uncertainty around the medium-term forecast in its March 2025 <i>EFO</i>, including the presentation of several economic and fiscal scenarios relating to productivity, interest rates and global trade policy. 3. Set out its current approach to highlighting uncertainty around forecasts in the July 2025 <i>FER</i>, with a particular focus on how we consider uncertainty in the construction of our fiscal forecasts. <p>The OBR will:</p> <ol style="list-style-type: none"> 4. Explore new ways to communicate the uncertainty around its forecasts in future <i>EFOs</i>, and to foreground uncertainty across its outputs. 	Exploring new ways to communicate uncertainty will be an ongoing process from autumn 2025 <i>EFO</i> onwards.
9	<p>The OBR should move towards a broader assessment of fiscal sustainability, whilst continuing to avoid the perception of making normative assessments of policies to maintain its impartial status.</p> <p>This should draw upon best practice from comparable independent fiscal institutions. Examples include: highlighting uncertainties surrounding the central medium-term forecast and/or developing long-term fiscal sustainability metrics linked to the medium-term forecast. OBR could revisit the timing of the <i>FRS</i>, to increase the impact of this report. However, it would not be helpful for the OBR to go as far as costing opposition party proposals.</p>	Accepted and in progress	<p>The OBR will:</p> <ol style="list-style-type: none"> 1. Undertake a review of international best practice in assessing fiscal sustainability, including options for additional or alternative presentations in <i>EFOs</i>. 	Review to conclude in summer 2026.
10	<p>The OBR should experiment with ways to increase transparency around the role and implications of the stated policies assumption it is required to use in its forecasts, signalling implicit fiscal pressures in the assumed path.</p>	Partly accepted and in progress	<p>The OBR only partly accepts this recommendation as elements – particularly the construction of ‘standstill’ public service scenarios – would contravene the legal limits placed on its remit. While the OBR is legally required to report on the main risks it considers to be relevant, it is also required to produce its medium-term forecast</p>	Ongoing.

This could be achieved in a number of ways, including: extending the risk paragraph in the *EFO* with illustrative examples of implications for public service levels; and/or presenting trend or standstill scenarios (i.e. those needed simply to maintain existing levels of service in a public service) against the fiscal mandate. The approach should aim to indicate the implied budgetary effort associated with the commitment to stated policies.

The current practice of arriving at a probability that the government will meet its fiscal targets should be reconsidered – both in its construction and presentation.

based on stated government policies and is prohibited from considering alternative policies.

The OBR has:

1. Since the publication of its first *Fiscal sustainability report* in July 2011, constructed long-term projections based on spending being sufficient to maintain existing public service levels beyond the medium-term forecast horizon.
2. Since the March 2023 *EFO*, as recommended by the Treasury Select Committee,¹ presented the performance against government fiscal targets if fuel duty rates were to remain at their current cash levels over the forecast, rather than the stated but rarely implemented policy of RPI indexation.

The OBR will:

3. Review its approach to the presentation of policy risks in our medium-term forecasts and long-term projections, including the construction and presentation of probabilities of the government meeting its fiscal rules.

11 The OBR should develop a plan for the next phase of its communications strategy, selectively incorporating best practice from comparable institutions across the OECD.

Accepted and in progress

The OBR will:

1. Review and update its communications strategy, including evaluating best practice from comparable institutions.

Communications strategy update currently underway.

Building on its strengths, we suggest the OBR updates its strategy – making clear its aims, intended audience reach and any innovative methods with which it wishes to experiment.

¹ Treasury Committee, *Fuel duty: Fiscal forecast fiction*, HC 783, January 2023.