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Office for Budget Responsibility and Charter for Budget Responsibility

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Office for Budget Responsibility

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Summary

The Office for Budget Responsibility

The Office for Budget Responsibility (OBR) was established within days of the Coalition Government coming to power in May 2010 with the aim of improving the credibility of fiscal policy.

Richard Hughes, a former holder of senior roles at the Treasury and IMF, has been the chair of the OBR since October 2020. He replaced Robert Chote who served the two terms allowed under the Act that established the OBR. The Treasury Committee has the power of veto over this appointment. The Budget Responsibility and National Audit Act 2011 provides for the establishment of the OBR, and sets out its functions and broad governance structure.

The OBR's role

Part of the OBR's role, as laid out in the Charter for Budget Responsibility (the Charter), is to produce forecasts for the economy and the public finances. These are produced independently of the Government. In the past, the Treasury's forecasts have been based on the Chancellor's judgement. This has led to the suspicion that forecasts may be over-optimistic. It is hoped that any perception that the forecasts could be politically motivated is removed by an independent body producing them.

The OBR also comments on whether the Government's policies have a better than 50:50 chance of meeting the Chancellor's targets for the public finances – or 'fiscal rules' – which are set out in the Charter. The OBR also examines the long-term sustainability of the public finances, risks surrounding the public finances, spending on welfare and devolved taxes.

The Charter for Budget Responsibility

The Charter for Budget Responsibility (the Charter) sets out the OBR's role, how it performs its duties and the required content of its key publications. The Charter also sets out the Government's basic policy for managing the public finances (its fiscal framework) including what should be in Budget reports, the policy for debt management and how debt management should operate. The fiscal framework also sets out the Government's targets for the public finances, which are often referred to as its fiscal rules.

The Charter has been changed on several occasions since its introduction in 2011. The latest version was proposed alongside Autumn Statement 2016 and came into force on Tuesday 24 January 2017 when the House of Commons approved it.

The Government's fiscal rules

The Government's fiscal rules guide and constrain how it manages its finances.

At Spring Budget 2020, the OBR judged the Government's performance against two sets of fiscal rules – the legislated rules, as set out in the Charter, and a set of rules proposed in the 2019 Conservative manifesto.

The Chancellor is reviewing the Government's fiscal framework, including the fiscal rules. The review was to conclude in autumn 2020 but the work has been put on hold given the economic uncertainty caused by the coronavirus pandemic.

To become official any future changes to the fiscal framework and its rules need to be included in a revised Charter that is then approved by the House of Commons.

1. What does the OBR do?

The OBR's role and how it performs its duties are laid out in the Charter for Budget Responsibility (see section 3). [1]

1.1 OBR's role

Producing five-year forecasts for the economy and public finances

The OBR produces forecasts for the economy and the public finances at least twice every financial year.[2] Previously, these forecasts had been produced by the Treasury. The forecasts are set out in the OBR's economic and fiscal outlook (EFO) documents that often accompany the Budget and Spring Statement.

Each autumn the OBR assesses their forecasts against actual outturns in their forecast evaluation report.

The legislation does not require the Chancellor to use the OBR's forecasts, but they have been used since the OBR's inception. When formulating policy, the Government has the right to disagree with the OBR's forecasts but must explain the reasons for doing so.[3]

Similar institutions in other countries have, in some cases, been given a quite different role. The Treasury Committee noted that "most fiscal councils do not themselves produce the forecast which the government uses in making its fiscal judgements". Often the role of the council is to assess the official forecast, or provide an alternative, after it has been published.[4] Annex 2 discusses other fiscal watchdogs further.

Judging the Government's performance against its fiscal targets

The OBR uses its forecasts to report on whether, in its judgement, the Government's policies have a better than 50:50 chance of meeting the fiscal targets set out in the Charter for Budget Responsibility (see section 3).

The OBR monitors spending against the welfare cap in its forecasts but only makes a formal assessment in its first forecast of each new Parliament. The Library briefing The welfare cap provides further detail.

Scrutinising the Treasury's costing of tax and welfare spending measure

Ahead of the Budget the Treasury produces draft costings of tax and spending measures. The OBR scrutinises the costings and, in the EFO and the Treasury's policy costing documents, states whether they

1 For further information see the OBR' website: http://budgetresponsibility.org.uk/about-the-obr/what-we-do/
2 The latest forecasts are available on the OBR's website: http://budgetresponsibility.org.uk/
3 HM Treasury. Charter for Budget Responsibility (autumn 2016 update), January 2016, para 3.9
4 Treasury Committee, Office for Budget Responsibility, HC 385, 21 September 2010 para 20

endorse the costings that the Government publishes as reasonable central estimates.

Assessing the long-term sustainability of the public finances

The OBR produces long-term projections for different categories of spending, revenue and financial transactions and assess what they imply for public sector debt. Projections are set out in the OBR's biennial fiscal sustainability report, which also analyses the public sector's balance sheet.

Since autumn 2015 the OBR has been required to make these detailed projections every other year, rather than every year. In the interim years the fiscal sustainability report will include in-depth analysis of specific sustainability issues.

Producing a welfare trends report

The OBR produces an annual welfare trends report that discusses trends and drivers of welfare spending.

Producing a fiscal risk report

In autumn 2015 the OBR took on a new role: producing a biennial fiscal risk statement. This additional role was recommended in HM Treasury's review of the OBR (see section 6.2). The Treasury will be required to respond to the fiscal risks statement within a year of publication.

The OBR published its first fiscal risks report in July 2017. The report reviews a wide range of risks from the economy and financial system, to tax revenues, public spending and the balance sheet, and includes a fiscal stress test. The Treasury's response followed in July 2018.[5]

The OBR's 2019 fiscal risks report was published in July 2019. The Treasury's response was provided in the form of a Written Ministerial Statement to Parliament.

Producing forecasts of devolved taxes

Forecasts of taxes devolved under the Scotland Act 2012 and Wales Act 2014, are published alongside the OBR's EFOs.

In support of all the above activities, the OBR undertakes other research and provide briefings on public sector finance releases.

Box 1.1: Budget Responsibility and National Audit Act 2011

The OBR was established by the Budget Responsibility and National Audit Act 2011 (the Act).

The Act sets out its functions and broad governance structure.

Before the Act came into force, the OBR was governed by terms of reference published by the Chancellor. Further details of the OBR's governance and management arrangements are set out in a Framework document.

5 HM Treasury. Managing fiscal risks: government response to the 2017 Fiscal risks report, July 2018

2. Who are the OBR?

2.1 Appointments to the permanent OBR

Chair

In October 2020, Richard Hughes became chair of the OBR and member of the Budget Responsibility Committee (BRC). Mr Hughes replaced Robert Chote as chair of the OBR. Mr Chote had served the two terms allowed under the Budget Responsibility and National Audit Act 2011. On 5 June 2020, the Chancellor announced Richard Hughes as his preferred Chair of the OBR.[6] The Treasury Committee approved Mr Hughes' appointment following an appointment session on 13 July 2020.[7]

Mr Hughes was formerly Director of Fiscal Policy and Acting Chief Economist at HM Treasury, Division Chief in the International Monetary Fund, Research Associate at the Resolution Foundation, Advisor to the French Government, and Visiting Lecturer at Sciences Po in Paris and the Blavatnik School of Government in Oxford.[8]

Members of the Budget Responsibility Committee

Sir Charles Bean and Andy King are the other members of the Budget Responsibility Committee (BRC).

In August 2016, the then Chancellor, Philip Hammond, nominated Sir Charles Bean, former Deputy Governor of the Bank of England and Professor of Economics at the London School of Economics, to join the BRC. The Treasury Committee approved the appointment.[9]
Sir Charles joined the OBR at the beginning of 2017 and replaced Sir Stephen Nickell who completed his final term.

Philip Hammond also nominated Andy King – previously the OBR's Chief of Staff – to join the BRC in June 2018. The Treasury Committee approved the appointment.[10] Mr King formally began his appointment in September 2018, replacing Graham Parker CBE who stepped down at the end of August 2018.

The OBR currently has two non-executive members who, along with members of the BRC, make up the five members of the OBR's Oversight Board.[11] The non-executive members are nominated by the OBR and appointed by the Chancellor.

6 HM Treasury Press Release. Chancellor announces Richard Hughes as preferred Chair of the Office for Budget Responsibility, 5 June 2020
7 Treasury Committee. Appointment of Richard Hughes as the Chair of the OBR, 13 July 2020
8 OBR. Who we are [accessed on 23 November 2020]
9 Treasury Committee, Seventh Report of Session 2016-17, HC642, 13 Sept 2016
10 Treasury Committee, Appointment of Andy King to the Budget Responsibility Committee of the OBR, HC1340, 11 July 2018
11 http://budgetresponsibility.org.uk/about-the-obr/who-we-are/

Box 2.1: The Budget Responsibility Committee and the Oversight Board

The **Budget Responsibility Committee (BRC**) has executive responsibility for carrying out the OBR's core functions, including judgements reached on its forecasts. The BRC currently consists of: Robert Chote (Chairman), Steve Nickell CBE, and Graham Parker CBE.

The **Oversight Board** ensures that effective arrangements are in place to provide assurance on risk management, governance and internal control of the OBR. The Oversight Board consists of the members of the BRC and two-non executive members. Currently the non-executive members are Bronwyn Curtis and Sir Christopher Kelly.

2.2 Interim appointments

The OBR was initially established on an interim basis on 17 May 2010.[12] Sir Alan Budd was appointed as chairman. Two other members were appointed to the BRC: the aforementioned Graham Parker and Geoffrey Dicks. The interim body also included a secretariat of eight Treasury employees on secondment. It had, therefore, to rely on the Treasury's expertise.[13]

The interim OBR published two sets of economic forecasts. The first was published before the June 2010 Budget and was based on the previous Government's economic policies.[14] The second forecast was published alongside the June 2010 Budget.[15]

The interim OBR did, however, become involved in political controversy over the release of employment forecasts. Some argued that this damaged its perceived independence. Sir Alan Budd expressed regret about this in evidence to the Treasury Committee:

> Chair: You do understand, though, Sir Alan, do you not, that this has done quite a bit of damage to the early reputation of the OBR?
>
> Sir Alan Budd: And, as I have said, I regret that enormously, Chairman.[16]

12 HM Treasury Press Notice, Chancellor announces policies to enhance fiscal credibility, 17 May 2010
13 Establishing the Office for Budget Responsibility, Letter from the OBR to the Chancellor, 12 July 2010, para 47
14 OBR, Pre-Budget forecast, June 2010
15 OBR, Budget forecast, June 2010
16 Treasury Committee, June 2010 Budget, HC 350, 20 July 2010, Q14

3. The Charter for Budget Responsibility and the fiscal targets

3.1 The Charter for Budget Responsibility

The Charter for Budget Responsibility (the Charter) sets out the OBR's role, how it performs its duties and the required content of its key publications (see section 1).[17] The Charter also sets out the Government's basic policy for managing the public finances (its fiscal framework) including what should be in Budget reports, the policy for debt management and how debt management should operate.

The fiscal framework includes the Government's objective for the public finances and its targets for meeting it. The targets are often referred to as the fiscal rules. The OBR assesses and reports on progress against the Government's fiscal rules in its forecasts (economic and fiscal outlooks).

A review of the fiscal framework

At Spring Budget 2020 the Chancellor launched a review of the fiscal framework, including the fiscal rules (see below). The review was set to report in autumn 2020 but work has been put on hold given the economic uncertainty caused by the coronavirus pandemic.[18]

The Treasury's review is consulting with "external experts from across the UK and internationally".[19]

The guiding principles of the review are that:

- fiscal policy should support the government's economic objectives, while maintaining the sustainability of the public finances by keeping control over borrowing and debt
- low and stable inflation should be supported, as an essential pre-requisite to deliver the government's economic objectives
- the UK's existing institutional strengths in fiscal policy making – the independent Office for National Statistics (ONS) producing official economic and fiscal statistics, and the independent OBR producing the official economic and fiscal forecasts and assessing the government's performance against its fiscal objectives – should be preserved and built on

The review will focus on the following areas:

- The low interest rate environment
- Macroeconomic stabilisation
- Incentives for value for money prioritisation

17 HM Treasury. Charter for Budget Responsibility: autumn 2016 update, January 2016
18 Treasury Committee. Oral evidence: Work of HM Treasury, HC 969, 11 November 2020, Q38
19 HM Treasury. Spring Budget 2020, 11 March 2020, paras 1.37-1.39

- Developments in the management and measurement of the balance sheet
- Mitigating fiscal risks and pressures
- Building on the strength of the UK's world class institutions

Once the review concludes, the Chancellor will lay a revised Charter before Parliament. The revised Charter, and the fiscal rules contained within it, will enter into force once approved by the House of Commons.

3.2 The fiscal rules

Since the 1990s UK governments have adopted fiscal rules to guide fiscal policy. The rules have been included in the Charter since it was introduced, in 2011. The rules have changed on several occasions (see section 3.7 or Appendix 1).

In its Spring Budget 2020 forecast the OBR assessed the Government's progress against two sets of fiscal rules; the official legislated rules laid out in the Charter and those originally set out in the 2019 Conservative manifesto.[20] The OBR are required to assess progress against the legislated rules, but the Chancellor requested that they also assess performance against the manifesto's rules.

The Chancellor delivered Spring Budget 2020 to meet the rules in the 2019 Conservative manifesto and not the legislated rules.[21]

How are the legislated rules changed?

If the Chancellor wishes to change the rules, he lays a revised Charter before Parliament for the House of Commons to approve.[22] The rules contained in the revised Charter will only become the legislated fiscal rules once the House of Commons has approved the document.

3.3 The Conservative manifesto's rules

The Conservatives proposed new fiscal rules during the 2019 general election campaign.[23] The rules also featured alongside the Queen's speech.[24]

While these aren't the legislated rules – as they aren't included in the Charter – the Chancellor aimed to deliver Spring Budget 2020 within them.

What are the manifesto's rules?

The manifesto proposes three new rules:

- to have the current budget in balance no later than the third year of the forecast period;

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20 These rules were also set out alongside the Queen's speech: The Queen's Speech December 2019 background notes, page 131

21 HM Treasury. Budget 2020, March 2020, para 1.6

22 HC Deb. 20 January 2020: c46

23 Conservative Manifesto 2019

24 Conservative Manifesto 2019. HM Government, Queen's Speech December 2019: background briefing notes, page 131

- to limit public sector net investment to an average of 3% of GDP; and,
- to reassess plans in the event of a pronounced rise in interest rates taking interest costs above 6% of government revenue.

The manifesto also says that the rules mean that "debt will be lower at the end of the Parliament".[25]

The manifesto's rules are looser than the current legislated set. The objective of eliminating the budget deficit is gone and the Government will be able to borrow for investment spending. The Institute for Government (IfG) – a think tank – estimates that these rules allow the Government to borrow more annually than the average for each year between 1948 and the start of the 2007-2008 financial crisis.[26]

This follows a trend since the EU referendum result of setting looser targets. When Philip Hammond introduced the current legislated fiscal rules, the OBR said that they are, "less constraining" than their immediate predecessors".[27] The Institute for Fiscal Studies (IFS) – an economic think-tank – said they are 'more relaxed' and 'much looser'.[28] The current legislated rules were announced at Autumn Statement 2016 and formally came into force on 24 January 2017 after a revised Charter was approved by the House of Commons.

A current budget balance

Proposed rule: To have the **current budget in balance** no later than the third year of the OBR's forecast period

For the current budget to be in balance government's revenues, from taxes and other sources, must cover government's day-to-day spending on areas such as providing public services and welfare payments. If the current budget is in balance, the Government is not borrowing to fund its day-to-day spending on areas such providing public services and welfare payments.

The target is rolling and applies to the third year of the OBR's forecast period. This means that at Spring Budget 2020 the OBR assessed the rule in 2022/23. Once we move into 2020/21 the target date will roll on and the OBR will assess whether the target is being met in 2023/24.

25 Conservative Manifesto 2019, November 2019
26 IfG. Conservative and Labour fiscal rules would shake off the spending straitjacket, 25 November 2019
27 OBR. Economic and fiscal outlook – November 2016, para 1.10
28 IFS. Autumn Statement 2016 briefing: Paul Johnson's opening remarks, 24 November 2016

Source: OBR. Public finances databank [accessed on 13 March 2020]

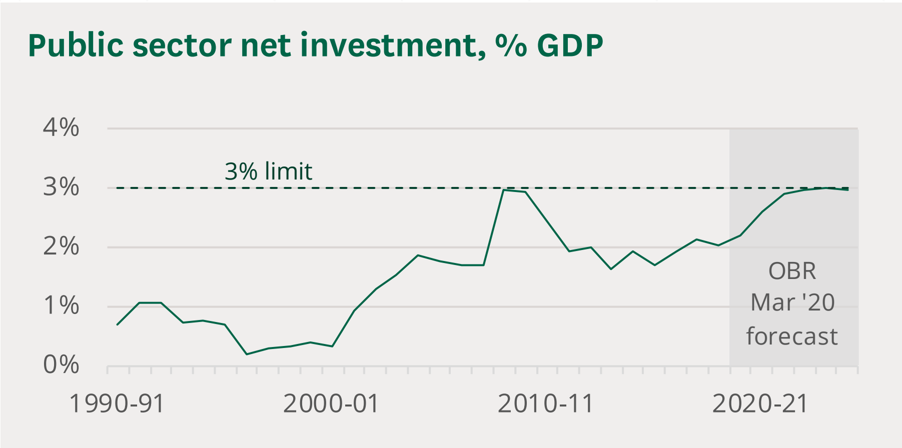
The OBR's Spring Budget 2020 forecasts were produced too early to take account of the ongoing coronavirus outbreak. In the forecast the OBR said that the Government was meeting its target of a current budget balance in the third year of the forecast (currently 2022/23) by a margin of £11.7 billion. Based on historical forecast errors, this would imply a 60% chance of meeting the target. But given the coronavirus outbreak, the odds are likely to be lower than 60%.[29]

Limiting public sector net investment to 3% of GDP

Manifesto rule: to limit **public sector net investment** to an average of 3% of GDP

Public sector net investment measures government's net capital spending on areas such as infrastructure. The proposed fiscal rules place a limit on public sector net investment of 3% of GDP, on average.

The rule allows for increased Government investment spending. Net investment last averaged 3% of GDP, over a five-year period in the late 1970s / early 1980s.



Source: OBR. Public finances databank [accessed on 13 March 2020]

In its Spring Budget forecast, the OBR said that the Government was meeting the investment rule.[30]

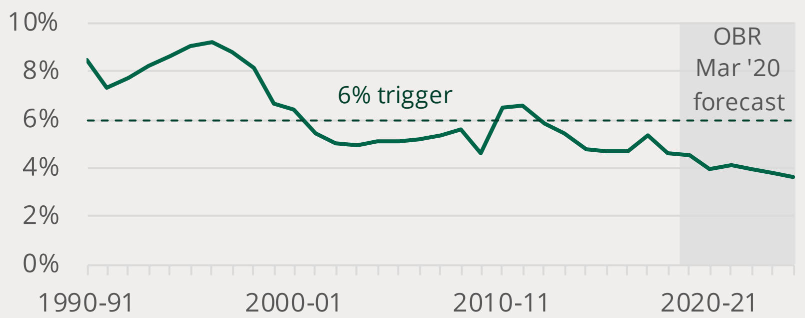
29 OBR. Economic and fiscal outlook – March 2020, para 1.43
30 OBR. Economic and fiscal outlook – March 2020, para 1.43

Interest costs below 6% of government revenue

This rule focuses on government spending on debt interest (which is the total amount of interest the Government pays out on its debt) relative to the revenue government raises from taxes and other sources.[31] The rule allows the Government to reassess its plans, particularly for investment spending, if interest rates increase. In 2018/19, debt interest was 4.6% of government revenues. It last went over 6% of government revenues in 2011/12.

Manifesto rule: to reassess plans in the event of a pronounced rise in interest rates taking **interest costs** above 6% of government revenue

Debt interest as a % of government revenues



Source: OBR. Public finances databank [accessed on 13 March 2020]

In its Spring Budget forecast, the OBR said that the Government was meeting the rule by a comfortable margin.[32]

Box 3: Coronavirus pandemic and the 2019 Conservative manifesto's fiscal rules

In its July 2020 Fiscal Sustainability Report the OBR produced three scenarios for the economy and public finances based on different outlooks for the coronavirus pandemic: a central scenario, a downside scenario and an upside scenario.

The OBR assessed how the 2019 Conservative manifesto's fiscal rules would perform under each scenario. The current budget balance rule wasn't being met in the OBR's central and downside scenario but was being met in their upside scenario. The debt-interest rule was still being met in each scenario. The investment rule wasn't being met in any of the three scenarios.[33]

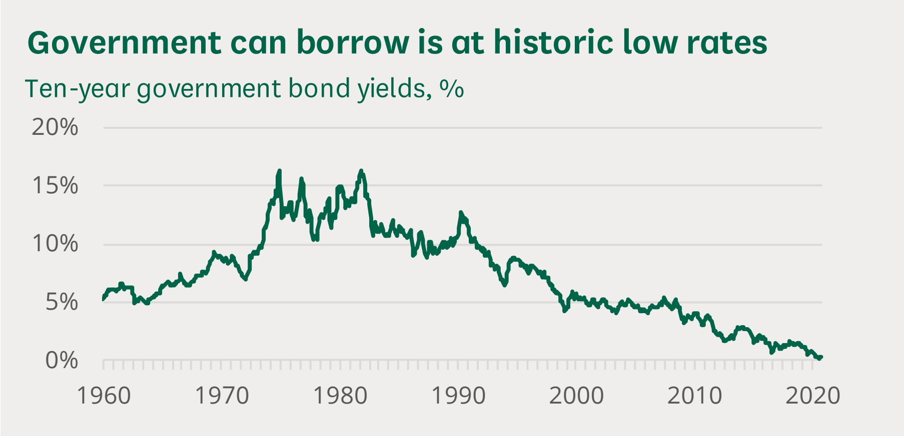
Why do the Government want different rules?

The Government's priorities are different to those of its recent predecessors. There is more emphasis on infrastructure spending and less on reducing the overall budget deficit.

The Government wants to spend more on infrastructure. The previous Chancellor, Sajid Javid, said that the Government is willing to borrow more to invest "in policies that deliver real productivity gains and boost economic growth in the long term" and to "level up" across the country. He also said that the low cost of government borrowing, and

31 Resolution Foundation. Playing by their own rules?, 28 November 2019
32 OBR. Economic and fiscal outlook – March 2020, para 1.43
33 OBR. Fiscal Sustainability Report – July 2020, Box 4.1

reductions in the budget deficit, mean that the Government can afford to borrow to invest. [34]



Note: Averages of daily interest rates implied by the prices at which the government bonds traded in financial markets
Source: OECD. Long-term interest rates

The targets for reaching a current budget balance and controlling debt interest payments are aimed at keeping "borrowing and debt under control". The Conservative manifesto says that the rules will mean that debt will be lower at the end of the Parliament. [35] The current budget balance rule will limit the amount of day-to-day spending, or tax cuts, that the Government can borrow for. The debt interest target is designed to control investment spending. If borrowing costs rise and debt interest rises above 6% of revenues, then the Chancellor would re-assess how much was being borrowed for investment spending. [36]

Another reason to review legislated rules is that both the current official borrowing and the debt targets will soon become obsolete, as they have target dates of 2020/21.

3.4 The current legislated rules

Background to the introduction of the legislated rules

The current fiscal targets were proposed in a revised Charter published alongside Autumn Statement 2016. The Charter came into force on 24 January 2017 after it was approved by the House of Commons. A new objective for fiscal policy and new fiscal targets were introduced. [37] [38]

Following the EU referendum, the then Chancellor, George Osborne, said that the Government's main fiscal target – which was then to reach a budget surplus in 2019/20 – would be suspended. Reaching a surplus would mean government spending less than it receives in taxes, so the Government would not have a deficit.

34 Spending Round 2019: Chancellor Sajid Javid's speech; HM Government. Queen's Speech December 2019: background briefing notes, page 132
35 2019 Conservative Manifesto, November 2019
36 Sajid Javid's speech at Manchester Airport, 7 November 2019
37 ibid, page 7.
38 The revision also includes an operational amendment requiring a debt management report to be published annually rather than as part of the budget report.

George Osborne suggested that the economic shock of the referendum vote would be enough for the target to be suspended.[39] His successor as Chancellor, Philip Hammond, confirmed that the Government would not be aiming to reach a budget surplus in 2019/20.[40]

A revised Charter was published alongside the Autumn Statement 2016, which began the process of replacing the surplus target. Revisions were also made to the other targets in the Charter: the supplementary debt target and welfare cap, both of which were being missed in the OBR's assessment prior to Autumn Statement 2016. The Charter came into force on 24 January 2017 after it was approved by the House of Commons.

The current targets are, in the opinion of the OBR, "less constraining" than their immediate predecessors".[41] The Institute for Fiscal Studies (IFS) – an economic think-tank – view them as 'more relaxed' and 'much looser'.[42]

The objective for fiscal policy

Legislated objective for fiscal policy:
return the public finances to balance soon in the next Parliament

The Treasury's legislated objective for fiscal policy, as stated in the Charter, is to return the 'public finances to balance at the earliest date in the next Parliament'.[43] Even before the Johnson Government came to power, this objective was being downplayed by then Chancellor, Philip Hammond.[44]

When the objective was introduced (autumn 2016) its wording suggested that the Government was aiming to eliminate the deficit by 2025 at the latest. The early 2017 General Election makes the target date questionable, but the 2017 Conservative manifesto suggests the Government were still aiming at the 'middle of the next decade'.[45]

The OBR's March 2020 forecast didn't stretch to the target year of 2025/26. However, as borrowing was forecast to be close to £60 billion in 2024/25 the Government is not on course to meet the legislated objective for fiscal policy.

The fiscal rules are designed to help the Government reach its fiscal objective.

The legislated fiscal rules

The fiscal mandate

When government spends more than it receives in taxes and other revenues it must borrow. Formally this is known as public sector net borrowing, although it is often referred to as the budget deficit. The

39 'Osborne abandons 2020 budget surplus target', BBC, 1 July 2016; HC Deb. 4 July 2016:c622
40 House of Lords Economic Affairs Committee, Chancellor of the Exchequer Oral Evidence, 8 September 2016; HC Deb 20 July 2016:c818-819
41 OBR. Economic and fiscal outlook – November 2016, para 1.10
42 IFS. Autumn Statement 2016 briefing: Paul Johnson's opening remarks, 24 November 2016
43 HM Treasury. Charter for Budget Responsibility: autumn 2016 update, January 2017, para 3.1
44 Treasury Committee, Autumn Budget 2018, 12 February 2019, HC1601 2017-19, para 57
45 2017 Conservative Manifesto, page 14

fiscal mandate focuses on an adjusted version of borrowing. The Treasury's fiscal mandate is:

- a target to reduce cyclically adjusted public sector net borrowing to below 2% of GDP by 2020/21

Legislated fiscal mandate:
a target to reduce cyclically-adjusted public sector net borrowing to below 2% of GDP by 2020/21

The adjustment means the target focuses on structural borrowing, or the element that remains once borrowing related to the ups and downs of the economy are removed. This is what is meant by 'cyclically-adjusted': removing the parts of borrowing related to the economic cycle. There is more on this in Box 3.2.

Although the Government isn't setting its policy to meet the current legislated rules, the OBR is still required to assess performance against them until they are officially replaced. At Spring Budget 2020 the OBR forecast that the fiscal mandate would be missed by 0.4% of GDP (£9.2 billion).[46]

Box 3.2: Structural borrowing, cyclical elements and the output gap

Structural borrowing

Structural borrowing is the level of borrowing we would expect to remain if the economy was running at a sustainable level of employment and activity. Structural elements are the underlying or persistent part of government borrowing, which are unrelated to the economic cycle. The OBR never know what the economy's normal level is, so they estimate it through the output gap (see below).

Cyclical elements of borrowing

Cyclical elements of borrowing refer to the effect of the economic cycle on the level of government borrowing. In a recession, government borrowing tends to increase as tax receipts are reduced and spending on benefits increases. The reverse happens when the economy is growing strongly. These effects are sometimes known as the economy's 'automatic stabilisers'.

The output gap

The difference between the actual level of economic output and what could be achieved if the economy was operating at full potential is known as the 'output gap'. A negative output gap suggests that the economy is operating below its potential level and has idle resources. A positive output gap suggests that the economy is operating above potential or overheating.

A big problem for policymakers is that the level of potential output cannot be directly measured and consequently neither can the output gap. Therefore, economists must estimate what the output gap is.

Supplementary debt target

The fiscal mandate is supplemented with a target for public sector net debt as a percentage of GDP to be falling in 2020/21. At Spring Budget 2020 the OBR forecast that the debt target is being met.[47]

Legislated supplementary debt target:
a target for public sector net debt as a percentage of GDP to be falling in 2020-21

Welfare cap

The welfare cap was introduced, in its original form, in Budget 2014 and sets limits on the amount that can be spent on certain benefits.[48] Currently the cap covers around 55% of welfare spending, excluding pensions and Jobseekers Allowance payments, but including tax credits, child benefit and disability benefit.

46 OBR. Economic and fiscal outlook – March 2020, para 1.44
47 OBR. Economic and fiscal outlook – March 2020, para 1.44
48 It entered into the Charter in the March 2014 update.

The target for the welfare cap is a target to ensure that expenditure on welfare in 2022/23 is contained within a predetermined cap and margin set by the Treasury at Autumn Budget 2017.[49]

The OBR assesses spending against the welfare cap and margin in its first forecast of each new Parliament. At the same time the Government will set its new cap for welfare.

The cap is only breached if spending exceeds the cap at the point of the OBR's formal assessment, which comes in the first forecast of a new Parliament. Spring Budget 2020 was the first forecast of the new Parliament and the OBR judged that the terms of the welfare cap are being met.

The Government also set a new cap at Spring Budget 2020, as it is required to. The Government set cap in line with the OBR's latest forecast and applied a progressively larger margin.[50]

The welfare cap didn't feature in the 2019 Conservative manifesto.

Legislated welfare cap: *a target to ensure that expenditure on welfare in 2022-23 is contained within a predetermined cap and margin set by the Treasury at Autumn Budget 2017*

The Library briefing The welfare cap has more on the cap.

Negative shock to the UK economy: reviewing the targets

The Treasury can review the appropriateness of the fiscal targets in "returning the public finances to balance as early as possible in the next Parliament" if there has been a "significant economic shock to the UK economy".[51] The Charter doesn't define what would be considered a shock, it is left for the Treasury to decide, but suffice to say that the coronavirus pandemic would qualify.

If the Treasury wishes to change the fiscal rules it must follow the process set out in section 3.2 above.

Box 3.3: Alternative ways of measuring government borrowing

Borrowing rules can focus on different measurements of the government's budget. Below are some definitions for the most widely used measures internationally:

Overall borrowing: the difference between total government spending and total government revenues from taxes and other sources. In the UK this is known as public sector net borrowing.

Current borrowing: the difference between government current spending – day-to-day spending on running public services, grants and administration – and government revenues from taxes and other sources. The current budget excludes investment spending. In the UK this is known as the public sector current budget deficit.

Structural borrowing: estimates the size of borrowing that would be expected if the economy was running at a sustainable level of employment and activity – it adjusts for the ups and downs of the economy. Structural elements are the underlying or persistent part of borrowing, which are unrelated to the economic cycle. Further information on the structural balance is available in Box 2.3 of the Library briefing Autumn Budget 2018: Background briefing. In the UK this is often referred to as cyclically-adjusted net borrowing.

Primary borrowing: the overall budget balance excluding net interest payments.

Glossaries of public finances terms are available from the ONS and the IMF.

49 HM Treasury. Autumn Budget 2017, para 1.45
50 OBR. Economic and fiscal outlook – March 2020, para 4.11
51 HM Treasury. Charter for Budget Responsibility, January 2017, para 3.16

3.5 Alternative approaches

Rules in Labour Party 2019 manifesto

The 2019 Labour Party manifesto proposed three fiscal rules:[52]

- To eliminate the current budget deficit by the end of the rolling five-year forecast period;
- To improve the strength of the Government's balance sheet (Public Sector Net Worth) across the course of a Parliament; and,
- To keep interest repayments below 10% of tax revenue

Two of these are like those proposed by the Conservatives. Labour would balance the current budget, but in the fifth year of the forecast, rather than in the third year. Labour would keep debt interest payments below 10% of government revenues, rather than the 6% proposed by the Conservatives.

Labour's biggest departure from the Conservative's rules comes in targeting the Government's balance sheet as measured by Public Sector Net Worth (PSNW). PSNW is a broad balance sheet measure that compares the public sector's liabilities with all its assets, including non-financial assets such as buildings, vehicles, machinery etc.[53]

Economists' opinions

Two of the UK's most prominent public finances think tanks – the Institute for Fiscal Studies (IFS) and Resolution Foundation – have said what they think would make good fiscal rules.

The Resolution Foundation reason that new fiscal rules should move their focus to the public sector's balance sheet, potentially focusing on measures such as:[54]

- Public sector net financial liabilities (PSNFL), which is a broader measure of the Government's balance sheet than public sector net debt. PSNFL covers all the public sector's financial assets and liabilities
- Public sector net worth, which is broader than PSNFL as it also includes non-financial assets and liabilities of the public sector
- Intergenerational balance which includes all public sector assets and liabilities and the present value of future taxes and spending obligations.

They have recommended that the Government should follow the below rules. The Resolution Foundation continue to recommend these rules following the coronavirus pandemic: [55]

- to deliver an improvement in public sector net worth as a share of GDP over five years.

52 Labour Party Manifesto
53 Paras 1.9-1.15 of the OBR's *Fiscal Sustainability Report, 2018* discusses different measures of the public sector balance sheet.
54 Resolution Foundation, Seeking public value, 29 September 2019
55 Resolution Foundation. Unhealthy finances, November 2020, page 56

- to achieve a cyclically-adjusted public sector current balance of 1 per cent of GDP (and no less than -1 per cent) over five years
- to ensure the proportion of revenue spent on debt interest does not exceed 10%
- the net worth and structural current balance targets would be suspended if the economic outlook deteriorates significantly

A similar approach has also been suggested by Chris Giles, the economics editor for the Financial Times (FT). He suggests that one of two new rules should focus on public sector net worth. The other rule would commit the Government to a target for balancing its current budget, excluding capital investment. The rules could be suspended in a recession.[56]

The Resolution Foundation also looked at international experience and found that 'effective and durable rules' should:[57]

- reflect a broad and durable political consensus;
- be enshrined in higher law;
- be comprehensive in coverage
- be based on recognised accounting concepts
- be medium-term in orientation
- ensure sustainability under a range of scenarios
- allow fiscal policy to stabilise the macroeconomy
- have built-in escape clauses
- include a self-correction mechanism
- be supported by sound budget management

Ahead of the 2019 general election, the IFS said that the Chancellor should wait for Brexit uncertainty to pass before setting new fiscal targets.[58] At the time, there was plenty of uncertainty as to whether the UK would leave the EU with or without a deal (more technically, a Withdrawal Agreement). The IFS said that waiting should also give the Treasury more time to design "smarter targets that are more appropriate in a wider range of situations". They recommended that the Government should consider:

> returning to a rolling forward-looking target for the current budget; whether it would be sensible to target a measure of public sector net debt that takes account of a broader set of public sector assets; and focusing its commitment to downward-trending debt on a longer time horizon, rather than an arbitrary fixed date.[59]

In October 2020, the IFS made a similar argument following the outbreak of the coronavirus pandemic, saying that the:

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56 "Britain can afford to loosen its fiscal rules", *FT*, 12 September 2019
57 Resolution Foundation, Britannia waives the rules?: Lessons from UK and international experience with fiscal rules, October 2019, page 11
58 IFS. Green Budget 2019, October 2019, Chapter 5
59 IFS. Green Budget 2019, October 2019, page 135

> uncertainty means that now really is not the time to announce yet more new fiscal targets or set out a detailed fiscal consolidation strategy to reduce borrowing in response to much-elevated government debt. Both should follow in time. But in both areas, decisions should be left until the Autumn 2021 Budget at the earliest.

They called on the Chancellor to set out, in Spring Budget 2021, the broad economic strategy he intends to follow.[60]

3.6 Why have fiscal rules?

Broadly speaking, governments use fiscal rules to constrain future behaviour so that difficult choices about tax and spending are taken. Fiscal rules can be used to enhance transparency and signal the Government's intentions to voters and financial markets. They can also help the Treasury manage competing bids for increased spending or tax cuts.

Effective targets can lead to lower borrowing, and debt over the long term, that would otherwise be the case.[61] They can enhance the sustainability of the public finances.

Effectiveness

The IMF has found fiscal rules are associated with better performance in the public finances. However, this doesn't necessarily mean that the rules cause better outcomes. Rules might be adopted at a time when there has been a crisis that is then followed by a period of consolidation, which may well have happened regardless of a rule being in place. Also, countries using fiscal rules may actively prefer effective management of the public finances.[62]

The IMF argue that for fiscal rules to be effective they should have three main properties:

- simplicity;
- flexibility; and,
- enforceability.[63]

The IMF found that successful rules are linked to objectives for keeping the public finances sustainable, are easy to understand, and support fiscal policies that adapt to the economic cycle.

3.7 The UK's experience

Previous rules in the UK

Since introduced, in the late 1990s, UK governments' fiscal rules have often focused on government borrowing and the debt-to-GDP ratio.[64]

60 IFS. Green Budget 2020, October 2020, page 222
61 IFS. Green Budget 2019, October 2019, Chapter 5
62 IMF. Second-Generation Fiscal Rules: Balancing Simplicity, Flexibility, and Enforceability, April 2018, Executive , page 15
63 ibid. page 7
64 A summary is available in paragraph 8.9

For much of the **Labour's last period in office** (1997-2010) it operated two fiscal rules:

- the golden rule which required borrowing only to pay for investment. This was judged on average over the economic cycle, rather than every year;
- the sustainable investment rule which required the Government to keep the public sector's debt (net of its short-term financial assets) at a 'stable and prudent' level. The Treasury defined this as less than 40% of national income (GDP) at the end of each financial year of the economic cycle

When the 2007-2008 financial crisis came, these rules were suspended and a new framework was introduced.[65] The rules were replaced in the Fiscal Responsibility Act 2010.[66]

In terms of a borrowing rule, the **2010 Coalition Government** had a forward-looking rolling target for the cyclically-adjusted current budget to be balanced in the fifth year of the forecast period. This was later shortened to the third year of the forecast period.

Focusing on the cyclically-adjusted budget allowed for the ups and downs of the economy to be accounted for, while focusing on the current budget meant that the rule allowed borrowing for investment purposes.

The Coalition Government's debt target required the debt-to-GDP ratio to be falling in 2015/16. For a short period, the target date was shifted to 2016-17.

At the start of the 2015-2017 Parliament **the Conservative Government** revised the borrowing target, introducing a target for the budget to be in surplus by 2019/20. Once a surplus was reached it was expected to be maintained in subsequent years, so long as the economy was in 'normal times'. The debt target required the debt-to-GDP ratio to be falling in all years to 2019/20. The Conservative Government's fiscal rules could be overridden in the face of a significant adverse economic shock.[67]

The Government moved to the legislated rules following the EU referendum result.

Appendix 1 summarises the revisions to the fiscal targets, and introduction of the welfare cap, in the four versions of the Charter.

Comment on their use

According to the OBR some broad points can be made about UK governments' use of fiscal rules over the past decade:[68]

- changes have been made frequently;

65 HM Treasury. Pre-budget report 2008, page 15
66 Further information is available in the Library briefing Fiscal Responsibility Bill (2009-10).
67 Defined as real GDP growth of less than 1 per cent on a rolling 4 quarter-on-4 quarter basis, which was to be assessed by the OBR
68 OBR. Fiscal risks report, July 2019, paras 8.3 – 8.16.

- changes have been made to the rules in response to the fiscal outlook, rather than policy changing to meet the rule;
- Chancellors have consistently chosen to keep a headroom of around £20 billion against breaching the fiscal mandate operating at the time; and,
- Chancellors have pursued several less formal objectives to be reached in the final forecasts. For example, in the October 2018 Budget, the Government adapted its policies to ensure that its headroom against the fiscal mandate remained at the same level as in the previous forecast

The OBR says that there is a risk to changing the fiscal rules when the fiscal outlook changes, rather than adjusting policy to meet the rules. They say that "[r]elative to a world in which fiscal rules acted as a greater constraint, the path of debt can be expected to be higher." Although, that isn't to say that the OBR believe a rule should be followed in all circumstances, they reason that some shocks will warrant it being overridden.

Box 3.4: Fiscal rules across the world

The International Monetary Fund (IMF) estimate that more than 90 countries are using fiscal rules.[69] Their main aims are to:

- commit policymakers to sustainability in the public finances;
- enhance transparency; and,
- signal to the financial markets the course of the government's fiscal policy

Some countries have budget rules, which focus on government borrowing/surpluses (the difference between government spending and revenues). Some fiscal rules focus on the stock of government debt, while some focus on government spending (or items of spending) and/or government revenues. Often, countries have a combination of different types of rules.

The rules are not uniform; in fact, there is quite a lot of variation. Take budget rules: some countries target reaching an overall budget surplus; some target reaching a surplus after adjusting for the ups and downs of the economy; some allow borrowing for investment purposes; some look at keeping borrowing below a certain level relative to GDP; some have a forward-looking rolling target date; some have targets for different levels of government.

The IMF's fiscal rules dataset provides information on the use and design of fiscal rules in 96 countries from 1985 to 2015. The IMF's related background paper provides details on the rules in operation in each country. The European Commission also has a fiscal rules database.

Below are examples of the approach taken on budget balances by a small selection of countries:

- EU Member States are constrained by the rules of the Stability and Growth Pact. This includes a requirement to keep borrowing below 3% of GDP;
- Structural borrowing (borrowing adjusted for the ups and downs of the economy) of the German federal government is capped at 0.35% of GDP in the country's constitution.[70] Germany also has targets for the Länders (states);
- A 'debt brake' operates in Switzerland. This has different components, but its cornerstone is that the budget must at least be balanced across the economic cycle. The rule works by linking spending and revenues and adjusting for the ups and downs of the economy.[71]
- New Zealand's Budget Responsibility Rules 2018 includes five fiscal rules, one of which is to "deliver a sustainable operating surplus across an economic cycle". The rules are consistent with principles set out in the Public Finance Act 2018, which set out that operating surpluses should

69 IMF. Second-Generation Fiscal Rules: Balancing Simplicity, Flexibility, and Enforceability, April 2018, Executive Summary
70 Federal Ministry of Finance, Germany's Federal Debt Brake, 2015
71 Federal Finance Administration, Debt brake, May 2018

be run when debt levels aren't 'prudent'. Once 'prudent' levels are achieved on average total operating balances should not exceed total operating revenues.[72]

There is no budget balance rule for the US federal government. Many US states have laws that require a balanced budget, but what this means in practice differs across states.[73] The US has a debt limit – often referred to as the debt ceiling – which is the maximum amount of debt that the Department of the Treasury can issue to the public or to other federal agencies. The amount is set by law and has been increased over the years to finance the government's operations.[74]

The Resolution Foundation recently published a report that looked at international experience highlighting the types of fiscal rules used.

[72] The Treasury (New Zealand), Fiscal Strategy. [accessed on 17 January 2018]
[73] National Conference of State Legislatures, State balanced budget provisions, 2010
[74] Congressional Budget Office, Federal Debt and the Statutory Limit, February 2019

4. Rationale for the OBR

In recent years, governments in several countries have sought to improve their fiscal policies by the introduction of fiscal rules or by strengthening fiscal institutions. These measures can improve the credibility of fiscal policy. Governments may be tempted to adopt short-term policies, such as cutting taxes or increasing public spending in an unsustainable way, which may be harmful to the economy in the long-term. By adopting fiscal rules or frameworks, which constrain their behaviour, governments can signal that they will not adopt these short-term policies and can thereby give their fiscal policy increased credibility.

Several attempts have been made in the UK to gain credibility in this way. These include the fiscal rules adopted by the previous Labour government and the Fiscal Responsibility Act 2010 which placed a legal obligation on the Treasury to reduce borrowing and debt by specified amounts. The fiscal frameworks must find a balance between placing constraints on policy with the need for flexibility in response to unanticipated economic events. This point was made by Lord Burns in the second reading in the Lords debate on the Bill:

> The challenge is to have a framework that both constrains fiscal behaviour in a responsible way and is capable of dealing with the range of surprises and unexpected events that inevitably occur. All attempts to frame budget responsibility in this way have at some stage met that particular problem-some have dealt with it better than others. [75]

In the past, attempts were made to add caution to the Treasury's fiscal forecasts. For example, the National Audit Office (NAO) examined the assumptions used in the projections of the public finances to ensure that they were reasonable and cautious. In addition, the Budget and Pre-Budget Reports used a cautious assumption for trend GDP growth in making projections for the public finances. For example, the March 2010 Budget assumed that trend GDP growth was ¼% lower than the Treasury's main economic forecast. The OBR does not use "cautious" assumptions in this way. It presents a central case and seeks to emphasise the inevitable uncertainties involved in economic forecasting.

The aim of the OBR is to make the Government's forecasts for the economy and public finances independent. Until now, the Treasury's forecasts were based on the Chancellor's judgements. This could lead to the suspicion that the forecasts were over-optimistic, and potentially to a loss of credibility in fiscal plans. By giving the forecasting role to the OBR, the danger that the forecasts could be politically motivated is removed and the credibility of the fiscal framework enhanced.

In the second reading debate in the Lords, Lord Sassoon said:

> Now, through the Bill, the Government are strengthening the framework of the UK's fiscal institutions.
>
> The greatest single step forward is the establishment of the independent Office for Budget Responsibility, which will make

75 HL Deb 8 November 2010 c34

independent assessments of the public finances and the economy. Up until the new Government's first Budget, the responsibility for producing the official forecasts had rested with the Chancellor. The key judgments were made by Ministers, but the possible incentive to forecast optimistically, whether on lower borrowing or higher growth, led to scepticism over the credibility of the forecasts. Budget forecasts over the past decade consistently underestimated borrowing, compared to both its actual level and to what other independent forecasters expected at the time. The coalition Government intend to take a different approach. [76]

[76] HL Deb 8 November 2010 c12

5. OBR's accountability to Parliament

The Treasury Committee has the right of veto over both the appointment and dismissal of all three members of the Budget Responsibility Committee (BRC). The Chancellor gave the Committee this power for the appointment of the three current members of the BRC. The Act contains statutory provisions to this effect.

The OBR lays its reports directly before Parliament and members of the BRC appear before the Treasury Committee to be questioned about their forecasts.[77]

The OBR is a non-departmental public body (NDPB). Prior to its establishment there was some discussion over the institutional form the OBR should take. One possible model would have introduced the OBR as a Parliamentary body, like the NAO. Some fiscal councils overseas, such as the Congressional Budget Office and the Parliamentary Budget Office in Canada, have close links with their legislatures. The Treasury Committee recommended that this arrangement should be considered as part of the five-year review suggested by the Committee.[78]

However, the Treasury Committee also noted that such arrangements might be more suited to an OBR whose function was to validate official forecasts, rather than producing them itself.[79] As Lord Turnbull said in the second reading debate on the Bill in the Lords, the OBR has an "executive role" in supplying forecasts used by the Government:

> The real choice is between an OBR that is on the executive side of the fence and one that is an emanation of Parliament, like the NAO. Both the Treasury Select Committee and the Government have opted for the former, which I believe is right. The OBR is not just a commentator or expert auditor. It has an executive function: it supplies the Treasury with the basis for its projections.[80]

The Treasury Committee recommended that the OBR should be a Non Ministerial Department like the UK Statistics Authority. The Government disagreed with this recommendation and proposed establishment of the OBR as a grant-funded NDPB. This was because of concerns over whether the OBR's establishment as a Non Ministerial Department would provide value for money.[81]

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77 HM Treasury, Office for Budget Responsibility and HM Treasury: Framework Document, May 2014
78 Treasury Committee, Office for Budget Responsibility, HC 385, 21 September 2010 p4
79 Treasury Committee, Office for Budget Responsibility, HC 385, 21 September 2010 para 91
80 HL Deb 8 November 2010 c22
81 HM Treasury, Government response to the House of Commons Treasury Committee 4th Report of Session 2010-11: Office for Budget Responsibility, Cm 7962, November 2010, paras 4.4 – 4.6

6. Reviews of the OBR

The first external review of the OBR was published in September 2014 - a HM Treasury review followed in September 2015. Both reported positively on the OBR, particularly on its credibility and reputation, and the greater trust if has brought to the fiscal forecasts.

6.1 External Review

The first external review of the OBR was published in September 2014. The review led by Kevin Page, former Parliamentary Budget Officer for Canada, concluded that the OBR is seen to be credible and independent and has succeeded in reducing perceptions of bias in economic and fiscal forecasting. [82]

The review made five recommendations to support the OBR's future work: [83]

- undertake long-term succession planning for the transition of the OBR leadership team
- introduce a fiscal community-wide staff development and rotation programme to maximise the talent pool from which the OBR can draw its analysts
- exercise caution in the expansion of the OBR's mandate
- provide more material that increases the accessibility of reports for non-technical readers
- survey Parliamentarians to understand their perceptions and use of the OBR's work

6.2 HM Treasury Review

HM Treasury published a review of the OBR in September 2015. The review was led by Sir Dave Ramsden, Chief Economic Adviser to HM Treasury.

The objective of the review was to build on the findings of Kevin Page's external review, focusing on the existing regime and the OBR's framework and its role in enhancing UK fiscal credibility. [84]

On reputation and credibility, the review echoed the findings of Page's external review: the OBR has a strong reputation and credibility that has led to greater trust in the integrity of the forecasts. However, the review made some recommendations to aid the OBR in holding the Government to account and improve its own resilience and capacity.

The review recommended some changes to the products produced by the OBR:

- a new annual report on fiscal risks should be produced covering a range of risks including economic shocks and potential future costs. This requirement should be added to the Charter

82 Kevin Page for the OBR. External review of the Office for Budget Responsibility, September 2014
83 OBR. External review of the Office for Budget Responsibility, 3 September 2014
84 HM Treasury, HM Treasury led review of the Office for Budget Responsibility: terms of reference, 11 June 2015

- the OBR should no longer be required to include long-term projections in every annual sustainability report – biennial projections should be sufficient. However, the OBR should carry out more in-depth analysis on specific fiscal sustainability issues
- the Welfare Trends Report, the arrangements for which are currently set out in an exchange of letters between the Chancellor and OBR Chair, should be added to the Charter.

The above recommendations were incorporated into the Charter in autumn 2015.

To ensure the OBR has access to the relevant information to fulfil its remit the review recommended:

- that the Government and devolved administrations amend legislation to ensure the OBR has access to appropriate information, explanation and assistance. Similar arrangements should be put in place for city deals with significant fiscal devolution
- that the Memorandum of Understanding (MoU) (see section 7.1) between the OBR and government departments should be reviewed by September 2016
- that the OBR should consider agreeing Memoranda of Understanding with the aforementioned devolved administrations and city deals

To ensure that the OBR has the right calibre and amount of staff, the review recommended that:

- the OBR works with the Treasury to produce a succession plan to manage the transition of BRC membership (all BRC members are currently serving their last term)
- to increase the pool of potential candidates for the BRC, candidates should be sought within the UK and internationally, and the job description should be more flexible
- the Treasury ensures the OBR is resourced to deal with turnover in long-standing staff members

As discussed further in section 7.2 the review rejected calls to expand the OBR's remit to include costing of Opposition policies or other areas. However, it recommended that the Government and OBR should make more tools and data available so that third parties can cost alternative policy options.

Reviews of the OBR

An OECD review, external review and a Treasury review reported positively on the OBR. The OECD review said that the OBR has "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". The other reviews both

praised the OBR's credibility and reputation, and the integrity brought to the fiscal forecasts. Both reviews made recommendations for the future of the OBR, including the need to undertake succession planning for key and long-serving members of staff. The Treasury review recommended the changes currently being made to the OBR's role.

6.3 OECD review

The OECD published a review of the OBR in September 2020.[85]

The review noted that OBR is a fixed part of the UK's economic institutions and that its maturity is evident in how it has weathered recent political instability.

The review praised the OBR's governance, strong leadership, highly capable and professional staff and the high quality of its publications. It reported that stakeholders widely praise the OBR for bringing greater transparency to the public finances.

The review made recommendations, to both the Government and the OBR, including:[86]

- clarifying current legislation on the timing of forecasts;
- holding fiscal events on fixed dates;
- ensuring that the OBR has adequate resources;
- avoiding 'mission creep';
- engaging more with other economists and fiscal analysts;
- increasing the profile of non-forecast outputs;
- avoiding overlong publications;
- engaging more with Parliament;
- and continuing to increase staff diversity.

85 OECD Independent Fiscal Institutions Review, OBR, September 2020
86 OBR News Release, OECD review hails OBR's outputs and independence, September 2020

7. Issues

7.1 Independence

The OBR's independence from the Treasury is seen as an important issue. As noted above, the Treasury Committee has a veto over appointments to the BRC. However, the OBR's remit means it must work closely with government departments.

Central to the issue of independence is the extent to which the OBR makes use of expertise within the civil service. Civil servants in the Treasury, HM Revenue and Customs and the Department for Work and Pensions have considerable expertise in fiscal forecasting and the implications for the forecast of changes in taxes and benefits. How far should the OBR make use of this knowledge? There are advantages if the OBR could use this knowledge, but too close contact could damage the perception of independence. The alternative would be to build up knowledge within the OBR, but this could lead to wasteful duplication of resources.

The Treasury Committee described this problem as follows:

> In the run up to the Budget it [the OBR] is producing the official forecasts for government, in the light of policy options that have not yet been settled —let alone made public. The requirements for confidentiality and access to internal government information and knowledge are therefore much higher. The question is, how to ensure these requirements are met without compromising the OBR's independence? [87]

It went on to say:

> We accept that there is a trade-off between delivering the most robust independence and perception of independence and making the most efficient and effective use of resources. [88]

In its advice on setting up the permanent body, the interim OBR favoured using departmental resources but also called for those at the "core of the forecasting process" to be moved to the OBR:

> The question of the use of departmental, especially Treasury, resources is more difficult. The scepticism this process produced is unfortunate since, in our view, this is the best way for us to perform our task. Detailed forecasts of receipts and expenditure are necessary for the Budget and few outsiders appreciate the complexity of fiscal forecasting. At its peak the process involves more than 100 people in the Treasury, HMRC and DWP. It is not a full-time job for most of those involved. Between forecasts, the officials are engaged in such tasks as policy analysis and advice and monitoring of fiscal flows. It would not be practical to duplicate the forecasting activities within the OBR. The cost would be unacceptably high and there would be a severe peak-flow problem, given that forecasting is an intermittent activity. Further, those currently engaged in forecasting use the skills and knowledge they gain on their other activities: there are synergies

[87] Treasury Committee, Office for Budget Responsibility, Fourth Report of Session 2010-11, HC 385, 21 September 2010, para 68

[88] Treasury Committee, Office for Budget Responsibility, Fourth Report of Session 2010-11, HC 385, 21 September 2010, para 72

> in developing expertise that can be applied to both forecasting and other analysis.
>
> For these reasons we rule out wholesale duplication. That means that either the OBR continues to rely on official resources as now, while accepting full responsibility for all judgements and scrutinising all policy costings, or its forecasting task is changed. For example, it might just produce aggregate fiscal forecasts without taking responsibility for the full details of revenue and expenditure as published with the Budget. This could lead to consistency issues with policy costings and other problems. We do not believe that this approach would be consistent with your expressed wish to use the OBR as the source of the Budget forecasts.
>
> The way forward therefore would appear to be to build on the system used for the pre-Budget and Budget forecasts but to reinforce the OBR's technical independence. Since the OBR is responsible for producing the forecasts it would be reasonable for those at the core of the forecasting process to be part of it. That can be achieved by moving a number of posts from the Treasury to the OBR such that core tasks can be fully controlled and coordinated within the OBR. [89]

The OBR has around 20 staff, civil servants who have in the main transferred from HM Treasury. [90] The Act gives the OBR the right of access to government information which it may reasonably require for the performance of its duty. The Government has published frameworks for co-operation between the OBR and its main government partners in formal memoranda of understanding. [91]

The OBR is currently located in the Attorney General's Office on Victoria Street. [92] The interim body had been located in the Treasury. [93] In its advice on setting up the permanent body, the OBR recommended that it be located outside the Treasury while noting that it would be difficult to have a close working relationship with the Treasury if it was located too far away. [94]

7.2 Costing Opposition polices

The issue of whether the OBR should cost Opposition parties' fiscal proposals was discussed when the office was being established.

The issue re-emerged in 2013 when Labour's then Shadow Chancellor, Ed Balls MP, proposed that the OBR should independently audit the

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89 Establishing the Office for Budget Responsibility, Letter from interim OBR to Chancellor, 12 July 2010, paras 44-46

90 OBR, Annual report and accounts 2013-14, 4 June 2014, para 4.17 – 4.19

91 HM Treasury. Memorandum of Understanding between Office for Budget Responsibility, HM Treasury, Department for Work and Pensions and HM Revenue & Customs, April 2011; OBR. Memorandum of Understanding between the Office for Budget Responsibility and HM Treasury – the macroeconomic model

92 Letter from Robert Chote to Andrew Tyrie, Chairman of the Treasury Committee, 12 October 2010

93 HL Deb 17 June 2010 c133WA

94 Establishing the Office for Budget Responsibility, Letter from interim OBR to Chancellor, 12 July 2010, para 57

costings of the spending and tax measures contained in Labour's manifesto for the 2015 election.

HM Treasury's 2015 review of the OBR ruled out expanding the OBR's role to include costing of opposition policies as it 'risks the credibility of the institution and a loss of focus'. [95]

Role discussed and ruled out prior to the OBR's introduction

The costing of Opposition parties' fiscal proposals happens, for example, in the Netherlands, and was discussed when the OBR was being introduced. Professor Simon Wren-Lewis of Oxford University was in favour of this model:

> David Rutley: There seems to me some consensus amongst you that there needs to be a wider commentary function for the OBR going forward. Just to test the outer limits though, you have mentioned the fiscal council in the Netherlands, which has gained a reputation for costing government policies and also opposition policies. Would the OBR or should the OBR go that far, just, again, trying to test what the outer limit should be, in the commentary function?
>
> Professor Wren-Lewis: Can I start by a simple answer, and that is "yes". I think that is a good thing to do anyway because I think it will raise the level of public debate around elections, it would stop opposition parties promising to do everything without costing it properly. I also think it would foster independence, the notion of independence, because you would start a dialogue not just between the OBR and the Government, which is a necessary dialogue and is always going to be there, but you also start a dialogue with the Opposition. I think that would be useful for independence as well. [96]

In October 2010, the Chancellor said that the House should debate and decide whether the OBR should cost Opposition parties' policies:

> this is genuinely a matter that should be debated in the House in a non-partisan way, because it does not affect just this Parliament. There is a question of whether we want the OBR to be able to cost Opposition policies at the time of a general election. I propose to have discussions with Opposition party leaders about whether that is the appropriate thing to do, and it would be a legitimate matter for the House to debate and decide. [97]

In its response to the Treasury Committee report, however, the Government rejected this idea, saying that the OBR "should not examine alternative fiscal or other policy scenarios, including those proposed by political parties." [98] This was because the Civil Service Code tightly controls the degree to which civil servants may examine Opposition parties' policies and that the principle of political impartiality

95 HM Treasury, HM Treasury review of the Office for Budget Responsibility, Led by Sir Dave Ramsden, Chief Economic Adviser to HM Treasury, September 2015, page 6

96 Treasury Committee, Office for Budget Responsibility, Fourth Report of Session 2010-11, HC 385, 21 September 2010, Q86

97 HC Deb 12 October 2010 c142

98 *Government response to the House of Commons Treasury Committee 4th Report of Session 2010-11, Office for Budget Responsibility*, Cm 7962, November 2010, para 2.23

should also apply to the OBR. The Government re-iterated its view in the light of Labour's September 2013 proposal discussed below.[99]

Issue re-emerges prior to 2015 General Election

In his speech to the 2013 Labour Party Annual Conference Mr Balls said that the Party would ask the OBR to cost its manifesto for the 2015 General Election.[100] Labour's Shadow Chancellor followed this up with a letter laying out the proposal to the OBR's Chairman, Robert Chote:

> The reform I am proposing would mean the Opposition would submit costings for proposed manifesto commitments on spending and tax – obtained for example, from the House of Commons Library, Parliamentary Questions or the Institute for Fiscal Studies – and the OBR would 'provide independent scrutiny and certification' of these costing.[101]

In replying to Mr Balls, Mr Chote said that without a change in the law – specifically the Budget Responsibility and National Audit Act 2011 – the OBR would not be able to play such a role.[102]

The issue was raised shortly after, in December 2013, when Mr Chote gave evidence to the Treasury Committee.[103] Mr Chote agreed to send the Committee a note setting out some of the issues that would arise if Parliament wanted the OBR to cost opposition policies. In his note, Mr Chote provided some support for the idea in principle but pointed out 'significant practical issues' including that the OBR's remit – as set out in legislation – would have to change and that any reform implied significant changes for civil servants, particularly in relation to contact with opposition parties:

> As I have discussed [in oral evidence to the Treasury Select Committee] I believe that independent scrutiny of preelection policy proposals could contribute to better policy making, to a more informed public debate, and could help facilitate coalition formation when party programmes need to be reconciled. But we should not underestimate the significant practical issues that would need to be addressed - issues that would affect the political parties and the civil service at least as much as the OBR.
>
> First and foremost, it would be essential to establish clear 'rules of the game' for all involved, well before the election, and to ensure that adequate resources were in place to do the job properly. To embark on this exercise in a rush, or with insufficient resources, could be very disruptive for the parties and very damaging to the OBR.
>
> Putting it bluntly, if Parliament wished us to play this role in the 2015 election, we would need a clear steer in the very near future to have any hope of putting the necessary practical arrangements in place in time to deliver a smooth process. Indeed advocates of the reform may now feel that it would be better to consider these

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99 For instance see: HC Deb 29 April 2014:c693; HC Deb 11 March 2014:c165; HC Deb 10 December 2013:c118

100 Ed Balls MP's speech to Labour Party Annual Conference 2013

101 Letter from Ed Balls MP to Robert Chote, Chairman of the OBR, 22nd September 2013.

102 Letter from Robert Chote in response to Rt Hon Ed Balls MP on Opposition policy costings, 23rd September

103 Treasury Committee, Oral evidence: Autumn Statement 2013, HC 826, December 2013, Q1 – Q3

> issues at the beginning of the next parliament- with a view to being fully prepared before the subsequent election- rather than rush into it for 2015 and risk undermining support for the idea in the longer term.
>
> As you are aware, the OBR's current remit only allows us to comment on the current policies of the current government - a restriction that had cross-party support when our legislation was passed in 2011. Changing the remit to allow us to look at other policies would require primary legislation. More fundamentally, any significant change in our remit - especially in a highly politically sensitive area such as this would again require clear cross-party support if it was not to risk calling the legitimacy and independence of the OBR into question.
>
> The reform also implies potentially significant changes for the civil service and civil servants, particularly in relation to contact with opposition parties. The Treasury tells us that requiring civil servants to do work prior to an election being called that could not be shared with the Government of the day would represent a significant constitutional development and that this would be a matter for the Head of the Civil Service and the Permanent Secretary of the Treasury, and ultimately the Prime Minister. [104]

Mr Chote's note went on to address further questions raised by the possibility of costing Opposition parties' policies, such as: Which parties should be allowed to participate? Which policies should be scrutinised? What resources might this involve?

HM Treasury's internal review recommends no expansion of OBR's remit

HM Treasury's 2015 review of the OBR (see section 6) concluded that its role should not be expanded to include the costing of Opposition policies. The review concluded that such an extension of the OBR's clearly defined and focused remit would risk its credibility and a loss of focus. [105]

The review was concerned about the potential impact on the civil service. Policy costings are not produced by the OBR themselves; rather, costings are produced by the Government and certified by the OBR. The review's opinion was that costing opposition policies would raise constitutional issues and conflicts of interest for civil servants, who work the Government. [106]

To help third parties cost alternative polices the review recommended that the Government and the OBR should make more data and tools available.

7.3 A commentary role

Another issue is the extent to which the OBR should have a wider "commentary" role in addition to its fiscal forecasting duties. Tim Besley, Professor of Economics at the LSE, and a former member of the

104 Letter from Robert Chote to Andrew Tyrie, Chairman of the Treasury Committee, 15 January 2014.

105 HM Treasury, HM Treasury review of the Office for Budget Responsibility. Led by Sir Dave Ramsden, Chief Economic Adviser to HM Treasury, September 2015, page 6

106 Further discussion is available in paras 3.61 – 3.93 of HM Treasury review of the Office for Budget Responsibility

Bank of England Monetary Policy Committee, has argued that the OBR should be able to look at all issues relating to fiscal sustainability:

> I am strongly of the view that if the broad object of the organisation is to safeguard fiscal sustainability in the UK, it has to have a remit that allows it to range over the entire set of issues that are germane to that. Taking an example from the past, had the OBR existed since, say, 2000, I would hope it would have produced commentary on some of the risks around fiscal policy with respect to the taxation that was being raised from the financial sector and that it would have felt perfectly justified to raise such an issue independently because it felt it was an important part of the outlook. To constrain artificially in any way the ability of this body to comment on what is germane to that broad objective I think would compromise its independence and compromise its institutional integrity. I feel pretty strongly that some aspect of a commentary function has to be accepted within its remit under the broad heading of achieving fiscal sustainability. [107]

The IFS has argued that while it is sensible for the fiscal target to be set by the Government, it would be appropriate for the OBR to make a public assessment of whether "any changes to the rules it is tasked with policing are consistent with the ultimate objective of long-term sustainability". The IFS warned against the OBR advising on broader economic policy issues. [108]

The Government decided, however, to limit the OBR's "commentary" role. The Charter for Budget Responsibility states that the OBR:

> The OBR should not provide normative commentary on the particular merits of Government policies. [109]

The Treasury Committee agrees with this arguing that it would be inappropriate for the OBR to play a role in setting the fiscal mandate and that comment should not be made on individual measures. [110]

7.4 Establishing credibility

It is clearly important that the OBR has credibility. However, fiscal forecasting is notoriously difficult. For example, government borrowing is the difference between revenue and expenditure – both very large numbers. Small errors in forecasting these can make a large difference to the forecast for borrowing. [111] There is a danger that if the OBR is judged solely by the accuracy of its short-term forecasting it will lose credibility. The issue was raised by Tim Besley in evidence to the Treasury Committee:

> The problem with putting too much weight on the short- and medium-term forecasting is that this organisation is bound to fail

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107 Treasury Committee, Office for Budget Responsibility, Fourth Report of Session 2010-11, HC 385, 21 September 2010, Q82

108 Institute for Fiscal Studies, The IFS Green Budget: February 2010, pp257-58

109 HM Treasury, Charter for Budget Responsibility autumn 2016 update, para 4.12

110 Treasury Committee, Office for Budget Responsibility, Fourth Report of Session 2010-11, HC 385, 21 September 2010, para 64

111 For example, in its June 2010 Budget forecast the OBR forecast receipts of £548 billion and spending of £697 billion in 2010/11, giving a deficit of £149 billion (Table C7 p90). If receipts were 1% higher and spending 1% lower, the deficit would be £137 billion – a difference of £12 billion or over 8%.

> if that is the way in which we judge it, because we know that the success of short-term economic forecasting is extremely limited, and for good reasons; it is just not a science, if you want to call it a science, or an art, that is fully developed to a point where we can rely wholly. It does not mean forecasts are unintelligent or based on deliberately misleading data. It is just the nature of the exercise, and so if this organisation is judged on the basis of whether it happens to forecast well over a two-year horizon and we come back in two years and say, "Oh, you got it wrong and therefore this organisation is not serving an important social purpose," I think that would be the wrong way to look at it. What matters is the quality of the commentary around fiscal risks and fiscal sustainability that will make this organisation useful in the public debate, and we have to firmly put that at the centre of what we are trying to achieve with OBR, in my view.[112]

Professor Wren-Lewis agreed with this point:

> I could not agree with that more. I think the dangers to the credibility of the organisation of focusing on the short-term forecasting role are very large because forecasts are always wrong. Also, I think it would be unfortunate because it puts the focus on the short term, whereas issues to do with fiscal policy much more medium and long-run in nature. So I think it is essential for the OBR to not just provide that role but also to look at issues of long-run sustainability, doing medium to long-run forecasts as well, in a sense possibly putting that at least on an equal footing with its role in producing the pre- and post-budget forecast.[113]

In its report on the OBR, the Treasury Committee argued that while there should be scrutiny of the OBR's forecasts, "absolute accuracy is not a useful criterion." Their quality could be assessed relative to other forecasts.[114]

The OBR assess the performance of their forecasts annually in their forecast evaluation report.

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[112] Treasury Committee, Office for Budget Responsibility, Fourth Report of Session 2010-11, HC 385, 21 September 2010, Q82
[113] Ibid
[114] Treasury Committee, Office for Budget Responsibility, Fourth Report of Session 2010-11, HC 385, 21 September 2010, para 39

Appendix 1: Previous fiscal rules from the Charter for Budget Responsibility

The table below provides any changes to the fiscal rules contained in the Charter for Budget Responsibility.

Charter	The fiscal mandate	Supplementary debt target	Cap on welfare spending	Interim target from 2015/16
April 2011 Charter	a forward-looking target to achieve cyclically-adjusted current balance by the end of the rolling, 5-year forecast period.	a target for public sector net debt as a percentage of GDP to be falling at a fixed date of 2015-16….	cap not introduced until March 2014 Charter update	n/a
March 2014 Charter upate	same as April 2011 Charter	same as April 2011 Charter	the cap on welfare spending, at a level set out by the Treasury in the most recently published Budget report, over the rolling 5-year forecast period, to ensure that expenditure on welfare is contained within a predetermined ceiling.	n/a
December 2014 Charter update	a forward-looking aim to achieve cyclically-adjusted current balance by the end of the third year of the rolling, 5-year forecast period.	an aim for public sector net debt as a percentage of GDP to be falling in 2016-17….	same as March 2014 Charter update	n/a
Autumn 2015 update	[in normal times] a target for a surplus on public sector net borrowing in each subsequent year	[for the period until 2019/20] a target for public sector net debt as a percentage of GDP to be falling in each year	same as March 2014 Charter update	a target for a surplus on public sector net borrowing by the end of 2019-20
Autumn Statement 2016 update	a target to reduce cyclically-adjusted public sector net borrowing to below 2% of GDP by 2020-21	a target for public sector net debt as a percentage of GDP to be falling in 2020-21	that expenditure on welfare in 2021-22 is contained within a predetermined cap and margin set by the Treasury at Autumn Statement 2016	

Previous versions of Charter for Budget Responsibility

- Autumn 2016 update
- Autumn 2015 update
- Autumn Statement 2014 update
- March 2014 update
- April 2011

Annex 1: International examples of fiscal councils

The OBR maintains a list of fiscal councils overseas.

Simon Wren-Lewis, Professor of Economics at Oxford University, has produced the following list which is taken from his website:

Austria

The Government Debt Committee was established in 2002, comprises 14 members, and receives financial support from the Austrian Central bank. It provides recommendations on the direction of fiscal policy, and the overall fiscal stance.

Australia

Following the recommendations Joint Select Committee (see here), a Parliamentary Budget Office is to be established in 2012. The focus is on project costing, but the office may also decide to comment on macroeconomic budgetary issues. Mr Phil Bowen has been appointed as the inaugural Parliamentary Budget Officer.

Belgium

The Federal Planning Bureau, established in 1994, provides a range of services along similar lines to the CPB in the Netherlands. In addition, the High Council of Finance, which was reformed in 1989, overseas the coordination of regional and national fiscal policy. It sets medium term objectives for regional and national budget deficits, and proposes annual targets, which form the basis for government negotiations. The High Council is chaired by the Minister of Finance, but has representatives from inside and outside government. Although it has no formal decision making power, it does exert considerable influence. The influence of the High Council is analysed in Coene (2010).

Canada

The Parliamentary Budget Office provides independent analysis to Parliament on the state of the nation's finances, the government's estimates and trends in the Canadian economy, and upon request estimates of the financial cost of any specific proposals. It has a staff of 14.

Denmark

The Economic Council, established in 1962, prepares economic reports and forecasts on a range of issues including fiscal policy. It has four members and a staff of around 35.

Germany

The German Council of Economic Experts comprises five members and a staff of around 30. The Council was established in 1963 to advise on a wide variety of economic policy issues, including macroeconomic fiscal policy. The federal government must publish its comments on the Council’s annual report.

Hungary
The Fiscal Council of the Republic of Hungary was set up in 2009 as 'an independent state institution that endeavours to ensure the responsible management of public resources.' It prepared macroeconomic forecasts which represented the baseline for budgetary decisions. It also provided comment and advice on fiscal planning more generally, within the context of existing fiscal rules, with a total staff of around 35. Some of its reports were critical of government proposals or forecasts. In early 2011 the Hungarian government replaced the Council with a three person body that was widely perceived as a less effective fiscal policy watchdog (see, for example, a letter to the Financial Times ($) from three directors of other fiscal councils).

Ireland
After plans outlined here, the members of the Irish Fiscal Advisory Council were announced in June 2011. The Council reports formally at least 3 times per year. It has five members, and a secretariat of three.

Netherlands
The Netherlands Bureau for Economic Policy Analysis (often referred to as the CPB, for Central Planning Bureau) was founded in 1945. It is an independent research institute and has its own independent external advisory body. It provides economic and fiscal forecasts as inputs into the budgetary planning process. It also evaluates (at the party's request) the election programme of government and opposition parties. The Bureau also provides economic expertise over a wide range of specific issues, such as labour market reform, and has a staff of over 110.

Portugal
The Portuguese Public Finance Council (Conselho das Finanças Públicas, CFP) was created in 2011. The CFP was created by the 5th amendment to the Budget Framework Law in May 2011. The members of the board were appointed in December 2011, and took office in mid February 2012. Its mission is to undertake an independent assessment of the consistency, compliance and sustainability of fiscal policy and to enhance, through increased transparency, the quality of democracy and economic policy decision-making and to reinforce the financial credibility of the State. The Council will present reports on: the Stability Programme and other procedures within the European regulatory framework of the Stability and Growth Pact; the multi-annual framework of budgetary planning; the draft State budget; the sustainability of the public finances; as well as on other subjects it considers relevant.

Slovakia
On 27th June 2012 the Slovak Parliament elected the three members of the newly created Council for Budget Responsibility by constitutional majority: Ivan Sramko (chair), Michal Horvath and Ludovit Odor. An early discussion is contained in a paper by Horvath and Odor.

Slovenia
The Public Finance Act of 2009 requires the creation of an independent advisory body to provide assessments of the public finances.

South Korea
The National Assembly Budget office (NABO) was established to support the legislative activity of the National Assembly of Korea in 2003. Its aim is to be a 'fiscal institution that assists in the examination of the national budget and accounts in the legislative body via impartial and non-partisan research and analysis'. It currently employs around 120 staff. It has a wide ranging remit, and provides analysis of particular micro and macro issues as well as macroeconomic trends.

Sweden
In 2007 the Swedish Fiscal Council was established. The Council consists of eight members and is assisted by a secretariat with four employees. The mission of the Council is to provide an independent evaluation of the Swedish Government´s fiscal policy. Its first director, Lars Calmfors, has a paper describing the initial experience of the council. The current director is Lars Jonung.

United Kingdom
In 2008 the Conservative Party outlined its proposal for an Office of Budget Responsibility. Some comments on the original UK proposal are here, and in Chapter 11 of the Institute of Fiscal Studies' Green Budget. The case for a UK Fiscal Council is presented in written form in Kirsanova et al (2007), in Power Point or, to my embarrassment, video form here, and as a dialog between Tim Besley and Romesh Vaitilingam here (see also Besley and Scott (2010)). The new (May 2010) Conservative/Liberal government, as one of its first acts, set up an interim Office for Budget Responsibility (OBR), chaired on an interim basis by Sir Alan Budd. Within weeks it produced its first pre-budget report, and shortly afterwards it produced the forecasts that were part of an 'emergency' Budget. In July 2010 a debate began on the structure of the permanent OBR. The Treasury Select Committee have taken evidence on this issue (its report is here - note that their international evidence is taken from this webpage), and Lars Calmfors, director of the Swedish Fiscal Council, has also made an interesting contribution. Legislation establishing the permanent OBR has recently been approved by parliament. Sir Alan Budd was replaced by Robert Chote, and the OBR has already produced a number of reports. An account of its formation and structure is given in Wren-Lewis, 2011b. When the OBR revised down its estimate of potential output in November 2011, the Chancellor revised his medium term fiscal plans as a result (see here)

United States
The Congressional Budget Office (CBO) has a mandate to provide the United States Congress with 'objective, nonpartisan, and timely analyses to aid in economic and budgetary decisions on the wide array of programs covered by the federal budget and information and estimates required for the Congressional budget process.' Established in 1974, it

provides objective and impartial assessments (‘scoring’) of policy proposals that have a significant influence on decision making. It also provides an overall assessment of the likely path of deficits and debt into the medium term. It has a staff of around 250. It produces an annual assessment of the outlook for the government budget, including projections that go to 2080.

Other institutions
The European commission also has a database of fiscal institutions.

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