

Announcement of fiscally significant measures

The government is committed to role of the Office for Budget Responsibility (OBR) and the important principle that significant fiscal policy decisions should be made at a fiscal event and accompanied by an independent OBR assessment of the economic and fiscal implications in normal times to support transparency and accountability.

Departures from this principle which are significant enough that they may affect macroeconomic stability are protected by the 'fiscal lock' in section 4A of the Budget Responsibility and National Audit Act (BRNAA), which triggers an ability for the OBR to produce a forecast without being commissioned by the Chancellor unless measures are temporary and in response to an emergency.

The BRNAA requires the OBR to produce at least two forecasts a year and states that the OBR "has complete discretion in the performance of its duty". The fiscal lock in no way prevents the usual publication of OBR non-forecast analysis and is not intended to increase the number of forecasts in a financial year.

Under the fiscal lock, where the Government announces to Parliament a measure (or measures) that has not been included in an OBR economic and fiscal forecast, and the OBR is of the opinion that it is fiscally significant, the OBR must notify the Treasury Committee of its opinion and prepare a report that includes a costing for each measure (which may be, but need not be, a forecast).

A measure or combination of measures is "fiscally significant" if the measure or combination of measures has a costing that is at least the pounds equivalent of one percent of Gross Domestic Product (GDP) in any financial year in the forecast period (the "threshold"). The threshold applies (separately) to costs and savings.

For the purposes of this assessment, GDP is nominal GDP for the relevant year in the OBR's most recent published forecast.

The costing of a measure is the direct impact of a policy decision on the public finances (policy costing). In the case of a combination of measures, the total cost or saving is to be calculated in gross terms, meaning measures where the policy costing raises revenue or reduces spending should be totalled separately from measures where the policy costing reduces revenue or raises spending. A combination of measures is limited to measures that were not included in the last OBR economic and fiscal forecast.

DEL spending measures should not be included if the measure is funded through existing departmental budgets or the Reserve. Beyond the current Spending Review period, in the absence of departmental budgets, all DEL spending measures that meet the threshold are included.

A measure or combination of measures is excluded from the costing if it is both temporary and in response to an emergency. A temporary measure is a measure intended to end within two years. Alongside any such an announcement, the Treasury will make clear why it considers the situation to be an emergency and the OBR will have the discretion to trigger the fiscal lock and prepare a report if it reasonably disagrees.

Following a temporary response to an emergency, the OBR may continue to produce ongoing analysis in line with the BRNAA, but the policies would only be captured in the next forecast once commissioned by the Chancellor in the usual way. In an emergency it may be appropriate for the

Chancellor to commission a forecast, or request analysis, from the OBR to follow the measures that need to be announced or implemented more quickly than such analysis can be produced.

The date of any OBR report under section 4A of the BRNAA will be decided by the OBR in consultation with the Chancellor.