



The OBR: 15 years on inquiry

CBI response to the Treasury Select Committee – January 2026

Background

The CBI represents 850 members who themselves comprise 1,100 separate registered companies and 150,000 trade association members. Founded 60 years ago and representing some of the biggest names in business, household brands and globally traded corporations that employ people in all sectors and across every region and nation of the UK.

The CBI is submitting evidence to the Treasury Select Committee's inquiry on the OBR, drawing on prior analytical work and earlier publications to inform the committee's deliberations. Given the OBR's central role in shaping fiscal policy, market expectations, and confidence in the UK's public finances, the inquiry has direct implications for business investment, borrowing decisions, and long-term growth.

Executive Summary

The Office for Budget Responsibility has become a central pillar of the UK's fiscal framework over the past 15 years. Its independence from government has materially improved the credibility, transparency, and discipline of fiscal policymaking, strengthening confidence in the UK's public finances. For businesses, this credibility matters: OBR forecasts shape market expectations, influence government tax and spending decisions, and affect perceptions of fiscal risk. Together, these factors feed directly into firms' cost of capital, borrowing decisions, and long-term investment planning.

While the OBR has improved transparency and reduced the scope for political bias in forecasting, the way its analysis is used can sometimes run the risk of reinforcing short-termism and risk aversion. A strong focus on near-term rule compliance and headroom has, at times, crowded out consideration of long-term productivity, investment, and fiscal sustainability. The CBI welcomes the recent move to a single fiscal event each year, which should support greater stability for businesses and enable a more strategic, long-term approach to fiscal policymaking. Placing greater emphasis on scenarios, probabilistic ranges, and long-term sustainability analysis would provide a more meaningful assessment of the public finances than the frequent, narrow focus on short-term rule compliance that has evolved over time.

Looking ahead, the CBI strongly supports the continued independence of the OBR and does not advocate changes that would weaken its role. Instead, we see scope to strengthen how the OBR engages with a wider range of external evidence, including business perspectives, and to elevate the status of its long-term analysis - particularly the Fiscal Sustainability Report - within Parliament and the fiscal policy process. Doing so would improve the quality of debate, enhance confidence in fiscal decision-making, and support a more stable investment environment.

Record

Question: Has the OBR improved the forecasting processes previously carried out by HM Treasury, especially with reference to bias and transparency?

The OBR emphasises robust evidence and risk management. This ensures accountability and minimises fiscal risk, but it also has significant implications for appraising policy trade-offs:

Incentivising incrementalism: The OBR's approach to scoring policies – based on established evidence and data – encourages HM Treasury to focus on policies that are already proven, rather than those that are innovative or transformative. This risk aversion is mirrored in the Green Book appraisal approach, which embeds caution and may stifle ambitious policy initiatives.

Impact on innovation: The combined effect of OBR and Green Book methodologies is to favour incremental changes and discourage radical reforms, even when such reforms may be necessary to address long-term challenges like climate change, ageing populations, or infrastructure deficits.

Whilst evidence-based scoring is essential for accountability, it should not become a barrier to innovation. In this context, it is government policymakers, not the OBR, who face the challenge of weighing risk and opportunity when designing policy. Ministers should be supported in making evidence-based decisions that enable new and innovative approaches, including by drawing on the wider economic literature and international evidence where this points to positive outcomes, even where there is insufficient data for the OBR to reach a fully robust judgement for formal scoring purposes.

The CBI strongly believes that the OBR's independence from government is a core strength of the UK's fiscal framework and should be protected. However, independence should not mean insulation from external evidence. There is scope for the OBR to strengthen its engagement with a wider range of perspectives, including business, to better understand behavioural responses, labour market dynamics, and investment decisions. The OBR's work on childcare reform provides a positive example of structured external engagement, but this should become standard practice rather than the exception.

Question: Has the OBR improved discussion, analysis and policymaking concerning UK productivity and the long-term sustainability of the public finances?

Until the 2024 Autumn Budget, the OBR has been asked to assess the extent to which the government is meeting its fiscal rules twice a year. This approach, combined with intense focus from media commentators and, in turn, Ministers on the pass-or-fail judgement, fostered a highly binary view of fiscal sustainability.

In practice, this encouraged policymaking geared toward narrowly meeting the rules at successive fiscal events, often by building or spending headroom on a budget-by-budget basis, rather than making decisions grounded in long-term fiscal sustainability, productivity, and investment outcomes. Finally, if headroom is tight, the government may be forced to delay or abandon policies that could deliver significant long-term benefits, even if they are justified by broader economic or social objectives.

Headroom should not be the target. It is a by-product of well-designed rules, stable policy, and credible long-term planning. Governments should use OBR outputs to understand the resilience of their plans across different scenarios, not to chase marginal movements in forecast-year metrics.

The decision to move to an annual OBR assessment of whether the government is meeting its fiscal rule in the forthcoming Spring Forecast is a welcome development. By reducing the frequency of formal pass-or-fail judgments, this change should help limit short-term fiscal fine-tuning, support greater policy stability, and create space for more strategic, long-term decision-making.

In this context, the OBR's Fiscal Sustainability Report (FSR) is an under-utilised asset. The FSR provides the most comprehensive assessment of long-term pressures facing the public finances, including demographic change, health spending, and climate-related risks. Yet it currently receives limited scrutiny compared to short-term forecasts. Greater focus on the FSR by Parliament, the Treasury Select Committee, and HM Treasury would help rebalance fiscal debate toward long-term sustainability and productivity, reducing the dominance of near-term headroom metrics.

Going forward, the government may wish to explore international experience with multi-year expenditure planning or expenditure ceilings to improve predictability. These ideas are worth exploring over time, but the UK should not introduce further rule changes rapidly or without consultation. Above all, the government should prioritise stability within the fiscal framework, recognising that predictable rules are themselves a cornerstone of credibility and economic resilience.

Future

Question: What changes, if any, should be made to the accuracy of the OBR's forecasts and analysis; the quality of the OBR's communications; and the effectiveness of the OBR's processes and methodology, including its costs and resources?

The OBR is widely regarded as one of the strongest independent fiscal councils globally. Its remit covers medium-term economic and fiscal forecasts, long-term sustainability analysis, independent scrutiny of policy costings, and risk assessments. This breadth is comparable to, but not identical with, other leading fiscal institutions:

CPB (Netherlands Bureau for Economic Policy Analysis): The CPB has a broad mandate, including independent macroeconomic forecasts, policy analysis, and the ability to initiate studies of alternative policy options¹. It plays a direct role in evaluating party manifestos and policy trade-offs, which enhances transparency and public debate.

Swedish Fiscal Policy Council: Sweden's council has a broad remit, covering not only fiscal sustainability but also employment, growth, income distribution, and the quality of government policy explanations. Its mandate allows it to act as a complement to other institutions (such as the National Institute for Economic Research which publishes regular macroeconomic forecasts and administers a large macroeconomic model that can be used to analyse the effects of various policy proposals, and the National Debt Office which also makes central government budget forecasts), providing holistic oversight of fiscal and economic policy².

IFAC (Irish Fiscal Advisory Council): IFAC's remit includes monitoring compliance with fiscal rules, independent macroeconomic forecasting, and regular assessments of fiscal risks. Like the CPB, it has some flexibility to comment on alternative scenarios and policy options. For instance, their most

¹ [The Netherlands - Centraal Planbureau \(CPB\) - Bureau for Economic Policy Analysis - Economy and Finance](#)

² [The Swedish fiscal policy council: Watchdog with a broad remit](#)

recent fiscal assessment report published on 26 November 2025 strikes a more critical tone to the Irish government's budget decisions and proposes new approaches for budgeting³.

In considering any future evolution of its remit, it is essential that the OBR's independence is preserved and that it is not drawn into prescribing policy choices.

The OBR plays a critical role in ensuring fiscal transparency. Strengthening its use of scenario ranges and probabilistic forecasts would further support realistic fiscal planning. Since its inception, it has used probabilistic ranges ("fan charts"), alternative scenarios, and sensitivity analysis to illustrate the degree of uncertainty around its central forecasts.

These techniques are standard in private-sector forecasting and central banking (e.g., the Bank of England), where fan charts are used to communicate the spectrum of possible outcomes rather than a single point estimate. Understanding of the fiscal outlook would be even more informed if the OBR used such probabilistic ranges more widely across its forecasts - not just on public finance measures but more general economic indicators such as GDP, employment, inflation, etc.

Alongside methodological improvements, the OBR should continue to broaden the range of external evidence it draws on, ensuring that its assumptions reflect real-economy behaviour, including how businesses respond to changes in tax, regulation, and public investment.

Question: What changes, if any, should be made to the role and remit of the OBR and its relationship with HM Treasury?

A recent and welcome change to the operation of the fiscal framework is the decision for HM Treasury to instruct that the OBR will no longer be required to formally assess the Government against its fiscal rules twice a year.

This adjustment strengthens the credibility of fiscal policy by reducing incentives for short-termism and fiscal "fine-tuning" around forecast events. Under a twice-yearly scoring regime, relatively small changes in assumptions or timing could determine whether the rules were judged to be met, encouraging policy choices designed to pass near-term tests rather than address underlying fiscal pressures. Moving away from this approach places greater emphasis on substance over presentation.

Limiting formal fiscal-rules assessment to a single annual forecast - at the Autumn Budget - supports more stable and predictable policymaking. It reduces unnecessary volatility in fiscal expectations and provides businesses and investors with clearer signals about the Government's medium-term strategy, rather than repeated pass-or-fail pass/fail moments driven by marginal forecast movements.

Importantly, this change does not weaken transparency or independent scrutiny. The OBR continues to produce regular economic and fiscal forecasts, ensuring that Parliament and the public retain full visibility over the state of the public finances. The distinction between routine forecast updates and the formal fiscal-rules assessment clarifies the purpose of each exercise while retaining the ability to trigger an additional rules assessment in genuinely exceptional circumstances.

³ [Fiscal Assessment Report November 2025 – Irish Fiscal Advisory Council](#)

Overall, this reform improves the functioning of the OBR-HMT Treasury relationship by aligning independent scrutiny with long-term fiscal sustainability, reinforcing confidence in the framework, and supporting more disciplined and strategic fiscal decision-making.

More broadly, the effectiveness of the OBR-HMT Treasury relationship depends not only on formal remit but on how its outputs are used. Elevating the role of long-term analysis - particularly the Fiscal Sustainability Report - and referencing it more systematically in fiscal events and OBR publications, including the Economic and Fiscal Outlook, would strengthen policy debate. This would reinforce the OBR's role as a guardian of long-term sustainability while preserving its independence and supporting better-informed fiscal decision-making.