



EXPLANATORY NOTES

Budget Responsibility Act 2024

Chapter 24

£8.14

BUDGET RESPONSIBILITY ACT 2024

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Budget Responsibility Act 2024 which received Royal Assent on 10 September 2024 (c. 24).

- These Explanatory Notes have been prepared by HM Treasury in order to assist the reader in understanding the Act. They do not form part of the Act and have not been endorsed by Parliament.
- These Explanatory Notes explain what each part of the Act will mean in practice; provide background information on the development of policy; and provide additional information on how the Act will affect existing legislation in this area.
- These Explanatory Notes might best be read alongside the Act. They are not, and are not intended to be, a comprehensive description of the Act.

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These Explanatory Notes relate to the Budget Responsibility Act 2024 which received Royal Assent on 10 September 2024 (c. 24)

Overview of the Act

- 1 The Budget Responsibility Act 2024 ensures that fiscal announcements in respect of fiscally significant measures made by the Government are subject to an independent assessment by the Office for Budget Responsibility (OBR). It achieves this by requiring the OBR to produce an assessment of the fiscal impacts of fiscally significant measures, without a request from HM Treasury if necessary.

Policy background

- 2 The OBR is an executive non-departmental public body, sponsored by HM Treasury, which provides independent and authoritative analysis of the UK's public finances. The OBR was established under the Budget Responsibility and National Audit Act 2011 ("the BRNAA").
- 3 Under section 4(3) of the BRNAA, the OBR is required to "on at least two occasions for each financial year, prepare fiscal and economic forecasts", including an assessment of "the extent to which the fiscal mandate has been, or is likely to be, achieved". HM Treasury's Charter for Budget Responsibility ("the Charter"), which sets out its fiscal policy objectives and is subordinate to the BRNAA, states that the Chancellor must commission the OBR to produce its forecasts at a particular date, at least twice a year and one of which will be for the Budget. The Charter also states that OBR forecasts are to be adopted as the official forecasts for Budget Reports. HM Treasury has agreed with the OBR, via a published Memorandum of Understanding, to provide them with 10 weeks' notice for a full forecast/fiscal event.
- 4 Under the current legal framework, there is no requirement on HM Treasury to subject announcements on all fiscally significant measures to independent OBR scrutiny. The Budget Responsibility Act 2024 therefore ensures that all announcements on fiscally significant measures made by the Government are subject to an independent assessment from the OBR. It does this by requiring HM Treasury, ahead of a Minister making a fiscal announcement to the House of Commons regarding a fiscally significant measure, to commission an economic and fiscal forecast from the OBR. If the Treasury does not make this request and the OBR is of the opinion that the measure is fiscally significant, it places a requirement on the OBR to produce assessments of fiscally significant measures as soon as reasonably practicable.
- 5 These measures intend to preserve market stability and public trust in announcements on fiscally significant measures, by ensuring there is independent and transparent scrutiny of the Government's fiscal plans.

Legal background

- 6 The statutory framework for the OBR is set out in:
 - a. The **Budget Responsibility and National Audit Act 2011** (“the BRNAA”) - which establishes the OBR on a statutory basis and sets out the OBR’s statutory duty to examine and report on the sustainability of public finances; and
 - b. HM Treasury’s **Charter for Budget Responsibility** (“the Charter”) – which was introduced in the BRNAA, and which sets out the OBR’s remit, how it should perform its duties, the required content of key publications, and arrangements for determining forecast timing. It also sets out the fiscal framework against which the OBR should assess the Government’s fiscal plans. The Charter is drafted by HM Treasury, must be laid before Parliament, and does not come into force until approved by the House of Commons. Any modification to the Charter concerning guidance as to how the OBR’s duty is to be performed must also be published in draft 28 days before it is laid in Parliament.
- 7 In addition, a Memorandum of Understanding (“the MoU”), which is jointly agreed between HMT, the OBR, HM Revenue and Customs and the Department for Work and Pensions, establishes the processes and expectations for information sharing, notification of publications, and working arrangements ahead of fiscal events.
- 8 Neither the BRNAA nor the Charter require the OBR’s assent to modify, but they do require Parliamentary approval:
 - a. Amendments to the BRNAA require primary legislation in the usual way; and
 - b. Amendments to the Charter must be laid before Parliament and approved by a vote of the House of Commons. The updated Charter must be published in draft at least 28 days before it can be laid before Parliament where i) the Charter is modifying guidance as to how the OBR’s duty is to be performed, or ii) the Charter is making provision for the purpose of supplementing the new section 4A of the BRNAA introduced by the Budget Responsibility Act 2024.

Territorial extent and application

- 9 The Act extends and applies to England, Scotland, Wales and Northern Ireland. This Act concerns reserved matters in respect of Scotland and Wales and excepted matters in respect of Northern Ireland.

Commentary on provisions of the Act

Section 1: Announcement of fiscally significant measures

- 10 Subsection (1) notes that this Act amends part 1 of the BRNAA, which relates to the establishment of the OBR.
- 11 Subsection (2) amends section 4 of the BRNAA to reflect the additional duties introduced in this Act, so that section 4(2) will read: “The duty imposed by this section includes, in particular, the duties imposed on the Office by subsections (3) and (4) and section 4A”.
- 12 Subsection (3) introduces a new section 4A.
- 13 Subsection (1) of section 4A states if a Minister of the Crown plans to make a fiscal announcement in respect of fiscally significant measures to the House of Commons, then HM Treasury must request that the OBR prepare a report under section 4(3) of the BRNAA which will assess these measures. As described in paragraph 3 above, section 4(3) of the BRNAA requires the OBR to produce fiscal and economic forecasts, including assessments of the extent to which the Government is meeting its fiscal mandate. Subsection (1) sets out the typical forecast process whereby the Chancellor commissions a forecast from the OBR to go alongside a Budget (in accordance with the Charter), or a fiscal event. The typical process is for the Chancellor to commission the OBR, at least twice per financial year, to publish forecasts of the economy and public finances.
- 14 Subsection (2) of section 4A means that, if the OBR deems that a fiscal announcement in respect of fiscally significant measures has been made to the House of Commons, and HM Treasury did not request an economic and fiscal forecast to be published alongside the announcement, it is required to inform the Treasury Committee of its opinion, and to prepare a report including a costing that assesses the fiscal impact of each measure. The OBR may, but is not required to, prepare this report as an economic and fiscal forecast under section 4(3) of the BRNAA.
- 15 Subsection (3) of section 4A sets out that a measure or combination of measures is “fiscally significant” if the measure, or a combination of measures, has a costing for a specified period that exceeds a specified percentage of gross domestic product for a specified period – here, “specified” means specified in, or determined in accordance with, the Charter. Measures seeking to address tax avoidance are not intended to be within the scope of section 4(A)(2) and (3), as the Charter makes it clear that this subsection does not cover measures that do not have a policy costing, which tax avoidance measures would not (paragraph 17 below explains that the Charter can set out further provision for the meanings of terms, including costing).
- 16 Subsection (4) of section 4A provides that the need for an independent OBR assessment (in subsections (1) and (3) of section 4A) does not apply for measures that are intended to have a temporary effect and which are in response to an emergency. This subsection is intended to exclude fiscally significant measures that are required in response to economic or other large shocks, such as was the case during the COVID-19 pandemic when significant emergency spending was needed very rapidly via the furlough scheme. This exclusion recognises that it is reasonable for the Government, in response to economic or other large shocks, to act quickly outside of a fiscal event without an OBR assessment. As set out in the Charter, in an emergency, the Chancellor may 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. It is not intended to exclude temporary measures where there has not been an emergency in the usual sense of the word, nor economic or other large shocks, such as the temporary full expensing policy for capital allowances announced in the Spring 2023 Budget.

- 17 Subsection (5) of section 4A allows the Charter for Budget Responsibility to include further detail, definitions or explanations to clarify new section 4A. Subsection (5) may be exercised so that the Charter includes provision about the meaning of expressions used in subsection (1) to (4) but which are not defined elsewhere in section 4A or in other provisions of the BRNAA.
- 18 Subsection (6) of section 4A requires that HM Treasury publish any updates to the Charter for Budget Responsibility at least 28 days before laying it before Parliament for approval by the House of Commons. This only applies to the provisions under new section 4A of the BRNAA.
- 19 Subsection (7) of section 4A clarifies definitions of terms used in section 1. A “fiscal announcement” means an announcement in respect of any other matter mentioned in section 1(2)(c) of the BRNAA, i.e. the matters to be included in a Financial Statement and Budget Report prepared under section 2 of the BRNAA. A “section 4 (3) report” includes fiscal and economic forecasts and an assessment of the extent to which the fiscal mandate has been, or is likely to be, achieved.
- 20 Subsection (8) of section 4A makes clear that it does not matter for the purposes of this section whether or not two or more measures are, or are proposed to be, announced at the same time or at different times.
- 21 Subsection (9) of section 4A ensures that the provisions of new section 4A that refer to the Treasury Select Committee continue to operate as intended if the name of the Treasury Select Committee changes or its functions are transferred to a different Committee.

Section 2: Extent, commencement and short title

- 22 Subsection (1) notes that the provisions extend to England, Scotland, Wales and Northern Ireland.
- 23 Subsection (2) provides that the Treasury may commence section 1 by regulations following Royal Assent.
- 24 Subsection (3) states that section 1 may come into force over different days.
- 25 Subsection (4) gives the short title of the Act as the Budget Responsibility Act 2024.

Commencement

- 26 Section 1 of the Act comes into force following regulations made by HM Treasury. Section 2 of the Act came into force upon Royal Assent.

Related documents

- 27 The following documents are relevant to the Act and can be read at the stated locations:

- Budget Responsibility and National Audit Act 2011:
<https://www.legislation.gov.uk/ukpga/2011/4/contents>
- Charter for Budget Responsibility (Autumn 2022 update):
https://assets.publishing.service.gov.uk/media/63d15c6cd3bf7f3c4900f11a/Charter_for_Budget_Responsibility_-_AS22_-_FINAL_as_published_in_draft.pdf

Annex A - Hansard References

28 The following table sets out the dates and Hansard references for each stage of the Act's passage through Parliament.

Stage	Date	Hansard Reference
<i>House of Commons</i>		
Introduction	18 July 2024	Vol. [752] Col. [212]
Second Reading	30 July 2024	Vol. [752] Col. [1211]
Committee of the Whole House	04 September 2024	Vol. [753] Col. [333]
Third Reading	04 September 2024	Vol. [753] Col. [388]
<i>House of Lords</i>		
Introduction	05 September 2024	Vol. [839] Col. [1253]
Second Reading	09 September 2024	Vol. [839] Col. [1426]
Royal Assent	10 September 2024	House of Commons Vol. [753] Col. [711]
		House of Lords Vol. [839] Col. [1493]

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