



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Nicky Morgan MP  
Chair of the Treasury Committee

5 December 2017

Dear Nicky,

1. Thank you for your letter of 30 November. You asked for clarification on my response to Helen Goodman's comments about how any potential future payments to the EU are reflected in the OBR forecast, which took place in the Government's Response to the Urgent Question on 29 November.

2. The OBR's Economic and Fiscal Outlook (EFO) forecasts annual UK spend (which is currently used for contributions to the EU). The OBR make no specific assumptions about how this expenditure will be used once the UK has withdrawn from the EU. Since the forecast period spans the date of withdrawal, the OBR take a fiscally neutral approach and maintain an amount of public expenditure equivalent to the UK's contributions over the forecast period, without assigning that expenditure to a particular purpose. This is set out in para 4.6 of the November 2017 EFO and was reiterated by Robert Chote, Chairman of the OBR, in his evidence to your Committee on 30 November 2017. As the OBR note in Annex B of the EFO, they make no assumptions about how this recycled expenditure will be used, but note possible substitute spending could include a so-called 'divorce bill', or spending on domestic policy priorities.

3. The Prime Minister's speech in Florence set out that our partners should not fear that they will need to pay more or receive less over the remainder of the current EU budget plan as a result of our decision to leave. It was also stated that



the UK will honour commitments we have made during the period of our membership.

4. I hope this letter is helpful and provides clarity on the matter. I am copying Robert Chote, Chairman of the OBR, for information.

Best wishes,

A handwritten signature in blue ink, which appears to read 'Elizabeth Truss'.

RT HON ELIZABETH TRUSS MP