



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

9 September 2015

Andrew Tyrie MP
House of Commons
London
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John Andler,

Following your letter of 10 August, I am writing to address your concerns over the timing of the appointment of the Chair of the Office for Budget Responsibility (OBR), alongside your request for additional distributional analysis. You will have received the environmental information you further requested in a previous letter of 21 August.

OBR appointment

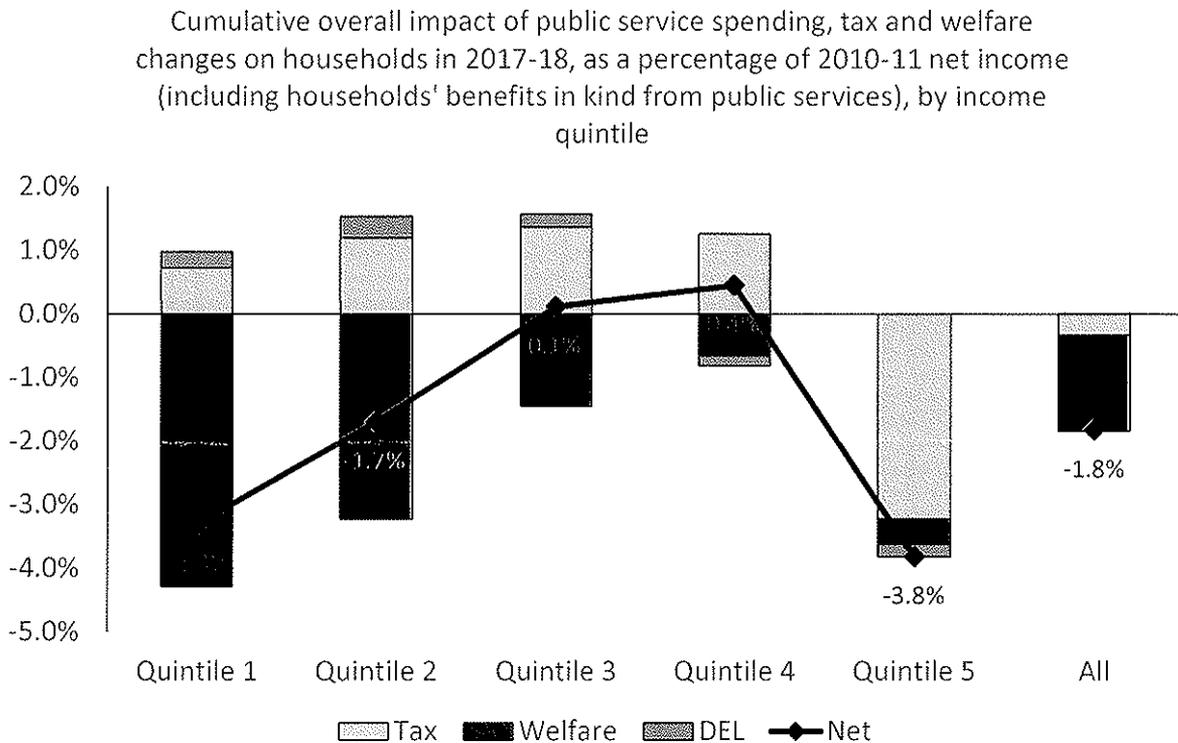
With regards to the appointment of the Chair of the OBR, I notified you of my decision earlier this month. I hope you will appreciate the special circumstances on this occasion, with the election and the Summer Budget taking place this year. I am grateful for your support and that of Committee members in scheduling the pre-appointment hearing in due course.

Distributional analysis

You asked that I make available distributional analysis of the impacts of policy changes up to and including the Summer Budget, beyond the quintile analysis which I agreed to provide at the Committee hearing on 21 July and which I subsequently placed on the gov.uk website and have attached to this letter for reference. As I set out in the Committee hearing, the Government continues to present an unprecedented level of transparency about the distribution of public spending, and I welcome the Committee's continuing interest in this analysis. In this Parliament, the Government has taken a decision to present the distribution of public spending and taxes that affect households both before and after the policy changes we have made since 2010. This is a move away from analysis which presents spending funded by additional borrowing as an unequivocal gain to households, and measures to reduce borrowing as an unequivocal loss. As I said when I released the quintile analysis, that older presentation is not the most appropriate way to consider the distributional impact of economic policy, when we know that without sound public finances there is no economic security for working people, and that any apparent benefit to households cannot be sustainable if it has not been paid for.

The Treasury therefore did not produce the range of charts published at fiscal events in the last Parliament for the Summer Budget, focusing instead on the production of those charts which were published and which offer an insight into a set of policy decisions which have

Summer Budget 15: Draft distributional analysis on previous basis



The chart above shows the direct impact on households in 2017-18 of the policy changes to tax, welfare and public service spending announced from 2010-11 up to and including Summer Budget 2015. This shows that the richest 20% of households are still making the greatest contribution to reducing the deficit, as a percentage of their income.

This analysis captures the impact of the same measures as were included in the Impact on Households document published at Summer Budget 2015 and available on gov.uk. This analysis models the impact of this Summer Budget and adds it to the analysis from the last Parliament. See Chapter 2 of the publication for more detail on the methodology, and the full list of measures included from this Summer Budget.

The government has set out a new approach to distributional analysis that demonstrates the effect of government decisions on the distribution of tax and spending, abstracting from the decision about the level of government borrowing (see main "Impact on Households" document available on gov.uk). Distributional analysis of the type presented above was not published in the main Summer Budget analysis because it assumes that additional government borrowing is a gain to households. But higher spending or lower taxes today would increase the deficit and debt burden, with consequences for households in the future.