



# Treasury Committee

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Rt Hon Philip Hammond MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
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22 August 2016

*Dear Philip,*

## Publication of distributional analysis

I would be grateful for an assurance that you will re-instate the distributional analysis of the effects of Budget and Autumn Statement measures on household incomes, recently and mistakenly discontinued by your predecessor.

As you may be aware, starting with its first Budget in June 2010, the coalition Government published a “distributional analysis” showing the impact of changes to tax and welfare spending on household incomes at different points in the income distribution. This was a great step forward as the Committee, and many others, have pointed out. George Osborne deserved a good deal of credit for his decision.

By the end of the last Parliament, this income-based distributional analysis had become part of the standard Budget documentation. In March 2015 it was described by your predecessor as being “a step change in the transparency of policy making”, and “the most comprehensive

and robust assessment available of [how] the decisions we have made [...] have affected families”.<sup>1</sup> He was right.

However, since the Summer Budget of July 2015, this analysis has been discontinued. A poor substitute has been published in its place. This shows the share of public expenditure received and taxes paid by households, broken down by income quintile.

The Government’s current arrangements for publication of the analysis are inadequate in a number of respects. First, unlike the previous analysis, it cannot be used to determine the effect of government policies on household incomes.

Secondly, it compares the expected distribution of public spending and taxes in 2019-20 with a baseline of 2010-11. It is therefore not possible to determine the impact of the policies of the present Government on the distribution of tax and spending.

Thirdly, the assumptions underpinning the analysis have already changed since the Summer Budget in 2015, meaning that the analysis of distributional impacts within the 2016 Budget cannot be compared to those of previous budgets.

Fourthly, apportioning public spending on items such as health, police, justice, defence and the environment to different parts of the income distribution clearly requires judgements to be made, and there is no detail provided on what these are, or how they are reached.

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<sup>1</sup> HM Treasury, Impact on households: distributional analysis to accompany Budget 2015, 18 March 2015, p3

The new distributional analysis does, of course, provide some information of use but it is manifestly deficient. It should be published alongside the income-based analysis, not instead of it. Any guidance on interpretation and methodological assumptions can be set out in the accompanying text, as has always been the case.

Early on in his term, your predecessor acknowledged that the Treasury had long collected the information necessary to produce an income-based distributional analysis: "they just chose not to publish it". The Prime Minister's recent pledge to govern in the interests of the whole country, and not just the privileged few, is relevant for this disclosure. A high level of transparency about the effects of tax and welfare policy on households across the income distribution would seem to be a logical, perhaps essential accompaniment.

Yours ever,  
Andrew

**RT HON ANDREW TYRIE MP**  
**CHAIRMAN, TREASURY SELECT COMMITTEE**