



HM TREASURY

Dave Ramsden  
Chief Economic Advisor &  
Head of the Government Economic Service  
1 Horse Guards Road  
London  
SW1A 2HQ

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Robert Chote  
Chairman  
Office for Budget Responsibility  
20 Victoria Street  
London  
SW1H 0NF

*Dear Robert,*

**Incorporating the Government's medium term fiscal assumption in the OBR's March 2015 economic and fiscal forecasts**

Thank you for your letter confirming the formal process for incorporating the Government's preferred fiscal assumption for the years beyond 2015-16 into the economic and fiscal forecasts.

As we discussed at the Forecast Liaison Group on 26 January, this is helpful in clarifying the process of setting the fiscal assumption, as expressed through Total Managed Expenditure (TME), and in ensuring the timely exchange of information.

The Treasury agree with the approach that you have set out:

- The OBR will base its forecasts on the fiscal assumption as worded in December for the first and second rounds of the forecast.
- The Treasury will provide a preliminary fiscal assumption on 26 February. And we will provide the final fiscal assumption on 10 March.

Additionally, as per your request, the Deputy Director for General Expenditure Policy will write to the OBR's Head of Staff, copying the OBR's head of public expenditure forecasting, confirming the assumption and its status as Coalition government policy for the express purpose of this forecast.

I hope that clarifying this process will improve HMT and OBR's already effective working relationship and will also help to ensure consistent economy and fiscal forecasts.

Yours sincerely,

Dave Ramsden



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