



## HM Treasury

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Dear Terry,

Thank you for your letter regarding the first External Review of the Office for Budget Responsibility (OBR). First, I would like to congratulate the OBR on the positive findings of Kevin Page's review, which are testament to the robust analysis and commitment of the OBR towards reducing perceptions of bias in fiscal and economic forecasting. The work of the OBR has significantly enhanced the credibility of the UK's fiscal framework.

Secondly, the Treasury broadly welcomes the External Review's overall findings and recommendations, of which you highlighted three that are most relevant to us. These recommendations are all aimed at ensuring the long-term sustainability of the OBR, an ambition which the Treasury strongly supports. Our views on each of the three recommendations are set out below.

***'It is recommended that long-term succession planning be undertaken to mitigate risks related to the eventual transition of the OBR's senior leadership.'***

The Treasury agrees with Kevin Page that there are risks associated with the transition of the OBR's senior leadership and that succession planning needs to be carefully considered. The Treasury endorses the Review's recommendation that this should go further than 'merely staggering the contracts of senior leaders.'

The Treasury faces a similar challenge when appointing members to the Bank of England's Monetary Policy Committee, and we intend to mirror the



approach we take there when recruiting new members for the Budget Responsibility Committee (BRC). The Treasury intends to build a long list of potential candidates for the BRC well in advance of BRC terms lapsing, working with the Chair of the OBR where appropriate. The Treasury will draw on contacts from the research community in the UK, and internationally to identify suitable candidates.

***'It is recommended that caution be exercised in considering the expansion of the OBR's mandate (e.g. costing certification of opposing manifestos).'***

The Government agrees that caution be exercised in considering any expansion of the OBR's remit and Ministers are not currently considering any changes to its mandate.

***'It is therefore recommended that a formal fiscal community-wide staff development and rotation programme be established to maximise the talent pool upon which the OBR can draw.'***

The Treasury agrees that there is scope to work with the OBR to develop a stronger fiscal community both within and outside Whitehall. HMT officials in Fiscal Group and Economics Group will engage with the OBR to discuss how best to take this forward.

The Treasury looks forward to working with the OBR to deliver these recommendations over the coming months.

Yours,

Nick

**N I Macpherson**