



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

8 September 2010

Andrew Tyrie MP  
Chairman of the Treasury Committee  
7 Millbank  
House of Commons  
London SW1P 3JA

*Ken Anderson,*

I am pleased to inform the Treasury Select Committee that I have selected Robert Chote as my preferred candidate for Chair of the Office for Budget Responsibility. Robert Chote's suitability for the role of Chair is demonstrated by his extensive experience as a respected commentator and economist, in particular as Director of the Institute for Fiscal Studies. Robert Chote will of course be familiar to the TSC having provided expert advice to you.

I have stated my intention to provide in legislation for the TSC to have the power of veto over the appointment of the Chair. This would bestow upon the TSC more power over this appointment than they currently have over any public appointment. I am taking this unprecedented step because I want there to be absolutely no doubt that the individual leading the OBR is independent and has the support and approval of the TSC. To ensure that the TSC has an effective power of veto prior to the enactment of the Bill, this appointment will be subject to a pre-appointment hearing before the TSC and I will not appoint a candidate who is judged unsuitable by the TSC. Should the TSC approve this appointment, the intention is that Robert Chote will start work as soon as possible and, following enactment of the legislation, become Chair of the statutory OBR.

I established the interim OBR to make independent assessments of the public finances and the economy, the public sector balance sheet and fiscal sustainability. This marks a step change in the transparency and openness of economic and fiscal policy making. It is my intention that the Chair of the OBR and other members of the Budget Responsibility Committee will have executive responsibility for producing the official fiscal and economic forecasts, making us one of the few advanced economies with an independent fiscal agency that does so.

It is my intention that the OBR, led by the new Chair, will produce an update to the official economic and fiscal forecast in advance of the Budget before the end

of the year. This will be able to take account of the final outcome of the Spending Review, which is due to report on 20 October. I also envisage that, in consultation with the new Chair and consistent with the approach taken in the Budget, the OBR will have a role to play in the Spending Review providing independent scrutiny of the costing of AME policies.

I expect that the OBR will be legislated for in the autumn. I look forward to receiving your report and recommendations on establishing the statutory OBR and will consider them in advance of laying draft legislation. It is my intention to agree and publish a Terms of Reference for the OBR for the period until the legislation has received Royal Assent. Should the TSC approve this appointment, it is also my intention to publish the letter of appointment for the new Chair.

The position of Chair was advertised in July and attracted a strong field of applicants, with 10 applications received in total. A panel comprising Nicholas Macpherson and Dave Ramsden from the Treasury, Sir Alan Budd (former Chair of the interim OBR) and an independent assessor interviewed a number of candidates and provided me with advice on who to appoint. I am very grateful for Sir Alan Budd's involvement in the process for appointing his successor and for his role in leading the interim OBR along with his colleagues Geoffrey Dicks and Graham Parker.

The two other positions on the Budget Responsibility Committee have also been advertised, with applications due to close on 15 September. Graham Parker and Geoffrey Dicks will be staying on in these roles on an interim basis until their successors are appointed and it is intended that the new Chair will also be involved in the appointments. My intention is for these positions to be subject to pre-commencement hearings before the TSC. This is a well established and well understood process for other public appointments, such as those for external members of the MPC.

I am copying this letter to all members of the TSC.

A handwritten signature in blue ink, appearing to read 'George Osborne', with a large flourish at the end.

GEORGE OSBORNE