



# Treasury Committee

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Sir Tom Scholar  
Permanent Secretary  
HM Treasury  
Via email

11 January 2021

Dear Sir Tom,

The Committee is continuing to examine the economic impact of the coronavirus, and we have a number of further questions for the Treasury. These are set out below.

## Treasury economic modelling capability

- In evidence to the previous Committee in December 2018, the Chief Economic Adviser said that “in the Treasury and across Whitehall there is no short-term forecasting macro capability any more”.<sup>1</sup> Can you confirm what, if any, macroeconomic forecasting or modelling ability the Treasury retains, regardless of whether it is for publication?
- In a recent letter to me dated 4 May,<sup>2</sup> you noted that: “The Treasury does not publish forecasts of the economy or the public finances” but that it does:  

undertake a wide range of internal analysis to support policy development and advice to ministers. This includes analysis of the impact of the Coronavirus on the economy and public finances.

What analysis of the impact of the Coronavirus on the economy and public finances, including counterfactual analysis of alternative lockdown scenarios, has been carried out by the Treasury, rather than the OBR?

- The [Memorandum of Understanding](#) between the OBR and the Treasury states that the “Model unit” in the Treasury will be responsible for fulfilling HMT’s obligations to maintain and develop its macroeconomic model, as well as using the model and other analytical tools to help the Treasury provide economic advice to the Chancellor as and when is required. What analytical capabilities does the Model Unit have, how many staff does it have, and what support has it provided to the Treasury’s analysis of the pandemic?

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<sup>1</sup> Oral evidence taken on 4 December 2018, The UK’s economic relationship with the European Union, HC (2017–19) 473, Q1104

<sup>2</sup> [Letter](#) from Tom Scholar to Chair dated 4 May

- In their evidence to the Committee, when questioned about the analysis provided by the Treasury on the restrictions being implemented, the Chief Economic Adviser noted that:

What we have not done, as the Chancellor said, is very specific predictions or estimates on specific restrictions. There is an awful lot of economic analysis, information and data that can be brought to bear in helping to understand what the possible impacts may be, but it is incredibly hard and would be incredibly difficult to provide meaningful estimates of very specific restrictions, given the vast amount of factors that are unknown.<sup>3</sup>

What are the factors referred to above which prevent the Treasury from providing meaningful estimates of very specific restrictions? If more of those factors had been known, are you confident the Treasury would have been capable of providing those estimates of specific restrictions using its own resources?

- Has the Treasury consulted with any experts in epi-macro modelling in order to model scenario analysis of the economic impacts of the unabated spread of the virus compared with the economic impacts of the Government restrictions imposed? Has consideration been given to the creation of an epi-macro modelling unit within the Treasury or elsewhere within Government for the duration of the crisis, comparable to the HMG GETRADE CGE model developed for the EU Exit long-term economic analysis?
- Looking forward to the vaccine roll-out, how will the Treasury support the Government to decide how and when to reopen the economy? For example:
  - Before vaccination levels are significant, does the Treasury believe that the unabated spread of the virus would have negative economic implications in terms of reductions in economic activity and in the number of jobs due to voluntary social distancing?
  - What impact does the Treasury believe the vaccine roll-out will have on consumer behaviour and voluntary social distancing? For instance, does the Treasury believe that the vaccine roll-out is likely to reduce voluntary social distancing?
  - What modelling and analysis will the Treasury use to advise which sectors of the economy should be first to benefit from reduced restrictions as the vaccine roll-out decreases the social distancing required to control the virus?
  - What public role should the Treasury have in aiding public understanding of how these decisions are made?
- Why did the Government analysis published on 30 November<sup>4</sup> not include the work referred to in the Sage [minutes](#) of 21 September under the auspices of the chief economist to “analyse the economic impacts and the associated harms” of non-pharmaceutical interventions?

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<sup>3</sup> [Oral evidence](#) taken on 11 November 2020, Q 17

<sup>4</sup> HMG, [The health, economic and social effects of COVID-19 and the tiered approach](#), 30 November 2020

## **The Excluded**

- We would be grateful if you could set out any administrative or practical reasons why the Directors Income Support Scheme as proposed by various groups such as the Federation for Small Businesses is not a viable solution for helping Limited Companies.
- Do the tax returns for 2019-20 provide the Treasury with any more information which would enable the Treasury to help the self-employed?
  - Isn't it possible to make the last tranche of the Self-employed Income Support Scheme eligible to those who had been previously excluded from SEISS on the grounds they were newly self-employed who had not submitted their 2018-19 tax returns?

I would be very grateful for a response by Friday 22 January. In line with our usual practice, we would expect to publish both this letter and your response.

Yours sincerely,

A handwritten signature in blue ink that reads "Mel Stride".

**Rt Hon. Mel Stride MP**  
**Chair of the Treasury Committee**