



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

14 September 2018

The Rt Hon Lord Forsyth of Drumlean  
Chairman, Economic Affairs Committee  
House of Lords  
London  
SW1A 0PW

Dear Lord Forsyth,

I am writing to you, and your fellow members of the Select Committee on Economic Affairs, to clarify the terms of reference for the government's Review of Post-18 Education and Funding, a topic we discussed during my evidence session on 11 September.

During the session, it was stated that the terms of reference prevent the Review from making any recommendation which would have an impact on the deficit. To clarify, the terms of reference state that the Review's recommendations "must be consistent with the government's fiscal policies to reduce the deficit and have debt falling as a percentage of GDP".

As a result of the 2008-10 financial crisis, debt has recently reached a 50-year high, and it is imperative we now deliver a sustained reduction in debt. The government is committed to reducing the cyclically-adjusted deficit to below 2% of GDP by 2020-21, and to have debt falling as a percentage of GDP in 2020-21.

I am placing a copy of this letter into the libraries of both Houses.

A handwritten signature in blue ink, reading 'Philip Hammond'.

PHILIP HAMMOND