

24 March 2010

## **Chancellor of the Exchequer's Budget statement**

Mr Deputy Speaker, this Budget takes place as the UK economy is emerging from the deepest global recession for over 60 years.

It has been a testing time which has required Governments across the world to make difficult choices and take unprecedented actions.

We had to decide whether to intervene to rescue the financial system or stand on the sidelines.

Whether we should support the economy, business and families or let the recession take its course.

The record shows the right calls were made.

Global recession has not turned into depression.

Unemployment here in the UK has not risen as much as was feared.

Borrowing, as I will explain later, is lower than forecast last year.

But the recovery is still in its infancy. There are equally tough choices ahead.

Choices that will shape our economy and society for decades to come.

The task now is to bring down borrowing in a way which does not damage the recovery or the front-line services on which people depend.

The challenge now is how we invest as a country to support the industries of the future and allow the talent of the British people to flourish.

At the heart of our decisions is a belief that Government should not stand aside, but instead help people and business achieve their ambitions.

My Budget today builds on this belief and our confidence in our country.

This will be a Budget to secure the recovery, tackle borrowing and invest in our industrial future.

It will continue targeted support for businesses and families where and when it is needed.

It will set out how we stick to our plan to halve the deficit within four years.

Mr Deputy Speaker, our economy is at a cross-roads.

Having come through this global recession, this Budget will set out a route for the country to long-term prosperity.

At its heart is a £2.5bn one-off growth package – to help small business, promote innovation, invest in national infrastructure and key skills.

This package will be paid for by switching spending from within existing allocations and the extra proceeds from the tax on bank bonuses – in line with a Budget that is balanced over the period.

Mr Deputy Speaker, the world is still recovering from the severest economic shock of our lifetime.

Despite what some try to suggest, the recession has not been restricted to the UK, nor did it begin here.

A storm which began in America spread rapidly around the world.

It was the biggest test countries had faced in modern times.

When I presented my Budget a year ago, world leaders had just met in London to agree unprecedented action to rescue the global economy.

Governments of all political colours acted to stabilise their banking systems and to use fiscal and monetary policy to boost demand and protect jobs.

Not everyone here supported the action taken. But with hindsight, it is even clearer that the right calls were made.

Economic disaster was averted.

Growth has begun to return across the major world economies.

The prospects for the global economy are much more positive than a year ago.

But Mr Deputy Speaker, there is nothing pre-ordained about continued recovery.

There are still uncertainties. Financial markets are febrile. Oil prices have increased by over 50 per cent.

Bank credit, while improved, still remains weak in many parts of the world.

Confidence has not fully returned to either businesses or consumers.

And this is particularly the case in Europe, which is the market for 60 per cent of our exports.

Germany saw no growth last quarter.

Ireland, another key trading partner, has contracted by over 10 per cent.

Spain is still in recession. Italy has slid back into negative growth.

Unemployment at 10 per cent across the euro area is adding to uncertainty.

All these factors are having an impact, particularly on open trading economies like the UK.

So it is imperative that EU countries act with renewed energy and vigour to get the European economy moving forward again.

We need to support trade, discourage protectionism, and take forward structural reforms.

Such continued international action is crucial – not only to global prospects – but to each and every country's future.

Over the last two years, we have been reminded of the force for good that governments can be in protecting people.

The role of government is now equally critical in regulating the global financial system and putting in the right foundations for future growth, jobs and prosperity.

Mr Deputy Speaker, the crisis in the world economy started with the banking sector. So improved global financial regulation must be the key priority.

Our first test in the UK came with the problems of Northern Rock.

This Government intervened to protect savers and underpin the financial system.

The unprecedented decision to nationalise a high-street bank was controversial, as was our action later that year to recapitalise the banking system.

Other governments, right across the globe, also acted to stabilise the financial system.

I believe this judgement has been proved correct.

In the UK, the latest figures from Northern Rock show it is returning steadily to normality.

RBS is now being restructured and is rebuilding.

Last week Lloyds predicted a return to profitability this year.

We will sell our shares in RBS and Lloyds, as well as Northern Rock, in a way that maximises value for the taxpayer and recoups the money we invested.

We intend to get all taxpayers' money back.

In the meantime, I can tell the House that the Treasury has already received over £8bn in fees and charges from the banks, in return for our support.

And, Mr Deputy Speaker, at the Pre-Budget Report I put in place a one-off 50 per cent tax on the excessive bonuses of bankers.

I made it clear that banks had a choice of whether to pay bonuses or not.

But if they did, given the amount of support the taxpayer had provided, I believed it was right that the country as a whole should benefit.

I can tell the House that this tax has raised £2bn, more than twice as much as was forecast.

This is money paid by the banks. Those receiving the bonuses will also, of course, have to pay income tax at their highest rate.

Mr Deputy Speaker, as well as supporting the banking system during the crisis, we need long-term reform to prevent excessive risk-taking.

Under our presidency of the G20 last year we put in place a plan to reform the international regulatory system.

But we still need to do more to strengthen global banking.

The G20 countries must put in place new rules on capital and liquidity by the end of the year.

And we also need to reform remuneration practices, improve cross-border resolution for when banks fail, and ensure international standards are implemented.

Mr Deputy Speaker, we cannot continue with a situation where the banks are rewarded for creating excessive risk, but the taxpayer foots the bill when things go badly.

More countries now agree on the need for an international systemic tax on banks.

This must be brought forward quickly, as I will urge international Finance Ministers in Washington next month.

I agree with all those who think that such a tax should be internationally co-ordinated.

Going it alone would cost thousands of jobs, not just in London, but across the country.

Global efforts must be complemented in each country with a drive to implement existing banking reforms, as we are in the UK.

As part of the reform of banking, I want to make it easier for everyone to access banking services.

Since 2003, the number of people without a bank account has been halved.

I can announce today we will do more to combat financial exclusion, through a guarantee that everyone can have a basic bank account.

This will mean, over the next five years, up to a million more people will have access to bank accounts – something essential in the modern world.

Mr Deputy Speaker, we must be careful that, as banks begin to return to profit, the sense of urgency around reform is not diminished.

There can be no return to business as usual for the banks.

But we also must remember that their success is vital not just for the global economy but for Britain's future.

London is the world's leading financial centre. Across the country, the sector supports over a million jobs including in Edinburgh, Leeds, Manchester, Cardiff and other cities.

A healthy, strong financial services industry is essential for our long-term prosperity.

Mr Deputy Speaker, the crisis might have started in the financial sector, but it spread rapidly to the entire global economy – underlining why intervention was essential.

The impact has meant the UK economy has contracted by around 6 per cent over the course of the recession.

This compares to 8 per cent in Japan, 7 per cent in Germany and 4 per cent in America.

Businesses in the UK have taken painful decisions. Many families have seen their incomes squeezed.

Given the intensity of the global storm, no government could prevent all jobs being lost or all businesses from closing.

But governments have the ability to act – and I believe the responsibility - to reduce the length and severity of the recession.

Which is why we took decisive action to stimulate the economy, cutting taxes for families and business, as well as bringing forward capital spending.

We also introduced initiatives such as the car scrappage scheme to protect jobs and skills.

I can tell the House, this helped drive an increase in sales of nearly 30 per cent in the past year.

These decisions, of course, have a cost. But the cost would have been far greater, for families and the economy, if we had failed to act.

For, Mr Deputy Speaker, we could have followed previous governments and watched from the sidelines.

We could have listened to those who opposed all these measures last year.

But if we had, I believe we would still be in recession.

I am also certain that the pain caused would have been worse and more widely felt.

Indeed, in the recession of the 1990s the rate of home repossessions was twice as high as now.

That would have been the cost of abandoning families to their fate.

Double the rate of business failures.

That would have been the cost of failing to support business through this recession.

And, because of the policy decisions we made, the Bank of England has been able to take decisive monetary policy action during the downturn.

Interest rates have been held at record lows – below one per cent – while they were at double figures for almost three years in the early 1990s.

But more than anywhere else, we can see the impact of our choices in the state of the jobs market.

Unemployment has been rising in this country, as it has around the world.

Last week's figures, however, showed that UK unemployment had fallen, and is lower than in the euro area and America.

Even after the severity of this recession, the claimant count stands today at 1.6m people.

This compares with three million people in the recessions of the early 1980s and 90s.

Nor, because of a decade of welfare reform, has there been the massive increase in the numbers on inactivity benefits seen in the past.

And, Mr Deputy Speaker, the claimant count is still lower today than we inherited in 1997.

This has not happened by chance – but by choice.

It is because of the tremendous efforts by businesses and workforces to keep people in jobs.

It is also because, as the global storm hit our country, we responded with an additional £5bn to help people find new work quicker.

We expanded the Job Centre Plus network and offered support through the Rapid Response Service at firms hit by redundancies.

Mr Deputy Speaker, it is clear we are making a difference.

Nearly 4m people have been helped off the claimant count in the last year alone.

With personalised support, around three-quarters of those losing a job are leaving the claimant count within 6 months.

Indeed, if this recession had followed the course of the last one, four times as many jobs would have disappeared.

The flexibility of the tax credits system has also provided automatic support, compensating families for loss of income due to shorter working hours and part-time working.

Mr Deputy Speaker, I can tell the House that this year 440,000 families have benefited from this extra help – on average by £38 more per week – when they need it most.

Despite all this support, there are groups likely to need more help, even as the economy recovers.

For older workers, I want to extend the support provided by tax credits.

To make it easier for those over 60 to receive Working Tax Credit, we will reduce the minimum number of hours they need to work to be eligible.

And to enable people who want to work longer, we are consulting on reform of employers' right to make people retire at 65.

We are looking at options which include scrapping the Default Retirement Age, raising it, or giving employees stronger rights.

For younger workers, I have introduced a guarantee of a job or training for every 18 to 24 year-old after six months out-of-work, which is already proving a success.

This was to run until March next year.

With recovery still in its infancy, we should not withdraw this support too soon.

Because unemployment has been lower than forecast, the cost has been lower than expected.

I have therefore decided to use the money saved to extend our guaranteed offer to young people until March 2012.

So, for the next two years, I can guarantee no-one under-24 will need to be unemployed for longer than six months before being offered work or training.

Help with jobs now and, as I will outline later, help with jobs for the future.

Mr Deputy Speaker, low mortgage rates have reduced costs for homeowners.

But many families still face fears over repossession.

The Support for Mortgage Interest scheme, which I enhanced during the recession, is already helping 220,000 homeowners who lost their jobs.

To maintain this help during the recovery, I will continue to pay this support at the higher rate for another six months.

I am also determined to do more to help families take that crucial first step on the housing ladder.

We have introduced new help through shared equity schemes.

In 2008, we also brought in a Stamp Duty holiday on all transactions under £175,000, which ended in December.

By helping 260,000 home-buyers, it supported the entire housing market when it needed it most.

The housing market has now stabilised and has begun a slow recovery.

But many first-time buyers, particularly those without large deposits, still find it hard to get a mortgage.

I want to help them, but do so in a way that is properly funded.

I can announce I will double the stamp duty limit for first time buyers from midnight tonight – from £125,000 to £250,000, for this year and next.

This means 9 in 10 first time buyers will pay no stamp duty at all.

To ensure this measure does not burden the public finances, this relief will be funded through an increase in the stamp duty to 5 per cent for residential property over £1m, from April next year.

Mr Deputy Speaker, tax-free ISAs have been an extraordinary popular way to save, including for those saving for a deposit on their first home.

Since their introduction in 1999, 19 million people have taken them out, saving over £270bn.

From next month, the annual ISA limit will rise from £7,200 to £10,200, of which half can be saved in cash.

To help encourage saving further, I have decided that ISA limits will increase annually in line with inflation.

These changes come at a time when the saving ratio has already risen strongly over the past year, to the highest since 1998.

Mr Deputy Speaker, the last year has been tough for many people.

But the evidence shows it would have been harder still without the choices we made and the action we took to support the economy.

We need the same good judgement and decisive action to secure and strengthen the recovery – and provide the right basis for the country to seize the opportunities ahead.

I turn now to my forecasts.

As I have said on many occasions, the world economy is still in a period of great uncertainty.

In the absence of government action to support the economy, the weakness in some of our overseas markets, particularly Europe, could result in a substantial downward revision of our growth prospects.

Because of the action we have taken through the recession, and the measures I am announcing today, I believe only a small reduction is needed.

This year, as I said in last year's Budget and Pre-Budget Report, I expect the economy to grow by between 1 and 1 ½ per cent.

I will bring my forecast for 2011 in line with that of the Bank of England, to growth of between 3 and 3 ½ per cent.

Projections for the public finances are based, as normal, on the lower end of this forecast range.

As the economy continues to rebalance following the recession, my forecast for the following years is unchanged.

Mr Deputy Speaker, we have already seen inflation rise above 3 per cent in the first month of this year, increasing the cost of living.

The inflation figures released yesterday show a rise of 3 per cent.

Although high compared to recent years, this is far lower than the peaks in inflation of over 10 per cent in the 1990s and 20 per cent in the 1980s.

And, as the Governor of the Bank of England has said, the present increase in inflation should be temporary, and results from the ending of the VAT cut and other one-off factors.

I want, however, to help families and business through this period.

So I have decided to stage next month's increase in fuel duties.

Instead of the planned increase, fuel duty will rise by a penny in April, less than inflation.

This will be followed by a further one penny rise in October and the remainder in January.

This staging will ease the pressure on businesses and family incomes at a time when other prices are increasing.

By the time the full rise comes in, at the beginning of next year, I am forecasting inflation to be back below 2 per cent.

I am today writing to the Governor of the Bank of England, in the usual way, to confirm that the inflation target remains unchanged at 2 per cent.

With interest rates also expected to remain low and stable, this is essential for future growth.

Mr Deputy Speaker, the cost of stabilising the financial system and stimulating economies has meant an inevitable increase in government borrowing here and around the world.

This has been exacerbated by the sharp fall in tax revenues during the recession.

The importance of our financial industry, which provided one in every four pounds in corporation tax, has meant Britain has been particularly badly hit.

At the Pre-Budget Report, I forecast that public sector net borrowing would reach £178bn this year.

Mr Deputy Speaker, we now have hard data, rather than forecasts, on tax revenues for eleven months of this financial year.

And as a direct result of the action we took, supporting the economy at a difficult time, tax receipts in December, January and February have been better than expected:

More resilient consumers and retailers have meant VAT receipts are now £3bn higher;

Better company profits have led to higher corporation tax receipts;

With more people having stayed in work, income tax revenues are stronger.

These are the results of the deliberate choices we made over the last two years.

At the same time, spending – including on benefits and tax credits – has been broadly in line with my forecast.

As a result, I can tell the House that borrowing this year should now be £11bn lower than forecast, at £167bn.

In 2010-11, in part because of one-off factors boosting receipts such as this year's tax on bank bonuses, borrowing will be £163bn.

It would not be sensible to assume that this year's surplus in receipts will be maintained in full in the medium-term.

But with the economy recovering in later years, together with the revenue from tax increases already announced, borrowing will fall to £131bn in 2011-12; then £110bn; in 2013-14 it will be £89bn; and it will reach £74bn in 2014-15 - that is £8bn lower than forecast in December.

This will mean debt is £100bn lower, by 2013-14, than was expected at last year's Budget.

As a share of the economy, borrowing is forecast at 11.8 per cent of GDP this year.

It will then fall to 11.1 per cent next year; then 8.5 per cent; in 2012-13 it will be 6.8 per cent; then 5.2 per cent; and fall to 4.0 per cent in 2014-15.

Mr Deputy Speaker, this means a reduction in the deficit from 11.8 per cent of GDP to 5.2 per cent – more than halved over a four year period.

The structural deficit, which takes into account the economic cycle, is estimated to be 8.4 per cent of GDP this year and fall to 2.5 per cent by the end of the period.

Mr Deputy Speaker, that is a reduction of over two-thirds, removing the bulk of the structural deficit by the end of the next Parliament

And as I have said before, should the economy perform better than expected, we will be able to do more to reduce the deficit.

Mr Deputy Speaker, in 2007, government debt, as a share of the economy, was lower in the UK than in every other G7 country except Canada.

Debt has increased across the world as a result of this global recession.

According to the IMF, net debt as a share of GDP is expected to reach 82 per cent in Germany, 83 per cent in France and 85 per cent in America.

As a result of our action to support the economy, I can forecast public sector net debt here will reach 54 per cent of GDP this year.

It will then increase to 75 per cent by the end of the forecast period in 2014-15.

Net debt, as a share of GDP, will begin to fall the year after that.

Even at its peak, debt will be in line with the average of all G7 economies.

Mr Deputy Speaker, this is the fastest deficit reduction plan of any G7 country and will meet our statutory obligations.

I know there are some demanding immediate cuts to public spending.

I believe such a policy would be both wrong and dangerous.

To start cutting now risks derailing the recovery – which is already bringing down borrowing more rapidly than expected.

To go faster, in the face of uncertainty, would mean taking a huge risk with people's jobs, incomes and our future.

I am not prepared to take that risk. We have worked too hard as a country to come through this recession to throw it away now.

Mr Deputy Speaker, we will need to work as hard to establish a platform for sustained growth, jobs and prosperity in the long-term.

Since the start of the global crisis, I have always been clear that support for the economy now must go hand-in-hand with a clear plan to reduce borrowing.

Our plans reduce borrowing by £78bn in cash terms over the next four years.

We are set to achieve this goal by a combination of three elements – tax, public spending cuts and, of course, growth in the economy.

First, on taxes. I have already made difficult decisions.

And I have been guided by this Government's values of fairness and the need not to undermine the recovery.

The one penny increase in the main rate of National Insurance Contributions will not affect anyone earning under £20,000 a year.

Nor will it come into effect until April next year, by which time I believe the recovery will be stronger and more secure.

The 50 per cent rate of income tax will come in next month, but only affects those with earnings over £150,000 a year, the top 1 per cent of earners.

For people with incomes over £100,000 a year, the top 2 per cent, we will gradually remove the value of their personal allowances.

Tax relief on pensions will be restricted from next year, but again only for those with incomes above £130,000 a year.

Looking across all the tax rises since the beginning of this global crisis, 60 per cent of them will be paid for by the top 5 per cent of earners.

We have not raised these taxes out of dogma or ideology.

We are determined to ensure our overall tax regime remains competitive.

But I believe those who have benefited the most from the strong growth in incomes in past years should now pay their fair share of tax.

I have no further announcements on VAT, on income tax, or National Insurance rates.

Mr Deputy Speaker, I can confirm that duty on beer, wine and spirits will increase as planned from midnight on Sunday.

Alcohol duties will also increase by 2 per cent above inflation for two further years from 2013.

And the planned increase in fuel duty and landfill tax will continue for one year from 2014.

There is a long-standing anomaly which has meant cider has been under-taxed in comparison to other alcoholic drinks.

I intend to correct this. So duty on cider will increase by 10 per cent above inflation from midnight on Sunday.

In September changes will be made to the definition of cider to ensure specific strong ciders are taxed more appropriately.

Tobacco duty will increase from today by 1 per cent above inflation and then increase by 2 per cent in real terms each year until 2014.

I have also decided to freeze the inheritance tax threshold for a further four years, and this will help pay for the cost of care for older people.

And my Right Honourable Friend the Secretary of State for Health will shortly set out further proposals.

Altogether, our tax plans will raise £19bn towards reducing borrowing.

Mr Deputy Speaker, the next element of our fiscal plan is to control public spending.

But to cut spending now, before the recovery is self-sustaining would be short-sighted and counter-productive.

This is not just my view, but that of governments around the world, the IMF, the World Bank and the OECD.

I know others take an opposite view.

If we had listened, the result would have been to deepen the recession and delay the recovery, to see more businesses closing and many more jobs lost.

As a result, borrowing would have been higher, not lower.

We did not follow that course. Nor did any other G20 country.

And cutting support now would take demand out of the economy, pull the rug from under the recovery, and delay our return to sustained growth.

So we will stick to our spending plans for next year, which will see a 2.2 per cent real-terms increase.

This will allow more time for the private sector to invest and create jobs, ensuring that the recovery will continue and strengthen.

It will also mean we can maintain the improvements put in place in our front-line services over the last 13 years.

Improvements which have seen 118 new hospitals, 16 hundred new schools, and tens of thousands of extra doctors, nurses, police and teachers.

In December I set out how we will protect spending on those front-line public services on which we all depend.

This enables us to guarantee:

- NHS health checks every 5 years for over 40s;
- Referral to a cancer specialist within 2 weeks;
- Extra maths and English tuition for all 7 to 11 year olds who fall behind;
- A place in education or training for every 16 and 17 year-old;
- And maintaining funding for police officer numbers.

I can confirm that we will honour these guarantees.

I can also confirm that we will allocate over £4bn from next year's Reserve to fund operations in Afghanistan.

I know the whole House will want to join me again in paying tribute to the courage, commitment and professionalism of our armed forces, who represent all that is best in our country.

Mr Deputy Speaker, we can only offer these guarantees for our front-line services – and deliver our plan to reduce the deficit – through continued reform and efficiencies and holding down increases in spending overall.

If unemployment is lower than predicted, as has already been the case, the cost of paying benefits will be lower.

Debt interest costs have also been lower than expected.

Even so, it is clear that the next spending settlement from 2011 onwards will be very tough – the toughest for decades.

Even before the spending review has been held, we have already identified cuts and efficiencies of over £20bn, through limiting pay, reducing programmes and making savings.

Mr Deputy Speaker, in December I set out savings of £4.4bn in public sector pay and pensions by 2012-13.

There will be reductions in the pay bill for senior civil servants.

Overall, we intend that public pay settlements will be held at a maximum of 1 per cent for the two years from 2011.

We will also implement reforms to ensure public pensions are affordable.

Second, we need to identify savings across every part of the public sector by delivering services more efficiently.

This will be tough and challenging. But it is also achievable.

We have already saved £26.5bn from departmental budgets between 2005 and 2008.

We need to go further. At the Pre-Budget Report we committed government departments to find over £11bn of new savings through reforms, without damaging front-line services.

Departments will today publish details of how they will make these savings from 2011, as we work towards the spending review.

We will also find savings by relocating civil servants from expensive London offices to elsewhere in the country.

In the long-term, I am announcing that the number of civil servants in London will be reduced by a third.

As a first step, 15,000 posts will be relocated within the next five years.

I can tell the House today that a thousand posts from the Ministry of Justice will be moved out of Central London, saving £41m.

Third, on top of these savings, we have already identified £5bn of cuts in specific programmes, announced in December.

And I can confirm that these will go ahead as planned.

Fourth, it has always been our goal to reform the benefits system so that it makes work pay.

The current approach to calculating Housing Benefit pays very high rates to a small number of tenants in the most expensive areas.

This discourages employment and is unfair.

I can tell the House that I am taking steps to address this, so from October next year the most expensive properties across the country will be excluded from the Housing Benefit calculation in each area.

This, in addition to measures to prevent fraud and error, will save nearly £250m a year by the end of the forecast period.

Mr Deputy Speaker, that's over £11bn from greater efficiencies, £5bn from scaling back or cutting lower priorities, and over £4bn from reducing the cost of public sector pay and pensions.

In total, over £20bn worth of savings to reduce borrowing and protect front-line services – even before the spending review.

And there is one other area which can help reduce Government debt.

I announced at last year's Budget a programme to secure £16bn through asset sales, and we are making considerable progress.

On the Student Loan Book, we are looking to appoint advisors in the next couple of months to develop a sales proposal.

On the Tote we are on track to launch a sale process this summer.

We are also finalising options on the sale of the Dartford Crossing.

The proceeds from these sales will make a significant contribution to reducing debt.

Mr Deputy Speaker, the third element of our plan to reduce borrowing is economic growth.

As we have already seen in the enhanced tax receipts since December, a stronger economy can make a major contribution to reducing borrowing.

The raw materials to fuel this growth are here in abundance.

No country has more talent. We remain the world's sixth biggest manufacturing nation.

We have world-class industries – advanced manufacturing, bioscience, aerospace, the creative sector – whose products are in demand across the globe.

We have worked hard to create the environment where this ingenuity and entrepreneurial flair can thrive.

Doubling investment in our science base. Low interest rates and inflation. The lowest rate of corporation tax in the G7.

But, Mr Deputy Speaker, our competitors are not standing still.

The opportunities and jobs of the future will come from new markets and new locations, particularly in the East.

We can't take growth for granted. Again we have a choice.

We can sit back and hope for the best. Or we can recognise the role Government can play in providing a launch-pad for businesses to succeed.

Of course, it is the private sector, with its drive and ingenuity, which will create jobs and prosperity.

But just as Government has been critical in reducing the severity of the recession, Government also has a crucial role in building our country's strengths.

Together with the Business Secretary, I have been working to find effective ways to:

Enable small businesses to grow;

Invest in key national infrastructure and skills;

As well as promote research, innovation and enterprise.

Mr Deputy Speaker, access to finance is vital for small business.

It was understandable that banks reduced lending to repair their balance sheets but it caused problems for companies and the wider economy.

In return for support during the financial crisis, we have made banks accept their obligation to lend more.

In the past 12 months, RBS and Lloyds, which make up half the market, have lent £38bn to small and medium sized businesses.

As recovery gets underway, we need to ensure viable SMEs continue to get the credit they need.

So, over the next year, I have agreed that RBS and Lloyds will provide a total of £94bn of new business loans – nearly half to SMEs.

Mr Deputy Speaker, there are still companies who are being unfairly denied credit and feel that they are powerless to challenge the decision.

I want to change this position and give them the right to have their credit complaints examined.

To help them – and the economy – I will set up a new service to fast-track credit complaints from SMEs.

This new credit adjudicator service will examine lending decisions to see if they are fair.

It will have legal powers to enforce its judgements, if they believe credit has been wrongly denied.

But ultimately, Mr Deputy Speaker, the best way to open up credit for business is to boost competition.

We have already made sure the restructuring of Lloyds and RBS, which will see 900 branches change hands, will bring new entrants into the market.

At least five new banks have already either established themselves as business lenders or are in the final stages of setting up.

We want even more competition, so the Financial Services Authority will improve and speed up the licensing process for new banks.

Mr Deputy Speaker, we want successful businesses to be able to attract equity and venture capital, as well as bank loans.

The Government already offers a wide range of support for businesses, to help unlock additional private investment.

But we have listened to business when they have told us that the wide variety of options can be daunting.

So we are bringing together all these initiatives under a new national investment corporation, to be called UK Finance For Growth, which will streamline and improve our offer to SMEs.

The new body will oversee the Government's £4bn range of finance support for business.

This will also include a new Growth Capital Fund, which will have a specific role in providing fast-growing companies with the private capital they need.

Commercial banks have so far agreed to contribute over half of the £200m committed to this fund. It will eventually provide £500m of finance.

And, in addition, in this Budget I am taking forward a range of proposals to help larger firms access non-bank sources of lending.

Mr Deputy Speaker, small businesses throughout the country count central government as one of their key clients.

Building on the recommendations of the Glover review, I will increase by 15 per cent the proportion of central government contracts that go to SMEs.

This could mean new business worth an extra £3bn from central government alone and up to £15bn across the wider public sector.

In addition, we are taking steps to speed up payments to businesses from government departments, so that up to 80 per cent of invoices will be paid within five days.

Mr Deputy Speaker, I will also provide extra support to small businesses through the tax system.

The improved time to pay scheme has helped businesses spread £5bn worth of tax payments over a timetable they can afford.

Between them, these businesses employ over 1.4m people.

The extra time has also helped businesses pay more of the tax owed.

This double benefit has convinced me that the scheme should be extended for the whole of the next Parliament.

On top of giving small businesses more time to pay taxes, I want to reduce their taxes, to help them invest and expand.

First, business rates are a fixed cost from the moment a company moves into their premises.

The Federation of Small Businesses say this is the third biggest cost after salaries and rents.

To help fledging businesses set up, as well as existing ones, I have decided to cut business rates for one year from October.

This change means a tax reduction for over half a million small businesses in England, 345,000 of which will pay no business rates at all.

That includes over 60,000 offices, 90,000 industrial premises and almost 100,000 shops.

Second, I am determined to make sure the tax system does not hold back decisions to invest during the economic recovery.

Scrapping investment allowances, as some have proposed, in order to pay for a reduction in the overall rate of corporation tax makes no sense.

It would mean, for example, that manufacturers and many smaller companies would see their tax bill increase.

So instead I will help small businesses to expand by doubling the annual investment allowance to £100,000.

As a result, 99 per cent of businesses will be able to deduct in the first year, from their taxable profits, all investments in plant and machinery.

Third, I am also going to make it more attractive for wealth-creators and innovators to set-up their own businesses.

To do this, I am doubling entrepreneurs' relief for Capital Gains Tax.

At the moment, the first million pounds of lifetime gains are taxed at a lower rate of 10 per cent, rather than the main rate of 18 per cent.

This threshold will now increase to £2m, enabling entrepreneurs to benefit more from their effort and investment.

And I can also confirm today that I am not increasing the main rate of Capital Gains Tax.

Mr Deputy Speaker, better access to finance, improved procurement, lower taxes and more time to pay them.

Benefiting hundreds of thousands of small businesses – providing the backbone of future economic growth and jobs.

Mr Deputy Speaker, investment in both traditional and new infrastructure is also vital if our economy is to grow and our businesses are to succeed.

We have to move goods and people around the country and around the globe.

It is no good supporting high-speed rail links in principle, but declining to back plans which might lead to local controversy.

The Government is taking forward plans for a high-speed rail link from London to the Midlands, and then to the North and Scotland.

In Government, we have taken the tough decisions to improve our transport links and to cut delays in our planning system.

Plans for Crossrail, Heathrow, along with high-speed trains, will improve transport in this country and support some 100,000 jobs over the coming years.

Roads are, of course, an essential part of our transport network.

The bad weather of the last few months has taken a damaging toll on their condition.

So I am providing £100m to pay for vital repairs to local roads throughout the country, and £285m to pay for improvements in the motorway network, including by expanding capacity by allowing hard shoulder running.

For this and other such measures, there will be consequential provisions, where appropriate, for Scotland, Wales and Northern Ireland.

Mr Deputy Speaker, improving our infrastructure also requires us to renew and modernise our energy supplies.

Again our competitors are not standing still – China is building a new power station every week, to meet its growing energy needs.

We need to take long-term decisions to secure our supplies, while moving to a low-carbon economy.

This means replacing our ageing nuclear power stations.

It also means investing in renewable energy along with sustainable transport.

In last year's Pre-Budget Report I set up Infrastructure UK, to advise on how our country can achieve these vital goals.

Today they publish a new strategy, setting out a route-map and the investment that will be needed.

To deliver this ambition – vital for future jobs and the health of our planet – I am setting up a new Green Investment Bank.

It will control £2bn worth of equity. Half will come from the asset sales, including the Channel Tunnel rail link, with the rest matched by private investment.

This equity will unlock billions more of finance from the private sector.

The fund will focus first on investing in green transport and sustainable energy, in particular offshore wind power, where Britain is already the world-leader.

And, to strengthen this position further, we are offering £60m to develop ports looking to host manufacturers of offshore wind turbines.

This will help the UK secure new inward investment deals, and support thousands of extra jobs in these sectors.

Mr Deputy Speaker, the UK has the potential to be the world leader in the digital economy.

Realising this ambition would create thousands of new businesses and hundreds of thousands of new jobs.

It will also open the way for public services to be delivered more effectively and at lower cost.

Access to high-speed broadband is essential to deliver these goals.

We have taken the decision to ensure the benefits are spread to rural as well as urban areas and are not limited to the better off.

The 50 pence monthly landline duty will unlock private investment and enable 90 per cent of the country to access the next generation of super-fast broadband by 2017.

Mr Deputy Speaker, I now turn to how we will give targeted help to British industry to realise its global potential.

The role of modern government is to work with the key sectors to help them compete and prosper.

We will not go back to the interventionism of the past. But nor can we return to the hands-off approach of the free-marketers.

It is through partnership, not indifference, that Britain can and will succeed.

It is a source of pride that 50 per cent of all Ford diesel engines in the world are now produced in Britain's cutting edge engineering plants.

This is testament to the commitment of their staff and the high-quality of their research and development.

But Government has also played a part, with financial support, in this British success story.

Mr Deputy Speaker, the Government, again, cannot develop and manufacture electric cars.

But we can provide the support to help these exciting projects take place in Britain.

The announcement by Nissan last week that it is to produce in Sunderland its first mass-produced electric car, was a vote of confidence in British engineering and its workforce.

But this ground-breaking venture would not have happened without our support to unlock this private investment.

It is this co-operative approach which will ensure our country competes successfully on a global scale.

This same partnership is being built in the life sciences sector, which already employs over 120,000 people.

Our approach can be seen in the patent box, for example, which offers tax breaks on income from patents held in the UK.

This will lead to more products being manufactured in this country.

Our creative industries are also a huge source of jobs, wealth and pride.

I will offer help to the computer games sector, similar to the steps which are helping restore the fortunes of the British film industry.

This is a highly successful and growing industry, with half its sales coming from exports, and we need to keep British talent in this country.

From advanced manufacturing to pharmaceuticals, from digital communications to creative arts – it is the ideas that drive their success.

Building on the Hauser Review, we will ensure that the UK's Technology and Innovation Centres achieve their potential to commercialise new British discoveries.

We have also strengthened the links between our universities and business to ensure ideas are harnessed for commercial success.

But we need to do more. So we will set up a £35m university enterprise capital fund, to provide direct support for university innovation and spin-out companies.

Mr Deputy Speaker, along with the impact of new ideas, it will be the ambition of our young people that will carry this country to success.

We need to invest in skills, in education and our centres of learning.

Over the last 13 years, we have increased the number of places and funding for universities by 25 per cent.

Almost 400,000 more of our talented young people now go on to university than in 1997.

Given this unprecedented rise in investment and the need to tighten public spending overall, universities must make efficiency savings while focusing their funds rigorously on quality teaching and research.

We are determined to achieve this without damaging key skills and our economic strengths.

To help them do this, we are going to provide extra one-off funding of £270m in 2010-11, through a University Modernisation Fund.

This will enable them to create 20,000 more university places, largely in key subjects like science, technology, engineering and maths, starting in September this year.

Mr Deputy Speaker, these extra places allow us to strengthen our offer to our young people and ease parents' concern that their child's first taste of life after school or college will be a prolonged spell in the dole queue.

We have seen in past recessions what a waste of potential this was and the long-term damage it caused.

Because of the choices we've made, every school and college leaver, as well as every recent graduate under the age of 24, will receive personal help and new opportunities.

This will be delivered by:

- A guaranteed place in education or training for all 16 and 17 year olds;
- A guaranteed job, work experience or training for every 18-24 year old;
- Supporting a higher number of apprenticeships;
- And now, more university places for those who want them.

The cost of this £2.5bn one-off growth package, to invest in Britain's future, will be partly met by switching resources from within existing budgets and by the higher revenues from the tax on bankers' bonuses.

I expect this cost to be repaid many times over in the coming years, in new jobs, new opportunities, and greater prosperity.

Mr Deputy Speaker, this recession has had an impact on people across the world.

It is often the most vulnerable who are affected most, those in insecure jobs or on modest incomes.

While people are suffering hardship, it is all the more unfair that some are escaping their tax obligations.

I am determined to continue our successful drive to prevent avoidance and evasion.

Measures in this Budget will bring in additional tax worth half a billion pounds each year, while protecting £4bn worth of revenues by 2012-13.

These steps include tax agreements like that already signed with Liechtenstein, which is expected to bring in around £1bn of extra revenue.

I can also now tell the House that we are ready to sign tax information exchange agreements with three additional countries – Dominica, Grenada and Belize.

Mr Deputy Speaker, we are proud of our achievements in helping families and tackling child poverty.

For the new born, there is an additional element of the Child Tax Credit, as well as the Child Trust Fund.

Pre-school children are benefiting from a massive expansion in free childcare places.

I now want to do more to help the parents of one and two year-olds, by increasing by £4 a week the money paid through child tax credit from 2012.

Extra money which will be paid for all children who need it, whether their parents are married, living together, or living apart.

Mr Deputy Speaker, we have also tackled pensioner poverty.

In 1997, hundreds of thousands of pensioners lived on a basic state pension worth just £62 a week.

From next month, because of above-inflation increases in the basic state pension, and the introduction of the pension credit, every pensioner will be entitled to a weekly income of £132.60.

We have announced increased personal allowances for older pensioners, which will mean that from April next year, no-one over 75 will pay any tax on the first £10,000 of income.

The cold weather conditions of the last few months have underlined the importance of the winter fuel payment for many pensioners.

Mr Deputy Speaker, for the last two years these payments were temporarily increased to £250, and £400 for the over-80s.

Without action today, the winter fuel payment would have decreased in value this coming winter.

I have decided that this would be unfair.

So I will guarantee this higher winter fuel payment for another year.

It means that 9 million pensioner households will receive at least £250 this winter to help with their fuel bills.

And in line with our values of fairness, I have provided today help for pensioners, families and homeowners, over the coming year, paid for by closing down tax loopholes, as I have already announced.

Mr Deputy Speaker, I believe the Government made the right choices to rebuild our public services.

When faced with the upheaval of the global recession, we made the right choices to support the economy, business and families.

Because the steps we took, opposed by the party opposite, the recovery has begun, unemployment is falling and borrowing is better than expected.

The choice before the country now is whether to support those whose policies will suffocate our recovery and put our future at risk.

Or support a Government which has been right about the recession, right about the recovery, and is right about supporting the people and business of this country to build a prosperous future.

And I commend this Budget to the House.