House of Commons

Treasury Committee

Pre–Budget Report 2008: Government Response to the Committee's Second Report of Session 2008–09

Third Special Report of Session 2008–09

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The Treasury Committee

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Third Special Report

The Treasury Committee published its Second Report of Session 2008–09, Pre-Budget Report 2008, on 28 January 2009, as House of Commons Paper No. 27. The Government Response to this Report was received on 22 April 2009.

Appendix: Government Response

The Economy

1. The Treasury's forecast in the Pre-Budget Report is for a swift recovery in economic growth for 2010, after a significant decline in output in 2009. The outlook for economic growth remains highly uncertain, but the balance of risks to the Treasury's forecast is on the downside, as illustrated by the two packages which have since been introduced. (Paragraph 4)

The 2008 Pre-Budget Report noted that, "Short and medium-term growth prospects in the UK are subject to exceptional uncertainty. The 2008 Pre-Budget Report forecast has been based on a number of key forecasting judgements, in particularly relating to the path of credit conditions back to a new norm and the structural and cyclical implications of the global financial crisis."

Since the Pre-Budget Report, world trade and manufacturing have slowed more sharply than expected, while the UK economy is estimated to have contracted by 1.6 per cent in the final quarter of 2008. Budget 2009 presents updated economic forecasts, reflecting all relevant factors.

2. The overall effect of the fiscal stimulus remains uncertain. The cost of the reduction in VAT is considerable and, in the view of the majority of commentators, the Treasury's analysis of its impact is an optimistic one. We will continue to monitor its effect as part of our ongoing work, and will return to this issue at the time of the Budget 2009. (Paragraph 12)

3. The lack of bank lending remains the single most critical problem for the economy in the near term. The Government must ensure that the availability of credit, both to households and businesses, increases quickly. Without that increase in availability, the recovery of the economy will be placed in jeopardy. We recommend that the Lending Panel, or a suitable agency of the Treasury, provide regular updates on the actual lending by the banks to the real economy. We were very struck by the Governor of the Bank of England's analysis that lending at the present time might not appear to be in individual banks' interests even if it were in their collective interest. We note the Government's proposals announced on 19 January 2009. We will monitor their implementation and effectiveness, both at the time of our inquiry into Budget 2009, and as part of our ongoing inquiry into the Banking Crisis. This is a matter we will discuss with the Chancellor in due course. (Paragraph 17)

At the 2008 Pre-Budget Report, the Government announced the creation of a new Lending Panel to monitor lending to businesses and households and drive up standards of industry best practice in lending decisions. As part of this new monitoring approach, the Bank of England is publishing a monthly report—"Trends in Lending"—the first of which was published on 21 April, and draws on a new collection of data covering the major UK lenders.

4. We are concerned that the terms of the original recapitalisation programme of the banks may be hampering their ability to lend. We note the conversion of preference shares held by the Treasury in RBS into ordinary shares. We recommend that the Treasury continue to monitor the effectiveness of the recapitalisation scheme, and whether further renegotiation of the original contracts will be required so that the banks concerned can maintain and increase their lending. (Paragraph 20)

Since the Treasury Committee's report, the Government, in consultation with UK Financial Investments, has agreed that on implementation of the Asset Protection Scheme it will convert the Treasury's preference share investment into ordinary shares for both RBS and Lloyds.

We are very aware of the importance of maintaining lending to the real economy and as part the Government's agreement with RBS to convert the Treasury's preference share investment into ordinary shares, RBS committed to:

- the extension to large corporates of the existing agreement to maintain, over the next three years;
- the availability and active marketing of competitively-priced lending to homeowners and to small businesses at 2007 levels or above; and
- increasing lending still further by £6bn in the next 12 months.

In addition, quantified and legally binding lending commitments will be agreed with banks accessing government support through the Asset Protection Scheme and the extended Credit Guarantee Scheme. Such lending commitments—on commercial terms, and subject to market demand—have already been agreed with both RBS and Lloyds Banking Group. RBS will lend an additional £25 billion on commercial terms over the 12 months from March 2009—£9 billion of mortgage lending and £16 billion of business lending. Lloyds will lend an additional £14 billion on commercial terms over the 12 months from March 2009—£3 billion of mortgage lending and £11 billion of business lending. Similar lending commitments have been made in respect of the subsequent 12 months and will be reviewed to ensure they reflect economic circumstances at that time. A robust monitoring framework has been put in place, and the Government will report to Parliament annually on the delivery of these agreements.

5. We note the creation of the guarantee scheme for asset backed securities. We will examine this proposal as part of our inquiry into the Banking Crisis (Paragraph 25)

6. The current forecast suggests that any future falls in prices will only be temporary. But the risk of a self-reinforcing deflationary cycle exists in the UK economy at present. The Treasury must be alert to this possibility. Nominal interest rates have already fallen significantly, and may soon reach a rate of zero percent or just above. We recommend that the Treasury prepare and publish the actions it may consider taking should a period of "quantitative easing" be needed. We note the creation of the Bank of England asset purchase facility, and would expect it to be included in such an analysis (Paragraph 30)

7. This paper must also contain the actions that will be expected of, or have been recommended by, the other relevant public bodies related to the Treasury, such as the Bank of England and the Debt Management Office. We will continue to examine the need for, and

design and function of, the Bank of England asset purchase facility in our future inquiries into the Budget 2009, and the Bank of England's Inflation Reports. (Paragraph 31)

The Governor wrote to the Chancellor on 17 February, setting out the MPC's case for using the Asset Purchase Facility for monetary policy purposes. The Chancellor replied on 3 March. These two letters were published at the conclusion of the MPC's meeting on 5 March and are available on the Treasury and Bank of England's websites. At its meeting on 5 March the MPC decided to undertake £75 billion of asset purchases over the following 3 months.

The Chancellor's letter to the Governor on 3 March authorised:
- that the MPC should have the option to finance purchases under the Facility using central bank money;
- that the range of assets eligible for purchase should include UK Government debt purchased on the secondary market, as well as the full range of private sector assets specified in his letter of 29 January (commercial paper, corporate bonds, syndicated loans, paper issued under the Credit Guarantee Scheme and asset-backed securities created in viable securitisation structures); and
- an increase in the scale of purchases to up to £150 billion, of which up to £50 billion should be used to purchase private sector assets.

The Chancellor also confirmed that debt management policy would remain consistent with monetary policy, but that the Government would not alter its issuance strategy as a result of the asset purchases undertaken by the Bank of England for monetary policy purposes.

8. Interest rate reductions, while favourable to borrowers, once passed through by financial institutions lead to a decrease in income for savers. While the need for lower interest rates to maintain economic growth is crucial at the present time, the needs of savers must not be forgotten. We recommend the Treasury consider measures that will provide support to savers at this difficult time. (Paragraph 33)

The Government notes the Committee's recommendation to consider measures that will provide support to savers. The Government recognises that savings are important in providing people with independence throughout their lives, security if things go wrong and comfort in retirement. The Government has introduced a range of incentives to save, including ISAs and the Child Trust Fund (CTF). Over 18 million people have an ISA, and over 4 million children have a CTF account. From September 2009, the Government will contribute £250 to every 7 year old's CTF account, with an additional £250 for children in lower-income families. The Saving Gateway will be introduced from 2010 for working age people on lower incomes, providing a Government contribution of 50p for each pound saved, up to a monthly limit. The Government has taken further action to support savers in Budget 2009, including increasing the ISA limits and making extra payments to the Child Trust Funds of disabled children.

9. The recent fall in sterling is providing a stimulus to the exporting sections of the UK economy. However, the fall in sterling has its negative impacts, such as the risk of imported inflation, and we will continue to monitor the situation. We recommend that the Treasury include an update at the time of Budget 2009 about these negative impacts, and what mitigating measures, if any, it has taken. (Paragraph 38)

The Government notes the recommendation of the Committee. The 2008 Pre-Budget Report noted the recent movements in the sterling exchange rate and the potential impact this could have on the balance of payments and the contribution from net trade to GDP growth. Box A6 noted that, according to economic theory, currency depreciation should have a positive impact on the net trade contribution to GDP over the medium term via the positive effect on export volumes and negative effect on import volumes. For the UK, given the outlook for global economic growth, sterling depreciation was seen as more likely to support a positive contribution from net trade to UK GDP growth via the negative impact on import growth.

Budget 2009 contains an update on developments in the sterling exchange rate since the Pre-Budget Report, in Chapter B: The Economy.

10. The rebalancing of the UK economy will require healthy UK exports, along with adequate access to foreign markets. We endorse the Treasury's anti-protectionist stance. (Paragraph 41)

11. Support provided directly by Government to industry may be justified. Clearly, reasons of commercial confidentiality make it difficult for an open debate to take place over specific measures. However, we recommend that the Treasury, in consultation with BERR, should provide a consultation document setting out the criteria against which support packages would be considered. (Paragraph 44)

Businesses will benefit from the measures announced by the Government to meet the pressures of the downturn. This includes action taken in both Budget 2009 and the 2008 Pre-Budget Report, continued support of the banking system, as well as the automotive assistance and small business finance packages.

The Government has an important role to play in recognising those business activities in which the UK has relative strengths, actual and potential, and helping to identify threats and opportunities. By working closely with industry sectors, the Government can help identify barriers to growth that are sector-specific, and tailor policy responses accordingly.

The Government is taking steps to support the economy now, with flexibility to respond to developments as they arise. This is advantageous compared with waiting for the recommendations of a consultation process, which would not report for several months.

The Public Finances

12. We accept the Chancellor's argument that a rigid application of the fiscal rules in the current circumstances would have been damaging to the UK economy. The fact that a temporary departure from the fiscal rules has been required serves to reinforce our view that a revised fiscal framework is needed. The forthcoming period during which the Temporary Operating Rule applies provides a good opportunity to re-evaluate the fiscal framework for the future. We recommend that the Treasury conduct a full public consultation on the design of such a framework. We remain of the view as expressed in our previous Reports, such as on the Budget 2008, that it is our desire to see a credible framework which is more forward-looking than the fiscal rules used over the last cycle, which have been beset by problems surrounding the dating of the economic cycle. (Paragraph 57)

The Government notes the recommendation of the Committee. The Government's objectives for fiscal policy in the face of the major economic shocks remain unchanged. The immediate priority has been to support the economy, while setting a path to ensure fiscal sustainability in the medium term. To achieve these objectives, and as provided for in the Code for Fiscal Sustainability, the Government has departed temporarily from the fiscal rules until the global shocks have worked their way through the economy in full.

When the economy faces significant shocks, the role of the fiscal framework is to ensure fiscal policy has the flexibility to respond to those shocks, while remaining committed to transparent long-term goals. The Government has taken steps to improve the transparency of fiscal policy-making and to promote public scrutiny, including publishing alongside the 2008 Pre-Budget Report a document explaining the fiscal framework and how it has responded to recent shocks.

In advance of the public finances reaching cyclically-adjusted current balance, the Government will set out how it will apply the fiscal framework in future to continue to deliver its objectives.

13. It is encouraging that at the present time the markets are supporting the Government in its raising of debt. We note the Chancellor's acceptance that in due course the levels of public sector net debt need to be addressed. (Paragraph 61)

Child poverty, Fuel poverty and the poverty trap

14. We welcome the decision in the Pre-Budget Report to bring forward measures on Child Benefit and Child Tax Credit, including the reforms on Housing Benefit and Council Tax Benefit due this autumn, which will provide increased support to families with children. However, we note with concern that the Pre-Budget Report contains no policy measures which will significantly advance meeting the 2010 child poverty target. The Chancellor has told us that the Government remains strongly committed to meeting the child poverty targets, but this needs to be demonstrated through firm action on tackling child poverty in the 2009 Budget, including the deployment of additional resources. We recognise the fiscal position is strained and that resources are limited, but believe meeting the 2010 child poverty target must not be allowed to fall by the wayside. (Paragraph 72)

15. We note that the price of fuel has fallen considerably in recent months. Ofgem has a clear responsibility to ensure that energy providers are not taking advantage of British consumers. We expect the Government to act promptly on the Ofgem quarterly reports in order to ensure, by whatever means necessary, that consumers are not charged an inflated price for energy. (Paragraph 81)

16. We welcome the progress made to close unfair gaps in energy pricing. For too long vulnerable and fuel-poor consumers who should have been assured of receiving the best deal from their supplier have struggled to pay energy bills. It is important that the Government ensures that the energy companies take urgent steps to resolve this matter quickly and if necessary takes statutory powers to do so. (Paragraph 86)

17. The increase in the number of households facing marginal deduction rates of over 60% is a direct consequence of decisions made by the Government as to how the tax and benefit system will work. We acknowledge that there is no easy solution to the problem of high marginal deduction rates, and that this results in part from the Government's approach of targeting support on lower-income households. That said, we welcome the fact that the

Government has ensured that no household now faces a marginal deduction rate of over 100%. However, we are concerned by the increase in the number of households facing high marginal deduction rates of over 60% and recommend that the Government examine ways to over time reduce the number of households adversely affected by high marginal deduction rates.
(Paragraph 96)

The Government recognises that provision of significantly more generous support to low income families under tax credits has increased the number of families facing marginal deduction rates above 60%. The Government agrees with the Committee's view that there is no easy solution to this issue: tax credits play a key role in supporting the UK's most needy families and children, and have helped reduce relative child poverty by 600,000 since 1998-99. Focussing on labour market impacts, the Government's response to the Committee's Report on Budget 2008 noted that there is good evidence tax credit reforms raised participation incentives and employment rates particularly for lone parents, but there is no strong evidence that working hours fell in response to increased MDRs; it also described a number of important limitations that make interpretation of the MDR statistics difficult. The Government will continue to examine the trade-offs in this area, and notes that options to reduce aggregate MDRs whilst focussing support on lower income families typically involve increased numbers of families facing tax credit or benefit withdrawal.

18. We welcome the increased take-up of Working Tax Credit amongst low-income individuals and couples without dependent children, although there is clearly very considerable scope to increase the take-up of Working Tax Credit amongst this group. As we originally said in our Report on Low Income Households, whilst one of the reasons for low take-up of Working Tax Credit amongst this group—lack of awareness of eligibility for Working Tax Credit—can be tackled through publicity campaigns, other factors will be more difficult to overcome. These include making the system more responsive and user-friendly for those with volatile incomes and circumstances. To this end we welcome the increased resources that the Government is devoting to helping tax credit recipients to claim, manage and renew their awards. That said, awareness-raising measures do have a role to play in boosting take-up rates, particularly in correcting the perception that access to Working Tax Credit is restricted to those with dependent children. We will continue to monitor Government progress in this area, including the implementation of Housing Benefit and Council Tax Benefit reforms due this autumn, during our inquiry on the 2009 Budget. (Paragraph 101)

Take up of tax credits generally is high, with over 80 per cent of families overall, and over 95 per cent of families with children and household income below £10,000 claiming what they're entitled to. However the Government recognises that more could be done to increase take up of Working Tax Credit among people without children.

Pre Budget Report 2008 pledged to double the coverage of HMRC's partnership working programme and to continue to work with Jobcentre Plus to ensure the newly employed got all the support they are entitled to. Budget 2009 builds on this by setting HMRC an ambitious target to increase take up amongst this group by 100,000 by April 2011. HMRC will continue to expand its partnership marketing, which is now reaching around 750,000 employees at over 50 organisations, and its work with JobCentre Plus. They will also begin new research-driven marketing aimed at the half a million people who stand to gain the most from taking up WTC, and a pilot using data from the Pay As You Earn records to identify and contact potentially eligible customers.

Public expenditure issues

19. We note that the announcement of an additional £5bn of efficiency savings was made in the 2008 Pre-Budget Report without any supporting schedule showing the derivation of this figure. In order to demonstrate the robustness of this figure we recommend that the Government publishes details of where and how the additional savings will be made. In providing these details the Government should also set out the measures in place to ensure that public service delivery does not deteriorate. (Paragraph 107)

As set out in the 2008 Pre-Budget Report we will publish a full departmental breakdown of the £35 billion VFM target at Budget together with further detail on how these targets will be achieved. Progress towards meeting Public Service Agreements and Departmental Strategic Objectives will demonstrate that the quality of key public services will continue to improve.

20. We broadly welcome the package of measures the Government has introduced to support small and medium-sized enterprises through the economic downturn and related credit crisis. That said, the Government must keep the size and duration of the Small Business Finance Scheme under constant review given the possibility that bank lending to small firms does not return to 'normal' during the course of 2009. (Paragraph 119)

In November 2008 the Government established a panel to monitor small business lending. This panel closely monitors, on the weekly basis, commercial lending levels to small and medium sized enterprises and also loans issued under the Enterprise Finance Guarantee Scheme (previously Small Business Finance Scheme). Since November this panel, made up officials from the Department for Business, Enterprise and Regulatory Reform, the Bank of England and HM Treasury, has met on five occasions to compare uptake levels of the Enterprise Finance Guarantee against planned delivery and consider the size and duration of the scheme. In addition to this and before Budget 2010 the Government will undertake a comprehensive review of the Enterprise Finance Guarantee to assess effectiveness and identify appropriate next steps.

21. We also welcome the measures to ease the tax burden on small firms facing difficulties, but will continue to monitor whether HMRC are devoting sufficient priority to this initiative. With respect to the impact on small firms of the temporary reduction in VAT, we note that businesses argued that the short notice caused an administrative burden. We trust that the Government will take note of the concerns that small firms have expressed in their assessment of how the exercise impacted on small firms. (Paragraph 120)

When deciding to temporarily reduce the standard rate of VAT the Government recognised that the changes would impose a compliance burden on businesses and that smaller businesses may suffer more cost relative to larger businesses. However it was important to make the change quickly to maximise the economic and commercial benefits. We take seriously the concerns expresses by small firms and understand that it is important for businesses to have sufficient notice to implement a change. The Chancellor set out at the time of the PBR last November that the standard rate will revert to 17.5 % on 1 January 2010. Businesses therefore have adequate time to prepare for the change.

22. We note that the Government has published a list of assumptions, but declined to publish any official forecast of unemployment levels. We accept that this has been the established practice of all governments but believe that the current circumstances demand maximum transparency. Accordingly, we recommend that the Government publishes its forecast for unemployment. (Paragraph 125)

This Government, in line with the practice of the previous Government and those before that, does not publish an unemployment forecast.

The use of assumptions audited by the National Audit Office (NAO) under the three-year rolling review process is designed to add caution into the public finance projections. The assumption for the level of the claimant count underlying the public finance projections in the 2008 Pre-Budget Report is set out in Box B1. In Budget 2009, the assumption is set out in Box C1.

The assumption is transparent, designed to provide caution and audited by the NAO. At the time of Budget 2008 the NAO said "The assumption draws on a wide range of external views of the future and is a reasonable one to have used and continue to use."[1]

23. We note that 1.8 million pensioners are missing out on pension credits which they are entitled to and which would offer them additional financial support at this time. We recommend that the Government takes further steps to increase the take up of the support available, and we will be taking further evidence about the rate of take up in due course. (Paragraph 130)

Since the introduction of Pension Credit in 2003, the number of pensioners in relative poverty has fallen by 500,000. Currently 2.7 million people are benefiting from, on average, £52.80 of Pension Credit a week. The Government continues to make every effort to ensure that people are aware of and claim their entitlement to Pension Credit, helping to continue to reduce the number of pensioners living on low incomes. The Pensions, Disability and Carers Service already:

- uses data matching to identify people who may be eligible but not claiming and employs direct marketing to contact pensioners who may be eligible;
- offers face to face visits to the most vulnerable pensioners to ensure they are receiving all the benefits and services they are entitled to, making around 13,000 visits a week;
- has Joint Working Partnerships, either live or at the implementation stage, with all 203 primary tier Local Authorities in England, Scotland and Wales; and
- is rolling out targeted take up activity, based on partnership working, across 20 regions/areas where operational data suggests there are high numbers of eligible non-recipients of Pension Credit and where the Pension, Disability and Carers Service has sufficient local operational capacity.

To further encourage take up, the Government has also taken steps to simplify the claims process for Pension Credit. For example, claims for Housing Benefit and Council Tax Benefit can be made by telephone alongside Pension Credit without the need to complete and sign

[1] National Audit Office, *Audit of Assumptions for Budget 2008*, HC 345

claims forms. However, the Government continues to look at ways of making further improvements to increase the numbers claiming Pension Credit.

24. We recognise that steps taken by the banks to rebalance their assets following the banking crisis late last year has resulted in reduced credit lines being made available to the public. It is clear that schemes introduced in the Pre-Budget Report, and the stamp duty holiday announced earlier, are not having any widespread effect. We recommend that the Government takes all possible steps to ensure that the banks lend fairly and responsibly to each other and consequently to the public. We are concerned that piecemeal measures introduced by the Government may not be adequate in the face of the crisis in lending. (Paragraph 140)

The stamp duty holiday is a short-term measure intended primarily to demonstrate Government support for home buyers, including first time buyers, who despite falling house prices, are finding it harder to enter the market because of the cost of finance and the need to find big deposits. This measure provides support to those homebuyers who need it most, which is why the holiday is limited to residential transactions up to the value of £175,000. This is around 60% of all residential transactions.

Alongside this, four major lenders have so far agreed to lend on HomeBuy Direct, the shared equity scheme announced in September 2008, namely HBOS, RBS, Woolwich and HSBC. We are also in positive discussions with several other major lenders, as well as a number of smaller lenders. The Government is keen to secure the widest possible lender participation, as this will offer more choice to buyers we will continue to work with the Council of Mortgage Lenders, Building Societies Association and with individual lenders to achieve this.

In addition, on 19 January 2009, the Government announced measures designed to reinforce the stability of the financial system, to increase confidence and capacity to lend, and in turn to support the recovery of the economy. Further information is available at: http://www.hm-treasury.gov.uk/press_05_09.htm. These build on measures announced in 2008.

25. We welcome the extended provision of free impartial debt advice outlined in the PBR through the Citizens Advice Bureau, and through online and telephone services. Citizens Advice is well placed to offer advice to those struggling with debt problems and the public is certain to benefit from the funding allocated to increase its capacity. (Paragraph 145)

Other tax measures

26. We note that Air Passenger Duty excludes freight flights and imposes comparatively low charges on private planes, maintaining an inconsistent handling of aviation emissions. We further note the risk that distance based bands of APD will encourage travellers to fly via European hubs. We are of the view that the disparity in fare level will indeed encourage passengers to fly via European hubs. We recommend that the Government monitors the impact of the introduction of higher banding Air Passenger Duty in order to ascertain the impact of APD on UK hubs, passenger preferences, and the financial consequences for airlines. If the recovery from recession is to be a 'green recovery', as the Pre-Budget Report has stated, this rhetoric has to be supported by an appropriate taxation strategy. (Paragraph 153)

Although APD is due on all flights departing from UK airports, a transit and transfer exemption exists, which exempts the second leg of a connected flight from APD. This means that for flights originating from outside the UK but which connect at a UK hub before flying onwards, no APD is due. Similarly, for those flights that originate from a regional UK airport, and then transfer in London, APD is paid only once, according to the final destination. These arrangements remain in place under reformed APD.

A passenger's decision to reduce their APD liability by taking a separate flight to the near continent and then a further flight from there, is a personal one and is influenced by a number of factors, of which price is but one. Although traveling on disconnected flights may be a means for passengers to reduce airlines' charges for APD, there are a number of practical as well as financial consequences of such travel arrangements. A passenger with two unconnected tickets for travel will need to 'land' himself at the first destination airport, and then check back in for the second flight. By doing so not only will he be subject to any taxes or charges due for that country, but both airlines will incur handling charges for processing the passenger, which are likely to be passed on.

The Government will, as with all taxes, monitor the impact of APD and, as stated in the impact assessment produced on the changes to APD, a post implementation review will be carried out within three years. This will include an assessment of the impact on airports and passengers flying to different destinations.

27. We note that the Government is relying on falling oil prices to counterbalance the impact on businesses of the 2 pence per litre rise in fuel duty. We believe that the Chancellor has missed an opportunity to assist the road haulage industry, a matter we think the Chancellor should address at the time of the Budget. We recommend that the Government continues to monitor oil prices and adjusts the level of fuel duty in light of any future increase in oil prices. (Paragraph 157)

In making decisions on fuel duty as part of the overall fiscal judgement, all relevant economic, social and environmental factors are taken into account—including crude oil and pump prices. Since reaching their peaks in the summer of 2008, crude oil prices have fallen by over 60%, and pump prices by over 25 pence per litre. Crude oil and petrol prices are largely unchanged since 1 December 2008, while since that date diesel prices at the pump have fallen by around 5 pence per litre.

The Government continues to support the haulage industry through a range of other measures. These include freezing lorry VED rates since 2001, and continuing to provide Reduced Pollution Certificates for those who buy Euro V standard HGVs before the Euro V standard becomes mandatory in October this year. An additional £24.3 million of enforcement spending was announced in 2008 to tackle those who do not comply with road safety law, which has already delivered more than 100 additional staff who will carry out over 100 thousand additional checks per year, resulting in the region of 40,000 additional prohibitions. Enforcement capability has been further enhanced by the Graduated Fixed Penalty and Deposit Scheme, which came into force on 1 April 2009 and allows on the spot fines to be issued to non-compliant operators, including those who do not have a fixed UK address.

Fuel duty should not be looked at in isolation from the total PBR package, which aimed to help businesses through a wide range of measures.

Timing and debate on the Pre-Budget Report

28. We accept that it may be unrealistic for the Government in the current climate to give any commitment to a particular notice period though we maintain that a longer lead-time would be helpful. (Paragraph 159)

The Treasury has a good record of notifying Parliament before major events, and will continue to strive to meet the Committee's recommendation of four weeks' notice.

29. We recommend that the Government makes available a full day's debate for the Pre-Budget Report. (Paragraph 161)

The Government is committed to parliamentary oversight of fiscal policy making and the fiscal cycle, and welcomes the opportunity for full debate. This request should be made through the usual channels nearer the time.