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**HOUSE OF COMMONS
OFFICIAL REPORT**

**PARLIAMENTARY
DEBATES**

(HANSARD)

Monday 29 June 2015

House of Commons

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The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

COMMUNITIES AND LOCAL GOVERNMENT

The Secretary of State was asked—

Devolution (Local Communities)

1. **Bridget Phillipson** (Houghton and Sunderland South) (Lab): What steps his Department is taking to encourage devolution of powers to cities, towns and county regions. [900595]

9. **John Howell** (Henley) (Con): What steps the Government are taking to devolve powers to local communities. [900604]

The Secretary of State for Communities and Local Government (Greg Clark): We shall have a moment of silence at the end of Question Time, but I think that, as we gather together in the House at this point, we will all want to share our condemnation of the atrocities in Tunisia, Kuwait and France last week. All our thoughts and prayers are with the victims and their families.

The Government are committed to devolving greater powers away from Whitehall to drive economic growth. We have already taken steps to enable that to happen by introducing the Cities and Local Government Devolution Bill. I welcome devolution proposals from all areas, including proposals relating to how powers might be devolved to cities, towns, counties and neighbourhoods throughout the country.

Bridget Phillipson: I echo what the Secretary of State said about recent events.

I agree with the Secretary of State about the need for further devolution of powers, but there is considerable disagreement in the north-east about the need for an elected mayor. Will he commit himself to giving people in the north-east a say in a referendum?

Greg Clark: I am having discussions with the leaders of the north-eastern authorities, and I expect to see them later in the week. There is a real groundswell of opinion in the north-east that now is the time to put aside some of the divisions that have held it back, and to have clear leadership. Nothing will be imposed on an area, but I look forward to meeting the leaders and hearing their proposals.

John Howell: Does my right hon. Friend agree that neighbourhood planning represents the best way of ensuring that communities have a real say in the planning system when it comes to deciding where houses should go, what they should look like, and what green and open spaces should be preserved?

Greg Clark: I do indeed. My hon. Friend is a pioneer of neighbourhood planning. He worked closely with me when I was last a Minister in the Department to ensure that it was introduced, and it has been a huge success. The first neighbourhood plan was in Thame, in his constituency. More than 1,500 communities are now engaged in the neighbourhood planning process, and 300 neighbourhood plans have been published for consultation. I am delighted that my hon. Friend has accepted my invitation to work with me to see what we can do to speed up the possibilities for other neighbourhoods throughout the country.

Jo Cox (Batley and Spen) (Lab): The Government's decision last week to shelve plans for the electrification of the Leeds to Manchester railway line fundamentally undermined the concept of the northern powerhouse. When were DCLG Ministers first informed of the decision, and were they informed before or after the election? What opportunity was given to local authorities such as Kirklees to make recommendations to various Ministers?

Greg Clark: My right hon. Friend the Secretary of State for Transport made a substantial statement on the matter, and it was clear that he was dissatisfied with the performance of Network Rail in this respect. However, it is worth our reminding ourselves—and it is important for those in the north to recognise—that £38 billion is being invested in the transport system, which is the most significant investment since Victorian times. As for electrification, only 10 miles of line were electrified during the 13 years for which the last Government were in office, but we are committed to it.

Mr Mark Prisk (Hertford and Stortford) (Con): The success of city deals so far has been due to the fact that Ministers have avoided over-prescriptive rules, and instead have focused on what each deal can do for each community. May I strongly encourage the Secretary of State to ensure that that flexibility is retained, particularly in smaller towns and counties?

Greg Clark: I will certainly take that approach. My hon. Friend was a great force in working with the local enterprise partnerships in their early days, and respecting the fact that every place is different. It would be ludicrous to observe those differences and then impose a uniform requirement in all places.

Peter Kyle (Hove) (Lab): May I associate myself with the Secretary of State's comments about Tunisia?

In all the debates about the northern powerhouse, I am very keen for us not to forget the southern powerhouse. What powers does the Secretary of State expect to devolve from Westminster to cities such as Brighton and Hove?

Greg Clark: The hon. Gentleman should be aware of the success of the Brighton city deal, which has been warmly welcomed throughout his area, and which is one of the reasons for the fact that unemployment in his constituency has fallen by 53% since May 2010. That is a powerhouse that is performing.

Robert Neill (Bromley and Chislehurst) (Con): One of the great advantages of my right hon. Friend's devolutionist approach is that city deals can capture the variation that occurs in key areas such as the housing market, which will vary from city to city. Will he talk to organisations such as the Royal Town Planning Institute, which is keen to establish what further work can be done to capture the link between devolution and housing delivery?

Greg Clark: I will indeed, and again I pay tribute to the work my hon. Friend did in the Department in inaugurating this transfer of powers. Housing will be of great importance in all the deals we are negotiating and expect to conclude. There is an appetite for that right across the country and I will certainly take the advice of the RTPI.

Home Ownership

2. **Joan Ryan** (Enfield North) (Lab): What assessment he has made of trends in the level of home ownership since 2010. [900596]

The Minister for Housing and Planning (Brandon Lewis): Annual statistics on trends in home ownership are published in the Department's English housing survey headline report, and I was pleased that recently it highlighted the fact that the number of first-time buyers is at a seven-year high.

Joan Ryan: Is the Minister aware that the cost of the average house in Enfield has rocketed to over 11 times the average wage in the borough? Home ownership is now at its lowest level in 30 years, and the dream of buying a home is increasingly out of reach. Why are the Government so complacent about declining home ownership and their failure to build?

Brandon Lewis: The hon. Lady should be pleased that we have seen 600 housing starts in her own area over the last year and that, although we inherited from the last Labour Government the lowest level of house building since about 1923, we have seen that level starting to come back thanks to the work this Government have done to deliver the fastest rate of building not just of council homes, but also affordable homes, in about 20 years.

Mr Philip Hollobone (Kettering) (Con): Can the Minister confirm that the proportion of people who own their own home actually fell over the lifetime of the coalition Government, and will he reaffirm, as a central promise of this Administration, to increase the proportion of people who own their own homes?

Brandon Lewis: My hon. Friend makes an interesting observation. Of course, home ownership started to fall in 2005, under the last Labour Government. Over the last Parliament, we worked to get the house building sector working again. We have made it clear that we are a party who believe in helping people who work hard and aspire to own their own home, and that is why we will deliver some 200,000 starter homes for first-time buyers over the course of this Parliament.

24. [900619] **Kerry McCarthy** (Bristol East) (Lab): Figures from the Office for National Statistics show yet another significant rise in house prices in Bristol, with the biggest rise—some 12%—being in my constituency. Affordability is becoming an increasing problem for local people. People from outside Bristol might be able to afford to live there, but local people cannot afford to buy homes. What is the Minister doing about that?

Brandon Lewis: The hon. Lady may realise that there have been just over 1,000 housing starts in the last year in her area, which is well up on where it was before and, again, builds on the terrible situation we inherited some five years ago. I hope she will join me in thanking this Conservative Government for pledging to deliver affordable homes at the fastest rate in over 20 years and, of course, those 200,000 starter homes for first-time buyers at a 20% discount. Perhaps her party would like to get on board and support that work.

Chris Philp (Croydon South) (Con): Does my hon. Friend agree that the way to address housing affordability is to increase supply? Can he confirm to the House that the approach which saw over 500,000 new homes built during the last Parliament will be continued?

Brandon Lewis: My hon. Friend makes a good point, and we seek to build on that by delivering affordable homes, including starter homes for first-time buyers, and making sure we increase supply. We have seen the increases over the last few years, and the recent figure of some 261,000 homes getting planning approval last year is pretty much a record level, and is a good sign that we have got the market moving in the right direction. We intend to build on that, and will do so.

Homeless People

3. **Mrs Flick Drummond** (Portsmouth South) (Con): What steps he is taking to ensure that local councils provide adequate support and assistance to single homeless people when they approach their council for help. [900597]

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr Marcus Jones): By law, local authorities have a duty to provide advice and information to anyone asking for help. To help them discharge that important duty we have, among other sources of support, funded the National Homelessness Advice Service supporting frontline staff, together with the Help for Single Homeless funding, helping 22,000 people across England by April 2016.

Mrs Drummond: Housing is a big issue in my crowded city of Portsmouth and figures show that the number of people in priority-need has increased over recent years. What steps has the Minister taken to ensure that there is good advice and assistance to the homeless?

Mr Jones: I thank my hon. Friend for her question. I know that she took a keen interest in this issue before she entered the House. We provided more than £500,000 in homelessness prevention grant funding to Portsmouth Council back in 2013-14, and the council was able to use it to prevent 1,021 households from becoming homeless. We are providing a further £550,000 to Portsmouth for

the same purpose this year. I am certainly not complacent, however, and I can assure my hon. Friend that I want to work with local authorities to build on best practice. I shall also be meeting representatives of Crisis next month to discuss what more can be done to improve services for homeless people.

Bill Esterson (Sefton Central) (Lab): Does the Minister agree that the best way for the Government to help councils to help homeless people is to ensure that councils can build more council houses?

Mr Jones: I am aware that councils can build council housing. That is quite an interesting question, because more council houses were built during the past five years of the coalition Government than during the previous 13 years under Labour.

Local Government Grant Formula

4. **Mrs Emma Lewell-Buck** (South Shields) (Lab): What assessment he has made of the effectiveness of the local government grant formula in directing funding to areas of need. [900599]

15. **Jack Dromey** (Birmingham, Erdington) (Lab): What assessment he has made of the effectiveness of the local government grant formula in directing funding to areas of need. [900610]

The Minister for Communities and Resilience (Mr Mark Francois): Councils facing the highest demand for services receive substantially more funding, including through the grant formula. In addition, with the introduction of business rates retention in 2013-14 there has been a deliberate shift away from keeping authorities dependent on grant and towards providing councils with the tools and incentives they need to grow their local economies and promote sustainable house building.

Mrs Lewell-Buck: I thank the Minister for his response, but that is simply not the case, is it? Extreme cuts in areas of need have put councils in an impossible situation. Some have found it so hard to protect essential services that they have had to use funding that had originally been allocated for local welfare assistance schemes. That means that, at times, there is nothing left for people who are in desperate need, such as care leavers, those who are homeless and those who are fleeing abuse. Does he really think that it is acceptable for councils to have to make those choices?

Mr Francois: The north-east and the north-west still have the highest spending power per household after London. The average spending power per household in the north-east is £2,313, and the figure for the north-west is £2,250. Those figures are both higher than the England—excluding Greater London Authority—average of £2,086. Spending power per household in the South Tyneside area will be £2,402 in 2015-16, which is more than the England—excluding Greater London Authority—average and also more than the metropolitan area average of £2,226, so I do believe that adequate resources are being provided.

Jack Dromey: The Secretary of State is a decent man with an open mind who has often spoken of the importance of fairness, so how does he explain the fact that while

the great city of Birmingham, which has high need, has had a £700 million budget cut equating to £2,000 per household, the leafy shire area of Cheshire East, in which the Chancellor of the Exchequer's constituency is located, has had an increase in spending power of 2.6%? If fairness is to mean anything, it must lie at the heart of the funding of local government. Fairness should be based on need.

Mr Francois: I thank the hon. Gentleman for his kind words about my boss. I wonder whether the hon. Gentleman still agrees with what he told the *Municipal Journal* on 29 September 2010:

“Labour was wrong in 1997 to downgrade the role of local government”.

We are not doing that; we are trying to upgrade the role of local government, and I remind him that spending power per household for the Birmingham area will be £2,554 in 2015-16, which is more than the England average excluding the GLA, more than the metropolitan area average and more than the Cheshire East average of £1,851.

Philip Davies (Shipley) (Con): There are many areas of high deprivation in the Shipley constituency. Does the Minister agree that people who are in need in otherwise affluent areas should be treated in the same way as those who are in need in deprived areas? What can he do to ensure that Bradford Council treats all those in need equally, and that it does not simply direct its resources to those in need in its Labour heartlands?

Mr Francois: I am sure that any constituents who are in need have a doughty champion in my hon. Friend. If he believes the local authority is being deficient in any way, he will not be slow in coming forward to tell it so. Councillors in local government have had to take difficult decisions—I served in local government, so I remember some of those, too—but it is right that councils spend their money equitably for the residents across their entire area.

Kevin Hollinrake (Thirsk and Malton) (Con): In my constituency, over the next five years, the number of residents aged 65 and above will increase by 20% and the number aged 95 and above will increase by 50%. What funding support can the Minister offer to meet the unique challenges of age and rurality in my constituency and others like it?

Mr Francois: The funding changes made by the previous Government have already delivered a steady reduction in the so-called “urban-rural gap” in spending power levels. Consecutive settlements have helped to address that gap, and between 2012-13 and 2015-16 it reduces by £205 million. I hope those resources will be of some assistance.

20. [900615] **Sue Hayman** (Workington) (Lab): The National Audit Office is clear that local authorities with the highest levels of deprivation have seen the greatest reductions in spending power, and in Cumbria rurality compounds the problem. Does the Minister accept that the cost of providing services in sparsely populated areas means that less money is then available to address our needs?

Mr Francois: Allerdale is classified as a rural authority and, as such, it received additional funding via the £15.5 million allocated to rural areas for 2015-16, which was £4 million up on last year's figure. In addition, it is worth pointing out that the Cumbria local enterprise partnership receives some £48 million in growth deal funding, part of which I hope will be to the benefit of the hon. Lady's constituents.

Martin Vickers (Cleethorpes) (Con): It is important that local government grant and council tax payers' moneys are put to the best use. Labour-led North East Lincolnshire Council is considering whether or not to establish its own funeral service, an area already well-served by private businesses, which fear that the council will exploit its monopoly position of providing cremation services. Will the Minister assure me that he will take the matter up with that council?

Mr Francois: My hon. Friend will be aware that we have given councils greater powers, and the matter he raises is a local one. Perhaps we can have a discussion on it, but all I will say is that the council will have to make sure that it enjoys support from local people if it is going to undertake this. Councillors should ask not for whom the bell tolls, lest it tolls for them.

Mr Steve Reed (Croydon North) (Lab): May I associate myself with the Secretary of State's earlier comments on the atrocities in Tunisia and say what a pleasure it was to see him recently at the mayor-making in Croydon? Many people across local government hope the new Secretary of State will adopt a fairer approach than his predecessor. Over the past five years, Newham, which has very high levels of social deprivation, has lost more than £1,000 of funding per household while wealthier Elmbridge in Surrey has had an increase of more than £40 per household. How will his approach in future spending rounds put an end to this blatant unfairness?

Mr Francois: I thank the hon. Gentleman for welcoming me to my new responsibilities—at least that is what it said here. *[Laughter.]* I should explain, for his benefit, that I began my career in local government, serving on Basildon District Council, a robust place once described as the only local authority in the UK where at council meetings the councillors would actively heckle the public gallery. I also thank him for being nice to my boss. May I remind him that part of our approach is to give councils extra resources, and extra sources of resource, with which they can address issues? Local authorities now benefit from nearly £11 billion under business rates retention, with the scheme estimated to deliver a £10 billion boost to national GDP by 2020. By 2015-16, 94% of local authorities will see growth in business rates above their initial projections, which will be worth some £544 million. We are giving local authorities the methods to succeed.

Mr Reed: I thank the right hon. Gentleman for welcoming me to my position as well. As he seems to want people to believe that the Government's approach is fair, why have the 10 councils with the most children in care lost three times more funding than the 10 councils with the fewest children in care?

Mr Francois: I am very glad to see the hon. Gentleman in his place. We all know that money is tight, but it is worth reminding the House that the Department for Communities and Local Government contributed a package of £230 million to the recent in-year savings exercise, which was found mainly from unallocated contingencies and better than anticipated land receipts. As a result, we did not need to reopen the local government finance settlement for councils for 2015-16. I understand that that was received well across the whole of local government, even in some Labour authorities.

Public Sector Land

5. **Wendy Morton (Aldridge-Brownhills) (Con):** What steps the Government are taking to release more public sector land for development. [900600]

14. **Stuart Andrew (Pudsey) (Con):** What steps the Government are taking to release more public sector land for development. [900609]

The Minister for Housing and Planning (Brandon Lewis): Over the course of this Parliament, the Government are committed to releasing public sector land with capacity for up to 150,000 homes. Selling surplus land plays an important role in delivering the Government's ambitious housing programme, as it releases land supply to the market for starter homes and other initiatives.

Wendy Morton: Given the importance of protecting the green belt in areas such as my constituency of Aldridge-Brownhills, what assistance is being given to local authorities to identify public sector land for development and thus further safeguard our precious green belt?

Brandon Lewis: My hon. Friend makes a good point on protecting the green belt, which we have done through the national planning policy framework. My now boss outlined the process during the passage of the Localism Act 2011. We are committed to ensuring that the Government release public land as an important part of that process, and that 90% of our brownfield land has its planning permission in place by 2020.

Stuart Andrew: My hon. Friend will be acutely aware of the concern of many of my constituents about the potential loss of our green belt thanks to excessive housing targets set by Leeds council, but the release of public sector land would help to save those important sites. What measures are available to meet the remediation costs so that developers cannot say that such sites are not viable?

Brandon Lewis: My hon. Friend makes a good point. It was a pleasure to visit him in his constituency and to talk to residents about these issues. It is important that we get public sector land released. With regard to brownfield sites, we have the housing zones programme in place. We have announced that, later this year, we will go into more detail about the brownfield fund, which will be aimed specifically at such details. I will happily meet him and his local councillors to see whether we can help take things forward.

Mr Gregory Campbell (East Londonderry) (DUP): There is a significant disparity in the rate of public sector development across the United Kingdom. Will the Minister undertake to hold discussions with the relevant Ministers in each of the devolved Assemblies and Parliaments to ensure that residents in each of the parts of the UK get maximum bang for their buck?

Brandon Lewis: The hon. Gentleman makes an interesting point. Ministers are talking all the time; the Secretary of State has been very clear about driving the matter forward. He wants all Departments to deliver to ensure that we get to 150,000 homes. I am happy to look at what he suggests. If we can work with the devolved authorities to ensure that residents right across the United Kingdom benefit, I will be happy to do so.

Dr Roberta Blackman-Woods (City of Durham) (Lab): Figures from a recent National Audit Office report showed that the Government were so desperate to inflate their record on the disposal of public land for new homes that they included land released as long ago as 1997 by the Labour Government. Will the Minister tell the House how on earth the Government propose to reach the higher target of 150,000 homes with no one else's record to plunder?

Brandon Lewis: I gently say to the hon. Lady that the programme that I outlined in the previous Parliament consisted of land that was built on or disposed of between 2011 and 2015. We have set an ambitious target of 150,000 homes for this Parliament, which we must reach, and I hope that she will support us in doing that. Let me gently point out to her that I am somewhat prouder of this Government's record of delivering some 23,000 homes a year through public sector land than I would be of the Labour record of 1,000 homes a year.

Free School Transport

6. **Mr Nigel Evans** (Ribble Valley) (Con): What recent discussions he has had with the Secretary of State for Education on the provision of free school transport by local authorities. [900601]

The Minister for Communities and Resilience (Mr Mark Francois): Ministers regularly meet colleagues in Government Departments to discuss a variety of topics. Local authorities have discretionary powers to provide free home to school transport beyond their statutory duties and are best placed to balance local priorities against the funding they have available.

Mr Evans: They do have that discretion, but increasingly they are not using it. People who want to send their children to a faith-based school, a grammar school or just the school they want them to go to, not far from the nearest school, are being charged about £500 a time. That is nothing more than a supplement to the council tax. Will the Minister please look into that abuse and stop it?

Mr Francois: I understand that my hon. Friend secured a Westminster Hall debate on this very subject only last Thursday, where he discussed it in considerable detail. He also raised the number of constituency cases and gave examples as he went. I reiterate the point made by

my hon. Friend the Minister for Schools in responding to that debate: local authorities need to adopt a reasonable approach, especially in the application of their discretionary powers.

Kate Green (Stretford and Urmston) (Lab): Parents of disabled children face particularly high costs in arranging their children's travel to school, and of course it is not always possible for those children to make use of public transport. Will the Minister have a conversation with his counterpart in the Department for Education to ensure that local authorities properly address the needs of those children?

Mr Francois: I understand the hon. Lady's point. It is worth bearing it in mind that the statutory guidance recommends that local authorities adopt an appeals process, which must be published annually on the local authority website and involve a two-stage review by a senior council officer and, if the issue is unresolved, by an independent appeals panel. Any parent who feels that their disabled child's needs are not being properly looked after has the right to that two-stage appeal process.

Homelessness and Rough Sleeping

7. **Liz McInnes** (Heywood and Middleton) (Lab): What assessment he has made of the reasons for changes in the level of homelessness and rough sleeping since 2010. [900602]

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr Marcus Jones): We have invested more than £500 million since 2010 to support local authorities and the voluntary sector to prevent and tackle homelessness and rough sleeping. That investment has meant that we have not returned to the days of 10 years ago, when statutory homelessness in England was nearly double what it is today.

Liz McInnes: I thank the Minister for that response, but Government figures released just last week show that homelessness has risen by 36% since 2010 and that the number of homeless families living in bed and breakfasts has soared by 300%. Is the Minister not shocked at the dreadful legacy of the past five years, and will he commit to make tackling homelessness a top priority?

Mr Jones: The Government are absolutely committed to tackling homelessness. The hon. Lady mentions bed-and-breakfast accommodation but, to put it into context, a small number of authorities—about 5%—account for 80% of the breaches. We are taking this very seriously and are absolutely clear that the long-term use of bed-and-breakfast accommodation for families with children is unacceptable and unlawful. However, the hon. Lady must also bear it in mind that the use of bed-and-breakfast accommodation is a third of its peak under the Labour Administration.

Mr David Burrowes (Enfield, Southgate) (Con): Given the pernicious link between homelessness, mental illness, addiction, crime and unemployment, what progress has been made on the autumn statement commitment to extend the principles of the troubled families programme to other individuals with multiple needs?

Mr Jones: It is too early for me to comment on what will be in my right hon. Friend the Chancellor's Budget—

Maria Eagle (Garston and Halewood) (Lab): Better be careful what you say, then.

Mr Jones: I thank the hon. Lady for her advice.

I certainly hear what my hon. Friend the Member for Enfield, Southgate (Mr Burrowes) says, and we are making it a great priority to work with troubled families to try to improve their lives and, in particular, outcomes for their children.

Jeremy Corbyn (Islington North) (Lab): Is it not a scandal that there are so many people sleeping on the streets of this country and that so many children are being brought up in temporary accommodation with no long-term security? Is it not a scandal that much of that is brought about by short-term renting in the private rented sector by people who then get moved out, particularly in London, because of the way in which the benefit cap operates? Should we not rethink housing strategy and housing needs in this country?

Mr Jones: I thank the hon. Gentleman and wish him luck in his endeavours over the next few months. He seems to be harking back to the same failed policies that lost his party the general election. He does raise an extremely important issue about assured shorthold tenancies and what happens to people when those tenancies come to an end. Some excellent work is going on, with some authorities helping people in that position to avoid homelessness. I want to build on the good work that has been done, to ensure that nobody is made homeless as a result of an assured shorthold tenancy.

Lyn Brown (West Ham) (Lab): So complacent.

I welcome the hon. Gentleman to his post. During the election, the Prime Minister stated that the number of people sleeping rough had gone down over the past five years. Crisis, the homelessness charity, said he had got his facts wrong. The Government's own statistics show that the number of rough sleepers has gone up by 55%. Will the Minister correct the Prime Minister's mistake?

Mr Jones: I thank the hon. Lady for her welcome. Compared with the situation five years ago, this Government changed the methodology for counting rough sleeping so that we have a more honest and accurate assessment and do not sweep things under the carpet, as her party did when it was in government. We have a number of programmes on rough sleeping that are working well. The "No Second Night Out" programme has been rolled out across the country, and in London more than two thirds of those new to the streets are not spending a second night out because of that programme.

Affordable Homes Programme

8. **David Mackintosh** (Northampton South) (Con): How many homes have been built under the affordable homes programme. [900603]

18. **John Glen** (Salisbury) (Con): How many affordable homes have been built since 2010. [900613]

The Minister for Housing and Planning (Brandon Lewis): More than 260,000 affordable homes have been delivered in England since April 2010. The Government's 2011 to 2015 affordable homes programme exceeded our expectations, delivering nearly 186,000 affordable homes, some 16,000 more than originally pledged.

David Mackintosh: Will my hon. Friend join me in congratulating Northampton Borough Council on using the affordable housing programme to create new affordable housing and bring empty commercial and office buildings in Northampton back into use? What further plans does he have to help local authorities provide more affordable housing?

Brandon Lewis: I thank my hon. Friend for making that point, and he is right. I congratulate Northampton Borough Council on its excellent work in making sure it delivers the homes that residents need. It is important that we do that. That is why we are committed to delivering affordable housing over the next few years at the fastest rate we will have seen in this country for more than two decades.

John Glen: I welcome the Minister's answer and applaud the Government's policy of extending the right to buy to housing association tenants, but may I urge him to make sure that there is a robust mechanism to ensure like-for-like replacement of homes sold to housing association tenants? In particular, will he examine what happens in rural areas where community land trusts exist to ensure no depletion of affordable housing in rural communities?

Brandon Lewis: My hon. Friend makes a good point, and I thank him for endorsing the fact that we are determined to do what we can to support people who aspire to own their own homes. We will move forward with delivering that right to all social tenants. The Government are committed to ensuring that people can achieve their aspiration of home ownership. We support people's desire to own their own home, and we will work with them. Under the current programme, there are rural exemption sites.

Mr Clive Betts (Sheffield South East) (Lab): Given that the Government have completely failed to replace the council homes sold under the right to buy, and given the Minister's proposals to force the sale of housing association homes, are the Government committed to replacing housing association homes that are sold and council homes that will be sold to fund the compensation to housing associations? If not, does he accept that his policy will lead to a reduction in the number of houses available for social renting?

Brandon Lewis: Yes.

Valerie Vaz (Walsall South) (Lab): What assessment has the Minister made of land throughout the country that already has planning permission for housing that could help the affordable housing programme?

Brandon Lewis: Some 261,000 properties have been given planning permission in the past year. That is a good sign, and it is pretty much a record figure. We need to make sure that those homes are developed in good time. Local authorities grant planning permission for a limited time, so they should rightly expect developers to build them out.

Right-to-Buy Scheme

10. **Daniel Zeichner** (Cambridge) (Lab): What the replacement rate of council homes sold through the right-to-buy scheme has been since 2012. [900605]

12. **Debbie Abrahams** (Oldham East and Saddleworth) (Lab): What the replacement rate of council homes sold through the right-to-buy scheme has been since 2012. [900607]

The Secretary of State for Communities and Local Government (Greg Clark): Local authorities have three years from the date of sale of each home to replace the property. In the first year following the reinvigoration of the right to buy, there were 3,053 additional sales. Within two years—by the end of 2014-15—3,337 replacements were started or acquired.

Daniel Zeichner: I recall that at the start of the previous Parliament one-for-one replacement was promised, but across the country the actual figure has cracked out at one for 10, and in my city it is one for nine. Why should anyone believe these assurances now?

Greg Clark: I welcome the hon. Gentleman to the House. He must not have listened to my answer, because I said that there were 3,053 additional sales and 3,337 replacements, which is more than one for one.

Debbie Abrahams: The Institute for Fiscal Studies, Moody's, the National Housing Association and the CBI, to name but a few, have raised concerns about the Government's right-to-buy proposals. What assessment has the Secretary of State made of the impact of those proposals on the financial viability of housing associations and, in turn, their ability to build new affordable housing?

Greg Clark: The impact of the policy will be to extend the aspiration of people across this country to own their own home, because 86% of people want to do so, and there is no difference between the aspirations of housing association tenants, council tenants and people who own their own home. That is the impact we are achieving through the policy.

John Cryer (Leyton and Wanstead) (Lab): Does the Secretary of State expect the replacement of housing association homes that are sold off to be the same as, above or below the rate for council homes previously sold off?

Greg Clark: As my hon. Friend the Minister for Housing and Planning made clear, the requirement will be one-for-one replacement. With regard to council house sales, replacement of more than one for one has already been achieved for the first year.

Localism (Infrastructure Projects)

11. **Rosie Cooper** (West Lancashire) (Lab): What steps his Department is taking to ensure that localism is prioritised in the decision-making process for nationally significant infrastructure projects. [900606]

The Minister for Housing and Planning (Brandon Lewis): The nationally significant infrastructure planning system strikes a fair and effective balance between two important needs: the national need for infrastructure to underpin growth and sustainability, and the need to address community concerns and maximise local benefits from investment.

Rosie Cooper: I thank the Minister for that non-answer. I would like him to explain to the residents of West Lancashire why, despite the Government's claim to support localism in the planning process, permission was granted to dump hazardous waste for 20 more years at Whitemoss landfill, for which there was no demonstrable need, either local or regional, and which was opposed by thousands of local residents, the borough council, the county council and me as the local MP. Surely this means—

Mr Speaker: Order. The hon. Lady can preserve the unexpurgated version of her question for the autumn evenings that lie ahead.

Brandon Lewis: Thank you, Mr Speaker, and I thank the hon. Lady for her gracious comments. As she probably realises, that planning application is still within the six-week period during which a decision can be challenged. It would be inappropriate for me to comment on a specific scheme, owing to the quasi-judicial nature of planning.

23. [900618] **Andrew Bridgen** (North West Leicestershire) (Con): Many of my constituents feel that localism is failing them when they oppose large-scale wind farms and solar farms. Will the Minister consider a minimum buffer zone between such projects and settlements, which would give my constituents some comfort?

Brandon Lewis: I thank my hon. Friend for that question. I am sure he will appreciate that local communities absolutely have their say under the new wind turbine regime.

Right to Buy (Housing Associations)

13. **John Healey** (Wentworth and Dearne) (Lab): What estimate he has made of the cost to the public purse of introducing a right to buy for housing association tenants. [900608]

The Minister for Housing and Planning (Brandon Lewis): The details will be set out in the impact assessment when the housing Bill is published, but it is all about ensuring that we support people who aspire to own their own home and extend home ownership to as wide a group of people who wish to have it as possible, and on equal terms to those who have had it for so many years.

John Healey: What a load of waffle. It is quite clear that the Minister has made no assessment at all of the costs of the policy. When he produces the impact assessment before the Bill is published and brought before the House, will he ensure that it shows that taxpayers will pay three times over: first, for the investment to build the homes; secondly, for the discount to sell them; and, thirdly, for the higher housing benefit bills that will result?

Brandon Lewis: I appreciate that the right hon. Gentleman feels strongly about this, no doubt against the background of his interests in the housing association he is involved with.

I gently point out to the right hon. Gentleman that he has made it very clear where the Labour party stands on the issue. Lord Prescott himself made it clear that he did not know what aspiration was. I suspect, from what the right hon. Gentleman has said, that he probably still harks back to his statement to the Fabian Society, in which he spoke about the drop in home ownership since 2012 being no bad thing. We think that it is, and we want to support people who want to own their own home. I am disappointed that he does not support aspiration.

Mims Davies (Eastleigh) (Con): Does my hon. Friend agree that constructing a local plan where one did not exist in areas such as my constituency of Eastleigh is of paramount importance in delivering home ownership while protecting green spaces and in committing to the strongest sanctions on councils that fail to do this properly by embracing localism and providing locally based community planning?

Mr Speaker: In relation to housing association tenants.

Mims Davies: Indeed.

Brandon Lewis: All housing association tenants will share my view, and my hon. Friend's, that the best way for communities to have their say is to have a local plan and, even better, neighbourhood plans. I encourage her authority to listen to her and get on with putting its local plan in place.

Mr Speaker: Last but not least, I call Margaret Ferrier.

Firefighters Pension Scheme (Scotland)

16. **Margaret Ferrier (Rutherglen and Hamilton West) (SNP):** What discussions he has had with the Secretary of State for Scotland on the effect of firefighters pension scheme reforms in Scotland; and if he will make a statement. [900611]

The Minister for Communities and Resilience (Mr Mark Francois): The firefighters pension scheme is devolved, and it is for the Scottish Government to consider its operation in Scotland. As such, I have had no discussions with the Secretary of State for Scotland on this matter.

Margaret Ferrier: Surely the UK Government should withdraw this appalling threat to Scotland's funding and allow the Scottish Government to manage their own public sector pensions within the agreed funding settlement framework.

Mr Francois: We have to look at the context. The cost of public sector pensions increased by about a third in the 10 years to 2009, and reform was necessary to ensure a fair deal for firefighters and taxpayers alike. Firefighters' pensions remain generous. A firefighter who earns £29,000 and retires at 60 after a full career will get about £19,000 a year pension, rising to £26,000 with the state pension. It is also worth remembering that the pension age of 60 is the same as it is for the police and, indeed, for the armed forces.

Topical Questions

T1. [900560] **Jack Dromey (Birmingham, Erdington) (Lab):** If he will make a statement on his departmental responsibilities.

The Secretary of State for Communities and Local Government (Greg Clark): May I start this session of topical questions by paying tribute to my right hon. Friend the Member for Brentwood and Ongar (Sir Eric Pickles) for his five successful years in leading the Department?

Building on my right hon. Friend's achievements, my commitments and those of my excellent team are, among other things, to continue to increase the supply of housing so that people can achieve their aspiration of a home of their own; to decentralise powers and budgets to local communities through the Cities and Local Government Devolution Bill; and to maintain an ongoing commitment to turning lives around through the troubled families programme. This week, the Prime Minister announced that almost 117,000 families have so far been helped.

Jack Dromey: With the biggest housing crisis in a generation and an acute shortage of affordable and social housing, would that the Government's right-to-buy Bill were buried and not brought forward, because it will make that bad situation worse. On the timetable for the Bill, the Prime Minister promised that it would be introduced in the Government's first 100 days. Can the Secretary of State confirm that it will be brought before Parliament before the summer recess?

Greg Clark: The hon. Gentleman is a former shadow housing Minister, and many of his colleagues are having occasion to reflect on Labour's failure to offer any substantive policies; he should take his share of the blame. He should be clear from my previous answer that the right-to-buy policy, in relation to council houses, has increased the supply of housing. Whether on increasing housing supply or increasing aspiration, he should get behind our policy. The Bill was in the Queen's Speech and it will be introduced very shortly.

T2. [900561] **Gareth Johnson (Dartford) (Con):** The Minister will be aware that the number of empty homes in the UK is now at the lowest level since records began. Will he assure the House that he will continue to work with councils such as Dartford council, which is successfully bringing more and more empty homes back into use?

The Minister for Housing and Planning (Brandon Lewis): My hon. Friend makes a good point. It has been a pleasure to visit and meet the excellent council in Dartford,

which is doing some superb work on this. He is right. The number of long-term vacant homes in England fell by some 10,000 in the year to October 2014, so we are at the lowest levels we have seen. That is good work and we want to go further.

Emma Reynolds (Wolverhampton North East) (Lab): I congratulate the Secretary of State on his promotion and join him in his condemnation of the terrorist attacks in Tunisia, Kuwait and France. Our thoughts and sympathies are with the victims, families and friends.

The reason the Secretary of State does not know when he is going to bring forward his housing Bill is that the policies were written on the back of a fag packet during the election campaign and were based on forcing councils to sell 15,000 homes a year. Since then, I have asked his Department how many of these homes will become vacant every year, and it said it does not know. How many council homes will he force councils to sell off every year?

Greg Clark: I do not smoke, so there is no question of writing on the back of fag packets, but what I do know is that the Opposition policies for which the hon. Lady was responsible were very much inadequate to the task. In fact, one of her own colleagues, the hon. Member for Barrow and Furness (John Woodcock), has said that the Labour party's housing policies made his "heart sink", and each member of Labour's leadership parade has called attention to the party's failure to come up with credible policies. We are very clear that extending the right to buy is a way of achieving people's aspirations. I have yet to hear from the hon. Lady whether she agrees with the right to buy.

Emma Reynolds: We are in favour of people's aspiration to buy their own home, but we are also in favour of policies that add up and stack up. The Tories are just plucking the figures out of thin air. They have no idea how many council homes will be sold. Indeed, the property specialist Savills estimates that the number is closer to 5,000 rather than 15,000.

This is not just about existing council homes, but about homes that councils are building or planning to build. Is the Secretary of State going to force councils to sell brand-new homes even before those who are on the waiting list—elderly people, families and others—are able to move into them?

Greg Clark: The hon. Lady gives every impression of not being in favour of the right to buy, but she cannot bring herself to say it. I invite her to make her policy clear. Our policy is very clear: on expensive council houses in the top third of the area, it is an efficient use of those assets to sell them in order to be able to allow more homes to be built. That is a very straightforward policy.

T3. [900562] **David Mowat** (Warrington South) (Con): The Secretary of State may recall canvassing on the brand new Edgewater Park estate in Warrington three months ago, where the major issue was lack of adequate broadband. Will he consider requiring that broadband be provided for new estates in the same way as other utilities such as electric and water?

Greg Clark: I do indeed recall canvassing with my hon. Friend in his constituency and it was a very successful session. He is absolutely right to say that it is

important to have broadband connections when new homes are built. In fact, my hon. Friend the Minister for Housing and Planning will meet Joe Garner of BT this very afternoon to press that point. Of course, it is not just a planning matter; it is for BT to make sure that it is alert and adept enough to make those connections.

T4. [900563] **Richard Burgon** (Leeds East) (Lab): Was the Secretary of State as surprised as my constituents at the decision to suspend the electrification of the Leeds to Manchester rail line? Does that help or hinder the Government's stated objective of a so-called northern powerhouse generating economic growth in Leeds and the north?

The Parliamentary Under-Secretary of State for Communities and Local Government (James Wharton): I thank the hon. Gentleman for giving me this opportunity to respond. This Government are investing £13 billion in rail in the north. There will be more trains, newer trains and more regular journeys. It is right that the Secretary of State for Transport should look at the value for money for all projects and his decision is the correct one, but the northern powerhouse is about many things, not just transport. We are going to build it and deliver for the economy of the north of England.

T5. [900564] **Mr Henry Bellingham** (North West Norfolk) (Con): Are Ministers aware that the Borough Council of King's Lynn & West Norfolk has a five-year supply of housing and a robust local plan, which will go to the inspector next month? In the meantime, do they agree that it is quite wrong and unethical for developers and housing associations to put in opportunistic applications and appeals?

Brandon Lewis: My hon. Friend makes a good point. It is good to hear that the King's Lynn local plan will be going through the process as soon as possible. I know that the inspectors will look at it and work with the local authority to get it through the process. If a planning application is made, the local authority itself is the body that makes the decision. Should it end up with an inspector, they will look at the process. Obviously, as the local plan goes through the process it gains more weight, which should be taken into account in any decision.

T6. [900565] **Diana Johnson** (Kingston upon Hull North) (Lab): With the pause in the electrification of the TransPennine service turning the northern powerhouse into a northern power cut, when did the Secretary of State actually know that the policy was in such difficulty?

James Wharton: Labour Members would do well to listen to their council leaders, so many of whom are supportive and enthusiastic about the policies that this Government are bringing forward to grow our northern economy. As I have already made clear, transport plays a key role in that, but this is about so much more. It is not about a cut; it is about delivering on our promises, growing our regional economies and delivering for the north.

T8. [900567] **Sir David Amess** (Southend West) (Con): Will my right hon. Friend be very careful about any changes he might be considering to the south Essex local

enterprise partnership? What is of paramount importance to me is that nothing is done to damage the regeneration of Southend-on-Sea.

The Minister for Communities and Resilience (Mr Mark Francois): Local enterprise partnerships have always been free to propose changes to their geography. No such proposals have been received for the south-east, but I am aware that some are likely to be made soon. My right hon. Friend the Secretary of State and other ministerial colleagues will consider any such proposals on their merits. While any changes are considered, it is important for the focus to remain on delivering the existing growth deal commitments made by partners within the South East LEP, which I am sure is what my hon. Friend wants.

Mr Speaker: I call Mr Graham Jones—not here. I call Richard Burden—not here.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op) *rose*—

Mr Speaker: But Mr Sheerman, you are here.

Mr Sheerman: And I have been here since prayers, Mr Speaker, so I have been very patient.

The Secretary of State knows from the migration figures that more and more people want to come and live in this wonderful country, and he knows that more and more people want affordable homes. Will he do something dramatic about building houses and will he stop his plan to sell off housing association stock, or does he want to turn our cities into ghettos, as the French have done with theirs?

Greg Clark: No one could be more determined to increase our housing supply than Conservative Members. The hon. Gentleman will know that, when I was the Minister for Planning, we reformed the national planning policy framework, which has increased planning permissions by more than 60% to 260,000 homes a year. What we have done in office is in stark contrast to what Labour Members did in office, when housing completions fell to an all-time low.

T9. [900568] **Mr Nigel Evans** (Ribble Valley) (Con): I cheered for joy when the Minister for Housing and Planning said that, under this Conservative regime, the wishes of the public would be paramount on the siting of wind turbines. Will the Secretary of State make sure that the message gets through to the Planning Inspectorate when it looks at such applications on appeal?

Greg Clark: I can give my hon. Friend that assurance. I made a written ministerial statement to the House and wrote to the Planning Inspectorate to make it crystal clear that the final say on onshore wind farms must be with local people.

Tom Brake (Carshalton and Wallington) (LD): Does the Secretary of State agree with the Department of

Health that local authorities should not charge carers for the support packages that they receive to enable them to carry on their critical caring roles?

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr Marcus Jones): I thank the right hon. Gentleman for his question. [*Interruption.*] I am looking for the right page in my brief. The hon. Member for Garston and Halewood (Maria Eagle) has given me all sorts of wonderful and very helpful advice today.

The right hon. Gentleman is absolutely right that we need to make sure that we support older people properly. In relation to the better care fund, he knows that £5.3 billion is coming through to support people in this financial year.

Michael Fabricant (Lichfield) (Con): Lichfield District Council is in early negotiations with the West Midlands combined authority and other local authorities, but it wishes to maintain control over planning and housing policy. Will that be possible for local authorities such as Lichfield?

Greg Clark: As my hon. Friend knows, our intention is to transfer powers from Westminster to local communities, and it is for them to determine their arrangements. Places such as Manchester had that in mind when they set their own arrangements, so it is absolutely available in the west midlands.

Anna Turley (Redcar) (Lab/Co-op): What has the increase been in the number of families who have met the troubled families assessment criteria since the programme began? Has the Minister made any assessment of the impact of his Government's £12 billion of welfare cuts and of his swingeing local authority cuts on already struggling families who need joined-up local support?

Greg Clark: The hon. Lady visited my old school in South Bank to congratulate students there on being in the finals of the mock trial competition. Perhaps she will convey my congratulations to them as well.

On troubled families, my right hon. Friend the Prime Minister made a statement last week in which he said that more than 117,000 families have had their lives transformed by this crucial programme. It has saved public money as well as transforming lives. We will build on that during the Parliament. I look forward to her support, because Redcar and Cleveland is one of the principal authorities delivering on this.

3.30 pm

Mr Speaker: We shall now observe a minute's silence in respectful memory of the victims of the atrocities in Tunisia.

The House observed a minute's silence.

Mr Speaker: Thank you, colleagues.

Tunisia, and European Council

3.31 pm

The Prime Minister (Mr David Cameron): It is with great sadness that I have to tell the House that we now know of at least 18 British nationals who have been killed, with more injured. The death toll is likely to rise still further. These were innocent British holidaymakers, people who had saved up for a special time away with their friends and family, but who suddenly became the victims of the most brutal terrorist attack against British people for many years. I am sure the whole House will join me in sending our deepest condolences to the families and friends of all those who have lost loved ones.

I know the whole country will want to share in a moment of remembrance. Following the act of remembrance we have just held in this House, we will have a national minute's silence on Friday at 12 noon, one week on from the moment of the attack. In due course, in consultation with the families, we will also announce plans for a fitting memorial to the victims of this horrific attack.

This morning, I chaired the fourth daily meeting of the Government's emergency Cobra Committee. Let me take the House through three things: first, the latest on what we believe happened in Tunisia, and also in the separate attacks in Kuwait and France; secondly, the immediate steps we have been taking to help the British victims and their families; and thirdly, how we will work with our allies to defeat this evil in our world.

The events of last Friday are horribly familiar to anyone following them in the media. A radicalised university student, armed with a Kalashnikov, began massacring innocent tourists on the beach at Port El Kantaoui. He continued his attack into the Imperial Marhaba hotel and on to the streets, where he was shot dead by Tunisian police. While we believe he was the sole gunman, it is thought that he may have been part of an ISIL-inspired network. The Tunisian security forces are investigating possible accomplices who may have supported this sickening attack.

On the same day in Kuwait, a suicide bomber killed 27 and injured more than 200 in an attack on the Imam Sadiq Mosque near Kuwait City. An ISIL-affiliated group based in Saudi Arabia has claimed it was behind the attack. In Syria, ISIL executed 120 people in their homes in Kobane. In south-eastern France, a man was murdered and two were injured in an explosion. While all these attacks were clearly driven by the same underlying perverted ideology, there is no evidence to date that they were directly co-ordinated.

Our first priority has been to help the British victims and their families. This has meant helping on site, assisting the wounded, bringing home those who have lost their lives, ensuring holidaymakers still in Tunisia who want to come home are helped to do so and gathering further evidence of what happened. A team of consular staff were on site in Sousse within hours and, by Saturday, were complemented by additional teams of consular staff, police and Red Cross experts. We now have over 50 people on the ground, helping British victims and their families. To help the wounded, we have already sent a team of military medical liaison officers to assist with medical evacuations, and a C-17 has just landed in Sousse to bring home some of the seriously injured.

It is right that we do everything we can to bring home as quickly as possible those who have lost their lives. We have been helping the Tunisians with what, in some cases, is a very difficult identification process. The Royal Air Force will arrange directly the repatriation of all deceased British nationals whose families wish us to do so, as soon as the identification processes are complete, while 60 family liaison officers back here in Britain continue to support the relatives of those killed and injured. We are also working with tour operators to ensure that those who want to come home can do so—more than 20 special flights have already brought hundreds home.

Since Friday evening, over 380 counter-terrorism and local officers have been at British airports to meet and support travellers returning home from Tunisia, including helping to gather evidence of what happened. As Assistant Commissioner Mark Rowley said yesterday, the national policing response is likely to be one of the largest counter-terrorism deployments in a decade.

Yesterday afternoon, I visited the Foreign Office crisis centre to see at first hand the work our teams are doing to co-ordinate our efforts at home and abroad, and as I speak, my right hon. Friend the Home Secretary and the Under-Secretary of State for Foreign and Commonwealth Affairs, my hon. Friend the Member for Bournemouth East (Mr Ellwood), are out in Sousse in person, doing everything they can to help the British victims and their families and talking to the Tunisian authorities about how we can help strengthen their security. Over the weekend, I spoke to President Essebsi, and I want to put on the record my thanks for the assistance of the Tunisian authorities throughout this horrific ordeal.

The Foreign Office has updated its travel advice, which continues to make clear the high threat from terrorism in the country, just as it did before Friday's events, but it is not advising against all but essential travel to this part of Tunisia, so it is not advising against visiting the popular coastal resorts. This was agreed by the Cobra emergency committee and will be kept under close review.

These are difficult judgments. Nowhere is without risk from Islamist extremist terrorists, and of course we take into account the capability of the country in question and its ability to counter the threat. In the UK, the threat level remains "severe", meaning that a terrorist attack is highly likely, but until we have defeated this threat, we as a country must resolve to carry on living our lives alongside it. Making those judgments means taking sensible precautions, and where there is a specific threat, we will always take action immediately, but we will not give up our way of life or cower in the face of terrorism.

These terrorists tried to strike at places of hope—in a country with a flourishing tourist industry on the road to democracy and in a mosque in Kuwait that dared to bring Sunnis and Shi'as together. The Tunisians and Kuwaitis will not have that hope taken away from them. They will not be cowed by terror, and we will stand with them.

Defeating this terrorist threat requires us to do three things. First, we must give our police and security services the tools they need to root out this poison. We have already increased funding for our police and intelligence services this year and legislated to give them stronger powers to seize passports and prevent travel. Over the next two days, our security forces and emergency services will conduct a major training exercise in London to test and refine the UK's preparedness for dealing with a serious terrorist attack.

[*The Prime Minister*]

We must also do more to make sure that the powers we give our security services keep pace with changes in technology. ISIL's methods of murder might be barbaric, but its methods of recruitment, propaganda and communication use the latest technology. We must therefore step up our own efforts to support our agencies in tracking vital online communications, and we will bring forward a draft Bill to achieve this.

We must also work with our international partners to improve our counter-terrorism co-operation. I spoke to President Hollande, Chancellor Merkel and Prime Minister Michel of Belgium over the weekend, and we agreed to work together to help Tunisia strengthen its security. Our ambassador met the Tunisian authorities yesterday to put that into action, including by strengthening the protective security arrangements at coastal resorts.

Secondly, we must deal with the security threat at source, whether ISIL in Iraq and Syria or other extremist groups around the world. British aircraft are already delivering the second-largest number of airstrikes over Iraq, and our airborne intelligence and surveillance assets are assisting other countries with their operations over Syria. We are working with our UN, EU and American partners to support the formation of a Government of national accord in Libya, and we will continue to do all we can to support national Governments in strengthening weak political institutions and dealing with the ungoverned spaces where terrorists thrive. As I have said here many times before, if we need to act to neutralise an imminent threat to the UK, we will always do so.

Thirdly, we must take on the radical narrative that is poisoning young minds. The people who do these things do it in the name of a twisted and perverted ideology, which hijacks the Islamic faith and holds that mass murder and terror are not only acceptable, but necessary. We must confront this evil with everything we have. We must be stronger at standing up for our values, and we must be more intolerant of intolerance, taking on anyone whose views condone the extremist narrative or create the conditions for it to flourish.

On Wednesday, a new statutory duty will come into force, requiring all public bodies—from schools, to prisons and local councils—to take steps to identify and tackle radicalisation. In the weeks ahead, we will go further. We will stand in solidarity with all those outraged by this event, not least the overwhelming majority of Muslims in this country and around the world. For this is not the war between Islam and the west in which ISIL wants people to believe; it is a generational struggle between a minority of extremists who want hatred to flourish and the rest of us who want freedom to prosper—and together, we will prevail.

Let me deal now with the European Council. It discussed three issues that strongly affect our national interest. On the situation in Greece, I chaired a contingency meeting in Downing Street earlier today, and the Chancellor will make a statement straight after this one. Let me deal briefly with the other two issues—the need for a comprehensive approach to the migration crisis and the beginning of the UK renegotiation process.

On migration, the right course of action is to combine saving lives with tackling the root causes of this problem. That means breaking the business model of the smugglers

by breaking the link between getting in a boat and getting a chance to arrive and settle in Europe. It means gathering intelligence to disrupt the smuggling gangs and using our aid budget to help alleviate the poverty and failure of governance that so often drives these people from their homes in the first place.

Britain has already played a leading role in all this, by keeping its promises on aid and saving over 4,000 lives in the Mediterranean. By contrast, focusing primarily on setting up a relocation scheme for migrants who have already arrived in Europe could, we believe, be counter-productive. Instead of breaking the smugglers' business model, it makes their offer more attractive. Others in the EU have decided to go ahead with this relocation scheme, but because of our opt-out from justice and home affairs matters, we will not be joining them. We will, however, enhance our plans to resettle the most vulnerable refugees from outside the EU, most notably from Syrian refugee camps, in line with the announcement I made in Bratislava earlier this month.

Finally, on the UK's relationship with the European Union, we have a clear plan of reform, renegotiation and referendum. At this Council, I set out the case for substantive reform in four areas: sovereignty, fairness, immigration and competitiveness.

First, on sovereignty, Britain will not support being part of an ever-closer union or being dragged into a state called Europe—that may be for others, but it will never be for Britain, and it is time to recognise that specifically. We want national Parliaments to be able to work together to have more power, not less.

Secondly, on fairness, as the eurozone integrates further, the EU has to be flexible enough to make sure that the interests of those inside and outside the eurozone are fairly balanced. Put simply, the single currency is not for all, but the single market and the European Union as a whole must work for all.

Thirdly, on immigration, we need to tackle the welfare incentives that attract so many people from across the EU to seek work in Britain.

Finally, alongside all those, we need to make the EU a source of growth, jobs, innovation and success, rather than stagnation. That means signing trade deals and completing the single market, such as in digital, where the Council made progress towards a roaming agreement that could cut the cost of mobile phone bills for businesses and tourists alike.

At this meeting, my priority was to kick off the technical work on all these issues and the specific reforms we want in each area. The Council agreed that such a process will get under way, and we will return to the issue at our meeting in December. These talks will take tenacity and patience. Not all the issues will be easily resolved, but just as in the last Parliament, when we showed that change could happen by cutting the EU budget for the first time in history, so in this Parliament we will fix problems that have frustrated the British people for so long. We will put the Common Market back at the heart of our membership, get off the treadmill to ever-closer union, address the issue of migration to Britain from the rest of the EU and protect Britain's place in the single market for the long term. It will not be the status quo; it will be a membership rooted in our national interest and a European Union that is better for Britain and better for Europe, too. I commend this statement to the House.

3.44 pm

Ms Harriet Harman (Camberwell and Peckham) (Lab): I thank the Prime Minister for his statement.

The House meets today in dark times. At least 18 innocent Britons have been murdered and many more have been seriously injured in the biggest terrorist attack on our citizens since the horror of 7/7. Every one of us in this House extends our heartfelt sympathies to the families and friends of those killed and injured. Our thoughts are with them at this terrible time. We cannot begin to understand what they must have been going through as they saw on the news pictures from the beach where their families were on holiday showing sun loungers being used as stretchers and bloodstained beach towels turned into makeshift shrouds.

The families of those killed now face the painful process of helping in the identification of their loved ones and bringing them home. The relatives of the injured will be worried sick and desperate to bring them home as soon as possible. Others are still searching for any information about what has happened to their relatives.

The Prime Minister was right to convene Cobra immediately, and I thank him for updating the House on all the work being co-ordinated through the daily Cobra meetings. I add our thanks to Foreign and Commonwealth Office staff, the British police teams, the Red Cross experts and other British officials who are working on this, as well as to all those—from hotel staff and local officials to the travel reps and other holidaymakers—who are supporting those who have been caught up in this.

As we know from 7/7, support will be needed for the bereaved and injured—not just in the immediate aftermath, but for months and years to come. Can I therefore ask the Prime Minister to establish a dedicated taskforce that reports to a Minister with responsibility for co-ordinating across Departments and agencies to provide that support? It is right that the Home Secretary and the Under-Secretary of State for Foreign and Commonwealth Affairs, the hon. Member for Bournemouth East (Mr Ellwood), the Foreign Office Minister with responsibility for the middle east, have travelled to Tunisia today. I make particular mention of the Minister, who has stepped into this immensely difficult situation highly effectively, clearly drawing on the experience of his own family loss and demonstrating great personal empathy with those who are suffering. We thank him for his work.

There are close ties, going back decades, between Tunisia and the UK. The Prime Minister will have our full support in helping Tunisia tackle the scale of the terrorist problem that now confronts it. We welcome the fact that the Prime Minister, the French President, the German Chancellor and the Belgian Prime Minister have agreed to work together to help Tunisia strengthen its security. Can the Prime Minister say more about what actions are being considered by our Government and internationally to help the Tunisians respond to the economic problems that this terrorist atrocity will inevitably cause, given the country's reliance on tourism?

While we make preparations for commemorating the 10th anniversary of 7/7, the death toll in Syria and Iraq continues relentlessly to rise. This week alone, there have been deadly terrorist attacks in Tunisia, Kuwait, Syria and France, as the Prime Minister said. People are

concerned about how difficult it is to combat this widespread threat. Can he tell us more about the international efforts to tackle the spread of terrorism? The issue is about sharing intelligence, the use of the internet and social media, cutting off finance, control of borders and co-ordinated military support to those fighting ISIL on the ground. Given the contribution that Britain's armed forces are making in helping the efforts to fight ISIL in Iraq, has the international community been asked to provide further assistance?

The Prime Minister has rightly recognised that the violence stems from an extremist ideology, which hijacks the religion of Islam. He is right that we must be resolute in standing up for the values of peace, democracy, freedom of speech and equality for women, rejecting and confronting those who go along with these extremist narratives. Is he satisfied that the Government are doing everything they can to back up and empower those at the forefront of the challenge within their communities—particularly families, teachers, religious leaders and community groups?

The Prime Minister said that, in addition to the new statutory duty on public bodies to identify and tackle radicalism, he intends to go further in the weeks ahead. Will he outline what actions are under consideration and whether he is working with the Muslim communities on that?

Turning to last week's European Council, obviously the biggest issue is Greece. It is in everyone's interest that an agreement is reached. This matter is of huge importance to us even though we are not in the eurozone, because, whatever the cause, if Europe's economy is hit, Britain will be hit too. Obviously, the Chancellor will say more about that shortly.

On migration, instability in north Africa and the middle east is a growing factor that is driving desperate migrants across the Mediterranean to Europe. I ask the Prime Minister to confirm that the capacity and mandate of our action in the Mediterranean will not be diminished with the replacement of HMS Bulwark by HMS Enterprise.

We back the action against people trafficking to which the Prime Minister referred. Does he agree that EU action is needed to help southern European countries cope with those who are arriving, including support for a swift and robust asylum assessment, and help from other countries for those who are certified as refugees? Does he agree that Britain ought to offer to help some of those who are certified as refugees, just as we have done for vulnerable refugees from Syria, and just as we have done over the decades and, indeed, centuries, when we have provided sanctuary to refugees who have fled persecution and allowed them to make their future here with us?

On Britain's negotiations with Europe, will the Prime Minister confirm that there is no prospect of any treaty changes being ratified before people vote in our referendum? Of course the negotiations are sensitive, but it is evident that even the people he is negotiating with are not entirely clear what he is negotiating for, and nor are the British people he is negotiating on behalf of. He referred to the announcement at the summit that there will be technical negotiations until December. What steps will he take to keep Parliament and the British people informed? There is an expectation in this country of high levels of transparency. It is not feasible for the British people to feel that they are in the dark.

[Ms Harriet Harman]

Finally, we are an island, but whether it is the terrorism in Tunisia, Syria, Kuwait or France, whether it is the refugees in the Mediterranean, whether it is the economy in Greece, or whether it is the radicalisation of young people here at home, this week's terrible events remind us emphatically once again that we are all interconnected.

The Prime Minister: I thank the right hon. and learned Lady for her remarks and for the way in which she made them. She was generous and right to thank the FCO staff and all the others who have been working round the clock. These are difficult events to respond to, but I really do believe that the people who work so hard to co-ordinate the response in Britain do a very good job.

The right hon. and learned Lady was right to draw on the experience of 7/7. She spoke about the good work of people such as Tessa Jowell in thinking about how best to commemorate and mark such events, and that work needs to be repeated. She asked about a dedicated taskforce. At the moment, there is very much a Foreign Office taskforce, along with terrorism experts, the police and others. There will come a moment when we want to bring in Ministers from other Departments, perhaps including the Department for Culture, Media and Sport, to ensure that we get these things right.

I thank the right hon. and learned Lady for singling out the Under-Secretary of State for Foreign and Commonwealth Affairs, my hon. Friend the Member for Bournemouth East (Mr Ellwood), with his experience of the Bali bomb. He is talking to victims and families as we speak, and I think that he should play a prominent role in making sure that, as a country, we get the response right.

The right hon. and learned Lady asked what we should do to strengthen security in Tunisia. The answer is that it covers the whole spectrum from the detailed work of making sure that hotels have the necessary security screening and capacity in place, all the way through to working with the Tunisian intelligence and security services to ensure that they have an intelligence-led model of policing, as we have in this country, so that they can work out where the next threat is coming from and try to get ahead of it.

It is absolutely right for us to help the economies of Tunisia and other countries in north Africa, which links to what the right hon. and learned Lady said about international efforts. Following the Arab spring, there was a partnership with north African countries. Some good progress was made in spending aid money to help those countries, but there is more that we need to do. Given the security threat and the risks that we face, not least the problems of the migration crisis, I think that there is a case for using our aid budget in a more co-ordinated way with others in Europe to drive change and economic success in north African countries.

The right hon. and learned Lady asked about international efforts. We also need to ensure at the European level that we pass measures such as the passenger name record directive, so that we can co-operate better in fighting terrorism.

I am grateful for what the right hon. and learned Lady said about the need to fight the ideology, as she put it, and to confront those who go along with the narrative.

I think that that is absolutely right. The more cross-party unity we can have on that message, the stronger I think it will be. We will certainly consider what more we can do to back up teachers, community leaders and others, and, as I said on the radio this morning, I am happy to co-operate and work with leaders across Muslim communities, but they should be people who want to back the basic values of tolerance and democracy that we hold dear in this country.

The right hon. and learned Lady mentioned Greece. I shall leave most of that to the Chancellor, who will make a statement immediately after this.

On migration, let me reassure the right hon. and learned Lady and the House that we will continue to have the capacity in the Mediterranean, with HMS Enterprise, to save lives. We will offer, and have already offered, to help southern European countries to process asylum seekers. I think that the only difference between us is this. We are drawing a distinction between resettling the most vulnerable refugees who are outside the European Union, for instance in Syrian refugee camps, for whom we think Britain can do more and—this is where I think the European Union is potentially heading down the wrong track—a relocation programme for migrants who are already within the European Union. I worry that such a programme would be counter-productive, and that, as I said earlier, it would reinforce the smugglers' model of getting people here in the first place. There is a disagreement with others in Europe about that. They will be going ahead with their plans, but I think that what we should be doing is helping with the resettlement, and also pointing out that our asylum system has already given asylum to many people from the most vulnerable areas of the world, and continues to do so.

The right hon. and learned Lady asked about treaty changes and keeping Parliament informed. Yes, of course I will do that. What matters when it comes to changing the treaties is making sure that there is agreement on the substance of the changes that we seek, which, of course, will involve treaty change. That is what matters, and that is what we hope to achieve.

I very much agree with the right hon. and learned Lady's final observation that we should work together with others in Europe and, indeed, around the world, because these challenges are shared challenges.

Amanda Solloway (Derby North) (Con): Following the awful events in Tunisia, which resulted in the dreadful and untimely death of one of my constituents, Scott Chalkley, may I ask what assurances my right hon. Friend can give me that he will do everything that he can to prevent such attacks from ever happening again?

The Prime Minister: First, let me send my sympathies and condolences to my hon. Friend's constituents. There will be many tragic stories about what happened on that beach and in that hotel, and people will be coming to terms with it for years to come.

No country in the world is free of the risk of terrorism, but we must do everything that we can to combat this threat, along with our partners around the world. That may involve very technical measures that we should take at, for instance, hotels and police stations, or very high-profile, high-value work with Governments, but we should commit ourselves to doing all that we can. As I have said, this will be the struggle of our generation.

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): I thank the Prime Minister for his statement on Tunisia, and for the measures he has taken so far and the measures he is proposing.

Three generations of one family from Tipton and Wednesbury have been killed in this atrocity. The impact on their relatives and the local community has been absolutely devastating, and, unfortunately, I am sure that that will be reflected in other families and other communities throughout the country. Will the Prime Minister assure me that he will take up the suggestion made by the Leader of the Opposition, and set up a dedicated taskforce to support not just the family liaison officers, who are doing great work, but local authorities and other public agencies, so that those families are given the specialist support that they will need now and for a long time in the future?

The Prime Minister: The case to which the hon. Gentleman has referred is absolutely heartbreaking. All of us have read about it in the newspapers, and we all know how the family and community will be affected, as he said, for many years to come.

As for helping the families, I think that the first thing to do is ensure that each of them has a family liaison officer from one of the police forces. Those liaison officers are now being put in place. They are experts—they are extremely good at the work that they do—and they should be the point of contact that ensures that families are given all the information, help, advice and support that they need.

The next step, as the right hon. and learned Member for Camberwell and Peckham (Ms Harman) said, is to think about how we are going to mark and commemorate what has happened. That should be done in consultation with the families, so we should not rush that decision, but I think it is right that this Friday we have a national minute's silence.

Andrew Percy (Brigg and Goole) (Con): The thoughts of my constituents are with all the victims, especially the three from our local area. I spent yesterday afternoon with the family of Bruce Wilkinson, including his wife Rita, who survived the attack. They thank everybody who has assisted them—consular staff, their travel company, and my hon. Friend the Member for Pudsey (Stuart Andrew). They want Bruce to be remembered for his wit and compassion, and for his love of his family. Can my right hon. Friend assure me that every effort will be made to get the bodies of victims home as quickly as possible, so Bruce and the other victims can be given the dignity in burial they were denied in death?

The Prime Minister: I can absolutely give my hon. Friend that assurance. As well as tales of great tragedy and sadness, there have been stories of extraordinary heroism and bravery, as we would expect from British citizens confronted with such an event. On bringing people home, what we have said, and what I have said today, is that we are prepared to use RAF planes, chiefly C-17s and C-130s, to bring home the British dead if that is what families want. We are putting the arrangements in place now. It has taken time to identify all the victims and that identification has to be complete before a victim can be brought home, but we will work as hard as we can to make sure this happens as soon as possible.

Angus Robertson (Moray) (SNP): I thank the Prime Minister for advance sight of his statement. We on the SNP Benches share all the expressions of sympathy and condolence to all the families and friends of those so tragically killed in Tunisia. What occurred there and in so many other countries in recent days was horrific and not justified in any religion, especially in this Ramadan month of peace and reflection for Muslims.

The Prime Minister was right to highlight the longer-term challenge of extremism and radicalisation. He pointed out the importance of getting terminology right and not using the name “Islamic State”. Will he join parliamentarians across this House, the US Secretary of State and the French Foreign Minister in using the appropriate term? Does he agree that the time has come in the English-speaking world to stop using “Islamic State”, ISIS or ISIL and that instead we and our media should use “Daesh”, the commonly used term across the middle east?

On migration, I have asked the Prime Minister about the shameful position of the UK Government 80 years after this country brought in thousands of children in the Kindertransport when their lives were in danger. Will he confirm that at the EU Summit other states agreed to take in tens of thousands of refugees, and that the UK has still taken in fewer than 200 from the war in Syria?

The Prime Minister: First, I agree with the hon. Gentleman on the use of the term “Islamic State”. This is particularly offensive to many Muslims who see, as I do, not a state but a barbaric regime of terrorism and oppression that takes delight in murder, in oppressing women and in killing people because they are gay, so I raised this with the BBC this morning. I personally think using the term ISIL or “so-called” would be better than what it currently uses. I do not think we will move it all the way to “Daesh”, however, so I think saying ISIL is probably better than saying Islamic State, because in my view it is neither Islamic nor a state.

In terms of the numbers that other European countries have committed to relocate within the EU, these are people who have already arrived in Italy and Greece. They are planning to relocate about 40,000 people, although there was no agreement about who would take what numbers during what was a lengthy debate at the European Council. I would not, frankly, contrast that with the numbers we are offering to resettle from outside the EU. I would point to the very generous arrangements we have in place in Britain for giving people asylum. That includes many Syrians, many people from Iraq and many Kurds. That is what we have done and will continue to do, as a generous and tolerant nation.

Dr Liam Fox (North Somerset) (Con): The Prime Minister will be aware that jihadists talk about three types of jihad: jihad of the tongue; jihad of the purse and jihad of the sword. Does he agree that although we should address the threat militarily where we can, too few of the Arab countries are pulling their weight in dealing with a problem that is part of their region? Secondly, does he agree that we must cut off the financial flows to the organisation, and name and shame those individuals and states that are facilitating the further spread of fundamental Islam? Thirdly, during the cold war we understood the value of counter-propaganda. Is it not time to rediscover, not only across Government

[Dr Liam Fox]

but among our allies, the need to speak with one voice in order to send out one message when dealing with the dangers and one message about the values and freedoms that have made us who we are?

The Prime Minister: My right hon. Friend is absolutely right. Of course there are, in part, some military answers to what is happening. We need to crush ISIL in Iraq and Syria, but military action alone will not be enough. As he says, we have to go after terrorist finance and the terrorist narrative. That narrative is shared not only by the terrorists but, sadly, by too many who stop short of terrorism but who buy into the idea of a caliphate or the idea that Christians and Muslims cannot live together. Just as we had to confront the ideology in the cold war, we have to do so again now. In the end, I think that we will win because our values of democracy, tolerance, the rule of law, freedom and free enterprise are better values. They offer young people far more hope than going off and being part of a death cult that subjugates women, murders homosexuals and creates murder and mayhem across the world.

Owen Smith (Pontypridd) (Lab): I should like to add my deep condolences to those of the Prime Minister and my right hon. and learned Friend the Member for Camberwell and Peckham (Ms Harman) to all those who have been affected by what has happened in Tunisia, many of whom were Welsh. Will the Prime Minister join me in expressing our admiration for my constituent Matthew James? People will have read in the newspapers how he threw himself in the way of a bullet to shield his fiancée, Saera Wilson, in an extraordinary act of selfless bravery. May I urge the Prime Minister to do all he can to ensure that all the victims receive all the support that they need?

The Prime Minister: I thank the hon. Gentleman for his question. We all read the moving story of what that brave and courageous young man did to save the life of his fiancée; I am sure that it will have moved the whole country. I can certainly give the hon. Gentleman the guarantee that we will do everything we can to help the victims and their families. There are people working round the clock in Tunisia and here in Britain to ensure that that happens, and we will keep that up.

Scott Mann (North Cornwall) (Con): Yesterday, I learned that two of my constituents had suffered in this callous attack. Cheryl Mellor and her husband, Stephen, from Bodmin in North Cornwall, went to Tunisia for a holiday, but only Mrs Mellor will be returning. I was moved to tears after reading her account of Friday's tragic events in the local press. Stephen was gunned down next to his wife, trying to protect her as they fled from the chaos. Mrs Mellor is now in hospital in Sousse with life-changing injuries. My heart goes out to her and her family at this extremely difficult time. Will my right hon. Friend assure me that Mrs Mellor will receive the same level of devoted care and attention in Sousse that she would normally receive from the NHS in Cornwall?

The Prime Minister: I thank my hon. Friend for raising that case, and for the way in which he did it. The assurance I can give him and all those who are wounded

and being looked after in Tunisian hospitals is that our medical team is on the ground, and for those who can be repatriated as medical evacuations using a C-17, all the technology and medical brilliance that we brought to bear when bringing casualties back from Afghanistan is available to British citizens in Tunisia. If it is possible to move someone and bring them back to the QE2 in Birmingham, that is exactly what will be done.

Ms Tasmina Ahmed-Sheikh (Ochil and South Perthshire) (SNP): I thank the Prime Minister for his statement. In the past two days, I have spoken to my constituent Holly Graham, whose parents Billy and Lisa Graham are still missing following the attack. There has been public concern about the time it is taking for the authorities to update families in the UK on their relatives in Tunisia, although I fully understand that the UK and Tunisian Governments are working hard to get good quality information to the families here as quickly as possible. Will the Prime Minister use this opportunity to set out the challenges that the authorities in Tunisia and here in the UK are facing when trying to trace UK citizens who have been caught up in these dreadful events?

The Prime Minister: I thank the hon. Lady for the way she put her question, because I share all the frustration of the families and the communities who want to get this information as fast as possible. Scotland's Deputy First Minister, John Swinney, was in the Cobra conference by video-link to Scotland and raised some of those issues himself. Just to bring home the importance of not making an announcement before we have the information, I should say that two people who were down as missing and whom we were very concerned about turned up back in Britain today, having come home under means that we did not know about. The reason it is taking some time to identify the victims is twofold: people who were on the beach did not, quite understandably, have on them passports or means of identification; and, tragically, in some cases it is difficult to identify people after the horrific attacks that took place. In addition, the coroner in Tunisia, quite understandably, wants to make sure that no mistakes are made, so there is a full pathway from the moment of recognising the victim and all the coronial action that subsequently has to take place.

Crispin Blunt (Reigate) (Con): Tunisia's transition to democracy is the one ray of political light coming out of the Arab spring, but it is as fragile as Tunisia's economy and security. While welcoming measures to support the fledgling democracy's economic and security aspirations, will my right hon. Friend ensure that its political aspirations also receive support? Does he also recognise that by some accounts more than 20,000 Tunisians have been intercepted trying to join Daesh, some of whom are bound to have reached Libya? Is there any evidence that this attack was co-ordinated from outside Tunisia?

The Prime Minister: First, I agree with my hon. Friend that helping Tunisia on its political journey is as important as helping Tunisia's economy and civil society, and we will certainly do that—I met the Tunisian ambassador shortly before coming to the House today to discuss these issues. In terms of the linkages of this attack, I think it is too early to say. I am sure that more work is being done now, and if there is anything else to

tell the House I will come back at a subsequent opportunity. Where there is no doubt is on the fact that Libya, with its failed state and lack of a Government, has become a place where Islamist terrorists have got a foothold. There can be no doubt about that and while that is the case, other countries in the region, and indeed in the world, are at greater risk.

Mr David Anderson (Blaydon) (Lab): One of the victims of this appalling act was my constituent Mrs Lisa Burbidge, a grandmother of four. She lived in the town of Whickham and, sadly, it is only six years since one of our own from the same town, Sapper David Watson, was killed in action in Afghanistan. I hope that today we can mourn both of them, Mr Speaker. I urge that Lisa's family's wishes are kept to and they are left to grieve in privacy.

Will the Prime Minister ensure that MPs and their staff are given as much help as is possible and practical, so that we can play our part in helping families get over this? I also urge him to go the extra mile and ensure that all Government agencies act with the utmost compassion, sensitivity and understanding in the coming weeks. I am thinking in particular about the Department for Work and Pensions, education and the health service, where these people might need that little bit extra help which is not always there when dealing with massive bureaucracies. That will help the families to come to terms with this situation as quickly as possible.

The Prime Minister: I thank the hon. Gentleman for his question and for paying tribute to Lisa Burbidge. We will certainly give as much help to Members of Parliament as we can. If people want to know what more information is made public, they can speak to the Foreign Office help desk and team. He is right about showing compassion and sensitivity, and indeed common sense, in how we deal with these things. Sadly, there are lots of difficulties in informing relatives, not least that the next of kin should be first—the person named in the passport—and sometimes family structures and relationships can be quite complicated. That can be another reason for delays sometimes. I know that the staff at the Foreign Office and the family liaison officers are doing everything they can to cut through bureaucracy and to make the right decisions.

Mr Henry Bellingham (North West Norfolk) (Con): I represent a couple of constituents who were on holiday in Tunisia but mercifully escaped unscathed and have now, I believe, returned to King's Lynn. The Prime Minister mentioned the power to track social media. Does he agree that the time has come for companies such as Google, Facebook and Twitter to accept and understand that their current privacy policies are completely unsustainable?

The Prime Minister: My hon. Friend makes an important point. We are urging social media companies to work with us and help us deal with terrorism. Britain is not a state that is trying to search through everybody's emails and invade their privacy. We just want to ensure that terrorists do not have a safe space in which to communicate. That is the challenge, and it is a challenge that will come in front of the House. We have always been able, on the authority of the Home Secretary, to sign a warrant and intercept a phone call, a mobile phone call or other

media communications, but the question we must ask ourselves is whether, as technology develops, we are content to leave a safe space—a new means of communication—for terrorists to communicate with each other. My answer is no, we should not be, which means that we must look at all the new media being produced and ensure that, in every case, we are able, in extremis and on the signature of a warrant, to get to the bottom of what is going on.

Tom Brake (Carshalton and Wallington) (LD): On behalf of the Liberal Democrats, I echo the condolences and heartfelt sympathy that have been expressed by others in this debate about the outrage. Given the possible link between the Tunisian terrorists and Salafist ideology, will the Prime Minister commission and publish a report, similar to that on the Muslim Brotherhood, on the role of Salafist teachings in fuelling support for violent actions against non-Muslims and Muslims?

The Prime Minister: The right hon. Gentleman makes an important point. If we are successfully to defeat this threat that faces us, we must work extremely hard to understand its true nature. That is why I commissioned the report into the Muslim Brotherhood. That organisation has an uncertain relationship—let me put it that way—with movements that condone violence. I think we see the same with some that have Salafist views. Anything that can be done to further our understanding of where the narrative of extremism is coming from is a good thing.

John Redwood (Wokingham) (Con): Does not the economic and social damage being done by the tragic conflict between Greek democracy and EU policies demonstrate that Britain is right to seek to bring back powers, so that we have the things that matter to UK prosperity and security under democratic control?

The Prime Minister: My right hon. Friend always puts his case very powerfully. In many ways, what this shows is that it is possible to have different sorts of membership of the European Union. We are not a member of the euro or of Schengen, but when it comes to co-operation over foreign and security policy, it is often Britain that is in the lead—whether it is arguing for sanctions against Iran, sanctions against Russia or a better co-ordination of counter-terrorism policies within the EU. We should not be frightened of different forms of membership. As I have put it, Europe should have the flexibility of a network rather than the rigidity of a bloc.

Shabana Mahmood (Birmingham, Ladywood) (Lab): May I join others in expressing my shock and sadness at the horrific events in Sousse? Our thoughts and prayers go out to those who have lost loved ones. I welcome the steps that the Government are taking to offer support and assistance to the families at this time.

The Prime Minister has been speaking about the challenge of confronting ISIL—Daesh—and its ideology, and I agree that that is the task ahead of us, but how we do it is a matter for debate. The thrust of the Prime Minister's comments today and last week are that, as part of dealing with symptoms and causes, British Muslims must step up and call out those who are silently condoning extremist ideologies, but does he agree that most ordinary British Muslims, among whom I count myself, have no more knowledge and ability to

[*Shabana Mahmood*]

step up to the plate and call out in that way than any other ordinary British person? Furthermore, does he agree that it will be from an acceptance of our combined lack of understanding of where we need to step up to the plate that we can better work together to find a solution?

The Prime Minister: I thank the hon. Lady for the thoughtful way in which she put her question. My answer is that British Muslims, Imams, mosques, community centres and Muslims in our communities are stepping up and saying that they condemn utterly what ISIL does and saying that it is not in their name. Indeed #NotInMyName was praised by President Obama in his speech at the UN. My argument is, I am afraid, that we all have to go on doing that—British Muslims included—for as long as this poisonous ideology exists. I say to British Muslims that, the fact is, these people are taking their religion of peace and perverting it. That is the reason for standing up and saying, “You must not do this. This is not what we believe in or what we are about.” The British Government, who include Muslims in their number, will back all Muslims who do that.

My second point is that we would be making a mistake if we said that we need just to confront those who support violence. Some people and some organisations—frankly, we know which organisations—go along with some of the narrative, think that a caliphate might not be such a bad idea, that Christians and Muslims cannot really live together and that democracy is inferior to another sort of system, and do not believe in equality. Those are people that we must call out, too. I want us to appeal to young British Muslims about what this country can be for them. This is a great multiracial democracy and a country of opportunity and we must also raise our game, as it were, and make this a society into which people want to integrate. It is time to speak out on both fronts. There is a need for integration, but also the need to confront a narrative of extremism, even if it stops short of violence.

Sir William Cash (Stone) (Con): I join the Prime Minister in expressing strong words in condemnation of the evil slaughter of British citizens and others in Tunisia and in condolence for the bereaved.

At the European Council meeting, today and recently my right hon. Friend rightly reaffirmed the Common Market, British courts for British laws, the sovereignty and accountability of our national Parliament and the fundamental change in our relationship with the EU and the eurozone to which many will say yes, yes, yes. He has been buffeted by criticism from other European leaders, who are clearly not listening and who are demanding more integration rather than less. Hope springs eternal, but given his firm objectives in our vital national interests and the EU leaders’ constant criticism of them, what would it take for my right hon. Friend to recommend a no vote?

The Prime Minister: I go to these negotiations as an optimist and a believer that we can get a good deal for Britain. I have now had meetings with all 27 Presidents and Prime Ministers in Europe, in what has been dubbed something of an eating tour around the European Union.

I am not saying that they instantly all agreed to the points that Britain is raising, but they are open to the sorts of reforms that I believe are necessary.

Mr Gregory Campbell (East Londonderry) (DUP): I welcome the Prime Minister’s statement. The sympathies of my right hon. and hon. Friends and, indeed, of all the people of Northern Ireland, are with those who have suffered so terribly as a result of this atrocity. The Prime Minister rightly talked about peace, tolerance and democracy. What is he doing to ensure that the peoples across the middle east who, like the people of the United Kingdom, want to see those values defended and stood up for are united with the Governments of their nations to ensure that we never, ever surrender to activity such as that we have seen?

The Prime Minister: I thank the hon. Gentleman for his question. We are backing those Governments who want to see an active and positive civil society and encouraging democracies such as Tunisia. We are saying to other countries that are not yet democratic that they should be putting in place the building blocks to become democratic countries. As we look at how we best confront terrorism, I am convinced that giving young people in those Arab societies greater hope of participation, democracy and rights is part of defeating the narrative about which I have been speaking.

Sir Roger Gale (North Thanet) (Con): I know that all other members of the British-Tunisia all-party parliamentary group will wish to endorse the sentiments expressed by my right hon. Friend the Prime Minister, by the right hon. and learned Member for Camberwell and Peckham (Ms Harman) and by Members on both sides of the House who have lost constituents. It would be of no service to the memory of those who have lost their lives if we were to allow an emerging democracy in Tunisia to fail and the terrorists to succeed. When my right hon. Friend receives requests from the Tunisian Government, as I understand from the ambassador that he will, will he seek to ensure that not only the United Kingdom but the European Union gives every possible support in terms of security and the training of security forces? Will he also seek to ensure that the European Union pays the money that it promised but so far has not delivered?

The Prime Minister: First of all, we will help, and the offer is there. Also, because today not only the Home Secretary but a German Interior Minister and a French Interior Minister travelled together to Tunisia, I hope we can co-ordinate the assistance that we are offering, because otherwise I fear that the Tunisians will be overwhelmed with offers of help and may struggle to put them into place.

I want to stress this: when we set the risk ratings and the travel advice for countries, we must take into account their capacity to militate against these threats, so the work that we are urging the Tunisians to do with us is very urgent.

Stuart C. McDonald (Cumbernauld, Kilsyth and Kirkintilloch East) (SNP): Like everybody in our community, I was shocked and deeply saddened to hear that Jim and Ann McQuire, a much loved couple from Abronhill in Cumbernauld had lost their lives during the mindless

violence in Tunisia. By all accounts they were an extremely kind and considerate couple and were due to attend the Holyrood Palace garden party this Wednesday in recognition of lifetime service to the Church of Scotland and Jim's many years as a local Boys' Brigade captain. I know that the deepest sympathies of this House and the whole community of Cumbernauld will be with the friends and family of the McQuires. I am grateful to the Prime Minister for his statement. Understandably perhaps, however, given the earlier attack on the Bardo national museum, there will be members of the public who have questions about the reliability of Foreign and Commonwealth Office travel advice. As the Prime Minister said, there are fine judgments involved, but what further reassurance can he provide that such information is based on the most robust and up-to-date evidence available?

The Prime Minister: Let me add my condolences concerning the couple from Cumbernauld who have been lost in this terrible attack. The hon. Gentleman asks the absolutely correct question about travel advice. As I have said, there is no perfect way. We base our travel advice on the threat picture and the intelligence that we have at the time. Before the Bardo attack, the travel advice did say that there was a high threat from terrorism in the country, and after the Bardo attack we added a factual update on the Foreign Office website, explaining that further attacks were possible. But the key decision, both post-Bardo and now, is whether to move the advice to a level recommending nothing but essential travel to the country as a whole. Currently we are saying only essential travel to some parts of the country. We are not proposing to change the advice about the coastal region, and I think that is the right decision, based on the evidence we have today.

Were that evidence to change, we could and would change the travel advice and, as I have said, the travel advice also depends on the capacity of the Tunisian system. That is the same for all countries. As I have said, these are difficult decisions. We must not be cowed by the terrorists. They want us to wipe out the Tunisian tourist industry, which accounts for 15% of its economy. The decision we take puts the safety of British people first and foremost. If the evidence and the information changes, we will change our advice.

Mr Keith Simpson (Broadland) (Con): Understandably, we have centred on one young Tunisian man who carried out this massacre, and possibly some other Tunisians who supported him, but should we not also put it on record that dozens of Tunisians who worked at that hotel risked their lives protecting and helping our tourists? That should be the beacon that supports the Tunisian tourist industry and encourages people to visit Tunisia.

The Prime Minister: My right hon. Friend makes a very important point. There were some extraordinary stories of courage and heroism by local Tunisian people who were appalled by what this man was doing, and that is a great credit to their country.

Sadiq Khan (Tooting) (Lab): All decent people have in their thoughts or prayers the victims in Tunisia and their families. Everybody should criticise the actions in Tunisia. There can be no justification for what happened in Tunisia, just as there cannot be any justification for what happened in London 10 years ago. The Prime Minister

talks about promoting and defending British values. These values are intrinsic to being a British Muslim, and I welcome his comments unequivocally distancing Islam from the perverted ideology. What more will he and his Government do to work with communities to promote and defend these British values?

The Prime Minister: I am very grateful for what the right hon. Gentleman says. What more we can do is make sure that the new Prevent duty is carried out and that institutions work with us to put that in place to combat radicalisation. There is more we can do to discuss with British Muslims how we confront the poisonous ideology. That means making sure that we are talking to people directly and not always going through some self-appointed leaders, who do not always represent British mainstream Muslim opinion. Sometimes that will mean that we will be criticised for not engaging. I do not accept that criticism. I will engage with anyone who buys into the basic standards of British tolerance and decency, but it is important that we have some ground rules.

Mr James Gray (North Wiltshire) (Con): There can be no greater agony than that being experienced by the people whose friends and relations have been missing and unaccounted for since Friday, such as my constituents John Welch and Eileen Swannack. Despite what the Prime Minister said about the difficulty of identifying the victims, which I quite understand, is there no more consular activity that could be undertaken to try to finalise the list of those who have tragically been killed so that we can set their families and friends' minds at rest?

The Prime Minister: My hon. Friend asks an entirely fair question. I can assure him that at the Cobra meetings that is one of the most important issues we focus on: what more can be done; are more resources needed; are more people needed? My understanding is that we have police officers, victim identification experts and consular officials on the ground, working hand in glove with the Tunisians. We are going as fast as we can to get that vital work done.

Neil Gray (Airdrie and Shotts) (SNP): A family from Airdrie who were desperate to get home from Sousse were told by their airline, Thomas Cook, that it would cost them £800 per person to get home early as they had booked through Teletext. The chief executive of Thomas Cook confirmed to me last night that they would get home free of charge, and they arrived home this afternoon after much stress. What advice can the Prime Minister offer to those still trying to get home without sufficient access to holiday reps, or indeed to FCO staff, as in this case?

The Prime Minister: I am grateful to the hon. Gentleman for his question, because I think that it tells a real story, which is that sometimes there is confusion and a lack of clarity to begin with, but then there is a good and clear answer, as with that family who returned home. My advice to anyone in that situation is to talk to their travel company first, but they can also ring the Foreign Office line and get assistance. The Foreign Office immediately looks into any case it sees coming up in the media or on social media to see whether it can help directly, and it will continue to do so.

Sir Edward Leigh (Gainsborough) (Con): The Prime Minister will want to extend his condolences to the family of young Carly Lovett, my constituent, a 24-year-old girl who was brutally shot down in front of her fiancé. She travelled from the small, quiet Lincolnshire town of Gainsborough, and she did not deserve this—nobody deserved this. The question is what do we do now. What worries the British people is the fact that the threat is not just there; it is everywhere, and it is here. Will my right hon. Friend resist the principled siren voices trying to prevent him from giving the security services all the powers they need over the internet? Also, if he will allow me to make one further point, many British people view mass illegal migration as a kind of dangerous Trojan horse, so I will support him in his efforts to enforce the Dublin convention so that we return illegal migrants from where they enter the EU and we deal with this problem?

The Prime Minister: First, may I join my hon. Friend in paying tribute to Carly Lovett? We have all heard the heartbreaking story about that young woman gunned down in the prime of life. He is right to say that the threat is everywhere. The difference between this type of threat and the al-Qaeda threat that we faced for many years, and which we still face, is that in the latter case we were often dealing with centrally co-ordinated plots, so if we could get on to them we could try to work out how to mitigate them. Here we are dealing with a lot of self-radicalised so-called Jihadis who have been radicalised through the internet, often by people in Syria or Iraq. Hopefully in many cases we will get advance warning and be able to stop them, but in some cases we will not. That can happen in Britain, as it can around the world. That underlines the social responsibility of social media companies, as I said earlier, but also the need for us to have the most modern capabilities to deal with the threat. As for migration, we are signatories to the Dublin convention and we want to ensure that it continues to work.

Keith Vaz (Leicester East) (Lab): Two and a half years ago, in his first speech of the UK's presidency of the G8, the Prime Minister warned about the terrorist threat in the Maghreb because of the disintegration of Libya. I welcome the Home Secretary's presence in Sousse to reassure not only the British citizens there, but the Tunisian Government and people, but the Prime Minister is having bilateral discussions with Heads of Government. What is the international way, and what platform can we use, to defeat those who wish to act in this horrific way?

The Prime Minister: The right hon. Gentleman asks a very direct question. There are several platforms that can work. The G7 wants to have a clearing house for assisting countries like Libya, Tunisia, Morocco and Egypt to make sure that, when not all the countries are offering the same sort of help and assistance, we have more of a working out of who should be working with which country. I hope that that can be put into place and work soon, because it makes sense for Britain, for instance, to partner a country like Nigeria and possibly Libya. Other countries, with their historical links, may be better placed to partner other countries. That is one network. The other is using the EU's neighbourhood programme to make sure that we give better assistance and support, and building up the civil societies and economies of the countries in north Africa.

Mr John Baron (Basildon and Billericay) (Con): Co-operation, such as it has been, in combating Daesh has focused on the military situation. However, in recognising that we have failed significantly to disrupt its financial flows from Arab-friendly countries and powerful organisations and individuals from within them, failed to disrupt its prominence on social media, and failed to disrupt its business activities, what more can the Prime Minister tell the House about concrete steps that are going to be taken to combat ISIL—or Daesh, I should say—in these other areas?

The Prime Minister: I would not entirely agree with my hon. Friend's description of this. Looking at what allied air action has done in Iraq, together with the Kurds, we have shrunk the territory that ISIL holds in that country. There have been some very great successes in taking down ISIL social media sites—taking pages off the web—and in the past few months a number of prominent plots in this country, perhaps as many as four or five, have been prevented. It is very important that we talk up our capabilities, strength and resolve in this way, but he is right to say that more needs to be done. The finance needs to be attacked. We need to bring to bear more pressure against ISIL both in Iraq and in Syria. As I said on the radio this morning, we are going to have to demonstrate some real long-term resolve. If we are not going to invade these countries directly, but we are going to build up their Governments and their militaries, we have to settle in for the long haul knowing that this is the right answer but it will take time.

Several hon. Members rose—

Mr Speaker: Order. Literally dozens of colleagues are still seeking to catch my eye, and I am keen to accommodate as many as time reasonably allows, for which purpose brevity will greatly assist me.

Naz Shah (Bradford West) (Lab): First, I would like to take this opportunity to agree with the sentiments of this House in condemning the barbaric attacks in Tunisia—sentiments that are shared across the country in all communities. What we need at home are strong communities, not divided communities. To this end, will the Prime Minister agree to engage in solidarity with all communities? Will he recognise that Prevent is failing in its attempt to engage? Will he today commit in this House to a systematic review of the Prevent strategy?

The Prime Minister: First of all, of course I commit to engage with all communities, and we will continue to do that. I do not agree with what the hon. Lady says about Prevent. We took the advice of an independent review to separate the community engagement work that should be done by the Department for Communities and Local Government from the Prevent work, which obviously has more of a Home Office feel to it, and I think that is the right decision.

Christopher Pincher (Tamworth) (Con): I echo the Prime Minister's tribute to the victims of Sousse, including my constituent, Sue Davey, who, with her partner, Scott Chalkley, lost their lives last week. Will my right hon. Friend provide special and personal commendation to the individual brave Tunisians, from those who tried to

warn against the attack on the beach, to the building workers who tried to stop the terrorist, to the doctors and nurses in the hospitals who treated the injured, because, as we know but must always be reminded, it was not done in their name?

The Prime Minister: I also pay tribute to Sue and Scott, as my hon. Friend has done. He is right to commend the local Tunisians, whether doctors and nurses, people who turned those sun loungers into stretchers, or people who confronted the terrorist. They are a credit to themselves and a credit to their nation.

Rushanara Ali (Bethnal Green and Bow) (Lab): Our thoughts and prayers are with the victims and their families. This appalling act of terror against defenceless holidaymakers highlights the need for us to fight extremism both at home and abroad. These terrorists seek to drive a wedge between the majority of the world's Muslims, who have no truck with what they represent, and everyone else. We must all work harder to make sure that they do not succeed. What steps will the Prime Minister take to make sure that any international response includes action to help stabilise and rebuild post-conflict states such as Libya and others to prevent them from continuing to be a breeding ground for, and exporters, of violent extremism? Will he reconsider my call earlier this year for an inquiry?

The Prime Minister: I very much agree with the hon. Lady, particularly on rebuilding broken states affected by conflict. As the Secretary-General of the United Nations has said, a missile can kill a terrorist, but it is good government and governance that kill terrorism.

Bob Stewart (Beckenham) (Con): Does the Prime Minister agree that no security service in the world, including the Tunisian security services, will be able to identify someone who secretly radicalises himself, trains himself quietly and then operates largely independently?

The Prime Minister: My hon. Friend is absolutely right, but that reinforces the point that, because we are not necessarily dealing with a network, anybody who has information and is worried about someone who is going wrong—who is getting radicalised and is either visiting extremist preachers or looking at extremism online—needs to act. Otherwise, it could end the way it has in the past few days.

Jeremy Corbyn (Islington North) (Lab): Obviously, what happened is appalling, tragic and terrible and has to be condemned in every way, and we should support those people in Tunisia who are doing their best to build a free, democratic and secular society with less unemployment and more youth engagement.

I want to take the Prime Minister back to the point made by the Chair of the Foreign Affairs Committee about the situation in Libya. Does not he think that the destruction of so much of Government and society in Libya has caused, and provided an opportunity for, the problem to get worse?

The Prime Minister: If the hon. Gentleman is asking whether I regret the action we took to stop Colonel Gaddafi massacring his own people in Benghazi, then no, I do not. The cause of terrorism is people choosing

to take up terror. At the same time, should we try to build these countries and governance? Yes, of course we should, but we should never forget where responsibility lies.

Nadhim Zahawi (Stratford-on-Avon) (Con): A powerful antidote to the ISIL poison would be if young British Muslims could see Arab Sunnis who are playing host in Iraq and Syria rejecting ISIL and ejecting it from their midst. Will my right hon. Friend redouble his efforts to find a political solution to reject ISIL and eject it from Iraq and Syria?

The Prime Minister: My hon. Friend is absolutely right. We need to build an Iraq where its Prime Minister is clearly working for Sunnis as well as Shi'as and Kurds, but we also need Sunni Muslims in Iraq to rise up and reject ISIL. Without that, it will always be more difficult to take that cancer out of the country.

Derek Twigg (Halton) (Lab): May I press the Prime Minister on a question I asked him a couple of weeks ago about the Sunnis and Sunni tribes in Iraq? The fact is that the Iraqi Government are not reaching out to them or arming them. Without that, we are not going to see the Sunni tribes and the Sunnis taking on ISIL. What is the Prime Minister, along with European partners, doing to ensure we put pressure on the Iraqi Government to do that and ensure that the Sunnis are involved?

The Prime Minister: The hon. Gentleman asks absolutely the right question. I have personally raised this issue with President Abadi, including at the G7 summit in southern Germany, and will continue to do so. We have to encourage him to be brave in reaching out from his Shi'a base. We should also work with Sunni regimes in the area that themselves can work with the Sunni tribes to encourage them to accept the offer of an inclusive Iraqi Government and to reject ISIL.

Philip Davies (Shipley) (Con): Every year the EU is a smaller and smaller part of the world's economy, its currency is a basket case, it is undemocratic and its free movement of people makes it easier for terrorists and other criminals to enter the UK from other parts of the EU. Rather than faffing about with a renegotiation when we know the Prime Minister is going to get next to nothing but dress it up as a great triumph, may I suggest that he would be better employed negotiating the terms of Britain's withdrawal from the European Union?

The Prime Minister: I sometimes wish that my hon. Friend would not speak in riddles, but be clear about what he really wants. I hope to prove him wrong by bringing home a substantial package that will make a difference and address the concerns of the British people, but in the end they will be the judge.

Mr George Howarth (Knowsley) (Lab): I welcome the Prime Minister's statement and his words of condolence for the families who have so tragically lost family members. I also welcome his recognition of the need for a counter-narrative to violent extremism, but will he accept that there are many pathways into violent extremism and that any counter-narrative must be based on a proper understanding of those various pathways? Will he undertake to set up an audit of what we know both in the intelligence and security services and through open sources, so that any counter-narrative can be more firmly based?

The Prime Minister: The right hon. Gentleman makes an important point. The Home Office has now set up an organisation to better identify and understand not just violent extremists, but the various extremist groups and organisations out there. I accept and agree that we have to look at pathways into extremism, but we cannot ignore the fact that young people who have been to good schools, have strong family backgrounds and are not suffering material deprivation have none the less chosen a violent extremist path. That says to me that, while we must of course go on attacking deprivation, making sure we are a more inclusive country and tackling inequalities at home, what we are really looking for is the cause of the ideological linkages that people are making, and it is those we need to go after.

Several hon. Members *rose*—

Mr Speaker: Order. A single, short sentence question could now represent a parliamentary triumph. I call Mr Bernard Jenkin.

Mr Bernard Jenkin (Harwich and North Essex) (Con): Will the Prime Minister explain how a mere promise of treaty change can be made legally binding?

The Prime Minister: In very much the same way, when Ireland had a treaty change and a protocol addressing that treaty change, the referendum took place in Ireland before all the other countries' Parliaments had passed the treaty change, so this has happened on previous occasions across the European Union.

Mr Khalid Mahmood (Birmingham, Perry Barr) (Lab): I want to join the Prime Minister, my right hon. and learned Friend the Member for Camberwell and Peckham (Ms Harman) and Members from across the House in paying our condolences to the families of the people caught up in the barbaric attack on the holiday resort in Tunisia.

I want very quickly to mention to two issues. The first is about recognising as Muslims those in the Daesh group. These people are not Muslims; they are what is known as Khawarijite. This has gone on in Islam for a long time—they were responsible for killing two of our Khalifas at the start of the religion—and it is continuing. Where I agree with the Prime Minister is that we have to take responsibility for our young people not being edged along in Islam towards them, because these people are not Muslims. We must take responsibility for dealing with that across the whole community—the Muslim community and all other communities and institutions as well.

The Prime Minister: The hon. Gentleman speaks with great knowledge about this, and I have admired what he has said about this over the years. He is right that these people are bastardising and perverting a religion, but we cannot ignore the fact that they are self-identifying as Muslims. That makes it even more important that we reject what they are saying and prove to young people, including young Muslims, that they have nothing to do with what the true religion is about.

Paul Maynard (Blackpool North and Cleveleys) (Con): I am sure the Prime Minister can imagine the sadness in Blackpool given that two of my constituents sadly died

in this attack, having wanted nothing more than to go on a summer holiday. Does he share my view that one thing that could be done is for the EU to restart urgently its initiative with all of the nations on the southern Mediterranean coast, which seemed to die away with the Arab spring and the crisis in the eurozone? We need to start again on that.

The Prime Minister: My hon. Friend is right. Money is being spent in countries such as Tunisia, but I suspect it is not enough and that it is not focused on enough things that make a real difference to the Tunisian economy and the Tunisian people.

Diana Johnson (Kingston upon Hull North) (Lab): I welcome the Prime Minister's statement, and I ask that we all join in sending our condolences to the family of my constituent Claire Windass, who tragically lost her life on Friday in Tunisia. Her family have issued a statement saying that Claire

"was a warm, kind-hearted woman who made friends easily and was loved by everyone who knew her. She will be deeply missed."

The family have called for privacy, but will the Prime Minister assure me that lessons have been learned from families who have very tragically been in similar circumstances in the past about the kind of effective support that will best meet their needs and requirements over the weeks and months to come?

The Prime Minister: Let me join the hon. Lady in paying tribute to Claire Windass and mourning her loss. Lessons have been learned from previous tragedies. That is why it is so important that my hon. Friend the Member for Bournemouth East, who lost a relative in the Bali bombing, is involved. As a country, we have developed better ways of making sure families are kept in touch with developments. There is still more to be done, but lessons will be learned and we will be as sensitive as we can.

Peter Aldous (Waveney) (Con): My constituent Stuart Cullen lost his life on Friday. Can my right hon. Friend assure me that he and the others who died, and their families, will never, ever be forgotten?

The Prime Minister: I can certainly give that assurance to my hon. Friend. With him, I mourn the loss of his constituent Stuart Cullen. It is very important that we speak with families in the coming days and weeks to think of the best way to have a fitting memorial to their suffering and to what this has meant: one of the largest losses of life in a terrorist incident that Britain has suffered in many years.

Margaret Greenwood (Wirral West) (Lab): I add my condolences to everybody affected by this tragedy. What discussions are the Government having with travel insurance companies to ensure that all those who are in Tunisia and who wish to come home may do so free of charge?

The Prime Minister: The hon. Lady raises an important point. My understanding is that the companies have offered travel back to the United Kingdom. A lot of planes have been laid on. We believe that system is working. Where it is not working, we are getting on to the company concerned and trying to make sure the problem is fixed. On the issue of where people have

been injured or returning the bodies of those who tragically have been killed, we are stepping in directly with transport via the RAF to try to help.

Mr David Nuttall (Bury North) (Con): Will the Prime Minister please pass on my thanks to his fellow European Union leaders? Every time one of them refuses to agree to one of his very modest requests in the renegotiation process, they make the task of those of us who argue this country would be better off outside the EU just that very little bit easier.

The Prime Minister: I do not want to disappoint my hon. Friend too much, but actually the reception I have had from my fellow European Prime Ministers and Presidents has been rather more positive than he suggests.

Stephen Doughty (Cardiff South and Penarth) (Lab/Co-op): My thoughts and prayers are with those caught up in the horrific events in Tunisia, including those from Cardiff. What consideration has the Prime Minister given to reviewing and, if necessary, upgrading our support and training security forces in other countries where British civilians and interests may be under threat from Daesh? Will he put those considerations at the heart of the upcoming strategic defence and security review?

The Prime Minister: The hon. Gentleman makes a very important point. The SDSR should be about these issues, as well as the more traditional issues of protecting and defending Britain herself. We are a country where our people work, travel and live in all sorts of different countries. Making sure we work with those countries to enhance their security is an important part of what we do.

Jake Berry (Rossendale and Darwen) (Con): Naomi and Carol Wearing, two of my constituents from Darwen, were injured in the attacks last Friday. Naomi was reportedly injured by the use of a hand grenade during the attack. They have now returned to the UK and are being treated in Blackburn hospital. I would be grateful if my right hon. Friend assured me that Blackburn hospital and all our other NHS hospitals will receive all the support they need, including the use of extended counselling for victims.

The Prime Minister: Let me join my hon. Friend in paying tribute to his constituents who were caught up in this terrible attack. I am sure assistance will be made available for counselling. What happened was a deeply traumatic event that will affect people for many months and years to come.

Graham Stringer (Blackley and Broughton) (Lab): Earlier this year, the Prime Minister said he wanted proper, full-on treaty change. How can we take his negotiations seriously when he has dropped this reasonable demand in the first round of negotiations?

The Prime Minister: I have not dropped this demand at all.

Mr Steve Baker (Wycombe) (Con): With my constituent John Metcalf recovering from his wounds in Tunisia, together with his uninjured girlfriend, Jo Coles, may I

strongly associate myself with my right hon. Friend's remarks? May I also strongly welcome the direction of travel he has set out for European reform? How have our European friends justified political integration for non-eurozone member states, to achieve free trade?

The Prime Minister: Different European countries have different views about integration—some sign up absolutely to the idea of ever closer union and want every country to take every step pretty much at the same time—but there is a growing awareness in Europe that actually we can have a Europe with different forms of membership. As I said, some countries are in the euro and some are out, and some are in Schengen and some are out, and when we sit round the table discussing issues such as Libyan security, some countries will be leading members of NATO and some will be neutral and not members of NATO. I think we should be relaxed about this flexibility and encourage it still further.

Ian Paisley (North Antrim) (DUP): This atrocity awakens and provokes many hideous memories of atrocities of mass murder in my own country—Ballykelly, La Mon, Warrenpoint or any of the other countless atrocities that have taken place. I therefore welcome the Prime Minister's statement, the grief he has publicly put on record and the fact that on Friday we will be able, as a nation, to pay tribute with a minute of respect. How much of the aid currently given to Tunisia is being directed towards the education of people there away from fundamentalist beliefs?

The Prime Minister: Not enough. The aid and assistance has been much more focused on building up Tunisian democracy and the institutions of this fledgling democracy. Given the scale of the threat, however, we will have to look again at these partnership programmes, and obviously education should be part of that, bearing in mind the danger of radicalisation, which the Tunisians are looking at themselves. In addition, these countries often have parts that are quite wealthy and successful and parts that are falling behind, and we need to address that challenge, too.

Michael Fabricant (Lichfield) (Con): My right hon. Friend has already said that the threat here remains "severe". He and my constituents will have read the report in *The Times* this morning that Scorpion automatic weapons might have been imported into the UK. What can he say to reassure the people of this country?

The Prime Minister: I will not comment on a specific report, but my hon. Friend is right that the threat level in Britain is "severe". It is set independently by the joint terrorism analysis centre, and "severe" means that an attack is highly likely. He also makes the important point that we should continue to do everything we can to keep the trade in weapons, including replica weapons, out of Britain. A lot of action has been taken, and the National Crime Agency is doing very good work, but we need to keep up the pressure.

Heidi Alexander (Lewisham East) (Lab): I am ashamed to think that this summer many of us will swim in a sea where people have drowned simply because they were fleeing war, violence and poverty. Is the reason the UK is failing to take its fair share of refugees that the Government find human suffering easier to bear if it is made someone else's problem?

The Prime Minister: I just do not agree with the hon. Lady. Britain is fulfilling its moral obligations by picking up people in the Mediterranean—4,000 so far, I think—rescued by the Royal Navy, and is one of the only rich countries in the world to have kept its promise on its aid budget, which is being used to help those countries. Do I think it right, however, to be part of a relocation scheme for people who have already arrived in the EU? No, I do not, because it would add to the business models of the smugglers. The idea that we can only take a moral, upright position if we take part in a European scheme that I believe is misguided is just wrong.

Richard Drax (South Dorset) (Con): I am delighted to report that my constituent, Macauley Arnold, his girlfriend and her family were on that fateful beech and at the time of the shooting were offered shelter by a local Tunisian in his house. Does my right hon. Friend agree that this shows the innate kindness and courage of the Tunisian people?

The Prime Minister: I absolutely agree with my hon. Friend. There are many examples of this sort of courage and kindness, and it is good to see them; these people are a credit to the Tunisian nation.

Andrew Gwynne (Denton and Reddish) (Lab): I associate myself with the comments of the Prime Minister and the Leader of the Opposition on the terrible events in Tunisia. On the issue of migration at the European Council, did the Prime Minister take the opportunity to discuss with other European leaders the situation at Calais, and does he think that the EU proposals for relocation systems will help or hinder the efforts there?

The Prime Minister: The short answer is that they will not make any short-term impact, but they might, in my view, make it worse in the long term by encouraging more people to make the journey. I did have a brief discussion with François Hollande about the situation in Calais, and my right hon. Friend the Home Secretary is meeting the French Interior Minister later this week. There is more we are going to do—in spending money, providing fencing and other actions such as sniffer dog teams and the like—to try to help the French and work together with them to reduce the problems in Calais.

Bob Blackman (Harrow East) (Con): As part of our Prevent strategy, we rightly ban hate preachers from coming to the UK. Sadly, their message and their perverted ideology is beamed directly to our young people by social media, but also by satellite directed and communicated to certain mosques. What further action can my right hon. Friend take to prevent this from happening?

The Prime Minister: My hon. Friend makes an important point. We can ban the preachers, but we must also look at their use of media—not just social media, but some individual television channels—and make sure that where messages endorse extremism and violence, we have a way of stopping them. This is a very important issue.

Mr David Hanson (Delyn) (Lab): On the day before this terrible incident, a neo-Nazi was convicted of a machete attack on a random individual in a supermarket in Mold in my constituency—in broad daylight on the

streets of north Wales. He had been radicalised by internet content, which is equally as bad as internet radicalisation that leads to the Islamic attacks such as happened this week. I welcome what the Prime Minister said, but will he genuinely look, with the internet providers, at how we can stop that type of information being brought into people's bedrooms from where lone wolves can use it to warp their approach to life?

The Prime Minister: I will certainly do that. We have acted together with the Internet Watch Foundation to take down many pages of extremism. The right hon. Gentleman makes an important point. The arguments about violent and non-violent extremism also apply to the extreme right. This House would never condone the idea that we should tolerate the National Front but go after Combat 18. We would never do that when it comes to fascism, so we should not do it when it comes to Islamist fascism either.

Conor Burns (Bournemouth West) (Con): The right hon. and learned Member for Camberwell and Peckham (Ms Harman) rightly highlighted the appalling treatment of gay people and women by those who subscribe to this evil belief. Is there not something powerfully symbolic, particularly to young Muslim women, in the fact that it is a female Home Secretary who, in the aftermath of this attack, is standing in solidarity with them in Tunisia today?

The Prime Minister: My hon. Friend makes an important point. Indeed, the role of women was an important one in Tunisian democracy, moving the country towards the democratic future that we hope it will continue.

Geraint Davies (Swansea West) (Lab/Co-op): I give my best wishes to Matthew James, a gas engineer in Swansea who took three bullets in protecting his fiancée; he is now recovering in Cardiff hospital. In talking in Swansea to both Shi'ite and Sunni imams from Bangladesh, Pakistan and Iraq, I have found that they are as one in saying that the Daesh are impostors, gangsters, murderers and blasphemers. Will the Prime Minister work side by side with the mainstream Muslim community and give them the resources they need to combat radicalisation, rather than saying that it is their fault and their problem? It is our problem, and we must solve it together.

The Prime Minister: I think that the hon. Gentleman is absolutely right in how he puts it. They have a role to play, and we should help them play it. One of the challenges has sometimes been the relevance of the mosque to young Muslims when it can sometimes seem less relevant to their lives. That is why we need to address the whole issue of ensuring that imams have good English when they are dealing with potentially alienated and radicalised young British people.

Mr Peter Bone (Wellingborough) (Con): Today, the Prime Minister has said that he will put the common market at the heart of our EU membership. I am sure that the British people—and myself—will be shoulder to shoulder with him on that. Why do the British media say that he cannot do this, when I know that he will not accept anything less than fundamental reform and a common market?

The Prime Minister: I thank my hon. Friend for his support; I want to continue this ever closer union between us for as long as possible.

Jonathan Ashworth (Leicester South) (Lab): In Leicester, we all hope and pray for the safe return of Ray and Angela Fisher. I am grateful for the commitments that the Prime Minister has made with respect to the embassy and Foreign Office staff. Does the Prime Minister agree that Daesh thrives on divisions in the region, whether those involve Kurds or Arabs, Sunni or Shi'a? What is he doing to build an effective united front against Daesh?

The Prime Minister: I join the hon. Gentleman in wishing his constituents well. On building a united front, there is now an enormous international coalition that includes many Arab and Gulf countries. We need to keep that coalition together because all of us bring different things. Some of those countries, as Sunni Arab states, will bring the ability to talk to Sunni Muslims in Iraq and bring them away from Daesh and towards a belief in an integrated Iraqi Government.

Several hon. Members *rose*—

Mr Speaker: Order. I am afraid that we have no time for questions with preambles, but if colleagues are willing to imitate the admirable example of the hon. Member for Harwich and North Essex (Mr Jenkin)—the hon. Gentleman is beaming at his recognition—I shall do my best to accommodate them.

Henry Smith (Crawley) (Con): Following last Friday's terrorist attacks in Tunisia, my constituents John and Janet Stocker are still unaccounted for. May I have assurances from my right hon. Friend that all NHS records that may be required by the Tunisian authorities to identify victims will be made available?

The Prime Minister: I can certainly give my hon. Friend that assurance. Victim identification specialists and police officers are out in Sousse working with the Tunisian authorities on exactly that sort of issue.

Tom Pursglove (Corby) (Con): In the midst of this tragedy, will the Prime Minister join me in commending all those who went about their business this weekend—particularly those who went to support our armed forces events?

The Prime Minister: I certainly will. I was delighted to join the Armed Forces Day parade in Guildford. There was an enormous turnout. People who might have read about potential plans to disrupt it were not being put off—and that is the British way.

Steve Brine (Winchester) (Con): I welcome the Foreign Office's sensible and measured advice, which my right hon. Friend has explained a bit further this afternoon. What conversations has he had with the Tunisian authorities about the domestic security response that people travelling to the coastal region can expect? Many people will be making decisions in the next few days and will really want to know more.

The Prime Minister: I assure my hon. Friend that we are talking to the Tunisian authorities right now; the Home Secretary is in Tunisia talking to her opposite number, to make sure that our offer of help with security is taken on board. I think it very important that it is.

Jeremy Lefroy (Stafford) (Con): Does my right hon. Friend agree that the bravery of UK and Tunisian citizens alongside each other is a sign that terror cannot win if Governments show a similar resolve both to fight it together and to provide the hope of which he has spoken?

The Prime Minister: My hon. Friend is absolutely right. This will take resolve, patience and determination among Governments and people.

Dr Sarah Wollaston (Totnes) (Con): Does the Prime Minister agree that, just as we need to do all we can to disrupt vile propaganda from ISIL on social media, it is time for our mainstream broadcast and print media to review their editorial policies and stop publishing stills from snuff videos and blasting us with the faces of smirking terrorists? Instead, let us see the faces of those Tunisians who stood arm in arm to protect innocent tourists.

The Prime Minister: My hon. Friend makes an important point. The media have to exercise their own view about social responsibility and what they should and should not publish. I really hope that the BBC can look again at calling the organisation "Islamic State". It is not Islamic and it is not a state. It is a terrorist organisation. Call it ISIL, call it Daesh, but do not give it the dignity that it is asking for.

Rehman Chishti (Gillingham and Rainham) (Con): As somebody from the Muslim faith, whose father and grandfather were imams and whose uncle is an imam, I see British and Islamic values going hand in hand. Does the Prime Minister agree that each and every one of us has a duty to challenge non-violent extremism wherever it occurs in our society and community?

The Prime Minister: My hon. Friend speaks with great knowledge on this issue. The short answer is yes—Members of Parliament can all play a role in shifting the debate on this vital issue.

Jason McCartney (Colne Valley) (Con): I join the Prime Minister in praising our brave Royal Air Force for the role that it is playing in the skies over northern Iraq. Meanwhile, on the ground, the brave Kurdish peshmerga forces are taking on Daesh. Does he agree that now is the time for the peshmerga forces to be properly armed and to receive the funding from Baghdad that was promised?

The Prime Minister: I will look into the funding from Baghdad. All that I can say is that we are helping the Kurdish forces with ammunition, training and support.

Mr David Burrowes (Enfield, Southgate) (Con): Although I welcome the extension of the resettlement programme for Syrian refugees, are we not open to the criticism that it is too little, too late, particularly when compared with the more generous resettlement and refuge programmes that other countries have for those fleeing persecution?

The Prime Minister: If one takes a five to 10-year view of the number of people we have given asylum to, we are consistently in the top five European countries. On that basis, I think we can say that we play our part.

Andrew Rosindell (Romford) (Con): Does the Prime Minister agree that it is fundamental that we retake complete sovereignty over control of our British borders if we are to prevent this evil ideology from creeping further on to our shores?

The Prime Minister: It is important to have strong border control, but the situation in Calais demonstrates the importance, in the age of ferries, the Eurotunnel and all the rest of it, of working with our partners to deliver the security that we need.

David Rutley (Macclesfield) (Con): What steps are being taken to ensure that intelligence is properly shared by national security organisations in middle eastern countries that should be allied in tackling terrorist atrocities?

The Prime Minister: We are sharing intelligence. Obviously, we have different relations with different countries, but the more we can build up trust, the more we are able to do that.

Chris Philp (Croydon South) (Con): In relation to safety here at home, does the Prime Minister agree that when the security services identify people who are threats and who are here illegally, we should deport them as a matter of priority?

The Prime Minister: I absolutely agree. One reason why we want to alter the arrangements in the Human Rights Act is that they can sometimes get in the way of doing that.

David Morris (Morecambe and Lunesdale) (Con): I share the Prime Minister's sentiments about the families who have been bereaved.

Given the people trafficking in the region, the people coming across the water and the terrorism that exists there, will the Prime Minister consider beefing up the resources that are given to Gibraltar to help combat terrorism and to move people around when necessary?

The Prime Minister: I will certainly look at that point. Enormous pressure is being put on places such as Malta, and if there are issues in Gibraltar, I will look at them.

Alec Shelbrooke (Elmet and Rothwell) (Con): My constituent Miss Richardson was due to travel this Wednesday to the beach resort where this heartbreaking massacre took place. Her tour operator, Low Cost Holidays Ltd, has agreed to waive the seven-day cancellation fee but is still applying administration charges for alternative bookings. What can the Government do to encourage tour operators to act with compassion in relation to alternative bookings?

The Prime Minister: We have encouraged the tour operators to treat people properly. To be fair to them, they have offered people cancellations without penalties and their money back. I will ask the Foreign Office team to take up the specific points that my hon. Friend has made.

Stuart Andrew (Pudsey) (Con): I would like to add my tribute to Bruce Wilkinson, who lost his life on Friday. His daughter is a constituent of mine. The dignity of that family is a credit to Mr Wilkinson and is in stark contrast to the depravity of those who committed this crime. Will my right hon. Friend ensure that the bereavement support will go on for many months? The effects of losing somebody in such circumstances often last many years. I join the hon. Member for Moray (Angus Robertson) in saying that we need to change what we call these terrorists—they are not an Islamic state.

The Prime Minister: Let me join in the tributes to Bruce Wilkinson and the way that his family have handled this terrible tragedy. My hon. Friend's point about Islamic State is well made. He spoke about making sure that we continue with the help and counselling. Part of that will be in how we commemorate and remember these dreadful events. We are just coming up to the anniversary of 7/7, which is a reminder of how important it is that we mark these things properly, because relatives go on mourning for years and decades into the future.

Mr Speaker: I have not forgotten the voice of Kettering, whose patience is now rewarded.

Mr Philip Hollobone (Kettering) (Con): With regard to the desperate and growing wave of human misery that is taking to the Mediterranean in leaky boats from the north African shore, what advice have Her Majesty's Government and the European Union taken from the Australian Government about the successful way to tackle large-scale, organised, seaborne human trafficking?

The Prime Minister: We have looked at what the Australians have done, and we have also looked at what the Spanish did in respect of migration from west Africa to the Canary islands. In one year they received 36,000 migrants, but just a few years later that was down to zero. They broke the business model of the smugglers and found a way of returning people to the African states and working with those states. That, I think, is the model that we need to adopt. It is obviously more complicated in this case, but that is the long-term answer.

Mr Speaker: I am most grateful to the Prime Minister, to the Leader of the Opposition, and to the 70 Back Benchers who contributed in the 70 Back-Bench minutes.

Stewart McDonald (Glasgow South) (SNP): On a point of order, Mr Speaker.

Mr Speaker: Points of order come after statements. We are saving the hon. Gentleman up, if I can put it that way.

Greece

5.15 pm

The First Secretary of State and Chancellor of the Exchequer (Mr George Osborne): Let me report to the House on the latest developments in the financial crisis in Greece, how they might affect British citizens, and how we will protect our economic security at this uncertain time.

The developments over the weekend have been well reported. Greece's financial assistance programme is due to expire tomorrow. After tense negotiations last week between the Greek Government and their eurozone partners, it looked likely that a deal to extend that programme would be agreed. On Friday, however, the Greek Prime Minister suddenly announced that there would be a referendum on 5 July on the terms of the programme extension, and that he would recommend that the Greek people vote no. On Saturday, the eurozone Finance Ministers confirmed that, as a result of that unexpected move, negotiations were at an end and the programme would expire. Yesterday, the European Central Bank said that without a programme, it could not extend the emergency liquidity assistance that is the life support of the Greek banking system, and last night, clearly under pressure, the Greek Government announced that banks would not open today and that capital controls would be introduced.

There is considerable uncertainty about what happens next. Over the past 48 hours I have spoken to fellow Finance Ministers, the chair of the Eurogroup and the head of the International Monetary Fund. At lunchtime, as we have just heard, the Prime Minister chaired a meeting attended by the Governor of the Bank of England, myself, the Foreign Secretary and others to co-ordinate our response. Britain's attitude to the developing Greek crisis is clear: we hope for the best, but we prepare for the worst.

Let me address some immediate issues that will concern people. First, our view on the overall state of the relationship between Greece and its fellow eurozone members is this: whether or not Greece should ever have joined the euro, it is now part of that single currency, and an exit will be traumatic. It was the Greek Government's decision to hold a referendum that was the immediate trigger for the events over the weekend and the bank closures today. We should plan on the assumption that the referendum will effectively be a choice for the Greek people about whether their country now leaves the euro. That is a matter for the Greek people to decide, and we respect their democratic right to decide their country's future. We also respect the right of the eurozone to set conditions of membership. The remorseless logic of integration is one of the reasons we did not join the euro and do not want to join in the future.

Secondly, I turn to the impact of the current events on the stability of the financial system in the United Kingdom and throughout Europe. Related to that is the position of the Greek banks here in the United Kingdom. The Greek crisis has, in one form or another, been with us for five years. It is one of the biggest external economic risks to the British economy, and the situation today shows that those risks remain. No one should underestimate the impact that a Greek exit from the

euro would have on the European economy, or the knock-on effects on us. That is why I have consistently argued that the best way to protect ourselves from those risks is to put our own house in order.

Of course, markets anticipate some of the risks. Private sector exposure to Greek banks and the Greek economy is far lower than it was, say, three years ago, so the financial market reaction today has been relatively contained. Stock prices on European exchanges have fallen by between 2% and 5%, and Greek bond deals have increased by about 400 basis points to more than 14%, but bond spreads in other eurozone economies have remained broadly steady. The eurozone authorities have made clear that they stand ready to do whatever is necessary to ensure the financial stability of the euro area, and we welcome that commitment to the currency. Equally, the British Government and the Bank of England stand ready to ensure our financial stability in the United Kingdom.

The four largest Greek banks, Alpha Bank, Eurobank, National Bank of Greece and Piraeus, all have branches here. Their UK balance sheets are small: between them, their deposits total less than £225 million. Resolution and supervision of those branches is the responsibility of the Greek and EU authorities. Protection of depositors is solely the responsibility of the Greek authorities. All four branches are open today.

There is one Greek bank with a subsidiary in the UK—Alpha Bank. It is a standalone entity that is separate from its parent bank. It is small, with assets of slightly more than half a billion pounds, it is regulated by the Bank of England, and customers can be assured that their deposits are covered by the UK's Financial Services Compensation Scheme.

Thirdly, there are 40,000 British residents in Greece, including 6,000 receiving payments from the Department for Work and Pensions and about 300 receiving public sector pension payments. The Greek Government have announced a bank holiday in Greece lasting at least until after the conclusion of the referendum on 5 July, and restrictions on withdrawals from ATMs. Withdrawals will be limited to €60 per day per account for Greek accounts. The Greek bank accounts of British residents are subject to those restrictions. Their UK bank accounts are not affected.

International payments into Greece are exempt from the restrictions that the Greek authorities have placed on the banking system. That means that UK Government payments, including state pension and public service pension payments, should be permitted, and I can confirm that those payments will continue to be made in the usual way. However, the situation remains fast-moving and uncertain, and we will keep it under constant review. I recognise that people may be concerned. I have asked the Department for Work and Pensions and public service pensions administrators to attempt to contact people who draw a British state or public sector pension from a Greek bank account. Those people will be helped to switch their payments to a non-Greek bank account if they wish.

Fourthly, there are an average of 150,000 British tourists a week in Greece in July. For the time being the Greek Government have announced that, as usual, tourists will be able to withdraw up to €600 on cards that have been issued outside Greece. However, the Finance Ministry could impose limits in the future, and the availability of

[Mr George Osborne]

ATMs that are stocked with cash may get increasingly patchy. I remind people that credit and debit cards are of course accepted only at the discretion of the business being paid.

I can confirm that as a result of the limited and potentially unreliable banking services, the Foreign Office is updating its travel advice as I speak. We recommend that travellers should take sufficient euros in cash to cover the duration of their stay, emergencies, unforeseen circumstances and unexpected delays. Obviously travellers should be careful and take sensible precautions against theft. The full advice is available on gov.uk, and travellers should check it regularly.

Finally, we are taking steps to help firms doing business with Greece. There are restrictions on the settlement of payments being transferred out of the Greek banking system. The Department for Business, Innovation and Skills is today publishing guidance for businesses that may be affected. In addition, I can announce that Her Majesty's Revenue and Customs' time to pay service will be available to help give breathing space to businesses experiencing cash flow difficulties as a result of events in Greece.

So let me be clear: British pensioners are being paid as normal, British businesses trading with Greece will be supported, and British holidaymakers will receive the advice and help they need in a rapidly changing situation. I want people to know that Britain is prepared.

To conclude, it is vital that the Government and people of Greece now act to resolve the current uncertainty and ensure economic and financial stability across Europe. Five years ago we came into office in the first flush of the Greek crisis. At the time Britain, too, was dangerously exposed—on the brink. Since then, with the British people, we have worked hard to repair our economy and ensure that we can deal with risks from abroad like the current one. If ever we needed a reminder of why we must continue working through our plan to deliver economic security at home, we have it today, and I will take further steps to secure our country's future in the Budget next week.

5.24 pm

Chris Leslie (Nottingham East) (Lab/Co-op): These are serious times for Greece and the eurozone, and there are risks for Europe and the UK if an urgent resolution cannot be found. Given that the Greek banks are now closed, can I ask the Chancellor about the immediate implications for the UK economy and British citizens? Our exporters, pension funds and the 1 million British visitors to Greece need to know that the UK Government have a thorough contingency plan.

Regarding the impact on British citizens in Greece, how will holidaymakers travelling there this summer be able to obtain full information and updates about the best way to proceed, given the constantly changing situation? The Chancellor touched on that in his statement, but will he tell us what discussions British officials have had with the Greek authorities and banks to ensure that UK citizens will continue to be able to withdraw sufficient funds from the system, especially if the cash machines in Greece are depleted of banknotes? Will he also give us his assessment of the number of British citizens with deposits in Greek banks? They will be anxious today

about whether they can get their money. Are the British embassy in Athens and our network of consular staff adequately equipped to cope with all eventualities? Do they have the resources to deal with inquiries from British citizens and companies in need of assistance?

Turning to the impact on our economy and our financial system, there have been varying reports of the exposure of the British banking system to the Greek economy. What discussions have the Treasury and the Bank of England had with financial institutions here and in the EU about the implications for our financial system? In particular, will the Chancellor give us more details of the conversations he has had personally with the Greek and other eurozone Ministers? What has he been doing to urge them to find a solution?

I understand that the Prime Minister has today chaired a Greece contingency committee. Will the Chancellor explain the day-to-day structure for monitoring emerging risks to the UK position? Which institutions are leading on each aspect of events, and how are the Government co-ordinating our preparedness for any interventions that are needed? What assessment have they made of the number of British firms and the volume of exports potentially affected by the situation in Greece and, in particular, of the exposure to export finance risk of firms awaiting payment?

Although non-eurozone countries are not directly involved in the negotiations with the Greek Government, the International Monetary Fund has of course provided £37 billion of support so far, about £1.7 billion of which has come from UK taxpayers. If there are wider ramifications for the eurozone economies in the months ahead, there will clearly be further risks for UK business and trade and for our economy. As the Chancellor knows, British business is highly dependent on a healthy and sustainable European economy, but our trade deficit with the EU has worsened in recent times. Does he agree that those vulnerabilities make it all the more urgent that we prioritise measures to boost economic productivity here in the UK as part of our defence against external economic turbulence? Our exporters need support and assistance, and I urge him to include measures in next week's Budget to boost productivity and take account of their heightened susceptibility to such turbulence.

Given the gravity of the problems facing Greece and the wider repercussions for us and for the European economy, I believe that the Chancellor should pause and reflect that it undermines his position to make bogus comparisons between Greece and Britain. Nobody will take those comparisons seriously. The crisis in Greece has been building up for many years now, and billions in bail-outs have already been provided from eurozone economies. There has been considerable hardship for the Greek people, who still face economic distress. Does he agree that it is imperative for the institutions to continue to seek opportunities for a negotiated settlement with the Greek authorities during the week ahead, and for the Greek Government to accept their part in charting a course towards a long-term resolution and deal with economic reform and governance questions that cannot be ignored? This is surely a time for all concerned to pursue a responsible approach and avoid a disorganised and chaotic outcome that would be devastating for Greece and have severe implications for the wider European economy.

Mr Osborne: Let me deal with the specific points that the hon. Gentleman has raised. Our advice to the many British people who are planning to go on holiday to Greece is very clear. They should continue to check the travel advice on the Government website. As I have just explained, that advice has been changed, and we are advising people to take more euros with them than they might have been expecting to take.

The hon. Gentleman makes a point about our conversations with the Greek authorities. Clearly they have tried to, in some sense, protect tourists from their capital controls, because if people have access to a foreign bank account, they can withdraw up to €600 from the ATMs. But of course one has to think through a situation where the ATMs potentially start to run out of money, particularly in certain locations. That is why we are advising people to take more cash with them but also to be aware of the safety issues involved in that.

On the question about British citizens who have deposits in Greek banks, I hope I made it clear in my statement that deposits in branches of Greek banks, and indeed, in that sense, also the host bank, are not covered by the UK's compensation scheme, but the deposits in the subsidiary are in the UK. If people are not entirely sure what their situation is, they should check with their bank, but that has been spelled out for them. On the support for the British embassy and our consular teams in Greece, the Foreign Secretary is here, we have discussed this and the Foreign Office has put in place contingency plans to step up the support it can provide on the ground should the situation deteriorate.

On the exposure of our banking system, it is less than 1% of the common tier 1 capital of the UK banks. As I said in my statement, it is fair to say that as a country and as a banking system we have dramatically reduced our exposure to Greece, as has pretty much every other bank in Europe. In terms of how this is co-ordinated across government, the Bank of England leads on financial stability issues, the Foreign Office covers the consular issues, and the Treasury is covering the financial stability issues and working with the Department for Work and Pensions on payments, but we are meeting regularly. We had the meeting today and we also had a meeting last week, which the Governor also attended. On businesses affected, advice is available on the Department for Business, Innovation and Skills website, and, as I say, HMRC's time to pay scheme can help with cash flow. Only 0.6% of the UK's exports of goods and services go to Greece, so it is a small amount, but of course there could be a considerable impact on individual firms.

The IMF was created after the second world war to provide support for economies that have been struggling. We took steps in the last Parliament to increase the capital available to the IMF—I might point out that the Opposition divided the House on that issue, but it was a sensible step to take. The IMF has precautionary balances, and let us be clear that no one has ever lost money lending to the IMF and providing support to the IMF. Of course the IMF is very important in this situation, not least because of the rigour that it brings, which is one of the reasons why quite a few members of the eurozone are absolutely insistent that the IMF is around the table.

The final point I would make is this: of course we would like a peaceful—if that is the right word—or less traumatic resolution of this crisis, but things have taken

a turn for the worse because of the decision to hold this referendum and because the Greek Prime Minister said he was going to recommend a no vote. I would therefore suggest that at the moment, in the next few days, the ball is largely in the Greek Government's court. Of course if things change, there is a very big role for the eurozone to play in helping to achieve a negotiated settlement.

The observation I would make is that five years ago we were much less well prepared to deal with shocks from abroad: we had a very high budget deficit, one of the highest in the world; and our banks were not as well capitalised as they should have been. We are in a stronger position as a result of the difficult decisions we have taken over the past five years and if the hon. Gentleman is willing to support the further decisions that we are going to take in the Budget next week, I look forward to his saying so next Wednesday.

John Redwood (Wokingham) (Con): The European Central Bank has lent €89 billion so far to the Greek banking system, and that money is now at risk. Will the Chancellor confirm that, thanks to our prudent approach, UK taxpayers would not make any contribution to the recapitalisation of the ECB if that money has now been lost?

Mr Osborne: My right hon. Friend is right to point out that in effect what has happened over the past few years is that the private exposures to Greece have been converted into eurozone public exposures and, of course, into IMF exposure. That is part of what has happened. One key decision that we took in the previous Parliament was to get the UK out of these eurozone bail-outs. The previous Government had signed us up to those bail-outs, but the Prime Minister got us out of them and, as a result, dramatically reduced the UK's direct exposure. But, as I have said, we are part of the financial system of Europe and we will be affected if there is a Greek exit.

Mr Dennis Skinner (Bolsover) (Lab): Instead of comparing Greece with Britain, would it not make more sense to compare Greece with Ukraine? Both are debtor nations, yet Ukraine is allowed to continue to borrow money from the IMF and Greece is not. Why is that, and did the right hon. Gentleman discuss that matter?

Mr Osborne: It is fair to say that the IMF has provided considerable support to both Ukraine and Greece. Indeed, the combined support that has been provided by the eurozone and the IMF is considerably greater to Greece. The discussion was the extension of the current programme, and of a potential new programme. Those negotiations were under way, but the creditors in this case were demanding certain conditions. That is what happens when a country is part of the euro, which is why I do not recommend our joining it.

Several hon. Members *rose*—

Mr Speaker: I call Mr—sorry. The right hon. and learned Gentleman took me by surprise. I call Mr Kenneth Clarke.

Mr Kenneth Clarke (Rushcliffe) (Con): I am always quietly inconspicuous in this Chamber, Mr Speaker.

[*Mr Kenneth Clarke*]

Will my right hon. Friend confirm that the IMF has always made advances to countries in financial crises conditional on a programme of reform aimed at minimising the effect on creditors and, above all, on restoring a competitive and effective economy to prepare for a healthier future? It would be quite irresponsible for the IMF or the European Central Bank to abandon that approach at the moment. The best outcome would be for the Greeks to vote yes in the referendum. The one thing my right hon. Friend has not touched on is the great hardship that could be caused to the Greek people if they vote no and their economy goes into total collapse. Are there any discussions going on about the way in which the friends of Greece can mitigate those consequences for the ordinary Greek population? There is no quarrel in this House with Greece or the ordinary people of Greece who are not responsible for the mismanagement by their Government.

Mr Osborne: My right hon. and learned Friend is right to remind us that the people of Greece have paid a very high price for the mismanagement of their economy by previous Greek politicians and Greek Governments. Of course it is now a matter for the Greek people to decide their future, and we should respect that. I made it clear in my statement that most people now consider this referendum as one on whether Greece leaves the euro. Of course there are considerable consequences of taking that step, but I do not think we should be telling the people of Greece how to vote. It is for the people of Greece to make that decision, but they should be aware of the consequences. That is the broad approach that we shall take. The discussion of what would happen if Greece were to leave the euro should probably happen at a later date, but there will clearly be issues over the support that the family of western nations can provide to that country.

Stewart Hosie (Dundee East) (SNP): I thank the Chancellor for his statement and for early sight of it. I welcome what he said about private sector exposures to Greece being substantially lower than they were some years ago. Exposure to the banks is around £5.3 billion, down from £9 billion some years before. That would tell us that the risk of direct contamination is relatively low, but as we have seen today there is a risk to the banking sector across the EU, and the fall in bank stocks throughout Europe is witness to that. I welcome what the Chancellor said about the Government and the central bank being ready to ensure the financial stability of the UK, but it might be helpful if he said a little more about confidence today.

In terms of other exposure, we have rather modest exports to Greece, worth about £2.82 billion, or 1.2% of EU exports and 0.5% of UK global exports. That figure is modest but nevertheless important to the people whose jobs depend on those exports. Will the Chancellor say a little more about that? Perhaps export promotion could be stepped up to help find new markets for businesses that might find the Greek export market more difficult; or, as the hon. Member for Nottingham East (Chris Leslie) mentioned, export credit guarantees and other short-term cash flow help, should they be required, could be used.

Finally, notwithstanding what the Chancellor said about negotiations being at an end, will he confirm that the IMF has some leeway in when it declares that a repayment has been missed, in that the IMF's managing director has up to 30 days to notify the board if a country does not make a repayment deadline? Does that not provide some flexibility to ensure that a deal can be reached and provide a strong incentive for discussions continuing beyond Tuesday, notwithstanding the forthcoming Greek referendum?

Mr Osborne: I thank the hon. Gentleman for his questions. I should say that this afternoon we have been in touch with the devolved Administrations in the United Kingdom to ensure that they are aware of the plans and to work with them on any issues faced by them and by citizens and businesses in Scotland, Wales and Northern Ireland.

The Bank of England and the Prudential Regulation Authority are, of course, monitoring extremely closely the situation with the four Greek branches in the UK and the subsidiary, although, as I have said, the subsidiary is protected by our compensation scheme and supervised by the Bank of England. There is, of course, advice available to businesses with export links to Greece, but there are capital controls in place so there are restrictions on the settlement of payments being transferred out of the Greek banking system. Businesses should be aware of that. Cash flow problems can be addressed by contacting HMRC.

As for the IMF, I do not want to prejudge the decisions of the managing director or the board. We will just have to wait and see what unfolds in the coming days. It is fair to say that the space for substantive negotiations before the referendum is pretty limited. Of course, we shall see what the outcome of the referendum is. I would merely observe that many of the senior figures in the eurozone have said that if Greece were to vote yes, negotiations would begin to try to find a satisfactory outcome for the Greek financial situation.

Mrs Anne Main (St Albans) (Con): Greece, a small country of 5 million people, swept in with Syriza a Government promising to abolish austerity. Does my right hon. Friend think that there are any lessons to learn for a country much nearer to home with a population of about 5 million people that swept in a Government promising to abolish austerity?

Mr Osborne: The public will draw their own conclusions about that. Different countries are obviously different, but western democracies need to ensure that their welfare systems are affordable, their economies are competitive and their businesses can export and create jobs. That is a challenge for every single western democracy.

Mr David Winnick (Walsall North) (Lab): In view of the intense hardship and suffering that millions of ordinary Greeks have already endured, why on earth should they agree to the further humiliation that is before them? In such circumstances, is it not clear that the Greeks should decide for themselves, as the Greek Government have rightly stated? It will be interesting to see whether they will agree to such humiliation being inflicted on them by voting against the Government's recommendation.

Mr Osborne: I do not think anyone would presume to tell the Greek nation of all nations how to conduct a democracy. That is why I made it very clear in my statement that we respect the right of the Greek people to make decisions about their own future in an open and democratic way, and we do not presume to give them advice on that, but of course they need to be aware of all the consequences.

Mr Christopher Chope (Christchurch) (Con): Does my right hon. Friend agree that if the Greek people wish to regain their sovereignty and once again become masters of their own economic destiny, they should be arguing to leave the eurozone and set up the drachma once again?

Mr Osborne: As I have already said, it is for the Greek people to make this decision, but my hon. Friend's broader observations about the constraints of being in the euro are one of the reasons why he and I agree that Britain was right not to join and should not join in the future.

Ms Diane Abbott (Hackney North and Stoke Newington) (Lab): It is tempting to score domestic political points about the current plight of the Greek people, but does the Chancellor accept that the coming days will be very frightening and distressing for them and also for British people with friends and family in Greece? Will he assure the House that whatever the outcome of the referendum, Greece remains part of the family of nations and we will do what we can to mitigate the plight of the Greek people?

Mr Osborne: I said precisely that a few moments ago. We respect the decisions that the Greek people have to take. We also understand the real economic hardship that has been experienced by the Greek people because of the mistakes that previous Greek Governments have made, and the Greek people have borne the brunt of that. Whatever the outcome of the referendum and whatever the next few months hold for Greece, it is a very important part of the European family of nations. Greece has been an important ally of the United Kingdom for very many years and we will continue to stand alongside the Greek people during this difficult time.

Mr Jonathan Djanogly (Huntingdon) (Con): If the ECB and/or the IMF failed to provide necessary liquidity, does my right hon. Friend think this could leave an opening for Russia? If that is the case, what are his security concerns?

Mr Osborne: It is not a great secret that we have not been entirely enamoured of the foreign policy pursued by the Syriza Government, but that has not affected these decisions.

Mr Douglas Carswell (Clacton) (UKIP): The Chancellor has consistently called for more euro integration. He has lauded the remorseless logic of monetary union and called for fiscal, banking and economic integration. Only last month he called the euro a success. Does he still want Greece and others to wade further into this monetary mire? Might it not be right for the Government to support other member states having the currency freedom that we in this country enjoy?

Mr Osborne: Just as I do not particularly like other nations telling the British nation how to conduct its own affairs, I do not think we should go around lecturing others. They have chosen to form a currency; we chose not to join it. The point I have made is that there is a remorseless logic to being part of the eurozone that leads to greater political, fiscal, financial and economic integration. That is why I do not want to be part of it. I have also made the point that that integration, although necessary to secure the stability of the euro, has an impact on the UK as a large non-euro member. That is one of the issues that should be addressed in the renegotiation. We would not be having a renegotiation if we had not had a Conservative Government elected and able to put this issue to the British people in a referendum, and quite a lot of us in this House worked to achieve that Conservative Government.

Richard Fuller (Bedford) (Con): What assessment has my right hon. Friend made of the financial risks based on Greece's decision spreading to the sovereign debt of other eurozone countries? Can he assure the House that the Bank of England has done whatever it can do to ensure that if financial risk does spread, British companies and British banks are secure?

Mr Osborne: As I have said, Britain is much better placed than it was a few years ago; our banking system is much better capitalised. Of course, the eurozone and the European Central Bank have previously taken steps to try to contain the contagion, for example by setting up the outright monetary transactions programme and the European stability mechanism—in other words, various bail-out mechanisms that came into operation during Spain's financial problems a couple of years ago—but I was very clear in my statement that a Greek exit from the euro would have an impact on Europe's financial system and knock-on effects for the UK. I do not think that anyone should underestimate the challenge of establishing that a country could leave the euro. Those are all issues that we need to be alert to in the months ahead.

Mike Gapes (Ilford South) (Lab/Co-op): Does the Chancellor accept that glib comparisons between Greece and other countries do not take account of the fact that even before the global financial crisis Greece's debt-to-GDP ratio was 100%? It rose to 170% by 2011, which was much worse than in Spain, Italy or this country. Therefore, should he not concentrate on the specific problems of the previous Governments in Greece who created the situation and the dysfunctional coalition between the far left and the far right, which seems unable to make sensible decisions?

Mr Osborne: I was making the observation that the UK is far better prepared than it was five years ago, when we had a budget deficit of over 10% and an undercapitalised banking system—something I was well aware of, because the Greek crisis had its first big flare-up a few days before I became Chancellor of the Exchequer. We are in a better position, but I do not pretend that the UK will be immune from the impact of the financial problems in the eurozone.

Lucy Frazer (South East Cambridgeshire) (Con): I welcome the extensive efforts that the Chancellor has outlined for protecting the British public. One of the

[Lucy Frazer]

measures he mentioned was that UK Government payments would still be made, including state pensions. If that money is being sent to Greek banks, is he taking steps to confirm that it will be ring-fenced so that, in the event of the insolvency of any Greek banks, it will not be lost to British citizens?

Mr Osborne: My hon. Friend raises one of the challenges we face. There are around 6,000 people in Greece who receive British pensions or British public sector pensions, and around 2,500 of them have Greek bank accounts into which the payments are made. We cannot protect people's Greek bank accounts in such a situation—that is for the Greek authorities to do—which is why we are contacting the individuals concerned and saying that if they wish to have the payments made into British or non-Greek bank accounts, we will make that switch as soon as we can. We are ready to do that immediately.

George Kerevan (East Lothian) (SNP): I put it to the Chancellor that there is another way in which the Greek crisis could impact on the UK economy: a Greek exit, or even simple market turbulence, could lead to a precipitant and lasting fall in the value of the euro, which would have an impact on British farm incomes because they are denominated in sterling. Will he speak with fellow Ministers to ensure that British farmers in that situation will be compensated?

Mr Osborne: It has long been the practice—it has certainly been my practice and, to be fair, also that of my immediate predecessors—not to comment on the value of the currency, and I do not intend to do so today.

Paul Scully (Sutton and Cheam) (Con): The events in Greece are a stark reminder of the uncertainty that remains in the global economy. Can my right hon. Friend reassure my constituents that the Government's long-term economic plan factors in and faces up to that uncertainty, rather than trying to ignore it?

Mr Osborne: I can give that reassurance to the residents of Sutton and Cheam, and indeed of the rest of the UK. This country's budget deficit remains too large. We have taken important steps to strengthen our banking system, and now we must ensure that it remains competitive and healthy, which is why we are taking steps to exit from Government shareholdings. Of course, in the Budget and in the spending review this autumn we will take further steps to deal with our budget deficit and run a surplus in normal times so that we are better prepared for whatever shocks the world throws at us.

Catherine West (Hornsey and Wood Green) (Lab): Will the Chancellor confirm that a solution to the Greek financial crisis depends on a long-term political negotiation to keep Greece in the EU, that our Government have an active role to play in that, and that failure to agree a political settlement will undermine any future argument we might wish to pursue for the integrity of the European Union as a whole?

Mr Osborne: It is fair to say that Greece's membership of the European Union, as opposed to membership of the eurozone, was an important step in that country's

transition from fascist dictatorship to democracy and in entrenching that democracy, and I think that view is broadly held by the Greek people, whatever their views about the current financial situation or their membership of the euro. I repeat that whatever happens we stand alongside Greece as an important member of the family of European nations.

Mr Stewart Jackson (Peterborough) (Con): Almost 20 years ago a number of us predicted the disastrous consequences that would be visited on small countries as a result of monetary convergence and the single currency, and so it has come to pass this week with Greece, which it seems is being smashed on the altar of German monetary policy. With that in mind, will the Chancellor give the House an undertaking that proposals for further future financial convergence—a single EU-wide corporation tax rate, which would damage the British economy—will never see the light of day?

Mr Osborne: I will tell my hon. Friend what I have to say about that: we are not going to sign up to some European corporation tax rate.

John McDonnell (Hayes and Harlington) (Lab): Is it not ironic that the institutions that turned a blind eye to Greece's economic situation when it joined the euro and then did nothing about profiteering through speculative lending to the Greeks throughout the period afterwards are the same organisations that are now withdrawing liquidity before the result of the referendum and therefore before the Greek people have made their decision? We are not members of the eurozone, but we are supporters of the International Monetary Fund. Therefore, was the Chancellor consulted about the timing of the withdrawal of liquidity in advance of the referendum and, if so, what view did he express?

Mr Osborne: The decision to which the hon. Gentleman refers was taken yesterday by the European Central Bank, and it was a decision not to expand the amount of liquidity assistance provided; it did not cancel the existing liquidity assistance. We are not in the eurozone, of course, so we are not part of the European Central Bank, but there have been close discussions and the European Central Bank is keeping the Bank of England directly informed about the decisions it is making.

Simon Hoare (North Dorset) (Con): My right hon. Friend will remember the back story to the Don Pacifico incident. What advice will he, the Foreign Secretary and the Foreign Office be providing to British citizens residing in Greece or visiting Greece during the holiday season about their physical safety and security, because, whatever the result of the referendum, there could be periods of intense unrest across the country?

Mr Osborne: I will not attempt to say the Latin phrase that Palmerston used at the time of the Don Pacifico affair, but I will say that we of course stand ready to help British holidaymakers. The best thing that they can do is ensure that they are well prepared, and the best thing that we can do is ensure that the advice they need is provided. Greece is clearly one of the most popular holiday destinations; at the moment 150,000 British citizens go there every week in July. That is why we have changed the travel advice and said clearly that

people should take with them the euros they need for their holiday, or at least not assume that getting cash out of an ATM will be straightforward. They need to think through those issues, which is why we are providing that advice.

Ian Paisley (North Antrim) (DUP): Advising constituents to carry with them large amounts of cash obviously poses significant questions about security. What advice and guidance can the Chancellor ensure has been given to the Greek authorities to protect British people who are carrying large amounts of cash?

Mr Osborne: Of course, Greece has an effective police force. The advice we are giving to people is just the commonsensical advice that they should look after their possessions when they are on holiday, and of course people do that. It is all part of the full travel advice that is on the website.

Several hon. Members *rose*—

Mr Speaker: Order. There is still a lot of interest but very little time. I will try to take a few more questions on this statement, but I give notice to colleagues that it will almost certainly not be possible to accommodate everybody. There are swings and roundabouts in these things, as Members know.

Mr John Baron (Basildon and Billericay) (Con): Greece reminds us all that one can defy economic logic only for so long. Given that eurozone growth rates are well below global growth rates—in the economic slow lane—and that unemployment rates are that much higher, largely caused by the drive towards economic and political union, what cast-iron safeguards are we negotiating to ensure that we retain our sovereignty such that we do not get drawn into this ever-closer union?

Mr Osborne: As my hon. Friend well knows—the Prime Minister was explaining this at the Dispatch Box just an hour or so ago—one of the issues we are seeking to address in our renegotiation is Britain's involvement in ever-closer union, which is not something that the British people are very comfortable with. I would make the broader observation, which relates both to the UK and to members of the eurozone, that we have to make the European continent, ourselves included, a competitive place to do business. We have to have businesses that can export around the world. We have to be able to make sure that jobs are being created in the European Union. A very important strand of what we are seeking to change in our relationship with the European Union is to make the EU more competitive for all its citizens, Greek as well as British.

Caroline Lucas (Brighton, Pavilion) (Green): Since implementing austerity measures in return for loans has shrunk the Greek economy by a quarter and massively increased its debt-to-GDP ratio, as well as caused untold suffering, will the Chancellor consider increasing calls for the organisation of a European conference, similar to the London conference of 1953 for Germany, to agree a package of debt cancellation and restructuring, which is likely to be a far more effective way of addressing both the economic and the social crisis unfolding in Greece?

Mr Osborne: I make the broad observation that ultimately countries have to live within their means; we see what happens if they do not. On the Greek debt situation and the burden of Greek debt, eurozone members were in discussions about the terms of debt repayments and the like, but those negotiations were broken off on Saturday because of the unexpected announcement by the Greek Prime Minister on Friday.

Mr Bernard Jenkin (Harwich and North Essex) (Con): Does not the eurozone states effectively endorsing a plan for fiscal and banking union, as proposed by the five eurozone Presidents, regardless of the treaty that the Prime Minister vetoed in December 2012, underline the urgency for the Chancellor to deliver on the dilemma that he outlined in a speech on 15 January 2014, when he said:

“The...Treaties are not fit for purpose.”

He also said:

“If we cannot protect the collective interests of non-eurozone member states then they”—

meaning we—

“will have to choose between joining the euro, which the UK will not do, or leaving the EU.”

Can he explain why those words have been taken down from the Downing Street website?

Mr Osborne: I have absolutely no idea; I thought it was one of the better speeches I gave over the past five years. My hon. Friend will be glad to know that I repeated exactly those arguments, including the phrase about the challenge of Britain having to choose, in the Mansion House speech that I gave just a couple of weeks ago. That is certainly up on the Treasury website.

Helen Goodman (Bishop Auckland) (Lab): A further collapse in the Greek economy would obviously be extremely bad for the Greek people and for our exporters, particularly in pharmaceuticals. Even the *Financial Times* this morning described the creditors programme as “economically counter-productive”, and we have learned that the US Treasury Secretary urged the creditors to take a more compromising stance. Did the Chancellor follow the American lead, and will he do so as the days go by?

Mr Osborne: I do not want to go into the private discussions we had, but we said very publicly that both sides needed to reach a compromise. We did not say that this was exclusively a challenge to the Greek Government; we said that the eurozone also needed to work towards a compromise. I think it is fair to reflect on the fact that the reason we are having this statement and the reason there are capital controls and the like is the unilateral decision by the Greek Government on Friday. We respect the vote in the Greek Parliament, and of course we will respect the decision of the Greek people, but that was the change in the dynamic that happened over the past three days.

Marcus Fysh (Yeovil) (Con): In order to recover, Greece needs bigger debt relief than is currently on the table and massive pro-market structural reform and support. Neither the EU, the international institutions, nor Syriza currently offer those things. This problem presents serious ongoing economic and strategic risks for us in Europe and beyond. What are our Government doing to ensure that Greece gets what it needs?

Mr Osborne: I agree with my hon. Friend that the Greek economy needs to be more competitive. Clearly—I think this is the universal observation—the Greek economy needs important structural reforms. Ultimately, those have to be delivered by the Greek Parliament and by Greek Governments. Of course, we are happy to provide assistance. Indeed, over the past five years we have provided advice and assistance to the Greek Treasury and others about how to undertake those reforms. There is now the more immediate issue of the referendum.

Nick Thomas-Symonds (Torfaen) (Lab): Many of my constituents who will be visiting Greece over the next few weeks will have heard the Chancellor's advice about carrying a sufficient number of euros with them for the duration of their holiday. Given that this is a fast-moving situation, and that many people may be concerned about the safety implications of carrying large amounts of cash, will he undertake to monitor access to money in Greece on a daily basis to ensure that the Foreign Office advice on the website is as up to date as possible?

Mr Osborne: The hon. Gentleman asks a perfectly fair question. We have thought about this quite carefully. Clearly, it is a very uncertain situation. As things stand, the Greek Government have gone to considerable lengths to try to make sure that tourists can continue to access cash through ATMs and that the payments that they make with credit cards and the like are accepted by Greek businesses. It is an uncertain situation that is changing rapidly, and of course people could be on holiday when it does change, so we are suggesting to them that they be prepared. That advice will be updated whenever it needs to change; we keep it under constant review.

James Cleverly (Braintree) (Con): I welcome the mitigations that my right hon. Friend has put in place to protect British citizens and the British economy, but I cannot see an outcome to the current Greek situation that will not have a detrimental effect on the British economy. Will he therefore assure this House that as part of the long-term economic plan he will include a commitment to expand and extend our trading relationships globally, particularly to fast-growth Commonwealth economies, to help spread our risk?

Mr Osborne: My hon. Friend makes a very important point. Britain is overly dependent on its exports to the rest of the EU. About 50% of our exports go to the EU. We have been working very hard to expand our exports to fast-growing economies in Asia, Latin America and Africa. Although, in general, UK export performance has been quite disappointing in recent years, that is principally because of the weakness of the European economy. Our export performance to many of these emerging economies has been very much better, and we want to build on that—particularly, of course, our links with the Commonwealth countries.

Stewart McDonald (Glasgow South) (SNP): I offer the Chancellor this analysis: the class divide is with us in this debate. On the one hand, the rich people in Greece are moving their money out of the country, with the IMF lobbying on their behalf for further public sector cuts and against tax rises for the rich, while poor and working-class people in Greece are forced to live with access to only €60 of cash a day. So here's the question: whose side is the Chancellor on?

Mr Osborne: I am not very impressed with anti-austerity crusaders who promise the earth and cannot deliver.

Craig Mackinlay (South Thanet) (Con): The slide of the Greek economy has been long, slow and increasingly painful as it has lurched from one bail-out crisis to the next. The fundamental failure is, of course, the euro at its heart and I do not feel that a new deal now will do anything to solve that. Might a no vote next week be the best outcome, and will my right hon. Friend offer practical support to Greece when it inevitably and sensibly reinstates its own currency?

Mr Osborne: I completely respect my hon. Friend's opinion, but it is better from my position to say that it is for the Greek people to decide in that referendum. Of course, whatever the outcome, my hon. Friend is absolutely right to say that we are there as a friend of Greece to help it at this troubled time whatever course it chooses to take.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): Successive Greek Governments must take responsibility for failing to deliver a sufficiently competitive Greek economy, but does the Chancellor agree that Greece's creditors need to look at their own behaviour, too? The bail-out five years ago has fundamentally left Greece less able to pay its debts than beforehand. Surely the IMF and the European Commission must learn those lessons, too.

Mr Osborne: I think that the European Union in general has not taken sufficient trouble to make the European economy more competitive, less regulatory and a place where enterprise can flourish and private sector jobs can be created. That is one of the principal arguments we are having at the moment in European Councils.

David T. C. Davies (Monmouth) (Con): Does not this unfolding catastrophe demonstrate very clearly what happens to nations when they cannot balance their own books and rely on borrowed cash? Does my right hon. Friend agree that we need to learn the lesson from this, pay down our deficit and not take any notice of Opposition Members who have done their best to put us in the same situation that Greece is in now?

Mr Osborne: I agree with my hon. Friend that countries need to pay their way in the world. Britain had a budget deficit of more than 10% when the Conservative Prime Minister came to office five years ago. As a result of the action we have taken—universally opposed by the forces opposite—we have made the UK much more secure to deal with these sorts of shocks, but the job is not finished and I am sure my hon. Friend will be in his place on Budget day as we set out the steps we are going to take to finish it.

Wes Streeting (Ilford North) (Lab): Given the seriousness of the situation and the impact that a Greek exit from the euro would have not just on the eurozone economies but on ours, too, is not the Chancellor slightly embarrassed by the unnecessarily partisan tone he is taking in some of his replies? Will he say a bit more about the protections

he is considering in order the limit the exposure of British businesses and people with interests, including family interests, in Greece?

Mr Osborne: I would not regard it as partisan to point out that we need to reduce our budget deficit, make sure our banking system is properly capitalised and have a more competitive economy. If the hon. Gentleman takes that as a partisan comment, that is more of a reflection on his party than on mine.

Peter Heaton-Jones (North Devon) (Con): Many of my constituents in North Devon have raised with me time and again their opposition to the notion of the United Kingdom ever joining the eurozone. Does my right hon. Friend agree that the current chaos in Greece absolutely justifies their opposition, and will he once again take this opportunity to reassure my constituents that under this Government we will never join the euro?

Mr Osborne: I can absolutely give that assurance to my hon. Friend and his constituents in North Devon: we are never going to join the euro. Because of all the conditions that come with membership, we do not think it would be in the economic interests of the United Kingdom. We have consistently held that position. I pay tribute to the person I used to work for and who has now left the House, William Hague, who stood out against the consensus in the late 1990s and helped keep Britain out of the euro.

Nick Smith (Blaenau Gwent) (Lab): The Chancellor has said that UK citizens with deposits in Greek banks are not covered by our UK compensation scheme. How many UK citizens are affected by that and how does he plan to help them?

Mr Osborne: As I said in my statement, there are four branches of Greek banks in the UK. They have total deposits of about £200 million, which is, of course, a significant sum of money, but it is not that large compared with many other banking deposits, and the number of account holders is relatively low. I have made it very clear today that those account holders are not covered by the UK deposit protection scheme. I should also say that most of those individuals are not British citizens.

Damian Green (Ashford) (Con): My right hon. Friend rightly points out that Britain's increasing economic stability is necessary, not least to withstand economic shocks from elsewhere, such as that under discussion. Does he think that any further measures are necessary to protect British financial institutions that may be holding Greek debt, which will clearly be of decreasing value?

Mr Osborne: UK banking exposure to Greece is dramatically less than it was in 2012, when there were very real concerns about a Greek exit from the euro. That is also the case with regard to the exposure of French and German banks to Greece, which, of course, has a knock-on effect on the UK. As I have said, less than 1% of the core tier 1 capital of the UK banks is in Greek debt, and I think they are well prepared for whatever eventualities unfold.

Derek Twigg (Halton) (Lab): We all hope for a resolution in Greece, but clearly it cannot be right to force more cuts and austerity on the Greek people and increase the pain they have already suffered. The Chancellor said in his statement that

“we hope for the best, but we prepare for the worst.”

Could he tell us what “the worst” is for the UK?

Mr Osborne: Clearly, we are a large economy that is probably the most interconnected and open of the major economies of the world. We have a very large financial sector, so we are exposed to financial turbulence wherever it occurs in the world, which is all the more reason why we need a proper system of regulation and we have now put the Bank of England in charge of regulation. We also need properly capitalised banks—under that new system of regulation, our banks have been recapitalised—and we need to make sure that we are not carrying a very large budget deficit. We have halved the budget deficit and we will take further steps next week to reduce and eliminate that budget deficit. We are prepared for whatever the world throws at us.

Mr Peter Bone (Wellingborough) (Con): Does the Chancellor agree that, on occasion, we have to tell friends things that they do not want to hear? In that regard, would it not be better to tell our friends in the eurozone that, certainly in the medium and long term, a Greece exit from the euro and the return of its national currency, which it could then devalue, would be the right thing to do?

Mr Osborne: Of course, there are occasions when we have to tell our friends things they do not want to hear, but it is also a good rule in life to pick our moment and I am not sure that this is the right moment.

Several hon. Members rose—

Mr Speaker: Order. I am keen to accommodate the remaining interest, but only on the assumption that we can wrap this up by 6.30, so I appeal for extreme brevity, to be exemplified by the hon. Member for Denton and Reddish (Andrew Gwynne).

Andrew Gwynne (Denton and Reddish) (Lab): The Chancellor said in his statement that eurozone authorities “stand ready to do whatever is necessary to ensure the financial stability of the euro area”.

That may well be tested to the full in the coming weeks. Given that the lesson of the exchange rate mechanism is that pressure will undoubtedly be mounting on other European currencies and economies, what contingencies does he have in place to make sure there is no domino effect?

Mr Osborne: As I say, the primary responsibility lies with the eurozone and the European Central Bank, and they have put in place better mechanisms than they had three or four years ago. The European Central Bank has its outright monetary transactions mechanism, we have the European stability mechanism—in other words, bail-out funds—and the European Central Bank is also taking a supervisory role, so they are better prepared. However, I was very clear in my statement that however well prepared they are, a Greek exit from the euro would be a substantial financial shock, which would have an impact on the European financial system and

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on us. That is why we have taken steps to make sure our banking system is better prepared than it was seven or eight years ago.

Chris Heaton-Harris (Daventry) (Con): There are no provisions in European treaties for a country to leave the euro, let alone to leave the euro and stay within the EU, so should Greece leave the eurozone, will not European treaties need swift and significant amendment?

Mr Osborne: As is often the case, my hon. Friend has gone to one of the interesting points in this whole issue. The best thing to do at the moment is to see how things unfold in the next few weeks, but it is fair to say that there is not an easy and clear mechanism for Greece to leave the euro.

Mike Kane (Wythenshawe and Sale East) (Lab): In the tone of the questions asked by the right hon. and learned Member for Rushcliffe (Mr Clarke) and my hon. Friend the Member for Hackney North and Stoke Newington (Ms Abbott), Greece is, in its own right, a strong bilateral partner to the UK, independently of the eurozone or the EU. I would like to hear more detail of the counsel we have given Greece. More importantly, should not the message be that we stand in solidarity with the Greek people in their time of trouble, whether or not their Government accept that counsel?

Mr Osborne: The hon. Gentleman is right to say that Britain has been a long-standing friend of Greece and the Greek people. There is huge affection in Britain for the country and its people, as evidenced by the fact that so many people choose to spend their holidays there. There is such solidarity and friendship with Greece, but Greece has to make its own decisions.

On our contacts with the Government—I was asked about them earlier—I have of course spoken over the past few months with the Greek Finance Minister and our Prime Minister spoke to the Greek Prime Minister just a week or two ago.

David Mowat (Warrington South) (Con): One aspect of all this is the amount of money that the IMF might be about to lose. That money was subscribed by some of the poorest countries in the world, including countries poorer than Greece. Does the Chancellor agree that it would be quite wrong for places such as India to take a hit for any of this? Has he had any discussions to that effect with the IMF?

Mr Osborne: As I said earlier, the IMF has preferred creditor status and it has precautionary balances—in other words, it can withstand losses—and no one has ever lost money by providing support to the IMF, so we should bear that in mind as we have these discussions.

James Morris (Halesowen and Rowley Regis) (Con): Notwithstanding the steps the Chancellor has taken to contain the immediate crisis, does he agree that the broader lesson for Europe is that unless countries are determined to reform their welfare system, tackle public sector pensions and improve competitiveness, we may see other such crises in southern Europe?

Mr Osborne: Over the past five years, we in this country have of course taken steps to reform our welfare system to make sure it is affordable and to reform our public sector pensions so that we can go on providing assistance to our population and help the most vulnerable in our population. The broader point is that the people who suffer when an economy fails and a Government spend more money than they have are the poorest people in the country, not the richest.

Mr Philip Hollobone (Kettering) (Con): Given their own predicament, how supportive have the Greeks been to the Prime Minister in his efforts to renegotiate Britain's terms of membership of the EU?

Mr Osborne: To be fair to the Greeks, they have been quite preoccupied, but they have certainly not, to my knowledge, expressed any great opposition.

Mike Wood (Dudley South) (Con): Would it not be devastating to the credibility of the eurozone if European institutions were seen to favour political considerations in relation to keeping Greece within the single currency ahead of basic economics?

Mr Osborne: I have always felt that good politics flows from good economics. Ultimately, what we all want to see are more jobs and investment in Greece and an economic policy that allows that to happen.

Chris Philp (Croydon South) (Con): The Chancellor has already assured the House that, thanks to the Government's actions, UK banks are strong enough to withstand any Greek crisis. Are any European financial institutions of concern to the Chancellor, and do UK pension funds and insurance companies have any alarming exposures?

Mr Osborne: Across the British financial system, there has been a very marked reduction in our exposure to the Greek economy and banking system over the past couple of years, so we are much less exposed to the direct consequences of financial problems in Greece than we would have been a few years ago. More broadly, that is also the case across the European economy. The biggest risk that we faced a few years ago was our exposure to economies and banking systems in other eurozone countries that had relationships with Greek banks, but they too have reduced their exposures.

Luke Hall (Thornbury and Yate) (Con): We all urge the people of Greece to reach a resolution to the current situation. Does the situation not perfectly demonstrate why Britain needs a credible economic plan that keeps our economy secure when there is uncertainty abroad, as well as when there is stability?

Mr Osborne: My hon. Friend is absolutely right. The situation illustrates why you need a credible economic plan, why you need to make sure that your country is protected from shocks happening around the world and, in short, why you should fix the roof when the sun is shining.

Kevin Foster (Torbay) (Con): The situation in Greece demonstrates that one cannot mix a single currency with numerous and in some cases reckless fiscal policies.

We discussed that point during the Scottish referendum last year. Will my right hon. Friend reassure my constituents that the necessary steps are being taken to protect UK interests whatever the outcome of the forthcoming referendum?

Mr Osborne: I can assure my hon. Friend that we are taking such steps, and we are working closely with the Governor of the Bank of England. My hon. Friend's broader observation about credible fiscal policy, whether in the United Kingdom or in the broader European economy, is well made.

Bob Blackman (Harrow East) (Con): One of the options that the Greek Government appear to be pursuing is that of a Russian bail-out. What assessment has my right hon. Friend made of the impact of such a scheme on banks in London and the eurozone in particular?

Mr Osborne: As I said earlier, I do not think that anyone has been particularly enamoured with Syriza's foreign policy, but what has been clear over the past few weeks is that it really needs to resolve the issue it faces with the eurozone.

David Morris (Morecambe and Lunesdale) (Con): As the Government's self-employment ambassador, I have had texts from a lot of people during this statement. They are worried about late payments by businesses in Greece and, more to the point, draconian steps that may be taken by Her Majesty's Revenue and Customs. Will the Chancellor reiterate the steps that could help such small enterprises to flourish by being paid more quickly?

Mr Osborne: I very much commend my hon. Friend for the work he does. Let me reiterate that HMRC is ready to operate the time to pay scheme to help both the self-employed and small businesses—and, indeed, larger firms—who have problems because there have some kind of financial transaction with a Greek company and have been caught up in the Greek Government's

capital controls. There is advice on the Department for Business, Innovation and Skills website, and they can get bespoke advice by phoning the helpline.

Nadhim Zahawi (Stratford-on-Avon) (Con): It is worth placing on the record my constituents' gratitude to the Chancellor for taking us out of the eurozone bail-out mechanism. London serves as a centre for the Greek shipping industry. What assessment has the Chancellor made of the impact on that industry of the crisis in Greece?

Mr Osborne: Frankly, a lot of that industry is pretty international these days, and I suspect quite a lot of those involved in it have foreign bank accounts as well as Greek bank accounts. It is a very important industry, and it is one of the industries that can help the Greek economy if that economy is competitive. One of the big issues in Greece has of course been the competitiveness of the Greek ports in particular.

More broadly, I thank my hon. Friend for his support of the action we took during the last Parliament. More properly, I should credit the Prime Minister, who secured exit from the eurozone bail-outs at an important European summit.

Alan Mak (Havant) (Con): Our economic and financial security and the protection of household budgets are of paramount importance to my constituents. Can the Chancellor reassure the House and my constituents that every step is being taken to urge a resolution abroad, and to protect taxpayers and savers here at home?

Mr Osborne: I can reassure my hon. Friend that we are taking steps not just to protect the UK from whatever the Greek crisis throws at us but, more broadly, to ensure our economic stability here at home. That will be an important part of the Budget that I will present to the House next week.

Points of Order

Several hon. Members *rose*—

Mr Speaker: Ah, points of order. A joyous experience for all concerned. We will take Mr Salmond first.

Alex Salmond (Gordon) (SNP): On a point of order, Mr Speaker. Earlier this afternoon, the Prime Minister was quite revealing—perhaps unintentionally—about his strategy in European negotiations, but a number of Members, not just myself, felt inhibited from asking him about Europe when we had colleagues across the Chamber asking about their constituents who were dead or missing in Tunisia. Under those circumstances, can you facilitate an early specific and perhaps more appropriate opportunity to question the Prime Minister precisely on European negotiations?

Mr Speaker: The record shows that the Prime Minister has regularly come to the House to update it on his policies in respect of the European Union. It is not for me specifically to facilitate such an occasion. However, I say two things to the right hon. Gentleman. First, the Prime Minister is here weekly at Prime Minister's questions, and that might be a suitable opportunity for people from a range of parties to question him on that matter if they so wish. Secondly, if the right hon. Gentleman is keen to have a debate on foreign affairs or a debate specifically on Britain's relations with the European Union and feels that he could grace us with his presence on the occasion of business questions, I promise that my eyesight will not fail me. I will see the right hon. Gentleman and feel my usual insatiable desire to hear him.

Kit Malthouse (North West Hampshire) (Con) *rose*—

Angela Rayner (Ashton-under-Lyne) (Lab) *rose*—

Mr Speaker: I saw the hon. Lady first. I am saving the hon. Gentleman up. It would be a pity a waste him at too early a stage of our proceedings.

Angela Rayner: On a point of order, Mr Speaker. As many Members know, I am new to this place, and I hope you can give me your wisdom and experience. This place is a little bit like Hogwarts to me: it has a lot of trapdoors, corridors and conventions. I believe that one of the conventions of the House is that, if a Minister or any other Member visits our constituency, they should at least inform us that they are coming. The Secretary of State for Health, who has been in this House a lot longer than I have, visited my constituency on Friday. I did not find out about it other than through the organisation that he visited. I just wonder whether you can give me some guidance on that, Mr Speaker.

Mr Speaker: I am very grateful to the hon. Lady for her point of order and the courteous terms with which she phrased it. Yes, the short answer is that there is a long-standing convention that Members notify each other in advance of what might be called public visits to each others' constituencies. That is certainly, therefore, an obligation incumbent upon Ministers, a fact reflected in the content of the "Ministerial Code". The hon. Lady has, at a very early stage in her career, discovered an important way to register her grievance with Government Front Benchers. She has done it through her point of order, the contents of which I feel sure will be winging its way to relevant Ministers almost before I have sat down.

Kit Malthouse: On a point of order, Mr Speaker. I, too, am new to this House and it struck me, at my desk this morning, that I may have erred. Earlier this month, I participated in an Opposition debate on housing. I did not, and should have, drawn the attention of the House to the fact that I have a modest investment in a specialist housing provider in the north of England. I apologise to you and to the House for this oversight, and I am grateful to you for the chance to correct it.

Mr Speaker: The hon. Gentleman has corrected the record. Each Member is responsible for what he or she says by way of declaration, but in general terms—I thank the hon. Gentleman for putting the record straight and for his courtesy—it is probably better, particularly in the climate of our times, to err on the side of over-declaration rather than under-declaration. I thank him for what he has said, and the House will do so.

Mr Gregory Campbell (East Londonderry) (DUP): On a point of order, Mr Speaker. Last Wednesday, during Prime Minister's questions, a number of incidents, which I understand are the subject of police investigation, occurred in Central Lobby. It was drawn to my attention shortly after those incidents that in attendance of some of those events was an abstentionist Member of this House, the hon. Member for Mid Ulster (Francie Molloy). He obtains significant sums for not attending this House, but he was present in Central Lobby and has given interviews subsequent to the incidents. I seek your advice on whether that Member will be subjected to any input by the police in the course of their investigations.

Mr Speaker: I react with caution to the point of order from the hon. Gentleman, to whom I am grateful for giving me advance notice of his intention to raise it. Certainly, Sinn Féin Members—it is to such a Member, clearly, that he is referring—have access to Central Lobby, just as any member of the public visiting the House enjoys such access. It is, of course, incumbent on all Members—those who have sworn in and those who have not—to ensure that the visitors they accompany behave appropriately and respect the rules on access. It is also, of course—this should go without saying—incumbent on Members themselves to demonstrate such respect. I cannot go beyond that relatively general statement, as I not familiar with the detail that the hon. Gentleman might have in mind, but I hope that that is a useful rubric.

If there are no further points of order and the House's appetite has now been satisfied, we can now move on to the presentation of Bills.

BILLS PRESENTED

LOCAL AREA REFERENDUM (DISPOSAL OF SCHOOL PLAYING FIELDS)

Presentation and First Reading (Standing Order No. 57)

Tom Pursglove, supported by Mr Peter Bone, Bob Blackman, Kate Hoey, Byron Davies, Ms Gisela Stuart, Simon Hart, David Morris, Stephen McPartland and William Wragg, presented a Bill to make provision for a scheme for the triggering and holding of a local area referendum to approve a proposed sale of or including school playing fields by a local education authority or state-funded school; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 22 January, and to be printed (Bill 27).

CHILD VICTIMS OF HUMAN TRAFFICKING (CENTRAL GOVERNMENT RESPONSIBILITY)

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Tom Pursglove, Mr Philip Hollobone, Philip Davies, Mr Stewart Jackson, Mr Graham Brady, William Wragg and Mr Christopher Chope, presented a Bill to make provision for the transfer of duties in relation to child victims of human trafficking from local authorities to central government.

Bill read the First time; to be read a Second time on Friday 29 January, and to be printed (Bill 28).

OVARIAN CANCER (INFORMATION)

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Tom Pursglove, Mr Philip Hollobone, Philip Davies, Mr Stewart Jackson, Mr Graham Brady, William Wragg and Mr Christopher Chope, presented a Bill to require for the NHS to provide information about ovarian cancer symptoms when informing women about the results of cervical smear tests; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 5 February, and to be printed (Bill 29).

EU MEMBERSHIP (AUDIT OF COSTS AND BENEFITS)

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Tom Pursglove, Mr Philip Hollobone, Philip Davies, Mr Stewart Jackson, Mr Graham Brady, William Wragg, Mr David Nuttall, Mr Christopher Chope, Craig Mackinlay and Mr Steve Baker, presented a Bill to require an independent audit of the benefits and costs of UK membership of the European Union.

Bill read the First time; to be read a Second time on Friday 23 October, and to be printed (Bill 30).

DEPARTMENT OF ENERGY AND CLIMATE CHANGE (ABOLITION)

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Tom Pursglove, Mr Philip Hollobone, Philip Davies, Mr Graham Brady, Mr David Nuttall and Mr Christopher Chope, presented a Bill to make provision for the abolition of the Department of Energy and Climate Change and for its functions to be absorbed into the Department for Business, Innovation and Skills.

Bill read the First time; to be read a Second time on Friday 30 October, and to be printed (Bill 31).

BBC PRIVATISATION

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Mr Philip Hollobone, Philip Davies, Mr Christopher Chope and Scott Mann, presented a Bill to make provision for the privatisation

of the British Broadcasting Corporation by providing shares in the Corporation to all licence fee payers.

Bill read the First time; to be read a Second time on Friday 26 February, and to be printed (Bill 32).

PRIME MINISTER (TEMPORARY APPOINTMENT)

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Tom Pursglove, Mr Philip Hollobone, Philip Davies and William Wragg, presented a Bill to make provision for appointment of a Prime Minister in the event that a Prime Minister is temporarily or permanently incapacitated.

Bill read the First time; to be read a Second time on Friday 4 March, and to be printed (Bill 33).

FOREIGN NATIONAL OFFENDERS (EXCLUSION FROM THE UK)

Presentation and First Reading (Standing Order No. 57)

Mr Peter Bone, supported by Tom Pursglove, Mr Philip Hollobone, Philip Davies, Mr Stewart Jackson, Mr Graham Brady, William Wragg, Mr David Nuttall, Mr Christopher Chope and Craig Mackinlay, presented a Bill to make provision to exclude from the UK foreign nationals found guilty of a criminal offence committed in the UK.

Bill read the First time; to be read a Second time on Friday 11 March, and to be printed (Bill 34).

Mr Speaker: The hon. Member for Wellingborough (Mr Bone) is destined to be a very busy bee.

RAILWAYS

Presentation and First Reading (Standing Order No. 57)

Caroline Lucas, supported by Jeremy Corbyn, Ian Lavery, Kelvin Hopkins, John McDonnell and Hywel Williams, presented a Bill to require the Secretary of State to assume control of passenger rail franchises when they come up for renewal; and for connected purposes.

Bill read the First time; to be read a Second time on Friday 22 January, and to be printed (Bill 35).

PUBLIC SERVICES (OWNERSHIP AND USER INVOLVEMENT)

Presentation and First Reading (Standing Order No. 57)

Caroline Lucas, supported by Ms Margaret Ritchie, Jeremy Corbyn, John McDonnell and Louise Haigh, presented a Bill to promote public ownership of public services; to introduce a presumption in favour of service provision by public sector and not-for-profit entities; and to put in place mechanisms to increase the accountability, transparency and public control of public services, including those operated by private companies.

Bill read the First time; to be read a Second time on Friday 22 January, and to be printed (Bill 36).

Scotland Bill

[2ND ALLOCATED DAY]

Further considered in Committee

[SIR DAVID AMESS *in the Chair*]

Clause 12

POWER OF SCOTTISH PARLIAMENT TO SET RATES OF INCOME TAX

6.40 pm

Sir Edward Leigh (Gainsborough) (Con): I beg to move amendment 124, page 14, line 14, at end insert—

“() The Scottish Parliament may determine the level of each threshold of income at which a Scottish taxpayer becomes liable for income tax at any of the rates set by the Scottish Parliament;”

This amendment allows the Scottish Parliament to decide at what threshold of income Scottish taxpayers should have to pay the basic rate or any of the other income tax rates to be set by the Scottish Parliament.

The Temporary Chair (Sir David Amess): With this it will be convenient to discuss the following:

Clauses 12 to 14 stand part.

New clause 32—*Treasury Review of the implementation of Scottish rates of income tax*—

“(1) The Treasury shall, no later than one year after the date on which this Act is passed, publish and lay before the House of Commons a review of the implementation of the Scottish basic rate and any other income tax rates for the purposes of section 11A of the Income Tax Act 2007.

(2) The Treasury review must include—

- (a) a review of the revised fiscal framework;
- (b) the tax year to which sections 12 and 13 of this Act will apply, and the day on which they are due to come into force;
- (c) the number of staff assigned by the Scottish Government, Revenues Scotland and Her Majesty’s Revenue and Customs, to the project implementing the Scottish basic rate, and any other rates;
- (d) a report on the identification of Scottish taxpayers who will be liable to pay the Scottish basic rate, and other rates;
- (e) the rates and bands at which the Scottish basic rate, and any other rates, have been set by the Scottish Parliament; and
- (f) a projection of the impact of the Scottish basic rate, and any other rates, on income tax revenues generated in Scotland and across the UK.’

This New Clause would provide for a review of the progress in implementing the new Scottish rate of income tax. This will include a review of the revised fiscal framework, a task that will hereafter be undertaken by the Scottish Office for Budget Responsibility.

New clause 54—*Taxes on income*—

“In Section A1 in Part 2 of Schedule 5 (fiscal, economic and monetary policy) to the 1998 Act, in the Exceptions, after the entry for local taxes insert “Taxes on income.””

This new clause is intended to devolve income tax completely to Scotland.

Sir Edward Leigh: My simple amendment would allow the Scottish Parliament to set tax thresholds, as any good Parliament should be able to do, and is a genuine attempt to elicit from a Minister the reasons why the

Scottish Parliament is not currently allowed to set the personal allowance. I am a lawyer, but I do not claim to be a tax expert or an economist. *[Interruption.]* Well, it’s just the truth. I am not an expert tax lawyer or economist. This is a probing amendment to help us investigate a complex issue, to which we can always return on Report.

The House of Commons Library has illustrated the complexity of the issue:

“The Bill as it stands would allow the Scottish Parliament to set the bands of income at which different Scottish rates of tax would apply. Clause 12(3) states that where there is to be more than one Scottish rate, the resolution which sets these rates ‘must also set limits or make other provision to enable it to be ascertained...which rates apply in relation to a Scottish taxpayer.’”

That is not immediately terribly clear, but it continues:

“So, if the Scottish Parliament wished to, it could set a zero rate of tax over a specific band of income, in effect increasing the personal tax allowance to all Scottish taxpayers.”

Importantly, in its briefing on the Smith commission, the Institute for Fiscal Studies asked why the power to set the allowance was to be reserved. That is the question I am asking. The IFS, a reputable body, has asked it, and I am simply using the amendment to ask it again. I think most people would agree that setting tax and then spending the money raised is a prerequisite of a responsible Parliament.

It is not necessary to go over all the arguments I used on Second Reading or in Committee two weeks ago—they are on record—but suffice it to say that power breeds responsibility. The Scottish Parliament must take responsibility for its own destiny in the firm conviction that it is ready and able to do so. So why are we devolving bands and rates, but not thresholds? Is not setting the threshold at which people start to pay tax—the personal allowance—vital to the decision-making process? Setting a band or rate but not a threshold is like being willing and able to leap the bar in high jump without having any control over where the height is calculated from. It does not make any sense. What we are giving the Scottish Parliament is only half a power. Are not thresholds much the most interesting part of the equation? We spent a lot of time last Parliament debating that point in relation to the UK economy.

George Kerevan (East Lothian) (SNP): Surely if the Westminster Parliament keeps the right to set the initial threshold, it can also vary it, thus taking away from the Scottish Parliament the ability to plan its entire budget, because the threshold could change overnight.

Sir Edward Leigh: That is a good point, and I agree entirely. It does not make sense. One Parliament might be trying to manage its own affairs by setting bands responsibly, but another Parliament could cut the ground from beneath its feet by changing the threshold. I do not know why the power has been reserved, but no doubt the Minister will tell us.

Nigel Mills (Amber Valley) (Con): Does it not go even further? Without the Scottish Parliament having control over the rules and the tax base, the UK Parliament could create a load of new reliefs that would cost it a fortune. If we are going to devolve income tax, we ought to devolve the whole thing, not just part of it.

6.45 pm

Sir Edward Leigh: As I explained, my personal view is that we should devolve the whole thing. It makes logical sense. As I said, setting the thresholds is often much the most interesting part of tax policy in modern Parliaments. When our friends the Liberals were in power with us—we remember those happy times—was not their proudest boast that they, as members of the Government, had lifted hundreds of thousands of people out of tax altogether?

There is an interesting argument here. For the record, I am dubious about lifting the threshold. It is expensive, and surely more, not fewer, people should have a stake in the income tax system. But that is my personal view, and I accept that there are countervailing arguments. For instance, lifting the threshold reduces the pressure on tax credits. I recognise that it is an interesting political debate.

Setting rates and bands without being able to set thresholds makes no sense. Of course, raising thresholds and personal allowances is dramatic and expensive, which is presumably why the Scottish Parliament is being denied the power, but leaving aside the need for and desirability of full control, does not full fiscal autonomy lead to full fiscal responsibility? The more autonomy a Parliament is given, the more responsible it becomes. Countries such as Belgium and Spain—not without their own separatist problems—provide exceptionally broad autonomy to their constituent parts.

That is certainly the case in the United States, where the states have full fiscal autonomy, including the power to issue bonds and the like—the whole lot, as far as I know. This country is definitely not the United States, despite the best efforts of Mr Blair, but if there is one aspect of America we should like to emulate, it is its vigorous civic culture. Its states, counties and towns have real power and the capability to respond to people's needs and democratic desires. Surely we all want Scotland to have that capacity, just as we want the whole UK to have it. The fact that fiddling with thresholds is so expensive makes Governments and Parliaments niggardly about raising them—each £100 is inordinately expensive—but why should the Scottish Parliament be less responsible than the UK Parliament? Can anybody tell me why a responsible Scottish Parliament should not also be niggardly about that power and use it in a very conservative—small c—way?

Of course, full fiscal autonomy requires a set of support mechanisms through a formula-based grant. That should be based on need, not obscure variations on English spending, which is why I am opposed to the Barnett formula and want to replace it with one based on need—but that is a debate for another time. If the UK Parliament issued a sensible grant formula based on the specific needs of the Scottish Parliament, and if that were followed by full freedom for the latter to set personal allowances, bands and rates, I believe the Scottish Parliament would use that power responsibly and carefully. I contend that the more power we give the Scottish Parliament, the less it will be a grievance Parliament and the more the forces of canny, prudent Scottish financial conservatism will be unleashed. Indeed, the best way to encourage the growth of the Conservative party in Scotland is to give the Scottish Parliament more power. At the moment, all the pressure on it is to spend more money and blame the UK Government when we indulge in any austerity programme.

In the current situation, it is perfectly logical for the voters to choose whichever party complains the most and makes the biggest fuss. I do not blame the Scottish people for doing that. The current system leads to that sort of mindset, whereas the UK system leads to an alternative mindset—we want politicians in power who are careful about how they vary thresholds and bands. It is because Treasury Ministers have that power that people are careful about whom they elect, and Conservatives do not do too badly in that UK set-up.

With full home rule and full fiscal autonomy, the voter would be in charge and would choose representatives who would raise and spend money wisely rather than just go cap in hand to Westminster. That is surely what we want to achieve, so what is the objection? If it is said that the Barnett formula makes such natural freedom unobtainable, the solution is not the denial of power or freedom but the end of the formula. If the argument is that the Scottish tax system could undermine full UK fiscal responsibility, I find it unconvincing. For instance, the Scottish Parliament spends £37 billion and raises £30 billion—quite responsible, actually. The UK spends £732 billion and raises £648 billion. *[Interruption.]* I thought Scottish National party Members would respond in that way, but I could not resist helping them along.

The serious point that I am making is that the Scottish budget is very small compared with the UK budget. If we gave the Scottish Parliament full fiscal responsibility, it is extremely unlikely that it would upset our fiscal responsibility. The Secretary of State may, of course, be able to deal with that point. He has many more expert advisers than I do, and I will listen to the arguments that are made today and wait for his response. Perhaps he will indulge me, if not with a yes to my arguments then at least with a willingness to listen and, in time, to move. If he is not interested, we could return to the matter on Report.

I make my comments in the spirit of trying to be creative and helpful. We can return to these matters, but I hope that the Secretary of State will not just provide a throwaway line from the civil service brief but will try to respond to the arguments that are made. We are trying to create a responsible Parliament; let us give it full fiscal autonomy.

Stewart Hosie (Dundee East) (SNP): It is a pleasure to serve under your chairmanship in this Committee, Sir David, and to speak to our new clause 54. I enjoyed much of what the hon. Member for Gainsborough (Sir Edward Leigh) had to say, apart from his description of the “separatist problem”, which we tend to call “national aspiration”—I think I know what he meant. I am conscious of the time, so I shall try to cover the debate as briefly as I can.

Paragraphs 75 to 79 of the Smith agreement covered issues of income tax, and stated that income tax would remain a shared tax and that both the UK and the Scottish Parliaments would share control of it. The agreement said essentially that MPs representing constituencies across the whole of the UK would continue to decide the UK's budget, including income tax. That certainly makes sense with the very partial devolution suggested by the Bill.

[Stewart Hosie]

Within that framework, the Scottish Parliament will have the power to set the rates of income tax and the thresholds at which they are paid for non-savings and non-dividend income only. As part of that, there will be no restrictions on the thresholds or rates that the Scottish Parliament can set. All other aspects of income tax will remain reserved, as the hon. Member for Gainsborough said, so that even such things as the definition of income could be changed by a UK Government, making subsequent and consequential serious change to the yield forecast by the Scottish Government. That is one reason why, with the partial devolution, we should all continue to vote on that component of income tax in the Westminster Parliament—and it is an even stronger reason, of course, for the devolution of all income tax.

The Scottish Parliament Information Centre analysis for the Scottish Parliament Devolution (Further Powers) Committee—for the rest of the evening, termed “the devolution committee”—found in its interim report on the draft Scotland Bill that draft clauses 10 to 12, now clauses 12 to 14,

“broadly seek to give effect to the extension of income tax powers recommended by the Smith Commission. These would give the Scottish Parliament the power to set rates and bands in relation to non-savings and non-dividend income...above the UK personal allowance.”

Clause 14 also deals with the interaction between income tax and capital gains tax. Currently, individuals who pay income tax at the higher rate also pay CGT at the higher rate. The clause sets out that the rate of CGT that applies to Scottish income tax payers will continue to be calculated using the UK income tax rate limits. That would create an imbalance should there be a change or proposed change for Scotland and people choose to do something in a different way.

There were, however, no draft clauses in relation to the corresponding adjustment in the block grant or the Scottish Government’s reimbursing the UK Government for costs arising from implementation or administration of the powers. Can the Secretary of State confirm that these recommendations do not require legislation?

The Scottish Parliament’s devolution committee interim report said in its conclusion about income tax powers that

“the essence of the Smith Commission’s recommendations has been translated appropriately by the previous UK Government into the draft legislative clauses”,

and that it had “no particular concerns” with “the drafting”. However, it highlighted the

“significant issues still to be resolved regarding the implementation of the new powers, such as an appropriate definition of residency...the details of the administration of the new regime (who collects the tax and how it will function...the need to avoid double taxation and the timing and phasing of the new powers on income tax relative to those already devolved under the Scotland Act 2012”.

Those are all matters that I am sure the Scottish Secretary will address. At paragraph 166, the devolution committee also recommended that

“details on the implementation of the new powers over income tax be produced before the Scottish Parliament is expected to give its legislative consent”.

That is extremely important. It concluded, too, that

“any final detail of the fiscal framework and the other matters we have considered is provided to the Scottish Parliament before the question of legislative consent to any new bill is considered”.

That is a view endorsed by the Scottish Government, and I understand that discussions on these issues are ongoing with the UK Government, in parallel with the passage of the legislation.

It is normal practice for the Scottish Parliament to consider legislative consent before the final stage of a Bill in the Commons; with the Report stage likely in the autumn, usual practice would suggest September. However, the devolution committee suggested 2016 as a more likely date, so when does the Secretary of State believe the Bill will reach Report?

Because of the lack of information on the various technical aspects of the delivery of the tax powers, beyond the wording of the Bill, the committee said:

“As yet, we are not able to conclude that we are content with the fiscal framework and no detriment arrangements as these details are currently being discussed between the two governments.”

Will the Secretary of State confirm that discussions are under way and update us on progress, particularly in respect of the no detriment and no advantage clauses—principles agreed by Smith before the committee reported?

The devolution committee also said:

“both the process of these negotiations and the outcome requires proper parliamentary scrutiny. We recommend both Governments reach an urgent agreement on just how this will be achieved and for the Scottish Government to report to the Committee on what arrangements it proposes to put in place for parliamentary oversight.”

Will the Secretary of State describe what actions his Government are taking in respect of parliamentary oversight, particularly if we do not—as may well be the case—get through the debate on all the clauses and groups of amendments tabled for debate today?

In their response to the devolution committee’s interim report, the Scottish Government made it clear that they were

“broadly content with the clauses in the Scotland Bill relating to taxation”.

It added, however:

“as the Committee recognised, there will need to be extensive discussions between the Scottish and UK Governments over the plans for implementing these provisions.”

I note at this point that there were changes between the draft clauses and the Scotland Bill. In paragraph 165 of the interim report, the devolution committee highlighted one area that required specific clarification, so I ask the Secretary of State to confirm—I am sure he will—whether clause 12(5) of the published Bill now contains a change to specify that a zero rate of income tax is possible?

It is also worth saying a little about the nature of the taxation powers, which has been touched on. They are very limited. Even if we include the VAT assignment, the Scottish Parliament would raise the equivalent of around 50% of devolved expenditure. However, excluding the VAT assignment, the figure falls to barely a third. That is important because many of the submissions to the devolution committee called for more. In its written evidence, the Scottish Trades Union Congress called in its recommendation 2.1 for the

“devolution and assignment of taxation amounting to...two thirds of Scottish public spending (over 50% of all spending in Scotland)”.

The Bill clearly does not reach that standard.

7 pm

The point is important also because it does not match what the UK Government said in their Command Paper “Scotland in the United Kingdom”, which claimed:

“As a result of the Smith Commission Agreement, the Scottish Parliament will control around 60 per cent of spending in Scotland and retain around 40 per cent of Scottish tax.”

Clearly, that claim works only by including the assigned VAT; the taxes that Scotland will actually control amount to less than 30%. The full devolution of all tax on income would help resolve that problem.

It is also worth noting the evidence to the devolution committee of Professor Andrew Hughes-Hallett, who warned of the risks associated with reliance on one single tax. He said a great deal about the possible compositions of the tax base, but in essence his point was that Scotland needs a diverse tax base. We believe that adding responsibility for savings and investment income along with every other aspect of income tax would at least offer a partial solution to that problem.

Furthermore, Professor Anton Muscatelli told the Committee:

“the cleanest solution would have been to have a package that would have involved not only complete income tax devolution, including the personal allowance”

but additional devolution of national insurance contributions, which would have

“allowed some flexibility around employers’ national insurance contributions to try to affect employment, since that issue seems to be of concern to Scotland.”

To try to resolve a number of the problems that we have identified, our new clause 54 seeks the full devolution of responsibility for all tax on income.

One of the other issues that new clause 54 seeks to address is that raised by the National Union of Students Scotland, which told the devolution Committee that it believed

“that by only devolving non-savings taxes, the Scottish Parliament is put in a precarious position for any future tax rises, and particularly the introduction of a higher rate of tax. As was seen in the year before the introduction of the 50p rate in 2010, and then in the year following the reduction to 45p, those who it affected were able to shift extremely large sums of money between years and between income and dividends, in order to either escape or benefit from the changes in rates. Without the ability to tax dividends, there is a great risk that Scotland will never be able to fully utilise or benefit from any future reform of income tax.”

Sir Edward Leigh *rose*—

Stewart Hosie: I shall give way once, yes.

Sir Edward Leigh: That is a very important point. We always moan about tax avoidance. I have been talking to people in Scotland, and it appears now that wealthy people will be putting more and more money into dividends precisely to avoid tax. I cannot understand the logic of encouraging people to avoid paying tax by putting their money in dividends.

Stewart Hosie: I agree entirely. None of us should be encouraging tax avoidance or evasion—not least a Tory Government, which is why I am sure the Secretary of State will want to support the full devolution of tax on earned and unearned income. It is a jolly good idea.

However, whether the devolution of income tax is extended or not, issues of implementation must be fully resolved. I ask the Secretary of State to confirm that, as part of the fiscal framework discussions, the following issues are now being fully addressed: the timing of the implementation of the Smith provisions; the length of the transition period and how it relates to the transition period for the Scottish rate of income tax; how the costs of implementation will be met; whether there will be an agreement to revisit the memorandum of understanding between the Scottish Government and HMRC for the Scottish rate of income tax, to ensure that it remains fit for purpose; the enforcement and compliance regime under the Smith income tax proposals; how gift aid and pensions relief will be treated under Smith; how the block grant adjustment will work, although that is much broader than simply income tax; the forecasting of revenues, the interaction between the Office for Budget Responsibility and the Scottish Fiscal Commission and the detail of how we calculate the transfer of revenue; and the continued role of the National Audit Office in working in partnership with Audit Scotland.

The key issue is the forecasting that will drive the revenues that the Scottish Government will get and the block grant adjustment. There has to be a fair balance between the role and input of the OBR and the Scottish Fiscal Commission, particularly given that the OBR uses Treasury numbers to drive its calculations.

As I said at the outset, I am conscious of time; we have many groups of amendments to get through and others will want to speak. I hope that the Secretary of State can answer those important detailed questions on the proposed devolution. I commend amendment 54 to the Committee.

Ian Murray (Edinburgh South) (Lab): I was not able to make it to the House earlier, Sir David; I would like to express my sympathies to everyone involved in the tragic events in Tunisia. Our thoughts are with the families all across the United Kingdom, but especially the people in Scotland who have been caught up.

I want to speak to new clause 32. Part 2 of the Bill devolves significant new powers to Scotland over income tax and other taxes, and it is a real opportunity to provide the powerhouse Parliament promised by the Smith agreement. Clauses 12, 13 and 14 make provision for transfer to the Scottish Parliament of the power to set rates and bands of income tax, including, as the hon. Member for Gainsborough (Sir Edward Leigh) was pushing for, the ability to set a zero rate. The full impact of that and other tax measures should not be downplayed.

Lord Smith himself outlined that the measures proposed in the agreement would create one of the most powerful devolved Parliaments in the world. When taking taxation and spending clauses together, Scotland would be only slightly behind the Canadian provinces and Swiss cantons. Likewise, according to the OECD, in exercising power over setting both the rates and bases of income tax, Scotland would rank above sub-central legislatures in Sweden, Norway, Finland, the US and even Germany.

The economic evidence suggests that fiscal devolution can work. It is our responsibility, and that of the Scottish Government, to make sure that it does—that is the genesis of our new clause 32. However, these are hugely complicated processes; anyone who has tried to

[*Ian Murray*]

read the fiscal framework analysis in the Smith agreement will know that. I note that the Scottish National party and its new friend, the hon. Member for Gainsborough, have tabled new clauses that would seek to devolve income tax in its entirety.

I should say at the start that those are perfectly legitimate arguments that have been debated at great length at both the Calman and Smith commissions. Labour disagrees, because we believe fundamentally in the pooling and sharing of resources across the United Kingdom; that is not a criticism of the SNP position, but merely a disagreement on a fundamental broad principle. We have rightly and repeatedly criticised the Smith agreement and the Bill on a number of occasions, particularly on Second Reading and in last Monday's debate, but I agree with the hon. Member for Dundee East (Stewart Hosie): in this instance at least, the Bill and the Smith agreement have got it right. That is probably why there are so few substantive amendments to the income tax clauses. The Chartered Institute of Taxation has echoed that by saying that the commission has made a

“pragmatic set of proposals which shows a lot of thought has been given to balancing the desire of Scots for greater tax powers against the practical obstacles to devolution”.

It is worth reflecting on the Scottish Parliament's current position on income tax. Since 1999, Scotland has been able to vary the rate of income tax by 3p in the pound. Despite the current clamour for more powers, that power has never been used—incidentally, I believe that it has now lapsed, which shows the problems with the fiscal framework. Notwithstanding that, under the Scotland Act 2012, and as a result of the Calman commission, the Scottish Parliament has been afforded control over the first 10p of the basic rate of tax. Obviously, the Smith agreement and the Bill go much further.

The Scottish Parliament will have total control over income tax rates and thresholds and complete freedom over the levels at which those rates and thresholds are set. That is significant as the estimated devolved income tax liabilities on income tax in 2013-14 amounted to almost £11 billion. That is a considerable sum, the collection and deployment of which confers a substantial degree of responsibility on the Scottish Parliament. If they wish, the Scottish Government—of any colour—can increase or decrease that liability.

Sir Edward Leigh: I entirely accept where the hon. Gentleman is coming from in saying that he wants responsibility to be shared throughout the United Kingdom. However, can he explain why we should share responsibility over thresholds but not, apparently, over bands or rates? I cannot see the logic of that.

Ian Murray: The Scottish Parliament will have a significant ability to adjust the zero rate in particular. I hope that the Secretary of State responds to that point, because the House of Commons Library was quite clear on it. However, there has to be some pooling and sharing. Income tax is the biggest tax that everyone pays. Everyone who works pays a proportion of their income in income tax, above the basic allowance. It is important that everyone has a stake in that game. We could get to a situation in which people who did not

have a stake in that game asked what the United Kingdom was for. I fundamentally believe in pooling and sharing, and the Smith agreement struck a reasonable balance.

We need a full analysis of how all the proposals will work. That is why we tabled new clause 32. Some adjustment of the powers might be needed in the future. We do not yet know what effect the implementation of the Scotland Act 2012 will have, because it does not come into force until 2016. The question that the hon. Member for Gainsborough raises relates to what we are trying to achieve with new clause 32, because the report would examine the consequences of this transfer of powers.

Andrew Gwynne (Denton and Reddish) (Lab): Is not one of the unintended consequences of the devolution of income tax to the Scottish Parliament that it will affect UK-wide facilities such as gift aid, which reimburses charities on the basis of the basic rate of income tax that is set at a UK level? If there were two different basic rates, might that not cause complexity for donors in tracking what they pay to HMRC and to Revenue Scotland? Does my hon. Friend think that that issue should be considered by the review that would be conducted under new clause 32?

Ian Murray: I am delighted by that intervention, because I was going to speak about that issue later. Given the time constraints, I will take that point out of my speech, because my hon. Friend has made it well. The Scottish Council for Voluntary Organisations has raised the relationship between income tax and gift aid. Although that matter is not mentioned in new clause 32, I hope that if there is a reporting mechanism, it will look not only at gift aid, but at pension relief. That is another matter that was not mentioned by the Smith agreement, but which has been raised by many of the organisations that have been in touch with us about the Bill. Gift aid is worth £1 billion a year to charities, so we must ensure that it is considered properly.

Stewart Hosie: The hon. Gentleman spoke about the principle of pooling and sharing, and I have heard that argument before. However, if it were a real principle, it would apply to the aggregates levy, landfill tax, air passenger duty and other small taxes that have been devolved. There is no principled reason why it is required to be applied to income tax. He rather gave the game away when he spoke about the ability to vary the rate by 3p either way, which was the original plan, and the ability to set the first 10p of income tax. Why does he think that so little is enough for a nation like Scotland? Why is he so afraid of giving our national Parliament all the powers it needs to tax income properly?

Ian Murray: What the hon. Gentleman is asking for is full fiscal autonomy. There are many amendments that will allow us to have a full debate about that later this evening, but I fundamentally disagree with that principle because the pooling and sharing of resources is important. The difference between income tax and the aggregates levy, landfill tax and all the other taxes he mentioned is that they are removable taxes, whereas income tax is not. We should be pooling and sharing resources, and we should therefore ensure that the significant sum of £11 billion is part of the overall matrix of the United Kingdom.

As I said at the start of my speech, I do not disagree with everything that the hon. Gentleman said, but we disagree on the fundamental principle of pooling and sharing. His speech was completely reasonable in terms of what he is seeking to achieve, but Labour Members simply disagree with the broad principle of not pooling and sharing. There is no right or wrong on these issues in terms of what should be devolved; the issue is whether one believes in these broad principles or not.

I find it difficult in these debates to have 56 SNP MPs braying at me from behind, when I am actually agreeing with them. I have no idea what they will be like when I disagree with them. I am paying a compliment to the hon. Member for Dundee East, which I do not do often, and he is still unhappy with my contribution. Never mind; given that they have signed most of our amendments to the welfare clauses, perhaps we will be much more collegiate tomorrow.

I was explaining new clause 32. The Scottish Affairs Committee report on the fundamental principles of the Smith agreement, which was published in March, said:

“The Smith Agreement represents the best of both worlds. It presents Scotland with much greater powers over taxation, meaning for the first time the majority of the money the Scottish Government spends will be paid for by its own taxation. This will make it more fiscally accountable to the people of Scotland for how it spends their taxes.”

I am confident that the income tax provisions in the Bill strike the right balance between reserved and devolved taxation, although I agree with the hon. Member for Gainsborough that some movement might be required in the future.

I believe that these clauses are in the spirit and the letter of the Smith agreement and the vow. The vow is quite concise on these issues. It says very little or nothing at all about taxation. One thing that it does say, which goes back to the pooling and sharing of resources, is that the Barnett formula should be maintained. The Bill and the Smith agreement are utterly in accord with that stand.

7.15 pm

Mrs Anne Main (St Albans) (Con): Last week, I supported the SNP on full fiscal autonomy and scrapping the Barnett formula, although I know the hon. Gentleman did not. The SNP Members all trooped through the Lobby to vote for that, so does he share my surprise that they have come back today with amendments that do not include it?

Ian Murray: Nothing ever surprises me, although I was a little surprised last week that the 56 SNP MPs went through the Lobby with the Thatcherite arm of the Conservative party. That was because full fiscal autonomy would deliver something that would be fundamentally damaging to Scotland. The hon. Lady is absolutely correct. [*Interruption.*] I thank her for waking up all the SNP MPs with her intervention.

The Smith agreement said:

“Income Tax will remain a shared tax and both the UK and Scottish Parliaments will share control of Income Tax. MPs representing constituencies across the whole of the UK will continue to decide the UK’s Budget, including Income Tax... Within this framework, the Scottish Parliament will have the power to set the rates of Income Tax and the thresholds at which these are paid for the non-savings and non-dividend income of Scottish taxpayers”. That is exactly what the Bill does, and it is important to highlight two aspects of that quotation.

First, maintaining income tax as a UK-wide tax is critical to the continued pooling and sharing of resources. That facilitates UK-wide redistribution on the basis of need, which underlines the welfare state and the state pension system. The Church of Scotland expressed the same view when it argued for

“a degree of solidarity across the United Kingdom, where prosperity is shared and those with broadest shoulders can carry the extra weight of supporting those less fortunate.”

Secondly, the Smith agreement explicitly mentions the continuing right of Scottish MPs to vote on the Budget within the framework that it sets out. That is equally important, particularly given the Government’s proposals on English votes for English laws. Devolving income tax in its entirety, which the hon. Members for Dundee East and for Gainsborough are advocating, would place that right in doubt and create two classes of MP in this place. That risk was the subject of considerable debate in the Smith commission. As long as one believes in the pooling and sharing of resources, which we certainly do, Smith’s recommendation to retain income tax as a shared tax is critical. That is why we reject amendment 124 and new clause 54, which was tabled by the hon. Member for Dundee East.

New clause 32 concentrates on the implementation of the powers being transferred and, as I have said a number of times in this Committee, the use of those powers. What we are trying to achieve chimes with much of what the hon. Member for Dundee East said, when he laid out the concerns about how the proposals would be monitored, how the number of income tax payers would be determined, the “no detriment” policies across the United Kingdom and the complicated nature of the fiscal framework.

The report under new clause 32 would include

“a review of the revised fiscal framework”,

given its complicated nature. It would also include

“the tax year to which sections 12 and 13 of this Act will apply, and the day on which they are due to come into force”

so that businesses are able to plan. It would include details of the number of staff that both Governments would assign to the implementation of the new Scottish rate of income tax to ensure that adequate resources were deployed to make it happen. It would be useful if the Secretary of State responded to the particular concern that the staffing level to determine the Scottish rate of income tax might be deficient.

Tommy Sheppard (Edinburgh East) (SNP): I am just trying to understand the point that the hon. Gentleman is making. As I understand it, this is an opportunity to discuss whether the Scottish Parliament should have enhanced powers over income tax. His position seems to be that, rather than take that step, we should have a review of the situation. I can understand the logic of having a review of the powers, but why does he think that the review would be better in the hands of the Tory Chancellor, rather than the representatives of the people of Scotland in the Scottish Parliament? Surely the time has come to allow the Scottish people to determine these matters for themselves, rather than a Tory Government who have only one single representative in Scotland.

Ian Murray: I think that the hon. Gentleman is confusing two issues. We fundamentally agree with the clauses relating to the devolution of income tax, but these

[*Ian Murray*]

are hugely complex matters, as is demonstrated by the complicated nature of the devolution of the 10p income tax provision in the Scotland Act 2012. The new clause would not prevent the Bill from proceeding; it would merely allow the Secretary of State to bring to the House a report on the progress of implementation.

There is another difficulty. The hon. Gentleman is absolutely right—the Scottish Parliament could produce a report and submit it—but I cannot, in the House of Commons, command a different Parliament to do something, which is why I am asking the Secretary of State to produce the report.

It is right for these issues to be raised. I hope that the Scottish Parliament will also examine them in great detail, and will present a full report to both Houses. Our aim is to protect Scottish taxpayers rather than to create a political divide. It is disappointing that, although we agree on the broad principles of the devolution of income tax, Members are trying to bring about division between us. We are trying to be a responsible Opposition in calling for a report on the implementation of income tax rates.

New clause 32 calls for

“a report on the identification of Scottish taxpayers”.

The aim is to ensure that individuals are either Scottish or UK taxpayers but not both, to prevent the double taxation that was mentioned by the hon. Member for Dundee East, and to deal with cross-border mid-financial year movements, which is important in the context of where people may live or work.

The review must include the rates and bands at which the Scottish income tax will be set, and a projection of the impact of the tax on revenues generated in Scotland and across the United Kingdom. That is primarily designed to ensure that Scotland does not become worse off over time owing to the relative tax bases and demographic or behavioural changes in the United Kingdom overall. Such a review would allow us to assess the transitional process, and to ensure that the projected rates and bands accorded with the principle of no detriment for both Scotland and the rest of the United Kingdom. That would protect Scottish taxpayers, as well as taxpayers in the rest of the UK.

Critically—the Smith agreement restates this—any updated fiscal framework should secure the Barnett formula, with the Scottish budget bearing the full costs of policy decisions that reduce or increase revenues or expenditure. That is crucial to the fiscal framework.

My hon. Friend the Member for Denton and Reddish (Andrew Gwynne) mentioned gift aid, and I hope that the Minister will be able to respond to what he said.

I think it important for the people of Scotland to know what their Government are doing about these substantial income tax powers, whatever the colour of that Government. Those powers are worth £11 billion, and they are fundamental to the working lives of people in Scotland. As I have said all along, this is about transparency: transparency in regard to whether additional powers should be devolved, and transparency in regard to the use and impact of those that are devolved. That is what our new clauses 1, 21 and 32 seek to foster.

All I ask is that the United Kingdom Government, and, indeed, the Scottish Government, approach the Bill in the same spirit of transparency and openness as us, and agree to new clause 32. We shall be pressing it to a vote later this evening.

Mr Alistair Carmichael (Orkney and Shetland) (LD): As others have said, the genesis of the clause lies in the report of the Smith commission. I have supported the commission since the day, indeed the hour, when it reported, but we cannot ignore the fact that the process was undertaken at great speed. Necessarily, given that five parties were engaged in the process, it involved a degree of compromise all round. It is for that reason that all of us undertook to ensure that there would be consultation following the publication of the report and, subsequently, the draft clauses.

In a debate in which consensus is not always easy to come by, I am pleased to note that there is consensus on the fact that the clause is a faithful replication of the agreement that was reached under the chairmanship of Lord Smith. However, the consultation that has been conducted since the publication of the draft clauses at the end of January has highlighted, and generated, a substantial number of important matters, some of which are technical and some of which go to the heart of the issue of taxation itself.

I suggest to the Secretary of State that further consideration may be necessary. He has the ability, through the good office that he holds, to bring all the parties together again to consider the representations that have been made during the consultation, and to consider whether, given the complexities and possible areas of conflict that could arise, it is actually worth implementing the tax power in the way that is currently envisaged. If the consultation is to be carried out in good faith—and, for my part, it always has been—there are sufficient matters about which we should be talking. That would still allow us—if it were necessary, and if it were possible to construct a consensus—to return to the issues on Report.

Nigel Mills: I rise as a reluctant supporter of the devolution of income tax to the different countries of the Union. I agree with the hon. Member for Edinburgh South (Ian Murray) that people throughout the United Kingdom should feel that they are paying the most important tax—the tax that puts the largest amount of money into the UK pot—and seeing it redistributed. We are where we are, however, and we are talking about devolving income tax to Scotland.

I fear that we have one foot in each camp, with part of the tax in this Parliament and part of it in the Scottish Parliament, and that we will end up in a real mess. I am not sure how it is possible to make a tax work when a Parliament can set the rate, the bands and the starting point, but not the actual rules. A particular policy issue in Scotland may mean that the Scottish Parliament rightly wants to incentivise certain employment and income activities. That may not be not a priority for the United Kingdom as a whole, perhaps for reasons of scale or owing to a different approach, but there will be no mechanism enabling income tax in Scotland to promote that certain activity. A new tax relief for people working in the offshore oil and gas industry, for instance, might not be a priority for the UK as a whole, but it might be a priority in Scotland.

The record of our income tax code is cluttered with examples of the use of the tax code to promote certain types of behaviour. I am not sure that we can secure the full and effective use of a tax code if our Parliament is not setting the rate and looking after local activities.

The flipside will be that tax avoidance as a result of a loophole may become material for the Scottish Parliament in the case of a certain piece of exploitation, but will not become material to the budget of the whole UK. It may be extremely important in Scotland to get that loophole closed, but in the UK there may be several others that are ahead of it in the queue, because it does not represent a large loss to the Westminster Parliament. An action that ought to be taken on something that has a material impact in one part of the UK will not be taken because of the strange disparity that exists.

If we are going to start devolving taxes, we should step back and have a look at what a federal UK tax system would be like. We should work out which taxes are federal and which are devolved, and then try to bring about some consistency in Wales, Scotland and Northern Ireland so that similar taxes can be devolved in the same way, rather than adopting a piecemeal approach in regard to corporation tax in Northern Ireland, income tax in Scotland, and so forth. I do not think that anyone in the country will know to which Parliament they are paying what tax, and who has complete control of it. That means that we will not get all the advantages that we expect, such as the ownership and the accountability that my hon. Friend the Member for Gainsborough (Sir Edward Leigh) mentioned.

I do not think that we are achieving the sharing and the pooling that the hon. Member for Edinburgh South wanted, the coherent use of income tax that the SNP wants, or the full devolution that would make sense. We appear to have become involved in a strange halfway fudge which we may regret in a few years' time. I think it would be better to step back and try to get this right from the start, rather than trying to find a way of clearing up the mess.

I accept that there are always good reasons why the line is drawn where it is. We must be very careful about tax avoidance through the use of residency, or pretend residency. If I am working full-time in Scotland, to get the Scottish rate—which may be higher or lower than the rate in the rest of the UK—I shall probably have to go and live in Scotland. I suspect that I cannot achieve that artificially. If I have large dividend flows, I can probably pretend that I am in Edinburgh when I am in London and vice versa in order to obtain the tax advantage. I can see why there is an attraction in having one UK-wide passive income tax, rather than an active tax.

Ian Murray: The hon. Gentleman is raising the issue of what are known in my constituency as “willies”—people who work in London, live in Edinburgh. Those are people who take the trip down to London every Monday and go back on a Thursday evening. According to the House of Commons Library, the UK's reason for not devolving dividend income is to prevent people from pushing money into dividend income and taking advantage of a differential rate.

Nigel Mills: Yes, as I was saying, I accept there are always reasons for drawing the line where we do, and trying to stop tax avoidance within a territory is a powerful reason. However, that has left us here with a

convoluted tax system where we seem to be devolving part of it, and that is not a sensible approach. It would be better to have a federal income tax which everyone in the UK paid at a lower rate than they pay now and which covered all passive income, and then have a devolved income tax like the one in the United States. It has a state income tax that can be credited against the federal one. That may be a better, more sustainable system than the one we have.

7.30 pm

I cannot therefore vote for the amendment of my hon. Friend the Member for Gainsborough (Sir Edward Leigh), because it is only half-fixing the problem. It is fixing the issue of the starting point, not the whole tax base. I sense it would be a bit of a rush to devolve the whole thing now in one amendment, so I am not sure I can vote for either of the two amendments, even though I think I agree with them, because we are starting from the wrong position. We need to look at what sort of federal tax system we could have.

Pete Wishart (Perth and North Perthshire) (SNP): The hon. Gentleman is making a thoughtful speech and he has the ears of those on the SNP Benches. He is right that we have got a halfway house and we have got to get this resolved. That is what the Scottish people thought they were voting for when they voted for us in such numbers. Is there anything the hon. Gentleman can do to persuade his right hon. Friend the Secretary of State to listen to what Scotland has said, and to have the proper solution and ensure we do this right and get what the Scottish people voted for just a few weeks ago?

Nigel Mills: I have tried to convince the Treasury Minister, my hon. Friend the Member for South West Hertfordshire (Mr Gauke), of various tax reforms over the last five years with, I would have to say, somewhat limited success, so I am not sure my words will help. If we are to achieve a lasting settlement of our constitution, having these tax rules in the right place with everyone understanding them and believing them to be fair will be extremely important. I do not think my constituents will understand how Scotland can set a different rate of income tax to what they pay if Scottish MPs are still able to vote on the English rate of income tax because it applies to passive income and dividend income. I suspect we will get into a constitutional nightmare, and I can foresee a situation in which Scotland chooses a lower rate of income tax than we have in England, and the English taxpayer will, rightly or wrongly, see a subsidy going from England to Scotland through the Barnett formula and then SNP MPs coming here and voting for a higher rate of income tax than their constituents are paying. That is the nightmare we would hate to see.

We need to have a clear devolution of taxes and responsibility, not what I fear we have here: a halfway fudge that we will have to try to fix in a few years' time.

The Secretary of State for Scotland (David Mundell): May I start by agreeing with the hon. Member for Edinburgh South (Ian Murray) that we should put on record our thoughts for those people who have been caught up in the events in Tunisia, particularly those from Scotland who have perished? Although our debate has been curtailed today, it is right that that matter has been given such due consideration in this House.

[David Mundell]

I say to the right hon. Member for Orkney and Shetland (Mr Carmichael) that I have considered the various issues raised in the House in the first part of our Committee stage, and I will continue that approach through the further days in Committee.

Tommy Sheppard *rose*—

David Mundell: I would like to make a little progress.

Since the Committee last met, I have had the opportunity to appear before the Devolution (Further Powers) Committee—to give it its full title—and to listen to its views and explain the Government's stance. I can assure the hon. Member for Dundee East (Stewart Hosie) that that Committee will continue to play a full part in my consideration of the Bill as it progresses through the House, and I have assured the convener of that.

I had a very useful meeting with the Deputy First Minister to look at how we move forward, particularly in relation to the fiscal framework, and I am going to disappoint the hon. Gentleman, but in a good way, because the criticism that was forthcoming from the Committee to both me and the Deputy First Minister was that we both said the same thing to the Committee, which was that we are not going to give a running commentary on the negotiation of the fiscal framework. What I can say is that the list of issues that the hon. Gentleman referred to in his contribution will be part of the discussion of the fiscal framework. We will of course keep this House updated from a UK Government perspective, but it will be for the Scottish Government to keep the Scottish Parliament updated.

I am pleased to start with the clauses on income tax in today's debate. These are often overlooked, meriting only a few lines in the comments received on the Bill from both Parliaments and from the Scottish Government, but that is because, as has been said, they command widespread support as delivering the central aspect of the Smith agreement in full.

The changes made by clauses 12, 13 and 14 will give unprecedented flexibilities to the Scottish Parliament on income tax and are a significant milestone in Scotland's devolution journey within the UK. The Scottish Parliament will be able to set income tax rates and thresholds for earned income. This includes the ability to introduce new bands.

Roger Mullin (Kirkcaldy and Cowdenbeath) (SNP): Is the right hon. Gentleman aware of the most recent analysis by the Fraser of Allander Institute, written by Dr Jim Cuthbert? This is not an issue about the individual devolution of income tax; it is about the interaction that will occur between the way in which income tax is proposed and the Barnett formula and the Government's proposal with the Holtham index, and the conclusion of that analysis is that, when likely shifts in relative population and shifts in relative tax base are taken into account, this will create significant negative dynamic effects. In other words, it will be all over the place and lack consistency, and it will be a source of conflict down the years. Surely, that needs to be avoided by taking a stronger look at making sure the right income tax powers are devolved?

The Temporary Chair (Mr David Crausby): Order. May I remind the House that interventions should be brief?

David Mundell: Obviously I am familiar with Cuthbert's views on a range of issues, and many of the points the hon. Gentleman refers to will indeed be dealt with in the fiscal framework, which is why that is important for delivering a stable settlement.

The Scotland Parliament will retain the receipts from the income tax it is responsible for. This represents a significant devolution of powers, with Scotland retaining around £11 billion of income tax receipts. That accounts for over 90% of income tax receipts collected in Scotland. This gives Scotland greater fiscal autonomy, with incentives to increase employment and increase wage growth.

I emphasise to Members that there are no restrictions on this power. If the Scottish Parliament wants an income tax system with a dozen different rate bands, these powers allow it to do that. Similarly, if it wants to set a zero rate of income tax, it can.

As I said on Second Reading, the devolution of the rates and bands of income tax means we will correct a fundamental imbalance in the devolution settlement. Since 1999, the Scottish Parliament has debated how public money should be spent but not how it should be raised. The Scotland Act 2012 started to change that, giving the Scottish Parliament more tax-raising powers. The Bill goes much further.

As things stand, the Scottish Government still receive the vast bulk of their budget in a block grant from this Parliament and choose how to distribute that budget according to their priorities. When the UK Government have taken difficult decisions to bring our public finances back into order, the Scottish Government have often condemned us for inflicting cuts. Although I believe those spending reductions were necessary to secure our economy and are far preferable to increasing taxation on working families in Scotland, it is true that the Scottish Government took a different view. These clauses will allow them to do something about it.

With control of the rates and bands of income tax in Scotland, the Scottish Parliament will raise over half the money that it spends. If the Scottish Government want more money to spend on their priorities, such as higher welfare payments, they will be able to increase taxes to raise that money. However, they will have to justify that spending to the hard-working men and women in Scotland who will be paying for it out of their wages every month.

George Kerevan: Following on from what the Secretary of State is saying, how could the Scottish Government ever be sure of their tax yield if another House were setting the threshold?

David Mundell: The Scottish Government already have to manage their finances by building in estimates of revenue. That is part of the system in which we operate and part of the decision to have a United Kingdom-wide tax. I will come on to that point in a moment.

The Deputy First Minister has confirmed that the Scottish Government are already considering using the tax powers that they will shortly receive under the Scotland Act 2012 to put up income tax. The powers

contained in these clauses will increase the scope for action considerably. With the SNP in government, Scots might pay the highest income tax in the UK. Perhaps the party will dust down its old “penny for Scotland” policy, although now, with inflation, it might need a little more.

Stewart Hosie: Will the Secretary of State please tell the House which person in the Scottish Government has suggested that income tax is going up in Scotland?

David Mundell: The Deputy First Minister, Mr John Swinney.

Ruth Davidson, however, has set out the Scottish Conservative position by saying that Scotland would never have higher rates of income tax than the rest of the UK. If people elect Scottish Conservative MSPs next May, that is what they will get. Scots voted decisively to remain within a United Kingdom. The UK is more than just a name and a flag; it is a social and fiscal union in which risks and rewards are pooled and shared. The Smith commission looked closely at a range of tax powers and agreed on a package of devolution that enhances Scotland’s place within the United Kingdom. It strikes the right balance, by empowering the Scottish Parliament, while maintaining the UK’s strength and coherence. There is a good reason for transferring every power that we are devolving in the Bill, and a good reason for keeping in reserve everything that we are not devolving.

Turning to amendment 124, devolution of income tax is a significant step, but it is important to remember that in the independence referendum only last September, the Scottish people decisively opted for the security of being part of the UK family of nations, and part of that is a single, cohesive income tax system. That is why HMRC will administer Scottish income tax for the Scottish Parliament as part of its UK-wide management of income tax, thus minimising the burdens on employers and individuals. It is also why the Smith commission—which it is important to remember all parties present in the Scottish Parliament signed up to—specifically decided after careful consideration not to devolve the personal allowance.

Tommy Sheppard: Colleagues here are finding it incredibly depressing that on this, the third day of our debates on this important Bill, the Secretary of State still seems to be resisting completely any amendment to his point of view. What parallel universe is he living in if he thinks that the will of his party, which has one representative in Scotland, should prevail over the wishes of the majority of the electorate in Scotland, who voted decisively for our party and for more powers?

David Mundell: The world in which I live is one in which I have had a very productive discussion with the Deputy First Minister of Scotland on how we should take forward these financial measures and reach agreement on a package that will provide stability and financing for the Scottish Parliament within the United Kingdom. That is what I am committed to doing. Of course I will listen to the views expressed in amendments tabled in this House, and that is what we are continuing to do today. It is for those who are tabling amendments to make a case for their being accepted.

Sir Edward Leigh: We are dealing with my amendment, which relates to threshold points. Surely, if incomes in Scotland are generally lower, the Scottish Parliament would want to address the problem for people on lower incomes by lowering the thresholds. Would that not be the logical thing to do? I understand the Secretary of State’s point about the pooling and sharing of resources, but I have to ask the same question of him that I put to his opposite number: why is it okay to pool and share resources on thresholds but not on bands and rates?

7.45 pm

David Mundell: As my hon. Friend knows, we had lengthy discussions in the Smith commission on the balance between the respective responsibilities, and it was agreed that while income tax should remain part of the wider UK tax regime, these specific significant powers would be moved to the Scottish Parliament. I believe that that creates the balance we were seeking.

Pete Wishart: Will the Minister give way?

David Mundell: No, I will not at this stage—*[Interruption.]* The hon. Gentleman is one of the most frequent contributors to debates in the House, and he does get to have his say, although not as much as his former leader does. The right hon. Member for Gordon (Alex Salmond) is a very frequent contributor.

The SNP’s new clause 54 goes further than amendment 124, tabled by my hon. Friend the Member for Gainsborough (Sir Edward Leigh). However, to go further than the powers set out in the Bill would break the concept of shared tax and be complicated for individuals and employers with activity on both sides of the border, as they would have to understand and comply with two potentially entirely different tax systems. The Law Society of Scotland agreed with us, saying of the proposed change:

“The administrative burden would increase considerably. The complexities regarding the UK savings and investment market may also be particularly problematic”.

That would not be in keeping with a stronger Scotland within the United Kingdom. It is not what the people of Scotland voted for last September, and I cannot accept the new clause.

On new clause 32, tabled by Opposition Front Benchers, I hope that I can provide some reassurance to the House. The new clause is intended to provide the House with a report on the implementation of the Scottish rate of income tax and the further income tax powers in the Bill. That is a laudable aim, but I can reassure hon. Members that current legislation already provides for annual reports on the implementation of devolved tax powers to Scotland.

Section 33 of the Scotland Act 2012 requires the Secretary of State and Scottish Ministers to lay before both Houses of Parliament and the Scottish Parliament annual reports that broadly cover the areas suggested in the new clause. Three reports have already been produced, the most recent in March, and HMRC’s accounting officer for the Scottish rate and the Comptroller and Auditor General have both given evidence to the Scottish Parliament on the progress of tax devolution to Scotland. Of course, Westminster Committees have the opportunity to call for evidence, too. Alongside that existing requirement

[David Mundell]

and to ensure that Parliament can have confidence in the implementation and operation of the Scottish rate, the Comptroller and Auditor General is required to report annually on HMRC's administration of the Scottish rate.

I can also tell the hon. Member for Edinburgh South that I am satisfied that adequate resources are being brought forward to deal with the issues relating to the transfer of these powers to Scotland and to HMRC's involvement in that process. I would further reassure Members that reporting requirements are a feature of the negotiations currently under way between the two Governments on the fiscal settlement that accompanies the Bill.

I have set out the rationale behind the Government's drafting of the Bill, which, as has been widely acknowledged, fully implements the Smith commission's recommendations on income tax. The fiscal framework will be an important part of the discussions, and we are giving this exercise the focus and priority that it deserves.

Sir Edward Leigh: I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clauses 12 to 14 ordered to stand part of the Bill.

Clause 15

ASSIGNMENT OF VAT

Question proposed, That the clause stand part of the Bill.

The Temporary Chair (Mr David Crausby): With this it will be convenient to discuss:

New clause 20—*Review of operation of VAT refund schemes in Scotland*—

“(1) The Treasury shall, within six months of the day on which this Act is passed, publish and lay before the House of Commons a review of the application of VAT refund schemes for businesses in Scotland.

(2) The review must include an analysis of the impact of the qualifying criteria for the VAT refund schemes—

(a) in Section 33 of the VAT Act 1994, and

(b) for Government Departments and the NHS,

on the level of VAT payable by Police Scotland and by the Scottish Fire and Rescue Service.”

Following the amalgamation of the (formerly regional) Scottish fire and rescue services and Scottish police forces into a single fire service (the Scottish Fire and Rescue Service) and a single police force (Police Scotland) respectively, they are no longer eligible for VAT exemptions under the VAT refund schemes mentioned. This amendment requires the Treasury to carry out and publish a review of the schemes in Scotland, and in particular in relation to the level of VAT payable by Police Scotland and the Scottish Fire and Rescue Service.

The Financial Secretary to the Treasury (Mr David Gauke): Clause 15 makes changes to ensure that a proportion of the VAT that is attributable to Scotland may be assigned to the Scottish Government's budget. The Smith commission set the objective that more devolved spending in Scotland should come from tax raised in Scotland. Control over setting VAT rates is not being devolved to Scotland, because EU VAT law does not allow for differential VAT rates within a member state. The changes made by clause 15 will, however,

ensure that a proportion of the VAT that is attributable to Scotland may be assigned to the Scottish Government's budget. Clause 15 sets that proportion at the first 10 percentage points of the standard rate of VAT and the first 2.5 percentage points of the reduced rate of VAT. On the basis of current VAT rates, that would be exactly half, representing, very approximately, £4.5 billion.

Clause 15 will link Scotland's share of VAT to economic activity, providing incentives for the Scottish Government to promote growth. The Scottish Parliament and Scottish Government have considerable levers to do this, for example on skills and education policy, and it is now for them to set out how they will do that. Assigning VAT to Scotland's budget will strengthen the financial responsibility of the Scottish Parliament, and strengthen its ability to pursue its own visions, goals and objectives.

Let me say just a word or two about new clause 20, although I am sure the hon. Member for Caerphilly (Wayne David) will be saying more about it shortly. It requests a review of VAT refund schemes in Scotland, with a particular focus on how they affect Police Scotland and the Scottish Fire and Rescue Service. In 2012, Police Scotland and the Scottish Fire and Rescue Service restructured in order to streamline and modernise. As a result, eight local police and fire authorities became one. The restructuring stopped the duplication of support services, potentially saving £130 million, according to the Scottish Government. Like other people and organisations, fire and rescue services and the police pay VAT on the taxable goods and services they purchase, but because they are largely not engaged in business activities they cannot recover this VAT through the VAT system in the same way as businesses do. However, there are, in certain clearly defined circumstances, existing schemes that refund some or all VAT.

Section 33 of the Value Added Tax Act 1994 was introduced to ensure that VAT is not a cost borne by local taxation. There are two long-established criteria for inclusion in this scheme. First, that a body must undertake a local government function—we accept that the successor bodies of the former fire and rescue service authorities do this. Secondly, the body must have the power to draw funding directly from local taxation. The Scottish Fire and Rescue Service is funded by the Scottish Government rather than through any legal call on local taxes, and so does not fit under that criteria. In 2011, the Scottish Government were explicitly advised of this consequence of changing from regional police and fire services to a single authority. The expected benefits in the Scottish Government's business case far outweigh the loss of any VAT refunds, and so the Scottish Government understandably continued restructuring with that in mind. The restructuring was the decision of the Scottish Government, made with the full knowledge of the VAT consequences of their decisions. This is a historical request and is not a matter that the draft clause regarding VAT assignment should address. Having set out the background, in anticipation of the arguments we may hear from the hon. Gentleman, I urge him not to press his new clause to a Division.

Wayne David (Caerphilly) (Lab): It is a pleasure to serve under your chairmanship, Mr Crausby.

The Smith commission's report was very clear about VAT, particularly in paragraph 84. The Government have spelt out in the Bill how this arrangement will

work in practice. The Opposition support the Government in implementing this part of the Smith agreement, but we have a real concern about the position of Police Scotland and the fire and rescue service in Scotland. A number of organisations have expressed concern about VAT relief schemes in Scotland, and I very much hope that the Government will accept our new clause 20 and that the review will be sufficiently broad based to cover a wide range of organisations, including charities.

I wish to focus my remarks on the situation, which has already been referred to in part, regarding Police Scotland and the Scottish Fire and Rescue Service. Surprisingly, none of the 43 police forces in England and Wales, or the Police Service of Northern Ireland, pays VAT—not even the National Crime Agency has to pay VAT—but both Police Scotland and the Scottish Fire and Rescue Service do. There is widespread indignation at this unfairness in Scotland. Sir Stephen House, Scotland's chief constable, has said, in unambiguous terms:

“It simply isn't correct. It is not right. It's unfair and it shouldn't be allowed to continue”.

The eight police forces and the eight fire and rescue services, before they were amalgamated, were exempt from VAT, but now Police Scotland has a huge annual bill—a bill that is unfair and unique in the whole of the UK. At a time when Police Scotland has no alternative but to make significant cuts, it is a liability that every year it has to put forward a forfeited bill of about £10 million—the figure for the Scottish Fire and Rescue Service is approximately £11 million.

Why has this situation arisen? The Government's position was spelt out in some detail in a letter to Cathy Jamieson, the then Member for Kilmarnock and Loudoun and shadow Economic Secretary to the Treasury, on 9 March. The letter from the Financial Secretary explained that the fire and rescue service, and by implication Police Scotland, pays VAT on the taxable goods and services it purchases, but because these bodies cannot recover VAT through the system in the same way businesses do, there are special schemes in place. He then explained that there are two schemes relevant to fire and rescue services. The first, as set out in section 33 of the 1994 Act, made sure that VAT is not a cost borne by local taxation. There are two criteria for inclusion in this scheme. First, the body must undertake a local government function—and the Treasury did accept that was the case with the Scottish Fire and Rescue Service. Secondly, the Treasury claimed that the body must have the power to draw funding from local taxation. The Scottish Fire and Rescue Service is funded directly by the Scottish Government rather than through any legal call through local taxes. Hence, the Government have argued that a “key condition” of the section 33 VAT refund scheme does not apply.

That was the first refund scheme, but there is a second one, which is for Departments and the NHS. It is doubtful whether the Scottish Fire and Rescue Service would be in a position to claim refunds on outsource services, but the Treasury made it clear that the Scottish Fire and Rescue Service would not be eligible in principle because it is not a “central government” Department. To be honest, those reasons might be technically valid, but they are also morally suspect and unjustifiable. I am a great believer in the saying, “Where there's a will, there's a way.” Clearly, the situation in Scotland with regard to

the Scottish Fire and Rescue Service and to Police Scotland is an anomaly, which applies to only one part of the United Kingdom.

I very much hope that the Treasury can muster the wherewithal to address that anomaly, and to do it through our proposed new clause 20.

8 pm

Dr Philippa Whitford (Central Ayrshire) (SNP): I note that Highways England and London Legacy, which was created after the Olympics, have both been granted VAT exemption. They also fall into the same group. Surely Highways England is in exactly the same boat, yet it is given VAT exemption. We are not talking about something that is chiselled in stone or set in concrete, so surely it can be changed.

Wayne David: Well, things can be changed through political will. As I have said, where there is a will to make that change, a change can be made. A way can be found, if there is the desire to do so. I very much hope that the Government listen carefully to what has been said this evening.

I must say that something else worries me, too. I refer again to the letter to Cathy Jamieson from the Financial Secretary. The penultimate paragraph says:

“In 2011 the Scottish Government were explicitly advised of this potential consequence of changing from regional police forces to a single authority as part of the proposed revised funding model for Police Scotland. At the time they took the decision to make these reforms they would have known they would no longer be eligible for the VAT refunds as a result.”

There we have it in black and white: the Scottish National party Government were warned that their plans to reorganise emergency services would, in effect, cost millions in VAT refunds. Yes, cost savings might have been made; but they knew the situation and they were prepared to see that loss occur. They still pressed ahead with their plans. This is in part a mess of the SNP's own making, compounded by an indifferent and apathetic Tory-led Government here in Westminster. The sensible thing surely would have been for the Scottish Government and the UK Government to have come together and sort out this problem before Police Scotland and the Scottish Fire and Rescue Service were constituted on an all-Scotland basis. That is the common-sense thing that should have happened. But that is in the past.

Callum McCaig (Aberdeen South) (SNP): Will the hon. Gentleman enlighten this Chamber as to whether the situation we have here is what the Labour party has in mind when it talks about the pooling and sharing of resources?

Wayne David: The hon. Gentleman is really stretching things to try to make that point. What I am suggesting is that for devolution to be effective, there needs to be a consensus, a coming together or an agreement on the best way forward. I quoted an excellent example. Both services would have materially benefited if both the Government of the day and the SNP Government had had the wherewithal to come together and work things out sensibly.

Dr Whitford: The SNP Government had written extensively to the Government to try to deal with that issue. Is the hon. Gentleman suggesting that Police Scotland and the Scottish Fire and Rescue Service should have been left in eight divisions?

Wayne David: No, of course not. What I am saying is that it would have been far better if the Government in Scotland and the Government in London had sat down maturely and worked things out for the benefit of services in Scotland rather than pursue a fixation with the idea that things had to be brought together on a centralised basis in Scotland, irrespective of the consequences. The Government were absolutely adamant on this. Presumably they could not find parliamentary time, or did not have the political inclination to bring forward an amendment to have a scheme that would have benefited everyone.

The sensible thing would have been to do precisely what I have said, but that is in the past. The important thing now is to move forward and resolve this situation. Our proposed new clause 20 calls for a review of the situation. It is a modest request, which I very much hope that the Government will accept. If they do accept it, it could provide an opportunity for everyone to get together and, hopefully, resolve the issue.

It has been suggested by the Scottish Council for Voluntary Organisations that VAT rebates should be devolved so that they better conform to devolved policy to support society and public services. A suggestion has been made that the UK Government could allocate a Barnett formula-based share of the VAT rebates to the Scottish block grant. That is one possibility, but, like all the other suggestions, it needs to be soberly and carefully discussed. It could be a part of the review that we propose. I hope that the Government will accept our amendment so that we can have that meaningful discussion and reach a decision for the benefit of Scotland.

Stewart Hosie: It is a pleasure to take part in this debate on clause 15 stand part and proposed new clause 20 in the name of the Labour party.

Let us turn to the way that the Smith commission has spoken about the assignment of a proportion of VAT. It said:

“The receipts raised in Scotland by the first 10 percentage points of the standard rate...will be assigned...All other aspects of VAT will remain reserved.”

The Scottish Parliament Information Centre analysis for the Scottish Parliament Devolution (Further Powers) Committee referred to it in its interim report on the draft Scotland Bill clauses. It said:

“Draft clause 13 [now 15] would give effect to the Smith Commission recommendation that the Scottish Government be assigned receipts from the first ten percentage points of VAT. With the agreement of both governments it also proposes to go slightly further by notionally assigning 2.5 percentage points of the reduced rate of VAT as well...The amount of VAT receipts attributable to Scotland is to be the subject of an agreement between the UK Government and the Scottish Government.”

It did point out that there are no draft clauses in relation to the corresponding adjustment to the block grant. Hopefully, the Minister will confirm that that does not require legislation. In effect, the Scotland Bill proposes the assignment of half of VAT receipts to the Scottish Parliament. However, that will provide no actual control of VAT.

The Devolution (Further Powers) Committee had no particular concerns with the draft clauses, but it did want details of the assignment of VAT revenues and the share of any benefits to be produced—the mechanics of

the assignment—before the Scottish Parliament could be expected to give its legislative consent. The committee said:

“There is still significant uncertainty on how the assignment of a share of VAT revenues will be calculated and whether the Scottish Government will be able to reap the rewards of any economic stimulus that yields higher VAT revenues.”

It is also worth noting that the Devolution (Further Powers) Committee’s analysis paper, which set out the differences between the draft clauses and the published Bill, noted that:

“No further detail is provided on the assignment of VAT revenues, or the corresponding block grant adjustment.”

There are a number of technical issues for consideration notwithstanding the fact that there is no particular issue with the legislation as such.

The committee’s interim report considered the evidence on VAT assignment from a range of sources. It said that the bulk of the evidence received by the committee, while welcoming the principle, called for greater clarity in how the assignment of revenues would work. As the Institute of Chartered Accountants of Scotland told the committee:

“Clause 13 in the ‘Draft Scotland Clauses 2015’ regarding VAT delivers the mechanics of the assignment of VAT, but with the large caveat that it applies ‘where there is an agreement between the Treasury and Scottish Ministers’...The rules for agreeing this have not been provided and it may not be easy to identify ‘Scottish VAT’”.

I take on board what the Scottish Secretary said earlier about not giving a running commentary, but on that specific point—and I shall have more specific questions—at least I hope we can get clarity.

In oral evidence to the Scottish Parliament committee, Charlotte Barbour of ICAS elaborated:

“The assignment of VAT offers more opportunity for discussions on how that might be calculated. It slots in with the difficulties with the fiscal framework”—

we discussed those in the last debate—

“and some of the no-detriment issues”—[*Scottish Parliament, Official Report, Devolution (Further Powers) Committee*, 5 February 2015; c. 4.]

I mentioned those previously. The Scottish Trades Union Congress was broadly supportive of the assignment of VAT. Its deputy general secretary told the Committee that

“I am quite a fan of assigned revenue”,

but he took the point that

“it is not a power in the sense of being usable to promote particular behaviours”.

However, he said:

“A degree of assigned revenue clearly rewards the Scottish Government for economic growth and, in our view, the closer we get to an amount of revenue that is derived from positive actions undertaken by the Scottish Government, the better.”—[*Scottish Parliament, Official Report, Devolution (Further Powers) Committee*, 15 January 2015; c. 13.]

I do not think that any of us would disagree with that. We want responsibility, which rather prompts the question that given that there is no control over VAT, why assign only half of it? Why not assign it all? The Scottish Government could then quite rightly benefit, if there was a benefit, from the entire rise in VAT in Scotland rather than just half of it and could take responsibility if there was a shortfall, not just for half the shortfall.

Speaking to the committee, John Swinney, the Cabinet Secretary for Finance, Constitution and Economy, highlighted two issues for discussion with the UK Government, which are both important:

“One is establishing the analytical base for how VAT should be apportioned and the other is the policy question of guaranteeing that if those estimates are exceeded, Scotland retains the benefit of that improved economic performance”.—[*Scottish Parliament, Official Report, Devolution (Further Powers) Committee* 12 March 2015; c. 26.]

The former Secretary of State for Scotland also commented on the issue of VAT in a letter to the Committee, in which he said that he could

“confirm that VAT assignment will link the Scottish Government’s budget with economic activity in Scotland, providing incentives for growth. The amount of VAT to be assigned...will be based on an estimated share of the total VAT generated in the UK...The UK and Scottish Governments will need to agree a methodology”.

Will the Minister provide further details, not on the specific discussions with the Scottish Government but on the themes? What are the options for how VAT will be assigned? Will it, for example, be a consumption-based approach? How can we improve the robustness of the measure and the timescales, for example by improving the survey data? What will be the costs of implementation and how will they be met? Does there need to be a proxy measure over a transition period until the methodology is robust? Has any thought been given to indexation and comparable measures of growth? What has been said about governance and accountability, for example developing a separate strand to the memorandum of understanding with the HMRC on VAT to expand the role of the project board?

The question of the robustness of the survey data is vital. At present, VAT is estimated by the Scottish Government in the Government Expenditure and Revenue Scotland report, based on a household survey of expenditure, therefore missing tourism spend entirely. That is corrected by a percentage share adjustment, meaning that the Scottish Government estimate what percentage of UK tourism happens in Scotland, but if the Scottish Government managed to increase tourism spend through other actions, such as reducing air passenger duty, that would not show up according to the current methodology. We therefore need to agree a new robust methodology and, perhaps, an interim measure until that methodology is in place.

As the Minister has said, VAT cannot be varied within a state and we understand and respect that. So let me repeat the question: why give only half rather than all, unless to camouflage the fact that the tax over which Scotland will have control will be such a small share of our tax base? Could the assignation of VAT revenue be designed simply to make that number seem a little bigger?

Let me turn to new clause 20, on the subject of VAT on Police Scotland and the fire service. We heard the hon. Member for Caerphilly (Wayne David) describe the amendment, which proposes a review of the application of the VAT refund scheme for business in Scotland. It has been tabled with the intention, it would appear, of addressing the anomaly of the inability of the Scottish Police Authority and the Scottish Fire and Rescue Service to reclaim VAT. Although we agree that that is an inequitable position for both services, we do not necessarily believe that a review is the way to address it. Instead, the UK Government—as the hon. Gentleman

said, where there is a will, there is a way—should simply amend the VAT status of the single police service and fire and rescue service in Scotland.

8.15 pm

There are some technical issues with the new clause. VAT is UK-wide, so any review could not be confined solely to Scotland. Proposed subsection (1) requires a review of VAT refund schemes for “businesses” but there is no business VAT refund scheme as such. Subsection (2) would make the VAT refund scheme applicable to central Government bodies that sit outwith EU law but are the subject of an EU-wide consultation process. The reference to Police Scotland should instead be to the Scottish Police Authority, which is the legal entity and VAT-registered body; Police Scotland is the part of the SPA relating to police officers. However, notwithstanding all of that and the fact that the new clause simply proposes a review, it never does any harm to find out that what we thought we knew was correct—

Wayne David *rose*—

Stewart Hosie: In a moment. We think that the better approach to fix the problem might be through a forthcoming Finance Bill after the Budget in July, but nevertheless we are happy to back the new clause today if Labour presses it to a vote.

Wayne David: I was going to ask the hon. Gentleman if he was going to support us, but he has pre-empted me. It is very good that he will, because, of course, the SNP did not table an amendment on this issue. I thank him.

Stewart Hosie: We did not table an amendment because there was not an amendment that we could table to fix the problem. As I have just said, that requires an amendment to a Finance Bill. One might have thought that an experienced old hand like the hon. Gentleman might have known that and advised his younger and less experienced colleague, the shadow Secretary of State, on how things work. Having said that, and that we are happy to support new clause 20, I will sit down and hopefully we can move on.

Mr Alistair Carmichael: I rise to say a few words in support of new clause 20, tabled by the hon. Members for Edinburgh South (Ian Murray) and for Caerphilly (Wayne David). When considering schemes such as those that lie at the heart of the new clause, it is worth starting with the principle that underpins them. Is it, as the Financial Secretary to the Treasury suggested, the principle that local government finance should not go straight into Treasury coffers? I can understand that principle and it holds water in so far as it relates to the scheme for police and fire services across the UK, as originally envisaged. The difficulty for the Minister, however, is that there are other schemes of a similar nature that go beyond the ambit of police, fire and other rescue services. The hon. Member for Caerphilly mentioned one related to the national health service.

The principle that underlines such schemes is fairly sensible—that for public services to pay money back into the Treasury is essentially an exercise in robbing Peter to pay Paul. It only creates work for accountants

[*Mr Alistair Carmichael*]

and achieves no public good. There is a more fundamental principle at stake, however, in the proposal before the Committee and in the new clause tabled by the Labour party. That is the principle that there should be equality of treatment across the board and across the United Kingdom. The hon. Member for Aberdeen South (Callum McCaig) hit the nail on the head when he referred to the pooling and sharing of risks. I think I have perhaps a greater commitment to that principle than he has, but I must say in all candour to those on the Treasury Bench that if they are sincere in their belief that risks and rewards should be pooled and shared across the UK, whatever the technicalities this situation should not be allowed to continue. Whether it is done through the review in the new clause or through action in the forthcoming Finance Bill, amendments for the sake of the continued constitutional integrity of the United Kingdom should be produced in early course.

Mr Gauke: Let me address the issues that have arisen during the debate, starting with new clause 20 and the refund situation. It is correct to say that there is a refund scheme for Government Departments and the NHS. This scheme refunds the VAT incurred on certain outsourced services. It was introduced to ensure that irrecoverable VAT does not dissuade Government Departments from contracting out services where this results in greater efficiencies of scale. There is also—this is relevant to the discussion—a refund scheme in respect of matters that can draw funding directly from local taxation. The Scottish Fire and Rescue Service is funded by the Scottish Government, rather than through any legal call on local taxes, so it does not meet this criterion.

That was not the case prior to the reforms brought in by the Scottish Government. I stress that this was a choice of the Scottish Government, with their eyes wide open to the fact that the VAT refund scheme would not be available in the event of that reform. They decided, as they were perfectly entitled to do, to proceed with those reforms, notwithstanding that loss.

Peter Grant (Glenrothes) (SNP): For 18 years, during which I was a member of both Fife regional council and Fife council, they were unitary authorities but we did not have a joint police board and we did not elect or appoint members from different authorities to a separate organisation in which the police were funded entirely by a budget decision of a single authority. In effect, they were operating financially as though they were the education service or the social work service. At that point they had the same VAT treatment as the police in Strathclyde or Lothian, which were managed by a joint board. Fife police did not have, in the Minister's words, a legal call on the resources of the authority. They were funded because the authority thought it was the right thing to do, not because the police had the right to demand the funding from us. Will the Minister explain why the same position does not now apply to the Police Service of Scotland or the Scottish Fire and Rescue Service?

Mr Gauke: As I understand the situation that the hon. Gentleman set out, if services were funded through local taxation, the refund scheme was available. That is

no longer the case, as the changes have been made. It therefore does not fall within section 33 as it currently stands. As the hon. Member for Caerphilly (Wayne David) acknowledged, it is technically valid that the refund scheme does not apply.

Many arguments are made in respect of the VAT refund schemes, and requests are made that they be broadened and applied to additional organisations. It is customary for the case to be made that charities, for example, should benefit from such refunds. That comes with significant fiscal cost. Now is not the time to run through the whole argument, but there may well be a case for reconsidering the position, but we should not look at it in isolation because of a particular decision that was made in one case. If there is a case to do that, the matter should be looked at in the round, not just on the basis of one case.

Dr Philippa Whitford: Is this not just a dry technical issue? This is the only police force and the only fire service in the whole of the United Kingdom that pays VAT and does not get it back. Members of the Front-Bench team agreed that it would be sensible to bring Police Scotland together and said that they would do the same. Surely now is the time to use some common sense and get rid of this anomaly—£33 million a year that could be going to front-line services.

Mr Gauke: But the reason for that is the decision that the Scottish Government took, with full information. This did not come as a surprise or as an unexpected consequence of a decision. It was a decision that the Scottish Government made, fully informed and understanding the situation. I am not criticising the decision because, according to the business case made by the Scottish Government, the benefits far outweighed the costs. But the costs were there and identified to the Scottish Government in advance.

Wayne David: I am sure the Minister would acknowledge that devolution is based on mutual respect. With the benefit of hindsight, does he agree that it would have been far better if the Government here in London and the Scottish Government had sat down and worked out a way forward?

Mr Gauke: A request was made of the UK Government and we provided information on what the position was. As I was saying a moment ago, there are many calls for an expansion of section 33 and the refund scheme. The cost of the scheme being widely expanded could be substantial. At a time when there are considerable constraints on the public finances, we have to be careful about responding to every request and claim, however reasonable it might be.

Ian Murray: I understand what the Treasury Minister says about the number of requests received for exemptions from section 33, but this is not a new exemption. There is a net gain of many millions of pounds a year to the Treasury from this change. Therefore the net effect of changing it back would be zero. We are not asking for exemption from section 33 to be opened up to charities. That is a separate debate. This is a case where the Treasury is a net beneficiary. How does Scotland get that money back?

Mr Gauke: As I said, a decision was made by the Scottish Government, believing that the efficiency savings were more than sufficient to outweigh the costs incurred by losing the section 33 refund. That was the basis for the decision, and the position in respect of section 33 was clear.

Ian Blackford (Ross, Skye and Lochaber) (SNP): We keep hearing about respect. We all know why the Scottish Government introduced the change—it creates efficiency in the delivery of police and fire services in Scotland. A clear case has been made by many of my hon. Friends and by those on the Labour Benches as well. If there is a genuine feeling of mutual respect between the Government in Scotland and the Government in Westminster, all the Treasury has to do is make sure that we get the VAT back and we will invest it in front-line services to benefit the people of Scotland.

Mr Gauke: We respected the Scottish Government's decision, because they were perfectly entitled to decide to reform the police and fire services in the way they did, but they knew what the consequences of the law of the land would be with regard to VAT. That decision was taken and it would be unreasonable for us to maintain the existing legislation, given that there are many demands on section 33.

Let me turn to clause 15. The hon. Member for Dundee East (Stewart Hosie) asked why we are simply assigning half of the VAT revenue, rather than all of it. That reflects the agreement reached by the five main political parties under the auspices of Lord Smith. It represents a balance between providing a sufficient incentive for Scotland to grow its economy, relative to the rest of the United Kingdom, in order to increase its revenue from VAT and exposing the Scottish Government's budget to potential fluctuations in VAT receipts.

8.30 pm

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): For the benefit of the Committee, will the hon. Gentleman explain the difference between the agreement the UK Government have with the Isle of Man and what they are now proposing for Scotland?

Mr Gauke: The Isle of Man has different constitutional arrangements. What we are proposing is consistent with the conclusions reached by the Smith commission.

The hon. Member for Dundee East (Stewart Hosie) made a number of technical points about how that will work. I accept that a number of details will need to be worked out as part of the fiscal framework. There is a need to agree the methodology for estimating how much VAT is generated by Scotland and by the rest of the United Kingdom. The UK and Scottish Governments will also need to agree the operating principles, including mechanisms for verifying that the methodology has been applied correctly, how many adjustments might be carried out and arrangements for audit and transparency, including publication of results. It is worth pointing out that other countries operate similar systems and could provide a reasonable starting point from which to build.

Again, those considerations will be part of the fiscal framework, and I think that it is agreed on all sides that it would not be helpful to provide a running commentary on it. Of course, there have already been meetings with

the Deputy First Minister and the Chief Secretary to the Treasury on some of those points. All that I will say to the hon. Member for Dundee East is that the UK Government are determined to work constructively, as I am sure the Scottish Government are, to ensure that we reach an agreement that is fair and reflects the appropriate assessment that should be made.

Stewart Hosie: I thank the Minister for that answer; it is genuinely helpful, as he always is. However, will he confirm for the Committee that the agreement will be reached in good time for the Scottish Parliament to consider it fully before any legislative consent motion has to be passed?

Mr Gauke: It is kind of the hon. Gentleman to say that I am being helpful. In the spirit of continuing to be helpful, let me say that I certainly hope that that will be the case, but of course agreements will require both parties to act in a co-operative way, which I have no reason to doubt will be the case.

With those remarks, I hope that the Committee will support clause 15 and that I have said enough to persuade the Labour party not to press new clause 20.

Question put and agreed to.

Clause 15 accordingly ordered to stand part of the Bill.

Clause 16

TAX ON CARRIAGE OF PASSENGERS BY AIR

Question proposed, That the clause stand part of the Bill.

The Temporary Chair (Mr David Crausby): With this it will be convenient to discuss the following:

Clause 17 stand part.

That schedule 1 be the First schedule to the Bill.

Clause 18 stand part.

Mr Gauke: Clauses 16, 17 and 18 implement the Smith commission's recommendations by fully devolving two taxes: air passenger duty and the aggregates levy. Those taxes will be switched off in Scotland and the Scottish Parliament will then have full competence to maintain, redesign or scrap them. The changes made by clauses 16 and 18 will switch off APD in Scotland and give the Scottish Government the power to charge their own tax on passengers departing from Scottish airports. The Scottish Government will be free to make their own arrangements with regard to the design and collection of any replacement tax. Alongside that, funding for the Scottish Government will be reduced by an amount equivalent to the APD that would have been raised in Scotland.

Clauses 17 and 18 and schedule 1 make changes to ensure that the UK aggregates levy can be fully devolved to Scotland. The Smith commission agreement stated that there would be full devolution of the levy to Scotland following resolution of the legal challenges against the levy. The changes made by clause 17 will give the Scottish Parliament the power to charge a tax on the commercial exploitation of aggregate. The clause also introduces schedule 1, and together they enable the existing UK levy to be disapplied to Scotland. These provisions allow the Scottish Government freedom in the design and implementation of any tax on the commercial exploitation of aggregate in Scotland.

Graham Stringer (Blackley and Broughton) (Lab): Amendment 36 would, in essence, have opposed clause 16 standing part of the Bill, because I want the Committee to explore the specific issues related to air passenger duty and the more general principles about tax competition between Scotland and the rest of the United Kingdom that may well evolve from a discussion on air passenger duty.

Some of us who voted to set up the Scottish Parliament in the first place now think that, although it seemed a very bold decision at the time, it was less bold than it might have been and that if we had the benefit of being able to go back in time—we do have the benefit of hindsight—the proposals that the Government are making might well have been those that should have been put before the House after the 1997 general election, with us now moving towards full fiscal autonomy for the Scottish Parliament. It was a fundamental mistake to set up a Scottish Parliament with mainly spending powers and no tax-raising powers, apart from the plus or minus 3p on income tax.

Mr MacNeil: The hon. Gentleman is absolutely right. One of the mistakes is that there is no incentive for the Scottish Government to grow the economy. A great example that we have in the Hebrides is that the Scottish Government have put a road-equivalent tariff on to the ferries. This has grown the economy in the west of Scotland, but the increase in tax revenue is not going to the Government that funds it but to Westminster, which gives no extra cash and further incentives to roll it out further across the west coast. It is similar with childcare and a number of other issues.

Graham Stringer: The hon. Gentleman makes a pretty fundamental point about devolution. When the House was making a decision to devolve powers, it would have been sensible to settle on a grant basis that was fair between Scotland, England and Wales, which the Barnett formula was not, and then allow the Scottish Parliament to raise taxes on that basis, so that if it wanted better-quality services, it could have had higher taxes and, if it was more efficient, it could have had better services or lower taxes, and so on. That is a very clear principle.

Mr MacNeil: The important point I am driving at is that, if the Scottish Government had proper control of their taxes, they could have grown the economy more and that growth would have delivered far more than the zero-sum game of who has got and has not got what in the UK. It is the ability to grow the economy that tax powers would give that is really fundamental.

Graham Stringer: If the hon. Gentleman is saying that Scotland, or any other devolved authority, should benefit from the initiatives it takes and from its own efficiencies, I agree completely. We are moving that way, but the Bill does not move far enough. No Minister or shadow Minister has been able to explain to me, in any of our debates, why we should have the unfair funding in the Barnett formula.

Those are the basic principles. I now want to explore how, if taxation is devolved to the Scottish Parliament, the United Kingdom Government will respond to competition. Air passenger duty is a very good example. As I understand it, the SNP intend to reduce air passenger

duty by 50% and then reduce it to zero. That is quite a sensible policy for the SNP to follow. For that matter, it is a sensible policy for the United Kingdom Government to follow, because a number of consultants' reports have shown that there is almost certainly likely to be a benefit for the whole United Kingdom if air passenger duty is taken away.

Every other country in the European Union has moved either to very low rates of APD or, as in the Netherlands, to zero. It is therefore a sensible policy, but the Government do not seem to have a clear position on what they will do about the very unfair competition between regional airports.

Mr MacNeil: Air passenger duty is a perfect illustration of what I said earlier. If the Scottish Government decided to lower APD and that upped the rate of economic activity in Scotland, they should benefit from the fruits of that activity. The benefits should not go to Westminster, because it would not compensate the Scottish Government for that initiative.

Graham Stringer: On 20 January, the Chancellor of the Exchequer told the Treasury Committee, in response to a question asked by my hon. Friend the Member for Wythenshawe and Sale East (Mike Kane) about that very point:

“I think the best approach to dealing with this concern, which I think is perfectly legitimate, is to cross the political boundaries of our two parties to try to find a solution that helps these regional airports that can be affected by an air passenger duty decision north of the border.

HMRC has done some work on this and I think it anticipated that Manchester airport would lose around 3% of its traffic and Newcastle could lose around 10% of its traffic. That was work carried out a couple of years ago... I think you and I—I made the same offer to Ed Balls—could work to help regional airports in the north of England if the Scottish Government were to go down the road of dramatically cutting its air passenger duty.”

Further to that, the Chancellor told the House of Commons on 27 January:

“We have a couple of years to work this out—it does not have to be done tonight or tomorrow—and we can work out a plan that protects the brilliant Newcastle, Manchester and other regional airports.”—[*Official Report*, 27 January 2015; Vol. 591, c. 726.]

What progress has been made on that? This is about a loss of 3% and 10% of business, which are not trivial amounts.

This will result in not only an economic benefit for Scotland, but in real competition, which will come in two forms: there will be competition for passengers on short-haul flights, for which APD is £13 per passenger, and for those on longer-haul flights, for which it is £71 per passenger. Obviously, the same amount is paid for the return flight. A passenger from Newcastle therefore has an incentive—this applies to large families in particular—to travel to Edinburgh or Glasgow in order to save some money. Someone travelling long distance from north America or China has the same incentive.

Mr Kevan Jones (North Durham) (Lab): Does my hon. Friend agree that there is a knock-on effect on cargo? If the successful flight from Newcastle to Dubai were to be jeopardised in any way, the revenue earned from the airport through the transfer of cargo in that passenger aircraft would also be at risk.

Graham Stringer: I agree with my hon. Friend. There is competition not only for passengers, but to get airlines and aircraft to land. Given that a lot of cargo is carried in an aeroplane's belly, if Newcastle, Manchester or Leeds Bradford loses a flight to Scotland, it will lose not only the passengers and the benefit they bring but the cargo carried by the plane. The United Kingdom already has experience of that with Belfast airport. The Northern Ireland Assembly managed to get the power to vary APD because it was in competition with Dublin airport, which was taking passengers and aircraft to travel from south of the border. That is well known to people who are interested in transport, but it is less well known that the impact was not only on Belfast, but on English and Welsh airports, as people decided to fly across the Atlantic from Dublin to save the £71.

8.45 pm

I will conclude by talking about the economic impact on England. I have given the figures for the savings that passengers could make, and airlines can of course take advantage of those savings by choosing to split them between passengers and their own profit lines. If, however, for the sake of argument, one Ryanair flight and one easyJet flight were moved from Manchester airport to Glasgow, £2.9 million of revenue would be lost to the United Kingdom Treasury and 450 jobs would be lost in Manchester. That is not insignificant when one is trying to build an economy, and I do not blame Edinburgh or Glasgow for trying to build their economy in the way that Newcastle and Manchester are doing. Those figures represent nearly 250,000 passengers, and the economic impact in relation to long-haul flights is much more significant.

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): The hon. Gentleman is making a point about cross-border competition. Does he agree that there is another point about the longer-term sustainability of airports outwith that area, such as Inverness and Dundee? They need additional support and would benefit from the reinvestment in Scotland of the revenue generated by additional passenger traffic.

Graham Stringer: I agree with that perfectly sensible point.

The Government may have a number of possible solutions, and I hope that the Financial Secretary will be able to respond in some way. Manchester airport has made the case strongly to the Government that there should be an air passenger duty holiday on new long-haul routes, and that would be helpful. The Government could devolve decision making to other parts of the United Kingdom as well as to Scotland, although it would be difficult to find a mechanism for doing so. The Government could also agree to compete with Scotland, because if there is no competition, there will be an unfair loss of jobs through lowering the rate of air passenger duty.

Such solutions seem sensible to me, given the experience in the rest of Europe and, indeed, in the rest of the world. The tax was brought in not for environmental reasons, as is sometimes said, but entirely to deal with the hole in the budget after the 1992 general election. It is an inefficient tax: consultants have estimated that it costs the economy more than it brings into the Treasury in cash. Even if the Financial Secretary cannot give an

absolutely definitive answer today, I hope he will assure us that he is willing to look at some of the sensible responses to this new competition in tax regimes.

Mr MacNeil: The hon. Gentleman has been very kind in giving way. The tax is about more than just a hole in the budget; it is actually a demand-management tool for Heathrow and perhaps for Gatwick as well. If airports are full, APD is a demand-management tool that might work. It is certainly not helping in Edinburgh, Glasgow or Manchester. The solution is not to worry about each other, but for us to be rid of it, and for the Government to keep the demand-management tool in airports that are already saturated.

Graham Stringer: I do not agree with the point the hon. Gentleman makes in his fourth intervention. Demand management is not the solution for our regional airports, which have huge extra capacity, but if I went down that line, I expect you would rule me out of order, Mr Crausby. I look forward to the Financial Secretary's response.

Stewart Hosie: I will come on to the comments made by the hon. Member for Blackley and Broughton (Graham Stringer) in a moment.

The provisions relating to the devolution of air passenger duty—I will concentrate on the duty, rather than the aggregates levy or the further provisions in clause 18—were set out clearly in the Smith agreement:

“86. The power to charge tax on air passengers leaving Scottish airports will be devolved...The Scottish Government will be free to make its own arrangements with regard to the design and collection of any replacement tax, including consideration of the environmental impact.

“87. In line with the approach taken in relation to the Scotland Act 2012, if such a tax is introduced by the Scottish Parliament to replace Air Passenger Duty (APD), the Scottish Government will reimburse the UK Government for any costs incurred in ‘switching off’ APD in Scotland.”

Given that they simply would not collect it, I do not imagine those costs would be very high. The provisions also require:

“88. A fair and equitable share of associated administrative costs will be transferred to the Scottish Government. The...block grant will be adjusted”.

A wide range of organisations that gave evidence to the Scottish Parliament Devolution (Further Powers) Committee backed the devolution of APD, including Institute of Directors Scotland, Glasgow chamber of commerce, the Scottish Chambers of Commerce and the Scottish Council for Development and Industry. As the report says:

“This was coupled with support for either a reduction or scrapping of this duty after devolution had taken place.”

The Scottish Parliament Information Centre analysis for the Committee, referred to in the report, found that:

“Draft clause 14”—

now clause 16—

“would make this a devolved tax, as recommended by the Smith Commission. It would give HMRC the ability to ‘switch off’ these UK taxes in Scotland from a date to be set by secondary legislation.”

As with many of the clauses we have discussed, there is no recommendation as to how the transfer would work or how the block grant would be adjusted, but, as I understand from other clauses, there is no requirement for legislation to achieve that. Essentially, the legislation

[*Stewart Hosie*]

delivers on the Smith agreement in the way anticipated. We have no concerns with the drafting of the clause, which did not change between the Command Paper version and the Bill.

In terms of the policy approach on air passenger duty, on which much of this clause stand part debate is centred, the Scottish National party supports the devolution of air passenger duty to the Scottish Parliament. We are pleased that the Scotland Bill will deliver this recommendation. We have previously set out our proposals to halve APD when control over the tax is devolved, and we fully intend to abolish it when public finances allow. We believe that taking that action will encourage greater tourism and investment in Scotland, boosting our economy and creating new jobs.

There are a substantial number of benefits for consumers from the reduction of air passenger duty, not least because the UK levies are some of the highest aviation taxes in the world—indeed, APD is relatively rare in other countries. APD is currently £71 for an economy class long-haul flight, which is extraordinary—that is over 2,000 miles. Abolishing APD would mean that a family of four, with children over 12-years-old, would save something under £300 per long-haul flight—a substantial saving by any measure. Reducing APD would therefore save consumers money, and, in certain circumstances, significantly reduce the cost of family holidays.

There are broader economic benefits from a reduction in air passenger duty. A report commissioned by Edinburgh airport in March 2015 found that a reduction in APD would bring considerable economic benefits to Scotland. The report argued that the Scottish Government's policy of halving APD in the first instance would create new jobs, and that a failure to take action would cost Scotland tourists and tourism revenue. Its key findings included the fact that a 50% reduction would provide benefits to Scotland worth £200 million a year, meaning a £1 billion economic boost over the lifetime of a Parliament; and that a 50% reduction would bring considerable benefits to local communities, creating something in the order of 3,800 new jobs by 2020. On the other hand, it was estimated that we could lose out on about 1 million passenger journeys a year if APD was not reduced. Again, by 2020, that would cost the Scottish economy up to £68 million in lost tourism expenditure every year. It is clear, therefore, that devolving and reducing APD would have a considerable economic impact on Scotland and that failure to act would mean Scotland missing out on significant tourism and hospitality revenues.

We have heard what happened in the Republic of Ireland and Northern Ireland. Although the 2014 study by Ulster University was a little more ambivalent and suggested only a limited number of scenarios in which Northern Ireland might benefit, supporters of a reduction pointed to the success of this approach in the Republic of Ireland. As the BBC reported:

“Tourism NI chairman Howard Hastings said: ‘If you compare with our nearest neighbour in the Republic of Ireland, in the two years since they abolished air passenger duty, they’ve seen arrivals grow by 1.1 million passengers.’”

It is self-evidently a success, and if we can replicate that, we can deliver the benefits I have described. If we do not, we will face the cost of failure.

The hon. Member for Blackley and Broughton and others tabled amendments that are not being debated—although the debate has been very similar to the one I would have heard had we been debating them—and expressed concern that the devolution of APD to Scotland would disadvantage airports in the north of England, as travellers journey across the border to Scottish airports in order to travel to holiday destinations abroad. The SNP makes no apologies for championing Scotland, and we believe that the reduction and eventual abolition of APD would benefit Scotland's economy and tourism sector in particular. Its devolution is also a cross-party commitment agreed through the Smith commission.

Attracting more tourists to Scottish airports by reducing APD could also benefit the north of England by rebalancing the economy away from London's pull and bringing more visitors to the northern parts of these islands as a whole. If one considers Edinburgh to be a hub airport, I am sure that businesses in the north of England would rather spend an hour on the train from Newcastle to Edinburgh than four, five or six hours on the cross-London journey to Heathrow, let alone travelling to a hub airport such as Schiphol or Charles de Gaulle. Edinburgh is the ideal solution for people from Durham, for example.

A stronger Scottish economy will also bring significant economic benefits to the north of England, as new trade and investment opportunities arise. However, we are concerned about some of the UK Government's threats in relation to APD—this relates to what the hon. Member for Blackley and Broughton said about competition. During the election, the Prime Minister astonishingly expressed concerns that a reduction in APD would “distort competition”. He said:

“The SNP government in Scotland is committed to using its new powers to cut and eventually abolish air passenger duty for flights from Scottish airports. That could distort competition and see business drawn north of the border with a huge impact on airports in the rest of our country so we’re reviewing the way air passenger duty works to make sure other cities don’t lose out”.

Devolving and amending APD is not a distortion of competition; it is competition.

The Prime Minister's comments chimed with his so-called Carlisle principle. It was reported that the Prime Minister had

“outlined plans for an annual review of the impact of Scottish Devolution on the rest of the UK. He announced what he's calling the ‘Carlisle principle’”.

He did that during a speech in Crewe—one would think he would go to Carlisle to do it, but Crewe it was. He said that the aim was to make sure that policies devolving more power to Scotland did not have a negative impact on other parts of the UK—in areas such as air passenger duty, tax rates, university tuition fees or energy policy. If only we had thought of that, we would not have abolished the subsidies for onshore wind.

The Prime Minister said:

“I want to set out a new principle—you could call it the Carlisle Principle—that we will make sure that there are no unforeseen detrimental consequences to the rest of the country from Scottish devolution, for either England, Wales or Northern Ireland.”

Will the Minister explain what the Carlisle principle—whatever it actually is—will mean in practice for the devolution of APD? I hope that when he gets up, he will say precisely nothing.

9 pm

There is agreement on all sides that we have a no detriment and a no advantage principle, which was agreed before the Smith proposals were published. They are clearly being adhered to. There is all-party agreement on the devolution of APD. There can be no backsliding. I suspect there will be no votes on this. I look forward to hearing what the Minister says in his summing up.

Mr Kevan Jones: It is a pleasure to serve under your chairmanship, Mr Crausby.

I do not oppose the devolution of APD to the Scottish Parliament, but as my hon. Friend the Member for Blackley and Broughton (Graham Stringer) said, it will have a dramatic effect on regional airports within the UK. The hon. Member for Dundee East (Stewart Hosie) mentioned the attractions of Edinburgh to north-east businesses that want international flights, but I have to say that they would sooner fly directly from Newcastle. As for the notion that people would fly to Edinburgh and then get on a train to travel south to our region, that would not be an alternative to flying directly to the north-east via Newcastle. Newcastle airport has been a success story for the north-east.

We hear much from this Government about rebalancing the economy. The north-east has taken the brunt when it comes to the loss of public sector jobs and it also has the highest levels of unemployment in the UK. There have also been knock-on effects from the Government's decisions deliberately to divert funds from poorer regions such as the north-east to the Tory heartlands.

We have heard the Government's rhetoric about growing the private sector. Newcastle airport has, I think, been a great example. A few years ago, I had the privilege of being a director of the airport, which is great partnership between the local authorities in the region and the private sector. In 2012, the airport added value of some £640 million to the north-east economy, and under its master plan by 20130 it will generate some £1.3 billion for the north-east economy. It is currently sustaining 7,800 jobs, rising to over 10,000 by 2030.

The team at Newcastle airport now provides direct flights to Dubai and to New York, and those international flights will be put at risk if the Scottish Government go ahead with their plans. I understand that this is a devolved matter, and I understand the reasons why the Scottish Government want to reduce APD. Clearly, as my hon. Friend the Member for Blackley and Broughton said, the tax was brought in for environmental reasons that now make little sense when it comes to growing the country's economy.

Alex Salmond (Gordon) (SNP): I could be reading the amendment paper wrongly, but am I wrong to interpret the hon. Gentleman's amendment 36, which has not been called for debate, as designed to delete the clause that would devolve air passenger duty? Several times, the hon. Gentleman said that he was not opposed to the devolution of APD, but I thought his amendment was supposed to delete the provisions that made APD a devolved matter.

Mr Jones: The reason for that is that I was advised to do so to get my probing amendment on the amendment paper. There is no intention to delete the provisions,

and the amendment has not been selected. I would have thought that the right hon. Gentleman's experience in the House would make him au fait with the procedures for ensuring that Members can get a subject debated.

The Scottish Government's proposals on APD do not make economic sense. Reducing and abolishing APD will clearly grow airport traffic into airports in Scotland as well as grow jobs, yet that will be to the detriment of airports such as Newcastle's.

Peter Grant: If the hon. Gentleman is concerned that further devolution to Scotland might make Scotland too successful, surely the answer is to see further devolution to the regions and great cities of England, not to stop further devolution in its tracks so that everything remains centred in London for ever and a day.

Mr Jones: I do not disagree with the hon. Gentleman's thrust, but what the Government have proposed for the north-east is not clear: an elected mayor whose area would stretch from Berwick right down to the Tees. That is the only way we will get any sort of devolution to the north-east at all, and there has been no public debate about it.

Clearly, the measures on air passenger duty will grow jobs in Scottish airports. I accept the point made earlier about the more outlying airports. In this country, we seem to have a policy of looking at regional airports as we do the major city airports. However, it is clear that small airports and communities, whether in Scotland or the rest of the UK, need connectivity to the major hubs.

Dr Whitford: Prestwick airport, the oldest passenger airport in Scotland, is in my constituency. We are not even connected to London. There was a time when people could take transatlantic flights from it, but no longer. Rather than thinking that Scotland would steal from the north of England, can the hon. Gentleman not accept that the total number of tourist visitors could grow?

Mr Jones: I agree, but if air passenger duty were zero in Scotland and the same as it is now in Newcastle, Scotland would clearly have an advantage. I do not want to get on to how much Scotland is able to devote to its tourism promotion budget, something that we need more of in the north-east.

Mr Jacob Rees-Mogg (North East Somerset) (Con): The hon. Gentleman seems to be setting out the most attractive form of tax competition. If Scotland gets rid of air passenger duty, there will be real pressure on the Chancellor to abolish it for the rest of the United Kingdom, and the whole economy will grow. It is marvellous to see the whole House moving in such a right-wing direction in its economic debates.

Mr Jones: On this very rare occasion, I agree with the hon. Gentleman. I would abolish APD altogether; it is a tax that, as the Scottish Government have recognised, stifles economic development. A PwC report says that the number of overseas visitors would grow by 7% if we abolished it altogether and that more money would come in from other taxes.

Scotland, for her own, sensible reasons, could halve and then abolish APD, leaving Newcastle at a great disadvantage. That would cost jobs; it has been anticipated

[Mr Kevan Jones]

that up to 1,000 jobs could be lost by 2025 if the situation remained the same, along with £400 million gross value to the economy of the north-east. One of the poorest regions in the UK cannot afford to be at such a disadvantage.

As my hon. Friend the Member for Blackley and Broughton (Graham Stringer) said, there seems to be a bit of confusion over the Government's approach. He read out the Chancellor's comment at the Treasury Committee sitting. The Chancellor seemed to be sanguine, giving the impression that if Scotland reduced its APD, airports such as Newcastle could happily soak up a 10% loss in traffic. I am sorry, but I have been a director of the airport and I know the management team well—I know how hard they have to work to attract every single flight and new route to Newcastle. A clear 10% loss would not be acceptable. My hon. Friend mentioned another point. The Chancellor also said that his personal view was that tax competition should be allowable. If that means putting the north-east at a disadvantage, the Government have to address that.

There has been some confusion. During the general election, the Prime Minister was asked by a local newspaper about unfair competition affecting Newcastle airport and—we should not forget the other airport in the north-east—Durham Tees Valley airport. He was questioned about reducing rates of APD for north-east airports to match the reduction in Scotland, as the Labour party in the region had been arguing. He said that that could be a positive suggestion.

What we need now is clear action. We have a new Minister for the northern powerhouse, the Under-Secretary of State for Communities and Local Government, the hon. Member for Stockton South (James Wharton). I understand that his constituency includes Durham Tees Valley, so whether he can persuade the Treasury to do something about the effect of the clause on the north-east economy will be an interesting test of his power. We hear a lot about the northern powerhouse. Those of us in the north-east think that it ends in Manchester.

It is important that the effect of the clause is addressed. If it is not, this unfair tax will not only cost jobs in one of the poorest regions of the UK, but stifle one of the few economic drivers in the north-east in Newcastle airport, which can grow not only business, but competition. As I said in an earlier intervention, Newcastle airport is important not only for passengers, but for cargo revenues. It enables companies in the north-east to export around the world. The direct flight to Dubai has meant that a lot of local businesses have been able to export products there directly and to grow.

I am interested to know the Government's approach to this issue. If the clause is passed, we cannot have a lag that leaves regions such as the north-east being hit by the tax competition which the Chancellor seems to think is acceptable, but which the Prime Minister clearly wants to do something about. The ball is firmly in the Government's court to ensure that this anomaly is put right.

Alex Salmond: I am grateful to the hon. Members for Blackley and Broughton (Graham Stringer) and for North Durham (Mr Jones) for the way that they have spoken about this issue. I am unconvinced by the argument

that they had to table an amendment to delete the devolution of air passenger duty in order to make speeches. Speeches could be made on clause stand part. None the less, whatever the flow of logic, I am delighted that they have confirmed that they support the devolution of APD. I will be very supportive, in return, of some of the arguments that they have made.

As I have been through this issue in one guise or another over the past few years, I thought that it might be useful to remind the Committee of a little bit of history. The devolution of APD was proposed by the Calman commission. For Members who were not in the House at that time or who are not fully up on these matters, the Calman commission was the response of the Unionist parties to the SNP's breakthrough in the 2007 election. We are still debating the devolution of APD because it disappeared from the legislative programme arising from Calman that was enacted in the last Parliament. It was proposed again by the Smith commission, which was the response of the Unionist parties, through the vow, to try to deflect the yes campaign in the final days of last year's referendum.

Both those events, incidentally, have been overtaken by the fact that 56 Members of Parliament now adorn these Benches for the Scottish National party. No doubt, at some occasion in the not too distant future, we will be back debating the Government's response to that latest political development. Surely history tells us—the hon. Member for Blackley and Broughton referred to this—that it would have been far better to have been more extensive and generous with devolution in the first place, and that we should not repeat the mistakes that the Government and the Unionist parties made in the past.

I had a meeting with Howard Davies a few years back when he was asked to chair the Airports Commission. I will be generous and say that it was set up to address the under-capacity and congestion at airports in the south-east of England—or perhaps it was to bash Boris's proposal for an island airport. The point was to reconcile between Heathrow and Gatwick. We can be absolutely certain about two things in respect of the proposals that will come from the Howard Davies commission. First, we can be certain that, whatever the final adjudication, it will be some considerable time before either Heathrow or Gatwick emerges as the winner from the process. Secondly, we can be certain that, whatever emerges from the process, considerable amounts of public money, running into many billions of pounds, will be devoted, by one means or another, to expanding the capacity of those airports, which are severely congested at the moment.

The reason I mention this is that when I had my meeting, as First Minister, with Mr Davies—it might be Sir Howard Davies now, for all I know—[*Interruption.*] I am told that he is soon to be ennobled—other people have more information on these things than I do. Anyway, when I had my meeting with Sir Howard, I said, “Given that, whatever happens, your proposals will take some time to be enacted, would it not be a grand idea for you to propose, in the meantime, measures to relieve some of the congestion in the south of England airports? Perhaps reducing air passenger duty in Scotland, Northern Ireland and the north of England and, pro tem at least, diverting some of the business from those airports would relieve some of the extraordinary pressure on them.”

9.15 pm

I was very disappointed when, in his interim report, Sir Howard made clear his belief that such a move would constitute a “distortion of competition”. I thought that that was a magnificent argument in its way—magnificent in terms of brass neck. It was clearly not a distortion of competition to propose the expenditure of billions of pounds of public money on investment—financed by all of us—in increasing the capacity of the south of England airports, but it somehow would be a distortion of competition to reduce the taxation and increase the revenues generated by airports in the north of England, Scotland and Northern Ireland.

Mr Kevan Jones: Does the right hon. Gentleman agree that Scotland and the north-east, for instance, are losing business not just to London but to parts of mainland Europe? At Schiphol, for instance, air passenger duty has been abolished.

Alex Salmond: I do agree with that, but I also think that we must consider the motivation for the introduction of what appears to be a remarkably foolish tax. Any Chancellor looking at Heathrow, for example, would see a fully congested airport and an air passenger duty with an effective collection rate of 100%, whereas any Chancellor looking at the north of England, Northern Ireland or Scotland would see airports with substantial capacity where a reduction in APD could increase business, and, given increased revenues from VAT and other taxation, would see the magic formula for a Laffer curve emerging. I was going to turn to the hon. Member for North East Somerset (Mr Rees-Mogg) at that point, but when I mentioned the Laffer curve, he was busy having a conversation, just when he could have reached a peak of excitement. I think that it would be possible to achieve that Laffer curve, reducing the tax and increasing the revenue, and it seems that my view is shared on both sides of the Committee.

Jim Fitzpatrick (Poplar and Limehouse) (Lab): Does the right hon. Gentleman not recognise that, whether the Davies commission decides on Heathrow or on Gatwick, the vast majority of the investment will come from the private sector? It will not be billions of pounds of taxpayers’ money. Does he not also recognise that there has been a campaign in the aviation industry to abolish APD altogether, and that the Treasury is hooked on the tax because it is worth £2.3 billion a year?

Alex Salmond: I agree with the hon. Gentleman’s first point only to the extent that there are people who argue that nuclear power does not require the investment of public money. I think he will find that, as the implementation of these proposals proceeds, substantial amounts of public money will be invested in the infrastructure to make it viable and credible. According to a recent study of transport infrastructure spending per head in various parts of England, the figure for the south-east of England was over £2,000 per head, the figure for the north-east was £26 per head, and the figure for the north-west was £200 per head. I do not have the exact figures, but I think that I have the relative parameters just about right—

Graham Stringer *rose*—

Alex Salmond: The hon. Gentleman can please inform me otherwise.

Graham Stringer: The figures that the right hon. Gentleman has given are moving in the right direction, but the distortion is actually even greater. The capital expenditure figure is over 90% in London and the south-east, compared with single-figure percentages in Yorkshire and Humberside and the north-east.

Alex Salmond: I am never knowingly undersold. I accept what the hon. Gentleman has said. I was trying to moderate the figures slightly, in case the Committee found them incredible. However, they do tell us where we should be turning in the context of “distortion of competition”.

I am delighted that Members from the north of England have accepted that this tax should be devolved, and I am delighted that they have accepted the economic argument behind the direction in which the Scottish Government are moving. I think that the tax should be reduced at airports in the north of England as well, because they have substantial capacity that would increase revenue for us all. I am glad that their amendment did not become the basis of this conversation, because if the Scottish Government had opposed the devolution of part of APD to Northern Ireland, no progress would have been made. We are now on the verge of having APD devolved to Scotland, and I say to Members representing north of England constituencies that they should take the attitude that this should be the example for further devolution of a sensible policy which not only benefits one part of the country but looks at the economic opportunities in all parts of the country.

Unfortunately, I arrived for this debate at the end of the VAT fiddle discussion. I hope when the Minister replies on APD that, instead of his wholly disappointing and negative attitude to the embezzlement of VAT from the Scottish police service, he will return to the style of grace and imagination with which he usually so adorns the Dispatch Box, and this time recognise the opportunity for Scotland, and indeed the north of England, of making sure that this disgraceful tax is reduced and economic activity is increased.

Rob Marris (Wolverhampton South West) (Lab): I do not share this cosy consensus. The hon. Member for Dundee East (Stewart Hosie) made it very clear in his usual honourable way—I have sparred with him many times—that if APD is devolved, the Scottish Government, if controlled by the SNP, will cut it markedly and have the goal of abolishing it. He helped the Committee by quoting the Prime Minister to the effect that there would be—these are my words, not the Prime Minister’s—a “beggar my neighbour” attitude downwards on APD. Call me old-fashioned, but I think environmental laws should be state-wide and international, and I consider APD to be an environmental law, which is why I voted for it years ago.

As ever, the SNP has been totally open with the House: it wants to see the number of airline passengers increase throughout the UK. That is an environmental step backwards. Fortunately, we have environmental laws internationally through the EU, for example on waste disposal and air quality, something on which the UK is, to coin a phrase, falling foul at present.

Mr MacNeil: Following the hon. Gentleman’s argument, does he want to increase the rate of APD or is he saying the Tories have got it at just the right rate?

Rob Marris: Yes, I would increase the rate of APD.

I was a Member of the House when the Climate Change Act 2008 was debated—there are several other such Members present, although we are a minority. There is in that Act a target which I think is UK-wide—I stand to be corrected on that—for an 80% cut in the UK's CO₂ emissions by 2050. I did not vote for that because I thought it was, to coin a phrase, hot air and, sadly, in the years since that Act has been passed, I have been proved right, as we see tonight.

Alex Salmond: The hon. Gentleman is not correct. Climate change legislation is devolved and the Scottish Parliament has its own Act in which the targets are even more ambitious and well on the way to being met.

Rob Marris: I am grateful to the right hon. Gentleman for that. Can he inform the Committee how on earth Scotland and the Scotland Parliament are going to meet those figures if they are intent on increasing the number of airline passengers?

Alex Salmond: Because, as one of the hon. Gentleman's hon. Friends alluded to, one direct flight is better than two indirect flights.

Rob Marris: The right hon. Gentleman will know that the whole history of airline travel hitherto has been that it increases exponentially. It has done so, and if allowed to do so, will continue.

So I do not share this cosy consensus. I am not part of the airline and airport love-ins. As Members will know, airlines and their passengers already get a huge subsidy because of the low price they pay for airline fuel—kerosene. Members ought to bear this in mind when debating APD: no doubt the figures are lower in Scotland, but across the UK in any given year half the population do not fly. I believe that hon. Members have a completely distorted view of this matter. I suspect that I am one of the very few Members of this House who does not fly; I have not flown for years. I suspect that every other Member has a distorted view, based on self-interest. *[Interruption.]* It is not me who is causing a huge amount of environmental degradation through flying. The greenhouse gases emitted by aeroplanes at high altitude are far more damaging than the same amount of greenhouse gases emitted at sea level. Air travel is the most polluting form of mass travel.

In that context, I regret that the Government are devolving air passenger duty. Yes, I would increase it. The UK Government will live to regret this measure, because we are clearly heading towards the abolition of air passenger duty in Scotland and, eventually, through a process of “beggar my neighbour” downwards, across the rest of the United Kingdom. That will be another nail in the coffin of the doomed and uneconomic HS2 railway line. People will continue to fly south from Scotland and the north of England, and vice versa, rather than using the HS2 line. It is already uneconomic and, with the abolition of air passenger duty, it will become even more so.

Ian Murray: I do not want to detain the Committee for long, but let me just pose a few questions on what has been said about air passenger duty and the aggregates levy. I shall start with air passenger duty. Prior to the

election, Opposition Members wrote to the Chancellor of the Exchequer asking what impact a rate of air passenger duty that was higher in Scotland than in England would have on regional English airports and Scottish airports. Will the Minister tell us what the Government's movements have been on that impact assessment?

Hon. Members were berating my hon. Friend the Member for Wolverhampton South West (Rob Marris) a moment ago, but he has raised an incredibly important environmental issue. The issue has been raised directly by the Committee on Climate Change, which reported recently that Scotland had missed its climate change target by 4.5%, the third time in a row that it had missed an annual target. The report also asked the Scottish Government to assess the impact of carbon on the economy in relation to the slashing of air passenger duty. I cannot ask the Scottish Government this question directly from the Dispatch Box, but can the Minister tell me whether an environmental assessment has been carried out on the raising or lowering of the duty?

On the aggregates levy, will the Minister tell us what progress has been made on resolving the legal issues relating to state aid and when we can expect the levy to be devolved to the Scottish Parliament?

Mr Gauke: We have had a reasonably lengthy debate in which Members have not, for the most part, tended to differ on the substance of the clause on air passenger duty, although the hon. Member for Wolverhampton South West (Rob Marris) is never afraid of setting out a contrary opinion. In fact, some Opposition Back Benchers argued for the abolition of APD, which would cost about £3.2 billion, while others argued for increasing it. If there is a need for fresh thinking among Labour Members, we are hearing plenty of it this evening, even if there has not been much in the way of coherence.

Graham Stringer: The Minister is right to mention the revenue from air passenger duty, but is he aware that a number of studies—the most significant being the PwC study—suggest that the economic benefit to the country of the abolition of APD would be greater than £3.2 billion?

Mr Gauke: I am aware of those studies. I will not detain the Committee for long on this subject, but we do not agree with the conclusions of the PwC study. We do not believe that the benefits of abolition would be as significant as the study suggests.

The hon. Members for Blackley and Broughton (Graham Stringer) and for North Durham (Mr Jones) talked about the impact on regional airports of the devolution of APD to Scotland. We recognise the potential impacts and the Government are reviewing options for supporting regional airports to deal with the effects of devolution. We will be publishing a discussion paper on this later in the summer and our document will address many of the concerns raised during today's debate by the hon. Gentleman. I will ensure that it is available to Members of this House.

9.30 pm

Mr MacNeil: Does the Minister see any advantages in other tax revenues from the cutting of APD or does he think the countries that have cut APD have done it as a result of lemming-like behaviour?

Mr Gauke: There are arguments and different views as to the economic impact of cutting APD. We are legislating to devolve this to Scotland, and I am sure the hon. Gentleman will be supporting this legislation. That move is also part of the Smith commission arrangements. It has potential knock-on effects for regional airports, particularly those close to the Scottish border. As I say, we are reviewing our options there and will report later in the summer.

Jim Shannon (Strangford) (DUP): One advantage of the reduction in APD that we have been able to achieve in Northern Ireland is on the main flight between Belfast Aldergrove and New York city. That flight is well used, it has made Aldergrove's position more powerful and it has connected the United States and Northern Ireland—I could say more. That is just an example from Northern Ireland, and the effect of one flight could be replicated across the whole United Kingdom.

Mr Gauke: Again, the hon. Gentleman is making a particular case. There are particular circumstances applying to that flight to the US, especially the competition that existed from the Republic of Ireland, which was why steps were taken on that point. As I say, we will be setting out options—

Mr Kevan Jones: Is the Minister telling the House tonight that the Chancellor has changed his views? When he went before the Treasury Committee last year, he talked about the effects on Newcastle, which he said would be about 10%. He said:

“That was work carried out a couple of years ago, but in Newcastle's case, its traffic was up 12% last year, so I think these are manageable.”

Is the Minister now giving a commitment that this will be looked at or is the Chancellor sticking to his position that a reduction of 10% would be acceptable and “manageable” for Newcastle?

Mr Gauke: Let me repeat what I said earlier: there are potential impacts of devolution on regional airports, the Government are reviewing options for supporting regional airports in the light of those effects and we will publish a discussion paper later in the summer. I understand that the hon. Gentleman, who has campaigned consistently on this matter, may be a little impatient, but if he will just bear with us for a little longer—

Mr Jones: I understand the constraints and I would not expect the Minister to criticise his boss. He said a discussion paper will be coming out, but what is the timescale going to be? Clearly if the Scottish Government move to reduce APD as quickly as they get the powers, that will have a direct effect on places such as Newcastle. What timescale is he looking at?

Mr Gauke: Again, that will be set out in the discussion paper, and I think the hon. Gentleman would expect me to say nothing else on the point.

Rob Marris: Is it the Government's view that the existence of APD has had any effect on the number of airline passengers flying to and from the UK, and within the UK, in each year since it came in? Do the

Government think the existence of that tax has lessened the numbers, had no effect on them or, paradoxically, increased them?

Mr Gauke: It would be fair to say that given our belief that APD raises revenue, there is an adverse effect, in that it reduces the numbers who fly—

Rob Marris: A positive effect then.

Mr Gauke: I should put it as neutrally as I possibly can. We do not believe that the behavioural effects are as great as those set out in the PwC report, which is why we believe APD does raise revenue. There is a consensus—not a universal consensus—that it is right that we move on APD. On the point about regional airports, we will come back to that later in the summer.

May I also pick up the point on the aggregates levy? The hon. Member for Edinburgh South (Ian Murray) asked about the likely progress on legal matters. The European Commission was forced to reconsider its 2002 decision that the exemptions from the levy did not provide state aid following legal action by the British Aggregates Association. It announced its decision in March, finding that the levy as a whole was lawful, as were most of the exemptions. The Government are currently informally consulting trade associations on draft legislation to reinstate those exemptions—for example on slate and clay—found lawful by the Commission in March 2015.

With those points of clarification, I hope that the clauses before us can stand part of the Bill.

Question put and agreed to.

Clause 16 accordingly ordered to stand part of the Bill.

Clause 17 ordered to stand part of the Bill.

Schedule 1 agreed to.

Clause 18 ordered to stand part of the Bill.

New Clause 1

INDEPENDENT COMMISSION ON FULL FISCAL AUTONOMY

(1) The Secretary of State shall appoint a commission of between four and eleven members to conduct an analysis of the impact of full fiscal autonomy on the Scottish economy, labour market and public finances and to report by 31 March 2016.

(2) No Member of the House of Commons or of the Scottish Parliament may be a member of the commission.

(3) No employee of the Scottish Government or of any government Department or agency anywhere in the United Kingdom may be a member of the commission.

(4) The Secretary of State shall appoint as members of the commission only persons who appear to the Secretary of State to hold a relevant qualification or to have relevant experience.

(5) The Secretary of State shall not appoint as a member of the commission any person who is a member of a political party.

(6) Before appointing any member of the commission, the Secretary of State must consult—

- (a) the Chair of any select committee appointed by the House of Commons to consider Scottish affairs, and
- (b) the Chair of any select committee appointed by the House of Commons to examine the expenditure, administration and policy of Her Majesty's Treasury and its associated public bodies.

(7) The Secretary of State may by regulations issue the commission with terms of reference and guidelines for the commission's working methods, including an outline definition of the policy of full fiscal autonomy for the commission to analyse.

(8) The Secretary of State must lay copies of the report of the commission before both Houses of Parliament, and must transmit a copy of the report of the commission to the presiding officer of the Scottish Parliament.

(9) Regulations under this section must be made by statutory instrument, subject to annulment in pursuance of a resolution of either House of Parliament.”—(*Ian Murray*.)

This New Clause requires the Secretary of State for Scotland to establish an independent commission of external experts, appointed in consultation with the Treasury Select Committee and Scottish Affairs Select Committee, to publish a report by 31 March 2016 setting out an analysis of the impact of the policy of Full Fiscal Autonomy on the Scottish economy, labour market and public finances.

Brought up, and read the First time.

Ian Murray: I beg to move, That the clause be read a Second time.

The Second Deputy Chairman of Ways and Means (Natascha Engel): With this it will be convenient to discuss the following:

New clause 21—*The Scottish Office for Budget Responsibility*—

‘(1) Part 2 of Schedule 5 to the Scotland Act 1998 (specific reservations) is amended as follows.

(2) In Section A1 (fiscal, economic and monetary policy)—

(a) For the heading “Exception” substitute “Exceptions”—

(b) After that heading, insert—

“The creation of a body corporate, called The Scottish Office for Budget Responsibility, for the independent scrutiny of Scotland’s public finances, including all tax and spending in areas for which the Scottish Government has legislative competence.””

This New Clause would provide for the creation of a Scottish Office for Budget Responsibility to exercise fiscal and budgetary oversight over Scottish Government competencies. The Smith Commission recommended that the Scottish Parliament should seek to expand and strengthen the independent scrutiny of Scotland’s public finances in recognition of the additional variability and uncertainty that further tax and spending devolution will introduce into the budgeting process.

New clause 23—*Local Discretionary Taxation*—

Individual local authorities in Scotland shall have the discretion to raise additional income by levying a tax, in addition to Council Tax and Non-Domestic Rates, on either residents, occupiers, property owners or visitors in the local authority or within a discrete area of the local authority.”

The power will enable local authorities to introduce tax(es) without the need to seek approval from Scottish Government, with the rates and reliefs being determined locally and the local authority being both granted powers to ensure that those on which the tax is levied have a legal obligation to pay and the local authority having the discretion to determine how the additional revenue is expended.

New clause 24—*Tax and Economy Forum*—

‘(1) The Secretary of State shall appoint a Tax and Economy Forum to conduct an analysis of the impact of the changes in legislative and executive competence resulting from this Act on the economy, labour market and public finances in Scotland and in the other parts of the United Kingdom.

(2) The Tax and Economy Forum may make recommendations for fiscal reforms within Scotland, to be considered by the Secretary of State.”

The new Clause would require the appointment of a Tax and Economy Forum to assess the impacts of fiscal devolution proposed within this Bill on Scotland and on the rest of the United Kingdom.

New clause 25—*UK Commission on fiscal powers*—

‘(1) Within 6 months of the day on which this Act is passed, the Secretary of State shall appoint a commission to examine the deployment of fiscal powers at local, devolved and United Kingdom levels.

(2) The commission shall comprise between 4 and 6 representatives of any of—

(a) the Scottish Parliament,

(b) the National Assembly for Wales,

(c) the Northern Ireland Assembly,

(d) local government,

(e) the House of Commons, and

(f) the House of Lords.

(3) The bodies mentioned in subsection (2) shall select their representatives in any way they see fit and the chief executive or presiding officer of each of those bodies shall inform the Secretary of State of the names of the representatives of those bodies, which may replace their representatives whenever the body concerned has determined to do so.

(4) Subject to subsection (5), the commission may determine its own quorum and methods of working and must publish a protocol setting out its own terms of reference.

(5) The commission shall keep the operation of fiscal powers under review, making reports and recommendations as it deems appropriate.

The purpose of this New Clause is to ensure that there is proper consultation between the different parts of the United Kingdom to ensure that new Scottish fiscal powers are deployed in a way that does not undermine the cohesion of the UK. The proposed Commission could also make recommendation regarding the future of devolved fiscal powers.

New clause 33—*Full fiscal autonomy for Scotland*—

‘(1) The Scottish Government and the Government of the United Kingdom must enter into an agreement (the “Economic Agreement”)—

(a) setting out a plan for implementation of full fiscal autonomy for Scotland, and

(b) establishing a framework within which the two Governments are to coordinate their economic and fiscal policies in the context of full fiscal autonomy for Scotland.

(2) Full fiscal autonomy for Scotland means that—

(a) the Scottish Parliament and Scottish Government have competence for determining revenues raised in or as regards Scotland through taxation and borrowing,

(b) the Scottish Parliament and Scottish Government have competence for determining levels of public expenditure in or as regards Scotland,

in accordance with the amendments made by this Act.

(3) The framework mentioned in subsection (1)(b) must in particular include arrangements for—

(a) facilitating fiscal coordination,

(b) overseeing economic cooperation,

(c) joint responsibilities in areas of mutual interest,

(d) safeguarding fiscal sustainability.

(4) In determining the terms of the Economic Agreement the two governments must seek to ensure—

(a) the maintenance of monetary stability throughout the United Kingdom,

(b) the maintenance and promotion of the single markets in the United Kingdom and the European Union,

(c) that they cooperate in the exercise of their respective functions relating to the administration and collection of taxes,

(d) an equitable and transparent approach to consequences, resources and rewards,

(e) that the Scottish Parliament and the Scottish Government retain the benefits of increased tax revenues delivered by successful policies pursued by them,

- (f) that the Scottish Parliament and the Scottish Government have the powers necessary to manage the consequences of full fiscal autonomy for Scotland,
- (g) that full fiscal autonomy for Scotland is implemented over a period of time, as the Scottish Parliament and the Scottish Government acquire capacity to carry out their additional competences.

(5) The Economic Agreement is to be entered into as soon as possible and the two governments must cooperate in good faith with a view to achieving that.

(6) As soon as possible after the Economic Agreement is entered into—

- (a) the Scottish Ministers must lay a copy of it before the Scottish Parliament, and
- (b) the Secretary of State must lay a copy of it before both Houses of Parliament.

(7) The two governments must from time to time review the Economic Agreement and make such amendments to its terms as they may agree with a view to ensuring that it continues to meet the requirements of this section.

(8) Subsection (6) applies to the Economic Agreement as amended as it applies to the Agreement as entered into.

(9) The Secretary of State may, with the agreement of the Scottish Ministers, by regulations modify this section.

(10) A statutory instrument containing regulations under subsection (9) may not be made unless a draft of the instrument has been laid before and approved by a resolution of each House of Parliament.”

This new clause would require the Scottish and UK governments to reach agreement on the delivery of full fiscal autonomy for Scotland.

Amendment 3, in clause 63, page 67, line 30, leave out subsection (3) and insert—

“(3) Part 2 of the Bill comes into force at the end of 2 months beginning with the publication of the report of the Independent Commission on Full Fiscal Autonomy appointed under section (Independent Commission on Full Fiscal Autonomy).”

This amendment provides that Part 2 (Tax) will not come into force at the end of two months beginning with the day on which the Act is passed, in order to link the commencement of the tax provisions of the Act with the work of the Independent Commission on Full Fiscal Autonomy, appointed under New Clause N1, which would be required to report by 31 March 2016.

Ian Murray: It is great to see you in the Chair, Ms Engel. Congratulations on your elevation to Deputy Speaker. It appears that in tonight’s debate there is a sense of déjà vu, as we debated full fiscal autonomy a few weeks ago. Given that the Committee stage of this Bill has been dominated by the SNP manifesto commitment to deliver full fiscal autonomy and bringing forward its watered down promise to deliver it this year, it is good that we have the opportunity to try to put it into this Bill. In fact, as we witnessed last week, the SNP’s hand had to be forced by its arch Thatcherite colleagues, when its Members went into the Lobby with the hon. Member for Gainsborough (Sir Edward Leigh). I said at the time that the worst possible scenario for Scotland would be the SNP demanding full fiscal autonomy and its being delivered by a majority Conservative Government. Those words were echoed—

Pete Wishart *rose*—

Ian Murray: Let me just finish off this point. Those words were echoed by Dave Watson, the head of campaigns at Unison Scotland, who said:

“An incoming Tory government faced with a big number of SNP MPs, saying, ‘OK, if that’s what Scotland voted for, let’s give them Full Fiscal Autonomy.’ The Treasury would be able to dump £7.5bn of the deficit on the Scottish Government and just walk away.”

The fact that the SNP has another fudged amendment this evening shows that it does not believe that full fiscal autonomy would be good for Scotland.

Pete Wishart *rose*—

Ian Murray: Before the hon. Gentleman pops up to say, “Too wee, too stupid and too poor,” as he always does, may I remind the House that that was a phrase coined by the SNP Finance Secretary and no one else? It is worth putting that on the record, given that he always pops up to say that.

Lord Smith of Kelvin said in his report that one of the primary aims of the Smith agreement was to provide the Scottish Parliament with accountability—

Pete Wishart *rose*—

Ian Murray: I said that I would give way, and I will do so when I have made a little progress, given the late hour.

Lord Smith said that the Scottish Parliament was a Parliament that spends resources but does not raise any, so there is no accountability or responsibility. The Scotland Act 2012 resolved that position a little with the devolution of the most immovable taxes and 10p of income tax—

Pete Wishart: Will the hon. Gentleman give way?

Ian Murray: I will give way to the hon. Gentleman before he bursts a blood vessel.

Pete Wishart: I am very grateful to the hon. Gentleman for giving way. This rewriting of history is great and it is fantastic to find out the position of the Scottish National party, but perhaps he can explain the position of Scottish Labour. He abstained on full fiscal autonomy. Is that because he is uncertain, or is he perhaps now unsure about full fiscal autonomy?

Ian Murray: I am delighted by that intervention. What I did not want to do last week was rain on the parade of the Scottish National party as its Members went through the Lobby with the Thatcherite Conservatives to deliver full fiscal autonomy for Scotland. That is what seems to be wrong. The SNP is in full agreement with the hon. Member for Gainsborough (Sir Edward Leigh) again tonight on the subject of the devolution of the entirety of income tax. Perhaps the party has a right-wing agenda after all.

As we know, the Bill provides full control of nearly 50% of revenues and more than 60% of spending. According to the Library, that will be 65% if the devolution of housing benefit is agreed tomorrow, making it one of the most powerful devolved Parliaments in the world. The OECD ranked the Smith proposals and came to the same conclusion.

With that accountability and responsibility must come transparency and honesty. During the general election campaign, the First Minister and SNP candidates repeatedly said that they would vote for full fiscal autonomy this

[*Ian Murray*]

year. That was reaffirmed in the television debates. All the impartial and independent expert analysis of full fiscal autonomy shows clearly that that would devastate Scotland's financial position. That is the genesis of our new clause 1. If the Scottish Government want to dismiss all the independent experts simply because they do not agree with them, let us set up an independent commission to consider the consequences on Scotland's finances of full fiscal autonomy.

Martin John Docherty (West Dunbartonshire) (SNP): Subsection (2) states:

“No Member of the House of Commons or of the Scottish Parliament may be a member of the commission.”

Is the hon. Gentleman saying that the Members of the unelected and unaccountable Chamber at the other end of this building could be members, such as the possible future chair, Baroness Goldie of Bishopston?

Ian Murray: The new clause is quite clear. I do not think it would be appropriate for Members of the House of Lords to serve on the commission—[*Interruption.*] Will SNP Members let me finish the sentence before they start braying from the Back Benches again?

The commission would specifically be designed to have no politicians on it from either Parliament, as well as no employees of the Scottish Government or the UK Government or of any agency related to them. It should be a commission of impartial experts in the field and if the Secretary of State wants to agree to the new clause, I am happy to take on board the suggestion that “no Member of the House of Lords” should appear in it, too.

Alex Salmond: On a point of order, Ms Engel. I am not sure that I heard the hon. Gentleman correctly, but he seems to be redrafting his clause during his speech. Would it be in order for him to redraft his new clause to include the House of Lords during his speech? Can he be that uncertain of his arguments?

The Second Deputy Chairman of Ways and Means (Natascha Engel): The right hon. Gentleman knows that that is a matter of debate, so let us continue with that debate.

Ian Murray: The problem with the right hon. Member for Gordon (Alex Salmond) is that he does not want to debate full fiscal autonomy, as he knows that it is a bad policy. Let me emphasise that if the Secretary of State wants to accept the new clause, I would be more than happy to ensure that Members of the House of Lords were not on the commission. Let us be transparent and accountable in this place, rather than nitpicking about parts of the clause. The SNP do not want the scrutiny and that is the key to this argument.

Let us consider some of that scrutiny. The much-quoted IFS analysed full fiscal autonomy in Scotland and said that it would cost £7.6 billion next year and up to £10 billion by 2020. It has made it clear that that is over and above the deficit of the UK at the moment and the spending profile of the current Conservative Government. Let me emphasise again, as this has been misquoted by

the hon. Member for Moray (Angus Robertson) on a number of occasions, that that figure is in addition to the current UK deficit.

The impartial analysis has been dismissed by the Scottish Government, so let us turn to another source of information, Her Majesty's Treasury, which analysed these figures with results broadly in line with the analysis of the IFS. According to Treasury costings that I obtained through a freedom of information request, full fiscal autonomy would leave Scotland with an additional cash terms deficit of £7.7 billion in 2015-16, rising to £8.4 billion in 2019-20.

9.45 pm

Again, this will no doubt be dismissed, so let us look at the Office for Budget Responsibility oil and gas report published just 10 days ago. It shows that revenue from the North sea is projected to fall from £36.7 billion to just £2 billion in the period 2020-40. [*Interruption.*] That is dismissed not just by the SNP, but at this moment by the hon. Member for Perth and North Perthshire (Pete Wishart), so let us try the Scottish Government's own annual accounts in the form of the Government Expenditure and Revenue Scotland report published in March this year. The Scottish Government's annual accounts show an annual deficit over and above the UK deficit of some £4 billion, and projections are due to worsen with the lower oil price.

Mr MacNeil: The hon. Gentleman will be aware that between 2007 and 2009 the UK's deficit quadrupled. Given the significance that he attaches to deficits and to one year, what significance does he attach to the quadrupling of the debt of a state in a two-year period?

Ian Murray: I am not sure I understand the intervention. We are debating a deficit in Scotland being £7.6 billion over and above any UK deficit, rising to £10 billion by 2020. If we are defending Scottish jobs and livelihoods, that seems not just economically incredible, but economic illiteracy. Hon. Members need not take my word for it. The Scottish Trades Union Congress general secretary, Grahame Smith, commented that the Scottish Government's own accounts were

“a sobering reminder of some of the risks of full fiscal autonomy”. That is from the trade unions in Scotland.

The Scottish Government sneaked out their own oil and gas bulletin, their first since May 2014, last week on the last day of the Scottish Parliament. It would be good to look at that alongside the independence White Paper. The bulletin was very much in accord with the Office for Budget Responsibility that was rubbished just a few days before. It showed that North sea oil revenues and projections have fallen drastically in recent times, so let us have a look at those figures. The Scottish Government's own oil and gas bulletin of June 2015 estimated North sea tax receipts for the period 2016-20 to be £5.8 billion. The same scenario from the same bulletin 13 months earlier estimated the receipts to be well in excess of £26 billion. Even if we compare one year—say, 2016-17—revenues had fallen from a projected £6.9 billion to £1.1 billion, and the lower estimates are as low as £500 million.

These are the Scottish Government's own figures—all in all, an 85% drop. That tells us two things. First, it blows apart the financial basis for full fiscal autonomy.

Secondly, like my new clauses 1 and 21, it calls for a more robust and impartial analysis of the Scottish economy and public finances. That is why we tabled new clauses 1 and 21. New clause 21, alongside new clause 1, would provide for the creation of a Scottish office for budget responsibility to exercise independent and impartial fiscal and budget oversight over Scottish Government devolved competencies.

The Smith commission recommended that

“the Scottish Parliament should seek to expand and strengthen the independent scrutiny of Scotland’s public finances in recognition of the additional variability and uncertainty that further tax and spending devolution will introduce into the budgeting process.”

The new clauses would do just that and take away the politicisation of one of the fundamental underpinnings of the Scottish economy, the financing of Scottish public services and, crucially, though it tends to be forgotten in this debate, the livelihoods of everyone living and working in Scotland.

I would go further and ensure that the Scottish office for budget responsibility assesses and reports on individual party manifestos, so that the public can be confident that what they are being sold is both credible and desirable. This is about simple transparency and accountability. That transparency and accountability, as I have said, has not been forthcoming on the current manifesto commitment on full fiscal autonomy. If we had had a Scottish office for budget responsibility at the last election, it would have reported that FFA would be hugely disadvantageous to Scotland. It would have backed up the IFS analysis that showed that FFA did not work and that Scotland would need a real-terms growth rate of 4.5% per year at least between 2013-14 and 2019-20. The assistant general secretary of the STUC, Mr Stephen Boyd, commented exactly on this and said:

“The implication across the board is that taxes would be cut. There are a number of examples where the Scottish Government would be trading a real and immediate cut in revenue for benefits that may not be great in the long run.”

That shows that it would not be achievable in the figures from the IFS. The IFS’s conclusion is that FFA would incur deep, deep cuts in spending or huge tax rises.

It is easy to talk about figures, percentages and statistics, but this has to be about the everyday lives of ordinary, hard-working Scottish families. Inflicting a policy on Scotland that would leave a deficit larger than the entire education budget, or more than three quarters the size of the NHS budget, will not assist Scotland. We all reject the Conservative Government’s misguided austerity, which we know is ideologically driven, rather than an attempt to balance the country’s finances, but we must also reject any policy that would inflict harsher and deeper austerity in Scotland. [*Interruption.*] This is not, as some would claim—they are claiming it as I speak—about being anti-Scottish, anti-aspiration or anti-hope for the ingenuity, passion and entrepreneurial spirit of Scotland; it is a sobering response to a key manifesto commitment from the Scottish National party.

SNP Members dismiss the views of the IFS, the OBR and even their own GERS reports, but even Jonathan Portes, the director of the National Institute of Economic and Social Research, has said on FFA:

“If the SNP plan for full fiscal autonomy were to go ahead, then, as a number of commentators have said, that would lead to very, very severe austerity in Scotland.”

That is why Labour is against full fiscal autonomy; that is why we believe in the pooling and sharing of resources across the United Kingdom; and that is why the public voted to remain part of the United Kingdom.

George Kerevan: Does the hon. Gentleman not see that there is a contradiction in standing up and telling us repeatedly that full fiscal freedom would be bad for Scotland and asking for an independent budget review, which he clearly does not want to take account of? He wants an independent budget office, but he is telling us what it is going to say.

Ian Murray: That is a rather strange intervention. If Members read new clause 1 and new clause 21, they will see very clearly that what we are asking for is an independent commission to analyse the consequences for Scotland of full fiscal autonomy. If the SNP is so confident about its figures, it should back that proposal and then we will have the transparency, impartiality and independence of those policies. If it is so confident that it was not fiddling the figures, it should help us to set up a Scottish office for budget responsibility and let that body analyse its figures. However, it is clear once again that, when we shine the light of scrutiny on SNP policies, its Members want to talk about the process but not look at the impartial and independent evidence before us. If they are so confident, they will back new clause 1 and new clause 21 and bring much needed transparency, credibility and accountability back to the Scottish Parliament’s finances.

Stewart Hosie: We have just listened to one of the worst speeches I have heard in 10 years. The Labour party now has one argument: we have gone from being too small, too poor and too stupid for independence to being too small, too poor and too stupid for any powers at all. The hon. Member for Edinburgh South (Ian Murray) spoke about something that was “credible”. Credible? The Scottish people decided what was credible at the election in May, and they did not say it was his party. He spoke about right-wing, Thatcherite Tories, but it sounds to me like the core vote of the only Labour MP left in Scotland.

New clause 33, which stands in my name and those of my hon. Friends, would require the Scottish and UK Governments to enter into an economic agreement setting out a plan for implementation of full fiscal autonomy for Scotland and establishing a framework within which the two Governments co-ordinate their economic and fiscal policies in the context of full fiscal autonomy for Scotland. The Scottish Parliament and Government would have competence for revenue raised in Scotland through taxation and borrowing and for determining levels of public expenditure in or as regards Scotland.

We see the framework including arrangements for facilitating fiscal co-ordination, overseeing economic co-operation, safeguarding fiscal sustainability, and setting out the joint responsibilities in certain areas. In the agreement, the two Governments must seek to ensure the maintenance of monetary stability throughout the UK and the single market of the UK and the EU. They must also ensure co-operation in the exercise of all the respective functions relating to the administration and collection of taxes and an equitable and transparent approach to the consequences, resources and rewards.

[*Stewart Hosie*]

The Scottish Parliament and Government would retain the benefits of increased tax revenues as a result of positive policy impacts and would have the powers they need to manage the consequences of full fiscal autonomy.

I turn briefly to new clauses 1 and 21. New clause 1 would require that a Tory Secretary of State appoint a commission of between four and 11 members, none of whom can be Members of Parliament, Members of the Scottish Parliament or employees thereof. It is backed by Labour and United Kingdom Independence party Members, so we have a Labour amendment backed by UKIP asking a Tory Secretary of State—

Ian Murray *rose*—

Stewart Hosie: No, no, no.

The new clause asks for a Tory Secretary of State to appoint a commission of the great and the good from the House of Lords to determine Scotland's future. What a lot of absolute rubbish!

Ian Murray: On that point, Madam Deputy Speaker. For the sake of clarity, the Committee will know that the procedure of this House is that any hon. Member can sign any amendment they so wish.

Stewart Hosie: So we have confirmation—Labour and UKIP hand in hand, empowering the Tories to run the rule over Scotland again.

As for new clause 21 on a Scottish OBR, we already have one—it is called the Scottish Fiscal Commission. The consultation on its expanded power closed on Friday. One would have thought that Scotland's sole Labour MP might actually have known what was going on.

New clause 33 would have the Scottish and UK Governments enter into an economic agreement that set up a plan for the implementation of full fiscal autonomy and establish a framework within which the two Governments would co-ordinate their economic and fiscal policies in the context of full fiscal autonomy. That would mean the Scottish Parliament and the Scottish Government having competence for determining revenues raised in Scotland through taxation and borrowing, and for all of the spending, paying compensation to the UK for shared services. This is the right approach to take. I am just disappointed that we did not have proper time to debate it rather than being subject to the nonsensical rant and talking Scotland down by the so-called shadow Secretary of State. By taking responsibility for key areas of Scottish life, we can improve the Scottish Parliament's ability to deliver real progress for the Scottish people. New clause 33 does that. It rejects the miserablist approach of the Labour party, and I commend it to the Committee.

David Mundell: I do not need a commission to tell me what a disaster full fiscal autonomy would be for Scotland. The hon. Member for Dundee East (*Stewart Hosie*) set out the facts, and the facts are clear—a £10 billion black hole for Scottish taxpayers to fill. We do not need a commission to tell us that.

I do not accept the new clause on a Scottish OBR, because one thing that the hon. Gentleman said is correct—it is for the Scottish Government to determine

for the people of Scotland how they will ensure independent oversight of fiscal policy. The UK Government would like legislation brought forward by the Scottish Government to be consistent with OECD principles for best practice in independent fiscal institutions. We therefore look to have those discussions during the negotiation of the fiscal framework.

I therefore reject the new clauses and propose that we pass the clauses as stated.

Question put. That the clause be read a Second time.

The Committee divided: Ayes 192, Noes 376.

Division No. 26]

[9.59 pm

AYES

Abrahams, Debbie	Farrelly, Paul
Ali, Rushanara	Field, rh Frank
Allen, Mr Graham	Fitzpatrick, Jim
Ashworth, Jonathan	Fletcher, Colleen
Austin, Ian	Flynn, Paul
Bailey, Mr Adrian	Fovargue, Yvonne
Barron, rh Kevin	Foxcroft, Vicky
Beckett, rh Margaret	Gapes, Mike
Benn, rh Hilary	Gardiner, Barry
Berger, Luciana	Glass, Pat
Betts, Mr Clive	Glendon, Mary
Blackman-Woods, Dr Roberta	Green, Kate
Blomfield, Paul	Greenwood, Lilian
Brown, Lyn	Greenwood, Margaret
Brown, rh Mr Nicholas	Griffith, Nia
Bryant, Chris	Gwynne, Andrew
Buck, Ms Karen	Haigh, Louise
Burden, Richard	Hamilton, Fabian
Burgon, Richard	Hanson, rh Mr David
Butler, Dawn	Harpham, Harry
Byrne, rh Liam	Harris, Carolyn
Cadbury, Ruth	Hayes, Helen
Campbell, rh Mr Alan	Hayman, Sue
Campbell, Mr Ronnie	Healey, rh John
Carmichael, rh Mr Alistair	Hillier, Meg
Chapman, Jenny	Hodge, rh Margaret
Clwyd, rh Ann	Hodgson, Mrs Sharon
Coaker, Vernon	Hoey, Kate
Coffey, Ann	Hollern, Kate
Cooper, Julie	Hopkins, Kelvin
Cooper, Rosie	Howarth, rh Mr George
Cooper, rh Yvette	Hunt, Tristram
Coyle, Neil	Huq, Dr Rupa
Cruddas, Jon	Hussain, Imran
Cryer, John	Irranca-Davies, Huw
Cummins, Judith	Jarvis, Dan
Cunningham, Alex	Johnson, rh Alan
Cunningham, Mr Jim	Johnson, Diana
Dakin, Nic	Jones, Gerald
Danczuk, Simon	Jones, Graham
David, Wayne	Jones, Mr Kevan
Davies, Geraint	Kane, Mike
De Piero, Gloria	Kaufman, rh Sir Gerald
Debonnaire, Thangam	Kendall, Liz
Doughty, Stephen	Kinnock, Stephen
Dowd, Jim	Kyle, Peter
Dowd, Peter	Lammy, rh Mr David
Dromey, Jack	Lavery, Ian
Dugher, Michael	Leslie, Chris
Eagle, Maria	Lewell-Buck, Mrs Emma
Efford, Clive	Lewis, Clive
Elliott, Julie	Lewis, Mr Ivan
Ellman, Mrs Louise	Long Bailey, Rebecca
Esterson, Bill	Lucas, Caroline
Evans, Chris	Lynch, Holly

Mactaggart, rh Fiona
Madders, Justin
Mahmood, Mr Khalid
Mahmood, Shabana
Malhotra, Seema
Mann, John
Marris, Rob
Marsden, Mr Gordon
Maskell, Rachael
Matheson, Christian
McCabe, Steve
McCarthy, Kerry
McDonagh, Siobhain
McDonald, Andy
McDonnell, John
McFadden, rh Mr Pat
McGinn, Conor
McGovern, Alison
McInnes, Liz
Meacher, rh Mr Michael
Meale, Sir Alan
Mearns, Ian
Moon, Mrs Madeleine
Morden, Jessica
Morris, Grahame M.
Mulholland, Greg
Murray, Ian
Onn, Melanie
Onwurah, Chi
Osamor, Kate
Owen, Albert
Pearce, Teresa
Pennycook, Matthew
Perkins, Toby
Phillips, Jess
Phillipson, Bridget
Pound, Stephen
Pugh, John
Qureshi, Yasmin
Rayner, Angela
Reed, Mr Jamie
Reed, Mr Steve
Rees, Christina

Reynolds, Emma
Reynolds, Jonathan
Rimmer, Marie
Robinson, Mr Geoffrey
Ryan, rh Joan
Shah, Naz
Sharma, Mr Virendra
Sherriff, Paula
Siddiq, Tulip
Skinner, Mr Dennis
Slaughter, Andy
Smith, rh Mr Andrew
Smith, Cat
Smith, Jeff
Smith, Nick
Smith, Owen
Smyth, Karin
Spellar, rh Mr John
Stevens, Jo
Streeting, Wes
Stringer, Graham
Tami, Mark
Thomas-Symonds, Nick
Thornberry, Emily
Trickett, Jon
Turley, Anna
Twigg, Derek
Twigg, Stephen
Umunna, Mr Chuka
Vaz, Valerie
West, Catherine
Whitehead, Dr Alan
Williams, Mr Mark
Wilson, Phil
Winnick, Mr David
Winterton, rh Ms Rosie
Woodcock, John
Wright, Mr Iain
Zeichner, Daniel

Tellers for the Ayes:
Heidi Alexander and
Susan Elan Jones

NOES

Adams, Nigel
Afriyie, Adam
Ahmed-Sheikh, Ms Tasmina
Aldous, Peter
Allan, Lucy
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Arkless, Richard
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Bardell, Hannah
Baron, Mr John
Barwell, Gavin
Bebb, Guto
Bellingham, Mr Henry
Benyon, Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Black, Ms Mhairi
Blackford, Ian

Blackman, Bob
Blackman, Kirsty
Blackwood, Nicola
Blunt, Crispin
Boles, Nick
Bone, Mr Peter
Borwick, Victoria
Boswell, Philip
Bottomley, Sir Peter
Bradley, Karen
Brady, Mr Graham
Brazier, Mr Julian
Bridgen, Andrew
Brine, Steve
Brock, Deidre
Brokenshire, rh James
Brown, Alan
Bruce, Fiona
Buckland, Robert
Burns, Conor
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, Alun
Cameron, Dr Lisa
Campbell, Mr Gregory

Carmichael, Neil
Cartlidge, James
Cash, Sir William
Caulfield, Maria
Chalk, Alex
Chapman, Douglas
Cherry, Joanna
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clarke, rh Mr Kenneth
Cleverly, James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colvile, Oliver
Costa, Alberto
Cowan, Ronnie
Cox, Mr Geoffrey
Crabb, rh Stephen
Crawley, Angela
Crouch, Tracey
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, James
Davies, Mims
Davies, Philip
Davis, rh Mr David
Day, Martyn
Dinenage, Caroline
Djanogly, Mr Jonathan
Docherty, Martin John
Donaldson, rh Mr Jeffrey M.
Donaldson, Stuart
Donelan, Michelle
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drax, Richard
Drummond, Mrs Flick
Duddridge, James
Duncan, rh Sir Alan
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Elliott, Tom
Ellis, Michael
Ellison, Jane
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh Mr David
Fabricant, Michael
Fallon, rh Michael
Fellows, Marion
Fernandes, Suella
Ferrier, Margaret
Field, rh Mark
Foster, Kevin
Fox, rh Dr Liam
Francois, rh Mr Mark
Frazer, Lucy
Freeman, George
Freer, Mike
Fuller, Richard
Fysh, Marcus
Gale, Sir Roger
Garnier, rh Sir Edward
Garnier, Mark
Gauke, Mr David

Gethins, Stephen
Ghani, Nusrat
Gibb, Mr Nick
Gibson, Patricia
Gillan, rh Mrs Cheryl
Glen, John
Goldsmith, Zac
Goodwill, Mr Robert
Gove, rh Michael
Grady, Patrick
Graham, Richard
Grant, Mrs Helen
Grant, Peter
Gray, Mr James
Gray, Neil
Grayling, rh Chris
Green, Chris
Green, rh Damian
Greening, rh Justine
Grieve, rh Mr Dominic
Griffiths, Andrew
Gummer, Ben
Gyimah, Mr Sam
Halfon, rh Robert
Hall, Luke
Hammond, Stephen
Hancock, rh Matthew
Hands, rh Greg
Harper, rh Mr Mark
Harris, Rebecca
Hart, Simon
Haselhurst, rh Sir Alan
Hayes, rh Mr John
Heald, Sir Oliver
Heapey, James
Heaton-Harris, Chris
Heaton-Jones, Peter
Henderson, Gordon
Hendry, Drew
Herbert, rh Nick
Hermon, Lady
Hinds, Damian
Hoare, Simon
Hollinrake, Kevin
Hollobone, Mr Philip
Holloway, Mr Adam
Hopkins, Kris
Hosie, Stewart
Howarth, Sir Gerald
Howell, John
Howlett, Ben
Huddleston, Nigel
Hunt, rh Mr Jeremy
Hurd, Mr Nick
Jackson, Mr Stewart
Javid, rh Sajid
Jayawardena, Mr Ranil
Jenkin, Mr Bernard
Jenkyins, Andrea
Johnson, Boris
Johnson, Gareth
Johnson, Joseph
Jones, Andrew
Jones, rh Mr David
Jones, Mr Marcus
Kawczynski, Daniel
Kennedy, Seema
Kerevan, George
Kerr, Calum
Kirby, Simon
Knight, Julian
Kwarteng, Kwasi

Lancaster, Mark
 Law, Chris
 Leadsom, Andrea
 Lee, Dr Phillip
 Lefroy, Jeremy
 Leigh, Sir Edward
 Leslie, Charlotte
 Letwin, rh Mr Oliver
 Lewis, Brandon
 Lewis, rh Dr Julian
 Liddell-Grainger, Mr Ian
 Lidington, rh Mr David
 Lilley, rh Mr Peter
 Lopresti, Jack
 Lord, Jonathan
 Loughton, Tim
 Lumley, Karen
 Mackinlay, Craig
 Mackintosh, David
 MacNeil, Mr Angus Brendan
 Main, Mrs Anne
 Mak, Alan
 Malthouse, Kit
 Mann, Scott
 Mathias, Dr Tania
 Maynard, Paul
 Mc Nally, John
 McCaig, Callum
 McCartney, Jason
 McCartney, Karl
 McDonald, Stewart
 McDonald, Stuart C.
 McGarry, Natalie
 McLaughlin, Anne
 McLoughlin, rh Mr Patrick
 McPartland, Stephen
 Menzies, Mark
 Mercer, Johnny
 Merriman, Huw
 Metcalfe, Stephen
 Miller, rh Mrs Maria
 Milling, Amanda
 Mills, Nigel
 Milton, rh Anne
 Mitchell, rh Mr Andrew
 Monaghan, Carol
 Monaghan, Dr Paul
 Mordaunt, Penny
 Morgan, rh Nicky
 Morris, Anne Marie
 Morris, David
 Morris, James
 Morton, Wendy
 Mowat, David
 Mullin, Roger
 Mundell, rh David
 Murray, Mrs Sheryll
 Murrison, Dr Andrew
 Neill, Robert
 Newlands, Gavin
 Newton, Sarah
 Nicolson, John
 Nokes, Caroline
 Norman, Jesse
 Nuttall, Mr David
 O'Hara, Brendan
 Offord, Dr Matthew
 Opperman, Guy
 Oswald, Kirsten
 Parish, Neil
 Patel, rh Priti
 Paterson, rh Mr Owen

Paterson, Steven
 Pawsey, Mark
 Penning, rh Mike
 Penrose, John
 Percy, Andrew
 Perry, Claire
 Phillips, Stephen
 Philp, Chris
 Pickles, rh Sir Eric
 Pincher, Christopher
 Poulter, Dr Daniel
 Pow, Rebecca
 Prentis, Victoria
 Prisk, Mr Mark
 Pritchard, Mark
 Pursglove, Tom
 Quin, Jeremy
 Quince, Will
 Raab, Mr Dominic
 Redwood, rh John
 Rees-Mogg, Mr Jacob
 Robertson, Angus
 Robertson, Mr Laurence
 Robinson, Gavin
 Robinson, Mary
 Rosindell, Andrew
 Rudd, rh Amber
 Rutley, David
 Salmond, rh Alex
 Sandbach, Antoinette
 Saville Roberts, Liz
 Scully, Paul
 Selous, Andrew
 Shannon, Jim
 Shapps, rh Grant
 Sharma, Alok
 Shelbrooke, Alec
 Sheppard, Tommy
 Simpson, rh Mr Keith
 Skidmore, Chris
 Smith, Chloe
 Smith, Henry
 Smith, Julian
 Smith, Royston
 Soames, rh Sir Nicholas
 Solloway, Amanda
 Soubry, rh Anna
 Spelman, rh Mrs Caroline
 Spencer, Mark
 Stephenson, Andrew
 Stevenson, John
 Stewart, Bob
 Stewart, Iain
 Stewart, Rory
 Streeter, Mr Gary
 Stride, Mel
 Stuart, Graham
 Sturdy, Julian
 Sunak, Rishi
 Swayne, rh Mr Desmond
 Swire, rh Mr Hugo
 Syms, Mr Robert
 Thewliss, Alison
 Thomas, Derek
 Thompson, Owen
 Thomson, Michelle
 Throup, Maggie
 Timpson, Edward
 Tolhurst, Kelly
 Tomlinson, Justin
 Tomlinson, Michael
 Tracey, Craig

Trevelyan, Mrs Anne-Marie
 Truss, rh Elizabeth
 Tugendhat, Tom
 Turner, Mr Andrew
 Tyrie, rh Mr Andrew
 Vaizey, Mr Edward
 Vara, Mr Shailesh
 Vickers, Martin
 Villiers, rh Mrs Theresa
 Walker, Mr Charles
 Walker, Mr Robin
 Wallace, Mr Ben
 Warburton, David
 Warman, Matt
 Watkinson, Dame Angela
 Weir, Mike
 Wharton, James
 Whately, Helen
 Wheeler, Heather
 White, Chris

Whiteford, Dr Eilidh
 Whitford, Dr Philippa
 Whittaker, Craig
 Whittingdale, rh Mr John
 Wiggin, Bill
 Williams, Craig
 Williams, Hywel
 Williamson, rh Gavin
 Wilson, Corri
 Wilson, Mr Rob
 Wishart, Pete
 Wollaston, Dr Sarah
 Wood, Mike
 Wragg, William
 Wright, rh Jeremy
 Zahawi, Nadhim

Tellers for the Noes:
George Hollingbery and
Margot James

Question accordingly negated.

10.13 pm

Proceedings interrupted (Programme Order, 8 June).

The Chair put forthwith the Questions necessary for the disposal of the business to be concluded at that time (Standing Order No. 83D).

New Clause 21

THE SCOTTISH OFFICE FOR BUDGET RESPONSIBILITY

‘(1) Part 2 of Schedule 5 to the Scotland Act 1998 (specific reservations) is amended as follows.

(2) In Section A1 (fiscal, economic and monetary policy)—

(a) For the heading “Exception” substitute “Exceptions”—

(b) After that heading, insert—

“The creation of a body corporate, called The Scottish Office for Budget Responsibility, for the independent scrutiny of Scotland’s public finances, including all tax and spending in areas for which the Scottish Government has legislative competence.”—(*Ian Murray.*)

This New Clause would provide for the creation of a Scottish Office for Budget Responsibility to exercise fiscal and budgetary oversight over Scottish Government competencies. The Smith Commission recommended that the Scottish Parliament should seek to expand and strengthen the independent scrutiny of Scotland’s public finances in recognition of the additional variability and uncertainty that further tax and spending devolution will introduce into the budgeting process.

Brought up.

Question put, That the clause be added to the Bill.

The Committee divided: Ayes 194, Noes 376.

Division No. 27]

[10.14 pm

AYES

Abrahams, Debbie	Blomfield, Paul
Ali, Rushanara	Brown, Lyn
Allen, Mr Graham	Brown, rh Mr Nicholas
Ashworth, Jonathan	Bryant, Chris
Austin, Ian	Buck, Ms Karen
Bailey, Mr Adrian	Burden, Richard
Barron, rh Kevin	Burgon, Richard
Beckett, rh Margaret	Butler, Dawn
Benn, rh Hilary	Byrne, rh Liam
Berger, Luciana	Cadbury, Ruth
Betts, Mr Clive	Campbell, rh Mr Alan
Blackman-Woods, Dr Roberta	Campbell, Mr Ronnie

Carmichael, rh Mr Alistair
 Chapman, Jenny
 Clwyd, rh Ann
 Coaker, Vernon
 Coffey, Ann
 Cooper, Julie
 Cooper, Rosie
 Cooper, rh Yvette
 Coyle, Neil
 Cruddas, Jon
 Cryer, John
 Cummins, Judith
 Cunningham, Alex
 Cunningham, Mr Jim
 Dakin, Nic
 Danczuk, Simon
 David, Wayne
 Davies, Geraint
 De Piero, Gloria
 Debbonaire, Thangam
 Doughty, Stephen
 Dowd, Jim
 Dowd, Peter
 Dromey, Jack
 Dugher, Michael
 Durkan, Mark
 Eagle, Maria
 Efford, Clive
 Elliott, Julie
 Ellman, Mrs Louise
 Esterson, Bill
 Evans, Chris
 Farrelly, Paul
 Field, rh Frank
 Fitzpatrick, Jim
 Fletcher, Colleen
 Flynn, Paul
 Fovargue, Yvonne
 Foxcroft, Vicky
 Gapes, Mike
 Gardiner, Barry
 Glass, Pat
 Glindon, Mary
 Green, Kate
 Greenwood, Lilian
 Greenwood, Margaret
 Griffith, Nia
 Gwynne, Andrew
 Haigh, Louise
 Hamilton, Fabian
 Hanson, rh Mr David
 Harpham, Harry
 Harris, Carolyn
 Hayes, Helen
 Hayman, Sue
 Healey, rh John
 Hillier, Meg
 Hodge, rh Margaret
 Hodgson, Mrs Sharon
 Hoey, Kate
 Hollern, Kate
 Hopkins, Kelvin
 Howarth, rh Mr George
 Hunt, Tristram
 Huq, Dr Rupa
 Hussain, Imran
 Irranca-Davies, Huw
 Jarvis, Dan
 Johnson, rh Alan
 Johnson, Diana
 Jones, Gerald
 Jones, Graham

Jones, Mr Kevan
 Kane, Mike
 Kaufman, rh Sir Gerald
 Kendall, Liz
 Kinnock, Stephen
 Kyle, Peter
 Lammy, rh Mr David
 Lavery, Ian
 Leslie, Chris
 Lewell-Buck, Mrs Emma
 Lewis, Clive
 Lewis, Mr Ivan
 Long Bailey, Rebecca
 Lucas, Caroline
 Lynch, Holly
 Mactaggart, rh Fiona
 Madders, Justin
 Mahmood, Mr Khalid
 Mahmood, Shabana
 Malhotra, Seema
 Mann, John
 Marris, Rob
 Marsden, Mr Gordon
 Maskell, Rachael
 Matheson, Christian
 McCabe, Steve
 McCarthy, Kerry
 McDonagh, Siobhain
 McDonald, Andy
 McDonnell, John
 McFadden, rh Mr Pat
 McGinn, Conor
 McGovern, Alison
 McInnes, Liz
 Meacher, rh Mr Michael
 Meale, Sir Alan
 Mearns, Ian
 Moon, Mrs Madeleine
 Morden, Jessica
 Morris, Grahame M.
 Mulholland, Greg
 Murray, Ian
 Onn, Melanie
 Onwurah, Chi
 Osamor, Kate
 Owen, Albert
 Pearce, Teresa
 Pennycook, Matthew
 Perkins, Toby
 Phillips, Jess
 Phillipson, Bridget
 Pound, Stephen
 Pugh, John
 Qureshi, Yasmin
 Rayner, Angela
 Reed, Mr Jamie
 Reed, Mr Steve
 Rees, Christina
 Reynolds, Emma
 Reynolds, Jonathan
 Rimmer, Marie
 Ritchie, Ms Margaret
 Robinson, Mr Geoffrey
 Ryan, rh Joan
 Shah, Naz
 Sharma, Mr Virendra
 Sherriff, Paula
 Siddiq, Tulip
 Skinner, Mr Dennis
 Slaughter, Andy
 Smith, rh Mr Andrew
 Smith, Cat

Smith, Jeff
 Smith, Nick
 Smith, Owen
 Smyth, Karin
 Spellar, rh Mr John
 Stevens, Jo
 Streeting, Wes
 Stringer, Graham
 Tami, Mark
 Thomas-Symonds, Nick
 Thornberry, Emily
 Trickett, Jon
 Turley, Anna
 Twigg, Derek
 Twigg, Stephen

Umunna, Mr Chuka
 Vaz, Valerie
 West, Catherine
 Whitehead, Dr Alan
 Williams, Mr Mark
 Wilson, Phil
 Winnick, Mr David
 Winterton, rh Ms Rosie
 Woodcock, John
 Wright, Mr Iain
 Zeichner, Daniel

Tellers for the Ayes:
Heidi Alexander and
Susan Elan Jones

NOES

Adams, Nigel
 Afriyie, Adam
 Ahmed-Sheikh, Ms Tasmina
 Aldous, Peter
 Allan, Lucy
 Andrew, Stuart
 Ansell, Caroline
 Argar, Edward
 Arkless, Richard
 Atkins, Victoria
 Bacon, Mr Richard
 Baker, Mr Steve
 Baldwin, Harriett
 Barclay, Stephen
 Bardell, Hannah
 Baron, Mr John
 Barwell, Gavin
 Bebb, Guto
 Bellingham, Mr Henry
 Benyon, Richard
 Beresford, Sir Paul
 Berry, Jake
 Berry, James
 Bingham, Andrew
 Black, Ms Mhairi
 Blackford, Ian
 Blackman, Bob
 Blackman, Kirsty
 Blackwood, Nicola
 Blunt, Crispin
 Boles, Nick
 Bone, Mr Peter
 Borwick, Victoria
 Boswell, Philip
 Bottomley, Sir Peter
 Bradley, Karen
 Brady, Mr Graham
 Brazier, Mr Julian
 Bridgen, Andrew
 Brine, Steve
 Brock, Deidre
 Brokenshire, rh
 James
 Brown, Alan
 Bruce, Fiona
 Buckland, Robert
 Burns, Conor
 Burns, rh Sir Simon
 Burrowes, Mr David
 Burt, rh Alistair
 Cairns, Alun
 Cameron, Dr Lisa
 Campbell, Mr Gregory
 Carmichael, Neil
 Cartledge, James
 Caulfield, Maria
 Chalk, Alex
 Chapman, Douglas
 Cherry, Joanna
 Chishty, Rehman
 Chope, Mr Christopher
 Churchill, Jo
 Clarke, rh Mr Kenneth
 Cleverly, James
 Clifton-Brown, Geoffrey
 Coffey, Dr Thérèse
 Collins, Damian
 Colville, Oliver
 Costa, Alberto
 Cowan, Ronnie
 Cox, Mr Geoffrey
 Crabb, rh Stephen
 Crawley, Angela
 Crouch, Tracey
 Davies, Byron
 Davies, Chris
 Davies, David T. C.
 Davies, Glyn
 Davies, James
 Davies, Mims
 Davies, Philip
 Davis, rh Mr David
 Day, Martyn
 Dinenage, Caroline
 Djanogly, Mr Jonathan
 Docherty, Martin John
 Donaldson, rh Mr Jeffrey M.
 Donaldson, Stuart
 Donelan, Michelle
 Double, Steve
 Dowden, Oliver
 Doyle-Price, Jackie
 Drax, Richard
 Drummond, Mrs Flick
 Duddridge, James
 Duncan, rh Sir Alan
 Duncan Smith, rh Mr
 Iain
 Dunne, Mr Philip
 Elliott, Tom
 Ellis, Michael
 Ellison, Jane
 Elphicke, Charlie
 Eustice, George
 Evans, Graham
 Evans, Mr Nigel
 Evennett, rh Mr David
 Fabricant, Michael

Fallon, rh Michael
 Fellows, Marion
 Fernandes, Suella
 Ferrier, Margaret
 Field, rh Mark
 Foster, Kevin
 Fox, rh Dr Liam
 Francois, rh Mr Mark
 Frazer, Lucy
 Freeman, George
 Freer, Mike
 Fuller, Richard
 Fysh, Marcus
 Gale, Sir Roger
 Garnier, rh Sir Edward
 Garnier, Mark
 Gauke, Mr David
 Gethins, Stephen
 Ghani, Nusrat
 Gibb, Mr Nick
 Gibson, Patricia
 Gillan, rh Mrs Cheryl
 Glen, John
 Goldsmith, Zac
 Goodwill, Mr Robert
 Gove, rh Michael
 Grady, Patrick
 Graham, Richard
 Grant, Mrs Helen
 Grant, Peter
 Gray, Mr James
 Gray, Neil
 Grayling, rh Chris
 Green, Chris
 Green, rh Damian
 Greening, rh Justine
 Grieve, rh Mr Dominic
 Griffiths, Andrew
 Gummer, Ben
 Gyimah, Mr Sam
 Halfon, rh Robert
 Hall, Luke
 Hammond, Stephen
 Hancock, rh Matthew
 Hands, rh Greg
 Harper, rh Mr Mark
 Harris, Rebecca
 Hart, Simon
 Haselhurst, rh Sir Alan
 Hayes, rh Mr John
 Heald, Sir Oliver
 Heappey, James
 Heaton-Harris, Chris
 Heaton-Jones, Peter
 Henderson, Gordon
 Hendry, Drew
 Herbert, rh Nick
 Hermon, Lady
 Hinds, Damian
 Hoare, Simon
 Hollinrake, Kevin
 Hollobone, Mr Philip
 Holloway, Mr Adam
 Hopkins, Kris
 Hosie, Stewart
 Howarth, Sir Gerald
 Howell, John
 Howlett, Ben
 Huddleston, Nigel
 Hunt, rh Mr Jeremy
 Hurd, Mr Nick
 Jackson, Mr Stewart

Javid, rh Sajid
 Jayawardena, Mr
 Ranil
 Jenkin, Mr Bernard
 Jenkyns, Andrea
 Johnson, Boris
 Johnson, Gareth
 Johnson, Joseph
 Jones, Andrew
 Jones, rh Mr David
 Jones, Mr Marcus
 Kawczynski, Daniel
 Kennedy, Seema
 Kerevan, George
 Kerr, Calum
 Kirby, Simon
 Knight, Julian
 Kwarteng, Kwasi
 Lancaster, Mark
 Law, Chris
 Leadsom, Andrea
 Lee, Dr Phillip
 Lefroy, Jeremy
 Leigh, Sir Edward
 Leslie, Charlotte
 Letwin, rh Mr Oliver
 Lewis, Brandon
 Lewis, rh Dr Julian
 Liddell-Grainger, Mr
 Ian
 Lidington, rh Mr David
 Lilley, rh Mr Peter
 Lopresti, Jack
 Lord, Jonathan
 Loughton, Tim
 Lumley, Karen
 Mackinlay, Craig
 Mackintosh, David
 MacNeil, Mr Angus
 Brendan
 Main, Mrs Anne
 Mak, Alan
 Malthouse, Kit
 Mann, Scott
 Mathias, Dr Tania
 Maynard, Paul
 Mc Nally, John
 McCaig, Callum
 McCartney, Jason
 McCartney, Karl
 McDonald, Stewart
 McDonald, Stuart C.
 McGarry, Natalie
 McLaughlin, Anne
 McLoughlin, rh Mr
 Patrick
 McPartland, Stephen
 Menzies, Mark
 Mercer, Johnny
 Merriman, Huw
 Metcalfe, Stephen
 Miller, rh Mrs Maria
 Milling, Amanda
 Mills, Nigel
 Milton, rh Anne
 Mitchell, rh Mr Andrew
 Monaghan, Carol
 Monaghan, Dr Paul
 Mordaunt, Penny
 Morgan, rh Nicky
 Morris, Anne Marie
 Morris, David

Morris, James
 Morton, Wendy
 Mowat, David
 Mullin, Roger
 Mundell, rh David
 Murray, Mrs Sheryll
 Murrison, Dr Andrew
 Neill, Robert
 Newlands, Gavin
 Newton, Sarah
 Nicolson, John
 Nokes, Caroline
 Norman, Jesse
 Nuttall, Mr David
 O'Hara, Brendan
 Offord, Dr Matthew
 Opperman, Guy
 Oswald, Kirsten
 Parish, Neil
 Patel, rh Priti
 Paterson, rh Mr
 Owen
 Paterson, Steven
 Pawsey, Mark
 Penning, rh Mike
 Penrose, John
 Percy, Andrew
 Perry, Claire
 Phillips, Stephen
 Philp, Chris
 Pickles, rh Sir Eric
 Pincher, Christopher
 Poulter, Dr Daniel
 Pow, Rebecca
 Prentis, Victoria
 Prisk, Mr Mark
 Pritchard, Mark
 Pursglove, Tom
 Quin, Jeremy
 Quince, Will
 Raab, Mr Dominic
 Redwood, rh John
 Rees-Mogg, Mr
 Jacob
 Robertson, Angus
 Robertson, Mr Laurence
 Robinson, Gavin
 Robinson, Mary
 Rosindell, Andrew
 Rudd, rh Amber
 Rutley, David
 Salmund, rh Alex
 Sandbach, Antoinette
 Saville Roberts,
 Liz
 Scully, Paul
 Selous, Andrew
 Shannon, Jim
 Shapps, rh Grant
 Sharma, Alok
 Shelbrooke, Alec
 Sheppard, Tommy
 Simpson, rh Mr Keith
 Skidmore, Chris
 Smith, Chloe
 Smith, Henry
 Smith, Julian
 Smith, Royston
 Soames, rh Sir Nicholas
 Solloway, Amanda

Soubry, rh Anna
 Spelman, rh Mrs Caroline
 Spencer, Mark
 Stephens, Chris
 Stephenson, Andrew
 Stevenson, John
 Stewart, Bob
 Stewart, Iain
 Stewart, Rory
 Streeter, Mr Gary
 Stride, Mel
 Stuart, Graham
 Sturdy, Julian
 Sunak, Rishi
 Swayne, rh Mr
 Desmond
 Swire, rh Mr Hugo
 Syms, Mr Robert
 Thewliss, Alison
 Thomas, Derek
 Thompson, Owen
 Thomson, Michelle
 Throup, Maggie
 Timpson, Edward
 Tolhurst, Kelly
 Tomlinson, Justin
 Tomlinson, Michael
 Tracey, Craig
 Trevelyan, Mrs Anne-Marie
 Truss, rh Elizabeth
 Tugendhat, Tom
 Turner, Mr Andrew
 Tyrie, rh Mr Andrew
 Vaizey, Mr Edward
 Vara, Mr Shailesh
 Vickers, Martin
 Villiers, rh Mrs Theresa
 Walker, Mr Charles
 Walker, Mr Robin
 Wallace, Mr Ben
 Warburton, David
 Warman, Matt
 Watkinson, Dame
 Angela
 Weir, Mike
 Wharton, James
 Whately, Helen
 Wheeler, Heather
 White, Chris
 Whiteford, Dr Eilidh
 Whitford, Dr Philippa
 Whittaker, Craig
 Whittingdale, rh Mr John
 Wiggin, Bill
 Williams, Craig
 Williams, Hywel
 Williamson, rh Gavin
 Wilson, Corri
 Wilson, Mr Rob
 Wishart, Pete
 Wollaston, Dr Sarah
 Wood, Mike
 Wragg, William
 Wright, rh Jeremy
 Zahawi, Nadhim

Tellers for the Noes:
George Hollingbery and
Margot James

Question accordingly negatived.

New Clause 33

FULL FISCAL AUTONOMY FOR SCOTLAND

“(1) The Scottish Government and the Government of the United Kingdom must enter into an agreement (the “Economic Agreement”)—

- (a) setting out a plan for implementation of full fiscal autonomy for Scotland, and
- (b) establishing a framework within which the two Governments are to coordinate their economic and fiscal policies in the context of full fiscal autonomy for Scotland.

(2) Full fiscal autonomy for Scotland means that—

- (a) the Scottish Parliament and Scottish Government have competence for determining revenues raised in or as regards Scotland through taxation and borrowing,
- (b) the Scottish Parliament and Scottish Government have competence for determining levels of public expenditure in or as regards Scotland,

in accordance with the amendments made by this Act.

(3) The framework mentioned in subsection (1)(b) must in particular include arrangements for—

- (a) facilitating fiscal coordination,
- (b) overseeing economic cooperation,
- (c) joint responsibilities in areas of mutual interest,
- (d) safeguarding fiscal sustainability.

(4) In determining the terms of the Economic Agreement the two governments must seek to ensure—

- (a) the maintenance of monetary stability throughout the United Kingdom,
- (b) the maintenance and promotion of the single markets in the United Kingdom and the European Union,
- (c) that they cooperate in the exercise of their respective functions relating to the administration and collection of taxes,
- (d) an equitable and transparent approach to consequences, resources and rewards,
- (e) that the Scottish Parliament and the Scottish Government retain the benefits of increased tax revenues delivered by successful policies pursued by them,
- (f) that the Scottish Parliament and the Scottish Government have the powers necessary to manage the consequences of full fiscal autonomy for Scotland,
- (g) that full fiscal autonomy for Scotland is implemented over a period of time, as the Scottish Parliament and the Scottish Government acquire capacity to carry out their additional competences.

(5) The Economic Agreement is to be entered into as soon as possible and the two governments must cooperate in good faith with a view to achieving that.

(6) As soon as possible after the Economic Agreement is entered into—

- (a) the Scottish Ministers must lay a copy of it before the Scottish Parliament, and
- (b) the Secretary of State must lay a copy of it before both Houses of Parliament.

(7) The two governments must from time to time review the Economic Agreement and make such amendments to its terms as they may agree with a view to ensuring that it continues to meet the requirements of this section.

(8) Subsection (6) applies to the Economic Agreement as amended as it applies to the Agreement as entered into.

(9) The Secretary of State may, with the agreement of the Scottish Ministers, by regulations modify this section.

(10) A statutory instrument containing regulations under subsection (9) may not be made unless a draft of the instrument has been laid before and approved by a resolution of each House of Parliament.”

This new clause would require the Scottish and UK governments to reach agreement on the delivery of full fiscal autonomy for Scotland.

Brought up.

Question put, That the clause be added to the Bill.

The Committee proceeded to a Division.

Madam Deputy Speaker (Natascha Engel): I ask the Serjeant at Arms to investigate the delay in the No Lobby.

The Committee having divided: Ayes 58, Noes 504.

Division No. 28]

[10.28 pm

AYES

Ahmed-Sheikh, Ms Tasmina	Mc Nally, John
Arkless, Richard	McCaig, Callum
Bardell, Hannah	McDonald, Stewart
Black, Ms Mhairi	McDonald, Stuart C.
Blackford, Ian	McGarry, Natalie
Blackman, Kirsty	McLaughlin, Anne
Boswell, Philip	Monaghan, Carol
Brock, Deidre	Monaghan, Dr Paul
Brown, Alan	Mullin, Roger
Cameron, Dr Lisa	Newlands, Gavin
Chapman, Douglas	Nicolson, John
Cherry, Joanna	O'Hara, Brendan
Cowan, Ronnie	Oswald, Kirsten
Crawley, Angela	Paterson, Steven
Day, Martyn	Ritchie, Ms Margaret
Docherty, Martin John	Robertson, Angus
Donaldson, Stuart	Salmond, rh Alex
Durkan, Mark	Sheppard, Tommy
Fellows, Marion	Stephens, Chris
Ferrier, Margaret	Thewliss, Alison
Gethins, Stephen	Thompson, Owen
Gibson, Patricia	Thomson, Michelle
Grady, Patrick	Weir, Mike
Grant, Peter	Whiteford, Dr Eilidh
Gray, Neil	Whitford, Dr Philippa
Hendry, Drew	Wilson, Corri
Hosie, Stewart	Wishart, Pete
Kerevan, George	
Kerr, Calum	
Law, Chris	
MacNeil, Mr Angus Brendan	

Tellers for the Ayes:
Hywel Williams and
Liz Saville Roberts

NOES

Abrahams, Debbie	Beckett, rh Margaret
Adams, Nigel	Bellingham, Mr Henry
Afriyie, Adam	Benn, rh Hilary
Aldous, Peter	Benyon, Richard
Alexander, Heidi	Beresford, Sir Paul
Ali, Rushanara	Berger, Luciana
Allan, Lucy	Berry, Jake
Allen, Mr Graham	Berry, James
Andrew, Stuart	Betts, Mr Clive
Ansell, Caroline	Bingham, Andrew
Argar, Edward	Blackman, Bob
Ashworth, Jonathan	Blackman-Woods, Dr Roberta
Atkins, Victoria	Blackwood, Nicola
Austin, Ian	Blomfield, Paul
Bacon, Mr Richard	Blunt, Crispin
Bailey, Mr Adrian	Boles, Nick
Baker, Mr Steve	Bone, Mr Peter
Baldwin, Harriett	Borwick, Victoria
Barclay, Stephen	Bottomley, Sir Peter
Baron, Mr John	Bradley, Karen
Barron, rh Kevin	Brady, Mr Graham
Barwell, Gavin	Brazier, Mr Julian
Bebb, Guto	Bridgen, Andrew

Brine, Steve	Dowd, Jim	Gummer, Ben	Kennedy, Seema
Brokenshire, rh James	Dowd, Peter	Gwynne, Andrew	Kinnock, Stephen
Brown, Lyn	Dowden, Oliver	Gyimah, Mr Sam	Kirby, Simon
Brown, rh Mr Nicholas	Doyle-Price, Jackie	Haigh, Louise	Knight, Julian
Bruce, Fiona	Drax, Richard	Halfon, rh Robert	Kwarteng, Kwasi
Bryant, Chris	Dromey, Jack	Hall, Luke	Kyle, Peter
Buck, Ms Karen	Drummond, Mrs Flick	Hamilton, Fabian	Lammy, rh Mr David
Buckland, Robert	Duddridge, James	Hammond, Stephen	Lancaster, Mark
Burden, Richard	Dugher, Michael	Hancock, rh Matthew	Lavery, Ian
Burgon, Richard	Duncan, rh Sir Alan	Hands, rh Greg	Leadsom, Andrea
Burns, Conor	Duncan Smith, rh Mr Iain	Hanson, rh Mr David	Lee, Dr Phillip
Burns, rh Sir Simon	Dunne, Mr Philip	Harper, rh Mr Mark	Lefroy, Jeremy
Burrowes, Mr David	Eagle, Maria	Harpham, Harry	Leslie, Charlotte
Burt, rh Alistair	Efford, Clive	Harris, Carolyn	Leslie, Chris
Butler, Dawn	Elliott, Julie	Harris, Rebecca	Letwin, rh Mr Oliver
Byrne, rh Liam	Elliott, Tom	Hart, Simon	Lewell-Buck, Mrs Emma
Cadbury, Ruth	Ellis, Michael	Haselhurst, rh Sir Alan	Lewis, Brandon
Cairns, Alun	Ellison, Jane	Hayes, Helen	Lewis, Clive
Campbell, rh Mr Alan	Ellman, Mrs Louise	Hayes, rh Mr John	Lewis, Mr Ivan
Campbell, Mr Gregory	Elphicke, Charlie	Hayman, Sue	Lewis, rh Dr Julian
Campbell, Mr Ronnie	Esterson, Bill	Heald, Sir Oliver	Liddell-Grainger, Mr Ian
Carmichael, rh Mr Alistair	Eustice, George	Healey, rh John	Lidington, rh Mr David
Carmichael, Neil	Evans, Chris	Heappey, James	Lilley, rh Mr Peter
Cartlidge, James	Evans, Graham	Heaton-Harris, Chris	Long Bailey, Rebecca
Caulfield, Maria	Evans, Mr Nigel	Heaton-Jones, Peter	Lopresti, Jack
Chalk, Alex	Evennett, rh Mr David	Henderson, Gordon	Lord, Jonathan
Chapman, Jenny	Fabricant, Michael	Herbert, rh Nick	Loughton, Tim
Chishti, Rehman	Fallon, rh Michael	Hermon, Lady	Lucas, Caroline
Chope, Mr Christopher	Farrelly, Paul	Hillier, Meg	Lumley, Karen
Churchill, Jo	Fernandes, Suella	Hinds, Damian	Lynch, Holly
Clarke, rh Mr Kenneth	Field, rh Frank	Hoare, Simon	Mackinlay, Craig
Cleverly, James	Field, rh Mark	Hodge, rh Margaret	Mackintosh, David
Clifton-Brown, Geoffrey	Fitzpatrick, Jim	Hodgson, Mrs Sharon	Mactaggart, rh Fiona
Cliwyd, rh Ann	Fletcher, Colleen	Hoey, Kate	Madders, Justin
Coaker, Vernon	Flynn, Paul	Hollern, Kate	Mahmood, Mr Khalid
Coffey, Ann	Foster, Kevin	Hollinrake, Kevin	Mahmood, Shabana
Coffey, Dr Thérèse	Fovargue, Yvonne	Hollobone, Mr Philip	Main, Mrs Anne
Collins, Damian	Foxcroft, Vicky	Holloway, Mr Adam	Mak, Alan
Colvile, Oliver	Francois, rh Mr Mark	Hopkins, Kelvin	Malhotra, Seema
Cooper, Julie	Frazer, Lucy	Hopkins, Kris	Malthouse, Kit
Cooper, Rosie	Freeman, George	Howarth, rh Mr George	Mann, John
Cooper, rh Yvette	Freer, Mike	Howarth, Sir Gerald	Mann, Scott
Costa, Alberto	Fuller, Richard	Howell, John	Marris, Rob
Cox, Mr Geoffrey	Fysh, Marcus	Howlett, Ben	Marsden, Mr Gordon
Coyle, Neil	Gale, Sir Roger	Huddleston, Nigel	Maskell, Rachael
Crabb, rh Stephen	Gapes, Mike	Hunt, rh Mr Jeremy	Matheson, Christian
Crouch, Tracey	Gardiner, Barry	Hunt, Tristram	Mathias, Dr Tania
Cruddas, Jon	Garnier, rh Sir Edward	Huq, Dr Rupa	Maynard, Paul
Cryer, John	Garnier, Mark	Hurd, Mr Nick	McCabe, Steve
Cummins, Judith	Gauke, Mr David	Hussain, Imran	McCarthy, Kerry
Cunningham, Alex	Ghani, Nusrat	Irranca-Davies, Huw	McCartney, Jason
Cunningham, Mr Jim	Gibb, Mr Nick	Jackson, Mr Stewart	McCartney, Karl
Dakin, Nic	Gillan, rh Mrs Cheryl	Jarvis, Dan	McDonagh, Siobhain
Danczuk, Simon	Glass, Pat	Javid, rh Sajid	McDonald, Andy
David, Wayne	Glen, John	Jayawardena, Mr Ranil	McFadden, rh Mr Pat
Davies, Byron	Glindon, Mary	Jenkin, Mr Bernard	McGinn, Conor
Davies, Chris	Goldsmith, Zac	Jenkyns, Andrea	McGovern, Alison
Davies, David T. C.	Goodwill, Mr Robert	Johnson, Boris	McInnes, Liz
Davies, Geraint	Gove, rh Michael	Johnson, Diana	McLoughlin, rh Mr Patrick
Davies, Glyn	Graham, Richard	Johnson, Gareth	McPartland, Stephen
Davies, James	Grant, Mrs Helen	Johnson, Joseph	Meacher, rh Mr Michael
Davies, Mims	Gray, Mr James	Jones, Andrew	Meale, Sir Alan
Davies, Philip	Grayling, rh Chris	Jones, rh Mr David	Mearns, Ian
Davis, rh Mr David	Green, Chris	Jones, Gerald	Menzies, Mark
De Piero, Gloria	Green, rh Damian	Jones, Graham	Mercer, Johnny
Debonnaire, Thangam	Green, Kate	Jones, Mr Kevan	Merriman, Huw
Dinenage, Caroline	Greening, rh Justine	Jones, Mr Marcus	Metcalfe, Stephen
Djanogly, Mr Jonathan	Greenwood, Lilian	Jones, Susan Elan	Miller, rh Mrs Maria
Donaldson, rh Mr Jeffrey M.	Greenwood, Margaret	Kane, Mike	Milling, Amanda
Donelan, Michelle	Grieve, rh Mr Dominic	Kaufman, rh Sir Gerald	Mills, Nigel
Double, Steve	Griffith, Nia	Kawczynski, Daniel	Milton, rh Anne
Doughty, Stephen	Griffiths, Andrew	Kendall, Liz	Mitchell, rh Mr Andrew

Moon, Mrs Madeleine
 Mordaunt, Penny
 Morden, Jessica
 Morgan, rh Nicky
 Morris, Anne Marie
 Morris, David
 Morris, Grahame M.
 Morris, James
 Morton, Wendy
 Mowat, David
 Mundell, rh David
 Murray, Ian
 Murray, Mrs Sheryll
 Murrison, Dr Andrew
 Neill, Robert
 Newton, Sarah
 Nokes, Caroline
 Norman, Jesse
 Nuttall, Mr David
 Offord, Dr Matthew
 Onn, Melanie
 Onwurah, Chi
 Opperman, Guy
 Osamor, Kate
 Owen, Albert
 Parish, Neil
 Patel, rh Priti
 Paterson, rh Mr Owen
 Pawsey, Mark
 Pearce, Teresa
 Penning, rh Mike
 Pennycook, Matthew
 Penrose, John
 Percy, Andrew
 Perkins, Toby
 Perry, Claire
 Phillips, Jess
 Phillips, Stephen
 Phillipson, Bridget
 Philp, Chris
 Pickles, rh Sir Eric
 Pincher, Christopher
 Poulter, Dr Daniel
 Pound, Stephen
 Pow, Rebecca
 Prentis, Victoria
 Prisk, Mr Mark
 Pritchard, Mark
 Pursglove, Tom
 Quin, Jeremy
 Quince, Will
 Qureshi, Yasmin
 Raab, Mr Dominic
 Rayner, Angela
 Redwood, rh John
 Reed, Mr Jamie
 Reed, Mr Steve
 Rees, Christina
 Rees-Mogg, Mr Jacob
 Reynolds, Emma
 Reynolds, Jonathan
 Rimmer, Marie
 Robertson, Mr Laurence
 Robinson, Gavin
 Robinson, Mr Geoffrey
 Robinson, Mary
 Rosindell, Andrew
 Rudd, rh Amber
 Rutley, David
 Ryan, rh Joan
 Sandbach, Antoinette
 Scully, Paul

Selous, Andrew
 Shah, Naz
 Shannon, Jim
 Shapps, rh Grant
 Sharma, Alok
 Sharma, Mr Virendra
 Shelbrooke, Alec
 Sherriff, Paula
 Siddiq, Tulip
 Simpson, rh Mr Keith
 Skidmore, Chris
 Skinner, Mr Dennis
 Slaughter, Andy
 Smith, rh Mr Andrew
 Smith, Cat
 Smith, Chloe
 Smith, Henry
 Smith, Jeff
 Smith, Julian
 Smith, Nick
 Smith, Owen
 Smith, Royston
 Smyth, Karin
 Soames, rh Sir Nicholas
 Solloway, Amanda
 Soubry, rh Anna
 Spellar, rh Mr John
 Spelman, rh Mrs Caroline
 Spencer, Mark
 Stephenson, Andrew
 Stevens, Jo
 Stevenson, John
 Stewart, Bob
 Stewart, Iain
 Stewart, Rory
 Streeter, Mr Gary
 Streeting, Wes
 Stride, Mel
 Stringer, Graham
 Stuart, Graham
 Sturdy, Julian
 Sunak, Rishi
 Swayne, rh Mr Desmond
 Swire, rh Mr Hugo
 Syms, Mr Robert
 Tami, Mark
 Thomas, Derek
 Thomas-Symonds, Nick
 Thornberry, Emily
 Throup, Maggie
 Timpson, Edward
 Tolhurst, Kelly
 Tomlinson, Justin
 Tomlinson, Michael
 Tracey, Craig
 Trevelyan, Mrs Anne-Marie
 Trickett, Jon
 Truss, rh Elizabeth
 Tugendhat, Tom
 Turley, Anna
 Turner, Mr Andrew
 Twigg, Derek
 Twigg, Stephen
 Tyrie, rh Mr Andrew
 Umunna, Mr Chuka
 Vaizey, Mr Edward
 Vara, Mr Shailesh
 Vaz, Valerie
 Vickers, Martin
 Villiers, rh Mrs Theresa
 Walker, Mr Charles
 Walker, Mr Robin

Wallace, Mr Ben
 Warburton, David
 Warman, Matt
 Watkinson, Dame Angela
 West, Catherine
 Wharton, James
 Whately, Helen
 Wheeler, Heather
 White, Chris
 Whitehead, Dr Alan
 Whittaker, Craig
 Whittingdale, rh Mr John
 Wiggin, Bill
 Williams, Craig
 Williamson, rh Gavin

Wilson, Phil
 Wilson, Mr Rob
 Winterton, rh Ms Rosie
 Wollaston, Dr Sarah
 Wood, Mike
 Woodcock, John
 Wragg, William
 Wright, Mr Iain
 Wright, rh Jeremy
 Zahawi, Nadhim
 Zeichner, Daniel

Tellers for the Noes:
George Hollingbery and
Margot James

Question accordingly negated.

New Clause 54

TAXES ON INCOME

“In Section A1 in Part 2 of Schedule 5 (fiscal, economic and monetary policy) to the 1998 Act, in the Exceptions, after the entry for local taxes insert ‘Taxes on income’.”—(*Stewart Hosie.*)
This new clause is intended to devolve income tax completely to Scotland

Brought up.

Question put, That the clause be added to the Bill.

The Committee divided: Ayes 57, Noes 311.

Division No. 29]

[10.47 pm

AYES

Ahmed-Sheikh, Ms Tasmina
 Arkless, Richard
 Bardell, Hannah
 Black, Ms Mhairi
 Blackford, Iain
 Blackman, Kirsty
 Boswell, Philip
 Brock, Deidre
 Brown, Alan
 Cameron, Dr Lisa
 Chapman, Douglas
 Cherry, Joanna
 Cowan, Ronnie
 Crawley, Angela
 Day, Martyn
 Docherty, Martin John
 Donaldson, Stuart
 Fellows, Marion
 Ferrier, Margaret
 Gethins, Stephen
 Gibson, Patricia
 Grady, Patrick
 Grant, Peter
 Gray, Neil
 Hendry, Drew
 Hosie, Stewart
 Kerevan, George
 Kerr, Calum
 Law, Chris
 MacNeil, Mr Angus Brendan
 Mc Nally, John

McCaig, Callum
 McDonald, Stewart
 McDonald, Stuart C.
 McGarry, Natalie
 McLaughlin, Anne
 Monaghan, Carol
 Monaghan, Dr Paul
 Mullin, Roger
 Newlands, Gavin
 Nicolson, John
 O'Hara, Brendan
 Oswald, Kirsten
 Paterson, Steven
 Robertson, Angus
 Salmond, rh Alex
 Sheppard, Tommy
 Skinner, Mr Dennis
 Stephens, Chris
 Thewliss, Alison
 Thompson, Owen
 Thomson, Michelle
 Weir, Mike
 Whiteford, Dr Eilidh
 Whitford, Dr Philippa
 Wilson, Corri
 Wishart, Pete

Tellers for the Ayes:
Hywel Williams and
Liz Saville Roberts

NOES

Adams, Nigel
 Afriyie, Adam
 Aldous, Peter

Allan, Lucy
 Andrew, Stuart
 Ansell, Caroline

Argar, Edward	Elliott, Tom	Jenkin, Mr Bernard	Perry, Claire
Atkins, Victoria	Ellis, Michael	Jenkyns, Andrea	Phillips, Stephen
Bacon, Mr Richard	Ellison, Jane	Johnson, Boris	Philp, Chris
Baker, Mr Steve	Elphicke, Charlie	Johnson, Gareth	Pickles, rh Sir Eric
Baldwin, Harriett	Eustice, George	Johnson, Joseph	Pincher, Christopher
Barclay, Stephen	Evans, Graham	Jones, Andrew	Poulter, Dr Daniel
Baron, Mr John	Evans, Mr Nigel	Jones, rh Mr David	Pow, Rebecca
Barwell, Gavin	Evennett, rh Mr David	Jones, Mr Marcus	Prentis, Victoria
Bebb, Guto	Fabricant, Michael	Kawczynski, Daniel	Pritchard, Mark
Bellingham, Mr Henry	Fallon, rh Michael	Kennedy, Seema	Pursglove, Tom
Benyon, Richard	Fernandes, Suella	Kirby, Simon	Quin, Jeremy
Beresford, Sir Paul	Field, rh Mark	Knight, Julian	Quince, Will
Berry, Jake	Foster, Kevin	Kwarteng, Kwasi	Raab, Mr Dominic
Berry, James	Francois, rh Mr Mark	Lancaster, Mark	Redwood, rh John
Bingham, Andrew	Frazer, Lucy	Leadsom, Andrea	Rees-Mogg, Mr Jacob
Blackman, Bob	Freeman, George	Lee, Dr Phillip	Robertson, Mr Laurence
Blackwood, Nicola	Freer, Mike	Lefroy, Jeremy	Robinson, Gavin
Blunt, Crispin	Fuller, Richard	Leslie, Charlotte	Robinson, Mary
Boles, Nick	Fysh, Marcus	Letwin, rh Mr Oliver	Rosindell, Andrew
Bone, Mr Peter	Gale, Sir Roger	Lewis, Brandon	Rudd, rh Amber
Borwick, Victoria	Garnier, rh Sir Edward	Lewis, rh Dr Julian	Rutley, David
Bradley, Karen	Garnier, Mark	Liddell-Grainger, Mr Ian	Sandbach, Antoinette
Brady, Mr Graham	Gauke, Mr David	Lidington, rh Mr David	Scully, Paul
Brazier, Mr Julian	Ghani, Nusrat	Lilley, rh Mr Peter	Selous, Andrew
Bridgen, Andrew	Gibb, Mr Nick	Lopresti, Jack	Shannon, Jim
Brine, Steve	Gillan, rh Mrs Cheryl	Lord, Jonathan	Shapps, rh Grant
Brokenshire, rh James	Glen, John	Loughton, Tim	Sharma, Alok
Bruce, Fiona	Goldsmith, Zac	Lumley, Karen	Shelbrooke, Alec
Buckland, Robert	Goodwill, Mr Robert	Mackinlay, Craig	Simpson, rh Mr Keith
Burns, Conor	Gove, rh Michael	Mackintosh, David	Skidmore, Chris
Burns, rh Sir Simon	Graham, Richard	Mak, Alan	Smith, Chloe
Burrowes, Mr David	Grant, Mrs Helen	Malthouse, Kit	Smith, Henry
Burt, rh Alistair	Gray, Mr James	Mann, Scott	Smith, Julian
Cairns, Alun	Grayling, rh Chris	Mathias, Dr Tania	Smith, Royston
Campbell, Mr Gregory	Green, Chris	Maynard, Paul	Soames, rh Sir Nicholas
Carmichael, Neil	Green, rh Damian	McCartney, Jason	Solloway, Amanda
Cartlidge, James	Greening, rh Justine	McCartney, Karl	Soubry, rh Anna
Caulfield, Maria	Grieve, rh Mr Dominic	McLoughlin, rh Mr Patrick	Spelman, rh Mrs Caroline
Chalk, Alex	Griffiths, Andrew	McPartland, Stephen	Spencer, Mark
Chishti, Rehman	Gummer, Ben	Menzies, Mark	Stephenson, Andrew
Chope, Mr Christopher	Gyimah, Mr Sam	Mercer, Johnny	Stevenson, John
Churchill, Jo	Halfon, rh Robert	Merriman, Huw	Stewart, Bob
Clarke, rh Mr Kenneth	Hall, Luke	Metcalfe, Stephen	Stewart, Iain
Cleverly, James	Hammond, Stephen	Miller, rh Mrs Maria	Stewart, Rory
Clifton-Brown, Geoffrey	Hancock, rh Matthew	Milling, Amanda	Streeter, Mr Gary
Coffey, Dr Thérèse	Hands, rh Greg	Mills, Nigel	Stride, Mel
Collins, Damian	Harper, rh Mr Mark	Milton, rh Anne	Stuart, Graham
Colvile, Oliver	Harris, Rebecca	Mitchell, rh Mr Andrew	Sturdy, Julian
Costa, Alberto	Hart, Simon	Mordaunt, Penny	Sunak, Rishi
Cox, Mr Geoffrey	Haselhurst, rh Sir Alan	Morgan, rh Nicky	Swayne, rh Mr Desmond
Crouch, Tracey	Hayes, rh Mr John	Morris, Anne Marie	Swire, rh Mr Hugo
Davies, Byron	Heald, Sir Oliver	Morris, David	Syms, Mr Robert
Davies, Chris	Heappey, James	Morris, James	Thomas, Derek
Davies, David T. C.	Heaton-Harris, Chris	Morton, Wendy	Throup, Maggie
Davies, Glyn	Heaton-Jones, Peter	Mowat, David	Timpson, Edward
Davies, James	Henderson, Gordon	Mundell, rh David	Tolhurst, Kelly
Davies, Mims	Herbert, rh Nick	Murray, Mrs Sheryll	Tomlinson, Justin
Davies, Philip	Hermon, Lady	Murrison, Dr Andrew	Tomlinson, Michael
Davis, rh Mr David	Hinds, Damian	Neill, Robert	Tracey, Craig
Dinenage, Caroline	Hoare, Simon	Newton, Sarah	Trevelyan, Mrs Anne-Marie
Djanogly, Mr Jonathan	Hollinrake, Kevin	Nokes, Caroline	Truss, rh Elizabeth
Donaldson, rh Mr Jeffrey M.	Hollobone, Mr Philip	Norman, Jesse	Tugendhat, Tom
Donelan, Michelle	Holloway, Mr Adam	Nuttall, Mr David	Turner, Mr Andrew
Double, Steve	Hopkins, Kris	Offord, Dr Matthew	Tyrie, rh Mr Andrew
Downen, Oliver	Howarth, Sir Gerald	Opperman, Guy	Vaizey, Mr Edward
Doyle-Price, Jackie	Howell, John	Parish, Neil	Vara, Mr Shailesh
Drax, Richard	Howlett, Ben	Patel, rh Priti	Vickers, Martin
Drummond, Mrs Flick	Huddleston, Nigel	Paterson, rh Mr Owen	Villiers, rh Mrs Theresa
Duddridge, James	Hunt, rh Mr Jeremy	Pawsey, Mark	Walker, Mr Charles
Duncan, rh Sir Alan	Hurd, Mr Nick	Penning, rh Mike	Walker, Mr Robin
Duncan Smith, rh Mr Iain	Javid, rh Sajid	Penrose, John	Wallace, Mr Ben
Dunne, Mr Philip	Jayawardena, Mr Ranil	Percy, Andrew	Warburton, David

Warman, Matt
 Watkinson, Dame Angela
 Wharton, James
 Whately, Helen
 Wheeler, Heather
 White, Chris
 Whittaker, Craig
 Whittingdale, rh Mr John
 Wiggin, Bill
 Williams, Craig

Williamson, rh Gavin
 Wilson, Mr Rob
 Wollaston, Dr Sarah
 Wood, Mike
 Wragg, William
 Wright, rh Jeremy
 Zahawi, Nadhim

Tellers for the Noes:
George Hollingbery and
Margot James

Question accordingly negated.

The occupant of the Chair left the Chair (Programme Order, 8 June).

The Deputy Speaker resumed the Chair.

Progress reported; Committee to sit again tomorrow.

PETITION

Pardon for Dic Penderyn

10.59 pm

Ann Clwyd (Cynon Valley) (Lab): I wish to present a petition on behalf of my constituents in the Cynon Valley, my hon. Friends the Members for Merthyr Tydfil and Rhymney (Gerald Jones) and for Aberavon (Stephen Kinnock), and people from all parts of Wales. On the instruction of Mrs Beryl Astbury and Mrs Pamela Lewis, descendants of Mr Richard Lewis, their solicitor Bernard de Maid has written to the Secretary of State for Justice requesting a pardon for Richard Lewis. I repeat Richard Lewis's last words before his hanging on 13 August 1831, which reaffirm this miscarriage of justice: "O Arglwydd, dyma gamwedd." In English, this means, "Oh Lord, this is injustice."

The petition states:

The Petition of residents of Wales,

Declares that Richard Lewis (known as Dic Penderyn) was a Welsh labourer and coal miner who lived in Merthyr Tydfil; further that he was involved with the Merthyr Rising of 3 June 1831; further that during the riot, he was arrested and charged with stabbing a soldier, Donald Black, with a bayonet; further that the people of Merthyr Tydfil were convinced of his innocence and signed a petition for his release; further that despite this, he was found guilty and hanged on 13 August; further that in 1874, a man named Ianto Parker confessed on his death bed that he stabbed Donald Black; further that James Abbott, who testified against Richard Lewis at the trial later admitted to lying under oath; further that at Mr Lewis' trial, the Prosecution suppressed evidence which would have exonerated him; further that the same evidence, which should have led to his pardon in 1831, was also suppressed by the trial Judge and the Home Secretary; further that there is strong feeling in Wales that Richard Lewis was wrongly executed, that his conviction should be overturned and that he should be granted a pardon.

The Petitioners therefore request that the House of Commons urges the Secretary of State for Justice to grant a pardon to Richard Lewis.

And the Petitioners remain, etc.

[P001530]

Post Office Horizon System

Motion made, and Question proposed, That this House do now adjourn.—(Kris Hopkins.)

11.2 pm

Andrew Bridgen (North West Leicestershire) (Con): I pay tribute to the work carried out on this issue by James Arbuthnot, the former Member for North East Hampshire, and Mike Wood, the former Member for Batley and Spen, both of whom I worked with for more than two years in a working party in search of a fair settlement on this matter. Unfortunately, throughout the process we all lost faith and trust in the Post Office's willingness to investigate the issue properly and thoroughly.

To give some background on how the Post Office has let down sub-postmasters and Members of this House throughout this process, let us consider how it has dealt with the matter from the outset. The Horizon accounting system used by sub-postmasters was introduced some 15 years ago. Almost immediately, a spate of discrepancies began to appear as sub-postmasters attempted to balance their accounts at the end of the day. From that time forward, there has been failing after failing on the part of the Post Office.

The Post Office has finally acknowledged that its help system for the Horizon software was completely inadequate, but even with that admission the Post Office continues in its failure to demonstrate any appetite to deal with issues arising from the Horizon system in a fair and transparent way.

Jim Shannon (Strangford) (DUP): Is there not something disgraceful in the fact that criminal charges were pressed against these sub-postmasters and sub-postmistresses when the fault lay with the Post Office, yet nearly two years after the investigations those charges have not been lifted? The shadow hanging over their heads has not been lifted either. Does the hon. Gentleman not feel that it is time to bring that to an end?

Andrew Bridgen: The hon. Gentleman tells a tale which has been told too long to the working group. We need to bring matters to a head and I hope the debate tonight will give us an opportunity to do so.

The mediation scheme that was set up to handle disputes about the software system has not delivered what Members of this House had understood was agreed at its inception. It was flawed in a number of ways, the most significant being that it excluded those who had pleaded guilty.

Mr Ranil Jayawardena (North East Hampshire) (Con): My constituent, Jo Hamilton, has her case in front of the Criminal Cases Review Commission. Does my hon. Friend agree that for those who pleaded guilty, the CCRC should be given powers to obtain all the papers that it needs from private sector organisations and full access to all Post Office files?

Andrew Bridgen: My hon. Friend makes a good point and he is right. Many people pleaded guilty on advice from lawyers or out of fear of losing their liberty in a lengthy and expensive court battle with the Post Office.

[Andrew Bridgen]

The House should know that the Horizon system has no adequate suspense account function, so it pushes the sub-postmaster who wants to balance his books when the books actually do not balance. This is false accounting and a criminal offence. However, I have seen correspondence that shows that the Post Office has advised sub-postmasters to keep any surplus balances that they discover at the close of business in their safe so that they can put them back when they have a shortage. That is also false accounting and is also a criminal offence.

A further flaw is the fact that issues of concern to the forensic accountants Second Sight, appointed by the Post Office at the request of the working group to assess independently the mediation cases, have been specifically excluded from mediation—for example, the absence or the ignorance on the part of the sub-postmaster of the contract they were under, and the failure of audits and investigation—despite the agreement of Post Office Ltd with Members of this House that the scheme would cover all these issues. This is resulting in what I believe to be 90% of the cases in dispute being excluded from the mediation scheme. This mediation has proven to be a shadow of what was agreed with Members.

I first became involved in this matter several years ago when my constituent Michael Rudkin brought his case to me. My constituent had 15 years' experience as a postmaster and served as a senior member of the national executive. Indeed, he was chairman of the negotiating committee, the most senior post within the National Federation of SubPostmasters, responsible for national negotiations with Post Office Ltd and Royal Mail Group. In short, my constituent knew his job and the organisation inside out. He knew the organisation to the extent that on a visit to the Post Office headquarters in Bracknell, he was shown in error a room where operatives had remote access to the Horizon software and it was demonstrated to him how postmasters' accounts could be altered remotely. The House should know that the Post Office has always maintained that it is not possible to alter accounts in a sub-post office remotely. However, it has recently admitted that this was not the truth.

In a debate in December I went into the details of Mr Rudkin's case. To summarise, his post office branch had a loss in the accounts in excess of £44,000. He was absolved of any knowledge of this loss by Post Office Ltd but ordered to pay back the money at £1,000 per month from his salary. After he had paid back £13,000, Post Office Ltd started proceedings against Mr Rudkin's wife for theft and false accounting. It also applied for a confiscation order to be placed on all his property and had his bank accounts frozen using the Proceeds of Crime Act 2002. This all occurred after my constituent had witnessed the operatives in Post Office headquarters demonstrating their remote access to the Horizon system.

My constituent has gone through the mediation scheme and his experience is that the professional advisers, Aver Ltd, Bill Cleghorn and Emma Porter, are very good. Second Sight has been extremely fair, professional and accurate in its analysis of both systemic and thematic issues within Post Office Ltd. However, the same cannot be said of the Post Office itself. I and my constituent have no faith in its ability to resolve the matter. It is said that justice delayed is justice denied, and this matter has

simply dragged on for too long, with the Post Office seemingly looking for ever more reasons to delay the truth of the matter coming out.

Peter Heaton-Jones (North Devon) (Con): In the past five days I have been alerted to a case in my constituency. Very briefly, the sub-postmistress emailed me to say:

“My post office has been audited today and has been closed due to financial discrepancies as a result, I believe, of the inadequacies of the Horizon system.”

That has left the village without a post office service, and obviously it is also putting an intolerable strain on my constituent. I would be grateful if my hon. Friend and the Minister would consider the impact that that is having.

Andrew Bridgen: My hon. Friend is quite right. When we hear a Post Office spokesperson stating,

“I am really sorry if people have faced lifestyle problems as a result of their having been working in Post Office branches”,

we have to wonder whether the organisation is even aware of the misery it has caused. The fact that Post Office Ltd believes that honest, decent, hard-working people losing their homes, their businesses, their savings, their reputation and, worst of all, in some cases their liberty can be quantified as a “lifestyle change” only serves to show that the organisation is not fit to conduct an inquiry into the matter.

The Post Office mediation scheme has proven to be a sham, Second Sight has proven to be far too independent for the Post Office to stand, and the disdain that has been shown to Members of this House and to sub-postmasters is a disgrace.

Matt Warman (Boston and Skegness) (Con): Does my hon. Friend agree with my constituents Mr and Mrs Hedges, who are sub-postmasters, that in this case the Post Office has treated not only them but this House with contempt?

Andrew Bridgen: Indeed. When we look at the cross-section of Members who have raised the matter, many of whom have served at the highest levels of Government, and who all believe that their constituents have been wronged, how can the Post Office believe that it can continue to sweep the matter under the carpet?

It is most interesting that after two years in which the Post Office has consistently claimed that its Horizon system software is robust and 100% reliable, I now have in my position an email clearly showing that the Post Office is now urgently seeking a replacement software system from IBM. I am sure that the Minister can draw his own conclusion from the happy coincidence that the investigation is now closed. It appears to me that it is indeed now sunset for the Horizon system.

It is therefore my belief, and the view of many Members across the House, that the matter must now be taken away from the Post Office and a judicial inquiry set up. The Post Office has abused its privileged position and sought to cover up its failings by way of a wholly non-transparent approach to the mediation process.

Gerald Jones (Merthyr Tydfil and Rhymney) (Lab): Concerns about the Horizon system are clearly of long standing. In the few weeks that I have been here I have

heard from at least three constituents who have long-standing concerns about the Horizon system, and there are huge problems that are historic. I understand from one constituent that an injunction has been taken out against her for the sale of a property—

Madam Deputy Speaker (Natascha Engel): Order. That intervention has been slightly too long.

Andrew Bridgen: I am not surprised to hear that from the hon. Gentleman. The management style of the senior management at the Post Office is Dickensian, and they have an almost feudal relationship with their sub-postmasters. This is now a national scandal. The Post Office has demonstrated that it is incapable of putting its own house in order, so it falls to this House and to this Government to do so for it. I therefore respectfully ask the Minister for a full judicial review into the Post Office Horizon system and the way in which the Post Office contracts with its sub-postmasters and sub-postmistresses.

11.14 pm

Mr Kevan Jones (North Durham) (Lab): I congratulate the hon. Member for North West Leicestershire (Andrew Bridgen) on securing this debate.

My constituent Tom Brown, a postmaster for 30 years, had a post office in Newcastle. In 2008, he informed the Post Office that there was a problem with his Horizon system, and it took away one of his base units to change it. He was told by the helpline—a euphemism because it has not been very helpful to many sub-postmistresses and sub-postmasters and has actually got them into more trouble—that the system would rectify itself. It did not. The next audit said that his figures were down by £85,000. He was arrested by Northumbria police, and his car and home were searched. Subsequently, the police dropped all charges as there was no evidence against him. Then, for some unknown reason, the Post Office took out a prosecution against him to take him to court for false accounting. That process took until July 2013, when he finally appeared in court for the third time. No evidence was put forward to the court, and after that the case was dropped.

This man has lost his home, his livelihood and his good reputation. He is one of the individuals who have gone through the mediation system, even though, as the hon. Gentleman outlined, the system is a sham. He was given four different dates that were all delayed. He described this to me as six hours of wasted time. The Post Office employed top lawyers from Newcastle to represent it. It again went through what it said was the evidence, and made no offer at all. The system is a sham. As the hon. Gentleman outlined, it has been a way of delaying decisions on these cases.

Mrs Emma Lewell-Buck (South Shields) (Lab): Does my hon. Friend agree that the Post Office has failed to be transparent about this process? My constituent, Mrs Carter, a sub-postmistress, asked the Post Office to audit her branch to get to the bottom of the problem, but it refused to do so.

Mr Jones: I will go further than that. It has not only not been transparent; it has gone out of its way to delay cases and hide evidence.

My concern about the work done by Second Sight is that it suggests that if information is returned to the Post Office, evidence will go missing. That is why I totally agree with the hon. Member for North West Leicestershire that there needs to be an independent judicial inquiry into this—as he described it—national scandal. I am pleased that my hon. Friend the Member for Hartlepool (Mr Wright), the new Chair of the Business, Innovation and Skills Committee, is present for this debate. I urge him and his Committee to look at this as a matter of urgency.

The fundamental point is this: who controls the Post Office? This organisation is out of control. It has led to people's lives being ruined and, as we have heard, in some cases to people being given prison sentences when clearly they are innocent. It is important that we get to the bottom of this. Without a judicial inquiry, I fear that this national scandal will continue and these people's reputations will continue to be blackened.

11.17 pm

The Parliamentary Under-Secretary of State for Life Sciences (George Freeman): I congratulate my hon. Friend the Member for North West Leicestershire (Andrew Bridgen) on securing this debate. I commend him and other hon. Members across the House for raising here and elsewhere the concerns of their constituents—sub-postmasters who face problems. I echo the tributes paid to the former Members for North East Hampshire and for Batley and Spen for their work on this issue. They, my hon. Friend and others can take a great deal of credit for raising this issue and encouraging the Post Office to take action to address sub-postmasters' concerns and to improve business for the thousands of sub-postmasters and staff working in the network today. My hon. Friend kindly informed me before the debate of the points he wanted to raise, and I will try to deal with all his questions, but I want first to set out a little background.

Hon. Members do not need me to wax lyrical about the important role that post offices play in communities in providing access to essential mail, financial and Government services. I am sure that we all agree on and understand that. The Post Office is undergoing a very significant transformation programme to remove central costs, grow new revenue streams and modernise its extensive branch network. Already, more than half of eligible sub-postmasters have benefited from investment in their branches or have signed up to do so. These changes will help the post office network to survive in the digital age. The way we live and communicate is changing, and post offices need to adapt to that. The Government are supporting and investing in the Post Office to ensure that it can become sustainable for the long term and reduce its reliance on taxpayer subsidy. The network is now at its most stable for a generation. Having halted the closure programmes we saw under previous Governments, we are committed to securing the future of 3,000 branches that are the last shop in a local community.

The Government are, of course, the shareholder of Post Office Ltd, and in that role we make sure that there is a wide network of branches across the whole country, and we provide subsidy for the Post Office to do so. We also recognise, however, that it is a commercial business

[George Freeman]

and we allow it to operate as such. Furthermore, as I am sure most hon. Members are aware, the vast majority of post office branches are operated not by Post Office Ltd, but by sub-postmasters. They are independent businesspeople who choose to contract with Post Office Ltd to provide post office services, usually from a small business such as a shop.

Small businesses are the lifeblood of the local economy in so many communities, and Post Office Ltd needs to ensure that it supports its sub-postmasters properly. I am pleased that the Post Office takes that role very seriously and that it has made significant improvements to the way in which it works with its sub-postmasters, not least following many of the cases that hon. Members have raised.

The Post Office already ensures that new sub-postmasters receive full training on all aspects of their role, including the Horizon system, through both classroom and in-branch training. There is also a dedicated helpline available to sub-postmasters to help resolve any issues they are having.

Wayne David (Caerphilly) (Lab): I am listening carefully to the Minister, but surely he accepts that there is a fundamental problem with the Horizon system, because we have heard complaints right across the country from all sections of the population, as well as from the sub-postmasters themselves.

George Freeman: I will come to the quality of the system. It is difficult on the face of it to characterise either the training or the helpline as having been inadequate. The vast majority of people who use or have used the Horizon system since it was introduced 15 years ago have in fact done so successfully. However, there is always room for improvement and the Post Office has implemented a business support programme to that end, including improvements to training, with both classroom and new online training available 24/7; improvements to the Post Office's support helpline, including new ways of identifying and proactively supporting branches in difficulty; and new processes to help sub-postmasters manage their branch and protect against fraud.

I now come to some of the points that have been made about the Horizon IT system. It is used by tens of thousands of people working in the post office network, performing more than 6 million transactions every working day in branches up and down the country, so it is essential that it functions correctly. Like any large IT system, it is subject to rigorous testing, independent audit and industry accreditation. Nevertheless, in the light of the concerns raised about serious glitches in the Horizon system, the Post Office commissioned an independent firm of forensic accountants, Second Sight, to investigate.

Second Sight produced two independent reports—one in 2013 and the other earlier this year—both of which found there was no evidence of systemic flaws in the system. That is an important point that I would like to reiterate in response to the shadow Minister's point: there is no evidence of systemic flaws in the system. Second Sight's reports have, rightly, pointed out some areas where the Post Office could have improved how it

operates, particularly on the training and support that it provided in some individual cases. As I said earlier, the Post Office is acting on those points.

The general secretary of the National Federation of SubPostmasters, George Thomson, told the Business, Innovation and Skills Committee in the last Parliament that the NFSP

"represent 7,000 sub-postmasters...If there was a systemic problem...we would be absolutely inundated."

He went on to say:

"Over the 15 years, the Horizon system has been fantastically robust."

As well as improvements to training and support, the Post Office also launched a mediation scheme so that any current or former sub-postmaster who felt they had problems with the Horizon system could bring forward an application. They would have their cases thoroughly reinvestigated both by the Post Office and by Second Sight, and, if appropriate, proceed to mediation to seek to resolve any issues.

It is important to understand that the mediation scheme is independent of the Government. That is the right approach for something that is a contractual matter between two independent businesses, and we should remember that sub-postmasters are independent businesspeople who have contracts with Post Office Ltd.

Mediation is, of course, a voluntary process. Both parties need to consent to it, and for it to be successful there needs to be a reasonable chance of coming to a common understanding. Sometimes mediation will not be appropriate or will not succeed, but it is important to note that mediation cannot overturn a criminal conviction. I will come back to that point.

My hon. Friend the Member for North West Leicestershire and others have been critical of the mediation scheme and how it is progressing. He mentioned that 90% of cases are being excluded from mediation, but that statistic is not borne out by the information provided by the Centre for Effective Dispute Resolution, which oversees the mediation scheme and is independent.

Carolyn Harris (Swansea East) (Lab): Given the number of postmasters and postmistresses who have been attending MPs' surgeries to discuss this matter, does not the Minister agree that one miscarriage of justice is one too many and that the Post Office has to be accountable for this system?

George Freeman: I absolutely accept that the Post Office must be accountable for any miscarriages and I will make a suggestion at the end about how we might address that.

My hon. Friend the Member for North West Leicestershire raised the case of his constituent Mr Rudkin. As he will understand, I cannot comment on that or any other individual case, because their details are rightly confidential, but I reiterate an offer that has been made to all hon. Members who have a constituent in the scheme: Post Office Ltd has offered to meet to discuss individual cases in detail, provided the applicant gives their consent. I am aware that Post Office Ltd has repeated that offer to my hon. Friend in the last fortnight,

and I hope that he and others will take up that offer. I would be delighted to convene the meeting in my office in the Department if that helps.

I will move on to the points that my hon. Friend made about whether there may have been miscarriages of justice where sub-postmasters have been prosecuted and convicted. The Post Office handles large amounts of public money every day and operates a trusted role in communities, so it is vital that it has processes in place to protect that money and guard against fraud or theft. The Post Office can bring prosecutions against an individual, but it is down to the courts to determine whether they are guilty.

If an individual has been convicted and feels that their conviction is unsafe, they should explore the legal avenues open to them. They should seek advice on whether they can appeal their conviction, or raise their case with the Criminal Cases Review Commission. That is the correct way to deal with these issues if people believe there have been miscarriages of justice. The House cannot overturn a court ruling; nor, indeed, can mediation.

Alex Chalk (Cheltenham) (Con): It is of course for individuals to decide whether they plead guilty and there is of course an avenue of appeal. Is it not important to note, however, that for many of these people the time for an appeal will be long past, so they remain the victims of a grave injustice?

George Freeman: As I say, if any individuals feel that their conviction is unsafe, they can always explore the legal avenues open to them. Where large numbers feel that that is the case, as is alleged, it is perfectly possible for them to bring a class action together. I do not accept that there is a fundamental injustice in the process that prevents people from bringing claims. I accept, however, that it is absolutely vital, where there is a legitimate claim against the Post Office about how it has treated its sub-postmasters, that those claims must be looked at properly.

In the limited time available, I want to move on to the Post Office's approach. Both tonight and elsewhere, my hon. Friend the Member for North West Leicestershire and others have raised the very serious dissatisfaction felt about the way in which the Post Office has handled relations with its sub-postmasters. When this debate was called, I spoke to the Post Office to understand the situation. I have received a letter from its chief executive, Paula Vennells, which I shall send to my hon. Friend and others who have spoken and place in the Library. The letter sets out just how seriously the Post Office has taken this matter. Ms Vennells says:

"We have gone to great lengths...because I was determined that, if there were problems with the Horizon system, these had to be identified and resolved."

I will happily pick up any issues that my hon. Friend or others feel are not addressed in the letter.

As I have already said, the mediation scheme is rightly independent of the Government. It was established jointly by the Post Office and the Justice for Subpostmasters Alliance, working with Second Sight, and it is overseen by an independent chair, a former Court of Appeal

judge. It is right that the details of individual cases should be confidential and that the Post Office respects that.

Andrew Bridgen: The Minister should be aware that one of the criteria given by the Post Office for removing cases from mediation was if a very large claim was involved. Those sub-postmasters who have suffered the greatest loss and the greatest injustice were therefore immediately excluded from the mediation system.

George Freeman: That is a very interesting point, which I will be happy to take up with my hon. Friend, perhaps in the context of what I am about to suggest.

Although it remains the case that there is no evidence that the Horizon system is flawed, if any individual feels that their conviction is unsafe, they can pursue the legal avenues available to them. I do not see any reason for the Government to intervene in this matter by instigating a full judicial inquiry. However, I am struck by the extent of the concern expressed tonight by Members from both sides of the House and during the lead-up to this debate, including some of the specific testimony heard tonight. I will be happy to convene a meeting in the Department, perhaps led by my hon. Friend, with the support of others from across the House—to deal with the point he has just made and one or two others that have been made this evening—and to invite the Post Office to come to that meeting with representatives of sub-postmasters to try to iron out the issues.

My hon. Friend has raised other points that are a matter for the Post Office, rather than for the Government. I have no doubt that the Post Office has listened closely to this debate and will be in touch with him to answer his questions. I agree with him that this matter has gone on for far longer than anyone would wish and, for whatever reason, has been the cause of huge difficulties, trial and unnecessary hardship for a number of the sub-postmasters who have been affected.

The important thing now is for the final cases in the mediation scheme to progress to mediation, and I urge all the parties involved to continue to work together to make that happen. That will help the individuals with cases remaining in the scheme to reach resolution, and it will mean that the Post Office can, working closely and collaboratively with its sub-postmasters, carry on with its essential role of serving communities.

I repeat that some of the points made tonight in the House merit investigation. I will happily convene a meeting in the Department to put those specific points to Post Office Ltd. The system may have generally worked well for the vast majority of users, but that in itself is no reason not to ensure that those who have been legitimately unable to deal with the system should not be penalised unfairly. They certainly should not be made the victim of criminal judgments when their crime is nothing more than being unable to cope with a new IT system. I look forward to raising those points with the Post Office.

Question put and agreed to.

11.30 pm

House adjourned.

Written Statements

Monday 29 June 2015

ENERGY AND CLIMATE CHANGE

Office for Nuclear Regulation (Report to Parliament)

The Minister of State, Department of Energy and Climate Change (Andrea Leadsom): My right hon. Friend the Secretary of State for Energy and Climate Change will today lay before Parliament an annual report to Parliament by the Secretary of State. The report sets out the use of the Secretary of State's powers under part 3 of the Energy Act 2013, which created the Office for Nuclear Regulation.

Both my right hon. Friend the Secretary of State for Department for Work and Pensions and the Office for Nuclear Regulation have been consulted. The report discloses which powers have been used under Section 108 of the Energy Act 2013 during the last financial year (2014-2015). For completeness the report also refers to the exercise of powers in the first short reporting period of ONR from 10 March 2014 to 31 March 2014.

[HCWS65]

FOREIGN AND COMMONWEALTH OFFICE

Magna Carta

The Minister of State, Foreign and Commonwealth Office (Mr Hugo Swire): It is normal practice, when a Government Department proposes to undertake a contingent liability in excess of £300,000 for which there is no specific statutory authority, for the Minister concerned to present a departmental Minute to Parliament giving particulars of the liability created and explaining the circumstances; and to refrain from incurring the liability until fourteen parliamentary sitting days after the issue of the Minute, except in cases of special urgency. I have today laid a departmental Minute proposing to provide an indemnity of £24,000,000 in respect of the Foreign and Commonwealth Office-approved global tour of the Magna Carta and King's Writ celebrating the 800th anniversary. This indemnity will last from 1 September until 31 December 2015 and will cover loss or damage of the documents in this period. The 800th anniversary of the sealing of Magna Carta provides a unique opportunity to support our diplomatic and

economic objectives. This global tour supports the UK's position as a mature democracy built upon the values it promotes globally, and our established position as a centre of finance, commerce and law. We have secured the agreement of the Dean and Chapter of Hereford Cathedral to use their 1217 Magna Carta and only surviving King's Writ from Runnymede 1215 for this tour. If the liability is called, provision for any payment will be sought through the normal supply procedure. The Treasury has approved the proposal in principle. If, during the period of fourteen parliamentary sitting days beginning on the date on which this Minute was laid before Parliament, a Member signifies an objection by giving notice of a parliamentary question or by otherwise raising the matter in Parliament, final approval to proceed with incurring the liability will be withheld pending an examination of the objection.

[HCWS66]

PRIME MINISTER

Committee on Standards in Public Life (Report)

The Prime Minister (Mr David Cameron): "Tone from the Top—Leadership, Ethics and Accountability in Policing", the 15th report of the Committee on Standards in Public Life has been published by the Committee today. I have laid the report before the House and copies have been placed in the Libraries of both Houses. It is also available online at: <http://www.parliament.uk/writtenstatements>.

[HCWS64]

WORK AND PENSIONS

Office of Nuclear Regulation (Annual Report and Accounts)

The Parliamentary Under-Secretary of State for Work and Pensions (Justin Tomlinson): Later today the Office for Nuclear Regulation's annual report and accounts for 2014-2015 (HC 164) will be published. Having consulted the Secretary of State for Energy and Climate Change who is accountable for nuclear security and the Office for Nuclear Regulation, I can confirm, in accordance with Schedule 7, Section 25(3) of the Energy Act 2013, that there have been no exclusions to the published document on the grounds of national security.

[HCWS63]

ORAL ANSWERS

Monday 29 June 2015

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