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**HOUSE OF COMMONS
OFFICIAL REPORT**

**PARLIAMENTARY
DEBATES**

(HANSARD)

Thursday 29 October 2015

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The House met at half-past Nine o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

BUSINESS BEFORE QUESTIONS

TRANSPORT FOR LONDON BILL [*LORDS*]

Motion made,

That the promoters of the Transport for London Bill [*Lords*], which was originally introduced in the House of Lords in Session 2010-12 on 24 January 2011, may have leave to proceed with the Bill in the current Session according to the provisions of Standing Order 188B (Revival of Bills).—(*The First Deputy Chairman of Ways and Means.*)

Hon. Members: Object.

To be considered on Thursday 5 November.

Oral Answers to Questions

TRANSPORT

The Secretary of State was asked—

Vehicle Emissions Regulation

1. **Holly Lynch** (Halifax) (Lab): What the implications are for his Department's policies on vehicle emissions regulation and low-emission vehicles of Volkswagen Group's use of defeat devices. [901862]

The Secretary of State for Transport (Mr Patrick McLoughlin): The current differences between laboratory testing and real-world emissions are unacceptable. The UK has been actively pressing Europe to address this problem, and the agreement we secured in Brussels yesterday to introduce real-world testing in 2017 is an important milestone. However, we will continue to press at EU level for a comprehensive approach on emissions testing that restores consumer confidence and delivers our wider air quality and climate objectives. In addition, we will continue our programme of support for ultra-low emission vehicles.

Holly Lynch: Volkswagen's new CEO has said that all the affected vehicles will be fixed by the end of 2016, but the UK managing director has said that this might not be deliverable. What assurance can the Secretary of State give that he is working with Volkswagen to ensure that the affected vehicles will be fixed by the end of 2016?

Mr McLoughlin: I will be looking to Volkswagen—which, it has to be said, has acted disgracefully in this whole episode—to ensure that it lives up to the expectations that it promised originally, and we will be working to make sure that that does happen.

Will Quince (Colchester) (Con): Does my right hon. Friend agree that Volkswagen has shattered trust in motor vehicle testing and that we need to move at pace to real-world testing to restore confidence among the public?

Mr McLoughlin: I certainly do agree with my hon. Friend. When I appeared before the Select Committee a few weeks ago, I made that position abundantly clear. The progress we made yesterday is progress in the right direction.

Mrs Louise Ellman (Liverpool, Riverside) (Lab/Co-op): The still-unfolding scandal of Volkswagen has lifted the lid on a much more widespread problem about emissions testing that was known about for a very long time. Why did not the Department act sooner to do something about it?

Mr McLoughlin: The hon. Lady says that it was known about for a long time. In 2001, the number of diesel vehicles sold in this country was 460,000, or 17%, while in 2009 it was 815,000, or 41%. So if it was known about for some time, it is not this Government who are culpable but the previous one.

Mark Pawsey (Rugby) (Con): Does the Secretary of State agree that the quest to improve air quality in our cities will be assisted by the new zero-emission-capable TX5 London taxi that is being developed in my constituency?

Mr McLoughlin: I completely agree with my hon. Friend. I have had the opportunity of travelling in one of those taxis. As I said, part of the answer is that we will continue our programme of support for ultra-low emission vehicles. That is very important.

Jim Shannon (Strangford) (DUP): Some 1.2 million cars have been affected across the UK. It is important to be mindful of the innocent drivers, as of course they all are, who are now facing a higher road tax bill and a decreased sale value. Does the Secretary of State agree that the full financial implications of this disgraceful thing that has happened should be placed at the feet of Volkswagen and Audi?

Mr McLoughlin: Motorists will not face any increase in taxes—we have made that fairly clear—but this is one of the issues that VW will have to address in due course.

Richard Burden (Birmingham, Northfield) (Lab): Is not the reality, though, that Ministers' statements are leaving motorists and people concerned about air quality none the wiser? Will the Secretary of State clear the air on one point, which is what happened at the EU Technical Committee yesterday? It was not just about setting a timetable for new cars to conform with existing emissions, was it? Did it not also involve an open-ended permission to breach those limits by 50%, and is not that what the UK representative voted for?

Mr McLoughlin: What was important yesterday is that we got agreement for real-world emissions testing right across the whole of Europe. That has been objected to in the past. We pressed for it in May, and I am very pleased that we achieved it yesterday. If the hon. Gentleman

says that it is not as much as he would like or as fast as he would like, I would say that we have made more progress in six months of this new Conservative Government than was ever made by the previous Government.

Great Western Main Line

2. Deidre Brock (Edinburgh North and Leith) (SNP): What assessment has his Department made of whether the Great Western main line electrification project represents value for money for the public purse. [901863]

The Secretary of State for Transport (Mr Patrick McLoughlin): The Government remain committed to delivering the vital benefits that the projects will provide to passengers. As part of the re-planning of the programme, I expect Sir Peter Hendy to ensure that the schemes deliver value for money for taxpayers and passengers.

Deidre Brock: Does the Secretary of State agree that the tripling of costs to more than £2.5 billion is quite breathtaking? Will he take the time to learn lessons from Scotland, where major capital projects are coming in on time and on budget, largely as a result of proper planning and good contract negotiation, so that further public money is not thrown away in this cavalier fashion?

Mr McLoughlin: I am always willing to learn lessons from wherever they are valid, be that Scotland or anywhere else, although I will not be looking to Scotland for advice on providing tram systems. As a member of the Public Accounts Committee, the hon. Lady was in a position to hear the evidence from both Mark Carne and the permanent secretary to the Department. Some of the costs of such electrification programmes have run over budget. That is not acceptable, but they are huge and very important schemes. I think that regenerating our railway system and making it modern for the 21st century is very important.

Michelle Donelan (Chippenham) (Con): In regards to the value for money of the Great Western main line, does the Secretary of State agree that electrification is just one of the factors that makes reopening Corsham station a more viable project and one that needs to remain high on the agenda?

Mr McLoughlin: I am sure that that will remain high on the agenda as long as my hon. Friend continues to press for it. I know that she has met the Under-Secretary of State for Transport, my hon. Friend the Member for Devizes (Claire Perry), to press the case. I look forward to discussing it with the rail Minister to see whether we can help my hon. Friend to get what she wishes.

Nick Smith (Blaenau Gwent) (Lab): The electrifications of the Great Western and of the valley lines are two sides of the same coin: both mean a great deal to the south Wales economy. What discussions has the Secretary of State had with his Welsh Government counterpart on the delivery date for electrification of the valley lines, including the Ebbw Vale to Cardiff line?

Mr McLoughlin: We have made money—£125 million—available to the Welsh Assembly. I have met Edwina Hart to discuss this programme, and I am also in

regular contact with my right hon. Friend the Secretary of State for Wales. It is, however, for the Welsh Assembly to come forward with its plans.

Mr Philip Hollobone (Kettering) (Con): I congratulate the Secretary of State on his confirmation that the midland main line will be electrified to Kettering by 2019. Will he assure the House that the lessons learned from the Great Western electrification will be applied to that line so that its electrification can be delivered quickly and efficiently?

Mr Speaker: That was a neat body swerve by the hon. Gentleman to ensure that his question was definitively in order—a textbook example to colleagues.

Mr McLoughlin: Was that the answer, Mr Speaker? [*Laughter.*] I have now forgotten what the question was.

I certainly agree with my hon. Friend that it is very important to re-establish the midland main line electrification programme. He will know that I use that line regularly. Lessons do need to be learned. Of course, the electrification work had already started. What is important about the Hendy work and the Hendy plan that is currently being developed is to look at the development of the whole line, because certain things can be done on the midland main line to increase speed, which is also very important.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): One of the main reasons for escalating cost is schedule 4 compensation payments to train operators. Owing to the vast sums of public money involved, is it not in the public interest to publish the amount of schedule 4 compensation payments? That money should be spent on improving public infrastructure, not lining the pockets of shareholders.

Mr McLoughlin: It is very important to make the best we can of the huge investment that we are putting into the railways overall. I am very proud of the improvements that are taking place on the Great Western railway line, of which electrification is a part. The completion of Reading station and the flyover that it provides, meaning that the line is no longer held up by freight trains, has been a major improvement, which serves the hon. Gentleman's constituents and those in the south-west incredibly well.

Level Crossing Safety (Bassetlaw)

3. John Mann (Bassetlaw) (Lab): What assessment has his Department made of level crossing safety in Bassetlaw constituency. [901864]

The Parliamentary Under-Secretary of State for Transport (Claire Perry): Network Rail assesses the risks at the 6,200 level crossings on main lines, with oversight provided by the regulator. The UK already has the best level crossing safety record in the EU, but Network Rail—supported by this Government, with dedicated funding—is working to reduce that risk still further.

John Mann: What a load of waffle. After the Beech Hill tragedy in Bassetlaw in 2012, Network Rail said it would get rid of all eight level crossings on the east

coast mainline in Bassetlaw. It has had a public consultation on the schemes, but what has happened in recent months? The money has been pulled. Will the Minister and the Chancellor meet Network Rail, to ensure that the money is put back in? It is good for business, good for the economy, good for safety and good for the people of Bassetlaw.

Claire Perry: The tragic accident that resulted in the loss of life of Emma Lifsey happened in the hon. Gentleman's constituency. Anyone who has read about it will know that it was a dreadful tragedy. After that incident, the rail accident investigation branch made four recommendations that meant that such an accident could never happen again. I have been told they have been implemented across the network, but I want to follow up on that and make sure.

The hon. Gentleman refers to the plan to close the 73 crossings on the east coast mainline. That work has been progressed, but we cannot just shut off communities that rely on some of those contacts.

John Mann *indicated dissent.*

Claire Perry: The hon. Gentleman shakes his head. He should do my job and listen to people campaigning to keep level crossings open. The work will happen. It is absolutely right to focus on it and we will continue to fund it. There is no shortage of money for it—£109 million will be spent on making level crossings safer.

High Speed 2

4. **David Mowat** (Warrington South) (Con): What progress the Government have made on finalising the route for phase two High Speed 2. [901865]

The Parliamentary Under-Secretary of State for Transport (Mr Robert Goodwill): We have committed to setting out the Government's plan for the HS2 phase two route in an update to the House before the end of this year.

David Mowat: I thank the Minister for the time he and his officials have spent with me recently to discuss the Golborne link. The initial justification for the link was a proposed depot in Wigan, but that depot will now not be located in Wigan. The only justification that remains is the 10 minutes saved by train journeys north of Wigan. Will the Minister confirm that if that standalone link north of Manchester goes ahead, it will be subject to a separate business case so that we can examine its business case review?

Mr Goodwill: We are certainly considering all the recommendations made by Sir David Higgins in his report, "Rebalancing Britain". Sir David believes that the link to the west coast mainline is needed sooner rather than later. The alternative, which would mean linking to the west coast mainline at Crewe, would mean upgrading the west coast mainline to take on the additional services. That could be costly and disruptive. Indeed, it would incur those dreadful words, "Replacement bus services," for many weeks.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): May I beg the ministerial team for a moment of sanity on HS2? The latest evaluation says that, with the hidden

costs, the cost will rise to £160 billion for a country that cannot even keep its national health service running. Is it not about time that we look at this in a ruthless manner and tell Lord Adonis, who calls himself the godfather of HS2, to get his act together? Let us stop this nonsense and invest in things that really work.

Mr Goodwill: That is not what Lord Adonis was saying when he was Secretary of State for Transport. I am very pleased that Lord Adonis is engaging with this Government in delivering massive infrastructure improvements. The question the hon. Gentleman needs to ask himself is: what is the cost of not progressing HS2? It is about the capacity and the great cities of the north, which are crying out for that additional capacity and the wealth it will bring to the north.

Mrs Cheryl Gillan (Chesham and Amersham) (Con): Of course, HS2 should have started in the north. On phase 2, may I also appeal for sanity from the Government? Will they review the hybrid Bill process and the cruel and unfair compensation scheme? The hybrid Bill process for phase 1 has been convoluted, impenetrable, protracted and painful, not just for the MPs on the Committee, but, more importantly, for the people affected by the project. It is ironic that we are using such a snail-like process for something that is supposed to be high speed. The hybrid Bill process is not fit for purpose. We should modernise it and bring it into the 21st century.

Mr Goodwill: I pay tribute to those Members who have doggedly sat on the hybrid Bill Committee and listened to petitions in such an admirable way. Many of the petitions did not reach the Committee, because we managed to reach agreement beforehand. On the question of building HS2 from the north first, it will still end up in London, whichever end it starts at. It is between Birmingham and London that the capacity is needed as a matter of urgency.

Maggie Throup (Erewash) (Con): Will my hon. Friend meet me and a delegation from Erewash Borough Council to discuss its proposals to mitigate the impact of the route for phase 2 of HS2 on local residents and businesses, especially in and around Long Eaton?

Mr Goodwill: We have not finalised the route, so it might be premature to have that meeting. As I have said, we will update the House before the end of the year. At that point, it will be very appropriate to meet a number of communities up and down the line of route.

Public Transport Accessibility (Disabled Passengers)

5. **Susan Elan Jones** (Clwyd South) (Lab): What recent assessment he has made of the effectiveness of his Department's policies on increasing access to public transport for disabled passengers. [901866]

11. **Chi Onwurah** (Newcastle upon Tyne Central) (Lab): What recent assessment he has made of the effectiveness of his Department's policies on increasing access to public transport for disabled passengers. [901873]

The Parliamentary Under-Secretary of State for Transport (Andrew Jones): We have made significant progress on increasing access. By the end of the year, we expect around 75% of rail journeys to start or end at a step-free

station. That is an increase from around 50% when the Access for All programme started. That programme will deliver 151 step-free routes at stations this year. On the buses, only 57% met accessibility regulations in 2009-10. That number is now nearly 90% and rising.

Susan Elan Jones: I know that every Member of the House will want to congratulate the friends of Chirk station on their sterling work and the Labour Welsh Government for the massive investment in that station, which means that it will be totally accessible to disabled people from the end of next month. Many of us are very concerned, however, about the slashing of funding for the Access for All programme by 42%. It is a basic programme that provides ramps, lifts and the like. Will the Minister tell us why the Government are doing that and why they have not changed their mind?

Andrew Jones: I am aware of the installation of the new footbridge at Chirk station, which will vastly improve the facilities there, but I do not recognise what the hon. Lady says. The Access for All programme has been a great success. We are building on the success of the programme that was launched by the previous Government. So far, £386 million has been spent and about 1,200 stations have benefited from smaller-scale improvements. To build on the success, a further £160 million of funding has been allocated in the last year, which will extend the scheme to a further 68 stations.

Chi Onwurah (Newcastle upon Tyne Central) (Lab): I am sure that you, Mr Speaker, and the Minister will join me in congratulating Northumbria University on its new chancellor, Baroness Tanni Grey-Thompson. [HON. MEMBERS: "Hear, hear."] Thank you. To get to Newcastle, the chancellor has to propel herself up the impossibly steep footbridge ramp at Eaglescliffe station, which is treacherous in difficult weather. Network Rail says that it cannot afford to put in a lift. Is that the result that the Government expected when slashing the Access for All grant by 42%?

Andrew Jones: Baroness Grey-Thompson is an extremely impressive figure and the university will benefit from her involvement.

Mr Ben Bradshaw (Exeter) (Lab): Not if she can't get there!

Andrew Jones: Of course she has to get there and I will look into the case of Eaglescliffe station.

The point remains that the Department for Transport is committed to ensuring that disabled people have the same access to transport services and opportunities as other members of society. That is why we are fully backing the Access for All programme and rolling out more disability access to buses. That is a measure of its success. The programme has generated a positive response. Research at stations that have benefited from the programme has found that passengers with mobility impairment have a better travelling experience as a result, and that goes up among those who have wheelchair issues.

Mr Speaker: We are all now better informed.

Daniel Zeichner (Cambridge) (Lab): The Minister will know that about 60% of disabled people live in a household without a car and that disabled people use buses 20% more than others. He will also know that

since 2010, 70% of local authorities have cut funding for bus services. We know that more cuts are on the way, like those that were announced in my county this week. Does he understand what impact those cuts will have on disabled people? What proper assessment has he made of the potential impact on disabled people?

Andrew Jones: First, I welcome the hon. Gentleman to his place. I am acutely aware of how important buses are for disabled people, as well as for other communities. That is why I have been a great champion of the bus industry. Of course, the implications for all bus users are considered when budgets are planned.

Rail Electrification

6. **Dr Rupa Huq** (Ealing Central and Acton) (Lab): What recent progress his Department has made on its rail electrification programme. [901867]

14. **Andy McDonald** (Middlesbrough) (Lab): What recent progress his Department has made on its rail electrification programme. [901877]

16. **Mr David Hanson** (Delyn) (Lab): What recent progress his Department has made on its rail electrification programme. [901879]

The Secretary of State for Transport (Mr Patrick McLoughlin): Since 2010 my Department has overseen the successful delivery of 50 miles of electrified track. In the constituency of the hon. Member for Ealing Central and Acton (Dr Huq) construction is under way between Ealing Broadway and Acton mainline stations, to remove slow-moving freight trains off the line and enable high-frequency electric Crossrail trains to service her constituents from 2018. From Paddington and through her constituency to Bristol and on to Cardiff, Network Rail has installed around a quarter of the 14,000 piles needed to turn the centuries-old Great Western line into an electric railway fit for the 21st century.

Dr Huq: Will the Secretary of State ensure that electrification of the Great Western main line goes ahead on time, along with other improvements on the route, to deliver quickly the benefits for passengers into Paddington? My constituents cannot wait until 2019 and the start of Crossrail for the extra services that are so badly needed.

Mr McLoughlin: I am sorry that the hon. Lady's constituents cannot wait until 2019—they waited for 13 years between 1997 and 2010 with nothing happening.

Andy McDonald: Teesside has had a hammering in this place over the past weeks, but we are a resilient bunch and nothing demonstrates that better than the magnificent victory at Old Trafford last night. We are top of the league on the electrification taskforce list for the connection between Northallerton and Middlesbrough. Can the Secretary of State indicate when we might expect progress on that important economic development?

Mr McLoughlin: I congratulate the hon. Gentleman because I, too, am a football supporter—I support Derby County and any team that plays Manchester United—and his team has done incredibly well. He makes a fair point, and Network Rail uses a huge

amount of steel, which helps his constituency. I will look into his point and write to him once I get the results of Peter Henty's re-plan.

Mr Hanson: The Chancellor of the Exchequer visited north Wales in July and said that he will "look at" the case for electrification of the line from Crewe to north Wales. Will the Secretary of State define what "look at" means, and say whether it will mean look at and deliver, or just look at?

Mr McLoughlin: It means that I will take no lessons from someone who, between 1997 and 2010, supported a Labour Government who managed to achieve the great amount of electrification of 10 miles—13 years, 10 miles. We will certainly look at electrification as that is the way forward for the railways, and I will consider that along with other plans for control period 6.

Mr David Nuttall (Bury North) (Con): As I witnessed again last Monday, passengers travelling between Bolton and Manchester are frequently squashed like sardines on that line. Will the Secretary of State update the House on how engineering works on the line are coming on, and particularly the reboring of the tunnel at Farnworth?

Mr McLoughlin: My hon. Friend is right about what we need to do. Farnworth tunnel has had problems but it has now been completed, and that will help to increase capacity on the line. The changes and increased capacity that my hon. Friend rightly wants for his area will take place, and I pay tribute to all those who have worked tirelessly on the Farnworth tunnel, which is now running on time.

Nigel Mills (Amber Valley) (Con): I welcome the unpausing of work on electrifying the Midland mainline. As most of that work will slip into the next control period, will the Secretary of State ensure that the line through Langley Mill and Atherton is also electrified? That project has a robust business case and will improve the resilience of the whole line and services to my constituency.

Mr McLoughlin: As a member of the Public Accounts Committee, my hon. Friend heard evidence a few weeks ago from the chief executive of Network Rail. His point about looking at all the lines as a total is important, and I will bear his comments in mind.

Jason McCartney (Colne Valley) (Con): I very much welcome the news that the electrification of the trans-Pennine route is now fully back on track. Will the Secretary of State say what new improved benefits the new scheme will bring to commuters in west Yorkshire?

Mr McLoughlin: We are looking at substantial improvements in linking up the main cities in the north—between Manchester, Leeds, Sheffield and Newcastle. What we are planning will bring more seats and capacity. It is absolutely essential that that is got on with.

20. [901883] **Paul Blomfield (Sheffield Central) (Lab):** In response to an earlier question, the Transport Secretary rightly pointed out that other line improvements are required in addition to electrification on the midland

main line. Will he therefore update the House on progress in finalising the funding for all those improvements, including those at Market Harborough, to which the Government are committed?

Mr McLoughlin: We have covered £38.5 billion of investment in Network Rail over this control period. We are looking at ways in which other funding can be made available.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): It was reported this week that due to the delay to the Great Western electrification programme taxpayers could be paying £3 million a week for trains that cannot move anywhere, or that they might have to foot the bill for fitting diesel engines to electric trains. Will the Secretary of State tell us who is to blame for this fiasco? Is it Network Rail for the delay to the work, is it the Department for Transport for signing the contract in the first place, or is it simply a symptom of the privatised structure of our railway that causes the kind of fragmentation that makes disasters like this frankly inevitable?

Mr McLoughlin: I welcome the hon. Gentleman to his position. He talks about privatised railways leading to this kind of disaster. This is a great example of somebody who has not held ministerial office, or who has just been in opposition, being able to forget everything that happened in the past. I remember, however, what the Labour candidate for Mayor of London, the right hon. Member for Tooting (Sadiq Khan), said:

"one reason we are able to invest record sums in our railway service is the revenues that the franchises bring in and the premiums that they pay".—[*Official Report*, 1 July 2009; Vol. 495, c. 430.]

We are seeing record investment in our railway because of how we are running it. At the time it was fully nationalised we saw a declining railway, a useless railway, a railway that was not fit for purpose—something the Labour party wants to go back to.

Network Rail

7. **Chloe Smith (Norwich North) (Con):** What recent discussions he has had with Network Rail. [901869]

The Secretary of State for Transport (Mr Patrick McLoughlin): I meet regularly with senior officials of Network Rail to discuss a wide range of key issues facing the company. Recent meetings have majored on Sir Peter Henty's review of the control period 5 enhancement programme.

Chloe Smith: Will the Secretary of State reiterate the Government's commitment to the recommendations of the Great Eastern main line taskforce, which brings benefits to all counties on its route? Will he ensure that Network Rail delivers the necessary improvements to track in East Anglia in CP5 and CP6?

Mr McLoughlin: Yes. I am very glad to say that we have been able to issue the invitation to tender in relation to the East Anglia franchise, something on which my hon. Friend has been very persistent. Services to Norwich in 90 minutes and services to Ipswich in 60 minutes form part of that tender. She is right about the other improvements we need to look at as well. She can take my assurance that I will raise them with Sir Peter Henty when I meet him later today.

Derek Twigg (Halton) (Lab): What recent discussions has the Secretary of State had with Network Rail regarding the electrification of the Liverpool-Manchester line that passes through Widnes and Warrington?

Mr McLoughlin: I think I need a bit more direction on what the actual question is. There has been electrification of the line between Liverpool and Manchester, which is very welcome. We now have electric trains running on that line and there will soon be more. If the hon. Gentleman has a more specific point, perhaps he would like to write to me.

Scott Mann (North Cornwall) (Con): During the great storms in the west country in early 2014, we found our main line route to Cornwall floating in the sea. The Peninsular Rail Task Force put together three proposals, including the Okehampton link. Have any conclusions been reached? It would add huge benefits to our economic potential in North Cornwall.

Mr McLoughlin: I well remember the situation at Dawlish. I also remember the valiant way Network Rail worked to restore that link. It did an exceptional job in very difficult circumstances, so even at this stage I would again like to add my thanks to all the people who worked on that scheme to restore the link. My hon. Friend is quite right about the taskforce that the peninsular group has brought forward. We are looking at its report and will have further comments to make once the re-planning of CP5 is undertaken by Sir Peter Hendy.

Bill Esterson (Sefton Central) (Lab): The very welcome creation of the National Training Academy for Rail will help to plug some of the skills shortage, which is behind many of the delays to electrification, but does the Minister share my concern that the proposed 40% cut to the budget of the Department for Business, Innovation and Skills will undermine the academy's ability to deliver on the skills shortages?

Mr McLoughlin: The hon. Gentleman is absolutely right about the academy at Northampton, which I visited a few months ago and which my hon. Friend the rail Minister opened just a few weeks ago. It will play an important role in upskilling, but it is not just about upskilling the state; it is about upskilling the whole industry and bringing it together. That is one reason I asked Sir Terry Morgan, the chairman of Crossrail, to co-ordinate an apprenticeships programme right across the transport sector.

Skills Development (Infrastructure Programmes)

8. **Stephen Metcalfe** (South Basildon and East Thurrock) (Con): What steps his Department is taking to support skills development to help deliver the Government's transport infrastructure programmes. [901870]

The Parliamentary Under-Secretary of State for Transport (Andrew Jones): On 21 August, my right hon. Friend the Secretary of State for Transport announced the appointment of Terry Morgan, the chair of Crossrail, to develop a transport and infrastructure skills strategy. The strategy will help ensure that the transport industry has the right people with the right skills at the right time to deliver the Government's unprecedented programme of transport infrastructure investment.

Stephen Metcalfe: I was recently fortunate enough to visit Prospects college of advanced technology in Basildon, which has created a unique partnership between engineering and construction companies to train the next generation of skilled technicians. May I invite my hon. Friend to look closely at its model and perhaps even to visit PROCAT, with a view to widening that range of opportunities across the whole country to give our young people the skills they will need to deliver our plans?

Andrew Jones: I will certainly look at the approach taken by PROCAT, and I would like to visit, because it is vital that colleges and universities work in partnership with employers to ensure that young people get the skills the industry needs. Skills are particularly crucial within the transport sector, as more and more skilled people are required. I will also highlight the work of PROCAT to Sir Terry Morgan as he develops our skills strategy.

Sammy Wilson (East Antrim) (DUP): The road haulage industry is an important element of the transport infrastructure, as it contributes to the smooth running of the economy and helps the Government to drive up exports. This week, it reported a recruitment shortage of 54,000 drivers, which is likely to increase because of the ageing population. What discussions has the Minister had with the Business Secretary to ensure that young people are encouraged to take up the opportunities available within the transport road haulage industry?

Andrew Jones: The industry has a responsibility to bring new people in, but I am aware of the recruitment challenges it faces. There is also a retention issue. I have met with the industry several times and will continue to do so. It is most important that this critical industry brings people into it. Without our logistics industry performing at a high level, our country would grind to a halt in a couple of days.

Plymouth Airport

9. **Oliver Colvile** (Plymouth, Sutton and Devonport) (Con): What progress his Department has made on assessing the viability of reopening Plymouth airport. [901871]

The Parliamentary Under-Secretary of State for Transport (Mr Robert Goodwill): The Chancellor announced in the March 2015 Budget report that

“the government will commission a new study into the possibility of reopening Plymouth Airport.”

I am keen to determine the final form and scope of the study, and how best to take it forward.

Oliver Colvile: As my hon. Friend knows, Plymouth will be the focus of global attention in five years when, during the Mayflower 2020 celebrations, we commemorate the date the Mayflower set sail to found the American colonies. Does my hon. Friend agree that if these celebrations are to be a major tourism success, it is important that people can get to Plymouth, and that this means improved roads and railways and better air links?

Mr Goodwill: Well, that new colony certainly worked out well.

My hon. Friend is right that investment in infrastructure is vital to the economic development of the south-west, which is why we have committed £31 million to improving the resilience of the Great Western route. We have already heard about the £40 million used to fix Dawlish and the long-overdue investment in the A30 and the A303, which have long been the scourge of tourists and business people travelling to the south-west.

Cross-channel Transport Links

10. **Karen Lumley** (Redditch) (Con): What steps his Department is taking to ensure that cross-channel transport links remain open. [901872]

The Parliamentary Under-Secretary of State for Transport (Mr Robert Goodwill): Recent improvements to security measures include fencing, additional security guards, dogs, and improved CCTV and thermal imaging cameras. In addition to these measures, the French Government have committed very significant police resources to the Calais area.

Karen Lumley: On my summer business tour, I met lots of exporters in Redditch having terrible trouble getting their goods into Europe. Can my hon. Friend assure me and Redditch businesses that his Department is doing everything possible to ensure that my businesses prosper in the future?

Mr Goodwill: The channel link is certainly vital to the whole UK economy, and particularly to the haulage industry. I was recently at Folkestone and saw some of the problems at first hand. In particular, there were issues with regard to just-in-time delivery of parts for the motor industry, steel rails produced in Scunthorpe that are exported to the continent, and lobsters produced in my constituency that travel in trucks across to customers in France and Spain.

Helen Whately (Faversham and Mid Kent) (Con): This summer the M20 through my constituency was closed for 32 days. I am grateful for the attention that the ministerial team is giving to solving the problem. Will the Secretary of State update me on the progress being made to avoid a repeat of this summer's closure next summer?

Mr Goodwill: The key to preventing any recurrence of the problems we have had this summer is sorting out the issues in France. I am pleased to say that the MyFerryLink industrial dispute has been resolved, so we do not have that additional problem. The Government put in place a contingency plan at Manston, which would have relieved the problem further. It is certainly important to look at how to improve the situation when, for whatever reason, we have disruption on the channel.

Airports Commission Report

12. **Peter Grant** (Glenrothes) (SNP): What discussions he has had with Ministers in the Scottish Government on the Airports Commission's final report, published on 1 July 2015. [901874]

The Parliamentary Under-Secretary of State for Transport (Mr Robert Goodwill): I have had no representations on this particular topic, but I look forward to a productive engagement with all the devolved Administrations on this subject.

Peter Grant: The Minister may not be aware that as part of the very expensive lobbying campaign undertaken on both sides of the airport expansion debate, passengers using Scottish airports are being deliberately targeted in an intense scaremongering campaign, trying to persuade us that if the decision goes the wrong way, Scotland will be cut off from the rest of the world. That is clearly just scaremongering, as that is not going to happen. Depending on how the decision goes, it has the potential to bring significant benefits to Scotland, but also the potential to cause significant damage to Scotland. Will the Minister give an assurance that when the time comes he will make representations through the appropriate channels to ensure that all Members can play a full and equal part in the debate?

Mr Goodwill: I have to say that the representations I have received from Scotland, the north of England and Northern Ireland underline the importance of having good connectivity to international routes, which may be brought about through additional runway capacity in the south-east. Indeed, we have already provided some help to the Dundee service to allow passengers to reach the capital, albeit not to a hub, in that way.

Mr Christopher Chope (Christchurch) (Con): Does my hon. Friend agree that expanding Heathrow and connectivity with Scotland and the Scottish airports is one of the best things we could do to strengthen the United Kingdom?

Mr Goodwill: The Government will make an announcement in response to the Airports Commission's report in due course, but I think it would be premature to make any additional comment at this stage.

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): In his statement on the Airports Commission, the Secretary of State for Transport promised a decision before the end of the year. On the subject of regional airports, we agreed at that time about the commercial, economic and social connectivity that is required. The Secretary of State referred to

"the slots needed by Scottish airports and other airports that have lost them, and I hope we can address that. I want to reflect on that point while considering the whole report."—[*Official Report*, 1 July 2015; Vol. 597, c. 1486.]

Does he still agree about the importance of this development for Scotland's regional airports such as Inverness and Dundee, and has there been any progress in his thinking on a review of route development and public service obligations?

Mr Goodwill: I have always made clear the importance with which I view local airports and regional international airports and how big a part they play in the economic development of areas, particularly in Scotland. We need to look at aviation as a whole. Certainly the representations I receive stress the importance of connectivity—whether it be through Amsterdam, Schiphol, Paris, Frankfurt or indeed to slots that may become available in the south-east.

Drew Hendry: Given that recognition of the importance of this issue, will the Minister confirm that any decision on the development of a third runway at Heathrow or development at Gatwick would not have to go through an additional stage in the legislative process? With a veto on Scottish MPs suggested by the hon. Member for Milton Keynes South (Iain Stewart), an assistant to the Scottish Secretary, what will the Minister do to make sure that this subject will be “delivered from EVEL”?

Mr Goodwill: I think it would be premature to enter into that particular discussion. I am always in favour of jumping one’s fences when one reaches them.

21. [901884] **Dr Tania Mathias** (Twickenham) (Con): How many of the 47 recommendations ignored by the Airports Commission would have benefited Scotland, and would those recommendations have increased the number of domestic flights, unlike the Heathrow option, which would decrease it?

Mr Goodwill: One of the concerns that I have picked up around the country, outside the south-east, is that owing to the pressure for slots at both Heathrow and Gatwick at peak times, connecting flights coming in from other parts of the country are always an issue, and we are well aware of the acute need for that issue to be addressed.

Railway Upgrading (South-west)

13. **Kevin Foster** (Torbay) (Con): What progress his Department has made on upgrading and enhancing the railway in the south-west. [901875]

The Parliamentary Under-Secretary of State for Transport (Claire Perry): We are making significant progress in upgrading and enhancing the railway in the south-west by investing in track and stations, upgrading and delivering new trains to carry more people on faster journeys, and, as we heard earlier, improving resilience to ensure that the region can stay connected.

Kevin Foster: The Devon and Cornwall peninsula rail task force recently published its interim report on a 20-year plan for Devon and Cornwall’s railways. Can the Minister confirm that the Government’s primary aim is to secure the resilience of the Great Western main line through south Devon, and that any other options that are considered will be additional measures, not alternatives?

Claire Perry: I have the report here, I have read it, and I am happy to confirm that the other options would indeed be alternatives, not replacements.

Mr Ben Bradshaw (Exeter) (Lab): What impact will the delay and cost overruns affecting the electrification of the Great Western main line have on the investment that the Minister has just mentioned?

Claire Perry: I am so sorry, Mr Speaker. May I ask the right hon. Gentleman to repeat his question?

Mr Speaker: The Minister was busily chuntering away to her colleague, with scandalous disregard for the right hon. Gentleman.

Mr Bradshaw: The Minister should actually listen to questions, rather than talking to her colleague. My question was this: what will be the impact of the cost overruns and delays affecting the electrification of the Great Western main line—from which we in the south-west are not benefiting beyond Bristol—on the investment that the Minister has just trumpeted?

Claire Perry: I apologise, Mr Speaker. I misspoke in my previous answer, and I was reassuring myself about that. I want to make it clear, if I may, that the new routes will be additional, not alternatives, to the main line.

The right hon. Gentleman knows that an enormous amount of investment is taking place in the south-west: investment in resilience, and in the new, faster AT300 trains. I wish he would get behind the Government’s attempts to connect this vital region, rather than keeping on shouting about things.

East-West Rail Line

15. **Iain Stewart** (Milton Keynes South) (Con): What progress his Department has made on re-opening the east-west rail line. [901878]

The Parliamentary Under-Secretary of State for Transport (Claire Perry): I will try to get it right this time, Mr Speaker.

I am sure my hon. Friend will be delighted to know that the first section of the east-west rail line was opened on Monday. It will allow people to travel from Oxford Parkway to London Marylebone, and will give them alternative opportunities when they make that vital journey.

Iain Stewart: I welcome the new Chiltern service, which will run along the first stage of the east-west line. There is a strong business case for that service, as there is for the project as a whole. Will my hon. Friend do everything she can to ensure that the Hendy review does not delay East West Rail as a whole?

Claire Perry: I most certainly will, and we shall know more in a few weeks’ time. I pay tribute to my hon. Friend, and to other Members whose constituencies are along the route: they have left us in no doubt about the importance of the east-west rail link.

Topical Questions

T1. [901887] **Mr Clive Betts** (Sheffield South East) (Lab): If he will make a statement on his departmental responsibilities.

The Secretary of State for Transport (Mr Patrick McLoughlin): Since I last addressed the House at Question Time, I have seen at first hand the work that Network Rail is doing as a result of the Government’s £38 billion investment in the railways. That includes the £44 million regeneration of Manchester Victoria station, which will finally make it a station of which Manchester can be proud—in 2009, it was voted the worst station in Britain—the £750 million rebuilding of Birmingham New Street, which is transforming a station that is at the heart of

Britain's rail network, and the reconstruction of the Farnworth tunnel, which will allow electric trains to run from Manchester to Bolton and on to Preston. Once completed, it will allow diesel trains to be used on other routes in the north-west, providing over 30,000 more seats per week and helping to build a northern powerhouse.

Mr Betts: You will be pleased to learn, Mr Speaker, that I shall not begin by referring to Sheffield Wednesday's impressive victory over Arsenal the other night. [*Laughter.*] What I will do is refer to Sir David Higgins's report, in which he describes transport links between Sheffield and Manchester as a matter of national concern, and as probably the worst links between any two major cities in Europe.

Will the Secretary of State seriously consider two proposals? The first is that HS3 should link not merely Manchester and Leeds but Manchester and Sheffield, and the second is that serious consideration should be given to the building of a road tunnel under the Pennines. That is the only serious way in which to link Sheffield and Manchester without damaging the national park.

Mr McLoughlin: I agree that more needs to be done to improve the links between Sheffield and Manchester, and I very much hope that when we announce the new franchise for both TransPennine and Northern Rail we will go some way to meeting the demands for that. The two projects the hon. Gentleman specifically talks about are huge projects. Work is being done at the moment by Colin Matthews on whether a tunnel is the right way forward, and we will expect more updates on that by the Budget of next year. I do understand the hon. Gentleman's points on HS3 and the infrastructure commission will look at them.

T6. [901892] **David T. C. Davies** (Monmouth) (Con): Figures released by the Department show that the Severn bridge is currently generating about £78 million-worth of profit over and above the cost of maintenance of that bridge. Does that not go to prove that as soon as it goes back into public ownership on 1 April 2018, there is a great opportunity for this Government to slash the tolls on the bridge—bring it down to under £1 per car—and still have enough money to pay for the maintenance of it?

The Parliamentary Under-Secretary of State for Transport (Andrew Jones): The toll levels are currently set by the concessionaire, Severn River Crossing, to repay the construction, finance, maintenance and operations costs. We are expecting the costs to have been recovered early in 2018, and at that point the concession will end and the crossings will revert to the UK Government. We are currently working on what the future of tolling might be. I have heard what my hon. Friend has said and I will keep him updated on progress.

Lilian Greenwood (Nottingham South) (Lab): We will shortly hear whether the north-east plans for local oversight of bus services are recommended for approval. We on this side of the House have always supported Labour's councillors on Tyne and Wear, including when they were subjected to appalling abuse over this issue. I welcome the Minister's late conversion to the cause of bus tendering, but does he agree that the powers in the buses Bill must be available to all communities that want them, including in rural and isolated areas?

Mr McLoughlin: May I start by welcoming the hon. Lady to her position? She knows what is going to come next: I have been doing this job for a little over three years and this is the fourth shadow Secretary of State I have seen. Shall we just say we will see whether there are more to come?

The hon. Lady sort of asserts that she knows what is in the buses Bill. Considering that it has not yet been published, I am interested to know how that has been achieved, but the simple point is—we are being very open about this—that there will be extra opportunities for areas where elected mayors are put in place, and they can take advantage of them.

Lilian Greenwood: I was hoping for a straight answer to a straight question, but let us try again. With more than 2,000 routes lost or downgraded and fares up by 25% since the last round of spending cuts, will the Secretary of State today rule out any plans to slash support for buses even further in the forthcoming spending review?

Mr McLoughlin: I am not in a position at this stage to announce what the spending review will be. I am afraid that the hon. Lady, like every other Member of the House, will need to wait until the spending review is announced by my right hon. Friend the Chancellor of the Exchequer on 25 November. I hope that is a very straight answer.

Sir Alan Haselhurst (Saffron Walden) (Con): Is my right hon. Friend aware that in addition to the many defects of the Type 317 rolling stock that operates on the West Anglia line, there occurred this week a case of a train stopping—screaming to a halt—between Bishop's Stortford and Sawbridgeworth apparently for lack of air? Does this not suggest that more importance should be attached to awarding the franchise to the bidder that can bring forward the most solid assurances for new rolling stock?

Mr McLoughlin: I will make inquiries into what my right hon. Friend has just informed me about. I do not know about the specific case, but I can assure him that I will do by later on today. He is absolutely right about the need to improve the rolling stock availability and that is one of the things I hope the invitation to tender on the line will do.

T2. [901888] **Ian Lavery** (Wansbeck) (Lab): What measures is Network Rail taking to ensure that skilled rail jobs no longer appear on the tier 2 shortage occupation list?

Mr McLoughlin: I can tell the hon. Gentleman that, of the huge amounts of steel bought by Network Rail, the vast majority—some 95%—is bought from UK production, but if I have understood his question wrongly, perhaps he could write to me and I will write back to him.

Mr Robin Walker (Worcester) (Con): The Secretary of State mentioned the great success of the Norwich in 90 campaign by my hon. Friend the Member for Norwich North (Chloe Smith). As he will know, Worcester is just six miles further from London than Norwich is, as the crow flies, and 15 miles further away by car, yet it

regularly takes my constituents more than 150 minutes to reach the capital by train. Will he do everything he can to lean on Great Western and Network Rail to get our service down to under two hours on a regular basis?

The Parliamentary Under-Secretary of State for Transport (Claire Perry): My hon. Friend and other Members—including the one my officials like to call “the MP for Witney”—have campaigned extremely hard on this very issue. There is a lot of work being done on finding ways to improve journey times, but my hon. Friend is absolutely right to suggest there is a lot to be done. We have started the work on delivery.

T3. [901889] **Jeff Smith** (Manchester, Withington) (Lab): Rail commuter routes into Manchester are soon to lose trains to London Midland, raising memories of the TransPennine Express rolling stock debacle, which cost taxpayers £20 million and led to some services being downgraded. The Secretary of State had the opportunity to prevent the loss of TransPennine trains, but he chose not to use it. Did he have a similar option in the latest case? Is not this yet another example of fragmented railways letting passengers down?

Mr McLoughlin: The hon. Gentleman talks about franchising letting people down, but I think he should just wait and see what comes out of the two franchises involving TransPennine and Northern. It is worth remembering that in 2004, when that franchise was last let, it was let on a no-growth basis. That is what the last Government thought about the northern powerhouse and the services that were required in that area. That is not the way in which this Government are approaching it, and I invite him to see what announcements we will make shortly.

Julian Sturdy (York Outer) (Con): Will the Minister give me an assurance that the new stations fund will be accessible to applications from all councils? As she knows, the proposal for a new station at Haxby in my constituency has one of the strongest business cases anywhere in the north of England, and my constituents would benefit hugely from such a station.

Claire Perry: I would be delighted to review that matter with my hon. Friend. The new stations fund announced in the Budget is of course open to all applicants.

T4. [901890] **John Mann** (Bassetlaw) (Lab): The Sheffield city region, now strengthened by Derbyshire Dales, is a real hub for manufacturing in the rail industry. Does the Secretary of State agree that this presents a real opportunity for forward planning to get the manufacturing companies together to prepare bids for HS2?

Mr McLoughlin: Much as it causes me pain, I will agree with the hon. Gentleman. He is absolutely right to say that we need to ensure that the companies in the Sheffield and Derbyshire areas, as well as other companies, are in a position to take advantage of HS2.

Andrew Stephenson (Pendle) (Con): Pendle residents are concerned about the state of local roads across our area. Given that the Government have made £6 billion

available for pothole repairs, how can we encourage local authorities to deliver the repairs that we all want to see?

Andrew Jones: We are providing local authorities with financial support amounting to a record £6 billion between now and 2021 for highways maintenance. We are also encouraging them to look at the way in which they manage their programmes, and 85% of local authorities in England have now signed up to the highways maintenance efficiency programme. This is how we are supporting councils. We are talking about a significant investment here: it is enough to deal with 18 million potholes per year, and it is making a difference to the quality of our road network.

T5. [901891] **Paul Flynn** (Newport West) (Lab): The port of Newport is the second largest steel handling port in the United Kingdom and it is likely to suffer grievously from the current steel closures. What has the Minister done to assess the consequential job losses in transport and elsewhere as a result of the Government’s neglect of the steel industry? Will he persuade his right hon. Friend the Prime Minister to end his policy of gifting British jobs to Chinese workers?

The Parliamentary Under-Secretary of State for Transport (Mr Robert Goodwill): As the Minister with responsibility for ports, I am all too aware of their importance in getting exports out of our country and getting imports in. Yesterday I was at the port of Bristol, which is going to benefit from developments in the nuclear industry, which will be partly financed by the Chinese, and I am going to Felixstowe later today to see the developments there.

Tom Pursglove (Corby) (Con): The Government’s commitment to dual the A45 between Stanwick and Thrapston and improve the Chowns Mill roundabout was warmly welcomed by east Northamptonshire residents. Will the Minister now update us on that work?

Andrew Jones: I shall have to check the immediate progress on those schemes and write to my hon. Friend.

T7. [901893] **Bill Esterson** (Sefton Central) (Lab): Many of my constituents rely on the No. 44 bus to get to Southport hospital, but the service has been axed as a result of cuts by the Secretary of State’s Department. He talked earlier about the opportunity of having directly elected mayors, but is it not the case that if the cuts continue, the additional powers will be meaningless and of no help to my constituents or to anybody else?

Mr McLoughlin: I want to see an expansion and a widening of services to all our constituents, which is why the Government are supporting record transport investment in this Parliament.

Philip Davies (Shipley) (Con): There are swathes of motorway that are under a 50 mph restriction. There is a 20 mile stretch of a 50 mph zone on the M62 and M60, with people working on a very, very small section of that road. Will the Minister tell the Highways Agency that the work should be done for the convenience of the road user and not of the agency?

Andrew Jones: I entirely agree with my hon. Friend. Long stretches of roadworks frustrate drivers, especially as they near completion. I have raised that matter with Highways England and challenged it to deliver its work in sections that are shorter in length and over a shorter period of time. It has undertaken to do so by reducing the length of works to between a third and a half of their current size and by having more intensive and longer hours of working, including more night-time and weekend working.

Mr Speaker: If the Minister can get it sorted out, who knows, he might be carried aloft in the House.

T8. [901894] **Diana Johnson** (Kingston upon Hull North) (Lab): In an earlier answer, the Minister referred to linking up the great cities of the north, but again did not refer to Hull. Given that we have had the pausing and the unpausing of the electrification of several routes, when will the Secretary of State give the green light to the privately financed initiative to electrify the line all the way to Hull?

Mr McLoughlin: I do apologise to the hon. Lady. I am at a slight disadvantage because of your rulings, Mr Speaker, because if I were to mention all the great cities in the north, I would be ruled out of order.

Diana Johnson: There are not that many.

Mr McLoughlin: Well, I think there are a number of great cities in the north. I am very proud of those cities, but if I named them all, I would get into trouble. I fully accept what the hon. Lady says about the importance to Hull, which is why I have been able to move forward with some of the infrastructure investment for the A63, which is very important for her area. As for as the extra money we gave to take the scheme that she is talking about up to GRIP 2, I am awaiting for further reports on that particular scheme.

Mr Peter Bone (Wellingborough) (Con): Yesterday, there was an important point of order from a Plaid Cymru Member in which he pointed out how excellent the Transport Department is in answering questions compared with the Treasury, which is very poor. Has the Secretary of State been contacted by the Chancellor to find out how it is done?

Mr McLoughlin: I am sure that that is meant to be a helpful question. In the run-up to the spending review, it is not.

T9. [901895] **Chi Onwurah** (Newcastle upon Tyne Central) (Lab): As a chartered engineer and a member of the Institution of Engineering and Technology, I was horrified to learn that software engineering had apparently been used to cheat legitimate regulation and possibly undermine public health. The Secretary of State has criticised Volkswagen, but what discussions has he had with the professional bodies, the Minister of State for Skills and the automotive industry to ensure that this sort of dark engineering has no place in our cars?

Mr McLoughlin: I completely agree with the hon. Lady. As far as that matter is concerned, industry across the piece is very embarrassed by what has happened, and I am pretty sure that it will take proper action to ensure that the right regulatory measures are taken.

Bob Blackman (Harrow East) (Con): Could my right hon. Friend update the House on what progress is being made to bring Crossrail 2 through Harrow and Wealdstone station?

Mr McLoughlin: We are out to consultation, and I would have expected my hon. Friend to say what a great job we are doing as far as Crossrail 1 is concerned. However, as I have come to learn in this job, no sooner have we completed one major infrastructure project, than people are always talking about the next one. I am glad that he is in a position to talk about Crossrail 2, because it means that Crossrail 1 is being built.

Mr Alistair Carmichael (Orkney and Shetland) (LD): Last week, the British Airline Pilots Association wrote to the management at Loganair, which operates air services throughout the highlands and islands, about its concern that aircraft are being returned to the line despite being unserviceable. It said:

“In some cases aircraft retain defects that clearly affect flight safety and in others have restrictions placed upon them which render the aircraft effectively unusable in our operating environment.”

These are lifeline services to some of the most economically fragile communities in the country. What can the aviation Minister do to ensure, either through his Department or the Civil Aviation Authority, that our local communities can retain full confidence in these crucial services?

Mr Goodwill: I regularly meet BALPA; indeed, its general secretary, Jim McAuslan, is a good example of how unions can work with Government to promote their members. Safety is our top priority for air travel in the UK, and all our airlines have to meet strict safety maintenance requirements. Compliance with these requirements is overseen by the Civil Aviation Authority. I understand that the CAA is aware of Loganair's recent difficulties, but is satisfied that the company is operating safely and maintaining its aircraft in accordance with the necessary safety requirements. The matter will, of course, be kept under review.

Mr Speaker: We have overrun, but I want to hear a brief inquiry from a member of the Select Committee. I call Mr Martin Vickers.

Martin Vickers (Cleethorpes) (Con): In recent weeks, passengers on the Cleethorpes to Manchester rail services have had to put up with regular cancellations due to driver shortage. Passengers do not care whether that is the company's problem or ASLEF's. Will the Rail Minister use her good offices to sort the matter out, please?

Claire Perry: I would be delighted to do so, or to try to do so. This is why the new invitations to tender and franchises have customer service and passenger experience right at their heart.

Business of the House

10.36 am

Chris Bryant (Rhondda) (Lab): Will the Leader of the House give us the business for next week?

The Leader of the House of Commons (Chris Grayling): The business for next week is as follows:

MONDAY 2 NOVEMBER—Second Reading of the Housing and Planning Bill.

TUESDAY 3 NOVEMBER—Second Reading of the European Union (Approvals) Bill [*Lords*], followed by the remaining stages of the National Insurance Contributions Bill, followed by a motion to approve a money resolution relating to the access to Medical Treatments (Innovation) Bill.

WEDNESDAY 4 NOVEMBER—Opposition day (9th allotted day). There will be a debate on an Opposition motion, including on policing.

THURSDAY 5 NOVEMBER—A debate on a motion relating to the Government's stake in the Royal Bank of Scotland and the future of UK banking, followed by a debate on a motion relating to the dog meat trade. The subjects for these debates were determined by the Backbench Business Committee.

FRIDAY 6 NOVEMBER—Private Members' Bills.

The provisional business for the week commencing 9 November will include:

MONDAY 9 NOVEMBER—Remaining stages of the Scotland Bill.

TUESDAY 10 NOVEMBER—Remaining stages of the Trade Union Bill.

I should also like to inform the House that the business in Westminster Hall for Thursday 5 November will be:

THURSDAY 5 NOVEMBER—General debate on funding for schools.

Mr Speaker, you and colleagues will wish to be reminded that the House will rise for the November recess at the end of business on Tuesday 10 November and return on Monday 16 November. I should add that during that period we expect a visit from the Indian Prime Minister to this House and I hope that those colleagues who are around and able to be involved will be part of that visit.

Chris Bryant: Yesterday, Sepp Blatter confessed that FIFA's award of the 2018 World cup to Russia had been decided long before England put in its bid, and the Select Committee on Culture, Media and Sport grilled World cup sponsors on their complacent complicity in Blatter's kleptocratic rule. May we have a debate as a matter of urgency on the sink of corruption that is FIFA? British taxpayers and football fans have been diddled out of millions, so surely it is time that we rescued the game from the clutches of these dodgy spivs.

Talking of stitch-up jobs, can the Leader of the House explain something he said yesterday? Referring to the rapid review by Thomas Galloway Dunlop du Roy de Blicquy Galbraith, the second Baron Strathclyde, into the privileges of we the Commons, the Leader of the House told Members:

"It is absolutely essential that we do not rush this"—[*Official Report*, 28 October 2015; Vol. 601, c. 355.]

and, for that matter, that we should not "rush headlong into change". However, Lord Strathclyde unfortunately undermined the Leader of the House by telling the "World at One" yesterday that this would all be done and dusted by Christmas. How can that possibly be right? If there is an issue, should not the House be debating it? Or will the Leader of the House just admit that this is not a review at all? It is a FIFA-style stitch-up, isn't it?

I am not sure whether the Government have got over their little tantrum about losing the vote in the Lords on Monday, but I note that the Chancellor has said several times now that he will make substantial changes to his plan in the autumn statement on 25 November. The Leader of the House will know that the autumn statement is precisely that—a statement and no more. It does not do anything legislatively. So I ask him again, because he did not answer last week: will he allow a three-day debate on the effects of the autumn statement this year?

On Tuesday the chairwoman of the National Police Chiefs Council, Sara Thornton, and Craig Mackey, the deputy commissioner of the Metropolitan police, said that if the Home Secretary and the Chancellor of the Exchequer get their way with the police budget, it will be the end of the era of bobbies on the beat. Is that something for the Conservative party to be proud of? Some 12,000 front-line police officers have already gone since 2010 and it looks likely that more than 20,000 more officers will be lost by the end of this Parliament. We shall devote our Opposition day debate next week to that. Will the Leader of the House ensure that the Home Secretary herself answers the debate so that we can take her to task?

May we have a debate on the ministerial code of conduct? Previously the code has made it clear that there is an

"overarching duty on ministers to comply with the law including international law and treaty obligations",

but last week it was revealed that the Prime Minister has insisted that that should be ditched. The former Conservative Attorney-General has said:

"It is impossible to understand why this change has been carried out",

and Paul Jenkins, the former head of the Government legal service, quite extraordinarily broke cover to accuse No. 10 of

"contempt for the rule of international law".

Surely to goodness a Minister's word is still his bond when he signs a treaty, or does the Prime Minister cross his fingers behind his back when he negotiates with EU leaders and signs treaties? And why on earth was the code of conduct issued in a written ministerial statement to the Lords and still not to the House of Commons?

Many parts of this country, as Members around the House have said, still have terrible mobile telephone coverage. Last year the Government had to withdraw their poorly drafted electronic communications code that was intended to deal with the "not spots" around the country. In their manifesto they promised to bring in a new electronic communications code as a matter of urgency, but I note that there is still no sign of it. Can the Leader of the House tell us when it will appear? Mobile phone coverage is now every bit as much of a public utility as water and electricity, so will the Government get a move on?

I confess I am a little worried about the Chancellor's state of health. He looked really pale earlier this week, I thought. He has, dare I say it, something of the night about him. With Hallowe'en upon us, can the Leader of the House reassure us that the Chancellor will be staying home on Saturday night when it is dark? It is one thing to scream along with "The Amityville Horror" or "Psycho", but quite another to encounter the Chancellor in a dark alleyway. His form of trick or treat, after all, is to suck family finances dry.

Talking of Hallowe'en, in Scotland it is a time for guising, when people go around disguised in fancy dress. Has the hon. Member for South Cambridgeshire (Heidi Allen) not exposed the fact that however hard the Prime Minister has tried to dress up the Tory party, hugging the gays and marrying huskies, the truth is that compassionate Conservatism is dead? All that is left is a fake skeleton costume.

I see that we shall be debating a motion next Thursday on the dog meat trade. I wondered whether this was a debate on the dog's breakfast that the Chancellor has made of the tax credits fiasco, but I gather that today is when we select the Westminster dog of the year. My deputy, my hon. Friend the Member for Great Grimsby (Melanie Onn) has an extremely badly behaved Rottweiler, Sam, and I wish Sam well in the competition. I gather that the hon. Member for Elmet and Rothwell (Alec Shelbrooke) has two dogs called Boris and Maggie, and that he found that Boris's behaviour improved considerably when he had him castrated. Will the Leader of the House pass on this advice to the Chancellor, the Home Secretary and all the other candidates for the Conservative party leadership?

Chris Grayling: I start by delivering some good news to my hon. Friend the Member for Kettering (Mr Hollobone) who, sadly, is not in his place today. I should inform the House that you, Mr Speaker, after receiving positive feedback, have authorised that the new alphabetical groupings trialled in the Division Lobbies during the September sitting be kept in place for the rest of the Parliament, so the new warm relationship between the Fs and the Gs will continue. Speaking as a G, I can say that the line is moving much better than before, although I have had one or two complaints from those between the As and Fs. In overall terms the system has worked well and we will continue it.

I associate myself with the remarks of the shadow Leader of the House about FIFA. The hon. Gentleman spent a lot of time working very hard when he held the shadow Culture, Media and Sport brief—I am reliably informed that he was slightly disappointed to move from it—so he knows very well how shocking the developments at FIFA have been. There is absolutely no excuse for what has taken place. It is utterly scandalous. I commend everyone involved in pursuing the investigation to the stage we have now reached. It looks likely that prosecutions will follow, and rightly so. It is vital that the game, which is watched around the world and a beacon to many young people, should be absolutely clean and that those who have left it besmirched by corruption should feel the full force of the law. I completely agree that change is absolutely essential.

With regard to the Strathclyde review into the House of Lords, I repeat what I said yesterday: there will be a full statement to this House about the review panel's

terms of reference and composition when Lord Strathclyde is ready to publish those details, as is right and proper. He will take the time that is necessary, given the scope of work he intends to embark upon, and he will make clear shortly how that will work.

On the hon. Gentleman's point about tax credits, I remind him that for the autumn statement we will be using exactly the same procedures that operated in 13 years of Labour government. Now that they are in opposition, Labour Members seem to want to change how this House works, but it was all very convenient for them when they were in government. We will continue to operate as we have done, debating issues fully. We have already had extensive debates on the tax credits issue, and no doubt we will have more.

On bobbies on the beat, let me remind the Labour party about one simple fact: under Conservative leadership in the coalition Government and under this Government, crime has fallen. Yes, we have had to take some difficult decisions, and yes, there are difficult challenges facing the police, but crime has continued to fall. That proves that change can happen without adversely affecting the effectiveness of our public services.

The hon. Gentleman made a point about the ministerial code. I will simply say that under the new ministerial code, Ministers are still required to uphold the law.

Chris Bryant: Oh, hurrah!

Chris Grayling: The hon. Gentleman says hurrah, and we would expect that from him. The situation will not be different under the new ministerial code.

The hon. Gentleman asked about the electronic communications code and the work of the Department for Culture, Media and Sport. Let me remind him that the former Secretary of State, who is now the Business Secretary, secured a deal to ensure £5 billion of investment in mobile telephony in this country. We are a Government who do things. We do not just publish documents; we secure new arrangements and deliver improvements. That will continue.

The hon. Gentleman referred to the Chancellor's health and suggested that he looked pale. I must say that over the past few weeks, since events in the Labour party back in the summer, those of us on the Government side of the House have watched with interest the pale faces on the Opposition Benches, the huddles of pallid people asking themselves, "How do we get ourselves out of this mess?" My worry is for the health of the hon. Gentleman and his colleagues, not the health of the Chancellor, who I can assure him is in great form.

The hon. Gentleman reminded the House that this weekend is Hallowe'en. My sympathies today are with the children of the Rhonda. I simply hope that he is not planning to go trick or treating this Saturday night. Imagine the horror of a person—a small child, perhaps—answering the door and discovering that the hon. Gentleman was out trick or treating in his constituency.

Oliver Dowden (Hertsmere) (Con): Kamal Foroughi is a 76-year-old joint British-Iranian citizen. He has been held in Iran's notorious Evin prison for more than four years on charges of alleged espionage, and his health continues to deteriorate. His son and grandchildren are in the Gallery today. They have a simple message:

[*Oliver Dowden*]

“Please let Grandpa come home.” Will the Leader of the House find time for us to debate his case and others where simple human compassion demands their immediate release?

Chris Grayling: I extend my very good wishes to my hon. Friend’s constituent’s family here today, and to my hon. Friend for the work he is doing on the case. Given the obvious urgency of the case, I will make a point of ensuring that it is communicated to my colleagues in the Foreign Office immediately after business questions, and I will ask them to respond to him as quickly as possible.

Pete Wishart (Perth and North Perthshire) (SNP): I, too, thank the Leader of the House for announcing the business for next week. I am sure that this morning his thoughts, like mine, are very much with the school community of Cults academy who are tragically mourning the loss among their pupils. My hon. Friend the Member for Aberdeen South (Callum McCaig) was a pupil at Cults academy. Particularly for those who represent the north-east, it was quite an appalling tragedy that we witnessed yesterday.

It is day four of the great war of the nobles, and it is starting to get ugly as this House sees the battle of the Tories versus the Lords. The Tories have unleashed their not-so-secret weapon, codenamed Big Boy, to go down to the House of Lords, in all his aristocratic splendour, to sort it out. He is going to emasculate the House of Lords to ensure that it never does anything like this again. He can do this because the House of Lords is without a shred of democratic legitimacy; it represents absolutely no one. I am certain that the Tories will get their way on these particular issues. I am sensing a real desire among Conservative Members to deal decisively with the House of Lords. I am beginning to sense that they have had enough of the unelected Chamber down there with its forelock-tugging barons, earls, lords and baronets, dancing around like Santa Claus and having a stake in this democracy. I appeal to Conservative Members to join us on this. If we are not going to have a report by Christmas, let us have a proper inquiry to look into the role of that place in democracy and ensure that it is dealt with decisively.

We get the Scotland Bill back in a couple of weeks’ time. I am disappointed to see that only one day is set aside for its remaining stages and Third Reading. We had four days in Committee in this House where not one amendment was accepted, even though they were backed by every single Member of Parliament who represents a Scottish constituency other than the sole Conservative. The Secretary of State said that he would be spending this period reflecting and would try to bring back a series of amendments that kept the Bill in line with what was promised in the vow and with the true purpose of the Smith commission. Surely we need more than one day when we are considering such issues.

This is the first business questions in which I have the opportunity to speak as a second-class Member of this House. [*Interruption.*] Yes, exactly that. I am sure that the Scottish people are watching what is going on just now. I am fairly certain that the Leader of the House has recognised the sheer anger that has been caused in

Scotland about our Members of Parliament—Scotland’s Members of Parliament—having a diminished status. “Don’t leave the Union”, they said, but the minute we get our backsides on these green Benches our status is diminished. We still have no idea about how this is going to work. We have the Housing Bill on Monday. Is that going to be subject to an English veto, and if so, how will that work out for my hon. Friends?

We are very grateful to you, Mr Speaker, for backing the call by SNP Members to get rid of the ridiculous concept of the conference recess. It is absurd that we break and abandon our business to participate in associations of voluntary organisations. I ask you to use your considerable authority to ensure that the summer recess period covers the school holidays of all parts of the United Kingdom and is not exclusively for English Members of Parliament.

The Leader of the House and the Deputy Leader of the House will no doubt be guising, as we say, on Saturday. A new tradition has been taken up by the children of Scotland where they go out disguised as Conservatives, because they are such a rarity in Scotland. The problem is that when they turn up at people’s doors they create real fear in their beholders. They have very little chance of securing any sort of trick or treat when they go out as Conservatives, that is for sure.

Chris Grayling: I have a confession to make. Until last week, I had not heard any of the work of that distinguished band, MP4, of which the hon. Gentleman is a great part. I had not realised what a great showbiz performer he is. I pay tribute to him; the music is excellent. He brings a bit of that showbiz performance to this House, with a little bit of faux outrage and theatre. He showed a chink of something different a couple of weeks ago when he started to say nice things about the House of Lords, but he is very much back on his usual form today. I know where he is coming from, but we are concerned to do the right thing for our constitution and our democracy. I am very confident that under the good guidance of Lord Strathclyde we will be able to find a resolution to the current problem.

There was also a little faux outrage on the Scotland Bill. The hon. Gentleman knows—the Law Society of Scotland has emphasised this—that we are delivering what we committed to. Of course, I would not expect a group of politicians whose mission is to secure independence for Scotland to do anything except express faux outrage, but I am absolutely confident that we, as a party and as a Government, are delivering what we promised.

If ever there was an example of that little bit of showbiz and faux outrage that the hon. Gentleman brings to the House it was on the issue of English votes for English laws. He describes himself as a second-class citizen, but he will never be a second-class citizen. Interestingly, having heard all the arguments he has made with great flamboyance during the past few weeks, I can remind him of what he said on 14 October 2014:

“I sympathise totally with English Members. Of course they should have English votes for English laws...we respect English Members. They have every right to demand exclusive rights to vote on England-only legislation.”—[*Official Report*, 14 October 2014; Vol. 586, c. 212.]

The hon. Gentleman brings flamboyance to debates in the House, and I admire him for that, but he has a habit on occasion of delivering slightly mixed messages.

As regards the Conservatives in Scotland, the people who have reason to be scared this autumn—come Halloween and, indeed, the weeks ahead—are those in the Labour party in Scotland, because they have been done over in their own areas by the SNP and we intend to do them over as well. They are the ones in true danger when it comes to the elections next May.

Mrs Cheryl Gillan (Chesham and Amersham) (Con): The National Institute for Health and Care Excellence quality standard on autism calls for waiting times between a referral and an initial appointment for assessment to be no longer than three months. Currently, the targets are not being met across the country. May we have a debate on research from the National Autistic Society showing that the wait from initially raising a concern to diagnosis is, on average, three and a half years for children and five years for adults? That is very important because every Member of the House has approximately 1,000 people in their constituency who suffer from autism and the long waiting times are pushing people to avoidable crisis points.

Chris Grayling: My right hon. Friend makes a very important point. All of us, as constituency MPs, have direct experience of the challenges that families with an autistic child face and of the importance of doing everything we can to give those children the best possible opportunities in life. I pay tribute to those in my own constituency, particularly at Linden Bridge school, who do fantastic work in this area. I am sure that hon. Members from across the House share her interest and her concern that we do the best we can in this area. I know that that view is shared by the Secretary of State for Health, for whom this is an important issue. I will make sure that her concerns are raised with him, and I encourage her to keep bringing this matter before the House through the different channels that are available.

Kevin Barron (Rother Valley) (Lab): Do the Leader of the House and the Government not think that looking once again just at the House of Lords is like looking at one wheel on the bicycle, while not looking at the other wheel and the Executive who drive it? Should we not have a comprehensive review on bringing this institution into the 21st century as a legislative body?

Chris Grayling: There are many different views about how all our constitutional arrangements should work. The Public Administration and Constitutional Affairs Committee is engaged on such matters at the moment. Its Chair, my hon. Friend the Member for Harwich and North Essex (Mr Jenkin), is hard at work looking at our constitutional arrangements, and I am sure that the Select Committee will come forward with interesting ideas in due course.

Mr Christopher Chope (Christchurch) (Con): As you know, Mr Speaker, the credentials of the current UK delegation to the Parliamentary Assembly of the Council of Europe expire next week. As the membership of the new delegation is the responsibility of Parliament, not of the Government, will my right hon. Friend make time next week for the House to express its opinion?

Chris Grayling: I am obviously aware of the motion on the Order Paper. I would say to my hon. Friend that I have no doubt the House will give this matter careful consideration. The point of having a Backbench Business

Committee is of course to ensure that time is available to Members who are not in the Government to allocate time for debate. I am sure that he would be able to make his point to the Committee.

Ian Mearns (Gateshead) (Lab): I thank the Leader of the House for the business statement. The Backbench Business Committee has two debates on Thursday—one is on the Government's stake in the Royal Bank of Scotland, and the second one is on the dog meat trade. For the avoidance of doubt, the second debate is about the trade in dog flesh, as opposed to selling tins of Winalot or Pedigree Chum. Will the Leader of the House give the Backbench Business Committee an early indication of whether there is any possibility of time in the week beginning 16 November for Backbench Business Committee debates?

Chris Grayling: I cannot yet give that undertaking, but I expect there will be time available in most weeks. I have no particular reason to believe that time will not be available during that week, but the hon. Gentleman will understand that we have not yet finalised the business for it. He is picking interesting subjects for debate and I think they will command great attention, particularly the dog meat debate, given that the Westminster dog of the year competition takes place today. That is a sign of the concern in this House about the welfare of dogs, and most people in this country do not support the dog meat trade at all.

Mr Steve Baker (Wycombe) (Con): Communications received by Members this week seem to suggest that some members of the public have been misled about the true nature of proposed new clause 7 to the Finance Bill, on which we voted on Monday, and the true position of this House in relation to the European Union and VAT. May we have a statement from the Leader of the House that makes clear the true position, and what does he plan to do to counter the occasional misrepresentation of the business of this House?

Chris Grayling: Members have raised that concern with me over the past couple of days, particularly the fact that the Public Whip website gives no clarification of the nature of a Division. I have listened to colleagues and I intend to write to the website, asking it to provide a degree of explanation for Divisions on such issues.

The debate was about principle, not substance, and it is not possible, under the current treaty arrangements, for this House to decide to cut VAT to zero. That decision has to be taken in Brussels, but there is strong interest in securing change. The campaign that has grown off the back of that vote is utterly unacceptable. It is completely unacceptable for third party groups to misrepresent the vote as being a vote against a zero rate for tampons. I think that most Members support the principle of a zero rate for a product that is clearly not a luxury. The Financial Secretary gave a commitment in the debate that he would raise the issue in Brussels; indeed, we have done so. It is not acceptable for third party pressure groups to misrepresent the votes in this House. They give the impression that they are simply left-wing groups attacking the Conservative party and that they are not making legitimate points.

Paula Sherriff (Dewsbury) (Lab): The Leader of the House will be aware that in response to my proposed new clause 7 the Financial Secretary promised to negotiate

[Paula Sherriff]

at European level to achieve a zero rate of VAT on women's sanitary products. However, he did not commit to a timetable and he did not say that the issue would be placed alongside the Prime Minister's other core demands in the forthcoming EU renegotiations. Will the Leader of the House give Government time for a ministerial statement confirming that women's rights are not a second-class issue on this Government's European agenda?

Chris Grayling: Women's rights are never going to be a second-class issue for this Government. The Labour party was in power for 13 years and did not secure any change on this front that would have brought the rate down to zero. [Interruption.] That is all very well, but since Monday's debate the Vice-President of the Commission has said the Commission is willing to consider the issue, so we are already taking a step in the right direction after that debate. If a Minister gives a commitment to this House, they will follow it through.

Mr Ian Liddell-Grainger (Bridgwater and West Somerset) (Con): Devolution is obviously something we all aspire to, and my county and the districts of Somerset certainly want to embrace it. One of the problems, however, is the lack of understanding of what we can and cannot do with devolution and of the way in which we can embrace it to make sure that the money follows it from the centre. It is fantastic and we want to do it. May we have time to debate the issue so that a clear message goes out to districts, counties and unitaries on how they can get involved in maximising their return for their taxpayers?

Chris Grayling: That is a really important part of what the Government are seeking to do. There will be no one-size-fits-all approach. There will be different settlements in different parts of the country, depending on the circumstances, including the geography and the local economy. The Chancellor and other Treasury Ministers will be here on Tuesday for Treasury Questions, and I encourage my hon. Friend to make his point to them. There is a great opportunity for counties such as Somerset to be involved in devolution deals that give them greater control over matters that affect their area. I hope that everyone in Somerset and in other parts of the country will engage in the process, which gives a real opportunity to local authorities and local communities.

Siobhain McDonagh (Mitcham and Morden) (Lab): Given the difficult financial circumstances that the NHS finds itself in, is it not time for a debate on a national tariff for in vitro fertilisation, given that clinical commissioning groups are paying fees as varied as £2,500 and £6,500 a cycle?

Chris Grayling: My view is that we have a choice within the NHS: we can either devolve responsibilities to local practitioners or keep every decision at the centre. The moment we say that we do not like differences between areas because different local CCGs take different decisions, all the decisions will start to be centralised again. I have always believed, certainly in my own constituency, that local decisions should be taken by local doctors. That is what happens as a result of the reforms that we made and I would be very reluctant to reverse it.

David Morris (Morecambe and Lunesdale) (Con): Will my right hon. Friend consider holding a debate on the future of the House of Lords in the near future, purely and simply because of events this week? I have worked on a proposal that was welcomed by Members from all parts of the House in a Westminster Hall debate.

Chris Grayling: I have no doubt that we will have such a debate in the near future. I encourage my hon. Friend to talk to Lord Strathclyde as he does his review, the scope of which will be set out shortly. I suggest that he take any ideas he has for change to the noble Lord, who will certainly want to hear the views of people in this House.

Alex Salmond (Gordon) (SNP): We have another business statement and the approach of another parliamentary recess, and there is no indication whatsoever that the Government intend to seek a mandate for military intervention in Syria. Is it not patently obvious that there is no consensus and no appetite across the Chamber for another ill-thought-through military adventure? Instead, may we have a statement on the diplomatic, political and financial initiatives that might contribute to bringing peace and stability to that benighted country?

Chris Grayling: There will be no debate about military intervention in Syria unless we have an intention to intervene militarily in Syria. The reason we have another business statement without a reference to such a debate is that no decision has been taken to intervene militarily in Syria. Of course, should such an event occur, we will come to the House and it will be discussed fully. We have debated the diplomatic actions in and around Syria extensively in recent weeks. The Prime Minister comes before the House each week and the Foreign Secretary comes before it regularly. There will be plenty of opportunities to continue to debate how to address what is an impossibly difficult situation to which all of us desperately wish to see a resolution, but it is difficult to see a path to that resolution, given how complex the situation is.

Dr Andrew Murrison (South West Wiltshire) (Con): I feel sure that the Leader of the House is a "Downton Abbey" fan and that he will have been as alarmed as I was by Lord Grantham's haematemeses two weeks ago. Fortunately, Lord Grantham is recovering well. However, the British Society of Gastroenterology points out that survival from upper gastrointestinal bleeding in this country lags behind those countries with which we can reasonably be compared. May we have a debate on how we can configure endoscopy services in this country to bring us up among the best in Europe, rather than among the worst?

Chris Grayling: My hon. Friend makes a very important point in his customary light-hearted yet serious way. I did not see that particular scene in "Downton Abbey", but the descriptions of it were eye-catching to say the least. His comments today are important and I will ensure that they are communicated to my colleagues in the Department of Health. I know that they will listen carefully to somebody with his expertise in the medical arena.

Jenny Chapman (Darlington) (Lab): My hon. Friend the Member for Rhondda (Chris Bryant) rightly led on the issue of FIFA, which he described as a "sink of

corruption”, but football is still the beautiful game. Will the Leader of the House, on behalf of the Government, join me in paying tribute and wishing a happy birthday to a former Darlington player, Arthur Wharton, who was the first black professional footballer in the world? We are very proud of him and he is an adopted son of Darlington. Will the Leader of the House join me, the Football Association, FIFA, UEFA, the Professional Footballers Association and the Football League in wishing him a happy birthday?

Chris Grayling: I happily join the hon. Lady in doing that. From a personal perspective, the beautiful game is slightly tarnished after the penalty shoot-out at Old Trafford last night. I pay tribute to her constituent and to all the black players who were pathfinders in the game and opened it up to a generation of young people. I would like to see more black coaches in football in this country. That should be a priority for the game. I congratulate her constituent on all that he did to contribute to the sport.

James Berry (Kingston and Surbiton) (Con): My hard-working constituents who use Kingston and Surbiton stations are forced to pay for zone-6 tickets, although logic and fairness dictates that those stations should be in zone 5. Twenty-three stations in London are in zone 5, yet they are further away from their London terminus. I know there are other re-zoning campaigns in London, but ours is certainly the most compelling and I invite the Leader of the House to make time for a debate on the zoning of stations in London.

Chris Grayling: My hon. Friend’s campaign may be the most compelling in London, but the campaign to get Epsom station into zone 6 is outside London, and I judge that to be equally important. My hon. Friend and I have regularly drawn anomalies in the zoning structure to the attention of Transport for London and the Department for Transport, and I hope we can make progress with that. Our constituents hope to see such progress, and I commend my hon. Friend’s important work. I know that people in Kingston are looking forward to him succeeding in due course.

Mr Douglas Carswell (Clacton) (UKIP): This week saw cross-party support for a series of proposals to open up the family courts, which successive Governments have promised to reform. Will the Leader of the House permit a debate on how we can break open the cartels that surround the family court system?

Chris Grayling: Having been Justice Secretary I am aware of and sympathetic to that issue. My only caveat is that we must be careful. Deeply distressing stories are heard in the family courts, and we must not open them up in a way that exposes family heartache to the tabloid media—I have always been cautious about that. Equally, the hon. Gentleman is right to say that there is no real reason for the closed environment that exists around family courts. That is a matter of concern to the Justice Secretary, and there is cross-party interest in what he is doing. He will be in the House on Tuesday, and I encourage the hon. Gentleman to raise that important point.

Oliver Colvile (Plymouth, Sutton and Devonport) (Con): As my right hon. Friend knows, I am running a campaign to save the hedgehog. Will he urge all right hon. and hon. Members to ensure that safety measures are in place for Guy Fawkes night next Thursday?

Chris Grayling: I share my hon. Friend’s concern about the hedgehog and there has been a distressing fall in our hedgehog population over the past decades. When I was a child we could find a hedgehog in almost every garden, and people would feed them outside their backdoor. That does not happen now to anything like the degree that it used to, and I say to all hon. Members—and anyone listening to this debate—that bonfire night is a real danger for hedgehogs. If people drive round the country they will see large piles of wood that have been set up for bonfires next week. It is all too easy and common for hedgehogs to find refuge in those bonfires, and I ask anyone who has set up a bonfire to double check before they light it and ensure that no hedgehog is nesting inside. We cannot afford to lose any more.

Vicky Foxcroft (Lewisham, Deptford) (Lab): Young people are being killed on our streets, and tragically there have been two youth deaths in my constituency in as many months. That is not isolated. A boy was stabbed to death in Aberdeen; there were shootings in Hackney and Salford, and even machine-gun fire in Willesden. That has to stop, but with the Government continuing to cut front-line services, young people are turning to crime and violence in bigger and bigger numbers. Is it time for an urgent debate to consider how all parties can work together to stop the rise of youth violence?

Chris Grayling: Knife crime and knife murders are a blight on our society, and I endorse the comments made by the hon. Member for Perth and North Perthshire (Pete Wishart) about the tragic events in Aberdeen yesterday. Fortunately, such things are rare in this country, but that makes them even more shocking when they do happen. I send my heartfelt condolences and good wishes to the family involved, and to all those in the school for whom this experience will have been deeply traumatic.

On the streets of London, any death through knife crime is one too many. We have taken measures to toughen the law on carrying knives, and it is important to support organisations that try to move young people away from crime and carrying a knife—organisations such as the Jimmy Mizen foundation that Barry and Margaret Mizen set up in the wake of their son’s death do a fantastic job.

The number of young people entering the criminal justice system for the first time has continued to fall for a number of years, which is a great step forward. Our challenge with crime in this country is that of people going round and round the system and reoffending, but it is good news that fewer young people are entering the justice system for the first time—long may that continue.

Mr Nigel Evans (Ribble Valley) (Con): British farmers who successfully apply for environmental improvement grants are being told that unless they put up billboards indicating that the money came from the EU they could lose part or all of the grant. The United Kingdom is a net contributor to the EU, so is this not akin to me

[Mr Nigel Evans]

taking my money from my bank to do home improvements and putting up a billboard saying, “Thank you, Barclays”? May we have a statement from an agriculture Minister to say that we will resist the desecration of the British countryside by EU propaganda?

Chris Grayling: This country’s countryside is among the most beautiful anywhere in the world and I sympathise with my hon. Friend for not wanting to see additional signage clutter detracting from its natural beauty. Department for Environment, Food and Rural Affairs questions are next Thursday, so he will have the opportunity to put his point to a Minister directly. We should keep our countryside pure and natural.

Chris Stephens (Glasgow South West) (SNP): Will the Government make a statement or have a debate in Government time on employees’ pensions in the Commonwealth War Graves Commission? The Leader of the House will know that the commission made a decision to close the final salary scheme in December 2014, but only started consultation with trade unions in June this year. Does he agree that commission staff are working harder than ever due to the centenary commemorations, and that cutting their pensions while the director general gets a 50% pay rise is completely and utterly inappropriate?

Chris Grayling: I understand the point the hon. Gentleman is making. A whole range of organisations have had to take difficult decisions about final salary pensions, given the very welcome—but challenging for pension fund trustees—increase in life expectancy. I will make sure that the concerns he raises are passed on to my ministerial colleagues.

Philip Davies (Shipley) (Con): Following the comments made by the hon. Member for Perth and North Perthshire (Pete Wishart) and your excellent article earlier this week, Mr Speaker, will the Leader of the House arrange for a debate and a vote on whether the House should continue to have a conference recess, or whether the political parties should pull their finger out, sort themselves out and organise their conferences at weekends, like the Scottish National party do, to enable this House to continue to sit? By having such a debate and a vote, we would be able to work out which MPs believe they should be doing their job in this House and holding the Government to account.

Chris Grayling: There is growing interest in this area in this House, particularly given the fact that there are perhaps slightly fewer Liberal Democrats than there used to be for their conference week. This matter has been raised with me through the usual channels. Of course, conference bookings by the principal parties take place some years in advance. I do not rule out change in the future, but this is something that needs to be dealt with quite carefully.

Joan Ryan (Enfield North) (Lab): I am pleased to hear that there will be a debate on policing. I am, however, somewhat concerned at the lack of reality in the responses given by the Leader of the House to questions on policing. In Enfield, we have lost 150-plus

of the uniformed presence on our streets and have seen a 22% increase in violent crime in the past year. I think there is a connection between those two facts. Will the Leader of the House ensure that, when the Government come to this House to present their debate on policing, they face the facts as we face them in our communities and constituencies?

Chris Grayling: I can only reiterate what I said earlier. The most recent figures in the British crime survey, which indicates people’s experience of crime, show that notwithstanding some of the difficult challenges police forces have had to face up to, crime around the country is continuing to fall. I still believe there is scope for police officers and police forces to deliver new ways of working that bring down costs without affecting the front-line support they provide to our communities.

Jason McCartney (Colne Valley) (Con): Labour-run Kirklees council has written off £850,000 in section 106 cash allocated to improve local infrastructure by house builders and developers. Can we have a debate on how such appalling situations are seeing our local communities lose confidence in the planning process?

Chris Grayling: I am aware of the issue my hon. Friend’s local authority has faced, and it raises questions about credit control and bringing in money when it is due. Local authorities have the power to set timelines, and even to get money in advance, for the section 106 payments they receive. Obviously, this is a matter of concern, and it might be that processes need to change, so I suggest that he raises it directly with the Department for Communities and Local Government, perhaps through an Adjournment debate or at the next time Question Time.

Mark Durkan (Foyle) (SDLP): Will the Leader of the House share his current understanding of when proposed legislation in respect of the Stormont House agreement will be introduced, and will the Government consider referring the draft Bill for legislative scrutiny by a Joint Committee of both Houses, given that it will deal with the sensitive issue of legacy, on which there has not been due consultation with victims—for a variety of reasons and excuses—and seeing as Parliament has been asked to legislate in lieu of the Assembly?

Chris Grayling: I will certainly discuss that with the Secretary of State. Of course, we have been involved in detailed discussions with all the parties in Northern Ireland, and those discussions continue. I hope the measure will be ready shortly, and clearly we will bring it to the House as soon as we can, but I will make the Secretary of State aware of the hon. Gentleman’s remarks.

Bob Blackman (Harrow East) (Con): I was delighted to hear about the visit by Narendra Modi on 12 to 14 November, and I am pleased there will be an opportunity for Parliament to receive him properly. The visit takes place between the November recess and the Hindu new year. Will the Leader of the House join me in wishing Hindus, Sikhs and Jains a happy, peaceful, prosperous and healthy new year, and can we have a statement on the Floor of the House about the trade deals and educational and other arrangements that will be made during that great visit?

Chris Grayling: I absolutely echo my hon. Friend's happy new year wishes. I hope that everyone in those communities has an enjoyable, relaxing and successful set of new year festivals. I wish them all well. No doubt, you and I, Mr Speaker, will wish to keep the House fully informed about the arrangements for the visit, which we are looking forward to enormously. India is one of our longest-standing allies and the world's biggest democracy. This is a great occasion for our country.

To digress slightly, last night my hon. Friend and I were guests at an awards ceremony for the London Tigers, a sports club that does amazing work across London with young people from all different communities. It is appropriate for us to place on the record our appreciation to that club.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): First, may I associate myself with the call from the right hon. Member for Chesham and Amersham (Mrs Gillan) for a debate on the lack of provision for families in which someone has autism?

I am sure the Leader of the House will agree that the recent news of greater diversity in the boardroom, especially with respect to women, is welcome but that we need to go much further. May we have an early debate on diversity? Should this House not be an exemplar? Has he looked at the photographs in the corridor behind the Speaker's Chair of the 64 people who run the House? They are all white and there are very few women.

Chris Grayling: I absolutely agree about the need for and desirability of diversity. Notwithstanding what the hon. Gentleman said about the photographs, however, I think we have made great progress over the years. There is a world of difference between what the House looked like in 2001, when I was first elected, and what it looks like today. Clearly, however, we need to gee along the recruitment processes a bit, and he will be aware that the Prime Minister this week set out plans to have name-blind applications in the public sector. I think that is right, and other employers are doing the same. I want the House to reflect society in all its workings.

Kevin Foster (Torbay) (Con): The plan for a station at Edginswell, the first new station in Torbay for decades, is progressing well, with a large amount of funding already secured. Can we have a statement on when the next tranche of new station funding will be available so that we can bid for it and complete the project?

Chris Grayling: Unfortunately, we have just had Transport questions, so my hon. Friend will have to wait a little before the Secretary of State is back again. I am sure, however, that his comments will be noted. If we look around the country now, 20 years after the privatisation of our railways, we see new railway lines opening—this week saw the start of a new service from Oxford to London on the Chiltern line, which would never have happened in the days of British Rail—and new stations opening, yet we have a Leader of the Opposition and a Labour party that think we would be better off renationalising the whole thing. They have no idea what consequences that would have for our railways; it would be disastrous. As things are now, we are seeing innovations of the kind that my hon. Friend set out—and long may that continue.

Liz McInnes (Heywood and Middleton) (Lab): Last week, the Prime Minister said that he did not want anyone reliant on food banks, yet this week, the Work and Pensions Secretary told the Select Committee that he planned to station job advisers in food banks. Is it right for extreme food poverty to become an accepted element of DWP national planning? May we have a debate on this proposal and on the plight of the starving poor?

Chris Grayling: The hon. Lady has got this plain wrong. I remind her that the use of food banks in this country is much lower than in Germany, for example, and it is simply not true that food bank usage can be linked to Government policy. Surely if we have people who are in need of food banks, we should be helping them into work to lift themselves out of poverty. Making sure that jobcentre advisers are aware of what is going on in food banks seems to me sensible, as we try to help those people do better with their lives.

Will Quince (Colchester) (Con): It was an honour recently for me to present certificates to some of the 1,500-odd graduates of the National Citizen Service scheme. Does my right hon. Friend agree that this is a real Government success story, and will he allow time for a debate on how to roll this out to more people, year on year?

Chris Grayling: I think this has been a huge success story. The Prime Minister has brought many things to government, but this is one of those that will have the most lasting impact in this country. It is growing, developing and proving to be a great success. It is changing the lives of young people in different parts of the country, bringing together young people from different backgrounds in a way that can only be positive for the future. Long may it continue and grow.

Valerie Vaz (Walsall South) (Lab): The shadow Leader of the House was right to raise the issue of the ministerial code. May we have an urgent statement on who made the decision to change the code, the reasons for doing so and why international obligations were removed from it, when it was settled custom and practice for this country?

Chris Grayling: Given that the ultimate owner of the ministerial code is the Prime Minister and he is here before the House for questions every week, there will be plenty of opportunity to ask him that if the hon. Lady wishes to do so.

Mr Peter Bone (Wellingborough) (Con): On page 29 of today's Order Paper there is a motion about the UK delegation to the Parliamentary Assembly of the Council of Europe. Unusually, it goes on to page 30, because it is signed by 58 right hon. and hon. Members from all the major political parties. It commends the work of my hon. Friend the Member for Christchurch (Mr Chope), who has spent years there. He was elected as chairman of the European Conservative group. Will the Leader of the House not only welcome this motion, but put it on next week's Order Paper? As there is no House business committee, we rely on the Government to bring forward this excellent motion. Will he welcome it and bring it forward?

Chris Grayling: I have certainly spotted the degree of support for this particular motion, and I am aware of the desire to debate it. There is quite a lot of time allocated through the Backbench Business Committee for debates in this House. I know my hon. Friend is going to return to the issue of the House business committee shortly, but there is a very simple avenue available if he wants to get a motion such as this one debated. The hon. Member for Gateshead (Ian Mearns), Chairman of the Backbench Business Committee, which is that avenue, is sitting over there on the Opposition Benches.

Cat Smith (Lancaster and Fleetwood) (Lab): The Leader of the House may be aware of the case of 26-year-old Tara Hudson, a trans woman who has been sentenced to serve her prison sentence in a men's prison. The good news is that I have heard today that she is being moved to a women's prison. Will the right hon. Gentleman allow a statement to be made to clarify the procedures for the sentencing of trans prisoners?

Chris Grayling: I am aware of the case. These are often very difficult issues, and they are typically dealt with by the Prison Service or the judiciary. Detailed decisions thus tend to be outwith the remit of Ministers. I know that my colleagues in the Ministry of Justice will always want decisions of this kind to be taken carefully and sensitively. Those colleagues will face the House for questions next Tuesday, and I am sure that they will listen to the hon. Lady's concerns then.

Mr David Nuttall (Bury North) (Con): May we please have a debate on how to tackle cybercrime? I have received complaints from constituents in the past, and there is another report in today's *Bury Times* about one of my constituents having received one of the very convincing and genuine-looking emails that purport to come from one of our high street banks and ask for personal details. Such e-mails could very easily mislead people and cause them to be defrauded.

Chris Grayling: This is indeed a matter of concern. A number of worrying cases have been highlighted in recent weeks and months, in which people have lost large chunks of their life savings to some pretty complex and sophisticated scams. The message that we in the House should send to everyone is "Be more than ultra-careful about how you respond to emails, and be more than ultra-careful about how you respond to apparent requests to transfer money to different accounts." The House should return to this matter regularly, and should send the public—the people whom we represent—the message that there are criminal groups out there who are trying to rip them off all the time.

Chris Bryant (Rhondda) (Lab): That lot over there!

Chris Grayling: I ask my hon. Friends to keep bringing the issue up, because it is very important to do so.

I hear the usual sedentary chuntering from the shadow Leader of the House. This is a really serious issue. On television earlier this week, I saw a woman who had been swindled out of £35,000 by a gang who had persuaded her to go to her bank and transfer the money to a different account. It is not a laughing matter.

Jack Dromey (Birmingham, Erdington) (Lab): In a free society, freedom of information is essential. Public bodies are public and should always be publicly accountable, and the powerful must always be held to account. Does the Leader of the House therefore understand the concern that is being expressed in Birmingham, and by the *Birmingham Post* and *Birmingham Mail*, about the current threat to freedom of information, and will he agree to arrange an urgent debate on what is a threat to a cornerstone of our democracy?

Chris Grayling: The irony is that the person who said that he regretted the Freedom of Information Act 2000 most was the former Member of Parliament Jack Straw, who introduced it. He said that he looked back on it as one of the things that he had got wrong. This Government are committed to the Act, but we want to ensure that it works well and fairly, and cannot be abused or misused. It is, on occasion, misused by those who use it as, effectively, a research tool to generate stories for the media, and that is not acceptable. It is a legitimate and important tool for those who want to understand why and how Governments make decisions, and this Government do not intend to change that.

Tom Pursglove (Corby) (Con): I know from my own family's experience just how devastating pancreatic cancer can be. As November is pancreatic cancer awareness month, may we have a debate about awareness, and about what the Government are doing to help those who are suffering from this dreadful disease?

Chris Grayling: My hon. Friend has made an important point. Of course, all forms of cancer—and pancreatic cancer in particular—are deeply distressing for those who suffer from them, and for their families. It is encouraging that we seem to be taking some significant steps in terms of treatment and research on various treatments for the future. I am pleased that, notwithstanding the financial pressures that we face, we have maintained our science budgets, which—along with substantial private sector funding for research—open up a better future for sufferers, and I hope that that work continues.

Alison Thewliss (Glasgow Central) (SNP): Since the opening of today's sitting, welcome news has emerged from China that it is to end its one-child policy. Will the Leader of the House arrange a debate in Government time on the workings of its two-child policy, with particular reference to the "rape clause"?

Chris Grayling: Of course, full details will become available. I am aware of the issue and will ensure that the fact that the hon. Lady has continued to raise this concern is communicated to my colleagues.

Andrew Stephenson (Pendle) (Con): I welcome the Government's announcement that anti-Muslim hate crime will be recorded as a separate category for the first time by police in England and Wales, bringing Islamophobia into line with anti-Semitic attacks targeting Jews, which have been recorded separately now for some time. May we therefore have a debate on hate crime in all of its forms, and what more we can do to eradicate this from our society?

Chris Grayling: Hate crime in any form is unacceptable. I am very much aware that although we have seen a spate of anti-Semitic attacks in recent months, there are regular attacks on mosques and Muslims in this country. I therefore think the steps this Government are taking are absolutely right. We should not tolerate hate crime against any of our communities. It should be dealt with by the full force of the law whenever it occurs, and the hon. Lady does an important service to this House in reminding us of our obligations in that regard.

Nick Smith (Blaenau Gwent) (Lab): May we have a debate on defence procurement and buying British? Why are the three new Royal Navy ships and the 500-plus armoured vehicles for the Army not being built with British steel?

Chris Grayling: On those occasions when there is a specialist metal requirement, we have to source the specialist metal from wherever it is made. However, 97% of the steel that is being put into Crossrail comes from British sources. It is disappointing that the Scottish Government have not done the same for their contracts in Scotland. The steel that is going into our aircraft carriers is also British steel, and I would ask the hon. Gentleman this question about defence procurement and British jobs: if he is so concerned about the use of British steel and jobs in Britain, why does his party now support a policy that would involve scrapping the plans for four new Trident submarines to be built in Barrow-in-Furness?

Paul Flynn (Newport West) (Lab): When can we debate the convention that serving Prime Ministers are not invited to give evidence to Select Committees? There is compelling evidence now that three Prime Ministers were unwittingly but directly involved in an enterprise that cost the taxpayers many millions of pounds. Is it not important, too, that we understand why three Prime Ministers were infatuated by the delusional fraudsters of Kids Company?

Chris Grayling: There are two points to make here. First, I think everyone on both sides of the House is deeply distressed to see what has become of Kids Company. That is not good news for any of us. The second point is to remember that, notwithstanding what has gone wrong in that charity, some people who volunteered for it did some very important work and believed in what they were doing, and I do not think we should decry that work. I also say to the hon. Gentleman that we have a Liaison Committee made up of some of the most senior people in this House and that Committee meets the Prime Minister and questions him each month. It is in my view precisely the vehicle the hon. Gentleman is looking for.

Diana Johnson (Kingston upon Hull North) (Lab): Three years ago Hull's caravan manufacturers had to fight off the caravan tax which would have blighted their industry. Now we have the Government buying steel from the Chinese and the Swedish. I wonder if it is

about time we had a debate in this House about an industrial policy for our country, and not every other country in the world.

Chris Grayling: Let me tell the hon. Lady about an industrial policy. An industrial policy which leads to a dramatic drop in UK steel output and a near-halving of the proportion of our economy that is taken up by manufacturing is the industrial policy we had under the last Labour Government. Under this Government we have been working to restore manufacturing and research and development, and steel production is at the same level or slightly higher than when we took office. Labour is the Opposition so its Members can of course ask questions without remembering their own record in government, but just on occasion they should look in the mirror and say, "What did we do in government?", because actually when it comes to manufacturing in this country they made a right royal mess up.

Mr David Hanson (Delyn) (Lab): Concern about the illegal wildlife trade is growing and the Duke of Cambridge spoke out about this issue only last week. Responsibility in the Government lies within three Departments: the Department for Environment, Food and Rural Affairs, the Home Office and the Foreign and Commonwealth Office. May we have an early debate to look at how we can better co-ordinate a UK Government response to end this vile trade?

Chris Grayling: I wholeheartedly agree. To see the return of elephant poaching in southern Africa is something I find deeply distressing, and the threat now facing the rhino is profoundly distressing. I commend Prince Harry and Prince William for the work they have done in this area over the years, and I commend everyone in this House who works to highlight this very real challenge. I want future generations in this country to be able to enjoy these great creatures, to see them in the wild, and not to have to look back in history books for the times they walked the earth.

I will make sure the right hon. Gentleman's concerns are drawn to the attention of the Secretary of State. Perhaps he would like to raise this issue at DEFRA questions next Thursday, because that Department has the biggest role in this. It is important we do everything we can to stem what is a vile trade.

Ian Lavery (Wansbeck) (Lab): Dupuytren's contracture is a debilitating disease of the hands caused by manual labour. The Industrial Injuries Advisory Council made recommendations to the Department for Work and Pensions way back last year on why the Department should make it a prescribed occupational disease, yet no official announcement has been made. Will the Leader of the House make a statement on the reasons for the delay, which is having an impact on many disabled people in the UK?

Chris Grayling: The hon. Gentleman raises an important issue. I do not know the answer to his question, but we will have DWP Ministers here on Monday and I will make sure that they are briefed in advance on this question, so if he chooses to raise it again then, they will be well prepared to give him a proper response.

Points of Order

11.40 am

Alex Salmond (Gordon) (SNP): On a point of order, Mr Speaker. During business questions, it was announced by Sir John Chilcot by means of a letter to the Prime Minister that it will be a further seven months before the Iraq inquiry is published. That means that it will be seven years since it was established and a full 13 years since the war started. At this time of year in particular, would it have been not only in order but a mark of respect to the families of the 179 dead British servicemen if the Government had come to the House to inform us of this decision, so that we could have explored the reasons for the delay in the inquiry's publication and the possible legal consequences for certain individuals if the inquiry were to allocate responsibility for that illegal conflict?

Paul Flynn (Newport West) (Lab) *rose*—

The Leader of the House of Commons (Chris Grayling) *rose*—

Mr Speaker: Perhaps I can call the Leader of the House first. I should say that I am not aware of exactly when the letter was sent or received, but I have long been aware that this is a matter of great interest and concern to Members across the House. The whole situation is extremely unsatisfactory, and if the Leader of the House would like to come to the Dispatch Box, we would be pleased to hear from him.

Chris Grayling: Further to that point of order, Mr Speaker. Let me say first of all that the Government and I share the frustration of the right hon. Member for Gordon (Alex Salmond) at the amount of time that this has taken. None of us has ever sought to hide that fact. There are clearly lessons that will need to be learned from this whole process. It is in none of our interests that this should have taken so long. We were in opposition at the time, so we have no vested interest in delaying the matter. I understand his concerns, but he will understand that this process is outwith the control of the Government. Sir John's timetable is entirely in his own hands. On the timing of this announcement, I do not know the time at which the letter was released, but it is certainly not my job to pre-announce a letter from Sir John Chilcot before he has announced it himself.

Paul Flynn *rose*—

Mr David Davis (Haltemprice and Howden) (Con) *rose*—

Mr Speaker: I just want to hear some further observations on this matter. I call Mr Davis.

Mr Davis: Further to that point of order, Mr Speaker. I think we all agree with the right hon. Member for Gordon (Alex Salmond) on this, and indeed with the Leader of the House's comments. However, the simple fact is that there have been many rumours that the Chilcot inquiry has been delayed by Whitehall not clearing things quickly enough, by not providing enough information and by challenging the ability to release information. It would be extremely helpful to the House if we could have a statement on this issue, and I ask you

to encourage that to happen, Mr Speaker. Frankly, this is an insult and compounds the grief of the many families who lost loved ones in that war.

Mr Speaker: I say gently that I want to hear the points of order—we will hear from the hon. Member for Newport West (Paul Flynn) in a moment—but the Leader of the House was absolutely correct to say that it was not for him to pre-empt the delivery or publication of any letters. However, in the light of what I sense to be a strong feeling across the House, it would be extremely helpful if, when the Leader of the House is in full possession of the facts, he were to consider an early, short statement, on which there would be an opportunity for questioning, at the start of next week. I merely put that thought to him now. He will have an opportunity to reflect on it. Let us hear whether he wishes to say anything further in response to the right hon. Member for Haltemprice and Howden (Mr Davis).

Chris Grayling: I simply wish to assure my right hon. Friend that I have seen absolutely no evidence of a desire in Government to stall this matter. Indeed, the Prime Minister has been as keen as anyone in this House, including the right hon. Member for Gordon (Alex Salmond) and my right hon. Friend the Member for Haltemprice and Howden (Mr Davis), to see the report published, so there is no desire in the Government to slow it up. It has been a matter of frustration that it has taken so long, but it is outwith our control. I will certainly take back with me the point about an early statement.

Paul Flynn: Further to that point of order, Mr Speaker. The Committee that set up the Chilcot inquiry was the old Public Administration Committee under Tony Wright. At that time, there were misgivings about the form of the inquiry, and the suggestion was made that the inquiry should be run by Parliament directly, which would have been an entirely new form of inquiry. Would it not have been better if parliamentarians had had control of it? Furthermore, as we have had no explanation for the terrible loss of 179 lives in Iraq and for the Helmand incursion that resulted in 454 lives being lost when we believed that we would be going there without a shot being fired, can we have an assurance from Government that we will have no more talk about military interventions in the four-sided war in Syria before all those matters are reported on?

Mr Speaker: May I say to the hon. Gentleman who has taken advantage of this opportunity to make his point, which he has done with his usual alacrity, that a statement by Government to the House on this matter would afford a real opportunity for him to make his point not by point of order to me but by question to the Leader of the House? It would perhaps be an uncontroversial observation that, had there been a parliamentary Committee looking at this matter, it would not have been possible for it to do its work more slowly even if it had made a Herculean effort to do so. I say on behalf of the House, whether or not it concerns or perturbs Sir John, that he should be aware that there is a very real sense of anger and frustration across the whole House at what seems to be a substantial disservice that has been done. Perhaps we can leave it there for now, but I am grateful to the right hon. Member for Gordon

(Alex Salmond) for first raising that matter and to other hon. and right hon. Members for underlining the strength of feeling across the House.

Diana Johnson (Kingston upon Hull North) (Lab) *rose*—

Jack Dromey (Birmingham, Erdington) (Lab) *rose*—

Mr Speaker: If the hon. Member for Birmingham, Erdington (Jack Dromey) could hold his horses for a moment, I shall call Ms Diana Johnson.

Diana Johnson: On a point of order, Mr Speaker. When Ministers speak from the Dispatch Box, I know that they have to ensure that they are factually correct. I am sorry to raise again a point of order today about a factual inaccuracy that has been made by the Leader of the House. In an exchange this morning, he said that Labour had done nothing in 13 years to deal with the issue of VAT on sanitary products. That is factually incorrect, as Dawn Primarolo, as a Treasury Minister, ensured that VAT was reduced from the top rate to 5% in 2001. I hope that the record can be corrected.

Mr Speaker: I think we should leave the exchange pretty much there, but of course if the Leader of the House wishes to respond, he can do so. The hon. Lady has made her point very clearly and it is on the record—or it will be on the record—in the *Official Report*. The Leader of the House will speak, but then we must proceed.

Chris Grayling: It is important to say that it is not always fair or wise to cut sentences short, because if the hon. Lady had listened to what I said she would have heard, “on zero-rating”.

Backbench Business

HOUSE BUSINESS COMMITTEE

11.48 am

Mr Speaker: Since this is the first occasion on which these procedures have been invoked, it might be helpful to the House if I explain what is happening. This is an identical motion to that which was debated in Westminster Hall on Wednesday 14 October. When the question was put in Westminster Hall, the Chair’s opinion as the decision of the question was challenged. As the motion has now been brought before this Chamber under Standing Order No. 10(13), I am required to put the question on the motion without debate.

Motion made, and Question put forthwith (Standing Order No. 10(13)),

That this House has considered the creation of a House Business Committee.—(*Mr Graham Allen.*)

Question negatived.

Mr Graham Allen (Nottingham North) (Lab): On a point of order, Mr Speaker. Delighted as I am that the motion has been carried unanimously by this House—

Mr Speaker: Negatived unanimously.

Mr Allen: Yes, negatived unanimously. Mr Speaker, can you assist me in how we can take the matter forward now that the House has expressed a strong view so that we can all discuss the issue of a House business committee, which was, of course, in the coalition agreement, was promised by the then Conservative Leader of the House and is the remaining outstanding business of the Wright Committee in reforming this Chamber? Will you give me and colleagues some advice on how we can move things forward and have a genuine debate on whether we need a House business committee?

Mr Speaker: Not for the first time, and possibly not for the last, I feel that the hon. Gentleman flatters me. He does not require my advice. He is something of a cerebral constitutionalist and knows very well that there is an arsenal of weapons available to him, including all sorts of parliamentary devices that would enable this matter to be debated not in Westminster Hall but in this Chamber. He knows that he has a fellow spirit in the hon. Member for Wellingborough (Mr Bone) and a goodly number of other Members to boot. The matter will come back to this House and I have a feeling that the hon. Member for Nottingham North (Mr Allen) will want it to come back sooner rather than later, following what has just taken place. The matter cannot be ducked.

Mr Peter Bone (Wellingborough) (Con): Further to that point of order, Mr Speaker. It might be useful for you to know that I had an electronic message shortly before the motion was moved that indicated that Government payroll Members were instructed not to oppose the creation of a House business committee, so perhaps the Government might introduce a motion before the House.

Mr Speaker: Well—

Chris Bryant (Rhondda) (Lab): That was ironic and should be in italics in *Hansard*.

Mr Speaker: If the hon. Member for Wellingborough spoke with his usual sincerity, some might think that he displayed an optimism worthy of Dr Pangloss. We shall wait and see. I had not noticed in the last Parliament the Government displaying any great earnestness to stick to their commitment to make proposals for a House business committee. Perhaps in this Parliament they will have remembered that commitment and will decide to act on it. Perhaps they will do so of their own volition, or perhaps they will be cajoled, exhorted, harangued and persuaded into doing so by the combined intellectual and rhetorical firepower of the hon. Members for Wellingborough and for Nottingham North.

Tax Credits

[Relevant documents: Oral evidence taken before the Work and Pensions Committee on 26 October 2015, on Tax Credits, HC 548, Oral evidence taken before the Treasury Committee on 15 July and 21 July 2015, and written evidence published on 20 August and 22 October 2015, on Summer Budget 2015, HC 313]

Mr Speaker: I inform the House that I have not selected the amendment.

11.53 am

Frank Field (Birkenhead) (Lab): I beg to move,

That this House calls on the Government to reconsider the effect on the lowest paid workers of its proposed changes to tax credits due to come into force in April 2016, to carry out and publish an analysis of that effect, and to bring forward proposals to mitigate it.

Thank you for your ruling, Mr Speaker. On behalf of the House, I thank the Backbench Business Committee, which not only acted quickly in giving us this debate but decided that we should have a whole day to debate the issue given the importance of the matters we are discussing to many of our constituents, particularly those who have the least money.

Members will have seen from the motion on the Order Paper, signed by a large number of my hon. Friends from both sides of the House, that we want to touch on three themes today. First, we call on the Government to give us more data so that we can, secondly, consider the impact of the tax credit cuts on our lower-paid constituents. Thirdly, given that there is now a debate raging in this House as well as outside it, we wanted to give the House the opportunity to suggest means by which the Government might mitigate the measures, although the debate has moved so fast that I do not think that those on the Treasury Bench are thinking merely of mitigation.

In this opening contribution I want to touch on three themes. First, I congratulate the House of Lords not on causing a constitutional crisis, but on giving the Government a well-earned opportunity to think twice about their proposals. Secondly, I shall outline the data that we need in this place to consider how the biggest change in the Budget will impact on our constituents. Thirdly, I want to start introducing the proposals that Members are putting forward not merely for mitigation, but for reform of the tax credit proposals.

First, on the lucky break that has been dealt to the Chancellor, when the Lords rejected the statutory instrument giving the Government authority to go ahead with the tax credit changes, I began to pity that no doubt young adviser in the Treasury who had thought up the wheeze of putting the measure in a statutory instrument rather than in the Budget itself. Although on many subjects we would disagree with Lloyd George, he had a certain wisdom in deciding how to protect money resolutions in this House from interference from the other place. The convention that had been developing before and was reaffirmed with legislative force then was that if a Budget motion goes from this House, the other place might wish to debate it but could not interfere with it. I pitied the career of that young adviser who suggested a wonderful wheeze not to debate it here on the Floor of the House, but to take the very essence of the Budget in a Committee stage upstairs.

Now, as more hon. Members have begun to realise the consequences of the tax credit changes, I began to think that maybe that official is for promotion, in that the procedure gives wonderful cover for the Government to engage seriously with us here and with our constituents on what might best be done both to meet the Government's target to reduce the deficit and to make sure that any reduction is not disproportionately or to any extent put on those with the weakest shoulders. It is a huge opportunity and I hope that in the course of the debate we will see the changes and the movement that has taken place since that Budget debate.

Secondly, I make a plea for the data that this House requires so that it can understand what is involved for all our constituents, particularly those strivers who get up and work, doing some of the least privileged jobs in our society, and who successive Governments of different complexions thought we should encourage rather than deter from doing so. It is worth remarking, although I do not wish to add any conflict to this debate, that we have to go back to Lloyd George's debates to look at the information that he provided to the House on who would pay for his 1909 Budget—that Budget in which he enshrined in our constitution that Budget measures were for this place and not for the other place.

Lloyd George provided far more information than the Government provided this year on who would be affected by his Budget. I know it was simpler then—he was after the landlords' pay and he made it plain that they would pay for the measures, and that the Budget would redistribute not just to the poor, but to the poor who were not in trade unions and who at that point had no one to protect them. The Government have achieved a first—and I hope they will withdraw from this innovation—in starving the House of the necessary information.

What I would like to see from the Government is how we break down among decile groups—each 10% of the income distribution—the impact of this £4.5 billion cut in tax credits. May we have that information by each data group? There are three big changes that the Government wrought in the Budget statement. First, they reduced the earnings threshold from £6,420, lowering it to £3,850 next April. Secondly, they are abolishing the family element—the £500 that was put into the calculation—which will disappear in 2017. Thirdly, the child element, which is valued at £2,780 a year, will be lost for all children after the second child in a family.

Those measures will obviously affect different groups in all our constituencies. Given that there is a unity across the House on the idea that the necessary reductions in the budget deficit should be borne by those with the broadest shoulders, we need to look at the impact of those measures, both individually and collectively, on each decile group. Then we need to look at the impact for each type of family and for each year up to 2020.

To be fair to the Government, many of us wish them to include in that analysis the four compensatory measures that they argue will mitigate most, if not all, of those changes. For example, the Prime Minister has told the country that eight out of 10 families will be better off as a result of this year's Budget. The truth is that eight out of 10 might well be better off, but practically all of our constituents who draw tax credits are in the two out of 10 who will be substantially worse off. I therefore hope not only that we will see a careful analysis of the cuts affecting individual families, but, in order for it to be

rounded and fair, that it will include the four compensatory measures that the Government argue will mitigate the impact.

One such mitigating factor is the welcome increase in the tax threshold. When the Exchequer Secretary replies to the debate, perhaps he will be able to tell us whether all those claiming tax credits will be covered, or is the figure more like half? Let me say now—I might not have an opportunity later—that I have huge regard for him. I am sympathetic to the position he is in, because he is defending a Government brief that is on the move. I will mention a precedent that I think will cheer him. Those of us who have been in this place for some time will remember when Mrs T insisted that John Major come to the Dispatch Box to defend her policy on cold weather payments. She then heard the eruptions from the Benches behind him and decided to change the policy that afternoon, but she instructed him to tell the House that something much better was in store. I hope that the Chancellor, who is now in listening mode and thinking about what changes to make, will be similarly generous and allow the Exchequer Secretary to announce those changes, rather than seeking to take any kudos himself.

One of the big changes is the increase in the tax threshold, but only half of those who will lose out as a result of the tax credits changes will be compensated, or partly compensated, by that increase. Probably the most important positive measure that the Government will introduce in this Parliament is the significant increase in childcare for all our constituents who have children under the age of five: the number of hours of childcare for the poorest two-year-olds and all three and four-year-olds will increase to 30 a week.

The Minister who will reply to this debate has probably the most important brief of any Minister, because he now has overall responsibility for life chances. If this House is serious about ensuring that the life chances of children in the poorest households are raised to the level of children in more privileged households, we must look very carefully at how that extra money is spent and, in particular, whether our very poorest and youngest constituents get the best deal out of that childcare. The increase in childcare is probably the most important social measure that the Government are likely to introduce in this Parliament, but following close on its heels is the introduction of a national living wage.

John Glen (Salisbury) (Con): The right hon. Gentleman is making a characteristically thoughtful speech, but in discussing amelioration of the third element will he acknowledge that many employers are going further than the schedule for the national living wage uplift requires? That will be massively welcome to many people across the country and will have a material impact on the four elements he is describing.

Frank Field: Many employers are doing so, but some are not, hence the importance of the Chancellor's making it a statutory requirement. That demonstrates the role of law when it is used cleverly. A number of employers who previously were not interested in introducing a national living wage—in correspondence with me, they said that they would not do so—are now among those that have, in a sense, jumped the gun in introducing the Chancellor's national living wage. That is welcome.

Mr David Anderson (Blaydon) (Lab): Is there not a problem for employers in the public sector? A number of them, including my local council, Gateshead Council, are committed to paying the living wage, but clearly they do not know whether extra funding will be made available to them so that they can do so.

Frank Field: There is clearly, as my hon. Friend says, a question about resources. We are arguing that Ministers should produce an analysis of the impact of the national living wage, but many local authorities are paying above that level now, so those workers already have that money in their wage packet. The ability of local authorities to increase wages will be limited in the years we are considering, so many public sector workers on the lowest pay will not be beneficiaries of the living wage; their pay increases will be limited by the requirement the Government have laid down. Perhaps that is a factor the Government will use in the analysis for which we are asking.

Sammy Wilson (East Antrim) (DUP): Does the right hon. Gentleman also accept that when the data are being compiled, there should be an indication of the impact the changes will have on the under-25s, who will not be covered by the national living wage?

Frank Field: Well, indeed. Our plea is to have made available the range of analysis that has traditionally accompanied any Budget statement that any Member of this House, however long he or she has served, has come to expect.

The Work and Pensions Committee has emphasised a fourth factor, which is that there may be some wage push as a result of the introduction of the national living wage. Will that be taken into account in the Government's analysis? I am slightly sceptical about the extent of that wage push—again, it is one of the problems of having been a Member of this House for some time. When I was initiating the Low Pay Unit's campaign for a statutory minimum wage, the official trade union position was to oppose it on the ground that there would be a mega-bill as we re-established differentials. However, when we look at the impact of the statutory minimum wage, we see a great deal of bunching of wages, and not the big increases that some people feared and expected.

Mr David Davis (Haltemprice and Howden) (Con): Will my right hon. Friend give way?

Frank Field: Yes, I give way to my right hon. Friend.

Mr Davis: I can call him my right hon. Friend, because we have known each other for 40 years. On the data the Government provide, because this is an incredibly complicated area, there are elements of data that are important but that would not normally be provided. One of them is the marginal withdrawal rate of any scheme that the Government put into effect. Government spokesmen have previously said that people can work their way out of poverty, but it looks as though some of the effects of the national living wage will result in a 93% withdrawal rate, which will mean that people cannot work their way out of poverty. Will he add that to his list of data for the Government to provide?

Frank Field: I will certainly do that, because I want to refer to a proposal that I initially made about making a reform at nil cost. I did not do that because I wanted to be dragged to the stake and burned as a result, but because I was anxious to begin a debate. If one is asking the Government to change their mind, somebody who has made proposals might also change their mind. With any proposal, the net withdrawal rate is crucial. We in this House thought it intolerable that people should pay more than 45% on their income tax and suffer that rate of withdrawal. It is not a bad rate to aim at for poorer people when we add income tax, national insurance, and withdrawal of tax credits and other benefits. That underscores the point that the right hon. Gentleman made.

Hywel Williams (Arfon) (PC): Would the right hon. Gentleman also see merit in looking at the geographical distribution of the effects of these measures, given that as the Member for Birkenhead he will know that there are very poor communities where the effects will be very widespread? The result will be not just poorer people but poorer communities.

Frank Field: I very much agree. I know that the Exchequer Secretary also has an interest in improving Treasury data so that we can better understand tax and benefit changes. I hope that the hon. Gentleman's plea will not fall on deaf ears.

Mr Graham Allen (Nottingham North) (Lab): Will my right hon. Friend take into account the fact that we need to have something that is saleable to the people who are benefiting from tax credits? Language such as marginal rates of return, thresholds and differentials can completely confuse not only the beneficiaries but small employers. Will he make it clear in negotiations with the Treasury that we must try to make this saleable and to keep the concept simple, so that people who genuinely need tax credits can claim them, because there is still massive underpayment?

Frank Field: There is indeed. That leads me neatly on to what the proposals for reform might be. I wish briefly to touch on four.

First, I make a plea to the Government to recognise just how quickly this whole debate is changing and to take advantage of that. Tax credit payments are here for the long run. When we began this debate back in 2010, there was enthusiastic talk about, in almost no time, a new benefit—universal credit—that would sweep away means tests and deliver a seamless service to our constituents. To be truthful but gentle about universal credit, its progress is very modest. I do not disagree with the Secretary of State in looking back at previous instances of trying to smash reform through whatever the costs, but at some stage somebody in Government has to look at how slow the progress of roll-out has been and question whether a full flowering will ever see the light of day. This raises questions about how tax credits might be reshaped, given that universal credit is not for the chop and is here for the longer term. It will not, in the lifetime of this Parliament or even the next, make tax credits redundant.

We have begun to have debates about this with the public. When I recorded a programme this morning, every time I said a word that people thought the public

would not understand, we had to stop and start filming again. I could not say how long it took to film. We have our own language, which is a shorthand that is not understood by people outside.

Huw Irranca-Davies (Ogmore) (Lab): My right hon. Friend speaks with great authority and experience on these matters. One of the very straightforward concepts that all my constituents understand is that there is a right-minded intention to get rid of taxpayer-subsidised poverty pay. In doing so, however, we cannot say to people on low pay, “We’re going to impoverish you on that journey.” The simple concept is yes, let us talk about the instruments for doing that, but remember that it is about getting rid of poverty pay and lifting people up, so that at some future date we do not have to rely on subsidy to make it worth while to go to work.

Frank Field: I could not agree more, in that we have not had a Chancellor who has decided that it is misplaced for taxpayers to play the role in the welfare system that wages should play in our economy. That leads welfare reform into new areas about how to raise productivity, particularly among those who are lowest paid. We should not simply accept and welcome the Chancellor’s proposals for a national living wage but think about how we take it on from there. My hon. Friend is absolutely right.

My first suggestion to those on the Treasury Bench stems from the fact of the Government’s introducing a national living wage. When the people who designed tax credits got to work, nobody thought that any Government would bring forward that proposal. They therefore incorporated two aspects into the tax credits system. The first was about how to subsidise, and make up to a more decent level, poverty wages. The second was that given the life cycle and where life’s journey takes us, there are periods when people have children and their budget is stretched, and the tax credits system should play a role in that. I ask those on the Treasury Bench, when they are thinking about what they do in only a few weeks’ time in the autumn statement, to consider whether we should now grow up and accept that we are going to have a national living wage, and that the tax credits system should not only subsidise low wages but take some of the responsibility for the costs of children. I think there would be a great deal more support in the country if tax credits were about supporting children rather than the need to subsidise poverty wages.

David Morris (Morecambe and Lunesdale) (Con): Will my right hon. Friend, as I would call him outside this Chamber, make it clear that this is about tax credits and not child tax credits, as they are two different benefits?

Frank Field: There are two benefits called child tax credit and child benefit. The Prime Minister seems to misunderstand the difference between the two, because he said during the election that child tax credits would not be touched, but given that under this formula we are changing the clawback—or, as my hon. Friend the Member for Nottingham North (Mr Allen) would say, the amount of money people lose—by changing the threshold at which people begin to take back tax credits, and the rate at which tax credit income changes, we are

affecting the value of child tax credit. There are questions about the sense of having two benefits serving the same purpose.

My second proposal is one that I guess many Tory MPs have made privately to the Government. I cannot imagine that Government Whips are different from Opposition Whips. If we had been in government making this proposal, our Whips would have been very busy last weekend phoning hon. Members to ask what they would tolerate as a minimum for reform. I would have thought that one very clear message coming back would be that bringing in these reforms next April is not acceptable.

The third and more radical proposal, which again unites Back Benchers on both sides of the House, is that the changes to tax credits should apply only to new claimants. One of the problems of our popularity in shovelling around taxpayers’ money without realising that the music might stop some day and people might think the bill was not actually affordable, is that in the meantime our constituents have responded to the very clear messages—in the form of incentives in the tax credits system—about what we wish them to do. In talking both publicly and privately with Conservative Members and certainly with Labour Members, I have noticed a sense that it is one thing to say there is a new contract for people who are not claiming tax credits now, but it is a totally different ball game to say to the others, “You’ve responded and you’ve done all we expected you to do, but, by Jove, we are going to clobber you now for doing so.”

Andrew Percy (Brigg and Goole) (Con): I will make two points. The right hon. Gentleman is absolutely correct that for people in the system who have changed their behaviour—in terms of the vehicle they have bought, or the house they have chosen to buy or rent—we cannot change the rules afterwards and hit the poorest hardest, as the changes would.

I also want to put on the record that I have made my view perfectly clear—certainly to Conservative Members—that the changes cannot go ahead next April and that any mitigation should be full mitigation. Mitigation must protect the poorest households, of which, due to our low median salary, we have an awful lot in east Yorkshire.

Frank Field: I am grateful to the hon. Gentleman for his intervention.

Sammy Wilson *rose*—

Frank Field: I will give way again, but I will then begin to conclude.

Sammy Wilson: Does the right hon. Gentleman agree that the Government have accepted the principle he has just espoused about those who are already in the system? With the pension changes, for example, the Government have not required those coming up to the pension age who have certain expectations to change their expectations. Why does that not apply to those who are currently recipients of tax credits?

Frank Field: I could not agree more. I think those on the Treasury Bench are picking up a very strong message. There would be very little opposition to the Government

[Frank Field]

introducing the reforms for people who are not claiming tax credits now, but who, if they claimed them in the future, would know the rules of the game. When this place has helped to shape people's lives, expectations and drive, it is very different all of a sudden to blow the whistle and say, "We're changing the rules." People both in the Chamber and in the country feel very strongly about that.

Guto Bebb (Aberconwy) (Con): On the specific issue of dealing with the changes for people coming into the system, does the right hon. Gentleman not recognise that that shows its complexity? Somebody who is offered a position paying more than enough to take them out of the tax credits system might be reluctant to take such a job, because if it does not work out they will come back into the system as a new claimant. Even with his proposed change, the system will be complicated.

Frank Field: I was waiting for those on the Treasury Bench to point out the difficulties involved with all such moves. It is important to say that we are not in the hole; the Government are in the hole. We are trying to make suggestions about how to get out of the hole. It is no use the Government turning round to us and saying, "Did you not realise that this would have this effect and that effect?" I know we will not get that from the Exchequer Secretary, but a suitable sense of humility from the Government would be welcome.

Mr David Davis: Does that point not reinforce the requirement for the changes to be made not with another yes/no measure such as a statutory instrument, but through primary legislation?

Frank Field: There would of course be a tendency for any Chancellor to say, "I'm going to make the Lords agree to my new SI." If it was an SI that this House cheered on its way down to the other place, that might be wise. If it is an SI on which there was still deep disagreement, particularly among Conservative Members, I think it would be very unwise not to bring forward the proposal in primary legislation.

Mr Graham Allen: Is there not room for a little bit of forethought and pre-emption? We are only six months into a five-year Parliament, and this is the first of many changes that may happen. Will my right hon. Friend stress that Parliament could be seen as a partner in this process? Rather than having a crisis-management approach to social policy, can we not involve the Work and Pensions Committee, the Treasury Committee and colleagues in both Houses? The Government can set the object, but we could be allowed to say something to help them on their way. We know that there has been a general election and that they are entitled to get their laws through, but they should use Parliament as a partner, rather than have this constant crisis management.

Frank Field: I could not agree more. In my speech opening this debate, I am in a sense saying that this is a glorious opportunity for the Chancellor to get it right: both to change his image and to become a much more serious reformer on the tax and benefit front. I am sure that he did not want to land himself in this position,

but now he has, I hope that he will be optimistic not only about the partnerships he can build, in the way that my hon. Friend suggests, but about the opportunity it gives him in beginning to take into account the effect of a national minimum wage on the welfare debate. I sometimes wonder whether he has quite realised just how significant change is and could be.

If hon. Members will allow me, I will turn to the fourth suggestion for reform. I have put it forward, largely to get a debate going, and I now wish to attack it. The suggestion was to take the Chancellor seriously when he said that reforms should be done at nil cost. I wanted to show that it would be possible to raise the thresholds—the point at which people begin to lose tax credits—to the national minimum wage at nil cost, but that would require an even greater penalty in the loss in tax credits for people above that level.

There is not a great deal of support for that idea, but I put it forward merely to stress this point. When we had a huge great uprising of Back Benchers from both sides of the House over the abolition of the 10p rate, the Government were adamant that they were not going to listen, but then, on the night before the big concessions, huge sums of money were found at the Treasury to go everywhere but to help those on the 10p rate. It is now clear that the Chancellor will put some extra money into the whole operation. If we suppose that he wants to go down the nil cost route, the extra money ought to go to protecting those who will lose, rather than to those not claiming tax credits—including all hon. Members, who are not affected—who would benefit if he raises the tax threshold further or increases the national insurance threshold.

I will make my last point quickly, not because I do not want to develop it further, but because I am conscious of the large number of hon. Members who wish to participate in the debate. If we are saying that the Government should give up £4.5 billion from savings toward the reduction of the deficit, we are required to say where that money might come from. I wish to suggest two areas. I have lifted the first from the Treasury. It is now briefing the media that one possible way of finding the extra resources for a delay and a staged introduction—that is certainly what Conservative Back Benchers are asking for as a bare minimum—of this reform, if that is what we can call it, would be to have a smaller budget surplus by 2020. I just put that forward, because it certainly seems to be a possibility for the Treasury.

My second proposal relates to pension tax relief. It is very interesting that the Chancellor has asked for views on how we might reform it. Huge sums of money are involved. I am not advocating that we should abolish it overnight. I do not think that we should treat people higher up the income scale in the same horrible way that the Government were proposing to treat those on tax credits. When Governments start changing incentives, people need to have time. If, however, we abolished it overnight, we are talking about an extra £34 billion. If we made the tax concession 15% for everybody, the figure would be more than £15 billion, and if we made it 20%, it would be £10 billion. These are mega-sums of money.

I raise that issue because I do not believe that the Government's consultation on pension tax relief is up to speed with their pension reforms. The reason pension tax relief has been built up over a century is that

previous Governments gave up the ghost of ever introducing a state pension, which would take people off means tests. Hence, we had to bribe people to save more so that they would not be subjected to the horrors of poverty in old age. The Government are now introducing a basic state pension for the first time ever. That is an achievement. *[Interruption.]* I will certainly make way on the Bench for my hon. Friend the Member for Coventry South (Mr Cunningham). Shall I give him my notes so that he can finish my speech? I have never seen that before. I had always thought that if a Member was on their feet they were meant to be speaking, but never mind.

Sometimes Governments are very slow to look at how one really radical reform will have a knock-on effect on other parts of their programme. I do not think that this Government have taken into account the resources they are beginning to unlock now that the vast majority of people are going to be given a pension that will take them off means-tested assistance. Therefore, the reasons for bribing people to save in particular ways fall away, and that begins to unlock huge sums of money. I have not made proposals without also suggesting where the money might come from.

I want to end with what the tax credit changes will mean to our constituents if we are not successful today in convincing the Government to rethink radically their proposals. Having talked to my constituents and to others on television programmes, I cannot but be incredibly conscious of their fear at what the changes will do to them. People who we should be saluting and cheering are sick with worry about how they are going to make ends meet and about whether they are going to lose their homes and whether they are going to be able to pay the interest on their mortgages, not to mention how they are going to protect their children properly.

Although it is important that we sometimes use technical language as shorthand, I am sure that we will never, ever forget what this debate is about. It is about some of our most vulnerable constituents, whose efforts in work we should be saluting. We should not be handing out this sentence, which terrifies them. For that reason, I hope the House will come to one mind and pass our motion and that we will get a very clear response from those on the Treasury Bench.

Several hon. Members *rose—*

Madam Deputy Speaker (Natascha Engel): Order. Before I call the next speaker, I am going to impose a time limit of seven minutes. Thirty Members are trying to catch the Chair's eye and there are also going to be three Front-Bench contributions. We will start with seven minutes, but shorter speeches would be very welcome.

12.33 pm

Stephen McPartland (Stevenage) (Con): It is a great pleasure to follow the right hon. Member for Birkenhead (Frank Field), who spoke a lot of sense. I join him in thanking the Backbench Business Committee for allowing us a full-day debate.

I fully support the motion and was delighted to put my name to it. I voted against the statutory instrument because I could not support the Government. That was not an easy thing to do. I am proud to be the Conservative Member of Parliament for Stevenage, but I could not support the Government on the statutory instrument.

I support the idea of a high wage, low tax and low welfare society, and I believe that tax credits need to be reformed. They cost more than £30 billion a year and have completely snowballed. Families visit my surgeries all the time and they are very upset about the fact that no two families are treated the same. There are huge overpayments and there are underpayments. It is an incredibly complicated system. Some £1 billion a year is lost in fraud. There are huge issues with the tax credit system, but the problem is the impact the proposed changes would have had on those families with the lowest incomes.

I accept that the Conservative party manifesto said we would reduce the welfare bill by £12 billion. We need to look at that and I will come on to it later. Much of the debate about unemployment benefits is about how they contribute to the welfare bill, but actually they make up a very small proportion of it. For example, the reduction of the benefit cap from £26,000 to £23,000 a year was incredibly popular on the doorsteps during the election campaign, but it will save less than £100 million, because it affects fewer than 100,000 families in the whole of the UK. That is an indication of how small a proportion unemployment benefits are of the overall welfare bill.

I stood up for those families whom I believe Labour has left behind. They occupy the centre ground and I want to occupy it, too. The Prime Minister and the Chancellor said in their conference speeches that they also want to occupy the centre ground. Those families get up and go to work. They are trying to do the right thing and to support their families and work themselves out of poverty. They are the families I support and I am happy to fight for them. It is on behalf of those families in my constituency and across the United Kingdom that I voted against the statutory instrument.

Why have I been so vocal on this issue? I cannot believe that the impact of the changes was fully understood. The right hon. Member for Birkenhead made a very good critique of them. I want to focus on the reduction in the threshold that enables people to apply for and receive tax credits. The reduction from £6,420 to £3,850 is an instant £1,200 cut, so anybody earning more than £6,420 would be hit by a £1,200 cut right away. That is far too much of a blunt instrument.

A teaching assistant who earns £11,000 a year has restrictions on the number of hours they can work. They do a valuable job educating the next generation of society, including future business leaders. I make no bones about the fact that I am very proud of the work they do. My wife is a primary school teacher and I am proud of her. My sister is a secondary school teacher and a large number of my family work in education and do a great job. How can they be expected to go out there and make up a £1,400 cut to their income? It is not possible. That is too much to cut all in one go. Increasing the taper from 41% to 48% would result in cuts of only £200 or £300, but reducing the original threshold would result in a £1,200 cut. I cannot support that, which is why I had to vote against the statutory instrument and why I have not since then been able to support the Government in the Lobby on this issue.

Mike Wood (Dudley South) (Con): Does my hon. Friend agree that a basic test of the fairness of this package would be for its painful parts, such as the threshold

[Mike Wood]

reduction, not to be introduced quicker than its more positive elements, including the living wage, personal allowance increases and other benefits?

Stephen McPartland: As Members can imagine, I wholeheartedly agree with my hon. Friend. People such as teaching assistants and cleaners do a great job in society and we need to be reaching out to them.

Carol Monaghan (Glasgow North West) (SNP): The hon. Gentleman mentions teaching assistants and cleaners. I should probably declare an interest, because I used to be a teacher in receipt of tax credits. When the scheme came into being I was a single parent, and it was only because I had tax credits that I was able to remain in employment. It was a very difficult time and I faced the choice of either going into unemployment and being with my child or remaining in work. It is not just teaching assistants and cleaners who are affected, but other people in society as well.

Stephen McPartland: I completely agree with the hon. Lady. I mention teaching assistants because I think they are a classic example of people who are constricted in the hours they are able to work. They can work only so many hours a week and so many days a year.

The existing mitigation includes free childcare for three and four-year-olds, but if people do not have a three or four-year-old that is pointless and does not help whatsoever. There has been talk about the personal income tax allowance increasing from £11,000 to £12,500. I would like to see it go up to £15,000 by the end of the Parliament, but if people do not earn more than £11,000, it is of no use to them. People on £11,000 will still be hit by the £1,200 or £1,400 cut. That punishes people who are going out to work and doing the right thing. That does not sit right with me and I cannot support it.

David Morris: Does my hon. Friend think that a tapering system would be better suited to this policy?

Stephen McPartland: That is a possible solution and I am sure that the Treasury is looking into it. I would like to work with the Treasury on how the mitigation could work, and I hope that it will listen.

Mr David Davis: Give him a job!

Stephen McPartland: I would like to point out that I do not want a job.

Getting back to the people who are on £11,000 a year or thereabouts and who will be particularly punished by the policy as it stands, I am pleased that the Chancellor is now listening. Although I do not agree with what the House of Lords did, I accept that it has brought us to this position. I want the debate to focus not on constitutional issues but on the loss of income for people who have no ability to make it up elsewhere. How can we help those people?

I have talked about the increase in the personal income tax allowance from £11,000 to £12,500, which will cost about £9 billion. The Government spend over £700 billion a year, yet it seems as though if we cannot

find this £4.4 billion it will be the end of life as we know it. We all know that that is not the case. There is a way in which the effects can be mitigated.

How do we reform tax credits without punishing those who are trying to do the right thing—those who get up, go to work and try to move their families forward? Some £3 billion of the £4.4 billion saving is down to the change in thresholds that I spoke about—the initial £1,200 cut. It is an incredibly broad instrument that will punish people whether they earn just over £6,420 or £19,000 and it must be mitigated and changed. We have to find a way around that initial £1,200 cut. It is too much and it goes too far.

There is talk of a discretionary hardship fund. I would certainly welcome that for people who are struggling in one way or another. There has been a lot of talk about national insurance. I would like people not to pay any tax on the first £11,000 or £12,000 of their income, but that will not be looked at fully because it would be incredibly expensive. For me, this debate is about how we can help these families.

Basic macroeconomics suggests to me that if we take £4.4 billion off the people who earn the lowest incomes, that is £4.4 billion that will be taken straight out of the economy, because it will be taken out of the pockets of people who would have spent it right away. Every pound that is taken off those people is a pound that is taken out of the shops in their local economies. It just does not make sense.

I do want to work with the Treasury. I can be a prodigal son and be returned to the fold, I am sure.

Heidi Allen (South Cambridgeshire) (Con): Can I join you?

Stephen McPartland: I think you are a little more disliked than I am.

There is huge fear out there among the public. We need to come forward with proposals as fast as we can. I want the Treasury to talk to us, listen to us and work with us. I warn the Treasury that if it does not come forward with mitigation proposals that we find acceptable, we will continue to raise the issue and try to look after the poorest in society. I accept that Britain has 1% of the world's population, generates 4% of the world's income and spends 7% of welfare spending. That is too much. I am proud of the Conservative party and will continue to put fairness at the heart of it.

12.43 pm

Jenny Chapman (Darlington) (Lab): It is a privilege to follow the hon. Member for Stevenage (Stephen McPartland). Other than the last sentence or two, it was a tremendous speech. I hope that those on the Treasury Bench listened to the words he uttered, because there is widespread agreement in this Chamber and out in the country with the points that he made. He made a detailed analysis of the situation and gave some sensible suggestions that we can all support.

I hope that the hon. Gentleman is able to return to the fold, because we would like the Chancellor to dig himself out of the hole that he has created for himself. He has certainly got himself in quite a situation. We are all fascinated to watch how he gets himself out of it. I think that the Lords did him a favour because had all

these changes been passed, the anger in the nation would have been something that we have not seen in my adult life. The Government are being let off the hook in a sense, because they have an opportunity to dream up some mitigation and put this awful mess right.

However, the Government need to hurry up because the fear and uncertainty over what is going to happen are already out there. I spent Saturday morning on High Row in Darlington talking to residents about the changes to tax credits. They already know what is happening. They are already worried. They are already looking at their incomes. They are already changing their decisions, plans and financial commitments and making decisions on employment. The Government need to get on with coming up with decent ideas that will mitigate the damage that is being done, which was outlined so cleverly and succinctly by my right hon. Friend the Member for Birkenhead (Frank Field) in opening this debate.

Yvonne Fovargue (Makerfield) (Lab): Is not one of the major problems the speed with which the tax credit cut is coming in, when balanced against the speed at which the national minimum wage will rise? It has been said to me that it feels like the Government are removing the lifebelt before the life boat has arrived.

Jenny Chapman: That will probably end up being one of the quotes of the day. That is a good way of putting it.

I am speaking on behalf of the 7,200 families in my constituency who care for the 3,900 children who will lose out as a result of these changes. When the Government bring forward whatever ideas they come up with to mitigate the impact, we must have the information that we need to assess whether they will be effective.

My right hon. Friend the Member for Birkenhead outlined what data he would like to see. I would like to see a regional distribution, because I suspect that communities such as the one I represent, where wages are low, will be impacted more heavily than other parts of the country. I am also interested in the gender impact of the changes. I would like to see how much debt the Government believe is being serviced by incomes that are in part made up of tax credits. I suspect that mortgages, car loans, credit cards and other personal debts are being repaid on the back of tax credits.

Mr Jim Cunningham (Coventry South) (Lab): The problem is actually worse because there are people, particularly women, on zero-hours contracts who cannot get tax credits. What does my hon. Friend think about that?

Jenny Chapman: My hon. Friend makes a good point. It is for Ministers to respond to that intervention and I look forward to hearing the reply.

This debate is about children. It costs an enormous amount to raise a child, as many of us know from personal experience. I have read that it can take between £100,000 and £150,000 to raise a child. Child benefit meets only about 10% or 15% of that cost for people who claim it. Tax credits are a contribution from the state towards the cost of raising children.

Mr Anderson: There are some children in this country who will benefit from the Government's changes: the children of dead millionaires. They will get an extra £1 million tax free. Does my hon. Friend think that that is a fair transfer from the poorest to the richest in this country?

Jenny Chapman: No, I do not. That is a pertinent point. I know that we will be challenged to find the money that is needed to reverse the change. We could find it through changes to pension tax relief or, very quickly, by reversing the changes to inheritance tax that we opposed and to which we remain opposed.

I want to illustrate the points that I have made in the limited time I have left. We have had quite a high-level discussion so far, but this debate is about real people. It is rare to find a constituent who is willing for their name and personal information—particularly on a financial issue—to be shared in the House of Commons, but I had no difficulty finding people in Darlington who were willing to share their names and details, and to become the poster people for this campaign because they are so angry about what the Government are trying to do to them.

Becky in my constituency lives on Red Hall estate and earns around £16,500 a year. She is a single parent, and her son is eight years old. She stands to lose £1,951 in tax credits per year. She told me that she is already struggling and has difficulty paying for essentials such as heating and electricity. Her salary will not change when the minimum wage increases, and she will not benefit from changes to childcare because her son is eight years old. I can tell the Minister that an eight-year-old is no cheaper to support than a four-year-old.

Mr David Lammy (Tottenham) (Lab): Amen!

Jenny Chapman: Becky has already had to cut out extras. She can no longer buy herself clothes, and the reduction in income will have to come from money that she spends on food or heating her home. She said:

“The Government told us that working was the way forwards out of poverty, yet these changes will put myself and my son into poverty.”

Her very real choice will be between heating and feeding her son. Many people will also have to choose between working and not working, and that is what concerns me most. I want everybody who can work in my constituency to get out and get a job because that is good for them, and good for their kids. People should never be better off on benefits than they are in work, yet that will be the effect of this change.

Mr Lammy: My hon. Friend's speech follows in the tradition of Eleanor Rathbone who was one of the earliest female MPs in this House from 1929, and campaigned for family allowances. Some of the anger that my hon. Friend is conveying via her constituents is because in this country successive Governments have topped up incomes, understanding the position of poor people and children. Churchill extended the system of family allowances. My hon. Friend is making a fantastic speech, but, on her last point, does she also accept that people will take one, two or three jobs, and that we will have latchkey kids raising themselves?

Jenny Chapman: I am grateful to my right hon. Friend for that intervention, although I wish it had been a little shorter.

In conclusion, I am speaking on behalf of the cooks, cleaners, street cleaners, shop assistants, staff in cafes, restaurants and call centres, and factory workers. The Government must use the opportunity that they have been granted by the other place to put this issue right.

12.53 pm

Guto Bebb (Aberconwy) (Con): It is a pleasure to speak in this important debate, and I congratulate the right hon. Member for Birkenhead (Frank Field), and others, on securing it.

This debate is a good opportunity for us to discuss tax credits in more depth—there is possibly a degree of unanimity across the Benches, because this issue is hugely complex and must be considered carefully. We have already heard talk of the need for immediate mitigation, but we must also consider the whole area again. Eighteen years ago the right hon. Gentleman was asked to think the unthinkable. He tried to do so, and was promptly sacked for his efforts. This issue is as complex today as it was in 1997.

The Treasury will bring forward proposals in November, but that will perhaps be an interim measure and we will still need to consider carefully how to create a system that supports working families, and those who are raising children and want to do the right thing. We need a system that does not penalise people with high marginal deduction rates, and a change that will not penalise the poorest workers in society.

I feel disappointed—to say the least—that I am not in agreement with my Government on this matter, because during my first five years in this place I was proud of the changes that we made to the welfare state, and of how we tried to make work pay for those who were willing to go out, make an effort, contribute to their communities and look after their families. The most moving event of my time in Parliament was when I visited a Tesco store in Toxteth and met people who were part of an effort by the DWP to get people back into work. The pride and passion that those individuals felt about working and supporting their families was testimony to the fact that our changes were making a real difference.

There is no doubt that the tax credit system has ballooned out of control, but whether we like tax credits or not, they are an important element of supporting workers who are willing to work but whose wages are not particularly comprehensive. We should all support and applaud the decision in the Budget to introduce a new living wage, but there is a clear discrepancy between the timing of changes to the new living wage and changes to the tax credit system. There is no balance to the way in which wages will increase and the immediate withdrawal of tax credits.

I genuinely welcome the fact that the Treasury is allowing time for the new living wage to settle in. I represent a constituency of small businesses and sole traders. It has the highest percentage of self-employed people in Wales, and average wages are only £23,000 or £24,000. Small businesses that employ people in my constituency understand that we need to move to a higher-wage economy and that they must pay their staff properly. Many of them take pride in the fact that they

currently pay the minimum wage as a means of keeping staff in place, and they appreciate that the Government are giving them time to adapt and change their business models in order to pay their staff more. It is therefore difficult to understand why we are not willing to give recipients of tax credits the same time to adapt and change to the proposed situation. The decision to cut so quickly and so deeply is problematic, and the response of both Houses has shown that people are concerned about the proposed changes.

Moving forward, we must educate Members of this House. The worst example of a crass comment on this issue came from an unnamed Conservative MP, who stated clearly that if somebody loses £30 per week as a result of these changes, they should simply go and work for an extra three hours. Having taken an interest in this issue, I was genuinely shocked by that comment, because with an 80% marginal deduction rate, an individual earning £10 an hour would need to find 15 hours' work to make up the £30 loss. When such comments come from Members who claim to represent their constituents, we really should despair.

We must understand the trap that exists in current marginal deduction rates. I was proud that universal credit tried to reduce that marginal rate, and even prouder when I sat on the Welfare Reform Bill Committee and the then Minister stated categorically that the aim was to reduce that rate even further when funds allowed. The Prime Minister stated categorically that the Conservative party should be as concerned—if not more concerned—about the marginal deduction rate of 94p or 95p that we inherited than it should be about the 50p higher rate of tax. It was therefore incredibly disappointing to see that incentive to work, and people's ability to keep more of the money they earn, changed by these proposals. What message are we sending to people when we say, "Go out, work an extra couple of hours, but we will take 80% of your efforts"? We must be careful about that, which is why mitigation is only a short-term response. In the long term we must look again at the whole system.

To be fair, I have had numerous conversations with Treasury Ministers, and I am grateful to the Exchequer Secretary to the Treasury who called and made my difficulties in a long queue on the A55 much more bearable by discussing tax credits with me. The Treasury has shown a willingness to listen, and it will need to respond in the short term. In the long term we must consider carefully how to create a system that is more likely to support working families in a constructive way. In the short term, he stated clearly that we should look very carefully at how we deal with the £4.4 billion gap in the Government's finances. I, too, take the deficit seriously. We need to think about why 70% of all the benefits that come from the increased personal allowances have gone to the half of those who are in the richest, highest paid part of society. We need to ask ourselves clearly whether, in view of the fact that we are desperate to find that £4.4 billion, we can justify the extra £9 billion on increasing the personal allowance from £10,500 to £12,500. That would at least contribute towards mitigation in the short term, but we need a longer term plan as well.

1 pm

Caroline Flint (Don Valley) (Lab): It is a pleasure to follow the hon. Member for Aberconwy (Guto Bebb). He makes a very important point about how little

people keep for every £1 extra they earn. I seem to recall that the Prime Minister once took Gordon Brown to task on that very issue. It is on film and it can be seen on YouTube. In making work pay, it is very important for people to feel that for every extra hour they work they are making a difference to their progression in their working lives.

The starting point for this debate is the Chancellor's ill-formed proposals to reform working tax credits. The truth is that the distribution aspect to the tax credit cuts is severely regressive. The Institute for Fiscal Studies has shown that the national living wage, touted by the Government as a solution for that, at best undoes 27% of the damage.

Today, I would like to start with how the story really began. In 1997, when Labour came to power, the only help for families was child benefit, married person's tax allowance and a child personal allowance as part of income support and income-based jobseeker's allowance. A small number of people with disabilities also received a disability working allowance. The then Government found high rates of poverty among families with children. Tax credits were thought to be a new mechanism to support those families into work, which was the best route out of poverty. The evidence is strong that the more far-reaching tax credits and the introduction of help with childcare costs transformed prospects for millions of families. One outcome was that the lone parent employment rate rose. In 2014, it was at the highest rate on record: 65.7%. That is amazing. Of course, the vast majority of lone parents are women. Another outcome was that tax credits reduced child poverty. The Department for Work and Pensions confirmed that in the first decade of tax credits, up to 2010, child poverty fell dramatically as 1.1 million children were lifted out of poverty.

Tax credits give a benefit to employees. They are not simply a state handout to bad employers. When most employers set wages, they are blind to the private tax credit details of their employees. What is more, they cannot pay one worker one wage and the next person on the production line a different rate just because they claim tax credits. In most cases, the employer does not know. As the Resolution Foundation reported this week in evidence to the Work and Pensions Committee, if the Government remove tax credits the employer will not immediately step in to fill the void, regardless of the rises in the national minimum or living wage. The Government must know that, and it is wrong to suggest that the only beneficiaries of tax credits are bad employers.

We must challenge and address the Chancellor's claim that the cost of tax credits has risen from £1 billion to £30 billion today. This summer, the Chancellor stated:

"The original tax credit system...cost £1.1 billion in its first year. This year, that cost has reached £30 billion."—[*Official Report*, 8 July 2015; Vol. 598, c. 334.]

That claim is simply bogus. Articles by Declan Gaffney and Tim Blackwell in the *New Statesman* and by many others show that the £1.1 billion figure relates to the first reforms, which began only in October 1999, halfway through the tax year and covering only three months of tax credit payments for a typical claimant. Indeed, in its first full year, 2000 to 2001, the cost was more like £10.5 billion, not £1.1 billion.

That brings me to the question of why the tax credits bill increased. First, tax credits wrapped up within them a number of previously separate benefits. They were more generous—I acknowledge that. The tax credits we refer to today, however, include the childcare costs introduced in 2003, which no previous Government had ever met. Yes, tax credits were about challenging poverty pay. However, as my hon. Friend the Member for Darlington (Jenny Chapman) mentioned, they also aimed to address the issue facing many families, particularly lone parent women: even if they were on a reasonable wage—whatever "reasonable" is—they still could not afford to work, because of the amount of their wages that would have been spent on exorbitant childcare costs.

Ms Karen Buck (Westminster North) (Lab): My right hon. Friend is making a very powerful case. Does she agree that the important element of tax credits was that they were a means of getting lone parents in particular into work? Gingerbread, among others, has calculated that a 5% rise in employment among lone parents saves the Treasury £436 million. Getting lone parents in particular into the workplace therefore benefits the wider economy.

Caroline Flint: I absolutely agree with my hon. Friend. Missing from the debate is a consideration of the impact of the changes on other sectors of the economy, and the wellbeing and economic opportunities they provide to people by being in work. As I said, the employment rate for lone parents went up to 65.7% in 2014, which is brilliant. The worry is whether it will go back down, rather than improving further.

The total tax credits that families receive relate to their income. The 2008-09 recession had a dramatic effect on wages. As wages fell, many families either qualified for tax credits or saw their tax credits rise. It is notable that during the John Major recession unemployment rose to a peak of 10.7% by 1993, whereas in the recession of 2008-09, many employers reduced hours or did not increase pay to keep staff in work. I understand why they did that. In the House, we had debates in which we said that we appreciated that employers were trying to deal with a difficult situation and were trying to hold on to people in work. As a result, however, more people either claimed tax credits or received a higher amount.

As I said, unemployment during the John Major recession rose to a peak of 10.7%. In the 2008-09 recession, as a result of a number of factors, including employers keeping people in work, unemployment rose to only 8.5%. Recent figures show that the number of employees earning less than the living wage has risen by 45% since 2009. Combining the two, it is clear that people remained in work but needed more support through tax credits. That is not a conspiracy; this is the reality of an economy adjusting to finding itself in difficult situations, and families finding themselves in difficult situations and the state being there as a safety net to help them. Without tax credits, the rise in unemployment in that most serious recession, which we all experienced, could have been much worse. I think that that goes a long way to explain the cost of tax credits today.

This week, given the vote in another place, the Chancellor says he is in listening mode. We must address how we support people into work and to stay in work, so that they can make progress on improving their living standards and the life chances of their children. I agree with

[*Caroline Flint*]

everything my right hon. Friend the Member for Birkenhead (Frank Field) and other colleagues from across the Chamber have said. I will not repeat that, but let me add a final few points.

To move forward, a number of things have to happen. First, the Government must be straight about the figures relating to tax credits. Only then can we have a sensible conversation. Secondly, the Chancellor needs to provide a proper assessment of the impact of any new proposals on incentives or disincentives to work for those who receive tax credits. I asked the Chancellor on Tuesday why, if he stood up for working people, a proper assessment had not been published with his last proposal. He did not answer. I am afraid that I feel that that was because he is afraid to face the facts. Thirdly, the Chancellor needs to ask what impact the new proposals will have on child poverty. Fourthly, we need to look more widely across Departments at what support actually helps people to get into work, stay in work and make progress in work. I founded the first all-party group on childcare 18 years ago, when I came into this place. The childcare offer has improved, but it is still not good enough for many working families. Those are the questions I need answers to for the 5,300 Don Valley families who are really worried about the future of their tax credits and their ability to hold their head up high and say, "I am in work. Help me to support my children."

1.8 pm

Neil Parish (Tiverton and Honiton) (Con): It is a great pleasure to speak in this debate and I thank the right hon. Member for Birkenhead (Frank Field) for initiating it. It has been a very good cross-party debate. I also want to thank my hon. Friend the Member for Stevenage (Stephen McPartland) and the hon. Member for Ogmore (Huw Irranca-Davies) for their contributions.

Dare I say that I am becoming a little more mature in years? I am now the Chair of a Select Committee and can afford to be a little more independent. It is not, however, always easy to further one's ambitions in a party if one stands up for what one believes to be right. We are standing up for what we believe to be right. It is fundamental that people who work are better off than those who do not. As a Conservative, I believe that we should be encouraging people into work because they will be better off, but if we are not careful, the policy will drive people back on to benefits and take us in the opposite direction from where we want to go.

I support what the Chancellor has done in taking millions of people out of tax, raising the thresholds, halving the deficit, driving the economy and creating vast employment in the country. I come from a constituency with only 1% unemployment, but the average salary, for full and part-time employees, is £18,700 and the number of families claiming both working and tax credits is more than 22%. In addition, the average house price is £190,000—the prices are quite high because it is a beautiful part of the country to live in. However, we have to make sure we support people who are working hard across the country. That is why we need to take this opportunity.

I disagree entirely with what the House of Lords did, but it has given us an opportunity to reconsider. May I be so bold as to say that it does not matter how many

spin doctors and people who are clever with figures we have? When someone on a low income who relies on tax credits knows that that money is being taken away from them, it is absolutely real. I hate to say it, but on this occasion, the Government and the Chancellor have to be absolutely certain about how many people will be affected and what we will do about it.

I very much support the national living wage, but the Government and the Chancellor need to help the many small companies in our constituencies to pay it. As people get more in their pockets and more from their employment, we can reduce tax credits and the state subsidy on employment. We all get that. We all know what has got to be done, but we cannot do it at the speed we are doing it and take money from perhaps millions of people. It is simple arithmetic. For someone on a low salary, £1,300 is a huge amount of their disposable income—we must remember that this is about disposable income.

I am optimistic. I have always been optimistic in my life because I believe there are always solutions, and I believe there is a solution to this because the Chancellor is a very clever man. I am sure he is listening and will come back to the Chamber with some proposals. These people, whether they are cleaners or classroom assistants, whether they work in the health service, the private sector, the tourism industry or on farms, are all hard-working, and we must be a party and a Government who support hard-working people. We have done that up until now, and we have just lost our way a little, but we can come back out of the wilderness and put this right.

Stephen McPartland: Does my hon. Friend agree that the Conservative party is at its greatest when supporting people getting on in life and providing a safety net for those who need it?

Neil Parish: I could not agree more with my hon. Friend, and I am in politics today to try and make that happen. It is why many of us on the Conservative Benches are prepared to stand up and be counted. It is right that we do so, and our constituents expect it. The Chancellor will say, "We must eradicate the deficit", and yes, we must, but if we are six months or—dare I say it?—a year late in doing that, people will understand.

Heidi Allen: My hon. Friend is absolutely right. In the last week, I have received hundreds of emails and letters, as hon. Members might expect, and I have been struck by one thing. When we talk about the debt and the deficit, we are not talking about the Government's debt and deficit; it is the people's debt and deficit. I have had countless letters from wealthy people telling me this is wrong. It is absolutely right that they be part of this conversation too about how to repair the damage to our economy. It is their vote, as much as it is that of the person losing money in tax credits.

Neil Parish: That is right. To coin a phrase, we are all in it together. It is right that we reduce the deficit and balance the books—we cannot go on borrowing forever, because it will be our children, grandchildren and, at this rate, great grandchildren who will pay it off—but we have to do it fairly. I do not apologise for repeating that work must pay, and we must make sure that those in low-paid work can carry on their lives.

Ian Blackford (Ross, Skye and Lochaber) (SNP): May I remind Government Members that £375 billion of our debt was the result of quantitative easing? The Bank of England has had to step in and use monetary policy measures because of the failure of the Government's fiscal measures?

Neil Parish: I will not get into an argument with the hon. Gentleman about quantitative easing, although I rather fear we would not have the employment we have today had we not used some of those tools. Whether they were overused is a matter for debate—I suspect in the history books—but I suggest that QE helped with employment, and that we have got the economy running smoothly and in the right direction.

I make the same plea that I am sure hon. Members from across the Chamber will make. I ask the Chancellor please to consider how we might mitigate the impact of these changes and raise the national living wage so that people are earning more as tax credits are taken away. People will accept that. It is not a crime to be lowly paid. We have got to put this right, because the Conservative party and the Government's reputation is at stake.

1.18 pm

Neil Gray (Airdrie and Shotts) (SNP): It is not normally my business to welcome Conservative contributions in the House, but I have to acknowledge and welcome the contributions from the hon. Members for Stevenage (Stephen McPartland), for Aberconwy (Guto Bebb) and for Tiverton and Honiton (Neil Parish). It goes without saying that SNP Members agreed with almost everything they said. They were brave and very welcome contributions—perhaps more welcome on the Opposition Benches than the Treasury Bench. That will probably be the only time I welcome Conservative contributions in this Parliament.

I am sorry that the SNP amendment was not selected, but I am still grateful to have this further opportunity to set out the SNP's opposition to the cuts. I will devote a large part of my speech to addressing the proposals put forward by the right hon. Member for Birkenhead (Frank Field). We have much to agree on. His proposals are marginally better than the Chancellor's, but they do not protect all low-income households from the Chancellor's ideological wrecking ball that he is taking to social security. I am glad the right hon. Member for Birkenhead said he was proposing his measures speculatively. I hope that we will see greater consistency from the official Opposition in challenging the Tory tax credit cuts. I think that we can do much better.

We formed a strong and united opposition on Tuesday because we spoke with one voice against these cuts. Since Monday, however, we have had three different positions from the Labour party on tax credits. First, there was a push for a delay in the other place on Monday night, with opposition to scrapping the cuts outright. Secondly, to the credit of Labour Members, they joined the SNP in completely opposing the changes on Tuesday. Today we are presented with a watered-down opposition, which would still remove a significant amount of money from low-income households.

Brendan O'Hara (Argyll and Bute) (SNP): Does my hon. Friend agree that, in 2015, making families rely on an unelected Chamber to protect their tax credits from

this Government is a ridiculous position to be in? Does he further agree that the interests of Scotland's low-paid would be far better served if all welfare were devolved to the Scottish Parliament immediately?

Neil Gray: It goes without saying that I agree with and welcome my hon. Friend's intervention.

Under the plan of the right hon. Member for Birkenhead, every household earning more than £13,100 would continue to lose out—and in a more brutal fashion than under the Chancellor's plan. The House of Commons Library briefing highlights that under the right hon. Gentleman's plan, a full-time single-earner household with two children and an income of £16,000 would still lose out by £700 annually. The level at which tax credits would be removed thereafter is 65p in the pound. We are still going to see the budget balanced on the backs of low-income households.

Frank Field: I put forward a number of proposals. If the hon. Gentleman had been in the place a little longer, he might realise that words such as "mitigate" are words used to unite people with different views—including even those who want to see a whole withdrawal. I would like to ask the hon. Gentleman to follow carefully, when it is published, the words of the Secretary of State for Work and Pensions when I asked him whether Scotland—under existing arrangements, without waiting for any further devolution—would be able to use its revenue-raising powers to compensate everyone in Scotland for the changes in the event that the Government do not move on tax credits. The reply was yes. Will we see the Scottish Government using their revenue-raising powers not merely to put motions on the Order Paper, but to make sure that nobody in Scotland suffers from these tax credit cuts?

Neil Gray: It is worth saying, first, that I hope that the Labour party is looking to work with the SNP wherever possible to oppose cuts that are going to impact on low-income families. I make my contribution today, as far as possible, in the interests of consensus. We need to work together effectively to oppose what is coming down the line from this Conservative Government. On the issue of tax-raising powers, the fiscal framework has not been agreed. We have no idea what might be coming forward and no idea whether it will be possible to use these powers to raise taxes in the way suggested. I thus think that the right hon. Gentleman introduces an element of obfuscation when he uses that example. The Library briefing shows that we will still see the budget balanced on the backs of lower-income households.

Mike Weir (Angus) (SNP): My hon. Friend will remind the House that the Scottish Government have already spent £100 million in mitigating other attacks on the poor from this Government.

Neil Gray: Absolutely—£100 million on the bedroom tax and a further £40 million ensuring that the council tax cuts did not affect low-income households in Scotland in the way they did in England. I hope that, after today, Labour will return to where it was earlier this week when it stood side by side with the SNP in opposing Tory cuts.

[Neil Gray]

The SNP will oppose these ideological, regressive and utterly punitive tax credit cuts with every opportunity open to us—and we do so again today—because we realise the damage caused to family incomes, levels of poverty and child poverty in these isles and to social cohesion in every community in Scotland. The Scottish Government analysis, discussed today at First Minister's Question Time in the Scottish Parliament, shows that 250,000 households in Scotland will lose, on average, £1,500 from April. Thereafter, when the all the changes are fully implemented, that could rise to an average of £3,000 per household. These changes are fundamentally regressive: they disproportionately target those in low-income households and punish them on account of this Government's ideological obsession with austerity.

For our part, the SNP stood on a manifesto that was fundamentally anti-austerity and that plotted a more responsible path for bringing down the deficit. We argued for a 0.5% increase in spending per year for this Parliament, which would have released £140 billion in total to invest in capital projects and other measures to narrow income inequalities. Our plan would have brought the budget deficit down to 2% by the end of this Parliament, while protecting public services at the same time—a far more measured and reasonable way to balance the books. Our plan was backed by an IMF report from June this year, which highlighted that reducing income inequality not only leads to reduced poverty, but boosts growth. By extension, the policy of cutting tax credits and thereby increasing income inequality will drive more of our citizens into poverty. It is, in fact, going to harm growth.

Kevin Foster (Torbay) (Con): Will the hon. Gentleman give way?

Neil Gray: I am pushed for time and I know that colleagues want to enter the debate, too.

As well as being socially destructive, this policy is, as an extension of IMF thinking, economically incompetent. No mention was made of these wholesale cuts to tax credits in the Conservative manifesto. There were just two references to tax credits, but neither referred to anything like the proposals in front of us now. I reiterate that the changes were the central plank of this Chancellor's first Budget since the election. He has based all his sums on the back of these cuts. One would have thought that they would have merited at least a passing reference or a hint at what was coming down the line.

The Chancellor's summer Budget was a prime example of obfuscation, suggesting that these cuts to tax credits would be compensated by the rise in the minimum wage. That was absolutely nonsense. The reality is that the full rise in the minimum wage will not come into effect until 2020—four years after the tax credit cuts start. Even when the full rise comes into effect, it will still not mitigate the tax credit cuts. Why did the Government decide to undermine and sabotage the real living wage campaign by labelling their minimum wage rise as such?

I wish to conclude by addressing some of the language used in previous debates. Many of us have rightly been focusing our time on pointing out that these cuts will impact on working households, and lambasting the fact

that many working households will be dragged into poverty by these tax credit cuts. I suppose I have been as guilty as others, as we attempt to show the Government that their rhetoric on making work pay is a complete sham when considered in the light of the tax credit cuts. There should be no distinction between working or non-working households that are in poverty or living on low incomes. We cannot continue to allow ourselves to be dragged into the Tory mantra of the deserving and undeserving poor. Nobody deserves to live in poverty—nobody. So referring to “hard-working families” or “the working poor” is unhelpful. We do not know the circumstances whereby people are unable to work, and we should not judge them in the way some do routinely in terms of “there by the grace of God go I”. None of us knows when we may find ourselves out of work. We should be working to address poverty wherever it is manifested and wherever it is likely to be worsened—as it will be by this Chancellor's tax credit cuts.

1.28 pm

Mr David Davis (Haltemprice and Howden) (Con): It is a privilege to speak in this debate. I am one of its co-sponsors, but the entire credit for the idea belongs to the right hon. Member for Birkenhead (Frank Field). He rightly identified the need for a cross-party, less partisan and, as it turns out, non-binding debate to allow everyone properly to explore these issues in the national interest without being fettered by feelings of joining one side or the other in the playground of politics.

The result has, I think, been good. I think this has been the best debate so far of a number on this subject. It falls on us all to be honest about it. This policy was a mistake. One can only think that, because I am sure that nobody in any party would intend deliberately to impoverish the working poor with dependent families—I am afraid I do differentiate in this context.

Neil Gray: Will the right hon. Gentleman give way?

Mr Davis: Not for the moment.

The problem was compounded by the method employed—the measure was introduced by statutory instrument, and is therefore unamendable—and by a lack of sufficient information. As four or five Members have already pointed out today, there was no proper impact statement. Had the measure been introduced in primary legislation and thus been amendable, and had the Government provided proper information, the measure would not have gone to the House of Lords in its current form; it would have been reformed in this House, and that is what should have happened.

I subscribe to the Government's wish to balance the books by 2020, which I consider to be an eminently sensible and responsible aim. However, I also subscribe to the view that we need to protect the poor at all costs. The question is, how do we identify what this policy does? I wanted to find some examples that would enable us to assess both sides of the argument—not just the attack, but the Government's line as well—and I thank the Chancellor's parliamentary private secretary, my hon. Friend the Member for Kingswood (Chris Skidmore), for being so helpful in that regard. I put some of the points that he made in defence of the policy to the House of Commons Library, and I shall now give a couple of examples that the Library supplied to illustrate its impact.

The worst-case example that I could find was that of a working single parent with two children, who, without the mitigating effects, could be £2,000 a year worse off in virtually every year until 2020. That is an unbelievable sum to take from a family who are already poor. If the family were eligible for mitigation, in particular housing benefit, the sum could be reduced to roughly £700—the fine detail is unreliable—but, again, it would be lost in virtually every one of the next four or five years,

The great battle over the 10% rate when Labour was in power involved sums that were a quarter of that amount. The great battles over the poll tax, which I remember only too well, involved sums of that size. The impact on a family who are already on the poverty line, by definition, is unspeakable and unthinkable. I grew up in a rather poorer era, and I remember children being hungry on Fridays when the bills were just a bit too big, or it was cold and the heating costs were too high.

Guto Bebb: My right hon. Friend touched on the issue of housing benefits mitigating some of the tax credit changes. Is that not another problem with the policy? Someone living in rented accommodation and receiving housing benefit would receive mitigation under the current system, but someone who had bought their own property would not.

Mr Davis: Exactly—and before anyone suggests that a person who owns his or her house is better off, let me say that many people in that category have fallen into it and got out of it later. The idea that someone earning less than £20,000 a year, and with two children to support, should lose £2,000 is simply untenable.

The right hon. Member for Birkenhead suggested that there were four possible strategies, but in my view there are three. The first possibility is that we shift the burden elsewhere. The right hon. Gentleman proposed that we should shift it up the income scale, and Lord Lawson said the same during the debate in the House of Lords. I shall not elaborate on that possibility, because I think that there are better ways.

The second strategy is to find savings elsewhere. Here I strongly disagreed with the right hon. Member for Birkenhead, who almost encouraged the Chancellor to go hunting for the pensioner pound. It will not be today's pensioner pound; it will be tomorrow's. I think it would be very unwise to remove the tax benefits of investing in pensions and undermine what we have left of our private pension scheme. I am protected, because virtually all my pension is paid for now; it is the next generation that will have to worry.

Frank Field: I thought that my argument would appeal more to Conservative Members, because it was a free-market argument. When Governments have guaranteed a minimum, it is not our business to put our sticky fingers into other people's lives and tell them how they should save or not save. Once there is a minimum pension agreement for everyone, how and when people save should not be a question for the House.

Mr Davis: I shall not go too far down that road. Let me simply say that middle-class pensioners are now paying one of the highest effective income tax rates in the country. People who have saved a lot for their

pensions and gone above the lifetime allowance must pay 55%. I think we ought to be a bit careful, because if we let the Treasury get at that deferred income, it will take as much as it can.

The third option, which I think is probably the winner—although not by itself; it would have to be modified—is to stage the cuts. I believe that the right hon. Member for Birkenhead lit upon this strategy as well. The cuts would be staged to match movements in the minimum wage and the living wage so that people would not lose.

The Government's figures for 2020 seem broadly to balance, although they are not perfect. We shall have to work through the mitigation carefully, and that is where the impact statement comes in. Those figures do two things. They protect the working poor, but they also achieve the deficit reduction, which is vital. If we hit the deficit reduction target by 2020—this point was made by my hon. Friend the Member for Stevenage (Stephen McPartland)—each saving of £4 billion a year is not critical. It represents less than 1% of the economy. The really critical issue is how the financial markets see the position. The financial markets do not care about the trajectory from here to 2020; the fact that we get there is good enough. We do not need to worry about the £4 billion a year in between, but we do need to worry about the final outcome. My argument, therefore, is that we should cut the tax credits in step with the minimum wage and the living wage.

The criterion is what is important here. The criterion that the Government must meet is that there should be no losses for the least well off in any of the three intervening years. The poorest, the working poor and their dependants cannot afford to lose one pound. I was never a great fan of the minimum wage, but I was persuaded that it was worthwhile.

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): Will the right hon. Gentleman give way?

Mr Davis: I am afraid not. I have already taken two interventions, and if I take another, I shall lose time.

One of the things that persuaded me that the minimum wage was worth while was the information in social data that it cut crime. We must not lose sight of the social impact of changes such as this: the distress caused to families, the breaking up of families, and the pushing of families towards food banks and, worse, towards loan sharks and petty crime. We have to think about those things, because there is a cost to them as well.

The Institute for Fiscal Studies told the Work and Pensions Committee, which is chaired by the right hon. Member for Birkenhead, that the Government could hit the 2020 target on a staged route. That is what we should aim for. We can achieve the fiscal target, while still remaining faithful to Conservative "one nation" aims. That, after all, has been the leitmotiv of the last few months for us. If we do that, the Chancellor will have good reason to be proud of his achievement.

1.38 pm

Huw Irranca-Davies (Ogmore) (Lab): It is very rewarding and refreshing to follow the right hon. Member for Haltemprice and Howden (Mr Davis), and other speakers as well.

[*Huw Irranca-Davies*]

If Ministers take anything from what has been said today, it should be a call for them to pause for a moment, to deliberate on the impact that the proposed changes will have on many working families in our communities, and then to work with Parliament and Select Committees on the ideas being presented. I do not have all the solutions today, but the appeal made by the right hon. Gentleman was, in effect, a political version of the Hippocratic oath: we should try to do good for our constituents, or at least do no harm, before proceeding with this policy. The evidence for that is very clear.

I thank my right hon. Friend the Member for Birkenhead (Frank Field) for initiating the debate, and for setting out so eloquently not just some of the basis of the problem that confronts the Government, but some of the possible solutions. They may not be binding solutions, but they are possible. It is as clear as day, and has been made clear by Members on both sides of the House, that the Minister needs to speak to Cabinet colleagues and other Ministers and rethink this policy. There has been talk today about lost sheep wanting to return to the flock. I suggest that those lost sheep are in some ways on the sunlit uplands. They are saying, "Come and join us up here." They are not lost; they can see the way forward. We need to make sure we do no harm to our constituents.

I am sure the Minister is very aware of the impact of this, but let me explain the impact in my constituency. The number of working families currently claiming tax credits is in excess of 4,000. The number of working families with children claiming tax credits is nearly 3,500. The number of children in those families—low-paid families—is nearly 6,000. That is why my mailbag at the moment and my emails every night are full of letters from people who are terrified, for good reason, of what is coming down the track. It is not because of scaremongering; it is not because of unreal expectations of what might happen. They know; they are seeing daily the analysis of the situation for them and their families. They have read the analysis in Conservative-supporting papers, not in my newsletters or briefs submitted by the Joseph Rowntree Foundation, the Children's Society or others.

Mention has been made of the impact on different communities, and it certainly does have a differential effect, but let me lay out the effect in Wales. The number of working families in Wales claiming tax credits who will be potentially affected by this directly in their pockets is over 167,000, and over 250,000 children will be affected. We cannot do this; a quarter of a million children in Wales will be affected by what we are doing to their families and what we are taking away from them directly. It is as clear as day that we have to change our way on this policy.

Let me look at one particular aspect where this hits really hard. We know that on average a fifth of women's income is made up of welfare payments and tax credits, compared with around a tenth for men. Benefits make up twice as much of women's income as they do of men's. Women are disproportionately represented in many of those low-paid sectors we have talked about already, including hospitality and retail. When we go out and enjoy ourselves and have that coffee on our

shopping excursion, we are typically served by women, not men. Other such sectors include care and domiciliary care and similar professions. Women are also more likely to be working part time. Nearly 80% of employees in those sectors where we so often say we respect the people who work in them, such as health and social care, are women.

You can see where this is going, Minister: we are hitting directly those who are most unable to go out and find another job, another few hours, or some other means of support for them, their family and their children. We are going right at the most vulnerable in our communities—and in huge numbers. Analysis by the Resolution Foundation suggests 1 million single parents in work will be left £1,000 a year worse off.

All of this has to shout out that Ministers going forward at such a rate of knots has created an almighty, cataclysmic mess. I ask the Government to slow down a little, listen to what has been said today, and work with parliamentarians and outside agencies who operate on the frontline with some of the people who will be affected. I ask them to work as well with the Select Committees. This issue is too difficult for the Government to address on their own.

The aim is to make work pay, and that is excellent, but it has to pay for everybody, not just some. At the moment, the crude impact of this on our communities will be devastating. It will wash right through not only individual families but the wider communities and will have an regressive, knock-on effect on spending power in those communities.

I ask the Minister to consider the options put forward today and to look at what other options there might be. There is no way on earth it is saleable politically to do this and, more importantly, there is the basic human issue of, "Do no harm to your constituents." I cannot go and sell what is being proposed on the doorstep in my constituency. I will not do it. I want to tell these people, "It is worth going out to work, go and get a job if you can, go and upskill if you can, and we will make it worth your while." That is our job here.

1.45 pm

David Morris (Morecambe and Lunesdale) (Con): I very rarely stand up in the House of Commons and congratulate an Opposition Member on initiating a debate of such magnitude, but I thank my friend the right hon. Member for Birkenhead (Frank Field). Many in this Chamber see him as a leading light on the welfare of the people of this country. I remember very plainly from before I was in politics the right hon. Gentleman being sacked for thinking the unthinkable, and here we are debating tax credits.

The tone of the debate is very measured. We are hearing balanced views from all sides. Tax credits were brought in for the right reasons, but they spiralled out of control. When nine out of 10 people can claim a tax credit, we have to ask ourselves whether it is a sweetener for working or a benefit, as it was originally set up to be.

Mark Durkan (Foyle) (SDLP) *rose*—

David Morris: I give way to the hon. Gentleman, who is another hon. Friend.

Mark Durkan: I thank the hon. Gentleman for giving way. In acknowledging the contribution of the right hon. Member for Birkenhead (Frank Field) in securing this debate, will he also acknowledge the role of the other place in creating an entirely different context for this debate, because we would not have been hearing the tone he has remarked upon had it not been for Monday night and the position forced on the Chancellor?

David Morris: I disagree with my hon. Friend on the debate in the other place, because I think it was unprecedented that that motion was passed. However, I have my own words to say about that in another context, which he will probably read about over the weekend.

We were in a position where almost everyone was on a tax credit. They were a stepping-stone to gainful employment. The right hon. Member for Don Valley (Caroline Flint) said it right: employers do not know if their employees are on tax credits. I know that; I employed over 100 people and some were claiming tax credits, but I found that out only down the line in certain circumstances. So it is mainly a hidden benefit.

I applaud what the Chancellor is trying to do. I do not think this idea of a £1,300 average loss to 3 million households stacks up, because it is based on estimates. We do not know what is going to be in the spending review. However, we do know what has already happened by raising the personal tax allowance to £11,000 in April, with the aspiration for it to be £12,500 in 2020. That will help out and create a tax break worth about £1,000 to people all across the country. We are also offering 30 hours of free childcare, which amounts to £5,000. Fuel duty has been frozen, too, and the economy is on the up.

Caroline Flint: I hear what the hon. Gentleman says about 30 hours of free childcare, but I think most people listening in the Gallery or outside will think that is for all children in any form of childcare. We need to have an honest debate. That is 30 hours of free childcare only for those three and four-year-olds in nursery education. That does not begin to help those families that have different-age children, and the cuts to working tax credits fundamentally affect families who get access to support with their other childcare costs to enable them to take up a job and stay in work.

David Morris: I thank the right hon. Lady for her eloquent intervention. She demonstrates that there is confusion in the whole sphere of tax credits and child tax credits. When tax credits were brought in, they helped families who were struggling in a time of great austerity. It has to be acknowledged that we are still in a time of great austerity, but the economy is now on the up and we are seeing projections that we are starting to come out of recession mode and that we will move into a lack of deficit within the next five to 10 years.

What do all these figures mean? Put simply, they mean that we have to balance the books and we have to look at every possible way of doing so. We have to think the unthinkable, as my right hon. Friend the Member for Birkenhead—I keep calling him my “Friend”—did all those years ago. I do actually have faith in the Chancellor. I know him personally, and he is a good, decent, caring man, despite what we read in the newspapers and despite what is said about him. I know that he will

be watching this debate and hearing what we are saying. He will be thinking about this. Yes, nine out of 10 people were claiming tax credits. My right hon. Friend the Member for Birkenhead said that these measures could benefit eight out of 10 people, but we must care for the other two people in every 10 and ensure that we get the right deal for them.

1.51 pm

Steve McCabe (Birmingham, Selly Oak) (Lab): Like most people, I would prefer the Chancellor to scrap his tax credit proposals and go back to the drawing board. This is not because I am against the phasing out of tax credits. I am prepared to accept that there might be an argument for new measures of support, and if we can raise living standards for working families without tax credits, that would be a desirable aim. I also note in passing that freezing the value of tax credits is a clear indication that they are on their way out anyway. The truth is, however, that the Chancellor has made a pig’s ear out of this. He has blundered, and low-paid hard-working parents are going to pay the price for his mistakes.

If we can take the Prime Minister at his word, I think he suggested during his six non-answers yesterday that there would be some attempt to address this mess in the autumn statement. Normally, his word would be good enough for me, but of course this is the same Prime Minister who gave his word on national television that tax credits would be safe. Is it any surprise, therefore, that within five months of the election, people are beginning to wonder about the long-term future of this Government? Conservative Members have taken to telling us that they have a mandate. Let us just remind ourselves that this is a Government that did not expect to win, and that secured less than 40% of the popular vote—trade unionists, please note! This Government have a limited mandate, and if there are many more shenanigans like this tax credit debacle, they will have no moral authority.

As I said, there might be an argument for phasing out tax credits, and if the Government could give us a clear indication of their determination that wages and living standards will rise to compensate for that, I think most people would accept the change. In a still-fragile economy, however, there is no sense in taking money off the working poor before their wages have risen. It is also a mistake for some Conservative Members to attempt to demonise Gordon Brown, and to demonise tax credits as a policy instrument. The Adam Smith Institute recently pointed out that working tax credits were the best form of welfare we have, and that simply cutting them would serve as a disincentive to work and hurt those at the lowest levels of society. It also pointed out that the new minimum wage structure, which the Chancellor deliberately misleadingly calls a “living wage”, will do little to help those affected by these cuts. The institute states:

“Enticing more people into work was one of the stated aims behind the Working Tax Credit...and attacking it for achieving this end is somewhat perverse.”

I want to consider what changes the Chancellor might make. I have read that he might speed up the increase in the personal tax allowance, but that could cost about £12 billion, and 70% of that benefit would go to those in the top half of the income distribution curve. It would actually be worth less than £1.25 a week for working families. I am not at all convinced that, in these economically difficult times, such a costly measure would be the best way to help the low-paid.

[*Steve McCabe*]

The House of Commons Library has produced a simple way to calculate the impact of the combined effect of the reduced threshold and the increased taper, which form the centrepiece of the Chancellor's plans. A family on £20,420 with two children will, in combination, be £2,200 worse off. The consequence is that 3.3 million working households will be losers, more than 8,000 of whom are in my constituency.

The Chancellor could decide to change the disregard level. That would not undo the damage he plans to inflict, but it would mitigate the effects. As Barnardo's points out, such a change could mean that a single parent working 18 hours, with two children below school age, could lose only £376 rather than the £805 the Chancellor currently plans to take from them. He could also scale back plans to increase the taper from 41p to 48p, which would mitigate the impact on those struggling to make a living. He might decide to turn the clock back and recognise family responsibilities in the tax system by reintroducing some kind of tax allowance for children as a feature of our tax system. He could also use the autumn statement to revisit his plans for inheritance tax cuts and the tax cuts he has already given to millionaires. If we are all in this together, as somebody over there once suggested, it is time we had some evidence to back up the empty statements.

As the former higher education Minister, now Lord Willetts, points out in his book "The Pinch", the balance is wrong. Young people and young families are taking far too big a hit, and we need to restructure our welfare system. My hon. Friend the Member for Nottingham North (Mr Allen) has suggested that the Chancellor and the Government should involve Parliament in such plans. I would like to suggest that they also involve my right hon. Friend the Member for Birkenhead (Frank Field) and his Work and Pensions Select Committee. We desperately need a system that promises fairness and support for young people and families, and that encourages and incentivises people. Above all, however, the Government must make it clear that it is their sincere intention to row back from this mad cliff edge that they are now on.

1.57 pm

Will Quince (Colchester) (Con): I support the principle of mitigating the effects of the proposed tax credit changes on the lowest-paid workers. I agree with my hon. Friend the Member for Stevenage (Stephen McPartland) that sometimes even friends need to be critical, as long as they are constructive. I would also like to thank the right hon. Member for Birkenhead (Frank Field) for securing the debate.

I support the principle of reforms to tax credits. We need to get on top of our welfare bills. This financial year, central Government will spend more on debt interest repayments than on the education of our children or on the defence of our nation. We cannot keep on spending indefinitely. As my hon. Friend the Member for South Cambridgeshire (Heidi Allen) has said, we cannot keep adding to our debts and asking our children to pay them off. The hon. Member for Ogmorie (Huw Irranca-Davies) talked about doing no harm, but we must also be mindful of the harm to our constituents of not tackling the deficit and of burdening future generations with more debt. I take his substantive point, however.

The current tax credits system is not sustainable, however well-intentioned it might have been. Costs have skyrocketed from £4 billion in 1999 to £30 billion this year. This has had the effect of depressing basic wages and subsidising businesses, instead of driving investment in skills and training. The former Labour Chancellor, Alistair Darling, has said of tax credits:

"One of the unintended consequences is that we are now subsidising lower wages in a way that was never intended".

We all know that the welfare system provides a safety net for the most vulnerable in our society and for those on the lowest incomes. I fully support policies that move Britain to a high-wage, low-tax, low-welfare economy, but I am concerned that the proposed tax credit changes could be very tough on some of our lowest-paid families. More needs to be done to ease the transition for those losing tax credits next year.

Many families who have worked hard and done the right thing—everything we have asked them to do—will immediately be hit with a drop in their income next year. The Government have introduced a package of measures to increase the pay of the lowest paid: the new national living wage, which will go up to £9 by 2020; the doubling of free childcare—although, having a child of three and a half, I take the point of the right hon. Member for Don Valley (Caroline Flint) that the measure is restricted to three and four-year-olds; and the raising of the income tax personal allowance to £12,500. None the less, I am well aware that many of those actions do not take effect immediately in 2016.

I am also concerned about the effect that the tax credit cuts might have on some of those who work in the public sector. Like my hon. Friend the Member for Stevenage, my wife is also a teacher. Many of the biggest employers in Colchester are in the public sector. Public sector pay over the next few years has been frozen at 1%, which means that many of these workers who rely on tax credits to top up their income will not benefit from rises in private sector pay. Moreover, cost-saving measures in the public sector mean that those workers cannot easily take on more hours to raise their income.

I have had concerns about some of these measures since the summer Budget and have met the Chancellor and Ministers to raise my points with them. They have listened carefully to what I have had to say, and I know that they are alive to the concerns of Members who want to ensure that the most vulnerable and the lowest paid are protected. That is why I welcome the news that the Chancellor will be taking steps to ease the transition of some of these changes on the poorest workers and those on the lowest incomes. I look forward to seeing more detail on the extra measures in the autumn statement.

In general, I urge Treasury Ministers carefully to assess how we can introduce transitional measures. That will give families more time to adjust to the changes in tax credits and allow time for the additional policies that I have mentioned, such as free childcare and progressive rises in the living wage over this Parliament, to boost families' incomes.

I care deeply about helping the lowest paid and making sure that work always pays. I welcome the thrust of the Government's drive to move us to a low-welfare, low-tax, high-wage economy, but more consideration needs to be given to those low-paid workers who are trying to do the right thing and who could be caught with a gap in their income when tax credit changes kick-in.

2.2 pm

Dr Rupa Huq (Ealing Central and Acton) (Lab): I also add my congratulations to my right hon. Friend the Member for Birkenhead (Frank Field) on securing this debate in a week of such high drama on this subject. I am very encouraged by the things that I have heard from some Members on the Government Benches, and I hope that that is conveyed to their leadership.

Yesterday's headlines made for confusing reading. *The Guardian* went for "Osborne ready to change tack on tax credits." *The Express* plumped for, "Defiant Osborne says that tax credits will be cut despite defeat in Lords." It is not the first time that there has been confusion over this issue. Before the election, the Conservative manifesto promised to "work to eliminate child poverty." Two months later, the Government scrapped existing targets and child poverty measures. That is not just moving the goal posts, but ripping up the pitch.

The Prime Minister said:

"We must eliminate the scourge of poverty."

That is difficult to reconcile with cuts set to put more than 200,000 working households into poverty. Those cuts are being put into effect to fund an inheritance tax cut that will benefit the 60,000 wealthiest estates, which probably explains why we no longer hear the words, "We are all in this together." This is all such high drama, and we do not know what the next instalment will be.

Christina Rees (Neath) (Lab): I have been a bit confused as well. The only thing that is clear is that, in Neath, we have more than 6,000 families on tax credits, and more than 5,000 families with children, and these measures will drive them into poverty.

Dr Huq: I think that we have a similar number—6,500 families—in Ealing Central and Acton. It is the children whom we should be thinking about. They are not just columns on a spreadsheet, but real people.

There was great drama at PMQs yesterday. The leader of the Labour party asked the Prime Minister six times about these plans and whether working people would be worse off next year, and six times, the Prime Minister refused to answer. Even *The Sun*—not the most Labour friendly paper—referred to that exchange. As my hon. Friend the Member for Islington North (Jeremy Corbyn) said:

"This is not a constitutional crisis; it is a crisis for 3 million families".—[*Official Report*, 28 October 2015; Vol. 601, c. 339.]

We could go further, even further than this motion. The Chancellor could still perform a full U-turn, which I would welcome, as I did the rapid conversion to feminism in this place yesterday. As my hon. Friend the Member for Hayes and Harlington (John McDonnell) said, if the Chancellor were to make a U-turn, we would welcome it on the Labour Benches. We would not taunt the Government if they were to do that. There is still time.

The Chancellor has a choice before him. He can continue hell-bent on his tax giveaways to big corporations and to the wealthiest in our country, or he could reverse those tax breaks to the few and go for a lower surplus target in 2019-20 while still sticking to his self-imposed charter. He would still be in a position not to hit those 3 million working families with these tax credit cuts.

After all, this is a Government who claim to be on the side of working people. The ball is now firmly in the court of the Treasury Ministers.

My hon. Friend the Member for Birmingham, Selly Oak (Steve McCabe) said that, often, the lifting of people out of taxation is used to justify these measures, but such a move is not as progressive as it initially appears to be. It helps dual earner households the most, but only those who earn enough. It makes no difference if the Government start taxing at £6,000 or £11,000, because there is little help for those on £5,000—the lowest paid on the distributional curve.

Studies have shown that the national living wage, which is not an actual living wage, will only affect a small minority of people and it will never help those under the age of 26. My right hon. Friend the Member for Don Valley (Caroline Flint) also pointed out that the childcare element is quite limited. In my own constituency, parents would be hard-pressed to find a nursery that could offer a place, because there is not the commensurate resource to match the policy.

People have been wondering, even before the mess of this week, how they can trust a Prime Minister who blatantly said one thing on TV as recently as 30 April and then quite a different thing just a couple of months later in July. He made a promise of no cuts to a voter on a phone-in programme. That was then followed up by David Dimbleby to check that what he said was clear. By July, that promise had gone. That must be the fastest U-turn in history. In PMQs yesterday, we heard some MPs say that they had claimed tax credits. I do not know whether that is true. Perhaps we can put that down to the theatre of PMQs.

David Morris *rose*—

Dr Huq: I have already given way once, so I will not do so again. Reduced tax credits are being introduced alongside a gamut of other welfare changes, the cumulative effect of which is an assault on the lowest paid in our country.

Jason McCartney (Colne Valley) (Con): Please stick to the motion.

Dr Huq: What I am saying is relevant to the motion, because we need some context.

Madam Deputy Speaker (Mrs Eleanor Laing): Order. If the hon. Lady was not speaking to the motion, I would stop her.

Dr Huq: We need to look at tax credits in a wider context. There is the four-year benefit freeze, and the reduction in the household benefit cap. New claimants are no longer entitled to the "family element" of tax credits and, controversially, there is the proposal that, after April 2017, families will not be able to claim for their third child. I cannot imagine that happening in any other policy area. Can Members imagine the Government saying that a third child could not go to school? If such a policy had been in place, my sister Connie would never have been educated.

A number of millionaire Tory lords voted on Monday to cut help for Britain's poorest workers. Lord Lloyd Webber was even flown in from New York for the vote.

[Dr Huq]

It did seem as though the Government were throwing the kitchen sink at this whole issue. There is growing awareness of the consequences of such a measure. Etched into the consciousness of those on the Government Front Bench should be the words of that caller who phoned in to that programme before the election, or the words of the woman who cried on “Question Time” the other night. Through old and new media, we have all received hundreds of messages on this point so we await the next instalment, the autumn statement. I hope that kids have been saved the unseasonable tidings of the notices that would have been plopping onto doormats at Christmas.

At the very least, the Government should publish a full impact assessment of their cumulative cuts to tax credits and benefits in the so-called emergency Budget. The Prime Minister said at his own conference that it is not pounds and pence but people that fire him up. Those 6,500 children in Ealing Central and Acton are real people with real lives, not columns on a spreadsheet. Some 70% of the money that the Treasury will save will come from working mums, so I urge the Government to reconsider their proposals and protect those on the lowest incomes.

2.10 pm

Dr Tania Mathias (Twickenham) (Con): I pay tribute to the right hon. Member for Birkenhead (Frank Field) for securing the debate. I will support the motion and will make a short speech.

I support the motion because of the perspective I gained from having worked and lived abroad and from my experience more locally. I have lived and worked in communities with no welfare system whatsoever and I have also lived and worked in a community where almost everybody has been on some form of welfare or credit assistance. Neither of those are situations that I would wish for my constituents. That is why I am fully supportive of the Chancellor’s vision of a high wage, low tax and low welfare society and I know that in the places where I have worked they would wish for that in their communities if they could achieve it. I am also supportive of what the noble Lord Lawson said in the other place about welfare and tax credits having ballooned, but I also agree with Lord Lawson and my right hon. Friend the Member for Haltemprice and Howden (Mr Davis) that we must protect those at the lowest end of the income scale.

As an NHS doctor and therapeutic counsellor in this country and in the area local to where I live, I have come across people going through some of the most challenging times of their lives. Contrary to what the right hon. Member for Birkenhead said, those people do not have weak shoulders. Their shoulders are stronger than mine or anybody’s in this place. I have met single parents who have escaped domestic violence bringing up their children in difficult circumstances and going out to work for some hours during the week. They go out to work because they want to and because they want to be a role model for their children. They are doing their best for their families and we must do our best for them. Ultimately, they become role models for our society. I support the Chancellor in looking for mitigation measures and am happy to support the motion today.

2.13 pm

Vicky Foxcroft (Lewisham, Deptford) (Lab): The past few weeks have been a rollercoaster. We have heard passionate speeches from both sides of the House urging the Government to find another way forward. Time and again, the moral argument has been made, but time and again political games have been played and votes have been lost. This is not about scoring points in this place, but about real people and about how we look after and care for those who are most in need. It is about fairness, morals and building the kind of society we want to see.

During Prime Minister’s questions yesterday, the Prime Minister was asked six times to confirm that no one would be worse off under these changes, but declined to do so. Earlier this week, I asked the Chancellor directly what he would put in place to make sure that 9,000 families in Lewisham, Deptford, of which 5,500 are working families, were not out of pocket by £1,300. At a time when rents are rising and people are having to turn to food banks because they are struggling to pay their bills and feed their families, people will turn to credit. People will fall into arrears with their rent, and people will be made homeless. What does the Chancellor have to say about that? That he is listening; well, that is a start. That he will change his plans? No such luck as yet. He says that he will introduce a national living wage—what a cheek! The Living Wage Foundation does a fantastic job of campaigning for a real living wage, but this is no living wage. It is quite simply spin and the Chancellor is grossly mistaken if he thinks that people will be fooled. He has stolen the brand of a fantastic organisation and, in an instant, contaminated it and muddied the waters.

When tax credits were introduced by a Labour Government, they were introduced because there was a real need for them. The Government’s failure to build a better economy means that that need is still there.

Ms Buck: Does my hon. Friend agree that although we have heard a lot from the Conservatives about the rise in tax credits over the past decade, the Institute for Fiscal Studies has stated very clearly that child poverty would have stayed the same or risen rather than falling substantially without those increases in tax credits? There is evidence to suggest that the reforms prevented a large rise in inequality. That is what tax credits achieved and that is why the expenditure was worth while.

Vicky Foxcroft: I thank my hon. Friend for her intervention and completely agree with everything that she says.

Personally, I think that it is wrong that Governments subsidise large employers, who can and should pay their staff more. That is the solution we should all be working on together, not tit-for-tat political point scoring. One of the best ways for staff to organise and put pressure on their employers is through their trade unions. If the Government had any sense of a moral code they would be working with the trade unions to raise wages and, in the long term, eliminate tax credits altogether. That must be the goal, but the Government are doing anything but that. They are attempting to hamper the great work that trade unions do by introducing their negative Trade Union Bill.

Jeremy Quin (Horsham) (Con): I hope that the hon. Lady recognises that the national living wage, which has been applauded, is already addressing exactly the concern that she has just raised. It has been a very effective way of raising the wages of those in employment.

Vicky Foxcroft: The national living wage that the hon. Gentleman is talking about is not a national living wage that would drive up people's standards. People will be worse off because of the cuts to tax credits and people's wages. That is why we are having this debate today.

The Government are a joke. The left hand does not know what the right hand is doing and their policies are simply not joined up. While those on the Front Bench have been laughing at stories of people in housing trouble, Members from my party are working with trade unions to improve the lives of millions. I urge the Government to halt the cuts to tax credits until we can guarantee that no family will be worse off.

2.18 pm

Scott Mann (North Cornwall) (Con): I thank the right hon. Member for Birkenhead (Frank Field) for securing the debate. This is the first opportunity that I have had to contribute to the tax credits debate.

The primary aim of this Government is to pay down the deficit, reduce public spending and unshackle the £3,000 that hangs around the neck of every child that is born in the UK. The Prime Minister has lifted thousands of people in my constituency out of income tax altogether, given 30 hours of free childcare and introduced the new living wage. I am proud to associate myself with those measures.

When tax credits were first introduced by Labour, they cost £4 billion a year. This year, I believe, they cost £30 billion, so they clearly need reform.

Alan Brown (Kilmarnock and Loudoun) (SNP): Does the hon. Gentleman understand that working tax credits and tax credits are means-tested welfare benefits, so if the welfare bill has gone up, it is because families' incomes have not risen significantly? That is the real reason why the bill has increased, so we need to get incomes to rise.

Scott Mann: I accept the hon. Gentleman's point, but we are looking to increase the living wage to ensure that people are better off in work than out of work.

Mr Angus Brendan MacNeil (Na h-Eileanan an Iar) (SNP): Surely the Government are tackling the problem the wrong way round. They should have got incomes up before they cut people's wages. What they are doing is cutting people's earnings now, and in four years' time they may introduce what they call a national living wage, which in fact is not a living wage.

Scott Mann: I thank the hon. Gentleman for his contribution. I will deal with that as I continue my remarks.

The proposals presented by the Opposition over the past few days would maintain the status quo. They believe that we should not change the £30 billion tax credit bill at all. *[Interruption.]* I do not accept that. They have offered no credible plan to take this burden

off our children. *[Interruption.]* I was elected on a manifesto to reduce the welfare bill and I hope we will do that. We on the Government Benches know that we have to take the difficult decisions that lie ahead in order to bring about spending reductions. It is all very well for the Leader of the Opposition to ask six questions on tax credits yesterday, but a policy that affects 3 million families cannot be changed on a whim. I welcome the Chancellor's announcement that he will deal with the matter in the autumn statement.

Steve McCabe: Is the hon. Gentleman saying, therefore, that the Prime Minister could not answer because the Government are not committed to protecting families from this problem?

Scott Mann: Absolutely not. We are looking seriously at the proposal and we will make some announcements in the autumn statement.

North Cornwall, which I represent, is a modest-waged economy. We benefited from the economic improvements that the country has seen. We have seen rising school provision and many people in my constituency have benefited from the Help to Buy scheme. They are trying to improve their lot in life and trying to do the right thing. As my hon. Friend the Member for Tiverton and Honiton (Neil Parish) said so eloquently, the Government must ensure that we make it better for people to be in work than out of work, but we must support those who work.

Jeremy Quin (Horsham) (Con): I do not want to put my hon. Friend off his stride, but remarks were made from a sedentary position on the Opposition Benches during the earlier part of this speech. In the course of this debate we have had a non-partisan discussion. I thought I heard Opposition Members say that Labour is keen to see changes in tax credits and would move to cut the £30 billion of expenditure. Does my hon. Friend, like me, look forward to hearing such remarks made from the Opposition Front Bench, with an explanation of how the Opposition would cut the bills?

Scott Mann: I would indeed welcome that. We have heard nothing from the Opposition to illustrate how they would deal with the £30 billion deficit.

Kevin Foster: Does my hon. Friend agree that those comments were surprising because Labour has voted against every welfare change made over the past five years?

Scott Mann: Absolutely correct. It is ultimately our responsibility to look at all the financial provision that we make as a Government and ensure that that money is distributed to people who are trying to do the right thing.

Rob Marris (Wolverhampton South West) (Lab): Will the hon. Gentleman give way?

Scott Mann: One more time.

Rob Marris: I am grateful. Let us be clear. The hon. Gentleman attacks Labour for having a policy that we do not have. That is unacceptable. Our policy is not to continue with £30 billion of tax credits for ever more.

[Rob Marris]

As my hon. Friend the Member for Lewisham, Deptford (Vicky Foxcroft) said, we want to change that. It is a question of phasing and whether we cut incomes from tax credits before wages go up. That is the Government's policy and that is what we oppose.

Scott Mann: Forgive me—I thought the two Opposition-day debates were aimed at abolishing the proposal completely.

This Government know they need to make tough decisions, but they need to make them with fairness and compassion. The measures that we are putting in place to manage the transition are to be welcomed, and the national living wage, the free child care arrangements, and the social rent reductions of 1% a year that are being implemented for those who live in social rented homes will help some people to manage the transition. However, it is evident that some people will fall between the cracks. People with older children aged between eight and 14, for example, who do not necessarily have child care provision that they can allocate, single parents who currently earn more than the living wage, and those in private accommodation who do not benefit from the rent reductions will be affected.

There are many better economists in the House than I. It is not a subject that I profess to be particularly good at, but I would like to offer some financial solutions. How about going after VW, which seems to owe a huge amount of money to our Government from the vehicle excise duty that it has not paid? We should use some of that money. How about abolishing national insurance for anyone who is under the income tax threshold? We could also give tax breaks to grandparents or provide a transferable allowance for that 30 hours of free childcare. Many working families use grandparents to provide care. I see no reason why we could not change the childcare arrangements to take account of that. We could consolidate tax credits for new claimants, which would reduce the welfare bill.

I welcome the opportunity to get on the record in this debate, and I welcome this moment of pause that has been presented to us by the other place. I am here today to stand up for the thousands of working people in North Cornwall and I urge the Chancellor to assist them in their efforts to work and to earn.

2.26 pm

Hywel Williams (Arfon) (PC): I congratulate the right hon. Member for Birkenhead (Frank Field) on securing the debate. When he first proposed it, he wrote to me and a number of other Members and I readily agreed. That was, of course, before the storm broke. We have moved on, as he acknowledged in his remarks earlier.

Unfortunately I am old enough to have worked not only with tax credits, but with family credits and even family income supplements. The inherent problems with such systems was apparent from the start. There have been low-wage subsidies, to a lesser extent than now, initially with tapers of well over 100%, and the cost to the taxpayer was apparent. These problems have not gone away.

As I said in the debate on 20 October, I have no problem in principle with removing low-wage subsidies, so long as we ensure a decent living wage for all; family

support to make up for the variation in income when people have families of different sizes; and proper, affordable childcare provision, available universally, particularly in deprived and rural areas where the current provision is very poor and patchy. For rural areas in Wales, support for small businesses is extremely important to enable them to earn and to pay a living wage. Those are the sorts of changes that I would like to see. Then I would gladly agree to the Chancellor's proposals.

I do not have much of a problem with tapers. Tax credits should lessen as people earn more and, as I said, tapers over 100% are, thankfully, a thing of the past, but the disincentive effects remain when high rates of combined tax credits and benefit withdrawal reduce people's incomes substantially. The Chancellor's proposals will worsen this effect. What incentive will there be for working harder and earning that extra marginal pound if it melts away in reduced tax credits and benefits, as we heard earlier in the debate? The figure of 93p in the pound was mentioned.

As the minimum wage or the national living wage rises, the taper reduces tax credit payments—an obvious point—and the cost to the taxpayer goes down. All this is well known and well understood, but what the Chancellor intends goes well beyond what is normal and what is acceptable. Had he been happy to operate the tapers as they are and keep the thresholds as they are, he would have gained tax revenue. Had he been satisfied with that course of action, people earning more would be paying more tax and claiming less in tax credit. Significantly, many would be claiming less housing benefit, which is a problem that Members on both sides of the House recognise. However, he has deliberately gone further. Tax credits will be withdrawn earlier and at a faster rate. That is on top of the freeze on tax credit levels for four years, as set out in the Welfare Reform and Work Bill, and the decision to limit the child care element to the first two children in a family.

With regard to childcare, what discussions have the Government had with the Welsh Government, because provision in some parts of Wales differs significantly from provision in England? If we are tailoring a system to promote proper childcare, there needs to be consultation with not only the Welsh Government, but the Scottish Government and the Northern Ireland Executive. I am also concerned about the effects on the under-25s. My concern is that these measures will reduce work incentives and deepen child poverty—we have heard the figure of 200,000 for the number of children who will be pushed into poverty.

There are also geographical effects, as I mentioned in an earlier intervention on the right hon. Member for Birkenhead. There are communities in Wales in which a large percentage of people take advantage of tax credits, so whole communities will be hit as tax credits are cut. That is particularly true in west Wales and the valleys, which at European level is recognised as a very poor region that is subject to various European grants. Actually, it is on a par with parts of former-communist, eastern Europe. Many people in those communities claim tax credits in order to go out to low-paid work, and I am concerned that they will be struck hard. Therefore, adding to what the right hon. Member said, I repeat my call for data to address the geographical distribution of the effects of these measures, and not just the effects for poorer families individually.

Let me turn briefly to some of the other points the right hon. Member for Birkenhead made. As I have said, I hope that data and childcare have been discussed with the Welsh Government. There is almost a philosophical point here, which is that we recognise the value to society of bringing up children, because they are the next generation who will be caring for the elderly—perhaps my social administration slip is showing. I am a veteran of many campaigns to save and secure child benefit, and as far as I am concerned that is one of the central arguments.

Postponing the introduction until after next April is clearly a good idea. Restricting it to new claimants is something that I would agree with, although that would put them in the difficult position of going out to work for reduced tax credits, and I have already mentioned the disincentives to taking up work that that might provide, so we have to be very careful.

Pensions tax relief has been mentioned. I am afraid that I am also a veteran of previous debates on tax credits. That was one of the suggestions my party made when Adair Turner was reviewing pensions. Of course, the circumstances are different now. Certainly, we could have seen that happen then, which would have meant that the Government might not be in the position that they are in now.

2.33 pm

Bob Blackman (Harrow East) (Con): It is a pleasure to follow that thoughtful contribution from the hon. Member for Arfon (Hywel Williams). I, too, congratulate the right hon. Member for Birkenhead (Frank Field) on securing this debate, and the Backbench Business Committee on its wisdom in granting it—I had the pleasure of chairing that meeting. This is the first opportunity I have had to contribute to a debate on the vexed issue of tax credits.

It is a great shame that the right hon. Member for Birkenhead was unable to convince his party when it was in government of the wisdom of transforming the welfare system in this country, but we are where we are. My big criticism of the previous Labour Government is that instead of reforming the welfare system, every time a new problem arose they set up a new benefit. The system therefore became unwieldy and unworkable. When I was elected in 2010, a series of people came to see me about the hugely complicated financial arrangements they faced, both with working tax credits and child-based tax credits.

Mr MacNeil: The hon. Gentleman says that when the previous Labour Government had a problem they increased tax credits. The real problem is low wages. This Government are weakening trade unions and undermining the right to collective bargaining, which is what allows workers to strive for higher wages, and that will not help the situation at all.

Bob Blackman: That is not quite what I said. I mentioned the welfare system and said that we had a series of different welfare benefits. Whatever the problem was, the Labour Government set up a new benefit, whether a tax credit or another arrangement. During a period of relatively high employment they failed to deal with the fundamental issue, which, as the hon. Gentleman rightly points out, is low wages.

This debate was billed as the last chance to review what the Government are proposing before it became fact, but events in the other place mean that we are now in a position to make alternative proposals. Contributions this afternoon will therefore be helpful to the Chancellor in deciding what to bring forward in his autumn statement. Clearly, we have to strike a balance. The Conservative party manifesto laid out that we were going to save £12 billion in welfare. The challenge is therefore to come forward with alternative proposals on how welfare savings of £12 billion will be found. Some £4 billion of savings are envisaged from this change.

I start with sympathy for the people affected. When we reduce people's benefits, they will always complain. When we increase the tax threshold so that they pay less tax, they will be quite happy and will not complain. When their wages are increased, they will not complain. But if we take benefits away, they will squeal. We clearly must look at the effect on individuals in the round. We must have the utmost sympathy for those people who are working full time and have no alternative but to receive tax credits to top up their wages. What can they do? They suffer a loss of income, and that will have an impact on their families. Therefore, the first thing I would like the Chancellor to do is examine the measures so that people in full-time work suffer no impact whatsoever, because otherwise this is grossly unfair on them.

Equally, we face a challenge in both the public and private sectors. Over time the Government have quite rightly reduced business taxation to encourage businesses to grow and to locate within the United Kingdom. That has got to be good news, because it has created jobs. However, they have also kept wages artificially low, and that has to change. Therefore, I greatly support the principle of a living wage, but clearly it is far too low at the moment. We need to see it increase dramatically so that work pays, instead of relying on the taxpayer to subsidise work in private industry, which cannot be right. I hope that the Government will look at that, in particular, so that we can encourage businesses to pay their staff more for the work they do. That has to be the right way to demonstrate that work should always pay.

We hear constant criticism from the Labour party about the creation of large numbers of part-time jobs in this country. One of the reasons for that is the fact that a large number of people know that if they take on a part-time job, perhaps working 16 hours a week, they will still have access to a large range of benefits. That is a lifestyle choice.

Richard Arkless (Dumfries and Galloway) (SNP): Will the hon. Gentleman give way?

Bob Blackman: I will not give way again.

That is a lifestyle choice that people make. What we can see is that Government proposals and Government restrictions on taxation and benefits change people's habits, so what we have to do is enable people—

Marie Rimmer (St Helens South and Whiston) (Lab): Will the hon. Gentleman give way?

Bob Blackman: I am not giving way again.

What we need to do is look at how people can change their behaviours to make sure their income is increased. The first area we have to look at is childcare. Working

[*Bob Blackman*]

mothers and fathers who have childcare responsibilities need access to proper, decent childcare. I applaud the Government for the 30 hours' free childcare, but that is not good enough for parents who, as a result, can only work part time. Please will the Government consider improving the amount of free childcare given—not the limited range we are discussing now, but more extensively—so that more people in this country can choose to take on more hours at work, and therefore improve their income at no cost to themselves? That would reduce the tax credits bill and ensure greater productivity in our industry.

Those two measures would start to alleviate the problem, but I believe that the Government, now in listening mode, need to consider where else we can save money in the welfare system. There is also a challenge for the Opposition: if they do not agree with reducing tax credits, from where else within the welfare system should the money come? That is a clear challenge, and I look forward to hearing in the winding-up speeches some of the answers to some of the questions raised in the debate.

The reality, and my greatest concern, is my constituents' uncertainty about how they will be affected next April if the changes are introduced. As the right hon. Member for Don Valley (*Caroline Flint*) said, one of the problems is that people are making lifestyle choices now. It is not fair to those families and individuals who are thinking about what they should do in terms of work, where they study and so on to leave them in limbo. The quicker this is resolved, the better for everyone concerned.

2.42 pm

Liz McInnes (Heywood and Middleton) (Lab): I thank my right hon. Friend the Member for Birkenhead (*Frank Field*) for bringing this debate to the House.

A wiser Chancellor would not have cut tax credits to some of the poorest families in Britain in the first place, but I believe that the right hon. Gentleman now has some wriggle room and that he can put right the mess he has created for Britain's families. The Child Poverty Action Group believes that the proposed changes to tax credits will damage work incentives and increase child poverty. I think we have got the message loud and clear that the cuts will mean that work pays less.

The changes affect recipients of working tax credit, who by definition are in work. Analysis by the House of Commons Library finds that 3.2 million people will lose an average of £1,350 next year, and although doubt has been cast on that figure by the hon. Member for Morecambe and Lunesdale (*David Morris*), I find that, generally, Library staff are fairly thorough and reliable. The same Library analysis finds that more than 750,000 families earning between £10,000 and £20,000 a year will lose up to £2,184 next year. More than 580,000 families—Britain's poorest working families, earning between £3,850 and £6,420 a year—face being taxed for the first time. They will lose 48p in tax credits for each pound they earn. Some low-income families will keep just 3p in every extra pound they earn after the changes are made. Child poverty will increase as £4.4 billion is taken from low-paid families.

The cuts are not compensated for by other changes, such as the so-called national living wage, the rising income tax threshold or the free childcare offer. Importantly, the impacts of the cuts have not been thoroughly assessed. Some working families now face an effective 97% tax rate on each extra pound they earn: they will lose 32p in income tax and national insurance payments, 17p from entitlements to other benefits, and 48p in tax credit entitlements, leaving them with just 3p in the pound.

At his last party conference speech before becoming Prime Minister, the right hon. Member for Witney (*Mr Cameron*) argued against high effective tax rates on low-income families, saying,

“if you're a single mother with two kids earning £150 a week, the withdrawal of benefits and the additional taxes mean that for every extra pound you earn, you keep just 4p. What kind of incentive is that?”

What has changed? Two thirds of poor children live in a family where somebody works, and it is inevitable that taking £4.4 billion away from low-income working families will force more children in to poverty. Child poverty is rising: independent projections from the Institute for Fiscal Studies show clearly that the falls in child poverty rates seen at the beginning of this century are at risk of being reversed. In my constituency of Heywood and Middleton, the number of working families with children claiming tax credits is 5,500 and the number of children living in working families receiving tax credits is 9,700. In the neighbouring constituency of Rochdale, the figure is 14,900. Nearly 25,000 children across the borough of Rochdale will be affected by the changes.

My constituent *Emma Divine* emailed me to say:

“I'm dreading going back to work. I'm a single mother of three children and I know I'm going to go back soon, but I'm scared how we will survive—I'm already struggling as it is.”

Another constituent—a public sector worker—wrote to me to say that she provides essential public services and that tax credits are an important part of her household income. She said that although she would gain from the £80 increase in personal tax allowance, overall she would be much worse off, especially, as she said, if we

“take into account the fact that the government only wants me to get a 1% pay increase over the next few years.”

Those women and many more like them speak to the reality of life for the working poor—something that some in this House are comfortably insulated from. Indeed, when I worked for the NHS, child tax credits helped me. They helped me to remain in full-time employment because I was able to afford a childminder for my school-age son.

Of course we welcome the higher minimum wage and the increase in free childcare provision, but, as many hon. Members have pointed out, that only goes so far. We need to get work incentives right. That is critical to tackling in-work poverty. What we need to do first is push employers to pay the living wage—the real living wage, not the Government's new national minimum wage, which is lower and does not apply to workers under 25. We need to tackle the causes of low pay before we start to cut tax credits.

I agree with my hon. Friend the Member for Darlington (*Jenny Chapman*) that the vote on Monday may have done the Chancellor a favour, giving him breathing space and a chance to put this situation right by supporting working families instead of penalising them for doing the right thing. Although the right hon. Gentleman

may have only just discovered that the House of Lords is unelected, I hope that he will take this opportunity to reverse the tax credit cuts.

2.48 pm

Jason McCartney (Colne Valley) (Con): I congratulate the right hon. Member for Birkenhead (Frank Field) and thank the Backbench Business Committee for granting us this very timely debate to reconsider the impact on the lowest-paid workers of the proposed changes to tax credits and to call for the Government to bring mitigation proposals to this House. Early next year it is the centenary of the birth of Harold Wilson. That Huddersfield lad coined the phrase, “A week is a long time in politics.” A lot of ermine and a flood of emails have flowed under the bridge since I signed this motion last week.

I want to make it clear from the start that I absolutely support the Chancellor in getting Britain to live within its means. In fact, I often suggest to folk back home in Yorkshire who are talking about austerity that we should replace it with the phrase “living within our means”. That brings a whole new meaning to the campaign slogan “anti-living within your means”.

Since last week, many constituents have echoed my position. To follow the style of the Leader of the Opposition, Martin from Holme Valley says that he agrees with the shift from tax credits to increased pay but shares my concern about the transitional impact of the changes. Bob from Salendine Nook says that he understands the point I make about employers underpaying staff and agrees with me on the need to reconsider the pace of change. Nicola from Oakes says that she agrees that the tax credits system is imperfect, as is the whole benefits system. She says that she would be better off financially reducing her hours, as she works full time, and that a change to the system needs to be implemented. She says that she feels she is currently being punished by the benefits system for trying to bring home more money by working her way up, and that a single person on income support, disability living allowance, housing benefit and other benefits could, in effect, be paid more in benefits than she brings home, including with her tax credits, to support a family. Dorothy from Marsden says that she fully understands the need for reform. As the motion clearly states, this about the pace and the impact on the lowest-paid workers.

I firmly believe that work should always pay. People should always be better off in a job than on benefits. I say that as someone who did not go to university. When I left school, I did a succession of low-paid, part-time jobs before I joined the Royal Air Force at the age of 19, worked my way up, and travelled the world. I am proud that since 2010 unemployment is down by 51% in my constituency. I am proud that youth unemployment is down by more than half. I am proud that there is a net increase of 170 new businesses and there have been over 4,700 new apprenticeship starts. I am proud to say that I have just taken on my first apprentice and that I am paying him the living wage. On Friday 20 November I will hold my latest jobs fair at Holmfirth civic hall, where over 30 local businesses and organisations will be offering quality jobs and apprenticeships. We must build a low-tax, low-welfare, high-wage economy. As a compassionate Conservative, I want to live in a country where everyone has the opportunity of a decent, well-paid job. So let us crack on with it, and let us stand up for working people.

I welcome the Chancellor’s announcement that he will lessen the impact on families and will set out these plans in the autumn statement. I hope that he and his Treasury boffins will be listening very carefully to the various suggestions, some of them very inventive, for transitional arrangements. Let us show that Britain can live within its means while, most importantly, looking after the most vulnerable and supporting those who go out and work every day.

Several hon. Members *rose*—

Madam Deputy Speaker (Mrs Eleanor Laing): Order. I am going to make a very unusual statement. Members have been so disciplined, have taken so few interventions and have been so careful in their remarks this afternoon that we have more time than I had anticipated. I am therefore going to increase the limit on Back-Bench speeches to eight minutes, so we will hear even more from Mr Alan Brown.

2.54 pm

Alan Brown (Kilmarnock and Loudoun) (SNP): I welcome this debate and, for the most part, I welcome its tone, particularly that of the earlier speeches of Conservative Members. I hope that their speeches are a sign of a mood swing across the whole of the Government Benches, although I must say that recent contributions have been in stark contrast. If I may, I will outline some of the previous actions of the House and the contributions of Members during the past week. The focus of the House has had me scratching my head, as I am sure has been the case with my constituents.

Last Thursday morning, the hon. Member for Corby (Tom Pursglove) said his constituents had suggested setting up a public fund for them to make donations towards the restoration of this House. I find that incredible. I know that if I took that suggestion to my constituents, the only way I would raise money would be by getting them to donate to a swear box when I asked them such a question. On the same day, the Leader of the House showed his usual vision by suggesting there was no need to reform the House of Lords. That afternoon, we had the debate on English votes for English laws. Much of that debate was predicated on the fact that, as many Conservative Members said, EVEL is the No. 1 issue for their constituents. Again, I find that difficult to believe, because there is absolutely no doubt that the No. 1 issue for my constituents is tax credits.

As I was trying to relax over the weekend, I heard that the bill for Trident has gone up to £167 billion. Apparently, the figure of £167 billion still does not make the Government flinch. It is a 67% increase, but they do not flinch. At that point, they still looked hell-bent on taking forward the tax credits proposals. Monday night was a lost opportunity to kill the tax credit changes stone dead, but at least the other place flexed some muscle and caused the Government to think again. Obviously, plenty of suggestions have been made about how to take that forward.

I should add that the previous tone of some of the debates on tax credits has been really unhelpful. I welcome the speech by the hon. Member for Aberconwy (Guto Bebb), who condemned his fellow friends for suggesting that one solution for making up the income lost in tax credits was to take two jobs and

[Alan Brown]

just work longer hours. That is not practical, and it is actually one way for someone to work themselves into an early grave.

I have already said this, but I want to put it on the record again. Let me be clear that this is the No. 1 issue for my constituents. I am pleased that the SNP has been very consistent in arguing against the cuts in tax credits. In my constituency, an estimated 3,800 working families are currently in line to be affected by the tax credit proposals unless they are amended. In previous debates, we have heard the mantra about having a high-wage, low-tax, low-welfare system, but that has clearly been blown out of the water by independent analysis.

I again welcome the fact that many Conservative Members have acknowledged that and have called for action to make sure we protect those on the lowest wages. However, we should not forget the people who are not working, but are looking to get into work. They are in line to lose £2,000 a year. It is impossible to lose that money and sustain a family. We must remember that a lot of people move in and out of work. They will not only lose money when they are in work, but if they are out of work and need support—if they are on a zero-hours contract or are unfortunate enough to lose their job—they will find that the support mechanism has been cut drastically.

What should we do? Some good suggestions were made earlier. The first thing that we need is a proper living wage. We need to bring the living wage in line with when the cuts are made to tax credits, so that we can balance cuts in welfare and ensure people's incomes are protected. I suggest that the Chancellor could provide greater support for small and medium-sized enterprises to enable them to take on new employees and help more people into work. I have mentioned the cost of Trident, which we could easily scrap. Even though we welcome the decision that it made the other day, we are still calling for the other place to be scrapped.

It is perfectly obvious that there should be a cut in tax avoidance and evasion. The other night, the SNP put forward a proposal to close the Mayfair loophole. Unfortunately, the Government would not agree, but that should be revisited. We should scrap the proposed right to buy in relation to social housing, and the obscene subsidies that might go to people who opt to buy under the Government's plans. There is no way that the taxpayer should pay up to £100,000 for somebody to purchase a home in London.

It would have been helpful if the UK Government had allowed the Scottish Government to have better borrowing powers so that we could use them to invest in infrastructure and capital spend, which would create jobs. The UK Government should be building more houses in Scotland. We are already showing the way in building more social housing, which creates jobs and a better standard of living. Building energy-efficient homes means that families pay less for heating, which makes their lives easier because they no longer have to make the difficult choice between heating and eating.

The SNP has suggested other measures, including the reintroduction of the 50p tax rate. We should not raise the upper threshold so quickly. We could have a bank levy and a mansion tax, and go for the complete abolition of non-dom status. The Government do not have to

aim to get a large surplus so quickly; they could easily slow down their measures and adopt a more balanced approach.

Overall, we should not be hurting those low-paid workers with families who could lose on average £1,300 a year. There is also the cringeable policy of exempting families who can show that their third child is the result of rape. That has not been mentioned today and I note that Conservative Members have chosen not to intervene on me. It is an obscene policy that nobody can justify or explain.

I ask the Minister to speak to the Chancellor and revisit the whole package, because it will save only £4.6 billion. We need a proper strategic overview, which might get us to a long-term recovery plan based on action, not just the words of those on the Government Benches.

3.1 pm

Peter Aldous (Waveney) (Con): Although the Government are pursuing the right strategic course of supporting working families through the tax system and by encouraging earnings growth, it has become clear over the past few weeks that the way in which the policy was being implemented would leave many poor and vulnerable families harshly exposed. Today, as a result of the efforts of my right hon. Friend the Member for Birkenhead (Frank Field) in securing this debate, we can properly consider what other transitional measures can be bought in to support those families.

The current arrangements are in need of reform. The Government's proposed transition measures are welcome. The increase in the personal tax threshold will enable working taxpayers to keep more of the money they earn. The introduction of the national living wage is a bold and radical move for which my right hon. Friend the Chancellor of the Exchequer should be applauded. The Government have rightly prioritised working families through the offer of 30 hours' free childcare. However, it is clear that those initiatives alone do not go far enough and more transitional support is needed.

In my Waveney constituency, there are many people on low wages, often working part-time. They would like to work longer hours and earn more, and through hard work and training they would like to climb up a ladder of workplace progression. The problem is that that option is not currently available to them. There has been an economic decline for 40 years: traditional industries have gone, the factory gates have closed and the fishing industry is a very poor shadow of its former self. That scene is repeated in many places around the country.

To their credit, the coalition Government and this current Government have recognised that fundamental flaw in the country's economy, and they are putting in place policies that will reverse that decline and bring new jobs to many areas. Such policies will ensure that, in the long term, we will have a balanced economy where growth is not concentrated in a few places and opportunities are available across the country. Policies such as devolution and investment in infrastructure and in education and skills will work, but they will not do so overnight. They will need time and they may well need to be refocused, redesigned and rebooted.

In the short term, there is a need for support to ensure that the removal of working tax credits does not punitively hit those on low wages. There is no silver bullet and there may well be a need for more than one

initiative. The Treasury will need to weigh up very carefully what alternative tax raising measures may be necessary in order to produce a balanced budget and to remain on course to eliminate the deficit. It is very important that any tax increases are progressive and do not hit unfairly the poorest members of society.

On additional mitigating measures, I make four suggestions. First, full consideration should be given to phasing in the withdrawal of working tax credit. Spreading it out would be fairer and rising wages would help to reduce the impact. Secondly, increasing the point at which employees start to pay national insurance should be considered. That would be more effective than a further increase in the personal tax threshold, as people will pay national insurance from £8,164 compared to £11,000 for income tax. Thirdly, the offer of tax breaks for businesses that voluntarily and more quickly move to paying the national living wage should be looked at.

Finally, we need to review the design of universal credit. It is in many respects bizarre that the introduction of universal credit and the withdrawal of working tax credits are being carried out at the same time by different Departments. That might explain why the Government are in the position that they find themselves in today, with policies that are not properly co-ordinated. Working tax credits were introduced by Gordon Brown when he was at the Treasury, with apparently limited consultation with the Department for Work and Pensions. That is a fatal flaw at the heart of Government that should have been addressed a long time ago.

The great advantage of universal credit is its simplicity. It will boost employment and make it easier for people to understand why they are better off in work. However, it should be made more flexible. Much of the current emphasis is on getting one person in a household into work. There should be more focus on boosting employment within the household as a whole. There is a need to rebalance the incentives that universal credit creates to better support single parents, second earners in families with children and the disabled. Universal credit should be made easier to use. It should not penalise families whose earnings and outgoings do not fit into a neat monthly pattern.

The 800,000 self-employed households that will move on to universal credit have a particular problem in having to start reporting their income on a monthly basis, rather than annually through the HMRC self-assessment. That will create a huge bureaucratic burden that could hit low earners hard.

Martin Vickers (Cleethorpes) (Con): I agree with my hon. Friend. Like me, he represents a coastal community with low pay. Does he acknowledge that, as well as the help that needs to be given to those who are in receipt of tax credits, we must consider the spending power that will be taken out of the local economy if we proceed with the proposals that were outlined by the Government, which will be very detrimental to our areas?

Peter Aldous: My hon. Friend is quite right. There are some very clever people in the Treasury, but they often look at the country as a whole. They need to realise that things are very different in different places.

I have two final points on universal credit. The requirement to provide childcare bills on a monthly basis could mean that parents whose childcare costs are

higher at certain times of the year will be financially worse off than they are under the current system. For those who receive help with their rent, the option for payments to go straight to the landlord should be more easily accessible.

In the longer term, the Government need to take stock of their approach to welfare reform. They have been right to rise to the challenge and most of their policies have been successful. How they move forward needs careful thought and reflection. Perhaps alongside the benefit cap there should be a benefit ceiling. In the short term—in the next four weeks—there is a lot to be done to get this policy right: to ensure that it is fair, that it does not penalise the working poor and that it provides them with a ladder of workplace progression.

3.9 pm

Mr Graham Allen (Nottingham North) (Lab): This has been a strange debate. It is as if we have managed to collect in the Chamber all the sensible people from all the parties, and to have a serious debate on some of these issues. It is unnerving to step out of the comfort zone of yelling at each other, and instead to hear sensible contributions from across the House, including the speech by the hon. Member for Waveney (Peter Aldous) that we have just heard.

Perhaps the lesson for us all is that this is how we should have done it in the first place, before the Chancellor made his announcement. He could have set out broad principles, as he is entitled to do, and said: “We need to reduce the welfare budget because we made a commitment in our manifesto. We would like to consider these issues. We need to find £12 billion, so how might we best do that?” By using the wit of Members from across the Chamber—including those who are appointed to Select Committees and work incredibly hard on our behalf—I am sure we could have come up with something less painful, crude and crass, while also saving the Chancellor some grief. However, we did not do things that way; we are doing it the other way round, so let us hope that we can reach a sensible result by listening to Parliament.

I also hope that we will listen to people out there. This is a classic debate, and we must listen to those who will be impacted on and influenced by these changes. Often, those people are not necessarily very articulate or in touch with their Member of Parliament, but I want to speak up for them, particularly those in my constituency. Dinner ladies, check-out and administrative staff, nursing and teaching assistants and manual workers all need us—whatever our political persuasion—to stick up for them right now.

We should all be in it together, but it often feels that we are not. I looked for the number of people in my constituency who will benefit from changes to inheritance tax, and after a lot of searching I came up with a large zero. Unfortunately, it did not take long to find the number of people in my constituency who will not be benefiting from the changes to tax credit, because 12,300 children will be affected. That is important because I am the Member of Parliament for the second most deprived area in the United Kingdom in terms of child poverty in low-income families, which is a matter of great concern. We are not “all in it together”, because those kids are not in it with those whose families have higher incomes and should be shouldering a fair share—

[Mr Graham Allen]

nothing more—of the tax burden in our country. Colleagues who know their food banks will unfortunately know that this measure is a food bank recruitment scheme on behalf of the Government, and we must be careful about how we tread forward with it.

No one was ready for this change. Some of us believed the Prime Minister when he was on television before the general election and said that there would be no changes to the tax credit system. It is the same Prime Minister who, sadly, was in this House a week ago and said he was “delighted” that the cuts had been voted through the previous evening. That indicates a contempt for institutions other than government—I know I labour this point, but listening to Parliament and to people outside does not mean that someone gets diverted from their principles; it means that they can better enable those principles by listening to those who might be able to help in a slightly better way.

These cuts will have a broader impact on families. Four out of five families in my constituency receive tax credits because of the low-income nature of my area—my constituency is among the 20 most deprived—and we can do a job for them. We will not necessarily overturn what the Chancellor thinks, but Members of the House can do what my right hon. Friend the Member for Birkenhead (Frank Field) has done and consider tapers, thresholds, transitions, and the time needed to allow people to adjust to a massive change in their life. We must look consistently at that family element, and review and analyse the impact of the changes in future years, so that we can mitigate the worst cases.

I am delighted that we have not heard the word “scroungers” in this debate, or heard people being described as having a free ride on the state or the system. As it happens, two-thirds of people in my constituency who are in receipt of tax credits are at work. They are being subsidised by the rest of us to be at work, and low-paying employers are being subsidised.

Huw Irranca-Davies: Perhaps one reason the debate has not been disfigured by such terms is that the people my hon. Friend is talking about are the friends, families and neighbours we stand alongside in supermarket queues and on the side of the rugby pitch on a Sunday morning. These are people we know. This is not a matter of “them and us”. They are us and that is why, as we stand alongside them at the rugby and in supermarkets, we must stand alongside them here, too. They need us.

Mr Allen: My hon. Friend is absolutely right.

We, and some of the media, think this is a big issue right now, but you would be amazed how many people do not know that this is going to hit them, and they will not know until that letter drops and it actually happens. A wise old bird—Joe Ashton, who used to be the MP for Bassetlaw—taught me this lesson: passing a Bill will not influence anybody’s real life until whenever—in this case, I believe, next April—it takes effect. Then there will be a shock. Then there will be a tidal wave of people saying, “My god, what are you doing to us? Why did you allow this to happen? We don’t care which way you voted, why are you allowing it to happen?” That is why between now and then we have to bend our backs to ensure that we mitigate the worst consequences.

The national living wage is a bit like English votes for English laws: it is such a smart slogan that one could perhaps run an election on it. Does the reality, however, have the substance and the detail that people need in their lives? Saying that we are going to have a national living wage sounds fantastic, but if it does not actually mean that incomes will be at least as good as they were before, it is a fraud.

Liz McInnes: Does my hon. Friend agree that the Government’s national living wage is not the actual living wage, which is set by the Living Wage Foundation? The actual living wage is far higher than the Government’s national living wage. To call it a living wage is a misnomer.

Mr Allen: I totally agree with my hon. Friend. The Living Wage Foundation has already blown that myth straight out of the water and said it is not actually what everybody else seems to think of as being the living wage. Indeed, the Institute for Fiscal Studies and our own House of Commons Library have both said that the so-called national living wage does not make good what people will lose. Both those highly authoritative, independent organisations say it will only cover about a quarter of the loss that families will incur. On top of that are a lot of other factors. Difficulties relating to the introduction of universal credit are compounding the situation for people on low incomes.

For my constituency, all this shows that society is not addressing deprivation in the way it should. In the past five years, the indices of deprivation have indicated that in my constituency 5.9% more people are in the category of being deprived than they were five years ago. I ask the Chancellor to try to understand that it is not always about Tatton or Witney. The 20 most deprived constituencies—such as Nottingham North, Liverpool Walton, Birmingham Hodge Hill, Manchester Central and so on—are where our people live. That is where people need their representatives to stick up for them. That is where the free market politically does not work. Inviting people over for a weekend of shooting, riding or whatever—that is not where I live, and it is not the way our people will get the message over and have their voices heard. It is by sensible people, from all parties, putting the case forward.

Guto Bebb: In the spirit of cross-party co-operation, does the hon. Gentleman not accept that there are small businesses in constituencies such as mine, where we do not go shooting and are not involved in that type of behaviour, which appreciate that the Treasury is allowing them time to adapt to a new living wage? The concern we have about the tax credit issue is that the time allowed for small businesses to adapt was not necessarily made available to the recipients of tax credits.

Mr Allen: I hope the hon. Gentleman will forgive me. I was not trying to characterise all his constituents as people who hunt, shoot and fish; on the contrary.

We must work together and make our points collectively so that the Government will listen, which they should have been doing before. I represent places such as Billborough, Aspley, Broxtowe, Bulwell, Basford and Bestwood. These are areas not known to anyone in the Chamber, but they are where real people live—every Member will have the same sorts of places in their

constituencies—and they are the people who will be hit hard by these changes. It will not be about the little debate I had with my right hon. Friend the Member for Birkenhead earlier about the technical knowledge. Let us work together, put our shoulders to the wheel and make the best of a bad job.

3.20 pm

Kevin Foster (Torbay) (Con): It is a pleasure to speak in this debate and to follow the hon. Member for Nottingham North (Mr Allen), whose comments about the tone of the debate I echo: it has been far more positive than some of our debates. I also thank the right hon. Member for Birkenhead (Frank Field) for securing it. I knew I could look forward to a measured speech from him, and he duly delivered.

I believe that the tax credits system needs reform. Six out of 10 families receive them, meaning that one in five families in the top half of the income distribution does so. A person can receive them on an income of up to £32,960. The House of Commons Library indicates that some families with an income of more than £40,000 get them. It was interesting to hear the hon. Member for Wolverhampton South West (Rob Marris) agree with us that the bill of £30 billion needed to be reduced. It will be interesting to see what proposals he brings forward.

I support the Chancellor's aim of creating a high-wage, low-welfare economy. In my constituency over the past five years, we have seen the number of people on unemployment benefits fall, more people getting an opportunity, and investment in things such as the south Devon link road. This is inspiring and creating more jobs, helping people get on in life and making a difference to them and their families. That is what I support, and it is at the core of the reason I came here and why I am proud to be a Conservative MP.

Members might ask why I am supporting the motion, which I will vote for if we end up having a Division. My family was rich in love if not in money when I was growing up. My father worked as a labourer and painter, and my mother was a teaching assistant. It was a family that wanted to get on in life. I disagree with Opposition Members: it is right that we give people the opportunity to own their own home. I am not being hypocritical. I grew up in a house my parents could buy because of a scheme that helped working people buy their own home back in the 1970s—introduced, ironically, by a Labour Government. I am proud that those opportunities will be made available. It is not that long ago that those on the left were arguing that people should be owning their own homes, not paying rent. It is strange how that has changed, and it is right that the Conservatives give that opportunity to a new generation by increasing the housing supply coming on stream.

We need to have some clear ideas for how to mitigate the impact of these reforms. I noticed the usual magic money trees being presented—by the same people whose oil revenue projections were not exactly accurate last year either. I have confidence that the Chancellor will come forward in the autumn statement with proposals to mitigate the impact on the lower-paid. That is why I am happy to support the motion, which asks the Government to reconsider. It is fine to talk about the destination of a high-wage, low-welfare economy.

Ian Blackford: Will the hon. Gentleman enlighten us on how the Chancellor's forecast for budget and debt reduction worked out in the last Parliament?

Kevin Foster: We have an economy moving forward, and we have increased health spending, unlike in Scotland. According to last Thursday's *Daily Record*—one of my favourite reads over porridge, obviously—our failing NHS is the SNP's fault. I am happy to get talking about politics any day of the week.

Returning to the key issue—[*Interruption.*] It is always lovely to have an accompaniment from these Benches. The key part for me is not the e-mails I have received or the stuff in the media; it is thinking about the thousands of families I now represent in this Chamber who are like the family I came from. Whatever we may think of the destination of this policy area, we should ensure that the journey we travel to get to it does not impact unduly on people who are trying to do their best in life.

I listened with interest to the speech of the right hon. Member for Birkenhead, but it is important to have alternatives that do not make things worse or create the wrong incentives. The hon. Member for Airdrie and Shotts (Neil Gray) made a point about what the Library figures mean for the right hon. Gentleman's initial proposals. However, if that model were adopted, there would be an effective taxation rate of nearly 100%—higher than virtually anyone at the highest levels of income is paying anywhere in the world, so it would be strange to have such a system applying in this country to those earning just under £20,000. I can appreciate the sentiment of those proposals, but at that sort of level it would provide a clear disincentive to work, just as tax rates of 88% or 98% were back in the 1970s.

I look forward to seeing what the Government will bring forward, and I look forward to continuing engagement with Ministers on the Treasury Bench. I thank my hon. Friend the Member for Kingswood (Chris Skidmore), the Chancellor's Parliamentary Private Secretary, who I see in his place, for the engagement so far. It is right that we should not oppose without offering up alternatives. I hope that there will be clear engagement with Members and Parliament about what things can be done to mitigate the impact within the envelope of an affordable and deliverable financial settlement that allows us to achieve our overall fiscal goals, which were so strongly endorsed in the UK general election not very long ago.

It has been a pleasure to sit through and speak in this debate, and it will be even more of a pleasure to welcome the Government's proposals that will come forward in the near future to mitigate the impacts on the lowest paid, as is called for by the motion.

3.27 pm

Richard Arkless (Dumfries and Galloway) (SNP): I welcome the Chancellor's announcement that he made on Tuesday to bring measures forward to mitigate the changes to tax credits. I suppose the question on all our lips is how far his inclination to mitigate will stretch—will he mitigate for some or all? My message to the Chancellor is very clear: changes must be offset in full; tax credits should be tapered so that people do not lose out; the changes should be phased in; and the so-called package of changes must increase incomes at the same rate as tax credits are tapered off.

[Richard Arkless]

It is easy to admit that I have some sympathy with the principle. I think every sensible Member would agree that work should pay—of course it should. I would much prefer it if the cost of subsidising poor wages were borne by business. In an ideal world, the Government would not need to prop up wages, but we do not live in that ideal world at the present moment. The economy is not in that position. The Government had intended to put the cart firmly before the horse.

As a cynic, I do not believe that the Chancellor's statement had compassion at its heart. For me, it was driven by fear—fear of losing power in the phoney constitutional war now started with the other place.

Brendan O'Hara: I agree with my hon. Friend that the second Chamber has forced the Chancellor's hand, but does he agree with me that its intervention does not legitimise the constitutional absurdity of an unelected, unaccountable and ever-growing legislature at the end of the corridor?

Richard Arkless: Members will not be surprised to learn that I agree completely with my hon. Friend's statement. The fact that the other place has seen sense on one particular issue does not legitimise the mess, in my view, that the other place represents. The Chancellor's statement the other day was predicated as much on the fact that the other place was an unelected Chamber that had stuck its nose into financial matters as on anything else. If anything, that corroborates our view that the other place should go.

Our urge to change these proposals comes from compassion: from putting ourselves back in the shoes in which many of us walked not so long ago; from figuring out what ordinary people in our constituencies would lose; and from finding that completely and utterly unacceptable. We were elected to this place to protect vulnerable people, not to punish them.

I was going to use this time to talk about some of my constituents in detail, and to explain precisely how the tax credit changes could destroy their lives. I was going to tell the House about Katy and her son Olly, and I will tell the House a little bit about them. They will lose more than £100 a month from a budget that is already impossibly tight. That could mean that Katy and Olly may no longer be able to go on mountain bike trips at weekends. Katy tells me that she will move from fresh to frozen food. Katy has no support network for Olly. She has no choice but to work part time. Her sister Nikki recently passed away, and when Olly is not at school, she must be available to be with him. She already works all the hours that are available to her. She has absolutely nowhere to go with this.

I was going to tell the House about Jenny, who is a self-employed child minder. Her partner is also self-employed. They will lose about £130 a month. Jenny worries that her customers who are receiving tax credits will no longer be able to use her service. She told me that she literally lies awake at night wondering what this place is going to do to destroy her life.

I was going to tell the House more about Jenny and Katy, and about some others, but then I realised that those stories would only have an impact if they were listened to by Conservative Members who displayed

some compassion. It is true that most of the speeches that we have heard today have moved into the realms of compassion, and I welcome that, but it is the compassion of the 300 Conservative Members who are not present that really concerns me.

Instead of considering how the cuts will affect Katy and Jenny, perhaps Conservative Members should consider how the cuts will affect them, as Members of Parliament. What have they to fear? One of the first changes that they may notice—and all us of may notice them in our constituencies—is that our high streets start to struggle even more than they are now. High streets are already struggling in my constituency, and the removal of £4.4 billion from people's pockets—these are not internet bargain hunters; they are people who shop in our high streets—will compound an already precarious situation. If we remove the disposable income from the very people who shop in our high streets, the failure of small businesses will inevitably follow. We must prepare for more charity shops.

Members may begin to notice that the police in their local areas are busier than they used to be, and they may wonder why the number of instances of crime has increased. It will be because desperate people—young people with no hope; people who have been disfranchised from their communities and the Government—often turn to crime. If we can mitigate these changes in full, it may well be cost-effective.

Over the course of the next Parliament, Members may notice that the performance of their local schools is beginning to drop. They may see those schools falling down the league tables, and they may wonder why that is happening. It will be happening because hungry children do not learn well. Katy is beginning to worry about Olly's education because of the proposed cuts.

Inevitably, the food budget will be the first thing that struggling families will cut, and that will have an immediate impact on the educational achievements of children in all our constituencies. How many Conservative Members—how many absent Conservative Members—enjoy dining out? Quite a few, I suspect. It is nice to have a range of different restaurants to choose from. Well, they should enjoy those restaurants while they can, because they, too, will be under threat.

The hospitality industry, in which I was brought up—in a rural area—depends entirely on a thriving local economy to sustain it. Many of the people whom we welcome to Dumfries and Galloway when they go there on holiday are people from the rest of the United Kingdom who cannot afford to go abroad: people who are receiving tax credits. The holiday will be one of the first culls from the annual budget.

Do I need to continue? Make no mistake: these tax credit cuts will have an impact on the absent Tory MPs as well. If the Government cannot mitigate the cuts in full, they will be responsible for the demise of all our communities. Those in Tory constituencies will not thank them, and I doubt that they will re-elect them. I look forward to hearing how the Government will mitigate, in full, the wide and far-reaching effects of these unnecessary and wholly ideological cuts.

3.34 pm

Jeremy Lefroy (Stafford) (Con): It is a great honour to follow the hon. Member for Dumfries and Galloway (Richard Arkless). Indeed, I am one of those who have

visited his constituency on holiday, and I remember one evening being bitten alive by midges on Clatteringshaws loch. We had to escape into our car and smoke cigars to keep them away—of course nobody under the age of 18 was in the car at the time, I hasten to add.

One noticeable thing that happened earlier this month, and which may not have come to everybody's attention, was that the International Monetary Fund—not an organisation I have always had a lot of sympathy for, particularly when I was living in Tanzania in the 1990s—made a remarkable statement under its excellent managing director Christine Lagarde: excessive inequality damages growth and the economy. It is amazing and very welcome that the IMF has come to that conclusion. It has come to that conclusion not just in respect of developing countries, but in respect of any country.

In my opinion tax credits have been a means of reducing inequality and particularly excessive inequality in this country. That is why when I spoke in the Opposition-led debate last week I urged the Government to look again at the policy, especially its timing. I am very glad the Chancellor has said he will do that and will bring forward measures. I pay particular tribute to my hon. Friend the Exchequer Secretary because he has always been listening and is a great credit to his position, as indeed is the Chancellor's Parliamentary Private Secretary sitting behind him, my hon. Friend the Member for Kingswood (Chris Skidmore).

I mentioned two other things last week, one of which was predictability. Income is about predictability; it is not just about levels of income, and if we cannot predict our income it is a great driver into relative poverty. We see that all over the world. The proposals originally before us would lead to cuts of perhaps 10% or 15% in people's income without their knowing what is going to happen, as the hon. Member for Nottingham North (Mr Allen) and others have said. They would be getting a letter in December or January for something starting in a couple of months and would not have an opportunity to correct that.

I also mentioned the problem of scarcity. For those with a low income things are more expensive. The inflation rate is much higher for people on low incomes than for people on higher incomes. They are not buying electronic equipment, which comes down in price every year, or flying with Easyjet on holiday, both of which have brought the inflation rate down. We need to bear that in mind. The inflation rate may be 0% at the moment, but it is certainly not 0% for people on the lowest incomes.

Stephen McPartland: Does my hon. Friend agree that the real poverty in this country is poverty of education, of opportunity and of aspiration and that the people on the lowest incomes are trying to work their way out of that poverty?

Jeremy Lefroy: Absolutely; if we see everything in terms of income we are a poorer society, as John F. Kennedy once so magnificently said.

Members have also talked about the fallacy of trickle-down economics—and it is a fallacy. It was supposed to be the way in which the poor would get richer, but, as I have seen around the world, that is rubbish. What we need is surge-up economics, because those on lower incomes spend their money locally, and it goes into

taxes and VAT. Of the £4.4 billion, probably several hundred million pounds will be spent on VAT and will come straight back into the Treasury. So we have to remember the consequences and effects on the local economy of the loss of this spending power, as the hon. Member for Dumfries and Galloway said. If one thing is to be reduced, we must see the other sources of income increase simultaneously.

There is also the impact on those on fixed incomes such as carers, which I mentioned last week and other Members have mentioned. Full-time carers who will not see rises in their income often have no opportunity to go out and work more hours. There is also the impact on the self-employed, and indeed on farmers in my constituency who have seen their milk prices, their only source of income, fall. They are reliant on tax credits as much as anyone else. Sometimes, people see them as asset-rich because of their farmland, but they are the ones providing our milk, wheat and other things on which we rely, week in and week out. Their incomes are low, and they, too, rely on tax credits.

I want to look to the future. Other hon. Members have mentioned areas in which we could raise the extra income to offset the cost of delaying the tax credit reductions. I mentioned a couple last week and I shall not repeat them. I want to make a couple of points about the future, however. The first is about national insurance. There has been talk in the past about merging national insurance and income tax, but I think that would be a big mistake. It is incredibly important to have a progressive national social insurance system to which people contribute—even those on low incomes, perhaps at a very low rate—in which they feel they have a stake and from which they are entitled to receive benefits if the need arises. I urge the Government to look closely at how we can improve the national insurance system, rather than getting rid of it. Perhaps we should consider adopting something like the German system, to which we would contribute more but which would provide guaranteed benefits for when people were sick or out of work and for when they eventually retired.

Secondly, we need to look at our savings. We do not save enough; that is a fact. If we look at other countries around Europe, such as Italy, we see that they are far better at saving than we are. The Japanese are excellent at saving. We have one of the lowest savings rates. When my colleagues and I produced a report on social stability last year, we emphasised the importance of introducing a lifetime savings account, which could perhaps be supported through tax-free contributions over the course of a person's lifetime. People would be able to draw down funds from such an account at difficult times in their lives, perhaps if they became seriously ill or were out of work. Such an account could eventually be converted to become part of their pension. That would encourage people to put aside money, supported by the state, to top up any benefits they might need to claim. Those benefits are always likely to be fairly basic, because they are paid out of the state system, but it is to be hoped that people would still be able to live on them.

I welcome the Chancellor's statement this week, but I encourage him to look at all the incredibly important points that have been made by Members on both sides of the House in a spirit of co-operation. Above all, I thank the right hon. Member for Birkenhead (Frank Field) for his initiative and his sagacity in bringing forward this debate.

3.42 pm

Sammy Wilson (East Antrim) (DUP): As other Members have said, this has been a measured debate—thanks in no small part to the way in which it started, with the contribution from the right hon. Member for Birkenhead (Frank Field). He approached the debate from the point of view that this proposal will adversely affect many of the people in our constituencies who want to improve their lives and who go out to work every day. The subject deserves the measured response and thoughtful ideas put forward by the right hon. Gentleman. He set the standard for the debate, and his approach has been replicated by other Members. A debate like this can lead to the kind of knockabout that we sometimes get in a confrontational Parliament such as this one. Some of us enjoy that kind of knockabout, but I am not so sure it would serve those whose lives are being affected by the proposal.

In the light of that, the way in which the Government respond to the debate will be important. They could rail against the constitutional outrage of the unelected House of Lords defying the elected House of Commons. They could even call, Henry II-like, for someone to rid them of those turbulent toffs down the corridor, and then bring in minimal changes. That would be a mistake.

Another option is for the Government to bring forward minimalist proposals in the autumn statement, which will deal with those who are uneasy on the Back Benches but will still not address the real problems. The Government could have a complete rethink and involve those who wish to make a constructive contribution. As Members have said, a number of Committees could be engaged in the process. The devolved Administrations should not be exempt from the process. The Northern Ireland Statistics and Research Agency has done extensive work for the Northern Ireland Executive on the impact of these changes on a wide range of groups. That work should feed into the data that the right hon. Member for Birkenhead referred to in his comments.

There are good reasons why the Government should take that constructive approach. There is widespread recognition—Members from all parties have made this quite clear—that we cannot continue to have taxpayers subsidising low wages from employers who can afford to pay more. That is the whole basis of the Government's policy. It is about rebalancing the economy, and there is now a recognition that that needs to be done.

There is also a willingness to look at the matters that need to be addressed, the first of which is timing. If we are to make the change, there must be an assurance that the safety net currently available to the low paid will not be removed until the problem of low wages has been fixed. That must be the central premise.

Dr Lisa Cameron (East Kilbride, Strathaven and Lesmahagow) (SNP): Does the hon. Gentleman agree that issues such as public sector pay increases must also be looked at? Often, very low paid public sector workers—school cleaners, cooks and nursing assistants—are the bedrock of our society.

Sammy Wilson: That issue will be addressed if we deal with it as I have suggested, by which I mean that the safety net is not removed until the issue of wages has been dealt with. That is the first important principle.

The second proposal is that we must be sure that we have identified all the groups that are likely to be affected during the transition. The one group I have mentioned time and again in debates includes those who will not be affected by the national living wage—the under 25s. Many of them will have families. If we set the pattern that work does not pay at the very beginning of their working lives, they will stay in that pattern. Therefore, it is important that we address the needs of that group.

Then there are the families with children. On that point, I would appreciate some answer from the Minister on the childcare allowance and the extra childcare funding that is available. It is a devolved issue in Northern Ireland, but will there be a Barnett consequential so that the same arrangements could be put in place as the Chancellor has suggested for England and Wales?

Thirdly, there must be recognition that different sectors in different regions are at different points in the cycle. There are some places where the labour market is buoyant, and where profits are increasing. In those sectors and regions, an increase in the national living wage can be afforded. However, there are other sectors and other regions where that may not be the case. There is no point in simply treating everywhere as if it were the south-east of England and the IT or banking industry and then imposing burdens on them. Small businesses and retail sectors have been identified here today. It is important that cognisance is given to the fact that there is uneven performance across the economy.

Mr MacNeil: We must also pay some attention to the larger picture. In the United States of America, for example, the top 0.1% have as much wealth as the bottom 90% and the gains of productivity go to those at the tops of firms, who get 350 times what the average worker in the firm can get. Certain people are taking the most and leaving the crumbs for everyone else.

Sammy Wilson: That brings me to my last point, which is how we fund all this. It is a reasonable question, and the Chancellor and the Prime Minister ask it all the time. Are we simply going to keep on borrowing or should we find other ways to fund it? There is one thing that I do know. I had the pleasure of being the Finance Minister in Northern Ireland for four or five years—I cannot count, which was not a help. In my first year as Finance Minister, the previous Government took over and that July 5% was taken off our budget, three months into the financial year. It was still possible to make the changes required because necessity required that. We are now talking about two thirds of 1% of the total UK budget that has to be found. No one can tell me that with planning that is not possible. Many suggestions have been made and different people will have different political priorities for the cuts, but I believe that it is doable if we have the will.

My fear is that because the Government are cocky at the moment and because the Opposition are perhaps not in the shape that they should be—I will not start making points about that, but they are not in the best shape—the temptation will be to use that disarray to try to force things through. We have heard time and again that the Government have a majority for their measures in the House of Commons. That does not matter. The question is whether their actions will be perceived as fair. If they are not, they will not have support across

the country, regardless of what happens here in the House of Commons. My fear is that the Government, which taunts Labour time and again with being unelectable, might well annoy and anger people so much that the unelectable become electable. People can judge whether that is a good or a bad thing, but if the process of making that happen means that the strivers in society suffer or that the low paid workers suffer, I do not believe that it is a price worth paying.

3.53 pm

Drew Hendry (Inverness, Nairn, Badenoch and Strathspey) (SNP): The hon. Member for East Antrim (Sammy Wilson) was right to talk about the rush to get involved in a policy. It is a pleasure to be in the Chamber today for that rarest of treats, where we all furiously agree on the right thing to do, which is to make a radical change to the approach. It is like seeing people who have been slumbering at the back of the bus awakening to see that the driver is about to drive them straight into a lorry that is coming the other way. The tone of the contributions has been terrific, and it is worth repeating as it is so rare in this environment. I was cynical and sceptical before I was elected, but it is great to be in the Chamber for this debate.

Let us talk about the basics. A lot has been said today that makes sense. We all know that there must be a change, as the policy means that more families will be driven below the poverty line and more children will be in poverty. There is a clear dawning of awareness that the minimum wage—what Government Members are calling the living wage, which it clearly is not—will not bridge the gap. It especially is not going to bridge the gap that will be created for people under the age of 25, who will not have the comfort of getting even the diminished living wage or minimum wage that is coming in, because it will not apply to them.

The right hon. Member for Haltemprice and Howden (Mr Davis) talked about the minimum wage cutting crime, and my hon. Friend the Member for Dumfries and Galloway (Richard Arkless) spoke about the effect of it on changing people's circumstances. If we create a bigger division in earnings between young people and those over the age of 25, we may well find there is a problem. We should be aware of that. I do not believe that the outcomes that will be created by the Government's policy have been taken into account by certain Members in this House.

The Office for National Statistics has provided the Scottish Government today with figures that show that in Scotland 250,000 families will lose £1,500 a year right away. As we heard earlier, that rises to £3,000 when the measures are fully implemented. The Centre for Social Justice already puts household debt in the UK at £34 billion. That devastating cocktail is a possible outcome if we do not make a change to the policy.

When families are put under pressure, the effects can be devastating, with overwhelming stress affecting mental health and work performance. We should be aware of the impact on productivity further down the line. The strain on personal relationships resulting from the measure could provide some of the stepping stones for more children going into care and so on. We will see the effects of these measures when they hit people. None of us will have to stare into an empty cupboard. None of us will sit in the cold in our own homes because we

have no choice. None of us, as a result of the Government's measures, will look at a pile of bills, afraid to open them.

My constituency of Inverness, Nairn, Badenoch and Strathspey has a unique problem of being a low-wage, low-unemployment community. Perhaps that is not unique, but it is a particular problem for us. In my constituency, 7,100 children will be pushed further into poverty. Low wages, coupled with the increased cost of living, will push 210,000 children in Scotland into poverty. In the highlands we have had a drain of young people over the decades. We have encouraged people to stay and to have larger families, yet the two-children cap is going to punish highland families disproportionately. I know that will affect other constituencies in exactly the same way, so our big family tradition is being attacked. We heard China mentioned earlier. This is an effect almost amounting to population control for us.

The limit to two children will cost £7.2 million, the removal of the family element £4.02 million, and the taper increase £7.77 million. We heard from my hon. Friend the Member for Kilmarnock and Loudoun (Alan Brown) about a range of measures that could be taken to put some money back into the system. It does not all have to come from the welfare budget. That is an ideological approach. We can make sure that we are not wasting money where we do not have to waste it.

It is an obscenity—it has to be repeated—an obscenity to seriously consider spending £167 billion on weapons of mass destruction that we can never use because if we do, what follows is mutually assured destruction. It is mad to consider using them.

Mr MacNeil: My hon. Friend hits on an interesting point about the waste of money on the weapons of mass destruction programme of the British Government. They wrap themselves up in patriotism and speak of great Britain. The patriotism is never ending, but the sad fact is that we are dealing here with a time when all Britons cannot live greatly. Some Britons will be in terrible poverty, but the Government's patriotism goes only to weapons of mass destruction. O that their patriotism would reach the people and the poor of the country as well!

Drew Hendry: I could not agree more. When we look at the choices that we are asked to make in this place—this was mentioned earlier—we see that the effect will be on people further down the line. That kind of nonsensical excess, when we are talking about people looking into empty cupboards or sitting in the cold, is simply obscene.

I am grateful that the motion in the House of Lords on Monday night has allowed us to have this debate, but it only delays the measures—one swallow does not make a summer. If we want savings that can make a difference, and if we want a better system of democracy in this country, we must get rid of the other place. We should not have an inflated second Chamber, with people claiming £300 a day while other people are having their benefits and tax credits cut.

Mr MacNeil: I am grateful to my hon. Friend, who is being generous in giving way. Was he as surprised as I was to learn from a Twitter feed that seven Labour

[Mr MacNeil]

peers—perhaps at one time there were signs of socialism in their lives—voted with the Tories for these obscene welfare measures?

Drew Hendry: That was incredible, and it is worth repeating that fact in this House today.

There are lots of measures that the UK Government could take. They do not have to continue down this ideological path by squeezing the money out of the people who can least afford to pay it in order to ensure that other people enjoy the finery that they have had over many years. The words that have been spoken across the House today have been worth listening to. I hope that the Minister will take into account the thoughts he has heard expressed across the House, including from his Back Benches, and persuade the Chancellor to come back with something that is radically different and that supports the people in our constituencies who will otherwise be badly affected if this is not changed dramatically.

4.2 pm

Kate Osamor (Edmonton) (Lab/Co-op): I thank my right hon. Friend the Member for Birkenhead (Frank Field) for securing this important debate. When I voiced my opposition to the cuts to tax credits back in July, I spoke of how they would hit the poorest the hardest. I spoke of how in my constituency 72% of people receive tax credits and over 42% of children live in relative poverty, so Members can well imagine how worried I am for those constituents, who I am sure are watching now.

The latest analysis from the Resolution Foundation projects that over 200,000 more children will be in poverty by 2016 if these unbelievable, wrong and—I cannot even get the words out, because I am very upset about this. This is going to affect the people I represent. The Government have done nothing to assess the impact of the cuts on children. Indeed, the changing definition of child poverty in the Welfare Reform and Work Bill totally fails to capture the true extent of child poverty. To be clear, two thirds of children in poverty live in households where women and men go to work. The situation for Edmonton, which is ranked as the constituency with the sixth highest level of child poverty, is critical.

The impact of tax credit cuts will be felt not only by the poorest constituencies, such as mine, but by constituencies across the country. The Institute for Fiscal Studies has shown that nearly 3.2 million working families on benefits or tax credits stand to gain, on average, only £200 a year from the so-called national living wage, whereas they stand to lose over £750 a year as a result of tax credit cuts. Also, the personal tax allowance does nothing to help the low-paid—those earning less than £10,000.

The value of free childcare to tax credit recipients is very limited. The measure has not been thought out. I have discussed it with the National Association of Head Teachers, whose members are worried about the intake and whether they will be able to expand to take on more children. This needs to be thought out as well.

To paint the reforms as a valid replacement rather than a necessary accompaniment to tax credits is quite untrue. The Government have broken their election promise. They are betraying the very people they claim

to represent. I call on the Government to reverse the cuts to tax credits. The evidence is against them—we have heard it from Members in all parts of the House. It is plain that the changes will not work. They will not work because so many people will be living in poverty. I am sure that that is not what this Government are here to do, and if it is, they need to think again.

We need to think about our constituents and the surgeries we all sit in. I say to Government Members: listen hard to those who come to tell you how worried they are—how they do not know how they are going to survive, or how they are going to look after their children. We saw on “Question Time” a woman in tears, crying as she said she had voted for you and you let her down. It is time to stand with the people you claim to represent. Let me put it straight: if you push ahead with these plans—these disgraceful plans—you will only show those people who want to go out to work that it does not pay to go out to work. You need to look and think deeply about the decision to take these cuts forwards.

4.7 pm

Marie Rimmer (St Helens South and Whiston) (Lab): I thank my right hon. Friend the Member for Birkenhead (Frank Field) for securing this debate today, and I applaud the other place for taking the decision they took the other night. I am not in favour of an unelected Chamber, but this week just proves that we do need a second Chamber; it must be an elected one, though. None the less, I applaud the Members of the other place.

I have said it before, but my constituency suffers the seventh highest employment poverty and the 11th highest income poverty in the country. I have 5,800 families with 8,300 children who are living in poverty, but they are in work. At the high school where I am a governor, there are 400 children who take free breakfast in the morning. It is offered to all 1,100 pupils, but 400 take it, and they take it because they need to. We chose to make that offer because our children could not learn because they were hungry. They could not concentrate to learn, and that is why we do it.

It made my blood boil when I heard a Conservative Member talking today about people choosing to work part time, on a zero-hours contract, for 16 hours a week or something like that while other people pay to keep them going. I had to be careful not to react, but the people I represent are hard-working families. There are men who went into the bowels of the earth to get coal to make industry work. Many of them are still of employment age. Many are on zero-hours contracts. They know what hard work is and they do not mind it. They miss the camaraderie of the colliery but they love to work hard and to earn their money.

Many of my constituents worked in glass furnaces. Let me tell the House a tale about what happened at one of them. Two years ago, a glass furnace closed—the last one at the factory where I worked. A hundred and twenty men lost their jobs and were secured employment, with the help of their employer—a very large multinational car manufacturer—in a neighbouring constituency. They got employment because they were skilled and hard workers who could use the technology and drive vehicles in the factory. They were told, though, that they were employed through an agency on £10 an hour—not the rate that the other workers in the factory were on—and

would work for 12 months before getting a permanent contract with the employer on the other rate of pay. Just weeks before those 12 months were up—10 and a half months in—120 of those men came home from an afternoon shift on a Friday. On the Saturday afternoon they received calls saying they were not needed on the Monday.

Eight weeks went by, and a few of the men got calls saying that there was extra work that they could be given until Christmas. They had not been able to find other work, and they went back to those jobs for three weeks. In the weeks previous to that, many of them were living in rented accommodation and had phoned the housing association every week to explain that their benefits had not come through and so they could not pay the rent. I have to say that universal credit will make this simpler, because they were waiting for housing benefit, council tax assistance, child tax credit and working tax credit, and each one comes through separately. One woman rang me literally in tears, and I had to go round to see her. She had a letter—a notice of possession. We sorted that one out, and we sorted another few out. We secured a mechanism so that this should not happen.

When the men were offered those jobs back until Christmas, they took them. They only lasted three weeks, so back they went again to applying for all these tax credits. These are not people who choose to work on zero-hour contracts or as agency workers. One of the chaps—the woman's husband—got a call a few weeks ago, from an agency, saying that he had got a job. People have to register with agencies now; they cannot get jobs round there without going through an agency. When he got the call, he was made up, but just 30 minutes later he got another call saying that he had to work two weeks for free, without pay, and would then be guaranteed an interview for a job. Thank goodness, his wife would not let him go. This is modern-day slavery and a stand has to be taken. The same gentleman has now got two weeks work with pay, and has gone off to do it.

I ask the Chancellor to give due consideration to the 700,000—three quarters of a million—people on zero-hours contracts and the hundreds of thousands of people in agency work. Something simply must happen. These agencies are exploiting unemployed people. What is going on in this country is modern-day slavery. Employment has risen—yes, it has—but I wonder how many Members in this Chamber realise that one hour's work in a month counts as being in employment. I could not believe it, but it is true. There has been an increase of 400,000 in the number of people claiming housing benefit since 2010, despite the 14 cuts, including the bedroom tax and the cap. That is because wages are going down, not up. We have 4,300,000 people earning less than the living wage.

There is a national shortage of heavy goods vehicle drivers, but can anyone get the training for that job? When I told the men that there is a national shortage, they asked at the employment exchange whether they could be trained as heavy goods vehicle drivers, and the answer was no, but some were sent away to get training—upskilling—for a stacker truck licence. Some of them were sanctioned because they did not turn up somewhere. The same people who sent them for the training sanctioned them for not turning up.

My ask of the Chancellor is that he does not play games with this mitigation, and that he puts a stop to these tax credit changes, puts hard thinking in, listens to the many excellent contributions that have been made today, and gives consideration to how we can protect those hard-working people who want to work but have been punished through zero-hours contracts and being agency workers.

4.15 pm

Ian Blackford (Ross, Skye and Lochaber) (SNP): It is a pleasure to speak in this debate. I am delighted that we again have an opportunity to try to hold the Government to account. I thank all the speakers who have argued that the Government should change course. In particular, I pay tribute to Conservative Members who have said many wise words, but those wise words will be acceptable only if the Government listen and change tack.

Why are we discussing tax credits again? Frankly, the Government have got themselves into a mess and they need to find a way out of it. The proposals agreed in the statutory instrument and now rejected in the other place are wrongheaded and punish those who are hard-working. We all agree that work must pay, but we do not make work pay by taking money from those in work who rely on tax credits to achieve a modest standard of living.

There is no economic, or indeed moral or ethical, rationale for ripping £4.4 billion out of the tax credits programme. Let us look at and examine the impact of the changes to tax credits. Perhaps I can start with a quote from the Adam Smith Institute, which used to be much loved by Conservative Members:

“Working tax credits are the best form of welfare we have, and cutting them would be a huge mistake. The government has long claimed to want to make work pay for everyone, but cutting tax credits would disincentivise work and hurt those at the bottom of society.”

The average negative impact of the reduction in tax credits will amount to £1,300 in 2016-17, or £25 a week, off each family's budget. In the period of Margaret Thatcher's Government, there was the line that if it was not hurting, it was not working. This is going to hurt, and it will hurt millions of families throughout the country. Is that what we want? Is it right and is it fair? Let us have a real debate about improving living standards, but let us also recognise that we have to reverse the growing inequality in the UK. Driving sustainable economic growth and a fairer society will, as an end result, negate the need for tax credit cuts.

Imran Hussain (Bradford East) (Lab): As always, the hon. Gentleman is making a very persuasive case. He is absolutely right that the cuts will negatively impact some of the poorest families. Does he agree that it will also disproportionately affect black and minority ethnic communities?

Ian Blackford: The hon. Gentleman often speaks up, rightly, for those in BME communities, for which I thank him. He is absolutely right: those in disadvantaged communities will feel the brunt of the cuts—and not only them, but those in constituencies up and down the land. This must be stopped to protect people throughout the whole of the United Kingdom, regardless of where they come from.

[*Ian Blackford*]

We keep hearing that we cannot afford tax credits. This is bunkum. The reverse is true: we cannot afford to impact families in the way these measures will. We all want to reduce the deficit and the national debt. We need to drive sustainable economic growth in order to drive up tax receipts and improve our financial position. We cannot do that by taking £4.4 billion out of the economy.

It is the failure to deliver sustainable economic growth that constrains our ability to reduce the deficit and the debt. If the Government's fiscal policy had been working, the Bank of England would not have intervened to the extent it has had to during the past few years by establishing an asset purchase programme—so called quantitative easing—to the tune of £375 billion. When we talk about our debt crisis and the need to reduce spending, we seem to airbrush away the fact that we owe £375 billion to ourselves—debt created by ourselves. SNP Members understand that quantitative easing was necessary. I might add that the financial markets have benefited massively from this injection of liquidity. The FTSE 100 index was at 3,700 in March 2009 when the programme started; today it is at 6,370—a gain of 73% over six and a half years. The Bank of England has acknowledged that those with financial assets have benefited enormously from the quantitative easing programme over the course of the past six years, and 40% of the benefits of higher asset prices have gone to the top 5% in society. Do not talk to us about all of us being in this together.

This is important because the outcome—I am being charitable in using that word—of fiscal and economic policy has been to enhance inequality, and today we are being told that the poor, particularly the working poor, must pay the price of the Government's desire to balance the books. That is unfair and it is wrong.

In yesterday's Prime Minister's questions, the Prime Minister said:

“printing money, hiking up taxes—we see that it is working people like Karen who would pay the price.”—[*Official Report*, 28 October 2015; Vol. 601, c. 340.]

I gently point out to the Prime Minister that it is his Government who, through quantitative easing, have in effect been printing money and that the tax credit cuts are in reality a tax increase for Karen and millions of others.

The point is that this is about political choice. Those who have benefited enormously from the quantitative easing programme are now getting an additional bonus for the changes to inheritance tax. The poor are getting their income cut. Where is the social justice in that? Where is the social cohesion that we should be striving to deliver going to come from?

In the spirit of co-operation, let me help the Government.

Mr MacNeil: They need it!

Ian Blackford: Indeed they do. The Public Accounts Committee report on fraud and error stocktake, which was published yesterday, states:

“High levels of benefits and tax credits fraud and error remain unacceptable. Overpayments cost every household in the UK around £200 a year and waste money that government could spend on other things...Since 2010 both departments”—

the Department for Work and Pensions and Her Majesty's Revenue and Customs—

“have made progress in reducing headline rates of fraud and error, particularly HMRC in tax credits. However, in 2013–14, DWP and HMRC still overpaid claimants by £4.6 billion because of fraud and error”.

The fact that in 2016-17 the Government are expected to save £4.4 billion from tax credit changes just goes to show that if the DWP and HMRC were not making errors in overpayments, that money could be used to protect those low-income families who are reliant on tax credits, if the proposals were reversed.

I say to the Chancellor and his colleagues on the Treasury Bench: cut out the mistakes and fraud inflicted on HMRC and you will achieve the savings. Do not go after the poor. Eliminate fraud and mistakes and it's job done.

The Government's economic policies have created inequality, and the coup de grâce is that the poor are having to pay again. Before Christmas, letters will be delivered to our constituents who receive tax credits, informing them of the cuts they will experience from next April.

Mr MacNeil: Scrooge Osborne!

Ian Blackford: As my hon. Friend says, happy Christmas from Ebenezer Osborne!

We will all be faced with constituents writing to us and coming to our surgeries in despair about how they are going to make ends meet.

Let me turn briefly to the proposals of the right hon. Member for Birkenhead (Frank Field). I commend him for seeking a way out of the difficulties the Government face. His alternative tax credits plan would involve introducing a secondary earnings threshold, which would be paid for by a steeper withdrawal rate for those earning above the new minimum rate. We do not agree, however, that only those earning less than £13,000 should be protected from the cuts. Everyone in receipt of tax credits ought to be protected.

It is admirable that, under the right hon. Gentleman's proposals, those earning very modest amounts would be protected, but those on modest means would still be hit. For example, a family with two children and gross earnings of £20,000 would still lose £1,656. Simply put, that is not acceptable. The tax credit cuts in their entirety should be stopped. They must be reversed, and reversed in full.

4.24 pm

Rebecca Long Bailey (Salford and Eccles) (Lab): As you are no doubt aware, Mr Speaker, I am new to the Front Bench. This is the second time that I have been let loose at the Dispatch Box this week. Earlier this week, I had the pleasure of facing the Financial Secretary. Today, I am delighted to face the Exchequer Secretary for what I hope will be the first of many lively debates.

I thank the Backbench Business Committee, my right hon. Friend the Member for Birkenhead (Frank Field) and the other hon. Members from across the House who secured this important debate. I place on the record my thanks to the IFS, the Resolution Foundation and other groups for their ground-breaking work on this issue.

We have heard some extremely thought-provoking contributions from Members today. My right hon. Friend the Member for Birkenhead set out his case eloquently, stating that to make the reforms next April is not acceptable and that the Government must carry out proper due diligence, focusing on a range of data groups, such as decile groups, family types, annual effects and life chances, to name but a few.

I commend my right hon. Friend for realising that his nil-cost reform suggestions would create a greater work penalty. That is the beauty of debate in this Chamber—sometimes we are convinced to change our minds.

Frank Field: I am grateful to my hon. Friend for giving way. Perhaps I may address the Scottish nationalist spokesman. I emphasised that I had put forward one idea to initiate debate. I have put forward three others today. I hope that the Scottish nationalists will not use that as an excuse for a cop-out, but will send a clear message to the Government on the very point that my hon. Friend has just made.

Rebecca Long Bailey: I thank my right hon. Friend for that intervention. I want to highlight one more comment that he made earlier: the people we should be saluting and cheering are sick with worry.

Countless Government Members spoke out against the Government's plans today. I commend them wholeheartedly. The hon. Member for Stevenage (Stephen McPartland) said that he could not support the Government's statutory instrument because families were coming to his surgery all the time who were frightened. The hon. Member for Aberconwy (Guto Bebb) said that we need to look at this issue again to create a system that does not penalise the poorest in society. The hon. Member for Tiverton and Honiton (Neil Parish) said that everything he believes in as a Conservative is about getting people into work, but there is a risk that these proposals will do the opposite. The right hon. Member for Haltemprice and Howden (Mr Davis) said that this policy was a mistake and highlighted the absence of a proper impact statement.

We had a refreshing change from that kind of dialogue when the hon. Member for Morecambe and Lunesdale (David Morris) became one of the few Government Members to applaud the Chancellor and champion some of the so-called measures that the Government say will offset the tax credit losses.

The hon. Member for Colchester (Will Quince) supported the call for mitigation. The hon. Member for Twickenham (Dr Mathias) fully supported the Chancellor's claims about higher wages, but agreed that those at the lowest end of the income scale must be protected. The hon. Member for North Cornwall (Scott Mann) broadly supported the Government's proposals. In stark contrast, the hon. Member for Harrow East (Bob Blackman) supported an examination of the proposals.

The hon. Member for Colne Valley (Jason McCartney) supported other Members on the need to reconsider the pace of change. The hon. Member for Waveney (Peter Aldous) agreed that there is a need to review the measures and that more transitional support is needed. The hon. Member for Torbay (Kevin Foster) supported the motion because his family was rich in love as he grew up, but poor in money. He realised the effect that the proposals may have on aspiration in the long term.

The hon. Member for Stafford (Jeremy Lefroy) cited JFK and stated that if we see everything in terms of income, we are a poorer society. I applaud his condemnation of trickle-down economics. He also made refreshing comments about improving the national insurance system.

Moving over to the Opposition Benches, we heard from my hon. Friend the Member for Darlington (Jenny Chapman), who said that the fear of what may happen is out there already and that the Government must act quickly. My right hon. Friend the Member for Don Valley (Caroline Flint) highlighted the fact that the distributional impact of the cuts will be severely regressive. My hon. Friend the Member for Ogmire (Huw Irranca-Davies) said that his mailbag was full of letters from people who are terrified about what is to come, and my hon. Friend the Member for Birmingham, Selly Oak (Steve McCabe) highlighted Labour's desire to ensure that we build an economy where families do not need to rely on tax credits. He said it was a mistake to take money from the working poor before their wages have risen. My hon. Friend the Member for Ealing Central and Acton (Dr Huq) stated that the Chancellor could still change his mind and that Labour would welcome such a move, and my hon. Friend the Member for Lewisham, Deptford (Vicky Foxcroft) highlighted the risk that struggling families may fall into debt.

My neighbour and hon. Friend the Member for Heywood and Middleton (Liz McInnes) mentioned the potential increase in child poverty, and my hon. Friend the Member for Nottingham North (Mr Allen) said how lovely today's debate had been, as it seemed to be a collection of all the sensible people in the House. He said that perhaps the Government should have done things that way in the first place, and I share his sentiments. My hon. Friend the Member for Edmonton (Kate Osamor) said that 72% of people in her constituency receive tax credits, and my hon. Friend the Member for St Helens South and Whiston (Marie Rimmer) outlined—worryingly—that her constituency has the seventh highest levels of unemployment poverty.

The hon. Member for Airdrie and Shotts (Neil Gray) confirmed that we can do better than we are currently doing, and the hon. Member for Arfon (Hywel Williams) highlighted the disincentivising effects of the changes, and especially the impact on under-25s. The hon. Member for Kilmarnock and Loudoun (Alan Brown) rightly asked the Government to revisit their tax avoidance policies, and the hon. Member for Dumfries and Galloway (Richard Arkless) highlighted the worry that his local economy would be affected by cuts to tax credits because those on low incomes are less likely to holiday in Scotland.

The hon. Member for East Antrim (Sammy Wilson) was broadly supportive of the Government's proposals but questioned their timing, and the hon. Member for Inverness, Nairn, Badenoch and Strathspey (Drew Hendry) highlighted household debt and the potential of the changes to exacerbate an already serious problem. Last but not least, the hon. Member for Ross, Skye and Lochaber (Ian Blackford) said that we need to drive sustainable economic growth, which we will not do by taking £4.5 billion out of the economy.

The motion before the House is timely in light of events in the other place this week. Labour supports the position of our noble Friends, which is that the proposals should not go ahead until there has been proper

[Rebecca Long Bailey]

consultation, a Government response to the distributional analysis conducted by the Institute for Fiscal Studies, and mitigation, reform, or indeed withdrawal of the changes if appropriate.

Given the names on the motion and the contributions from across the Chamber, it is clear that widespread pressure spans all parties in the House for the Government to carry out and publish a detailed and adequate impact assessment of the cuts to tax credits. Following such an assessment, they should detail proposals that will ensure that no family is worse off. Labour is clear that if the Government commit to ensuring that no family will be worse off as a result of amended proposals, we will put the interests of those families above party political considerations, and we will not attack the Government for such a move. I cannot think of any recent occasion when any Opposition have made such an offer, so I call on the Minister to listen to the contributions made today.

This House is at its best when we use the power of debate to convince other Members of the merits of a particular argument, whatever our deeply held values or ideologies, and on rare but welcome occasions such as this we can reach a consensus in the House on certain issues. I hope that the Minister and hon. Members will agree that the Government's policy on tax credits needs to be reviewed and changed.

Let me anticipate what the Minister might say in responding to the debate, because he and I agree on one key point: it is necessary to reduce the deficit over the economic cycle. What we disagree on is the economic strategy used to achieve that, and I do not believe that the Government's plans achieve that goal fairly or effectively—indeed, in the long term, these savage cuts and the resultant pressure that they will place on other parts of the welfare system will achieve quite the opposite. As we were reminded during the debate, the Prime Minister denied any need or plan to cut tax credits during the election, and the Minister must understand that members of the public—especially those who voted Conservative—are rightly angry.

Cuts to tax credits would mean that more than 3 million families will be on average £1,300 worse off next year. Some working families will lose nearly £3,500 a year, yet £2.5 billion pounds has been found for a cut to inheritance tax that will benefit the wealthiest 4% of people in this country. At the same time, £4.5 billion is being taken out of the pockets of low and middle-income families. The Treasury's own analysis, and that of the Resolution Foundation, shows that the cuts to tax credits, based on the Government's current proposals, will put another 200,000 children into poverty. There are already half a million more children in poverty than there were in 2010.

We are told by the Government that cuts to tax credits will be compensated by the so-called living wage. Let me be clear: they will not. In fact, the Institute for Fiscal Studies made clear that:

“the increase in the minimum wage simply cannot provide full compensation for the majority of losses that will be experienced... That is just arithmetically impossible.”

We are grateful for its analysis of course, because the Government have refused to publish an adequate version of their own. The IFS research shows that because of the different profile and scale of families and individuals

on the minimum wage versus those in receipt tax credits, an increase in the minimum wage, though welcome, will not mitigate the effect of the cuts. The average family will still be significantly worse off.

The rise in the minimum wage was accompanied by £4 billion of giveaways in cuts to corporation tax. We are also told that the Government will compensate for losses to income by providing 30 hours free childcare for three and four-year-olds. In my constituency of Salford and Eccles, our Labour council already provides 25 hours free childcare, but demand for nursery places currently far outstrips supply. The Pre-School Learning Alliance has warned that councils are already paying childcare providers insufficient hourly rates to provide the existing hours of free childcare, and that going up to 30 hours would push many providers to breaking point. If the Minister intends to cite childcare as the answer to tax credit cuts, perhaps he will confirm that the 30 hours scheme will be properly funded and will not push providers to the limit.

In conclusion, in my constituency more than 61% of families are receiving tax credits. They are not the so-called scroungers we hear about; they are men and women who are working hard to try to build a future for themselves and their children. They are trying to lift their children out of poverty and provide them with the nourishment and financial support they need so that maybe, just maybe, they will not have to endure the same hardship their parents endured. We have heard about the American dream, but there is no equivalent British dream for these people. They work hard and get nowhere. Low-paid, unskilled work is often the order of the day for many. For some, it is a case of trying to build up a business to be proud of. For others, they simply juggle work with the responsibility of caring for loved ones. It is clear that the Government's claims that tax credits cuts will not cause any family to be worse off simply do not stand up to scrutiny. These families deserve a future. As such, we will support this motion.

4.37 pm

The Exchequer Secretary to the Treasury (Damian Hinds):

I am grateful for the opportunity to respond to this debate on behalf of the Government.

I must start by thanking most sincerely the Chair of the Select Committee, the right hon. Member for Birkenhead (Frank Field), for his continued work in this area. His expertise and commitment are well known and respected by all. I also welcome the hon. Member for Salford and Eccles (Rebecca Long Bailey) to her post. I, too, look forward to many opportunities to debate across the Dispatch Box.

I am grateful to all 32 right hon. and hon. Members, from both sides of the House, who participated in the debate. The Government are listening and this debate forms an important part of that process. I have heard the arguments put forward by hon. Members today. We are all united in wanting to implement policies to deliver the best possible settlement for our constituents now, in the near future and for the generations to come.

The Government's belief, which underpins every aspect of our policies, is that without a solid basis of economic stability, the long-term security of the nation's citizens cannot be protected. When economic stability is lost, the entire system falls apart. As a rule, those who end up losing most are those who started with the least.

I acknowledge, as does my right hon. Friend the Chancellor, the concerns expressed today and those expressed elsewhere and earlier by Members of this House. The Chancellor has said he has listened to concerns from colleagues and will make proposals in the autumn statement to achieve the goal of reforming tax credits, saving the money needed to secure our economy while at the same time helping in the transition to these changes. In that context, I fear that today I am not telling the House too much that is new, but I respect the reasons that hon. Members have wished to hold this debate. I and others have spoken at length about how spending on tax credits was allowed to get out of control; about how the costs trebled in real terms to 2010 and ended up costing £30 billion; and about how the level of in-work poverty rose over the same period.

Reforming welfare is part of the new settlement we are offering working Britain. Fundamentally, we have a choice about how people should be paid: through low wages topped up by high state benefits, or through higher wages, taking home a greater part of those wages, topped up by less in state benefits. We believe in rebalancing the economy so that employers provide decent wages for their employees. By 2020, when it will be worth more than £9 an hour, the national living wage will mean over £5,000 more gross full-time pay for someone on today's minimum wage. With record employment, low inflation, rising wages and a rising standard of living, this is the time to be making structural reform.

Our record on helping working people stretches far beyond this. Since 2010, our mission in government has been to get wages up, tax down and welfare under control. The best route out of poverty is work, so we have created the conditions for 1,000 new jobs to be created every day—2 million since 2010—and have plans for 3 million more apprenticeships. We have increased the tax-free personal allowance radically. We are doubling our childcare offer to working families with three and four-year-olds. We have frozen fuel duty and council tax and protected spending on our schools and national health service.

As the Prime Minister said yesterday, we remain committed to the vision of a high pay, low tax, lower welfare society. We believe that the route to ensuring everyone is better off is to balance the finances, keep growing the economy, keep creating jobs, keep inflation low, keep cutting people's taxes and introduce the national living wage. Hon. Members have asked about the distributional analysis and the effect of Government policies on different income groups. Considering all measures together, the burden of deficit reduction is spread evenly across income groups, albeit with a proportionate increase in the tax burden at the top of the distribution.

The right hon. Member for Birkenhead asked specifically about the data made available or what could be made available. The Government have provided an analysis by quintile of the overall distributional effect of Government measures since 2010, but—to answer his question—it does not include the effect of the national minimum wage because that is not a fiscal measure. He also asked about the interaction with the income tax personal allowance. As the Prime Minister said the other day, with the improving labour market, additional childcare support and the introduction of the national living wage, more people will come into income tax and so will benefit from those raised thresholds.

The right hon. Gentleman rightly asked, as did my right hon. Friend the Member for Haltemprice and Howden (Mr Davis), about the key subject of marginal rates of withdrawal—or, as the hon. Member for Nottingham North (Mr Allen) might prefer, the rate at which money is taken away. I agree with them on the importance of these rates and their effect on work incentives, and I acknowledge that the proposals did imply a high peak marginal withdrawal rate for people earning above the personal allowance while also on the tax credits and housing benefits tapers. It is important to remember, however, that this compares to a top rate today that is only 2 percentage points different. I am afraid that high marginal withdrawal rates have long been a feature of the UK benefits system—and, indeed, of most welfare systems in developed nations.

As hon. Members will know, the key reform in this area is universal credit, which will simplify the system by merging six benefits into one, lower the marginal withdrawal rate and move the hours thresholds—the various spikes—to 16, 24 and 30 hours.

Huw Irranca-Davies: I genuinely welcome the broad tone of the Minister's contribution and the fact that he says the Government are in listening mode, but he makes it seem as if there will be no impact from these changes. According to House of Commons Library statistics—this goes to the heart of the debate—a family with two children on £20,420, after all the other changes he has talked about, will lose £1,233.60 from these changes. Does he not believe there will be impacts on those families?

Damian Hinds: None of the third-party analyses takes into account all the different changes and elements of support that are coming in. Of course, depending on exactly how many earners there are in the family, the age of the children and so forth, any proposals will impact differently. My point, as discussed in the debate, is that the Government are in listening mode and the Chancellor has said that he will come back and say more at the autumn statement.

The question of childcare came up more than once, including in the summing up of the hon. Member for Salford and Eccles. A review is taking place on the cost reimbursement for childcare providers, and it is important that the model is sustainable.

Questions about the devolved Administrations were raised by the hon. Member for East Antrim (Sammy Wilson) and, indirectly, by the hon. Member for Arfon (Hywel Williams). The 30-hour offer is an England offer, but there are Barnett consequentials—I hope I have the terminology right—that go with it, and it is up to the devolved Administrations to proceed in the way they think right. I am happy to be corrected by SNP Members, but I believe that the Scottish Government have committed to bringing forward 30 hours from 2020. I wonder whether they might think about doing that sooner.

Further questions were raised, although they were batted away quite effectively at the time, about the ability of the Scottish Government to pursue their own course on overall tax and benefits. Let me make it clear that from as early as 2017 the Scottish Government will be able to set rates and bands for income tax on earnings. That is clear in the Scotland Bill, which is also very clear

[*Damian Hinds*]

that the Scottish Government can top up benefits and make discretionary payments to claimants. The Secretary of State for Work and Pensions cannot reasonably withhold consent for that.

Ian Blackford *rose*—

Damian Hinds: I look forward to giving way to the hon. Gentleman, so that he can confirm the Scottish Government's intentions on that.

Ian Blackford: I am very grateful to the hon. Gentleman for being so gracious with his time. We have demonstrated that the Scottish Government have mitigated some of the worst effects of the welfare cuts over the last few years, with £100 million invested to offset the impact of the bedroom tax. We want to protect the people of Scotland, but we need the powers to be able to do so. That means we need full powers over our economy, over taxation and over social security. Give us the tools, and we will protect the people of Scotland that Westminster is letting down.

Damian Hinds: SNP Members have managed to use that line for quite some time. I am not sure how much longer it will be credible to continue to use it, given the powers that are coming to them.

The reforms to the tax credit system have been discussed a number of times and voted on by the whole House on five occasions. The case for change is clear—not merely on fiscal grounds, but because a labour market dependent on a high level of welfare is not the way to deliver the stability and independence that working people deserve.

We acknowledge, of course, the concerns expressed in recent weeks. My right hon. Friend the Chancellor said we would listen—and that is precisely what we intend to do. He believes and I believe that we can achieve the same goal of reforming tax credits, saving the money we need to save to secure our economy while at the same time helping in the transition. That is what my right hon. Friend will set out in the autumn statement.

Caroline Flint: Will the Minister give way?

Damian Hinds: We are determined to deliver the lower welfare, higher wage economy that we were elected to deliver, that the British people want to see and that working Britain deserves.

4.48 pm

Frank Field: I thank the Backbench Business Committee for allowing us to stage a fine debate—fine not just because of the eloquence, although there has been plenty of that, but because a very clear message has come from all parts of the House to the Government. Nobody has spoken in favour of these changes coming into force next April. If they do come into force at that time, it gives the Government a good period of time to think seriously about how to reform tax credits. It is important to get that message over to the Chancellor in his thinking mode, so I hope we will now have a Division.

Question put.

The House divided: Ayes 215, Noes 0.

Division No. 102]

[4.49 pm

AYES

Abbott, Ms Diane	Glendon, Mary
Ahmed-Sheikh, Ms Tasmina	Goodman, Helen
Aldous, Peter	Grady, Patrick
Alexander, Heidi	Grant, Peter
Ali, Rushanara	Gray, Neil
Allen, Mr Graham	Green, Kate
Allen, Heidi	Greenwood, Lilian
Arkless, Richard	Greenwood, Margaret
Austin, Ian	Griffith, Nia
Bailey, Mr Adrian	Haigh, Louise
Bardell, Hannah	Hanson, rh Mr David
Beckett, rh Margaret	Harpham, Harry
Berger, Luciana	Harris, Carolyn
Betts, Mr Clive	Hayes, Helen
Black, Mhairi	Hayman, Sue
Blackford, Ian	Hendrick, Mr Mark
Blackman, Bob	Hendry, Drew
Blenkinsop, Tom	Hepburn, Mr Stephen
Boswell, Philip	Hillier, Meg
Bradshaw, rh Mr Ben	Hodge, rh Dame Margaret
Brennan, Kevin	Hodgson, Mrs Sharon
Brock, Deidre	Hoey, Kate
Brown, Alan	Hollobone, Mr Philip
Brown, Lyn	Holloway, Mr Adam
Brown, rh Mr Nicholas	Hopkins, Kelvin
Bryant, Chris	Hosie, Stewart
Buck, Ms Karen	Howarth, rh Mr George
Burden, Richard	Huq, Dr Rupa
Butler, Dawn	Hussain, Imran
Cameron, Dr Lisa	Irranca-Davies, Huw
Chapman, Douglas	Jarvis, Dan
Chapman, Jenny	Jenkin, Mr Bernard
Cherry, Joanna	Johnson, Diana
Ciwyd, rh Ann	Jones, Gerald
Cooper, Julie	Jones, Mr Kevan
Cowan, Ronnie	Jones, Susan Elan
Coyle, Neil	Kaufman, rh Sir Gerald
Crausby, Mr David	Keeley, Barbara
Creagh, Mary	Kendall, Liz
Creasy, Stella	Kerevan, George
Cruddas, Jon	Kerr, Calum
Cummins, Judith	Khan, rh Sadiq
Cunningham, Alex	Law, Chris
Cunningham, Mr Jim	Lewell-Buck, Mrs Emma
David, Wayne	Lewis, Mr Ivan
Davis, rh Mr David	Long Bailey, Rebecca
Day, Martyn	Loughton, Tim
De Piero, Gloria	Lucas, Caroline
Docherty, Martin John	Lynch, Holly
Donaldson, Stuart Blair	MacNeil, Mr Angus Brendan
Doughty, Stephen	Mactaggart, rh Fiona
Dowd, Jim	Madders, Justin
Dugher, Michael	Mahmood, Mr Khalid
Eagle, Maria	Mann, John
Edwards, Jonathan	Mann, Scott
Elliott, Julie	Marris, Rob
Ellman, Mrs Louise	Marsden, Mr Gordon
Esterson, Bill	Maskell, Rachael
Fletcher, Colleen	Matheson, Christian
Flint, rh Caroline	Mathias, Dr Tania
Foster, Kevin	Mc Nally, John
Fovargue, Yvonne	McCabe, Steve
Foxcroft, Vicky	McCarthy, Kerry
Gapes, Mike	McCartney, Jason
Gardiner, Barry	McDonagh, Siobhain
Gethins, Stephen	McDonald, Andy
Glass, Pat	McDonald, Stewart Malcolm

McDonald, Stuart C.
 McDonnell, John
 McGarry, Natalie
 McInnes, Liz
 McLaughlin, Anne
 McPartland, Stephen
 Meale, Sir Alan
 Mearns, Ian
 Monaghan, Carol
 Morden, Jessica
 Morris, Grahame M.
 Mullin, Roger
 Murray, Ian
 Newlands, Gavin
 Nicolson, John
 O'Hara, Brendan
 Onn, Melanie
 Onwurah, Chi
 Osamor, Kate
 Oswald, Kirsten
 Owen, Albert
 Parish, Neil
 Paterson, Steven
 Pennycook, Matthew
 Percy, Andrew
 Pound, Stephen
 Quince, Will
 Rayner, Angela
 Reed, Mr Jamie
 Rees, Christina
 Rees-Mogg, Mr Jacob
 Rimmer, Marie
 Robertson, rh Angus
 Robinson, Mr Geoffrey
 Ryan, rh Joan
 Salmond, rh Alex
 Saville Roberts, Liz
 Shah, Naz
 Sheppard, Tommy
 Sherriff, Paula
 Siddiq, Tulip
 Skinner, Mr Dennis
 Slaughter, Andy

Smeeth, Ruth
 Smith, rh Mr Andrew
 Smith, Angela
 Smith, Cat
 Smith, Jeff
 Smith, Nick
 Smith, Owen
 Spellar, rh Mr John
 Starmar, Keir
 Stephens, Chris
 Stevens, Jo
 Streeting, Wes
 Stringer, Graham
 Stuart, rh Ms Gisela
 Tami, Mark
 Thewliss, Alison
 Thomas, Mr Gareth
 Thomas-Symonds, Nick
 Thompson, Owen
 Timms, rh Stephen
 Twigg, Derek
 Umunna, Mr Chuka
 Vaz, Valerie
 Vickers, Martin
 Watson, Mr Tom
 Weir, Mike
 West, Catherine
 Whiteford, Dr Eilidh
 Whitehead, Dr Alan
 Whitford, Dr Philippa
 Williams, Hywel
 Wilson, Corri
 Wilson, Sammy
 Winnick, Mr David
 Winterton, rh Ms Rosie
 Wishart, Pete
 Wright, Mr Iain
 Zeichner, Daniel

Tellers for the Ayes:

**Jeremy Lefroy and
 Mr Alan Campbell**

NOES

Tellers for the Noes:

**Guto Bebb and
 Frank Field**

Question accordingly agreed to.

Resolved,

That this House calls on the Government to reconsider the effect on the lowest paid workers of its proposed changes to tax credits due to come into force in April 2016, to carry out and publish an analysis of that effect, and to bring forward proposals to mitigate it.

Chief Constable Dismissal Procedures

Motion made, and Question proposed, That this House do now adjourn.—(Charlie Elphicke.)

5 pm

Mr Jacob Rees-Mogg (North East Somerset) (Con): I am grateful for this opportunity to raise in an Adjournment debate the issue of the role of the Independent Police Complaints Commission and the police and crime commissioner in chief constable dismissal procedures. Inevitably, this relates to the recent experience of the Avon and Somerset constabulary and of its former chief constable, Nick Gargan.

The Avon and Somerset constabulary has a wonderful history and reputation. It is a fine police force, if not one of the finest in the country, and it deserves the best possible leadership. It has now been without a chief constable since May 2014, and there are concerns that more than £500,000 has been spent, and that the inquiry has been mishandled, in the ultimate removal of Mr Gargan.

The story started with a slew of lurid, even criminal, allegations. Although my hon. Friend the Member for Bristol North West (Charlotte Leslie) will cover in detail the failings of the IPCC, it is worth noting that it did nothing to stop rumours abounding. It continued to pretend that criminal charges were being considered when they were not, and used the Regulation of Investigatory Powers Act 2000 to investigate. One of the team examining the issues was the support commissioner, a Mrs Williams, who was not necessarily impartial as she herself was the subject of an earlier unrelated complaint from Mr Gargan.

Although in some ways the police and crime commissioner may have been a victim of the process, Mrs Sue Mountstevens is not herself without blame. She has an elected mandate to oversee the police force in Avon and Somerset. She used this, shortly after her initial election, to remove the previous chief constable and was then instrumental in appointing Mr Gargan. When the report on Mr Gargan was ultimately produced, recommending eight written warnings for misconduct, her initial reaction was to accept it, but she later changed her mind and applied under section 38 of the Police Reform and Social Responsibility Act 2011 to force the chief constable to resign.

This change of mind came about because of letters from superintendents and from the Police Federation indicating their lack of confidence in the chief constable. However, that correspondence must have been predicated on the IPCC report, and on leaked information pertaining to it, that we now know to be fundamentally flawed. So the lack of confidence in the chief constable was based on rumour and error, not on facts. This led to the removal of a second chief constable during this police and crime commissioner's term of office, but it was done essentially because of the PCC's willingness to bow to pressure, and not because of a mature considered judgment.

This leads me to the issue of the section 38 powers and how they were used. I have corresponded with Sir Thomas Winsor about this, and he has sent me a thoughtful letter and a copy of a valuable lecture that he gave in relation to these powers. In his letter, he says that the use of the powers in this instance does not involve double jeopardy and that

"he was therefore not dismissed for the misconduct of which he was found guilty; as said, he could not have been, because there was no finding of gross misconduct".

[Mr Jacob Rees-Mogg]

That is to say that Mr Gargan was not fired for misconduct because it had not been gross misconduct. That is intelligent sophistry, but it is none the less sophistical. I disagree with it because the loss of confidence was instrumentally caused by the misconduct allegations and the punishment for misconduct. Additionally, a number of leaks relating to criminal activity and to some of the material found on Mr Gargan's telephone led people to think that much more serious things had happened than were in fact proved.

Dr Liam Fox (North Somerset) (Con): In short, is not what we have seen trial by media and smear, resulting in an irresistible pressure on a public servant to resign before the facts of the case were ultimately known or due weight and consideration were given to those offences?

Mr Rees-Mogg: My right hon. Friend, as so often, hits the nail on the head. The one block that there should have been to this, the police and crime commissioner, turned out to be weak in the face of this trial by media and this public pressure. That is deeply unsatisfactory, because it means that the loss of confidence in somebody who has been found not guilty may be sufficient to remove them from the job, so if someone throws enough mud and a little bit of it sticks then that could justify a lack of confidence, and thus leak, rumour and gossip replace hard fact, which risks the independence of the constabulary. In his own lecture, Sir Thomas Winsor said that

"sufficient security of tenure is essential to safeguard those aspects of a Chief Constable's role that relate to operational independence. Operational independence would be seriously compromised by a power for a Police and Crime Commissioner to dismiss the Chief Constable at will."

At the heart of our concern is the fact that a flawed process, a weak police and crime commissioner and the power of gossip allowed a chief constable to be dismissed. That must undermine the ability in future of chief constables to take difficult decisions if they know that unfounded or minor misdemeanours may be used to force them out.

Mr Ian Liddell-Grainger (Bridgwater and West Somerset) (Con): It is even worse than that. The chief superintendent's letter did the damage. The man who signed it was Chief Superintendent Wylie, who suddenly then became promoted to be the commander in Somerset. I am sorry, but that is too much of a coincidence. This is worse than anything that Chief Constable Gargan did. This is completely out of hand.

Mr Rees-Mogg: I am grateful to my hon. Friend for his intervention. I know that my hon. Friend the Member for Bristol North West will make some remarks in relation to the vested interests that emerged through the course of this process, which we should be concerned about. We should note that the no confidence in the chief constable arose before the final publication of the report, so it had to be based on rumour and not on fact.

Dr Fox: Smear!

Mr Rees-Mogg: Yes, and smear. It has been a damaging process for confidence in the police service. It has been damaging to the Avon and Somerset constabulary. It has obviously been particularly damaging for Mr Gargan.

It is against a long-standing tradition of English justice—that this is the most important point—that somebody should be tried for the same offence twice. I know that Mr Gargan would like to meet the Police Minister to discuss these matters, so that Her Majesty's Government are fully informed about all that has gone wrong in this process. That would be helpful. Furthermore, a more general review of section 38 powers is needed, and the role of the IPCC needs to be examined and the backbone of police and crime commissioners X-rayed to see what, if anything, they are made of. That may help to ensure that such a serious problem does not arise again.

5.8 pm

Charlotte Leslie (Bristol North West) (Con): I thank my hon. Friend the Member for North East Somerset (Mr Rees-Mogg) for allowing me to speak. I will be brief as we have limited time.

Nick Gargan's appointment to Avon and Somerset police was not without drama. The new PCC had controversially requested that the chief constable of eight years, Colin Port, re-apply for the post in a competitive process. Mr Port acrimoniously resigned and the police and crime commissioner appointed Mr Gargan as chief constable. Mr Port then attempted to block the appointment in court, but failed, and the force endured a period of stressful turbulence, which doubtless tested loyalties.

It is not my place to comment on whether Mr Gargan should have remained as chief constable, but I will illustrate serious procedural deficiencies, particularly within the IPCC. The support IPCC commissioner chosen was Mrs Jan Williams, formerly chief executive of Cardiff and Vale NHS board. Mrs Williams was herself the subject of a complaint to the IPCC by Mr Gargan over the IPCC investigation of the brutal killing of Bijan Ebrahimi, a diabolical incident for which Mr Gargan publicly apologised on behalf of Avon and Somerset police. She was certainly not an intuitive person to be a support commissioner of an "independent" investigation into the man who had been challenging her authority.

Unfortunately, Mrs Williams as support commissioner and Mr Tapp as lead investigator did little to allay concerns about bias in how they conducted the investigation. The independent misconduct panel report described their approach to the investigation as "blinkered", and noted that no less than four key submissions by the IPCC "seem a little unreal" and that action taken by Mr Tapp "reflects an overenthusiastic mindset".

In July 2014, the IPCC publicly announced that the Gargan investigation was a criminal investigation, but it had earlier been established that there was not sufficient evidence to pursue criminal charges. However, the IPCC and the media continued to refer to "female victims" and the IPCC never corrected those reports, leading to loss of confidence in Mr Gargan on the basis of false allegations. The independent misconduct panel notes that the main alleged victim

"has no complaint about NG. She does not consider herself a victim. Her principal concerns have not been with him but with the reaction in the workplace. At all times, she describes NG's behaviour and manner towards her as kind, courteous and polite."

It goes on:

"She is not alone. In the un-used and until recently, undisclosed material, interviews with other women resonate with similar comment. It is a striking feature of this entire investigation that not a single female member of staff has made a complaint about NG".

The IPCC did not notify the police and crime commissioner, or Mr Smith, the PCC chief executive officer, when it became clear that there was no criminal charge to answer. The report states:

“Despite the IPCC failing to secure admissible evidence from female witnesses in support of the original hearsay allegations, Mrs Williams and Mr Tapp did not fully reveal this to Mr Smith. The IPCC would speak of the quantity of witnesses who had been seen, rather than the quality of their evidence.”

The misconduct report goes on to say that the IPCC misled the PCC

“as to the likelihood of a criminal prosecution being brought”.

Dr Fox: Does my hon. Friend accept that the use of the phrase “insufficient evidence” in relation to possible criminal proceedings when what is meant is no evidence in relation to possible criminal proceedings is unforgivable and deeply unjust?

Charlotte Leslie: I have deliberately been very conservative in my description of what happened, but I absolutely agree with my right hon. Friend. This is one of the biggest disgraces I have seen in relation to policing.

Unbelievably, even when it was apparent that the original allegations had no admissible evidence, Williams promised a “hard-hitting report” regardless. Having found no evidence for such, Mr Tapp applied for powers under the Regulation of Investigatory Powers Act 2000 to seize Mr Gargan’s phone and communications, in clear breach of RIPA guidelines. It was only then that Mr Tapp and Mrs Williams were able to find additional complaints on data use.

Finally, let me go back to the whistleblowers who originally made the allegations. The misconduct panel report reads:

“It is surprising that on the inchoate and tenuous grounds available, whistleblowers with potential animus, giving belated, hearsay, non-particularised accounts, Mr Tapp should consider it appropriate to include Misconduct in Public Office...he had no rational basis for so alleging”.

What was this “potential animus”? We know, because the PCC leaked it in a breach of protocol that far outweighs what was alleged against Mr Gargan. We know that the whistleblower was a former work colleague of Mr Port, Mr Gargan’s predecessor, who had tried to block Mr Gargan’s appointment through the court.

It is hard not to see all the evidence as a serious indictment against the IPCC with implications not only for future chief constables, but for our constituents. We cannot repeat the scandalous circle of cover up that happened with the NHS in Mid Staffs and the Care Quality Commission. I ask the Minister to take any actions necessary to ensure that such a necessity to question the IPCC’s competence and independence never arises again.

5.14 pm

The Minister for Security (Mr John Hayes): That my hon. Friend the Member for North East Somerset (Mr Rees-Mogg) is an ornament to all we do is well established. That he is a guardian of our liberties and freedoms is well known. But what is not so well known outside his locale is that he is a doughty champion of his constituents and their interests—as doughty as any in this House, matched by few, but matched by my hon. Friend the Member for Bristol North West (Charlotte Leslie) who, like him, leaves no stone unturned when it

comes to highlighting the interests of her constituents and dealing with what they perceive to be unfairness and unreasonableness, and that is precisely what my hon. Friend the Member for North East Somerset in his view and mind has drawn to the attention of the House tonight. I make no comment on that and he would not expect me to comment on the particular details of the case, although I have much to say in the short time available to us.

As I am acting as a proxy for the Police Minister, it is a particular delight to see him sitting beside me. I know that he will watch over me with the gaze that he uses in dealing with all such important matters.

The leadership of our police forces is of central importance to the effective maintenance of law and order, and it is important that the people of England and Wales understand how decisions affecting the leadership are made and are scrutinised. We have heard from both my hon. Friends who have spoken and from those who have intervened. I note my right hon. Friend the Member for North Somerset (Dr Fox) in his place, as well as my hon. Friend the Member for Bridgwater and West Somerset (Mr Liddell-Grainger). The relationship between public and police depends on that absolute certainty—that trust—that things are done properly.

As I said, it would not be appropriate for me, and I do not intend, to address the specific case. Instead, I will respond to my hon. Friends’ remarks by setting out the principles underpinning the complaints and disciplinary system, and how that system works. It is well known that policing in England and Wales is built on the principles set down by Sir Robert Peel. For the convenience of the House, I wondered whether I might put those principles in the Library of the House following this short debate. Central to these principles is that

“the ability of the police to perform their duties is dependent upon public approval of police . . . actions”.

Although I may disagree with Peel on many things, particularly the corn laws, he had sagacious advice about the importance of trust and confidence in the force he established. He stated that

“the police are the public and the public are the police; the police being only members of the public who are paid to give full-time attention to duties which are incumbent on every citizen in the interests of community welfare and existence”.

Such is the community of trust between the public and the police. The moment that trust is lost, the public approval of police actions is in jeopardy, and policing as we know it is threatened. I say this not to be melodramatic, but to reinforce the fact that the police hold a very significant range of powers, and if they are to use those powers effectively, and maintain the Queen’s peace, the public must have the utmost trust in the police, and how they are led.

The election of police and crime commissioners marked the biggest change in police governance in living memory. PCCs give the public a direct say in how their forces are run, reinforcing the link between the public and police, and providing the public with a democratically elected voice in their local police force. This link between the public and the police is of central importance to the matters being considered here today, drawn to our attention by my hon. Friend the Member for North East Somerset. The chief constable of any force leads their force on behalf of the communities they serve. The PCC holds them to account on behalf of the public,

[Mr John Hayes]

and it is right that decisions relating to who leads that force are made by PCCs. It is vital that this central point is not lost in the debate we have here today.

Let me turn specifically to allegations of misconduct, and the regulations that govern how these are handled. The Government have been clear that the role of the Independent Police Complaints Commission is crucial in a system of police scrutiny and complaints that functions well and commands public confidence. The majority of misconduct allegations about chief constables are usually referred by PCCs as the “appropriate authority” to the IPCC for independent investigation. As an independent body, it is for the IPCC to decide whether to investigate an allegation about a chief constable following referral from the PCC. Ministers are, as I said, unable to comment on individual cases.

Last year, an independent review of the police disciplinary system led by Major-General Chip Chapman recommended that the IPCC should investigate all chief officer cases. The Government will shortly introduce legislation to implement that recommendation.

Dr Fox: Will my right hon. Friend give us an assurance that when the Government look at this legislation they will take on board this point: why should a good and decent public servant want to take on the role of chief constable when they can be dragged into the mud by smear and innuendo that turn out to have no basis in fact?

Mr Hayes: Smear and innuendo are never acceptable in any aspect of public service, and my right hon. Friend is right that the system must be robust in guarding against vexatious and unhappy claims. As I have said, I will not comment on the specifics of the case, but as a matter of principle he is, of course, right that the system needs to be sufficiently well designed to ensure that complaints that have merit are dealt with properly.

We have heard today, particularly from my right hon. Friend, about what might be described as “double jeopardy”—the time-honoured principle that people are not tried twice for the same thing—and it has been suggested that it should not be open to a PCC to call upon their chief constable to resign or retire when they have been subject to misconduct proceedings.

I think that it is important to note that the process of misconduct hearings, and the sanctions that may result, are rightly different and separate from the process set down in section 38 of the Police Reform and Social Responsibility Act 2011, which enables the PCC to call upon a chief constable to retire or resign. The PCC holds the chief constable to account on behalf of the public. They are best placed to make decisions on both the appointment and dismissal of a chief constable. We have set out a clear process that must be followed, and I shall come to it momentarily.

Mr Rees-Mogg: I am grateful to my right hon. Friend for that clarification, but in this case the section 38 process followed immediately from the report into the misconduct allegations, so the two were intimately and intricately linked.

Mr Hayes: With the precision and eloquence for which he is renowned, my hon. Friend has put that on the record.

The Government recognise that the decision to call upon a chief constable to resign or retire is significant and should not be taken lightly, and in that regard I take the point made by my right hon. Friend a moment ago. That is why we have established detailed procedures that must be followed whenever a PCC might wish to invoke their section 38 powers, and we remain satisfied that sufficient safeguards are in place with regard to the power of PCCs to dismiss chief constables.

These issues have, of course, been debated in this House previously, most notably during the passage of the 2011 Act. It is worth noting that the IPCC has no role within the section 38 process, although it is equally important to note that the PCC is obliged to have regard to the views of Her Majesty’s chief inspector of constabulary and to seek the views of the relevant police and crime panel, as well as providing the chief constable with the opportunity to make representations. The process is detailed and requires the PCC to take into account independent views. The final decision will remain that of the PCC, but I remain confident that the process offers sufficient checks and balances and that the interests of the people and communities who elect PCCs are properly served in this way.

Mr Liddell-Grainger: The Minister knows me well enough to know that I will speak very bluntly about this case. The PCC has promoted a senior officer who released a letter as a superintendent. He basically stabbed his boss in the back and then turned up as a senior commander in Somerset. What confidence can we have when we have a badger cull, Hinkley Point, serious flooding two years ago and a man who quite honestly is there because he is—this is a horrible term—a poodle of the PCC? That is not the way to police in this country. I am sorry to be blunt with the Minister, but I hope that he takes it in the spirit with which it was meant.

Mr Hayes: My hon. Friend need make no apology for his bluntness. He makes his case with the kind of passion that we see too infrequently in this House, and I know that you, personally, Mr Speaker, will agree with that sentiment.

Mr Speaker: There is never a deficit of passion, or indeed of oratory, from the Minister of State.

Mr Hayes: Ah, Mr Speaker, I may be a player, but the stage is yours.

The truth is that, in particular circumstances, with the sensitivities that surround particular cases, there will be strong views held on all sides of the debate, and it is by the nature of this Chamber that my hon. Friend the Member for North East Somerset has been able to bring some of those strong views to our attention. I know that the Minister for Policing, Crime and Criminal Justice, who is sitting beside me, takes these matters very seriously indeed, and I may have some news at the end of my speech that may give some satisfaction to those who have contributed to this short discussion.

The process that I have described includes the PCC obtaining the views of Her Majesty’s chief inspector of constabulary in writing and having regard to those views; providing a copy of those written views to the chief constable and the PCP; providing a written explanation to the chief constable and the PCP of the

reasons why he or she is proposing to remove a chief constable; notifying the chief executive; and giving the chief constable the opportunity to make written representations. If the PCC still proposes to call upon the chief constable to retire or resign, he or she must give the chief constable and the PCP a written explanation of their reasons, which must also be given to the chief inspector of constabulary. A scrutiny hearing of the PCP will then be held in private, at which the PCC and chief constable are both entitled to attend to make representations, regardless of whether the PCP wishes to call them.

The PCP may consult the chief inspector of constabulary before making a recommendation to the PCC as to whether or not the commissioner should call for the retirement or resignation of the chief constable. Fundamentally—this goes to the heart of the debate—the PCC is missioned to act reasonably and fairly.

It was Disraeli, Peel's adversary in the corn law debates, who said

"circumstances are beyond human control, but our conduct is in our own power."

The question of how we conduct ourselves is vital to any relationship, not least that between the police and

the public. I thank my hon. Friend for raising these issues and for giving me the opportunity to speak about this relationship today.

The news I want to bring to my hon. Friend and other concerned Members of this House is that, given the representations made by right hon. and hon. Members, well articulated in this debate, and typical of my right hon. Friend the Minister for Policing, Crime and Criminal Justice, he is indeed happy to meet Members of this House to discuss their concerns. He is also prepared to meet the former chief constable as part of that process. It seems to me important that that further check on reasonableness and fairness, personified by this excellent Minister, is vital both as a matter of principle and as a matter of practice in this case. I know that all who have contributed to the debate will recognise the significance of the step that my right hon. Friend has decided to take and I have imperfectly and humbly been able to draw to their attention.

Question put and agreed to.

Adjourned accordingly at twenty-eight minutes past Five o'clock.

Westminster Hall

Thursday 29 October 2015

[MR DAVID CRAUSBY *in the Chair*]

BACKBENCH BUSINESS

Green Investment Bank

1.30 pm

Graham Stuart (Beverley and Holderness) (Con): I beg to move,

That this House has considered the future of the Green Investment Bank.

It is a pleasure to serve under your chairmanship, Mr Crausby. I thank the Backbench Business Committee for awarding the time for this debate. It is good to see that so many colleagues from across the House are present. I thank all the other Members who requested the debate for their support. They are drawn from the Labour party, the Liberal Democrats, the Scottish National party and the Green party—the ultimate rainbow coalition, which reflects the widespread interest in and concern for the Green Investment Bank.

The GIB was a major success story of the 2010 to 2015 Parliament. In 2010, the Government's Green Investment Bank commission highlighted

“the urgent need for a new public financial institution to unlock the investment needed for Britain to deliver a timely transition to a low carbon economy.”

That investment is focused on the five objectives set out in section 1(1) of the Enterprise and Regulatory Reform Act 2013 and in the bank's articles of association: the reduction of greenhouse gas emissions; the advancement of efficiency in the use of natural resources; the protection or enhancement of the natural environment; the protection or enhancement of biodiversity; and the promotion of environmental sustainability. Since the bank was established in November 2012, it has delivered on those principles. As of August this year, it had invested in 52 green infrastructure projects; I think that figure was updated to a larger number in the evidence given yesterday to the Environmental Audit Committee.

The GIB has also invested in seven funds in more than 240 locations around the UK, ranging from anaerobic digestion on Teesside to a £241 million stake in the Westernmost Rough offshore wind farm and, indeed, new streetlights in Southend. The bank's chief executive, Shaun Kingsbury, anticipated that by the end of this week it will have committed £2.3 billion of funding as part of wider projects worth a total of £9.8 billion. In other words, the next deal that the GIB does will take to more than £9 billion the total invested in the low-carbon transition that this country has not only said it will deliver but, in the Climate Change Act 2008, set out in law that it must.

Those numbers reflect the assurance, given by Mr Kingsbury to the Environmental Audit Committee in 2013, that the GIB would “crowd in” an additional £3 of private capital for every £1 invested by the bank. Unlocking that level of investment in the green economy is a serious and substantial achievement, topped off by

the GIB's annual report showing that the company moved into profit in 2014-15, albeit marginally. Of course, it takes a long time for the types of projects it funds to come to fruition and for the cash-flow to flow. Nevertheless, the bank is successful—indeed, that very success has led to today's debate.

In June, the Secretary of State for Business, Innovation and Skills, with whom I had a meeting last week, issued a written statement to the House that said that the Government

“have concluded that the best approach is to move GIB into private ownership subject to ensuring we achieve value for money...It has always been our intention that GIB should leverage the maximum amount of private capital into green sectors for the minimum amount of public money.”

I do not think anyone would disagree with that last intention. I understand the Government's concern to ensure that the GIB can borrow from financial markets and so increase its impact. I should also emphasise that I certainly do not object to privatisation per se; I am a keen champion of the private sector and believe strongly that it can be a force for good in driving quality, efficiency and innovation.

The Green Investment Bank is, though, a special case, and its transfer into private ownership will be more complicated than most. There are important questions that need to be resolved about the move to private ownership and the form that the transfer will take. Those questions centre on the extent to which the market failure identified when the GIB was established has now been corrected and how the Government will ensure that a majority-privatised GIB continues to deliver its green purposes when its ownership and statutes have changed.

This week, the Government introduced amendments to the Enterprise Bill in the Lords that will repeal part 1 of the Enterprise and Regulatory Reform Act 2013, section 3 of which protects the GIB's articles of association from being altered unless they continue to meet the green objectives mandated in section 1 of the Act, and provides that any change under section 3 must be approved by a resolution of each House of Parliament. The bank's objectives are delicate. It was clearly felt that legislation had to be put in place at the outset to ensure that protection, even when the bank was owned by the Government. Without it, what assurances can the Minister provide that a future purchaser will continue to focus on providing not simply capital for green or greenish projects but specifically the funding for the kind of novel technologies that the GIB has helped to support to date?

Caroline Lucas (Brighton, Pavilion) (Green): I pay tribute to the hon. Gentleman for his role in securing this important debate. Does he agree that it is likely that a profit-maximising Green Investment Bank will be unable to perform precisely that key role of reducing risk in important green sectors in order to crowd in private investment? There is a real risk that if the bank is put into the private sector it will crowd out other investors, rather than crowding them in.

Graham Stuart: I am grateful to the hon. Lady for that point. In so far as it was necessary to have a publicly controlled and funded green investment bank in the first place, what has changed so that such a bank can now be transferred to the private sector without ending up simply acting like and emulating all the other banks,

[Graham Stuart]

even if it has a greater degree of green expertise than most? How do we know that it will continue to play this unique role? That is the nub of what we want to hear from the Minister.

A good deal of the GIB's success has come in the form of delivering what its CEO has called "financing firsts". To use Mr Kingsbury's own words:

"We have taken on complex projects that would otherwise not have gone ahead and we have been innovative, helping new technologies into the financial mainstream."

The Westernmost Rough offshore wind farm I referred to earlier is a particularly good example of that. The GIB took a stake in the project in 2014. The project was unique, in that it was the first large-scale application of the new Siemens 6 MW turbines, which are significantly more efficient and better suited to the marine environment than previous turbines deployed to date. Of course, they had not been used in 2014, so there will have been natural caution about a move to a new technology.

The project will help to drive down the cost of offshore wind, which has already fallen by 11% in the past four years, and also has supply chain benefits—including, not least for me as the MP for Beverley and Holderness, the fact that Siemens will manufacture the turbines in Hull and East Riding. Over the coming years, we hope to see the supply chain develop around that initial investment. Indeed, there is hope that other manufacturers might see the supply chain and combination of specialties in Hull as something worth coming to and investing in.

The project simply would not have taken off if only private investors had been involved. When I spoke to Mr Kingsbury earlier in the week, he talked about the fact that DONG Energy, which was pushing the project, wanted to find a partner—it did not want to take on the responsibility and risk alone. It found a Japanese investor, but the partner company was looking for comfort. The comfort it sought came in the form of the Green Investment Bank's expertise and particular positioning, which provided the reassurance needed for it to invest. The GIB got involved, negotiated—as Mr Kingsbury would say—high returns for high risk and used its expertise to help and give comfort to both the Japanese investor and DONG. The project then went ahead, with the positive ramifications being not only the lowering of the cost of wind energy but the delivery of investment in my local area and beyond.

Likewise, the GIB has joined Aviva Investors in financing NHS energy centres. A good example of that is the £18 million investment the bank made in the £36 million energy centre project for Cambridge University Hospitals NHS Foundation Trust. That project is emblematic of the market failure affecting the financing of non-domestic energy-efficiency projects. It required the installation of a combined heat and power unit, a biomass boiler, efficient dual-fuel boilers and heat recovery for medical incineration. The project will lead to a saving of £20 million on the hospital's energy bill over the 25-year project period and an annual reduction of 25,000 tonnes of carbon dioxide.

I know the Secretary of State is confident that the eventual purchaser or purchasers will want to buy the GIB precisely because of its expertise in that kind of work. That is the nub of the Government's argument. In a helpful briefing earlier this week, Mr Kingsbury

told me that he is adamant that the GIB is a marketable proposition precisely because the decision was taken not to use the bank simply to offer cheap Government borrowing to the renewables sector, but to develop specialist teams with deep-sector knowledge that are capable of managing sophisticated and challenging financial deals and negotiating high rates of return, as it did with Westernmost Rough. Mr Kingsbury was clear that he believes that makes the bank a great business and an attractive proposition to potential purchasers.

Concerns persist, however, about the fact that in private ownership the GIB may yet come to resemble more conventional competitors, such as Bank of America or Macquarie. I do not want to criticise those institutions in any way, but they are driven by the shareholder value that the hon. Member for Brighton, Pavilion (Caroline Lucas) rightly mentioned, and they come to different decisions, take different approaches and have different team assemblies from those of the Green Investment Bank, which has a very specific brief.

Kevin Brennan (Cardiff West) (Lab): The hon. Gentleman is making a thoughtful presentation on this issue, and he has come to one of the key points. Ministers have responded to questions about the future of the green focus. In his statement, the Secretary of State said that he

"also wants and expects a privately owned GIB to continue this clear focus on green sectors".

In a written answer to the hon. Member for Brighton, Pavilion (Caroline Lucas), the Minister for Small Business, Industry and Enterprise, the right hon. Member for Broxtowe (Anna Soubry), said:

"The Government wants a privately owned GIB to continue this focus on green sectors".

Does the hon. Gentleman agree that we need to hear something stronger than that before we can be convinced that that will actually happen when the bank goes into private hands?

Graham Stuart: The hon. Gentleman, who has served in Government, will know that even within Government it is not enough to wish that institutions will behave in a certain way. We know that the incentives must be understood. For example, it is necessary to understand how schools will behave—the hon. Gentleman and I have experience of that. It is not enough for people to sign up in name to deliver a certain thing and for politicians to say that they will do it, because they will be moved by the complex sets of incentives in which they find themselves. If we do not understand how those incentives collectively impinge on those institutions, we will not truly understand how the institutions will behave. That is as true for education as it is for a bank.

It is not enough simply to say what we want and what should be aimed for; we have to understand how the framework of incentives for a private owner of the bank will lead them to behave in the way that Ministers and the rest of us want. I am impressed by the chief executive of the Green Investment Bank; I think he is passionate and honest in his belief about where the bank will go. Nevertheless, I want to understand how it will get there.

John Mc Nally (Falkirk) (SNP): Does the hon. Gentleman agree that the assurances that the Scottish Government sought from the Tory Government remain unanswered? We seek assurances because we are still

unconvinced that the purpose and direction of the bank will not be lost unless we retain some sort of public sector control.

Graham Stuart: I will come to that point on the continuing role of Government in a minute or two. It is not enough to say that something will be privatised. It could be privatised 100%, or it could be privatised 100% with strings attached, whose value we would have to try to estimate in advance—if something is sold 100%, the strings are not normally worth a great deal. Then there is the issue of whether a minority stake is retained and, if so, how it will be used. I will come to that point later, but the hon. Gentleman is right to say that such questions, not least those of the Scottish Government, persist.

David Mowat (Warrington South) (Con): I am listening very carefully to my hon. Friend. Surely the principal factor protecting how the bank will operate is the fact that the green purpose is still in the 2013 Act and the articles of the company. It therefore cannot do anything outside the green purpose. That is set out in the five points that my hon. Friend mentioned, or did I misunderstand his point?

Graham Stuart: My hon. Friend is quite right. What happened—given the late tabling of amendments in the House of Lords this week, I think it came as something of a shock to the Government—is that the Office for National Statistics decided that if this place continues to determine the purpose of a supposedly privatised institution, such as this bank, that institution continues to be controlled not by its shareholders but by this place, and it is thus linked to the Government. Therefore, the ONS said that those ties have to be cut.

The nub of the matter is that those statutory guarantees and safeguards are being removed, albeit at the last minute—that was announced recently and will be coming to the House of Lords this week. We are asking how much the remaining wish-fulfilment requests will be worth in the real world of private finance, where people seek the maximum return for their money and often have a fiduciary duty to do so.

The senior directors of E3G—an environmental non-governmental organisation that works in these areas across the world—who were involved in the conception and creation of the bank, have heard worrying views from financiers that the bank may lean towards investing in safe, established technologies. Worse still, it could be attracted to purchases purely because of the virtue of the assets and cash flow that will come forward in due course, rather than because they are going concerns in their current form. It is possible, therefore, that it would be a zombie investment vehicle, rather than a genuine project-developing bank.

Those views were echoed by Bob Wigley, the former chief executive of the Green Investment Bank commission at the recent summit held by the Aldersgate Group. He warned of an “inherent tension” between the GIB’s continuing to invest in novel, more complex projects that are profitable in the long term, and shareholder pressure to maximise short-term returns on high-value investments, given their focus on quarterly performance. Such an outcome would defeat the objectives of the bank. It was and is intended to capitalise new green technologies and to invest in projects that other market

operators shy away from. In doing so, it makes strides in environmental protection while simultaneously stimulating economic growth.

I went to the Conference of the Parties in Montreal in 2005, and from there I got involved in an organisation called Globe International, a global legislators’ organisation for a balanced environment. I am chairman of that group. I have been involved in the issue of climate change over the years; when I first came to this place, I was a member of the Environmental Audit Committee. It seems to me that the central challenge in tackling climate change, despite all the complexities, is to drive down the cost curve of clean and green approaches as quickly as possible.

For all the jobs that are created and for all the economic benefits, we cannot do that for free. One of the big challenges is to speed up the reduction in cost and ensure we have the institutions and frameworks to incentivise that. I say that because, for all the complexities around climate change and all the conferences I have been to over the years, I have always thought that we have to get the cost down as quickly as possible.

We have subsidised renewable technologies to try to make up for market failure, and successive Governments have struggled to create a dynamic regime that controls the level of public subsidy while encouraging investment. In that landscape, in which it is so hard to create dynamic frameworks that maximise value for money for the public purse but accept the need to pump-prime and drive the implementation of new technologies and lower costs, the bank is an important component.

On the bank’s next deal, it will have brought in a total of £10 billion into the UK green mix alone, of which less than a quarter has been from the state. To those outside who think the Green Investment Bank is rather arcane or marginal, I say that it is pretty fundamental to meeting the requirements of our industrial strategy and our desire for people to have affordable bills. We have got to ensure that we get it right. I urge the Government to consider how we can guarantee that the balance that I mentioned will be maintained under private ownership. For precisely that reason, I would be grateful if the Minister explained how the transfer will affect the shareholder relationship framework document that sets out the bank’s operating principles and strategic objectives.

Alongside primary legislation, the shareholder relationship framework document is an important safeguard to define the GIB’s role in the green marketplace. Article 3.1 states that the bank shall

“seek to align its activities with HM Government’s green policy objectives”

and

“seek to overcome market failures and improve market effectiveness”.

Article 4 lists the priority policy sectors and is clearly intended to be updated on a rolling basis in line with changing needs. It is hard to see how the SRFD could survive the sale of the Government’s shares. The Department for Business, Innovation and Skills is described in the SRFD as the bank’s “sole shareholder”, and the document as a whole appears designed for precisely that arrangement. It is likely that the SRFD would fall away if BIS ceased to be the sole shareholder. If the SRFD does survive a share disposal, the Government would not be able to protect it if their shareholding dropped below 25% and if the other shareholders or shareholder

[Graham Stuart]

decided otherwise. If the Government retain a sufficient minority to resist any change to the SRFD, they would still lack the power to update the priority policy sectors that the bank invests in and supports.

How do the Government intend to safeguard the shareholder relationship framework document following a sale—or at least preserve its effect? Do they intend to maintain a significant minority holding in the bank? What assessment have they made of the implications of different sizes of shareholding that they may have going forward? Has any consideration been given to any form of arrangement, contractual or otherwise, to prevent the bank's core purposes from being distorted or discarded after sale?

Before closing, I want to raise some related issues on which clarity would be helpful. The European fund for strategic investment is a pot of €21 billion of off-balance-sheet capital. That sounds a bit dodgy, but it basically means that it does not go on to national accounts for debt when used, which is quite important given the fiscal retrenchment that this country is going through and the commitments to eliminating debt and moving to surplus and so on.

The capital can be used by EU member states to finance energy and infrastructure projects. While the UK has committed an additional €8.5 billion to the fund, there is currently no effective intermediary within the UK to help British projects access the funds. Would a privatised Green Investment Bank be able to access the EFSI? If the privatised bank is an unsuitable vehicle to access it, will the Minister say what would be and how the UK's green economy would be able to benefit? It would be a significant missed opportunity if there were no plan in place to ensure that we can leverage off-balance-sheet funds to which the UK is a key contributor. Indeed, if the UK were unable to access the funds, that might alter the whole calculus as to whether we stand to gain or lose by the privatisation of the bank.

While discussing alternative sources of finance, I also want to touch on the potential for the GIB to explore citizen investment. As I explained earlier, the bank has deliberately sought to make itself sustainable by operating a higher-risk, higher-return model, but one of the bank's key aims since its inception has also been to accelerate delivery of the UK's low-carbon future at the lowest possible cost—quite right, too. With that in mind, relatively cheap capital could be available from citizen investors investing via Green Investment Bank bonds. In Germany, such citizen investors are willing to accept lower returns on equity than traditional investment—more like 4% to 6% than 7% to 9%—because their motivations are not solely financial. Given the capital-intensive nature of most low-carbon investments, scaled-up citizen finance has the potential—only the potential—to make the delivery of large-scale infrastructure more affordable.

To get a sense of how important that is, a 2012 study by the Crown Estate showed that every 1% increase in the cost of capital leads to a 6% increase in the lifetime cost of an offshore wind farm. Similar analysis exists for the solar sector. The nature of both is that up-front investment is huge with relatively low costs thereafter to get a return. A huge premium must be paid when funding becomes more expensive for projects that require

so much capital up front and there is therefore a huge incentive to secure the lowest possible financing costs for the GIB. Has the Minister considered the idea of encouraging citizen investment in the GIB? Might the Government pursue such a concept?

To conclude, we are at a crossroads when it comes to the development of the Green Investment Bank, with both new opportunities and old dangers presenting themselves. Failure to provide reassurance about the bank's future role would send negative signals to low-carbon investors, who might feel that they have received a lot of negative signals already. That has the potential to threaten inward investment flows and undermine the low-carbon sector's contribution to our ongoing economic recovery.

It is essential to get the privatisation process right and to remember that many investors and Governments will be watching how we decide to proceed with the GIB. As we head towards the UN climate summit in Paris this December, we have a responsibility to ensure that the Green Investment Bank remains a world leader in its field and a driver of investment and innovation in cutting-edge, low-carbon technologies.

1.56 pm

Mr Iain Wright (Hartlepool) (Lab): It is a pleasure to serve under your chairmanship, Mr Crausby. I thank hon. Members who are present and the Backbench Business Committee for selecting this important topic for discussion. I particularly want to thank the hon. Member for Beverley and Holderness (Graham Stuart), who gave an excellent, thoughtful and skilful speech that got to the heart of the key issues. It is to his credit that he did so in such a balanced manner. The future of the UK Green Investment Bank and the Government's plans for it to be privatised have not been given sufficient attention, so this opportunity is very welcome. I also welcome the hon. Member for Warrington South (David Mowat). He and I were present at the creation of the Green Investment Bank, because we sat on the Bill Committee of the Enterprise and Regulatory Reform Act 2013, which set it up. We challenged the Government on some of the things to which the hon. Member for Beverley and Holderness referred, such as green purposes and where the bank can invest.

It is probably appropriate when discussing the future of the Green Investment Bank to consider, as the hon. Gentleman did in his opening speech, its status and achievements in its relatively brief life. Most stakeholders would agree that the bank's first three years have been a success. It has enjoyed broad political consensus, which has allowed it to establish itself quickly and in some depth without risk of political knockabout and the turbulence that that causes. For an organisation barely out of nappies, the bank has proven to be remarkably mature. It already feels like an established and respected part of the financial and public sector architecture. As somebody who supports institutions designed to promote long-term and sustainable growth in competitive sectors, I think it is on a par with the likes of Catapult centres, the Automotive Council and the Aerospace Growth Partnership, all of which should be long-standing players in a UK industrial strategy.

The bank was established to address and help to correct market failure and the reluctance of investors to put funds into the low-carbon sector because of risk or the lack of a track record. The bank has provided

confidence in what remains a stuttering, albeit fast-evolving new part of the global economy. For example, the bank's financial services arm has just enjoyed a second close of over £350 million into its offshore wind fund, bringing the fund to a total of £818 million and establishing its credentials as the largest renewable energy fund in the UK.

I am particularly interested in the three-year collaboration agreement between the bank and the Offshore Renewable Energy Catapult, designed to better manage the risks of investing in offshore renewable energy. The hon. Gentleman mentioned Siemens and the work of an offshore wind cluster in Humberside, and I have a similar cluster in Hartlepool and Teesside. Yesterday in the Chamber we were discussing the crisis in the UK steel industry, yet it could be an important component of the offshore wind supply chain, putting the steel industry in our country on a sustainable footing in every sense.

I fully support the comments about the collaboration between the bank and the catapult made by the Minister for Small Business, Industry and Enterprise, the right hon. Member for Broxtowe (Anna Soubry). She said:

“This collaboration is a very positive step for our offshore wind industry—helping to increase business productivity, encourage green innovation and stimulate long-term growth,”

because it will bring down costs and ensure that the UK's goal is to be the largest and most innovative and competitive global player in the offshore wind industry.

The hon. Member for Beverley and Holderness alluded to the bank's projects and the funds invested. To date, the bank has invested in 55 green infrastructure projects and committed about £2.1 billion to the UK economy in the process of leveraging somewhere in the region of £8 billion to £9 billion more widely, as the hon. Gentleman said. After less than three years of operation, the bank has now posted a profit. Combining green credentials in a new, emerging and uncertain sector with a rapid move into profitability is fantastic work—I think we all agree on that. Credit must go to the bank's leadership, Lord Smith of Kelvin and the chief executive, Shaun Kingsbury, as well as to every member of the bank's staff, for the great combination of business and investment acumen with a green ethos and a commitment to environmental concerns.

Given that the bank has achieved so much in such a short period of time, the next phase of its life is truly promising—the opportunity to go to a new level of financial scale, which could boost investment in low-carbon technology and assert Britain's leadership of this modern and exciting part of the global economy. Having established credibility, environmental sustainability and commercial profitability, the bank might look to relax its risk profile to diversify its investment to ensure that it invests in truly innovative technologies.

Caroline Lucas: I congratulate the hon. Gentleman on the compelling case that he is making. Does he agree that removing legal protection for the Green Investment Bank's green credentials would be an economic own goal? Right now we have no real guarantee that the bank's purposes will remain green, but that is the value added and what makes it so special—that it will focus on such areas. If we lose those purposes, the bank will lose its essence. We therefore need some kind of contractual commitment from prospective buyers that they will keep that focus.

Mr Wright: The hon. Lady pre-empts the rest of my speech. I wanted to start with the glass half full, the positives and the promise; I now come to the butts. I have real concerns about the future of the Green Investment Bank, precisely because of what she has outlined.

As the hon. Member for Beverley and Holderness said in his opening remarks, the Government's announcement in June of their intention—though they were vague about their plans—to privatise at least part of the bank raised the prospect of a number of risks. I was sufficiently concerned to use my first question on the Floor of the House as Chair of the Select Committee on Business, Innovation and Skills to ask the Secretary of State about his plans for the Green Investment Bank. Moreover, the Government have tabled an amendment to the Enterprise Bill, which is in Committee in the other place, that would repeal fully part 1 of the Enterprise and Regulatory Reform Act 2013, thereby completely removing the green purposes of the bank.

I agree with the hon. Member for Beverley and Holderness that the bank's resources need to be scaled up and that it should be allowed to borrow. The Environmental Audit Committee report on the Green Investment Bank in the previous Parliament claimed that it was necessary for it to raise extra capital as a real bank can. I fully agree. However, the method proposed by the Government is questionable. In particular, we must ask—as the hon. Member for Brighton, Pavilion (Caroline Lucas) has just asked me—whether any loss of legislative protection for the bank's green purposes would also mean the loss of safeguards.

I do not think that the Minister will be able to reassure us this afternoon. If the purposes are removed from the statute book, no subsequent private owner can give any such safeguards whatever. I will come back to the Government dilemma over Office for National Statistics classification and ensuring safeguards, but the fact that at the moment the Green Investment Bank can state, on its website and in all its publications, that it is “wholly owned” by Her Majesty's Government provides confidence and certainty for investors in the low-carbon economy, which remains at an embryonic stage.

Coupled with policy announcements since the general election, such as changes to solar panel feed-in tariffs, onshore wind capability and planning approval, along with other things, it is difficult to avoid the conclusion that the Government are abdicating from any wish to lead in the global low-carbon economy. That is a real tragedy, not only for green issues, but for our future economic and industrial shape and for what modern industry and employment opportunities will look like.

Kevin Brennan: As I was explaining to my hon. Friend, I have been reading his 6,000-word speech in Committee on the bank. In discussion of the Bill that set it up, he said that it would not be a green investment bank, but only a fund, if it did not have the ability to borrow. In essence, the Government want, as we all do, the bank to be able to borrow, but that makes no difference. Whether it is in the public or private sector, the bank's ability to borrow will mean that such borrowing goes on the Government's books, unless they take the trouble to repeal the essential protection in legislation. As a result, therefore, is the proposal not fundamentally undercut and in need of revisiting?

Mr Wright: I agree with my hon. Friend, although my concerns have changed since the Bill Committee three years ago. Then I was concerned that without sufficient powers to borrow the bank would be only a fund. Now I think that, given the privatisation plans, the Green Investment Bank will become simply another bank, and a very small bank at that, and will therefore lose its distinctiveness, which plays a major part in the leveraging or crowding in of other private sector investment.

Graham Stuart: Will the hon. Gentleman give way?

Mr Wright: I will mention one point, because it is central to my concerns, then I will certainly give way.

Given that the bank will be small, I am concerned that it will be vulnerable to a takeover by another institution, whose concern for its shareholders would be the pursuit of short-term profits rather than long-term value maximisation. That would be a real danger.

Graham Stuart: The bank will not be able to borrow, because it is at too early a stage—it does not have the cash flow to borrow against, so it would not be able to borrow. That is one of the reasons why it either uses the £3 billion—now £3.8 billion—provided by the Government, or gets private equity investment for the long term. Borrowing is probably out of the window, because there is nothing for the bank to borrow against, apart from future cash flow, which people do not normally lend on.

Mr Wright: I disagree, because of the bank's financial track record so far. We are talking about a policy decision by the Chancellor. Throughout the bank's life to date, he has stopped the ability to borrow. He has said in the past that once overall public debt is falling as a proportion of GDP, the bank might be allowed to borrow. He seems to have changed his tune now. However, based on the bank's track record, the banks could leverage in further private sector money through borrowing as a means of strengthening its balance sheet.

I have mentioned the risk profile, which is another concern. As I said, the bank turned a profit quickly, which is welcome, but a scaled-up bank could diversify its investments, concentrating to an extent on higher-risk and innovative technologies. In many respects, what the bank has done in the first three years of its life is to invest in important and environmentally sustainable, but commercially lucrative opportunities, such as offshore wind, and in driving down costs by investing in, say, product and process innovation. In the next phase of its life, there is a real opportunity to think about the products and technologies that have not even been invented yet. A traditional market will not consider that unless a state-backed development bank both de-risks and crowds in further investment. In this field, Britain could have first-mover advantage, thanks to investments led by the Green Investment Bank. That would have positive effects for UK prosperity and employment opportunities.

In giving evidence to the Enterprise and Regulatory Reform Bill Committee in June 2012, the CBI told us something that stuck with me: that the bank could encourage

“investment into technologies that are not entirely proven yet, or that will require a little assistance to get going. The Green investment bank is part of helping private sector investment and

it could have a role in topping up investment in new technologies.”—*[Official Report, Enterprise and Regulatory Reform Public Bill Committee, 19 June 2012; c. 5, Q5.]*

I certainly agree, and we are putting that at risk with the Government's plans. The Government have talked about securing safeguards and reassurances, but they cannot provide them because by sacrificing control and repealing the bank's green purposes, they will have no input whatever. Clearly no safeguards can match legislation on the statute book.

The repeal sends out entirely the wrong message. The Minister is a decent, good man on a whole range of different matters, and I know that this is not his policy area—he has been cast into the lion's den—but when he responds to the debate, I would like him to answer this question. If he cannot provide adequate safeguards now and he cannot articulate the criteria for the safeguards that would reassure us, why do the Government expect Parliament to repeal the part of the 2013 Act that provides the green purposes?

The Government have got themselves in a real bind. They want to scale up the bank's operations, but they do not want it on the balance sheet. They have had conflicts with the Office for National Statistics, which said it was not possible to do anything and retain control without completely repealing part of the legislation.

The Government will have no direction whatever because they had to go for the nuclear option of repealing part 1 of the 2013 Act. They will therefore have no control over what the Green Investment Bank does, which leaves it entirely vulnerable to its private ownership. The strategic direction of the bank could completely alter.

Caroline Lucas: I agree with what the hon. Gentleman is saying. Does he think we could learn from some of the European public banks that do not seem to have the same squeamishness about having things off the balance sheet? Banks such as KfW in Germany leverage equity by a factor of 28 and the Portuguese national bank is leveraging by a factor of 17. They seem to have much less horror about having things off-balance sheet. We have had other things off the balance sheet—the CDC is off-balance sheet—so why is there so much horror about that in this country?

Mr Wright: I thank the hon. Lady for her remarks. I wonder whether she agrees that, in future, state-backed development banks will be part of a modern, innovative, dynamic economy. The UK is unusual in that we are the only one of the G7 countries without such a financial institution. Ensuring that the state, through a development bank, can drive forward the innovations and technologies of the future is the hallmark of a modern, successful and prosperous economy. It is madness that we are moving away from that model; we need to accelerate towards it and concentrate our efforts.

The bank has achieved so much in such a short period of time and it has the potential to achieve much more if its scale is expanded. The move the Government propose, given the bind they find themselves in, means that the privatisation is fraught with risk. It will compromise Britain's environmental credentials and any ambition we should rightly have to lead global commercial and industrial opportunities in the new, low-carbon economy.

Philip Boswell (Coatbridge, Chryston and Bellshill) (SNP) *rose*—

Mr David Crausby (in the Chair): Order. If Members wish to speak, they will need to indicate that by standing. Philip Boswell is standing, so I will call him.

2.13 pm

Philip Boswell (Coatbridge, Chryston and Bellshill) (SNP): Thank you, Mr Crausby. I also thank the previous speakers for their contributions to the important debate, which highlights the importance of providing capital in renewables. I share many of the concerns expressed by the hon. Member for Hartlepool (Mr Wright), but I will focus on more local issues pertaining to the Green Investment Bank.

The bank in its initial form represented not only a vote in confidence in Scotland, but an investment in the future of our country and its people. Scotland was chosen as the location for the Green Investment Bank for a variety of reasons, the first being that as it was to be located in Edinburgh, which has 11 universities within an hour's drive, an abundance of academic knowledge and research would be available to it.

It is worth highlighting that Scotland potentially has a wealth of green energy. The Vivid Economics report for the Department for Business, Innovation and Skills in October 2011 emphasised the need to ensure that green economic policies were implemented in practice to unlock financial capital.

The whole point of locating the Green Investment Bank in Edinburgh, and vitally in Scotland, was the need to assist a necessary change in approach to develop low-carbon energy projects. The requirement for a green investment bank is more relevant now than when it was created. The development of green energy will make the economy capable of resisting the volatility associated with commodities, which can create price instability in the energy markets. Promotion of growth for the sake of growth can lead to boom and bust, so what is clearly needed is growth that is sustainable in nature, thereby ensuring longer term economic growth. The investment made by the Green Investment Bank in Edinburgh as a financial centre, with its expertise in asset management together with the factors associated with a highly skilled workforce, is now at risk due to the privatisation agenda.

It could be argued that one of the first acts of the new UK Conservative Government was to privatise the bank. That in and of itself not only creates a degree of market flux and instability, but shows that ideology overrules all other considerations. The Green Investment Bank has been marginalised. Its privatisation runs contrary to the principles of Vince Cable's period in office at the Department for Business, Innovation and Skills.

John Mc Nally: I apologise to the House because earlier on I should have declared an interest in that a relative is associated with a company that represents the Green Investment Bank. Does my hon. Friend acknowledge that Edinburgh in particular was recognised by Vince Cable as a centre of excellence for the development of green energy? That was confirmed yesterday when the bank's chief executive said that it wishes to keep its headquarters in Edinburgh because of the quality of its staff and their commitment to the green energy programme.

Philip Boswell: I thank my hon. Friend for his intervention. I agree that it is vital not to view the bank in the abstract. Exactly as he said, its set-up was a vote of confidence in Edinburgh as a financial centre of note. In addition, it employs people from Edinburgh.

In respect of future green energy investment, the privatisation as currently outlined is a backward step that fails to recognise why the bank was set up in the first place, namely that mainstream financial institutions have not delivered green energy projects. The privatisation of the Green Investment Bank is cloaked in commercial confidentiality, as is the nature of such financial transactions. Having said that, it was confirmed to me in a ministerial answer that UBS has been advising the Green Investment Bank about the transaction. Though UBS is a highly regarded investment bank, it would be remiss not to state that it has had issues when it comes to adhering to strict financial regulations. This month alone it was fined \$17.5 million for failing to comply with Securities and Exchange Commission regulations.

As stated previously, there were particular reasons why Edinburgh was chosen as the location for the Green Investment Bank. An excellent campaign was run by the Edinburgh chamber of commerce, and the bank was established there to build on the already good work undertaken in terms of asset management and the development of a key financial hub. The UK Government must recognise that other financial centres need to grow, not just the City of London. Edinburgh is that second hub.

The future is bright for green investment. One only has to look at the trends in other European countries. Denmark has a history of investing in offshore wind farms, with two pension funds taking a 50% financial stake in them worth \$1.1 billion. This year, there has been a €2 billion investment in a Danish renewable energy fund and there is a €16 billion investment by a Dutch healthcare investment fund that aims to increase its green investments by 2019.

UK pension funds need to get active in clean energy, not just for the sake of the environment, but because investment in green energy is expected by many to provide greater returns on investment than fossil fuels. That is highlighted by the fact that there has been divestment from fossil fuels in pension funds throughout Europe. Swedish pension fund Fjärde AP-fonden—the fourth Swedish national fund—worth \$40 billion, recently completely divested from fossil fuels. Mats Andersson, its chief executive officer, recently stated:

“We did it because we want to get better returns. There's a misconception that there's a conflict between sustainability and long-term investing. We believe it's a return enhancer.”

I do not necessarily advocate that approach completely, but where financial trend analysis is going is clear. We must protect the future viability of our pension investments and our children's future.

The hon. Member for Beverley and Holderness (Graham Stuart) spoke about the Green Investment Bank delivering affordable bills. That gives me an in on fuel poverty, which is critical, because one of the bank's goals is to reduce it. The Scottish Government have designated ending fuel poverty as a clear policy objective—recent statistics have shown that 40% of households in Scotland are considered to be living in fuel poverty—but more must be done at the UK-wide level.

[Philip Boswell]

The effects of fuel poverty reach far beyond being unable to keep the heating on. According to a report by Friends of the Earth, children living in cold homes are more than twice as likely to have respiratory problems, and adolescents living in cold homes are five times more likely to have multiple mental health problems, as those living in warm homes. Fuel poverty means that household income that could otherwise be used to purchase healthy, nutritious food is used to pay energy bills. It has far-reaching consequences right down to the ground. This is not just about banking and investment or Government decisions. It affects real people on a day-to-day basis. If we do not get this right, it will have a negative impact on children's emotional wellbeing and educational attainment.

The combination of mental and physical health problems, poor diet, emotional turmoil and diminished educational attainment caused by fuel poverty is a recipe for condemning people to the cycle of poverty—in essence, they are poor and paying for it. Forty per cent of households in Scotland face the consequence of fuel poverty every winter. Tackling fuel poverty must therefore be a key factor in any consideration of the growth potential of the Scottish energy industry. Ending fuel poverty goes hand in hand with using fossil fuels more efficiently and moving towards enhanced use of renewable energy.

Scotland has one tenth of Europe's wave potential and a quarter of its offshore wind and tidal potential. In 2010 the eventual income of direct sales from the North sea's electricity potential was valued at £14 billion, but if that potential is to be reached, there must be investment. The Green Investment Bank was a leap forward for investing in the future prospects not only of the renewables sector but of the people of this country, as that necessary investment was not being made by the private sector.

Caroline Lucas: The hon. Gentleman is making a strong case. Does he agree that there is a real irony that at the same time as we are talking about privatising the Green Investment Bank, many other countries are looking at it as a wonderful model to go forward with? China is particularly interested in following exactly our model. If the UK wants to remain a centre of green finance, it absolutely has to keep this kind of model.

Philip Boswell: The hon. Lady is absolutely right. If it's not broke, why are we fixing it?

Moreover, privatising the Green Investment Bank will put future investment in the vital emerging renewables market in jeopardy. The privatisation is one in a long and growing line of actions taken by the Government which hinder renewable growth and investment. That is not the future that most people in these islands want for themselves and for their children.

2.22 pm

George Kerevan (East Lothian) (SNP): Thank you, Mr Crausby, for giving me the novel opportunity of winding up from the Front Bench. I will try to add a little to the debate briefly.

The hon. Member for Beverley and Holderness (Graham Stuart) is to be thanked for securing this debate and for providing such a rounded and nuanced case—one that

all of us here can agree with—that we might as well have stopped there and asked him to go and talk to the Cabinet. The substance of the debate, both today and in the Environmental Audit Committee the other day, is that everyone is convinced that the Green Investment Bank works. No one has come up with even a modest complaint about what it has done. Hon. Members on both sides of the House agree that it works and it has been there for only three years, so, in the standard form, if it ain't broke, why try to fix it? If we move to a quick privatisation, I worry that we will in fact destabilise the existing operation, which is in its infancy. It will divert management time—time that is scarce—and expertise to selling the company, reorganising its culture and dealing with new owners, who are likely to be institutions rather than a widespread number of investors, at precisely the wrong moment.

The hon. Gentleman put well the point that the chances of the bank's being able to borrow substantial amounts of money—possibly in the billions—to provide for further investment are very limited at this stage. I agree. It will be some years before the bank will be in the position to lever in the kind of money that the Treasury and the Government have been talking about. Selling it now is therefore premature even on the basis of what the Government think the bank will be able to achieve once privatised. The privatisation makes no sense unless the Government have an alternative agenda. I think they do. It is clear that the Government are trying to sell off as much of what remains of the household silver as possible to find capital to pay down the overall level of debt.

David Mowat: The hon. Gentleman makes two very good points: that if it ain't broke, we should not fix it, and that the privatisation could cost management time. However, the bank's management requires and has asked for more capital; that is presumably why both the chief executive and the chairman, who I guess must be part of the success of the past three years, seem quite keen to bring more capital in through this route.

George Kerevan: Having spoken to the chief executive I totally concur. The bank wants the facility to borrow more money. After all, for it to be a bank rather than a fund it will need to be able to think strategically and have funds in place; as we all know, it takes a long while to broker and deliver infrastructure projects. The projects delivered to date have been small scale, so if it wants to step up a quantum it will need large amounts of money in the pipeline. But that is covered in the existing legislation, under which it is allowed to borrow.

The worry on the Treasury's part, one that I am happy to accommodate, is that if the bank borrows more money, that money will be counted by the various statistical agencies as part of overall debt. But that possibility is absolutely notional. The City is not worried—it supported the creation of the Green Investment Bank and has been backing it; indeed, it would not lend money in the medium term unless it was convinced that the GIB was a sound proposition as a bank. The impact of any loan on public debt will therefore be notional.

The Government—in particular the Treasury, which is driving this agenda—are trying to sell off available assets. Others, such as Channel 4, are in the pipeline. They are doing so to find capital to prove that they can

begin to reduce the overall level of debt, which they have not managed to do so far. One accepts that that is the Government's agenda, but in this case it would mean sacrificing something that the Government themselves have worked to bring about and that is successful. It would be a cheap sacrifice for a minimal impact on the overall debt.

Graham Stuart: We may or may not hear from the Minister today about whether there has been an evolution in Government thinking. I am a fiscal hawk and believe in balancing the books. Paying down the debt is a reasonable thing to do with a successful organisation. But when the Government set off on all this, they did not realise they would have to repeal the very statutes that give the bank its focus. There could therefore be a case for saying, "Let's look at this again. We respect your need to raise money from assets, but maybe we might like to make sure we are not going to lose out here." It would be a shame to cut off our nose to spite our face.

George Kerevan: The hon. Gentleman could not have made the case better. He has more chance of convincing the Chancellor than I have, so I am glad that, even if we achieve nothing else today, we have at least given him a public facility to make that point.

Caroline Lucas: Does the hon. Gentleman agree that another way in which we are cutting off our nose to spite our face is that balancing the books is precisely what happens with investment? They are not two alternative opposing options, as it is precisely through investing that we will get the finances back to help us balance the books.

George Kerevan: I am hesitant to stray too far, as I am sure you would stop us having a general debate about capital borrowing, Mr Crausby. I agree in general with the hon. Lady that in essence, there is a strong distinction between capital borrowing, which produces an asset and a rate of return, and borrowing to fund revenue. I assure the Government that the Scottish National party is more than committed to reducing the deficit on the revenue account, but we think that borrowing on the capital account is a positive, because it creates rates of return that the Government and Treasury will benefit from in the longer term. That is why this particular privatisation is a step too far.

There is a contradiction here, however. On Monday, I will sit on the First Delegated Legislation Committee, and we will discuss putting public money from the Treasury into the creation of a new investment bank—strange? We are capitalising the Asian Infrastructure Investment Bank to the tune of £2 billion. If we approve the order on Monday, the paid-in capital will be added to the UK's overall public debt, so what we are about to do is try to privatise an effective investment vehicle in the UK that has been very successful in raising productivity in particular sectors—the Government's prayer—and claim we are doing that to pay down overall debt. On Monday, however, we are about to put money into the Asian Infrastructure Investment Bank that will go on to our national debt.

Where is the Asian Infrastructure Investment Bank going to invest? It says it on the tin: Asia. It is a Chinese vehicle to invest in the new silk road, to invest in infrastructure developments right across Asia and to

move Chinese goods into Europe. I am perfectly happy with that as a project, but if I were to choose where to put UK public money, the Green Investment Bank might come first. When the hon. Member for Beverley and Holderness has discussions with Ministers, as I hope he will, he might ask them what overall gain we have achieved by selling off the Green Investment Bank, only to add back into the national debt by providing public paid-in capital to the Asian Infrastructure Investment Bank.

John Mc Nally: In Scotland we are developing a clean and green image. We are working well with the Scottish Futures Trust. We are developing infrastructure projects with schools and hospitals, and developing charging points in all those places. Does my hon. Friend think that work could be placed in jeopardy?

George Kerevan: Indeed. The success of the Green Investment Bank has been in creating partnerships and a model of development. We are going to lose that. It is certainly the case—hon. Members on both sides of the House have alluded to this—that the strength of the Green Investment Bank is its staff and the expertise they have built up. Is that safe in the private sector? If a major investment fund in the private sector is looking for staff with the expertise to fund its expansion and its next level of activity, it goes and buys the staff. It can buy them individually, but that is usually more difficult when it comes to investment projects, because investment staff work as teams, rely on one another and build up collective experience. So the investment fund goes and buys the bank or the bit of the bank it needs to move over to its infrastructure development. My worry is that once we take away the public involvement, no matter how experienced and successful the team that runs the Green Investment Bank is, it will simply be snaffled by someone else. That is why we have to, at least in the interim, let the model develop as it is.

I come back to the BIS Committee the other day. The Green Investment Bank was essentially set up to meet a degree of recognised market failure. If that market failure has not been cured in some generic sense, taking the Green Investment Bank out of public ownership, control and involvement means that we go back to where the market failure was. What was the market failure? I want to add a little to what the hon. Member for Beverley and Holderness said. Infrastructure projects and energy projects are, in the main, highly expensive capital projects.

Dr Lisa Cameron (East Kilbride, Strathaven and Lesmahagow) (SNP): Given what my hon. Friend just said, does he share my concerns about the possible impact of this Government move on our ability to meet the sustainable development goals on climate change, which are universal and apply to the United Kingdom?

George Kerevan: I absolutely agree. Underlining the achievement of the climate change targets is a vast capital investment in major renewable energy projects. To date, the Green Investment Bank has invested in essentially small pilot projects, but the scale of overall investment needed to meet the climate change objectives is huge.

That brings us to the issue of how we fund major infrastructural investment. Single banks and single funds will not undertake all the risk, so most major investment

[George Kerevan]

projects are undertaken by a consortia of capital groups. They do not trust one another. It takes a long while to broker such consortia. That is the fundamental weakness in the market, and it has been exacerbated since 2008, when we had significant bank failure. That has made banks or funds worry about whether they will get their money back—they know what they are doing, but will the other partner really be in a strong position five years down the line?

If we want infrastructure development, energy development and capital investment, we need consortia. We need an honest broker to put the consortia together. That is where the market fails, and that is why many countries have put together some public body that is trusted by everybody, has seen the books and does not provide a full commercial guarantee if there is failure but takes an element of the risk. That is what brings everybody else to the table.

It is not a question of us wanting the Green Investment Bank to be a public body, risking public money. We want it to essentially be an honest broker. That has proven brilliantly successful in the past three years. What we are about to do is what fundamentally destroys the model of the Green Investment Bank: if we weaken the public guarantee behind it and the public involvement in it, it ceases to be an honest broker. It just becomes another player in a crowded field and eventually, because of its small size, it will be snaffled up by some hedge fund and that will be it. The team will go off to do something else.

Graham Stuart: That was a rather brilliant exposition of the issue. What the honest broker role is and why it is often some minority investor bringing in all this cash is quite a subtle point. On the subject of market failure, the other aspect is that this particular market, of course, relies on subsidy. It relies on trust of Government, and there is not a lot of that either. People who do not trust one another and who do not trust the Government are therefore given a little bit of solace when they see going into a project Government money that, just like their money, relies on the Government honouring their pledges to pay the subsidy over the period and to not change the rules or lift the carpet out. That is another element that could have more of a knock-on effect than is immediately obvious.

George Kerevan: The hon. Gentleman adds immeasurably to my contribution. Trust is a limited commodity, but in a sense, it is about how we add incrementally to get everybody around the table. The chief executive at the Green Investment Bank proved something fundamental by his ability to get people round the table. We are threatening to lose that.

Ultimately, the Government are arguing that we could still protect things by having the articles of association. I look around the room and see many people—my hon. Friend the Member for Coatbridge, Chryston and Bellshill (Philip Boswell), for example—who have worked in major companies in this area. I, on a much smaller scale, have been involved in creating a couple of dozen companies over the past 30 years. Articles of association are meant not to tie a company down. They give a company a general direction, but a coach and horses could be driven through most articles of association I have seen. We cannot rely on that.

We need to keep the primary legislation intact, at least for a period. I would be happy if the Government came back and said, “Give us three or five years, then we will come back and revisit it,” but if they move now and change the primary legislation, the Green Investment Bank as we know it will disappear—maybe not next week and maybe not three years down the line, but within 10 years. This may be of more local interest to SNP Members, but, as one of the people who initiated the campaign to get the Green Investment Bank to Edinburgh, if we remove the legal protection, the headquarters will become a nameplate in Edinburgh and, significantly down the line, it will cease to be in Edinburgh. Indeed, if the Asian Infrastructure Investment Bank is successful, the Green Investment Bank may end up in Hong Kong or Shanghai.

I come to my final point. We might look at the model of how the Treasury is approaching its investment in the Asian Infrastructure Investment Bank if the Treasury wants an out when it comes to dealing with the Green Investment Bank. The British contribution to the funding of the Asian bank is about 3% of the overall capitalisation. The Treasury proposes to put some paid-in capital to the Asian bank and provide the rest as a capital guarantee, which of course is a contingent liability but does not lead to immediate borrowing. The Treasury is desperately trying to promise that we will never have to have that contingency—ever—because the Asian bank will be so successful.

It seems to me that if the Green Investment Bank needs more capital in the next two to five years, a guarantee could be given from the Treasury of that capital. It would be a contingent liability, but that would not impinge on the real level of debt. The Government could look at funding models, if they wanted to keep the present green model, without that impinging on overall debt. I urge the hon. Member for Beverley and Holderness to go back and see whether he can persuade the Treasury to discuss some of those models and bring in some of the people it sent off to help set up the AIIB to see whether there might be a crossover. And with that, I will sit down.

2.40 pm

Kevin Brennan (Cardiff West) (Lab): It has been an extremely high-quality debate and I will attempt, in my half of the one hour and 50 minutes that we have left, to do justice in responding on behalf of Her Majesty's official Opposition.

I congratulate the hon. Member for Beverley and Holderness (Graham Stuart) both on leading the campaign to secure this extremely important and timely debate and on his excellent speech. The Chair of the Business, Innovation and Skills Committee, my hon. Friend the Member for Hartlepool (Mr Wright), also said that it was an excellent speech, and it set up our debate today well. The hon. Member for Beverley and Holderness outlined examples of Green Investment Bank investments extremely well, including some in his own locality. Early on he put his finger on the key issue of the future of the green focus of the bank after privatisation.

The hon. Gentleman said that he thought the Green Investment Bank was vital to the UK's industrial strategy—he obviously did not get the memo from the Department for Business, Innovation and Skills that the

term “industrial strategy” is not to be used any more, but nevertheless he happens to be absolutely right. The bank is vital and we do need an industrial strategy that includes a focus on green investment and renewables as an absolutely essential part of the economic future of this country.

As I listened to the hon. Gentleman’s contribution, I became ever more convinced, as someone new to this brief who did not sit on the relevant Bill Committee or anything of that kind, that the proposal, as it stands, is not oven-ready. Whatever the Minister has to say at the end, I think that Ministers will have to go back and look at the issue in some detail. I know that discussions are going on in another place, but it seems to me that this is far from an oven-ready proposal.

We also heard a contribution from the Chair of the Select Committee on Business, Innovation and Skills, my hon. Friend the Member for Hartlepool, who, as ever, was extremely assured and knowledgeable. He spoke very well about the role of state development banks more broadly and internationally, and how important they are. He said that, in a way, the UK is an outlier among G7 countries in not having such an institution and that we should not lightly put the Green Investment Bank into jeopardy, given the role that it can play in helping to develop that sort of approach in the UK.

We also heard a contribution from the hon. Member for Coatbridge, Chryston and Bellshill (Philip Boswell)—that constituency name has changed since the last Parliament, so excuse me if I did not get it quite right. His contribution was also very effective; he told us about the local impact of the Green Investment Bank, particularly in Scotland. He took an intervention from the hon. Member for Brighton, Pavilion (Caroline Lucas) about China; it crossed our mind over here at the time that China could well end up owning the Green Investment Bank in quite a short space of time, given the way things are going. We should perhaps cogitate for a while on that prospect.

Finally, the hon. Member for East Lothian (George Kerevan), again, made a very effective contribution to our debate, raising a lot of new and interesting points in addition to the ones that had already been made. He was intervened on by the hon. Member for Warrington South (David Mowat) in relation to the position of the Green Investment Bank’s CEO, Shaun Kingsbury. Yesterday, when Mr Kingsbury gave evidence to the Environmental Audit Committee, he made it absolutely clear that he would have liked a statutory lock to remain with regard to the focus and purpose of the Green Investment Bank. He also said, unless I am mistaken, that he remained agnostic about exactly what sort of stake the Government should have in the bank, rather than being a wholesale cheerleader for privatisation. He accepted that that might be the right route for the future of the bank, but unless I misheard him he said he was ultimately agnostic about the level of skin in the game, as it were, that the Government should have in relation to the bank.

The hon. Member for East Lothian also pointed out very effectively that the Treasury was all too ready to allow UK borrowing to be part of the financing of the Asian Infrastructure Investment Bank, yet seemed extremely reluctant to allow the same for our own Green Investment Bank. If the bank is a flagship, innovative policy of the last Government, which I think it is, actually—it was

initially conceived even before that, during the previous Government—it will be a terrible shame if the Government are not willing to do for our own Green Investment Bank what they have done for the Asian Infrastructure Investment Bank.

I thought that the hon. Gentleman very effectively described the way in which market failure could be countered by the presence of a Green Investment Bank with an honest broker role—not just like any other bank in the business. He also put a fairly effective bomb under the argument about the articles of association being the protection that could replace the statutory protection that the Government intend to remove. He also made a very interesting alternative funding proposal.

We have covered quite a lot of ground, very effectively, during the course of this debate. I hope that the Minister has the opportunity to respond to some of those points in his contribution, although he may not have enough time to respond to them all; if necessary, I hope that he will take back to the Department what hon. Members have said during the debate.

Ruth Cadbury (Brentford and Isleworth) (Lab): Does my hon. Friend agree that the Government’s proposals on the Green Investment Bank seem to go against not only business policy, but areas that I and many of my constituents are passionate about, such as air quality and, as other hon. Members have mentioned, the carbon economy?

I cannot compete with the business and investment knowledge of Members here today, but I feel, as somebody with a local government background and an understanding of the effective use of limited public funds, that there surely is a case for the use of public money to invest in additional growth and additional jobs. Job creation is also a very important role. Does my hon. Friend not also agree that the problems relating to fuel poverty would also benefit from the long-term support of the Green Investment Bank?

Kevin Brennan: Yes, I agree. I am tempted to quote Kermit the Frog, who said, “It’s not easy bein’ green.” It is not easy, actually—why make it more difficult? That is the problem with the proposal. Everything that my hon. Friend said is absolutely right. There is nothing currently in the proposal that will make any of those things any easier. That is why all of us, in all parts of the House, are asking the Minister to go away and think again about the current proposal with his colleagues.

I do not intend to rehearse, once again, everything that people have said about the success so far of the Green Investment Bank. I remember it as a very embryonic idea when I was in Government, all those many years ago now. It was certainly mentioned by Alistair Darling in one of his Budgets and it was kicking around the Cabinet Office and BIS when I was a Minister in both those Departments during the previous Government. I was very pleased when the coalition Government brought forward proposals, the Bill was passed and the bank was set up and am also pleased about what a good start it has had—how well it has got under way. There have been criticisms about the straitjacket that the Treasury may have put on the Green Investment Bank. Nevertheless, it has genuinely been able to participate in the financing of projects that otherwise would not have taken place and which make a real contribution, as the hon. Member for

[Kevin Brennan]

Beverley and Holderness said at the outset, to meeting our commitments under the Climate Change Act. Essentially, it is a good story.

Graham Stuart: It is touching to see the hon. Gentleman paying such tribute to this creation of a Conservative-led, now Conservative, Government, especially because at the end of Labour's period in power, when he was a Minister, only Luxembourg and Malta had a lower share of renewables as part of their energy mix. I am delighted to say that whatever questions need to be asked about the Green Investment Bank, the record of this Government is a paragon compared with the abject failure of so many years of Labour, sadly.

Kevin Brennan: I have known the hon. Gentleman for a long time. All I will say is that he has let himself down slightly by injecting a slight note of partisanship into our proceedings; I knew it would inevitably come. Given the sort of person I am, of course, I would never respond to anything of that kind.

David Mowat: Without wanting to take this too much further, I should say that I do not think it was Luxembourg and Malta; I think it was Cyprus and Malta. Perhaps we could clarify that.

Mr David Crausby (in the Chair): You were doing so well.

Kevin Brennan: We were indeed, Mr Crausby. All I will say is this. The notion that, had the Conservatives carried on in power after 1997 we would have had a much greener Government than the Labour one, who passed the Climate Change Act 2008, is one that I find slightly difficult to believe. Anyway, without labouring the point too far, I was saying that in my view—

Graham Stuart: We have time. Will the hon. Gentleman give way again?

Kevin Brennan: I will give way one last time on that point.

Graham Stuart: The hon. Gentleman is extremely generous. A little partisanship does not go amiss. It is important to have the perspective that the current Prime Minister, then Leader of the Opposition, was the first major party leader to call for a climate change Act. That same day, the Liberal Democrats followed, and it was only because it felt that it was going to be left behind that Labour joined in. It was thanks to the current Prime Minister that we got the Act, and it is within that framework going forward that we can have confidence that we can meet these challenges. That is why it is so important that Ministers get their policies right.

Caroline Lucas *rose*—

Kevin Brennan: Convention requires me to respond to the intervention from the hon. Member for Beverley and Holderness before I take one from the hon. Member for Brighton, Pavilion. All I will say is that there are very few people who take seriously that slogan of “the greenest Government ever”, not least given the recent retreats away from any kind of renewable investment and the turmoil that that is causing in renewable investment markets.

Caroline Lucas: I am sorry that we are descending into partisanship, but as we are kind of there, I just point out that under this Government the amount of investment going into the green economy has dropped massively. We are now, in many league tables, out of it completely; we used to be in the top 10. Government Members need to take seriously the signals that they are giving to international investors. The signal that they are giving is that the UK is not a good place to put investment into green areas, and that is deeply worrying for economic as well as environmental reasons.

Kevin Brennan: That is right. We have all read the reports about the confusion of the international community ahead of the Paris conference as to what the position of the UK is now, having been at the forefront, for more than a decade—under both the coalition Government and the previous Labour Government—of pressing forward on renewables.

David Mowat: On that point, will the hon. Gentleman give way?

Kevin Brennan: I will.

Graham Stuart: It's all my fault.

David Mowat: It is indeed the fault of my hon. Friend; we can all agree on that at least.

We have the Climate Change Act—no other country in the world has come up with an Act that has also required an 80% reduction. It is also true that the level of carbon emissions in this country is lower than the EU average and one third lower than in Germany. We should be pleased about where we have made progress.

Kevin Brennan: If it was the fault of the hon. Member for Beverley and Holderness that we descended into partisanship, credit should go to the hon. Member for Warrington South for raising the tone once again, bringing us back on topic and pointing out that it is important that the UK shows leadership in this area. Perhaps we can all agree on that, even if we do not agree on the extent to which that is currently being displayed by the Conservative Government.

As I said, this has essentially been a very successful innovation. One problem—we have had differences of opinion about this during the debate—has been the restrictions placed on the Green Investment Bank in relation to borrowing. Obviously, the Treasury does not want that to appear on the books, because of the targets that it has set in relation to deficit reduction. However, we have come to a strange pass when even something that we could all agree would be a good thing, even good borrowing, is bad if it is on the Government books, simply because it is on the Government books. Hon. Members touched on this during their contributions. Sometimes in this country we seem to be the prisoners of public accountancy convention, rather than common sense, in relation to when borrowing is a good and effective thing to do—when it is to invest to grow our economy in the future in a sustainable way.

Clive Lewis (Norwich South) (Lab): I want to touch on my hon. Friend's point about good investment. What we need to look at is this. Over the last three or four years—since 2012, I think—one third of all the

growth in the UK, during very difficult years when we were sometimes in recession, came from the green economy. It accounted for about 1 million jobs in the low-carbon sector, worth £128 billion. It is now very disappointing—in fact, tragic—that the Government seek to undermine one of the key drivers of that sector, as we have heard today from so many hon. Members.

My last point is that if we were able to tap into one third of our country's potential in respect of wind, wave and tidal power, we could create another 145,000 high-quality jobs. When we look at those figures and at how the Green Investment Bank has performed so far, we see that we have to protect it.

Kevin Brennan: My hon. Friend will not be surprised to learn that I agree with that point. In relation to wave power, we are all very interested to see how the Swansea lagoon project proceeds. That is a very interesting development in the sustainable generation of energy; if it is a success, it could lead to even larger projects, particularly in the part of south Wales that I represent.

Mr Iain Wright: I agree with everything that my hon. Friend the Member for Norwich South (Clive Lewis) said. My hon. Friend the Member for Cardiff West (Kevin Brennan) is relatively new to his post. Could I urge him to read the CBI's "The colour of growth" report? It says that we have a £130 billion share of a global low-carbon marketplace that is worth about £4 trillion. That will rise hugely in terms of the opportunities around the world, but we are slipping down the ranks. We cannot abdicate our leadership on this issue, because our prosperity as well as our environment will suffer. Will my hon. Friend have a look at that report?

Kevin Brennan: I most certainly will. I am sure that my hon. Friend will lend me his copy so that I can do that as soon as possible. I look forward to receiving it shortly in the post or perhaps by a more green method: he can hand it to me personally.

It is a myth that privatisation is necessary and is the only way the Green Investment Bank could go out and borrow in the marketplace. That could be done, as I understand it, under the current legislation in any case, but because of that financial orthodoxy and the desire, which I understand, for the Government to be able to say what they want to say about their deficit targets, they are extremely reluctant to allow the Green Investment Bank to do it.

As the hon. Member for East Lothian said, in a sense this is a notional concept; it is the sort of debt on the books that really is not of great concern to the City or to the markets. It is part of the obsession of the boffins at the Office for National Statistics that where the Government, in any minor way, have an influence over what an institution such as the Green Investment Bank does, by setting out to limit the types of investment that it makes in any way shape or form, it has to be counted as being in the public sector for the purposes of Government debt.

[MR ANDREW PERCY *in the Chair*]

It is an incredibly esoteric and technical reason for requiring the Green Investment Bank to be privatised even though there is clear evidence of real problems with that process, as we have seen from today's debate.

The decision to privatise the Green Investment Bank was announced in June. Was it a premature decision? I believe a lot of people thought it was. Many commentators expressed concern at the time. The Government were able at the time at least to give the assurance made by the Secretary of State for Business, Innovation and Skills in his written statement on 25 June, in which he said that he was going to privatise the bank:

"This should bring a number of important benefits, giving GIB greater freedom to operate across a wider range of green sectors in accordance with its green purposes, which are enshrined in legislation."—[*Official Report*, 25 June 2015; Vol. 597, c. 27WS.]

A key part of the Secretary of State's announcement, emphasised in that written statement, was the fact that the green purposes of the Green Investment Bank were protected by the legislation in which its duty to pursue them was enshrined. Obviously, something has gone horribly wrong in the meantime.

The advice from the Office for National Statistics that I referred to earlier has led the Government to say that they intend to repeal the very legislative protection that they prayed in aid when deciding to privatise the bank on 25 June. By October, they had to say, "Do you know what? That is not so important after all. It doesn't really matter if we repeal all that to make sure that the Green Investment Bank doesn't appear on the books." That requires a great deal of thought, scrutiny and debate. I thank the hon. Member for Beverley and Holderness for pointing that out—and, indeed, for ensuring that we are having this debate.

I do not think it is unfair to say that so far, the Government have no answer to the question of how we can ensure that the Green Investment Bank maintains its green purposes. The letter from the Secretary of State for Business, Innovation and Skills of 15 October, in which he announced his intention to repeal the relevant measures in the Enterprise and Regulatory Reform Act 2013, offers no assurance that those green purposes will definitely be maintained. The Secretary of State does say:

"We want to ensure GIB's green principles continue to underpin its business in future and this will form an important part of our discussions with potential investors."

That is all very well, and I am sure that potential investors will come along and happily assent to the green purposes of the Green Investment Bank prior to privatisation. That is not the question, however; the question is what happens after privatisation. At that point, when the bank is either fully or partly in the private sector—we do not know the full details of the Government's proposals for privatisation—how are we to ensure that it maintains its green purposes and does not, as other hon. Members have suggested, simply become yet another bank, albeit a very small bank that can easily be, and is likely to be, gobbled up by somebody else?

Although the Secretary of State says in the letter that the Government want to ensure that the green principles will be maintained, he cannot ensure that they will be. The Government can only entreat; they cannot ensure. We need to hear more about how Ministers will pursue this proposal, and how they will ensure that the green purposes remain if the current proposal is implemented. There has been no answer yet from the Secretary of State or Ministers.

[Kevin Brennan]

I referred earlier to a written question from the hon. Member for Brighton, Pavilion to the Minister for Small Business, Industry and Enterprise, the right hon. Member for Broxtowe (Anna Soubry). In response, the Minister repeated that the Government want a privately owned Green Investment Bank to continue the focus on green sectors, but she did not explain in any way, shape or form how the Government can ensure that it does. We need to know more about that, and I would be interested to hear more from the Minister when he responds to the debate. That absolutely central question has to be answered if we are to have any confidence in what is happening. Otherwise, the situation would seem to be a bit of an unholy mess, and we need to know how the Government will unravel it.

I will ask a few other questions, because there will be a reasonable amount of time for the Minister to respond when I have finished my remarks. Will he admit that he cannot guarantee that privatisation will not dilute the green purposes of the Green Investment Bank? Is the Government's policy simply: "Fingers crossed"? Have the Government discussed or considered the possibility of some form of penalty for the privatised company should it depart from the green purposes currently enshrined in legislation when the legislative guarantees are removed? Can he confirm that the legislative lock on the green purpose is being repealed purely in order to get the Green Investment Bank off the books? Is that the only reason for removing that lock? Can he tell us a bit more about the stake that the Government expect to retain in the Green Investment Bank following privatisation? Some clarity on that would be greatly welcomed by the House and the country.

What about the £1.8 billion that the Government have set aside to fund the Green Investment Bank and its projects, which is yet to be committed? Do the Government intend that £1.8 billion to be committed to green projects as originally intended, or do they intend that money to be taken back into the Treasury during privatisation? If the latter, what will the Treasury do with that money? Will it simply be set aside against the deficit, or will it be used instead for other green projects and priorities? We need some clarity on that, because some of the claims made about the Green Investment Bank will ring pretty hollow if that £1.8 billion is not devoted to the purposes for which it was intended.

Can the Minister give us a ballpark figure for how much the Government expect to raise through the privatisation of the Green Investment Bank? I do not expect him to be precise, because it is impossible to be precise about that, but can he give us some idea of the parameters that we are talking about? How do the Government intend to avoid the sorts of criticisms that they encountered about the lack of value achieved for taxpayers in the privatisation of Royal Mail? I will not put it any more strongly than that, because we have raised the tone of the debate again since the partisan interventions of the hon. Member for Beverley and Holderness; I do not want to lower the tone again or tempt the hon. Gentleman out of his slumber. [Interruption.] He is not asleep; I apologise.

Graham Stuart: It is contentment.

Kevin Brennan: I do not want to tempt the hon. Gentleman out of his contentment. What advice were Ministers given when the guarantee was first enshrined

in legislation? Was there any suggestion at that time that putting the green purpose in legislation might jeopardise any future privatisation? Is it possible that when the bank is privatised and its purposes are widened, its funds might be used to invest in things such as fracking?

John Mc Nally: The hon. Gentleman raises an issue that has been raised since SNP Members first arrived in the House from Scotland. We are extremely concerned about fracking in our areas, and I am sure others here are on the same wavelength. Everything my colleagues and I have seen since we arrived has been driving towards making fracking this country's main source of energy. The fact that some of the subsidies under the renewables obligation will end a year early only goes to show that we were right in our thinking. Does the hon. Gentleman agree?

Kevin Brennan: That is a legitimate concern to raise. At a reception the other evening, I heard a BIS Minister describe fracking as a sustainable form of energy. If it is sustainable, a privatised Green Investment Bank could presumably invest in it. We need to hear whether Ministers think that that is possible.

George Kerevan: The hon. Gentleman may remember that the one form of energy the bank was specifically banned from investing in under EU state aid rules was nuclear. Once the bank goes into the private sector, that will no longer apply, and it will be open to the bank to invest in, say, the Hinkley Point C project, which the Government have heavily subsidised with huge amounts of taxpayers' money 30 years in advance simply to lever in investment.

Kevin Brennan: The hon. Gentleman is right: that was the ruling in relation to state aid. For what it is worth, I find it difficult to see how we could meet our obligations in coming decades without some investment in nuclear. The hon. Gentleman and I may not agree on that— [Interruption.] The expression on the face of the hon. Member for Brighton, Pavilion tells me that she does not agree with me either, and I am not surprised by that. However, that is my view, and it is shared by quite a lot of people with strong green credentials. None the less, the hon. Gentleman is right to point this issue out, because it is absolutely an implication of privatisation.

Is the Minister concerned that these things will provide further uncertainty for low-carbon investors, at a time when there is great concern about the Government's retreat on investment in wind power, for example? Do they send the right message to our international partners, on the cusp of the Paris summit, about the importance of renewables?

Clive Lewis: My hon. Friend talked about sending the wrong signals. There is a growing global divestment movement, which is moving funds and investments away from high-carbon fuels and into low-carbon fuels. In my constituency, I have Aviva, one of the largest insurance companies in the world. It is very concerned about the effect of climate change on its business models, and one of its clear goals is to divest its funds from high-carbon investments. We have heard about the Green Investment Bank perhaps changing its shape and becoming, in effect, another privatised bank. The Environment Agency, which has a £2.9 billion pension fund, has recently been looking to invest £450 million in low-carbon

energy, but it has now said that that will be very difficult without a Green Investment Bank. Will my hon. Friend comment on that?

Kevin Brennan: Again, my hon. Friend makes an important and appropriate intervention—I can see why he has taken on a shadow Front-Bench role in a similar area, given his level of knowledge. It is a shame that the fact that he is not on the Front Bench for this debate precludes him from making a speech, which would have added greatly to our proceedings. There are a great many speeches that might have been made here in the last hour or so, although we have heard snippets of them in the form of interventions. I do agree with my hon. Friend.

The hon. Member for Beverley and Holderness asked about using the European fund for strategic investments, and I just want to remind the Minister—he is getting a barrage of questions, but he has plenty of time to answer them—that that question was asked.

Are the principles, being used by the ONS, that are causing the Government such a problem and dilemma, used in other European jurisdictions? We have had evidence in today's debate that that is perhaps not the case. Are we, therefore, allowing an accounting convention to undermine a key green policy initiative?

Have the Government considered structures other than privatisation for the Green Investment Bank? There have been suggestions that other legal structures might get round some of the issues the Government face.

The key question is, why are the Government in such a rush, given all the problems that have been identified in the debate? We know one of the reasons: they want to get the bank off the books—that is part of their deficit-reduction strategy. They are keen to do that as quickly as possible, and we know that significant cuts are coming in the autumn statement. However, it really would be a big mistake and an act of vandalism to rush things just for that reason and to get them wrong, with the Green Investment Bank ending up just like any other bank and perhaps being gobbled up by some Chinese bank. Would it not be better to pause, step back and get this right so that that does not happen? We have learned over many years that making policy in haste is not wise. It is certainly not wise to privatise in haste, because we repent at our leisure. That is not a sustainable way to make policy.

3.16 pm

The Parliamentary Under-Secretary of State for Business, Innovation and Skills (George Freeman): It is a great pleasure to serve under your chairmanship, Mr Percy. We started the debate under Mr Crausby, and I nearly addressed you as him. It is a genuine pleasure to respond to the debate. We have had a gem of a debate; as other hon. Members have observed, we have covered a huge amount of ground, and I think we have covered all the main issues.

The hon. Member for Cardiff West (Kevin Brennan) rattled off a veritable machine-gun volley of questions. A bit like the football results, the answers are coming out of my teleprinter as I begin my speech, and I am confident that, by the end, I will have the detail to deal with all the questions that have been asked.

I thank my hon. Friend the Member for Beverley and Holderness (Graham Stuart) for raising this issue, which he has done with the support of hon. Members from all parties. I also congratulate him on his tenacity. He recently met my right hon. Friend the Secretary of State, along with E3G and the Aldersgate Group. He was also a distinguished member of the Committee that considered the draft Climate Change Bill back in summer 2007, and he served with great distinction for four years on the Environmental Audit Committee. He is not a Johnny-come-lately on this subject, but somebody who has been interested in it for some time.

Despite one or two of the comments made earlier, I am not filling in for anybody. I am here as a Minister at the Department for Business, Innovation and Skills, and I have a long interest in green energy. I served at the Department of Energy and Climate Change as a Parliamentary Private Secretary. In a 15-year career in investment in technology companies, I saw that this country and its economy have great strength in clean tech and green tech. As a Minister with responsibilities for science, technology and innovation at BIS, I know the Department wants to do everything it can to unlock UK leadership in the clean-tech sector. Energy costs are a major issue for UK business, and making sure we have a clean, green, lean, resilient economy for the 21st century is of strategic national interest for the Department. It is therefore a pleasure to respond to the debate on behalf of the Department's ministerial team.

Unusually, we have the luxury of time this afternoon, although you will be pleased to know, Mr Percy, that I do not intend to exceed my great-great-great-uncle Gladstone's record of speaking for more than three and a half hours in the House. However, I do have the chance to set out the full context and to deal with all the questions that have been raised. If I fail, perhaps I can write to hon. Members to pick up any points I have missed.

I am struck by the degree of common interest among all parties in the House. Everyone present wants the Green Investment Bank to flourish and celebrates the success it has had. We start from a good place; we all want the same thing—a green investment bank that brings about growth in the sector and its activity, taking on UK leadership in that space. I congratulate and thank the chairman, chief executive and staff of the Green Investment Bank for their work. They have taken the initiative and made a great success of it. It is a tribute to them that we are engaged in a conversation about options for what we can do with the institution. We should not overlook that.

Since its establishment in 2012, the Green Investment Bank has committed more than £2 billion to 55 green projects and seven funds, and has pulled in £6 billion of additional private investment. It invests on fully commercial terms, achieving strong returns without the need for soft loans or grants. It does so because it can draw on its specialist expertise to assess commercial risks properly and to identify sound investment opportunities that can provide good commercial returns. That is how it has been able to attract new sources of finance into green sectors for the first time—by demonstrating to the wider market that investing in green can be profitable and is not the preserve only of Government subsidy. Achieving that demonstration effect and attracting new sources of private capital into green sectors are crucial

[George Freeman]

since Government funding alone will not achieve the transition to a clean, green and resilient economy that we all want.

An example of the bank's success is the important role it played in securing a £500 million financing deal for the Westernmost Rough offshore wind farm off the coast of Yorkshire. That is a new offshore wind project in the early construction phase that involves the first use in the UK of new larger and more efficient turbines. It represents a step forward for that important sector. The deal demonstrates what the Green Investment Bank does well—attracting private investment into such important projects. Its leadership has helped to stimulate not just UK or European but global private interest in renewable energy. I looked earlier in the debate at the latest data from Bloomberg New Energy Finance and the eighth United Nations Environment Programme report on global trends in renewable energy investment. The sector globally was up 17% in 2014. That was the first time it was back up in four years, as it had had a quiet three years. It has now raised £270 billion for green energy globally. Renewable power, excluding large hydro, around the world, has gone from between 8% and 8.5% to just over 9%, so there is success globally.

In the UK between 2010 and 2014 we raised £42 billion in the green energy sector and renewable electricity generation has gone from 6% to 19%. That is a stunning achievement in anyone's books. There are 11,550 firms here in the supply chain, with 460,000 employees. Since 2010, on average, if the peaks and troughs are evened out, more than £7 billion a year has been invested in UK renewables, and renewable energy capacity in the UK trebled between 2010 and 2014. That is in no small part because of interest in the Green Investment Bank and the work that it has done.

Caroline Lucas: I apologise to the Minister because I have another meeting and so will not be able to hear his full reply now; but I will check it in *Hansard* later. I am sorry.

I have two things to say. First, the Minister was bigging up renewables investment in the UK, but to bring him down to earth I remind him of an article from earlier in the year saying that the UK has just hit a 12-year low in attracting renewables investment. We need to be aware of the context. Secondly, does he agree that a privatised Green Investment Bank will become more risk-averse and therefore contribute to market failures, rather than helping to eradicate them?

George Freeman: No, I do not accept that. The hon. Lady's party is committed to promoting green technologies and investment, but I do not think her insistence that the sector is in decline will be encouraging for investor sentiment. We all have a duty, whatever our policy differences, to contribute to confidence in the sector.

Philip Boswell: The Minister talked about the Government promoting green energy; but there are wind and solar energy subsidy cuts. I was Shell's contracts lead on the carbon capture project, moving it from Longannet to Peterhead, and with the way things are going I am waiting for a backtracking announcement on that. The Green Investment Bank is a unique British

success story, still in its infancy and much admired around the world. Does the Minister agree that privatising it is an exercise in blind ideology, and that it ignores common sense?

George Freeman: The hon. Gentleman has made his point eloquently. Not surprisingly, I do not agree, and I will explain why. Perhaps I can just say something about the rationale for the move.

Several hon. Members have asked why the Government want to move the Green Investment Bank into private ownership if it is already so successful. One or two said, "If it ain't broke, don't fix it." I want to explain why it ain't broke, and why we want to allow it to go on and succeed. Moving the bank into private ownership is the natural next step for the company, now it has proved itself to be a successful commercial enterprise making a strong rate of return on its investments. We want it to be able to grow and develop its balance sheet, get access to private capital markets and borrow, none of which it can do at the moment, as a public sector entity. It is because we want it to flourish that we want to give it those freedoms.

George Kerevan: Surely it was in the legislation, and in the way the bank was set up, that it could borrow. It is perfectly able to borrow. There is no prohibition on that. It is just that the Treasury does not want that notionally on its books. The bank can legally borrow now.

George Freeman: It could indeed. The difference between us is that the level of borrowing needed in this country has been far too high. The Government's view is that we need to reduce the country's borrowings, not increase them, and we want to liberate the bank; we want to allow institutions to grow and flourish without saddling the next generation with more public sector debt.

George Kerevan: I was merely correcting the Minister, who tried to give the impression that the bank cannot at the moment go to the markets and borrow. It can, and I think that the markets would in due course give it all the money it wanted, because it has been so successful. There is no need to change the legal model to enable the bank to borrow. That is my point.

George Freeman: I respect that. The point I am making is that the Government have a strategic commitment to the British people, and it was not the least of the reasons we were returned to office—to get our public debts under control. The hon. Gentleman's party may take a more cavalier view of public debt, and I respect that, but our view is that we need to get it under control. For that reason, but not only that reason, institutions that can borrow today, thus contributing to exacerbating the public sector debt problem, need to be liberated to get access to the flourishing private capital markets that the Green Investment Bank has played no small part in creating. The figures that I gave earlier on the extent of the global sector are relevant to that.

To complete my comments on the rationale for the decision, I looked this morning at research on market interest, and interest in acquiring a stake in the Green Investment Bank is likely to come from large-scale institutional investors such as UK pension funds, infrastructure private equity funds and sovereign wealth funds—specialist investors with an interest in green

infrastructure. The bank has already successfully attracted similar investors into its managed fund for investment in offshore wind. Many of those investors do not currently invest in individual green projects. Allowing them to acquire a stake in the bank will provide a vehicle for them to invest in the area for the first time. That is a part of developing a more active private sector market in renewables and green energy. Through the bank's portfolio of renewable energy and green infrastructure projects we hope to widen the pool of investor exposure and stakeholders in the sector. The sale of the bank is partly about enabling that new pool of capital to be brought to bear, helping to accelerate investment.

Graham Stuart: Do the Government have any preference, then, as to the number of investors that might come to the Green Investment Bank? He has talked about some taking a stake—perhaps pension funds; but what if a major international bank offered for 100% of the bank, and that was the highest offer? Would they sell to a single institution, and would there then be a danger that that would just be swallowed up in a much larger organisation, so that eventually the purpose of the bank could eventually be diluted?

George Freeman: The overriding principle is that we want to ensure that the bank is put on a footing where it has the freedom to operate and is able to raise the necessary capital without being jeopardised by having an investor base that is too fragmented and small to be effective, or too small or too large an interest to be sustainable. Both of those represent risks. We will need to take a view and ensure that we give it the best possible chance to be able to carry on and fulfil its remit. I will say something about its green remit in a minute.

Graham Stuart: I know that it is difficult and, I imagine, sometimes commercially sensitive but I would like to press the Minister. Is it the Government's view that the sale to a very large global bank would be a bad thing? He has described it as a risk. I know that the Government will take a view but do they have a view that they can share with the House today? We are trying to find out what the Government are going to do with this bank.

George Freeman: Our view is that we want to give the Green Investment Bank the best possible chance of having a stable and secure future and being able to raise the sort of money that it needs out of the market. Having been an investor myself in much smaller companies, I would say that anyone involved—my hon. Friend is aware of this—will know that there is no perfect shareholder structure. Often having a very small number, particularly if it is one, can create risks of its own. Having far too many small investors can mean that it is a struggle to raise the capital needed. A happy balance will need to be struck, but the judgment will have to give the Green Investment Bank the best chance of fulfilling its remit. I will say something about its green remit in just a moment. My hon. Friend made an important point.

Crucially, the plans are not being imposed by the Government on a reluctant bank. They have the full support of the company and its independent board and chair, Lord Smith of Kelvin, and others. Lord Smith of Kelvin said:

"I welcome this. You can't keep going back to the Government for more and more money. If we want to build something that is sustainable and durable, we need private capital. This was always going to happen."

He also said:

"The UK Government led the world in their vision and commitment in setting up the world's first dedicated green investment bank, so we are delighted to have their support as we enter a new phase and seek additional investors in our business."

Shaun Kingsbury, the chief executive officer, said:

"That is why I believe the decision announced by the Business Secretary is the right one. It is the option that gives us the best chance of creating the greatest green impact."

Other important commentators have concurred. Richard Howard, head of environment and policy at the think-tank Policy Exchange, said at the evidence session of the Environmental Audit Committee yesterday that the legislation may not be needed to maintain the green focus, and that if we remove that legislation and allow someone to invest, that investor would come along and invest because they are interested in supporting what the Green Investment Bank is doing. He said that private capital funds have got involved precisely because the bank has a track record in these areas and that they are buying into a pool of expertise in investing in green projects.

The Environmental Audit Committee's report on green finance in March 2014 said that the Green Investment Bank

"needs to be able to raise significant further private sector capital for investment alongside the Bank's programmes, and to borrow itself to enlarge the scale of its work...The Government must make an early and clear statement about the Green Investment Bank's long-term future beyond the 2015–16 horizon of its Spending Review funding settlement."

which answers one of the points made earlier.

Kevin Brennan: I am grateful to the Minister for giving way. That is all very well but the problem is that is all just opinion. Today, we are seeking more of an assurance that the Minister can guarantee that when the bank is privatised, it will not lose its green focus. Nothing that we have heard so far gives that guarantee. Is he coming to that?

George Freeman: I am coming to that. I have been very generous in giving way. Perhaps I should crack on and then I could answer the points that I keep being asked.

In consultations on the Green Investment Bank in May 2012, Greenpeace said:

"If it's going to be more than an empty gesture, the bank's got to have the borrowing powers necessary to support the green shoots of the UK's renewables industry."

It recognised that the sector is moving fast.

On the freedom to borrow and to raise capital, by giving the bank access to private funding, we will enable it to grow in accordance with its ambitious green business plan, giving it access to a much greater volume of capital than if it remained in public ownership. I commend that plan to any Members who have not looked at it, as it is a legal document that investors are investing in and will be the subject of all the legal constraints of a company sale. Crucially, it will give the bank much greater freedom to operate, removing a number of constraints that apply to it because it is a Government-owned enterprise, and enabling it to borrow freely on the capital markets without impacting on public sector debt. Hon. Members who take a view that public sector debt is not a national priority or issue will not find that

[George Freeman]

argument compelling. Those of us who believe that that debt is an issue will find it compelling. That is firmly the view of the Conservative party.

In Government ownership, the bank must compete for funding along with all other Government expenditure needs, in a necessarily tight public spending round. We do not want to constrain it because of that. For all those reasons it makes sense for the Green Investment Bank's investment activity to be funded by private capital where possible and to minimise the need for public funding, which fits with our original strategic policy aim of getting the market to work in tackling green policy challenges. Part of the coalition's strategic intention was to try to generate, support and de-risk that early green investment market here and globally. As a number of Members have mentioned, the bank has been very successful in that first phase.

I want to touch on the need for repeal of the legislation, which a number of hon. Members have talked about. The reason that we need to repeal the legislation on the bank contained in the Enterprise and Regulatory Reform Act 2013 is so that the company can be reclassified to the private sector rather than remain as a public sector body. That is essential to achieving the benefits of private ownership, including the aim that the bank should be free to borrow and raise capital without affecting public sector debt. It has become apparent that, unless we repeal that legislation, there is a major and uncarryable risk that the bank would remain classified to the public sector, even after a sale, because the legislation will be likely to constitute a continued public sector control over the company's business. The hon. Member for Cardiff West asked whether this was wise in terms of the drafting of the original legislation that set up the bank. I cannot comment on that because I was not involved in it. Our advice now is very clear. If we want the bank to be able to operate in the way that we do, that piece of legislation needs to be repealed. While the decision was not arrived at lightly in any way, we are clear that it is a necessary step if we are to achieve our aims.

Mr Iain Wright: This is a really important point. Given the Government's determination to move the bank off the public books, does the Minister accept that there are no safeguards whatever to ensure that a privatised Green Investment Bank will continue with the green purposes that are currently enshrined in that legislative lock in the Enterprise and Regulatory Reform Act?

George Freeman: I am trying to remember the beginning of the hon. Gentleman's question. Will I confirm that there are no safeguards? No, I will not confirm that. It will not be set out in legislation in the way that it is at the moment, but there will be a whole series. The shareholder agreement has not been drawn up yet. Despite the earlier comments of the hon. Member for East Lothian (George Kerevan) about articles of association, the funding and raising of subscription moneys for companies like this is a major legal undertaking. The business plan will be a material document in that process. The bank has set out what it is raising money to invest in. That has to be done when money is being raised. That is all subject to incredible legal scrutiny. The investors who are investing in the company have to sign warranties and give undertakings to their own investors

that they are investing in what they say they are. Although they will not be set out in legislation, there are a number of safeguards to ensure that the bank will continue to operate in the green investment space.

John Mc Nally: Does the Minister agree with me—this is the firm view of me and the Scottish Government—that the UK Government's amendments to the Enterprise Bill to remove public sector controls on the Green Investment Bank would require a legislative consent motion in the Scottish Parliament, given the impact on devolved law?

George Freeman: The hon. Gentleman makes an important point about the devolution settlement. I will come to that. I am not ducking it; it is an important point that I will come to.

On the protection of the bank's green mission and green values, the Government recognise that people will rightly be concerned about whether repealing the legislation means that the bank's focus on green investment is in any way diluted. Let me be very clear. As the Secretary of State has sought to make clear in his written statements on the matter, the Government's intention is that, following a sale, the Green Investment Bank should continue to focus on green sectors, mobilising more private capital and further accelerating the transition to a green economy. As somebody said earlier, the clue is in the name on the tin. Green investment is what the Green Investment Bank does and where its value lies, and that will be the basis of its offering and the offer it makes to investors. It is clear from preliminary feedback that potential investors are interested in the Green Investment Bank precisely because of its unique green specialism, business plan and investment track record. We fully expect that potential investors will wish to maintain that focus and will be bound by the prospectus and green business plan that the bank is putting at the heart of that subscription.

As a key part of any sale discussions, potential investors will be asked to confirm their commitment to those values and the plan, and they will be asked to set out how they propose to protect them. The Government envisage that that will involve new shareholders agreeing to retain the specific green objectives in the bank's articles of association and to ensure that the bank continues to be required to invest in a way that achieves a positive green impact.

The Government also expect that new shareholders will maintain the bank's existing standards for reporting on its green investment performance and will continue to provide for independent assurance of that reporting. We fully expect that approach to be effective in securing the outcome we want, which is that new shareholders readily commit to maintaining the Green Investment Bank's green mission and values.

Mr Iain Wright: That cannot be reconciled with the Government's intention to get the Green Investment Bank off the national accounts. The Office for National Statistics has criteria for determining whether an entity is on balance sheet or off balance sheet, and those criteria will include a Government right to control via contractual agreements and via regulation such that a unit cannot diversify its activities. The Minister can say that the Government intend, wish and hope, but does he accept that they are impotent on the future operations of the Green Investment Bank?

George Freeman: The hon. Gentleman and I are in violent agreement. Let me make it clear that we will not put in legislation or in regulation—

Mr Wright: What about in contract?

George Freeman: Let me answer the question. We will not put a binding contract in regulation or legislation, but we will ensure—here is the point—that when the Green Investment Bank goes to raise funds in a subscription round, the subscription agreement and all the legal documentation will be based on the bank's current mission to be a green investment bank. The bank's green business plan will be a material document in the context of that funding round, and investors will be investing in that mission, that plan and those values. As I have said, we will build in a series of protections to ensure that the vehicle in which they are investing is clearly committed to that green mission.

I want Members to understand that we have taken legal advice, and in order to comply with state aid and Treasury rules on public sector financing, and in order to give the bank the freedom that we want to give it, it is essential that we do not bind it with statutory, legislative and regulatory instruction but ensure that, in its offering to the market, the intention of the bank is clear. That is the right mechanism for us to ensure the bank's green mission.

Kevin Brennan: Some might observe that assurances were sought ahead of the Royal Mail privatisation and that those assurances lasted about five minutes after the privatisation happened. Leaving that aside, the initial investors may well come in on the prospectus that the Minister is putting before the House today, but there is nothing to say that that will last for any period of time. Within a pretty short period of time, we could be looking at a very different kind of institution. Can he give us any guarantees about that?

George Freeman: I think I have made it clear that I will not commit the Government to giving statutory and legislative guarantees that would constrain the operation of the bank, not because we do not want to see the bank continue doing what it is doing, but because we have been clearly advised that once such guarantees are given, we will not be able to allow the bank to have the freedom that we want it to have or to be able to raise money that does not count towards public sector debt. We have made it clear that we want the bank to continue doing more of what it has been doing, such as investing in green energy and catalysing that market. I do not know whether the hon. Gentleman has seen the bank's green business plan, which is a clear document. When investors invest in any entity, particularly a bank, the entity has to set out a prospectus and a business plan into which the investors are investing. That document will clearly set out the bank's green activities. It will be very clear that people will not be investing in a company that can do something outside of that.

Kevin Brennan: Fracking?

George Freeman: It will be up to the investors and the bank to determine where the green energy market goes in the longer term. None of us in this room is able to predict where the bank should be investing, given the pace of investment. I have seen a number of interesting

technologies—hydrogen cells and some of the battery technology are extraordinary stuff—and we want the bank to be free to invest in different sectors.

Kevin Brennan *rose*—

Graham Stuart *rose*—

George Freeman: I will take these two interventions, and perhaps I can then crack through the questions.

Kevin Brennan: I want to ensure that this is on the record. I said “fracking” from a sedentary position, and I think the Minister accepted that it is possible, under the current privatisation plans, that the Green Investment Bank might be involved in investing in fracking projects.

George Freeman: I want to take specific advice, but I will write to the hon. Gentleman on whether any constraints are envisaged on what may or may not constitute green investment. My understanding is that we want to give the bank the freedom to invest in a range of different technologies. Indeed, part of the bank's mission is to be able to catalyse investment in a much wider range of technologies that will be key to building a 21st-century green economy.

Graham Stuart: The Government announced that they will privatise the bank so that it can access capital, as the Minister has set out. The letter announcing that privatisation stated that the bank will be guaranteed by the statutes. Those statutes have suddenly gone, and promises have been made to the Treasury. It feels as if the Government machine has already decided to privatise this bank, but the basis on which the Government are privatising the bank has changed. Will it be possible to go back? The Treasury is rightly trying to address the deficit and the debt, but there is a conversation to be had, because the bank is not being privatised on the basis that was originally proposed. There is a risk that this thing will not do what we want it to do. The Climate Change Act 2008 commits us to action, and if that action costs more, we would be back to cutting off our nose to spite our face.

George Freeman: My hon. Friend makes a good point, and I know he has raised it with my right hon. Friend, the Secretary of State for Business, Innovation and Skills. It flows from everything I have said that we are determined to ensure that the Green Investment Bank is able to continue being a green investment bank. Given the constraints under which we are operating, we need to be creative in exploring every option. I am open to my hon. Friend's suggestions about how we might be able to do that in a way that does not compromise the bank's ability to operate in the way we want.

Mr Iain Wright: Will the Minister give way?

George Freeman: I want to crack through. Time is galloping on.

Kevin Brennan: You have 43 minutes.

George Freeman: Well, the shadow Minister should see the list of questions I have been asked, not least by the shadow Minister himself. I will try to answer those questions and, if I fail, the hon. Member for Hartlepool (Mr Wright) can intervene at the end.

[George Freeman]

I was asked whether the management of the Green Investment Bank would prefer a statutory lock. The chief executive officer allegedly said that he is “agnostic” about privatisation, but he did say that he prefers a statutory lock. He also said that he wants the ability to raise funds from the private sector, and he understands the need to remove the statute and the statutory constraints.

My hon. Friend the Member for Beverley and Holderness asked how the shareholder framework document will change. Clearly, the framework document will need to change as the shareholding changes. When the bank was set up in 2012, the document’s primary purpose was to set out that the bank should operate independently so that the Government could not interfere in its investment decisions and to ensure the bank’s green ethos. Privatisation will further increase that operational independence, but the bank’s green ethos is now entrenched. The Green Investment Bank is what it is, and it is what is in its business plan, which will be a material document in the shareholder subscription round.

My hon. Friend also asked whether the market failures that the bank was set up to address have now improved to such an extent that we no longer feel the bank needs to operate in the same way. He is right that the bank was set up shortly after the banking crisis in the depths of the dark period of 2010, 2011 and 2012, when the economy was moving very slowly, to rectify a lack of long-term liquidity in the market. It is true that long-term funding for infrastructure projects has recovered strongly, as illustrated by the data I gave earlier. There was a lack of specialist green infrastructure investors, particularly at scale, which is what the bank has now become. The bank has helped to support such infrastructure projects, and we intend that the bank will remain a specialist green investor after privatisation. That is what the bank does, and it is what an acquirer will be buying. We want to let the bank off the leash to do more of that.

The hon. Member for Brighton, Pavilion (Caroline Lucas), who is no longer in her place—she gave her apologies—asked whether a profit-maximising bank would be in danger of crowding out investment because it would be just like any other bank. In fact, the Green Investment Bank is already profit maximising; it has turned its first profit. It exists to prove that it is possible to be green and profitable. That is in the bank’s very DNA; we want to show that the green economy is a real economy. That is how we will attract the private sector capital that we need. The GIB’s expertise can do so regardless of whether it is in the private or the public sector, of course, but we want to give it the freedom to raise that money.

The hon. Lady also asked whether other countries are copying us. It is true that we were in the vanguard when the Conservative-led coalition set up the Green Investment Bank, and we have been copied. It is our ambition to be in the vanguard as we take the market forward. We need to raise not just hundreds of millions or billions, but tens of billions—actually, over the next decade or so, we need to raise hundreds of billions—of money for green infrastructure. There is no way that any Government could fund all of it, even if they wanted to. We need to go to the next stage by leading private sector capital into the market.

Several hon. Members, including my hon. Friend the Member for Beverley and Holderness, asked whether the bank cannot raise debt anyway, and whether we had explored all the options. The truth is that equity raising by the bank will effectively score like debt to the public sector once that equity is invested, so this is not just about debt, but about ensuring that the bank has the right financial mix to operate. My hon. Friend also asked about the European fund for strategic investments, a £300 billion pot for capital raising, and whether the bank will still be encouraged and able to access that money.

The Government are aware of the European funding for infrastructure investment, and are examining how best to make use of that facility—my hon. Friend makes a good point. In our view, that does not alter the case for moving the bank into private ownership. We absolutely need to ensure that it can access funding. The Government and devolved Administrations are actively considering, along with other UK institutions, how they can work alongside the bank to maximise the impact for the bank and others of accessing that European funding. The EFSI guarantee can be used by the bank to co-invest in and co-finance with both public and private institutions, so privatising the bank does not in itself preclude benefiting from the European fund.

Graham Stuart: For the record, is the Minister saying that the bank’s change from its current status to privatised will have no impact whatever on its ability to access those funds, to which we are contributing so many billions of pounds?

George Freeman: I would not want to go as far as to say that it will have no impact. What I am saying is that we are actively ensuring that the bank will still be able to access funds from the EFSI. It may have to do so through consortiums with other parties, in a slightly different way from how it did when it was a state-owned bank.

My hon. Friend asked whether citizens would have the opportunity to invest directly. We are exploring all options as part of the sale. I would point out that the bank is still a very young company that has only just broken even, meaning that it is pretty unlikely to have a sufficient track record to attract much interest from the retail market, but we are obviously keen to grow the level of retail investor exposure into the market as it matures. He and others asked whether we and the bank had considered raising green bonds. Issuing bonds is absolutely one of the things that the bank will be free to do if it chooses. At present, it is prevented from doing so, as it would score against public sector debt in the same way as borrowing.

Several hon. Members have asked why we are repealing the legislation. I have touched on this already, but in order to grow in line with its ambitious green business plan, the bank needs the freedom to borrow and access much larger pools of private capital, and it will have that freedom if it can borrow without affecting public sector net debt. That means getting the bank reclassified as a private enterprise and off the Government’s balance sheet. To do so, we must do two things: sell a majority of the company, and repeal the legislation. Otherwise, the company could still be classified in the public sector, even after a sale.

One or two hon. Members have asked why we cannot just retain the bank in Government ownership and allow it to borrow, citing the statement by my right hon. Friend the Chancellor that as and when debt starts to fall as a percentage of GDP, we can release borrowing restrictions on the economy generally, so why not on the bank? The problem is that, in Government ownership, the bank's borrowing and capital raising would still count against public sector debt. Equally, it still has to compete for funding, along with all Government expenditure needs and with the pressure on the Exchequer, even as we get the debt under control. In my own field of health, for example, health demand is rising substantially, and we want to liberate the bank from having to fight in the Whitehall corridors in the same way as every other Department in spending rounds.

On top of that, private ownership will give the bank much greater freedom to operate, removing a number of constraints. It is worth pointing out that it was always envisaged that the bank should aim to mobilise maximum private capital, and it fits our strategic policy aim of getting the market to work on tackling green policy challenges. As I said, we have the full support of the management and the CEO of the company.

Let me turn to the important question of how we will protect the bank's green mission and remit in the absence of the legislative lock. As a key part of any sale discussions, potential investors will be asked to confirm their commitment to the bank's green values, green mission and green business plan, and set out how they propose to protect them. We envisage that that will involve new shareholders agreeing to various specific things: retaining the green objectives in the bank's articles of association; ensuring that the bank continues to invest in a way that achieves maximum positive green impact; maintaining the bank's existing standards for reporting on its green investment performance; and providing independent assurance of that.

We fully expect that, as part of a subscription round based on the bank's offering to the market, its green business plan with clear long-term investment in a range of sectors and projects will deliver the safeguards that Opposition Members have asked for without the need for legislation that would curtail those freedoms. We are absolutely committed to ensuring that the bank continues with that green mission, and I am happy and open to explore mechanisms suggested by any party for safeguarding the bank's green remit in a way that does not fall foul of those public control tests.

Graham Stuart: On that point, as we all know, when a company goes to market, it depends on the conditions at the time. It is at least feasible that when the bank goes to the market, those who wish to invest on the basis that the Minister is discussing will disappear, leaving those who will simply buy the capital and assets invested and treat the bank as a zombie fund, immediately sacking as many of the staff as possible, running it at a minimal level and calculating a reasonable return. What guarantee can the Government give, if those turn out to be the only buyers around, that they will not stay so committed to privatisation—in order to meet, rightly, the need to sort out the national debt—that they end up giving the bank away to be turned into a zombie fund, not only avoiding innovative green projects but not really developing anything at all?

George Freeman: I will happily give an undertaking that we do not intend to give anything away and allow it to be turned into a zombie fund. My hon. Friend has had conversations with my right hon. Friend the Secretary of State about the matter. The Government, as the owner, clearly have duties in all sorts of ways. We have a fiduciary duty, duties to Parliament, the public account and the law, duties to ensure that we maximise the value of our investment, and political accountability to ensure, as I have stated repeatedly in this debate, that the bank in the new structure can remain an active and committed investor, fulfilling its green values and the specific safeguards that I have just set out.

John Mc Nally: The Minister mentioned that all parties would be involved in the discussions. As a Member of the third party in the House, I am taking it for granted that we will be involved in those discussions.

George Freeman: To clarify, I was not suggesting that we have a round table on the subject; I was merely extending an open offer to anybody who has any suggestions, in addition to the safeguards that I have explained, about ways to ensure that we deliver what I set out as the Government's clear objective, which is to ensure that if the bank is put out for subscription, the subscription makes it clear that the bank exists to deliver its mission. We are all ears, but it must be within the context of the Government's strategic policy intention of liberating the bank from the constraints of being defined as a public sector asset, and thus liable to Treasury lending requirements.

Mr Iain Wright: The Minister talked about agreements. What will be the legal status of the agreements with potential new shareholders of the Green Investment Bank?

George Freeman: For any investor entering into a subscription agreement, the parties will be the current owners, the operating company, the bank and the other investors, so the shareholder agreement will be crucial. It is binding in law and if anyone has ever seen a subscription agreement pack, they will know that it is lever-arch files' worth of papers. However, the central point is that all the parties in that agreement come together to agree what they are investing in, and what the objectives and aims of the company are, and that is set out in the articles of association and in the subscription agreement.

We hope that there will be a substantial range of serious investors who are committed to this space and to subscribing investment moneys into the bank's green investment plan. They are not investing in a casino or any of the things that conspiracy theorists might imagine this thing could go on to be, including a "zombie" handing out money. They are investing in a specific commercial venture, and the directors of the company will have to put a prospectus out to the market, and they will have to warrant it legally themselves, personally as well as in the usual way. So, the subscription process, in and of itself, affords significant protections to us all, as shareholders and parliamentarians.

The issue of the Government's ambition of retaining a stake in the bank was raised; I am trying, Mr Percy, to deal with all the points that were raised this afternoon.

[George Freeman]

We will consider all options for a sale and we will be guided by the ultimate test of what achieves best value for the UK taxpayer, and what best fits with the strategic intention of allowing the bank to continue to be a leader in the green investment market and to pull in private finance. I am not in a position to commit this afternoon to a particular level or stake; I do not suppose that anyone would expect me to do so. We need the flexibility to do what best achieves that value for money and the best outcome for the bank.

It is important to note that, in any event, the Government's retaining a stake while also securing declassification would not give Her Majesty's Government the power to exercise control over the company; it would merely provide a stake in the company. Before anyone asks, the advice we have had has been very clear that retaining special shareholder rights that would enable the Government to veto corporate policy decisions would effectively amount to state control, and would bring us back to the problem that we are trying to get around. The Government could only have the same rights as any other shareholder in the company.

Here come the tickertape answers to some of the questions that have been put. The hon. Member for Cardiff West asked if I could comment on whether the off-balance sheet treatment is the only reason for the repeal of the legislation. It is the central reason why we need to do it; it is a necessary technical step to liberate the company from the constraints that would otherwise apply. The reason for wanting the bank to be able to operate in the private market is broader than that; we want it to access private capital and to be freer to develop in that growing market.

The hon. Gentleman also asked how much we would expect to raise from a sale. He will not be surprised to learn that I am not in a position to tell him today what that figure would be.

Kevin Brennan: Ballpark.

George Freeman: Proceeds will depend on how big a stake is sold, on the outcome of negotiations with investors about the value of the company and on how the company's business plan is judged. We will need to be satisfied that any transaction represents value for money for the taxpayer, and fits with the Government's wider policy interests and with the best interests of the bank. The hon. Gentleman would obviously not expect me to speculate this afternoon on what figure we would expect and thus undermine the process.

Importantly, the hon. Gentleman also asked me about the £1.8 billion of funding that is left. As he has highlighted, the bank can carry on for at least another year, given that it has £1.8 billion—roughly—in reserves; he suggested that after that period it could start recycling capital. The truth is that to grow its business and invest in accordance with its green business plan, the bank will need access to a much greater volume of capital from a wide range of sources.

The hon. Gentleman asked why there was urgency about this process. What we do not want is to get to a point where the bank has no reserves and badly needs capital. Anyone who has raised money knows that the time to raise it is not when there is no choice but to raise it, because money is desperately needed, but when a

company is in a strong position, and has a pipeline, assets and a good track record. We think the bank is in that situation now. We are confident that we can attract private capital into the bank because of its track record and because it is operating successfully.

Graham Stuart: I am grateful to the Minister for giving way again; he is being very generous with his time. My understanding is that the funding agreement runs out in March next year, and that the steady state activity of the bank for the last couple of years is £700 million to £800 million a year. There is not clarity about what happens from 1 April 2016 onwards, and the bank will have no access to that £1.8 billion; according to my calculations, the reserves were more like £1.5 billion, but whatever the exact figure is, it will be quite a lot of hundreds of millions of pounds. Perhaps the Minister, while answering other questions, might seek advice elsewhere about this issue; I would be grateful if he could respond to me about it. I am interested to know how the bank will be taken care of between its current funding provision running out in March 2016 and whatever date it is sold, and how we ensure that there is not a chilling effect.

George Freeman: My hon. Friend makes an important point. A key part of the rationale for proceeding with this move now is that the bank's momentum—its existing status—is a strength; it is an asset rather than a liability in the context of the bank's fundraising. So we are actively looking at everything we can do to ensure that clarity about the bank's status, position and momentum is provided to potential investors. It is not in our interests that there is confusion, and we are addressing that issue.

Kevin Brennan: I am still not entirely clear what the Minister meant in his answer about the £1.8 billion, in particular whether that money will remain available for use by the Green Investment Bank or is likely to be returned to the Treasury at some point. Could he just make that clear?

George Freeman: Yes, I will happily respond to the hon. Gentleman. There is a slight circularity to this process, because we want to ensure that the bank is in the strongest possible position to raise the maximum possible amount. We are currently in discussions with Her Majesty's Treasury as part of the spending review and as part of preparing what we want to be a highly successful fundraising exercise. So the bank, the Treasury and the Department for Business, Innovation and Skills are in a conversation right now about how best to structure things, so that we maximise the chances of the bank being able to raise money successfully and to continue the momentum with existing projects, because that is a key part of the asset and of the strength of the offering that we want to put to the market.

The hon. Member for Falkirk (John Mc Nally) made an important point about Scotland. We are of course talking to the devolved Administrations; in fact, I understand that my right hon. Friend the Secretary of State is speaking to Scotland's Deputy First Minister later today. Obviously, I will not pre-empt that conversation, but such conversations are ongoing.

I will wrap up by saying that we have had a really excellent debate this afternoon. Again, I thank my hon. Friend the Member for Beverley and Holderness—

John Mc Nally: Will the Minister take one more intervention?

George Freeman: One last intervention.

John Mc Nally: I am very grateful to the Minister for giving way again. At yesterday's meeting of the Environmental Audit Committee, the chief executive officer of the bank stated quite clearly that he was happy to retain its headquarters in Edinburgh, with the staff. Can the Minister give us a reassurance that he agrees with the chief executive on this issue, which is an extremely important concern for us?

George Freeman: The hon. Gentleman makes an important point. Obviously, it is for the bank to make sure that it is in the right location. We originally put it in Edinburgh because, as he well knows, Edinburgh is a great centre of finance. It is one of the great capital centres of the UK and has a great history of green energy investment.

It is ultimately for the company itself to decide where its HQ is. I will just politely point out that the best thing that the Green Investment Bank could have in terms of investor security is security about the status of the United Kingdom. If that status was clear, I think that there would be a very strong prospect of the bank remaining in Edinburgh and happily raising money as part of a country with a great devolved Administration in a strong UK.

Mr Percy, I want to highlight—

John Mc Nally: I absolutely agree with the Minister—

George Freeman: I will happily give way again to the hon. Gentleman. [*Laughter.*]

John Mc Nally: That should probably be part of the Scotland Bill; we need more powers in Scotland on our way to independence.

George Freeman: I hear what the hon. Gentleman says; I simply highlight the potential contradiction between his first intervention and his second. It is the risk of Scottish independence undermining investor confidence in a business such as this one in Edinburgh that is counterproductive. However, we will not agree on that issue this afternoon.

I will just summarise matters, as it were, at a higher level. We have heard some really important messages this afternoon, and there has been a degree of agreement about the importance of getting this bank into a position where it can take the success of its first few years and go on to the next stage, to be a pioneer in bringing private capital into this market.

I was very struck by what the hon. Member for Hartlepool said, and I thank him for his kind words about my appointment to BIS. He referred to how well the bank has been doing and applauded that. However, he said he had been concerned that when we set the bank up it should be a bank and not a fund. That is an important point. We want this bank to be able to be a proper bank and to syndicate and grow in the years ahead.

The hon. Member for East Lothian said, "If it ain't broke, don't fix it", and wondered whether there was some alternative agenda. I know that conspiracy theories are popular in this House—we all indulge in them

occasionally—but I again assure him that there is no conspiracy here. The Government will be held to account for the success of the bank, which we set up. We want to be able to report back at the end of this Parliament that we liberated the Green Investment Bank from the constraints of a tough public spending round and allowed it go into the private markets and lead in the burgeoning green economy.

The hon. Member for Cardiff West spoke about the success of the bank. As my hon. Friend the Member for Beverley and Holderness highlighted, it is not often that two Front Benchers sitting on opposite sides congratulate each other on the success of initiatives. The hon. Gentleman asked me a lot of questions, which I hope I have dealt with. If I have not, I will happily deal with any outstanding ones later in the day.

We had very few incidents of party politics in the debate, but I have to close with a wry smile, because at one point the Government were accused of being prisoners of public accountancy convention. That accusation could certainly not be made about the previous Labour Government: they left us borrowing one pound for every four we spent. The former Chief Secretary to the Treasury thought it was funny to leave a note saying that there was no money left. A former Leader of the Opposition said he did not think the previous Labour Government spent too much and the current shadow Chancellor is committed to the overthrow of capitalism.

I am delighted to be opposite the hon. Member for Cardiff West, who did not speak such rubbish this afternoon. We have had a good debate, in which we have all agreed that we need the Green Investment Bank to go from strength to strength.

4.11 pm

Graham Stuart: It has been an excellent debate, with involvement from all parts of the House. The COP21 conference will soon take place in Paris, at which the intended nationally determined contributions—the national promises about action on climate change in a domestic context—will be discussed. The INDCs that have been put forward cover 87% of the world's population and roughly the same percentage of the world's emissions. We are looking at a world in which we are recognising the need to act, but within that context, we have to ensure that greening our country and doing what is right for the climate and the environment is done at the lowest possible cost to our constituents, many of whom are struggling on low incomes to pay for their heating.

The Green Investment Bank has been a triumph of the past few years and has made an enormous difference—all sides are agreed on that. When the privatisation was announced, it was on the basis of the statutory duties on the bank to continue. I am not saying that it will necessarily be exactly the same—there may still be concerns—but its solace is that the constraints of fighting against schools and hospitals for capital investment, rather than going to the markets in the context of Paris and beyond, mean that it is better to be privatised. One of the vital ingredients of that—namely, the ability for those statutory duties to remain in place—will be gone. My purpose today is not to say that the sell-off is the wrong thing to do, but to ask the Government to think carefully and ensure that the bank delivers, as it has delivered before, and goes forward. The Minister so ably explained to us that that is what the Government would like it to do.

[Graham Stuart]

The chief executive of the bank regrets that the statutory duty will be gone. He has said that any contractual duty and any other effort used to hold people to that is not the same as a statutory duty. There are some real issues to look at there. I hope that the bank's sell-off, which seems to have unstoppable momentum, will not go ahead if on reflection the likelihood is that it will not deliver as we might hope. On such issues as the European fund, if we do not have the mechanisms to bring that money into this country, we could end up exacerbating the problems.

I leave the Minister with something I mentioned earlier, which is the Crown Estate report of a few years ago. A 1% increase in capital costs leads to a 6% through-life increase in the costs of a major energy project, such as an offshore wind farm. That is years and years of higher energy bills for people who can least afford to pay them. If those of us who believe that we have to meet our international obligations are to deliver a greener,

cleaner Britain as part of a global compact while retaining people's confidence and support, we have to do so at the lowest possible cost.

Some may think that privatisation is per se the wrong thing, but we have had thoughtful speeches from all parts of the House. Let us get this matter right. We all agree on how important and useful the bank is, so let us ensure that we do not accidentally lose the benefits it brings, not least in ensuring that we deliver clean energy at the lowest possible cost for our constituents, many of whom struggle to pay their bills. With that, Mr Percy, I finally bring the debate to a close.

Question put and agreed to.

Resolved,

That this House has considered the future of the Green Investment Bank.

4.15 pm

Sitting adjourned.

Written Statements

Thursday 29 October 2015

FOREIGN AND COMMONWEALTH OFFICE

CBRN Security Assistance Programmes

The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (Mr Tobias Ellwood): The Foreign and Commonwealth Office, Ministry of Defence and Department of Energy and Climate Change are today publishing a report on the Government's international chemical, biological, radiological and nuclear (CBRN) security assistance programmes. The report summarises work and achievements under these programmes in the 2013-14 and 2014-15 financial years.

The Government are committed to improving the security of CBRN materials and expertise around the world. The programmes form the UK's contribution to the global partnership against the spread of weapons and materials of mass destruction, which co-ordinates international efforts to improve CBRN security. Over the past two years, these programmes have delivered important improvements in line with the objectives of the global partnership and the national counter-proliferation strategy 2012-15.

Since the period covered by the report, UK-funded CBRN security programmes have continued to deliver results, including the two examples below, which demonstrate the value of the UK's programmes:

On 24 September 2015, Uzbekistan became a country free of high enriched uranium (HEU) after liquid HEU fuel was removed from a research reactor at the radiation and technological complex in Tashkent. The fuel has been flown to Russia for secure disposition. Funding and expert advice to decommission the research reactor, which was a prerequisite for the removal of the HEU, was provided by the global threat reduction programme.

On 22 September 2015, Russia announced that the chemical weapons destruction facility at Shchuch'ye had completed operations, which resulted in the destruction of 5,500 tonnes of highly toxic nerve agent contained in more than 1.9 million artillery munitions. During 2002 to 2010, the UK implemented procurement and infrastructure projects worth over £90 million at the facility: these have made a major contribution to the destruction operations there.

Funding for these projects was provided by the UK, Canada, the EU, France and other donors.

The report will be published on the gov.uk website: www.gov.uk/government/publications/report-on-uk-international-chemical-biological-radiological-and-nuclear-cbrn-security-assistance-programmes

[HCWS275]

HEALTH

NHS England: Mandate

The Secretary of State for Health (Mr Jeremy Hunt): Today I am launching a consultation on the mandate to NHS England to 2020. The consultation will close on Monday 23 November, in preparation for the publication of a new mandate to NHS England following the Government's spending review, to take effect from April 2016.

The mandate to NHS England sets the Government's objectives for NHS England, as well as its budget. In doing so, the mandate sets direction for the NHS, and helps ensure the NHS is accountable to Parliament and the public. In accordance with the Health and Social Care Act 2012, the Secretary of State must publish a mandate each year, to ensure that NHS England's objectives remain up to date.

This consultation document sets out, at a high level, how the Government propose to set the mandate to NHS England for the course of this Parliament. The mandate will be finalised in light of consultation responses and subject to the outcome of the Government's spending review.

The new mandate will be based on the priorities this Government believe are central to delivering the changes needed to ensure that free healthcare is always there whenever people need it most. Our priorities for the health and care system as a whole are:

creating the safest, high quality health and care service in the world by securing high quality health and care services and seven day care to improve clinical outcomes;

maintaining and improving performance against core standards of access while achieving financial balance;

transforming out-of-hospital care to ensure services outside hospital settings are more integrated and accessible, and that every patient has routine access to a GP in the evenings and at weekends, as well as effective 24/7 access to urgent care. We will also strive to reduce the health gap between people with mental health problems and the population as a whole;

driving improvements in efficiency and productivity by reducing waste and inefficiency to ensure every penny delivers the maximum possible benefit to patient care;

improving and reducing variation in outcomes and quality of care at a national and local level;

preventing ill health and supporting people to live healthier lives by tackling obesity and improving quality of life for people with long term conditions such as diabetes and those with dementia; and

supporting research, innovation and growth, and influencing global health priorities.

The Government welcome views on the proposals and invite comments through the consultation process. The consultation document can be accessed online at:

<http://www.gov.uk/government/consultations/setting-the-mandate-to-nhs-england-for-2016-to-2017>.

[HCWS274]

HOME DEPARTMENT

Modern Slavery: Transparency in Supply Chains

The Secretary of State for the Home Department (Mrs Theresa May): Today, the transparency in supply chains statutory guidance is being published in line with section 54(9) of the Modern Slavery Act 2015. The guidance has been developed in consultation with a range of business representative groups, trade bodies and non-governmental organisations. The guidance is available on the gov.uk website.

Copies of the statutory guidance will be made available in the Library of the House.

[HCWS277]

Immigration Rules

The Minister for Immigration (James Brokenshire):

My right hon. Friend the Home Secretary is today laying before the House a statement of changes in immigration rules.

The rules are being changed to make clear the circumstances in which we can withdraw refugee status and leave. The changes clarify terminology and make clear that refugee status can be withdrawn where evidence emerges that such status was obtained by deception or where it is clear that protection is no longer needed. It can also be withdrawn where someone commits a serious crime or is considered a danger to our national security such that they do not deserve our protection and all the benefits that come with that status.

Existing provisions on the revocation of refugee status are also being extended to include those who instigate or otherwise participate in acts covered by article 1F of the refugee convention, including those who engage in extremist activities that represent a threat to our national security.

New rules are being introduced to make asylum claims from EU nationals inadmissible unless exceptional circumstances apply. Such claims are currently processed through the asylum system, which includes an interview and detailed written decision. This goes beyond our international obligations and there is provision under EU law to treat claims from EU nationals as inadmissible on the basis that member states are deemed to be safe countries. We need to do all we can to dissuade abusive claims and considering claims from EU nationals uses resources that I believe are better focused on those who genuinely need protection.

There is no right of appeal against a decision to treat a claim from an EU national as inadmissible. Claims that meet the exceptional circumstances criteria will still be considered but the onus will be on the individual to set out the reasons why their case is exceptional. Human rights issues raised through the appropriate application process will still be considered in accordance with our obligations under the Human Rights Act.

I am also implementing the changes to the English language requirements for settlement and citizenship announced in March. These changes will ensure that the same security assurances apply to English language qualifications whenever they are used in the immigration and citizenship system.

The statement also makes changes to the immigration rules on skilled work routes, administrative review and on family and private life.

[HCWS276]

PRIME MINISTER

Digital Inclusion Policy

The Prime Minister (Mr David Cameron): This written ministerial statement confirms that policy responsibility for digital inclusion will transfer from the Cabinet Office to the Department for Culture, Media and Sport. This change is effective from 1 November.

[HCWS248]

Ministerial Correction

Thursday 29 October 2015

DEFENCE

Defence Expenditure (NATO Target)

The following is an extract from the speech of the Minister for Defence Procurement (Mr Philip Dunne) on Second Reading of the Defence Expenditure (NATO Target) Bill on 23 October 2015.

Mr Dunne: The Chancellor announced two increases in defence budgets for the coming years of this Parliament.

First, there was the 0.5% real-terms increase each year and secondly the opportunity to bid into a new joint security fund, alongside security agencies, that would reach £1.5 billion in 2019-20.

[Official Report, 23 October 2015, Vol. 600, c. 1322.]

An error has been identified in the response I gave to the debate on Second Reading of the Defence Expenditure (NATO Target) Bill on 23 October 2015.

The correct response should have been:

Mr Dunne: The Chancellor announced two increases in defence budgets for the coming years of this Parliament. First, there was the 0.5% real-terms increase each year and secondly the opportunity to bid into a new joint security fund, alongside security agencies, that would reach £1.5 billion in **2020-21**.

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