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**HOUSE OF COMMONS
OFFICIAL REPORT**

**PARLIAMENTARY
DEBATES**

(HANSARD)

Tuesday 18 April 2017

House of Commons

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The House met at half-past Two o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

BUSINESS BEFORE QUESTIONS

NEW SOUTHGATE CEMETERY BILL [LORDS]

Third Reading opposed and deferred until Tuesday 25 April (Standing Order No. 20).

Oral Answers to Questions

TREASURY

The Chancellor of the Exchequer was asked—

School Budgets

1. **Derek Thomas** (St Ives) (Con): What discussions he has had with the Secretary of State for Education on school budgets in (a) England and (b) the St Ives constituency. [909616]

The Chief Secretary to the Treasury (Mr David Gauke): The Government are protecting the core schools budget in real terms, reaching almost £41 billion this year. The Department for Education has consulted on a national funding formula to address the current postcode lottery in schools funding. The consultation lasted for 14 weeks, and received over 25,000 responses. The Government are considering the responses carefully, and will publish a response in the summer. For the St Ives constituency, the proposals would mean an increase in schools funding of 0.4%.

Derek Thomas: The majority of schools in my constituency are rated good or outstanding, due to the hard work and determination of teaching staff and their heads. However, Government funding for schools has not kept up with costs, which, according to the House of Commons Library, increased by 3.4% in 2016-17 and will increase by 8.7% by 2020. What message can I take back to my schools, which tell me they cannot maintain those standards if school funding does not keep up with these increased costs?

Mr Gauke: The Government do recognise that schools, like other organisations, face additional costs, such as salary increases. That is why the Department for Education is supporting schools to become more efficient, including with over £1 billion of savings from better procurement by 2019-20. It is also worth pointing out that, by protecting the total schools budget in real terms, as pupil numbers increase, so will the amount of money in our schools.

Helen Goodman (Bishop Auckland) (Lab): If the Government are protecting the budget, why is the average cut in my constituency 8%, rising in some village schools, including to 22% in Butterknowle?

Mr Gauke: As I have said, the reality is that the total core schools budget is increasing, and it can increase only if we have a strong economy that can pay for it. It is also right that we have a fairer funding formula to ensure that that money is distributed fairly.

Digital Infrastructure

2. **Matt Warman** (Boston and Skegness) (Con): What fiscal steps he is taking to develop the UK's digital infrastructure. [909617]

The Chancellor of the Exchequer (Mr Philip Hammond): The Government are taking action to give the UK the world-beating digital infrastructure that it needs. Broadband across the country has been transformed by the Government-led £1.7 billion superfast programme, extending coverage at 24-plus megabits per second to 95% of UK premises by the end of this year. At autumn statement 2016, we committed over £1 billion more to support the market to deliver full-fibre broadband networks, to enable 5G mobile and to keep Britain at the forefront of the development of the internet of things.

Matt Warman: The reduction in business rates on new fibre roll-out is hugely welcome, but will the Chancellor assure me that we will incentivise the roll-out of more fibre in such a way that no tax is paid until the fibre is first used, rather than from when it is first installed?

Mr Hammond: The Government's clear intention is to incentivise investment in fibre broadband networks. The Department for Communities and Local Government will shortly publish a consultation on the implementation of this relief, which will set out more detail on how new fibre will be defined, and we look forward to the responses to that consultation.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Why does the Chancellor not shake up some of his colleagues, and start investing in the digital infrastructure in the north of England, in Yorkshire in particular? Will he also look at other infrastructure, such as railways? When are we going to get the electrification of the TransPennine Express route?

Mr Hammond: At autumn statement, we announced £23 billion of additional investment in our infrastructure, and key priority areas such as research and development, specifically designed to address the UK's productivity problem. This investment has to be spread across the whole of the UK economy to make sure that we deliver improved productivity and improved economic growth across the economy as a whole. Such investment is going in: public capital investment will be at a higher level in this Parliament following the announcement of this decision than it was before the financial crisis.

Sammy Wilson (East Antrim) (DUP): While the Government boast about the speed of fibre broadband across the United Kingdom, there are many areas—especially in parts of my constituency—where sending mail by pigeon would almost be quicker than sending it through the fibre network. What action does the Chancellor

intend to take to ensure that farmers, small businesses and others relying on digital means of communication in rural areas have a greater ability to deliver such messages?

Mr Hammond: I cannot speculate on how fast the pigeons are in the hon. Gentleman's constituency, but I can tell him that all consumers now have a right to 10 megabits broadband. By the end of this year, 95% of properties will have access to 24 megabits broadband. The Government are investing more money to reach the last 5%, the hard-to-reach that are often in rural areas.

Stewart Hosie (Dundee East) (SNP): In Scotland, the original plan was as for the UK: 95% coverage by this year, additional funding for rural areas, money for wi-fi in public buildings and a superfast broadband target of 100% property coverage by 2021. Given that this should be a common endeavour, will the Chancellor welcome the steps taken in Scotland to deliver on those performance targets?

Mr Hammond: We have a UK-wide target. We of course welcome any other actions taken on top of that to achieve yet higher levels of broadband penetration. That is a very positive move for the economies of the regions and nations they affect.

Stewart Hosie: I thank the Chancellor for that. However, the issue is not simply about the provision of infrastructure, but paying for digital usage. Will he give a guarantee to the House that when the UK Government enter the Brexit negotiations there will be no return to the super-expensive roaming digital phone charges for UK citizens working and living in the EU, and for EU citizens living and working in the UK?

Mr Hammond: I hear the hon. Gentleman's concern and I am absolutely sure that the vast majority of our constituents would agree with his suggestion that we seek to maintain cost-effective access for UK phone users whenever they are roaming within the EU. I think that will be an issue for this Parliament post-Brexit unless we choose, in the course of the exit negotiations, to reach a reciprocal agreement with the European Union.

School Funding

3. **Helen Hayes (Dulwich and West Norwood) (Lab):** What discussions he has had with the Secretary of State for Education to ensure the protection of money following each child under the proposed new schools funding formula. [909618]

The Chief Secretary to the Treasury (Mr David Gauke): The Government are protecting the total core schools budget in real terms. That is possible only through careful management of the economy. As a result, school funding is at its highest ever level, at almost £41 billion in 2017-18. Spending will increase to £42 billion in 2019-20 as pupils numbers rise. We are also delivering our manifesto commitment to implement fairer schools funding. The recent national funding formula consultation includes generous transitional protections for schools that would see a reduction in their funding. The Government are carefully considering replies to the consultation and will respond in the summer.

Helen Hayes: The 2015 Conservative manifesto promised that

“the amount of money following your child into school will be protected”.

However, the National Audit Office found that schools face a real-terms cut of 8% per pupil by 2019-20, even before the cuts the new national funding formula will bring to more than 9,000 schools in England. Will the Government therefore confirm that the Tory manifesto pledge on per pupil funding is now in tatters?

Mr Gauke: Not at all. We are protecting the total schools budget in real terms and implementing our manifesto commitment to introduce fairer funding. It is right that we do so.

Rachael Maskell (York Central) (Lab/Co-op): The Government are clearly not protecting pupil per capita funding in York, which is currently the seventh-worst funded local authority and will experience a £288 per child cut in funding. How is that protecting the formula?

Mr Gauke: I would expect the hon. Lady to share my view that it is not right that we fund schools on the basis of what has happened historically. Every pupil in England should be assessed on the same basis. It cannot be right, for example, that pupils in Hackney receive 50% more than pupils in Barnsley. That does not seem to me to be fair and it is right that the Government address that.

Economic Growth Outside London/South-East

4. **Rishi Sunak (Richmond (Yorks)) (Con):** What steps he is taking to support economic growth outside London and the south-east. [909619]

The Chancellor of the Exchequer (Mr Philip Hammond): The Government are supporting economic growth across the whole country as a key part of our productivity agenda by investing in infrastructure and skills, and by developing our industrial strategy. At the autumn statement, I launched our northern powerhouse strategy and earlier this year set out our midlands engine strategy. We recently allocated a further £1.8 billion from the local growth fund and an initial tranche of £185 million of local transport funding across the English regions.

Rishi Sunak: From Merseyside to Teesside, ports are a great northern success story. Will my right hon. Friend look into the potential for the creation of free ports throughout the United Kingdom? Free trade zones would increase trade, create manufacturing jobs and boost regional growth, which are all key ingredients of our future economic prosperity.

Mr Hammond: My hon. Friend has made the case for free ports, and the Government have heard that case very clearly. We will consider all options that have the potential to support our ambition to see Britain as a great global trading nation, but before making any decisions we shall need to consider carefully not only the advantages that free ports can deliver, but the costs and potential risks associated with them.

Rachel Reeves (Leeds West) (Lab): If towns and cities in our economy—including those in the north of England—are to flourish, we need banks and building societies

that support them. Does the Chancellor agree that those banks and building societies should keep their branches open? Leeds Building Society has just announced that it will close its branch in Armley Town Street, which is in my constituency, following the closure of branches of HSBC and Yorkshire Bank in the last two years.

Mr Hammond: Of course we want there to be a viable branch banking network across the country, but we must recognise that the nature of banking is changing. More and more of us are using online digital banking, and that is bound to be reflected in the configuration of the branch networks that the banks operate.

Mr Steve Baker (Wycombe) (Con): As the entrepreneurial heart of England, Buckinghamshire provides an excellent bridge to the east midlands and beyond. Will my right hon. Friend look into how investment in Buckinghamshire can help to stimulate growth throughout the country, not just in London and the south-east?

Mr Hammond: I am sure you are delighted, Mr Speaker, that my hon. Friend has lighted on the key role of Buckinghamshire as a bridge between the north, the south, the east, the west and every other part of the country. I should be happy to receive, and I confidently predict that I will receive, my hon. Friend's detailed submission on the case for greater infrastructure investment in Buckinghamshire.

Mr Speaker: Be careful what you wish for, sir.

25. [909640] **Steven Paterson (Stirling) (SNP):** According to the findings of independent analysis, a hard Tory Brexit could cost Scotland 80,000 jobs over 10 years and a 5% drop in GDP. Why have the UK Government failed to produce a comprehensive impact assessment of the effect of a hard Tory Brexit on our economy? Is it the case that, for some reason, now is not the time?

Mr Hammond: As the article 50 notice letter set out very clearly, the Government are seeking to negotiate a deep and special partnership with the European Union, at the heart of which will be a comprehensive free trade agreement covering goods, services and networks. That will allow us to continue to work closely with the European Union after leaving the organisation.

The Government do carry out detailed analysis to inform their negotiating strategy, but I am sure the hon. Gentleman would not want me to reveal the outcome of that analysis, which would be of great use to our negotiating partners on the other side. That is not the way to get the best deal for Britain in these negotiations.

Tom Pursglove (Corby) (Con): In Corby, there is a huge appetite for a new enterprise zone to help to boost jobs and growth further. What consideration has my right hon. Friend given to the introduction of a new round of opportunities?

Mr Hammond: My hon. Friend has made an important suggestion, and I will undertake to look at it carefully. No doubt an exercise will take place over the next few weeks that will involve our thinking about what commitments we want to make for the future, and I will take his question as a representation.

Peter Dowd (Bootle) (Lab): An important driver of economic growth, both inside and outside London and the south-east, is productivity. Notwithstanding the rosy picture painted by the Chancellor, the *Financial Times's* chief economist says that our productivity performance is "calamitous" and that the disparity in performance has widened regionally. Who do we believe, a respected economist or a backtracking Chancellor?

Mr Hammond: I do not recognise the picture that the hon. Gentleman paints of my position. I have stood at this Dispatch Box on countless occasions and lamented the fact that Britain has a poor productivity record—worse than Germany's, and worse than those of the United States, France and Italy—but simply lamenting that fact is not enough. What we must do is put together a plan for tackling it, and it will be a long—

John McDonnell (Hayes and Harlington) (Lab): Seven years.

Mr Hammond: If the right hon. Gentleman checks the records, he will discover that this problem has existed for 40 years. It would be better if we tried to tackle this challenge in a spirit of bipartisan recognition and if we both recognised that there is a real problem that we have to tackle by investment in infrastructure, by investment in skills and by actions to spread growth and prosperity across the country.

John McDonnell: Seven years.

Peter Dowd: Yes, seven years.

Although the £6 billion investment for a new two-mile lower Thames crossing is welcome, how does such imbalanced infrastructure spending help to close the economic gap of regions outside London and the south-east? Does not that simply reaffirm the Government's pathological incapacity to see much beyond the M25? I will be happy to buy the Chancellor a satnav if he wants to take the opportunity to use it.

Mr Hammond: I am not going to take any lectures from the hon. Gentleman on regional awareness, but perhaps he should speak to the Mayor of London, who has a view on infrastructure investment and what should drive it. The Government are clear that we need to spread infrastructure investment around the country in a way that will tackle the productivity challenge. One of the ways we will tackle it is by harvesting the benefits of our city regions in the west midlands, in the northern powerhouse and elsewhere, which evidence across the developed world has shown can be major drivers of productivity improvement. That is what we have to focus on.

Probate Registry Fees

5. **Rob Marris (Wolverhampton South West) (Lab):** What representations he has received on the Government's proposals to increase probate registry fees. [909620]

The Financial Secretary to the Treasury (Jane Ellison): As the hon. Gentleman may be aware, the Ministry of Justice recently ran a consultation on this issue and received 853 responses in total. The Government response to the consultation was published on 17 March and is on gov.uk. They have since laid the statutory instrument to implement the changes set out in that response.

Rob Marris: The majority of the responses to the consultation were against the proposals because, in a civilised democracy, access to justice should not depend on being rich. Unfortunately, this Government do not agree; they are intent on lessening access to justice by greatly increasing court fees. The increase in probate fees is another stealth tax and one that will affect almost half the estates in England and Wales. It is an attempt by the Government to hide the massive cut in inheritance tax for their rich friends. Will this dying, cut-and-run Government abandon their tax on access to justice?

Jane Ellison: I certainly do not recognise that characterisation of the fee structure. These fees are about helping to sustain an effective justice system that supports some of the country's most vulnerable people and victims. It is fair to ask those who can afford to do so to support it. In fact, more than half the estates in England and Wales will pay no probate fees at all.

Money Laundering

6. **Gareth Snell** (Stoke-on-Trent Central) (Lab/Co-op): What discussions he has had with the Secretary of State for Exiting the European Union on the provisions of the EU anti-money laundering directive in the UK's negotiations on leaving the EU; and if he will make a statement. [909621]

The Economic Secretary to the Treasury (Simon Kirby): I reassure the hon. Gentleman that the Treasury and the Department for Exiting the European Union are working closely on that issue. As we exit the EU, we will look to negotiate the best deal possible so that we can continue to work together to maintain justice and security both in the UK and across Europe.

Gareth Snell: The Panama papers showed that thousands of UK-based banks, accountants, lawyers and other intermediaries have helped to set up shady and opaque corporate structures to handle illicit cash flows after registering in the Crown dependencies and overseas territories. Almost a year on from the anti-corruption summit, will the Minister commit to a public register of beneficial ownership covering the Crown dependencies and overseas territories?

Simon Kirby: If only we could do that; we do not have the ability to do so. What I can say is that in March 2017 we published the draft money laundering regulations and announced plans for a new watchdog to ensure supervisors and law enforcement work together more effectively. Since 2010, law enforcement have seized £1.4 billion in illegal funds.

James Duddridge (Rochford and Southend East) (Con): The EU is to blame for many things, but it is not to blame for money laundering and, in fact, any solution that looks to the EU to solve money laundering is missing the point that it is an international problem. Therefore, will the Minister confirm that he will be engaging internationally and not through the parochial lens of the EU?

Simon Kirby: We are of course a founding member of the Financial Action Task Force, which sets international standards for anti-money laundering and counter-terrorism financing. After exiting the EU, the UK will continue to lead in FATF and around the world.

Mr Speaker: I call Toby Perkins.

Toby Perkins (Chesterfield) (Lab): Lucky No. 7, Mr Speaker.

Exiting the EU: Public Finances

7. **Toby Perkins** (Chesterfield) (Lab): What recent assessment he has made of the potential effect of the UK leaving the EU on the public finances. [909622]

8. **Gerald Jones** (Merthyr Tydfil and Rhymney) (Lab): What recent assessment he has made of the potential effect of the UK leaving the EU on the public finances. [909623]

The Chancellor of the Exchequer (Mr Philip Hammond): We'll see how lucky, Mr Speaker.

The Government have undertaken a significant amount of work to assess the economic and fiscal impacts of leaving the EU, and they continue to carry out that work. This is part of a continuing programme of analytical work covering a range of possible exit scenarios, including sectoral analysis, but I have to say to the House that we are seeking the best possible deal for the United Kingdom, recognising that there is a range of possible outcomes to the negotiations, and the work being done reflects this. The Government have also committed to keeping Parliament informed, but it would not be appropriate to publish analysis that risks undermining our negotiating position.

Toby Perkins: Throughout the last seven years, the needs of the British people have had to play second fiddle to the needs of the Conservative party. As a result, the Chancellor has been forced to disown the manifesto commitment to balance the Budget in this Parliament. Is it not the truth that today's announcement about a general election is another example of this Government putting their party's interest ahead of the country's interests at a time when there is a desperate need for stability in this country?

Mr Speaker: The question is about the departure from the EU and the effect thereof on the public finances.

Mr Hammond: In terms of the effect on the public finances, the decision that the Prime Minister made today is very much in the national interest, to strengthen her hand as she goes into the negotiation with the European Union, to provide a clear mandate for the type of exit that she set out in the letter she wrote to President Tusk two and a half weeks ago, and to ensure that the UK can negotiate its exit from the European Union, execute that exit, and then transition to the new arrangements with a clear run before the next general election.

Gerald Jones: After that party political broadcast on behalf of the Conservative party, may I ask the Chancellor a very serious question? Many billions of pounds of EU structural funds are invested annually in the UK, particularly in our deprived areas and regions. Wales, and Merthyr Tydfil and Rhymney, have benefited significantly from this funding. What steps will he take to replace this essential investment when we leave the EU?

Mr Hammond: As we have said on many previous occasions from this Dispatch Box, we recognise that alternative arrangements will have to be put in place. We will no longer be making large subscriptions—payments—into the European Union, but on the other side of the equation we will no longer be receiving some of the funding that we have been receiving for many years, including the structural funds. That places the opportunity back in the hands of this House—this Parliament—to decide how we should use our taxpayers' funding to achieve the objectives of the UK Government and to achieve economic development in the way that is most appropriate for the UK.

Mr Jacob Rees-Mogg (North East Somerset) (Con): Does my right hon. Friend look forward to getting net £10 billion a year into the Exchequer, and does he note that the claims for tens of billions of euros from our friends in Brussels merely illustrate the financial incontinence on the continent?

Mr Hammond: Any Chancellor would always welcome any net tens of billions of pounds, or even any net billions of pounds, from pretty much any source whatsoever. In terms of the numbers bandied around in Brussels relating to the so-called exit charge, we should recognise them for what they are: an opening gambit in what will be a long and complicated negotiation—nothing more, nothing less.

Chris Philp (Croydon South) (Con): Does the Chancellor agree that, whether inside or outside the European Union, the best way of delivering strong public finances is a strong economy supported by low tax and low regulation, and is that the future we can look forward to?

Mr Hammond: The only way of delivering strong public finances is through a strong economy, with sensible and balanced regulation. We have a very large financial services sector in this country, which is a very important contributor to our fiscal balances, and its success depends on our getting that regulatory equation exactly right: too much regulation and we would drive away industry from London; too little regulation and we may lose our reputation as a safe and secure place to do business. We have to get it right.

Margaret Ferrier (Rutherglen and Hamilton West) (SNP): The Chancellor recently said that Brussels had set out a very aggressive starting line on the UK's bill for quitting the EU. What assessment has he made of the worst case scenario, reported to be in the region of €60 billion, and what impact would that have on public finances?

Mr Hammond: I am not sure what the worst case scenario that the hon. Lady is talking about relates to. We have heard various figures bandied around in Brussels in terms of an exit charge. The work that the Government have been doing—which I was asked about earlier—relates to the economic and fiscal impact of different possible exit scenarios. The numbers being bandied around in Brussels are simply a question of a potential demand which would be raised in the negotiating process, but they are simply that: a negotiating strategy.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): I agree with the Chancellor that one of the biggest contributors to the UK's public finances is the tax

revenue that we receive from the financial services sector. Now that we have had the triggering of article 50 and the Government's White Paper, will he tell us whether he is confident that that revenue will not be significantly reduced, either through the loss of jobs or the loss of any major areas of financial activity?

Mr Hammond: Yes; the negotiating strategy and the objectives that we have set out in the article 50 letter would create an environment in which the financial services industry in the UK would be able, by and large, to continue the levels of commercial activity that currently take place with the European Union 27. But of course that will depend on negotiating the right arrangements with the European Union, and it is essential that we go into these discussions in constructive mode, recognising that there are real issues on both sides and that the UK's financial services industry is an asset not only of the UK but of the whole of the continent of Europe. European businesses depend on those financial services.

Jonathan Reynolds: I share the Chancellor's assessment that there is a mutually beneficial deal for us and the EU to agree on, if this Government have the ability to deliver it. Will he therefore state unequivocally that, as a result of the deal that the Government will seek to negotiate, there will be no significant loss of jobs in any major financial institutions, no removal of any major City-wide functions such as clearing, and no relocation of any EU-wide regulatory agencies such as the European Banking Authority?

Mr Hammond: On the hon. Gentleman's last question, the location of the European Union's agencies is clearly a matter for the European Union. We cannot credibly seek to leave the European Union and at the same time dictate to it where it should locate its agencies. On the initial items on his list, it will indeed be the UK Government's objective, as we go into the negotiations, to protect our financial services sector.

Kelvin Hopkins (Luton North) (Lab): Since the EU referendum, the substantial sterling depreciation has seen exports increase and the balance of trade deficit reduce from £13.7 billion in quarter 3 of last year to £5 billion in quarter 4. However, the Chancellor has repeatedly said that he is not concerned about the exchange rate. Is it not just plain wrong to dismiss the significance of the exchange rate?

Mr Hammond: I have never said that I was not concerned about the exchange rate. I have said that the Government do not take a view on what the appropriate exchange rate should be; that is very much a matter for the markets to determine. I am sure that the hon. Gentleman will have been delighted to note that my right hon. Friend the Prime Minister's statement this morning has sent sterling up in the markets, demonstrating the confidence that the markets have in a future for this country under a Tory Government with a new mandate.

Tax Evasion and Avoidance

9. **Susan Elan Jones** (Clwyd South) (Lab): What meetings he has had with his (a) EU counterparts and (b) Cabinet colleagues on tackling tax evasion and avoidance. [909624]

The Financial Secretary to the Treasury (Jane Ellison):

As the hon. Lady would expect, given the emphasis that we have placed on tackling avoidance and evasion during this Parliament and indeed since 2010, the subject is regularly discussed among Cabinet colleagues. With regard to Treasury Ministers' discussions with their European counterparts, I can confirm that this is something that we discuss with them on a regular basis. Most recently, the Chancellor spoke at an informal ECOFIN in Valletta as part of his regular ongoing dialogue with EU colleagues.

Susan Elan Jones: I am glad that everyone seems to be having a nice time having conversations, but as my 2015 Conservative opponent discovered when he came up from Chelsea to fight the Clwyd South constituency, most people in our part of the world work hard and pay their taxes. Will the Minister try again and give us a proper answer as to what is being done about this on an international level?

Jane Ellison: The question was about what meetings had taken place, and I plead guilty to answering it as asked. If the hon. Lady wants details, she can look at the many measures that have been put through since 2010, and, indeed, already in this Parliament. In fact, if she sticks around for the Second Reading of the Finance Bill, she will hear about even more things that the Government have planned to crack down on avoidance and evasion across the spectrum.

Robert Jenrick (Newark) (Con): Had the tax gap continued on the trajectory left by the last Labour Government, it would be £47 billion, and the public purse would be £11 billion poorer. Instead, as a result of the policies of this Government, the tax gap is at £6 billion, which is its lowest level ever. Does my hon. Friend agree that talk is the best that some parties can offer on tax evasion and avoidance, and that it takes a Conservative Government to get something done about those problems?

Jane Ellison: That is exactly right, and this is something that we have taken extremely seriously. The UK's tax gap is one of the lowest in the world, and it is certainly one of the most transparent and best documented. Since 2010, Her Majesty's Revenue and Customs has secured £140 billion in additional tax revenue as a result of tackling avoidance, evasion and non-compliance. As I have said, the Government are ambitious to do more.

Economic Growth (South-east Coast of England)

10. **Maria Caulfield (Lewes) (Con):** What steps he is taking to support economic growth on the south-east coast of England. [909625]

The Economic Secretary to the Treasury (Simon Kirby): Would you mind, Mr Speaker, if I started by sending my congratulations to Brighton & Hove Albion on their promotion to the premier league? They are an important part of the south-east economy.

At the autumn statement, we allocated £351 million to the south-east from the local growth fund, and the south-east will also benefit from more than £21 million from the coastal communities fund.

Maria Caulfield: I thank the Minister for his response and I, too, congratulate Brighton & Hove Albion. We have just under six miles of motorway in Sussex, and the Brighton & Hove Albion stadium is on one of our motorway junctions. Does he agree that we need to dual the A27 to make the south coast more economically viable? Will he join me in meeting other Sussex MPs to discuss how we can take that forward?

Simon Kirby: I am fully aware of the problems on the A27 and their impact on the A259 in my constituency, and I look forward to doing all I can to work with my hon. Friend to reach a solution.

Regional Infrastructure Development

11. **Sir David Amess (Southend West) (Con):** What steps he is taking to support regional infrastructure development. [909626]

14. **Chris Green (Bolton West) (Con):** What steps he is taking to support regional infrastructure development. [909629]

The Chief Secretary to the Treasury (Mr David Gauke): We recognise the importance of infrastructure provision in all regions of the United Kingdom. That is why at autumn statement 2016 we committed additional capital to fund high-value economic infrastructure through the national productivity investment fund. We are committed to putting local and regional needs at the heart of this fund. For example, we are spending £1.1 billion on local projects to improve our existing transport networks. That will deliver improvements to hundreds of roads across the country.

Sir David Amess: What further help can my right hon. Friend give to infrastructure projects in Southend West, including the A127 corridor improvement works?

Mr Gauke: My hon. Friend is a tireless advocate of the case for Southend. Indeed, we met in November to discuss some of these issues. It is worth pointing out that the Government have supported improvements to the A127, with more than £35 million of local growth funding. Furthermore, local authorities will have the opportunity to bid into the £490 million local transport pot as part of the national productivity investment fund.

Chris Green: I welcome the investment in the electrification of the rail line between Manchester and Preston, but what more can the Chancellor do to ensure that we have vital road links, such as the Westhoughton bypass?

Mr Gauke: The Government are investing more than £13 billion in transport projects in the north and supporting local road schemes such as the Manchester airport relief road and the Heysham M6 link road. The Government are also looking at options for the Highways England north-west quadrant that should ease congestion in places such as Westhoughton.

Mr Stephen Hepburn (Jarrow) (Lab): This Government cannot even begin to pretend that they are interested in boosting infrastructure outside London and the south-east. We need only look at transport spending for proof

of that. In London, transport spending is £1,000 per head; in the north-east it is not even £300. Does that not tell us about the Government's record and their priorities?

Mr Gauke: As I said a moment or so ago, we are investing more than £13 billion in transport projects in the north. HS2 will benefit the north of England. We make no apologies for also wanting to ensure that we invest in Crossrail to deliver for London, yes, but also for the economy of the whole United Kingdom.

Greg Mulholland (Leeds North West) (LD): Before the last general election, Conservative Ministers were committed to the electrification of the Leeds-Harrogate-York line, on which commuters still suffer from travelling on Pacer trains. Will we do any better after the next general election and finally see the electrification of this line?

Mr Gauke: As I said, we are investing in our infrastructure. We already had significant plans before the autumn statement, which involved further investment to give us scope to improve our transport infrastructure. It is worth pointing out, however, that aggregate investment in economic infrastructure will rise by almost 60% between 2016-17 and 2020-21.

19. **Jason McCartney** (Colne Valley) (Con): [909634] As a Huddersfield Town fan, may I also congratulate Brighton & Hove Albion on being promoted to the premiership? We look forward to meeting Brighton in the premiership next season once we triumph in the play-off final at Wembley.

As for infrastructure spending, as new trains replace the Pacers and HS3 is developed—we have the smart motorways, too—can we ensure that we develop interconnectivity between the northern towns, not just between the great cities of the north?

Mr Gauke: My hon. Friend makes an important point about interconnection between northern towns. It is worth pointing out that we are putting local and regional needs at the heart of the national productivity investment fund. That is why we are spending £1.1 billion on local projects to improve our existing transport networks.

Hannah Bardell (Livingston) (SNP): In the same vein, I congratulate the Economic Secretary to the Treasury's local team on their success, and I hope that I will be joined in congratulating Livingston FC, who have also gained promotion.

On infrastructure spending, there is no doubt that Crossrail is an engineering feat, but it is costing nearly more than a third of Scotland's national budget. When will we see more devolution of infrastructure funding—perhaps to fix some of the problems of the Minister's colleagues?

Mr Gauke: Scotland benefits from the Barnett consequential of investment in things such as HS2, which will provide a step change in rail connectivity along the east coast corridor, bringing significant benefits to the UK economy as a whole. However, we can afford to spend money on infrastructure only if we have a stable and strong economy to deliver it.

Tourism: VAT Reduction

12. **Mr Alistair Carmichael** (Orkney and Shetland) (LD): What assessment he has made of the potential effect on the tourism industry of a reduction in the rate of VAT. [909627]

The Financial Secretary to the Treasury (Jane Ellison): The Government have carefully considered the evidence for applying a 5% reduced rate of VAT on accommodation and visitor attractions, which has come up several times in the House, but we believe, on balance, that the costs of doing so outweigh the benefits. We keep all such things under review, but there are no plans for a reduction in the rate of VAT on tourism activity.

Mr Carmichael: That is a disappointing answer. The campaign for a reduced rate of VAT for tourism estimates that a 5% rate would produce a higher tax take and could create 121,000 jobs across the country. That would be of particular benefit to many economically fragile coastal and island communities. Will the Minister meet campaigners to discuss things in more detail?

Jane Ellison: I am familiar with the right hon. Gentleman's figures, and Treasury officials have met campaigners over several years to look at them. We will always look at the evidence, but we disagree with the campaign's economic assessment. Together with HMRC, the Treasury assesses that such a cut would cost around £10 billion a year—approximately £7 billion for restaurants and bars, and about £3 billion for leisure and accommodation.

Steve Double (St Austell and Newquay) (Con): What further steps are being taken to support the tourism industry, particularly in places such as Cornwall, where tourism is so important to our local economy?

Jane Ellison: We look to support the tourism sector in a whole range of ways, and the sector is doing very well. We have seen great increases in the number of tourists, and my hon. Friend is a great advocate for his region. Tourism is one of the highest performing sectors in the economy. For example, the UK has one of the highest VAT registration thresholds in the EU—[*Interruption.*] The highest. That helps many small businesses that are providing goods and services to tourists without charging VAT at all.

Mr Speaker: We can now hear about tourism in South Down as well. I call Ms Margaret Ritchie.

Ms Margaret Ritchie (South Down) (SDLP): With particular reference to that, does the Minister recognise the additional disadvantage faced by the tourism industry in Northern Ireland, particularly in border constituencies such as mine, given that the VAT rate on tourism in the Republic of Ireland sits at 9% and ours sits at 20%?

Jane Ellison: We explored those issues when I gave evidence to the Select Committee on Northern Ireland Affairs, so I know what the hon. Lady is alluding to. One example is that the Government's decision in last year's autumn statement to focus on investment in infrastructure will result in an increase of more than £250 million to the Northern Ireland Executive's capital budget, which gives them the means to boost productivity and promote regional growth in Northern Ireland.

Economic Growth

15. **George Kerevan** (East Lothian) (SNP): What steps he is taking to support economic growth in all regions and nations of the UK. [909630]

The Economic Secretary to the Treasury (Simon Kirby): In addition to the earlier answer to Question 4, in Scotland and Wales the Government are investing almost £1.3 billion in city deals for Glasgow, Aberdeen, Inverness, Cardiff and Swansea, and we are discussing further deals for Edinburgh, Stirling, the Tay cities and north Wales.

George Kerevan: Will the Minister guarantee that the city deal specifically for Edinburgh and my East Lothian constituency will be neither aborted nor substantially delayed by the calling of the general election?

Simon Kirby: What I can guarantee is that it is about time the Scottish National party started delivering for the people of Scotland. The level of growth in Scotland is a quarter of that across the UK.

20. [909635] **Kevin Foster** (Torbay) (Con): The Minister will be aware of the difference that will be made by the new high-tech and digital centre at South Devon College in Paignton, which is being supported by the third round of growth funding. Does he agree that the facility makes South Devon College an ideal place to be one of the first to offer the new T-level?

Simon Kirby: I absolutely agree that it would be an ideal place to be in the first stream.

Alan Brown (Kilmarnock and Loudoun) (SNP): When will the UK Government start to consider the Ayrshire growth deal seriously? The SNP Government back the growth deal and the local councils are all working together, so it is the UK Government who are holding back the delivery.

Simon Kirby: The Government are focused on delivering the existing deal. If the SNP Government want to do something in addition to that, it is within their power to do so.

Money Laundering

16. **Mr Virendra Sharma** (Ealing, Southall) (Lab): If he will support public registers of beneficial owners for all legal entities, including trusts, during negotiations on the EU anti-money laundering directive. [909631]

The Economic Secretary to the Treasury (Simon Kirby): The UK has spearheaded improvements in the transparency of beneficial ownership information. Her Majesty's Revenue and Customs is already building a register of trusts with tax consequences, which will improve transparency and assist law enforcement agencies.

Mr Sharma: We are now a year on from the anti-corruption summit. Will the UK now ensure that the overseas territories and Crown dependencies also have public registers of beneficial ownership?

Simon Kirby: We will carefully consider the commission's proposals for a broader register. If those proposals go forward, the Government will consult on what the register should look like after the negotiations have concluded.

Productivity

17. **Stephen McPartland** (Stevenage) (Con): What steps he is taking to improve productivity. [909632]

The Chief Secretary to the Treasury (Mr David Gauke): The Government recognise the challenge that Britain's productivity performance represents, and we are resolved to tackle the issue. At last year's autumn statement we launched the national productivity investment fund to provide £23 billion-worth of additional spending, focused on areas key to boosting productivity. We went further at the Budget by investing an additional £500 million in technical education to ensure that businesses can access the skills they need.

Stephen McPartland: With the average worker spending 23% of their day on email, what assessment have the Government made of how the increasing reliance on email is stalling productivity?

Mr Gauke: Particularly in the context of the public sector, we have an ongoing efficiency review. Where we find areas in which we can improve efficiency and ensure that everyone becomes more productive, we will obviously look to take those opportunities.

Several hon. Members *rose*—

Mr Speaker: There can be a link between productivity and recent trends in the level of employment, so if the hon. Member for Northampton South (David Mackintosh) wishes to come in on Question 17, he is welcome so to do.

18. [909633] **David Mackintosh** (Northampton South) (Con): Thank you, Mr Speaker. What assessment has the Minister made of current employment in Northampton?

Mr Gauke: At 84.4%, the employment rate in Northampton South is the 17th highest of all 632 constituencies across Great Britain. There were 3,000 more people in work in Northampton South over the past year alone, and 4,000 more than in 2010.

Exiting the EU: Alternative Trade Agreements

23. **Mr Adrian Bailey** (West Bromwich West) (Lab/Co-op): What assessment his Department has made of the potential economic effect of alternative trade agreements after the UK has left the EU. [909638]

The Financial Secretary to the Treasury (Jane Ellison): As the Chancellor mentioned, the Government have undertaken a significant amount of work to assess the economic impacts of leaving the EU. It is part of our continuing programme of rigorous and extensive analytical work, covering a range of scenarios, as the hon. Gentleman would expect, sector by sector.

Mr Bailey: Small businesses manufacturing car components in my constituency are hugely concerned that, post-Brexit, this country may have to revert to the World Trade Organisation agreements, which would mean increased tariff costs and further regulation, and could have an impact on the viability of the booming motor industry. What assessment has the Chancellor made of that impact?

Jane Ellison: Treasury Ministers, and indeed Ministers right across government, are speaking to individual businesses and sectors all the time to understand their concerns about issues of this sort. Obviously, we are seeking the best possible deal for the UK, and all the work being done reflects that, including in respect of understanding how we can respond to those concerns and get a great deal.

Topical Questions

T1. [909606] **Dr Daniel Poulter** (Central Suffolk and North Ipswich) (Con): If he will make a statement on his departmental responsibilities.

The Chancellor of the Exchequer (Mr Philip Hammond): My priority is to ensure that the economy remains stable and resilient as we conduct our negotiations with the European Union. That means building upon this Government's achievements in reducing the deficit by two thirds and getting unemployment down to the lowest rate since the 1970s, while tackling the long-term challenges of productivity enhancement and making steady progress towards our goal of a balanced budget. I am pleased to be able to tell the House that in the past few minutes the International Monetary Fund has upgraded its UK growth forecast for 2017 by 0.5%, to 2%.

Dr Poulter: Farms and other agricultural businesses are often deterred from making investments in new buildings and infrastructure because of a complex system of capital allowances, including agricultural buildings relief. Will my right hon. Friend examine this issue, particularly in respect of giving the agricultural sector a boost in the wake of Brexit?

The Financial Secretary to the Treasury (Jane Ellison): Agricultural land and buildings are, of course, exempt from business rates, although I know my hon. Friend was talking in particular about some of the capital allowances. We are committed to a capital gains tax system that supports investment and growth right across the economy, which is why at Budget 2016 we reduced CGT rates from 28% to 20%, and from 18% to 10% for gains on most assets. Owners of agricultural businesses benefit from the same CGT rates and reliefs as other business owners.

John McDonnell (Hayes and Harlington) (Lab): As you know, Mr Speaker, this morning the Prime Minister called a general election. She is breaking her commitment not to hold an early election, which was made only weeks ago. She has blamed Brexit, she has blamed our European neighbours and she has blamed the Opposition parties, but the real truth is that after seven wasted years of failure the Tories have failed to close the deficit; they have added £700 billion to the national debt; pay has fallen behind prices; 4 million children are growing up

in poverty; our schools are in crisis; more people than ever are on NHS waiting lists; more families are homeless; and more elderly people are not getting the care they need. Will the Chancellor use this last opportunity before the election to apologise to the British people for the utter failure of this Government's economic policies and for the pain he has inflicted on this country?

Mr Philip Hammond: The right hon. Gentleman has some brass neck to stand there and accuse us of having failed to eliminate the deficit, given that his policy is to add another £500 billion to it overnight. The British people understand very well what is going on here: we have a Conservative Government who are maintaining growth, and who have got unemployment down and record levels of employment, and a steadily closing deficit; and we have a Labour party which remains as fiscally incontinent as ever and which, if given a chance, would wreck this economy once again.

John McDonnell: There we have it: not one word of apology—no contrition whatsoever—from a Chancellor who has broken his promises to the British people and is still failing to deliver on a manifesto on which he was elected only 23 months ago. The Government are entering this election having scheduled £70 billion-worth of tax giveaways—for whom? It is for the super-rich and for the corporations, and is over the next five years. The Government are entering an election with a £2 billion unfunded black hole in the Budget the Chancellor delivered only a few weeks ago. So will he now use this opportunity before the general election to put on the record that his party will rule out raising VAT and rule out raising income tax? Will he commit unequivocally to support legislation to protect the triple lock? If the Tories cannot be straight with the British people, Labour will be.

Mr Hammond: The truth is that promises made from the Opposition side of the House are not worth the paper they are written on. The voters, pensioners and workers of this country understand that very well, and they will give their verdict on Labour's promises on 8 June.

Mr Andrew Tyrie (Chichester) (Con): Assuming the House votes for an election, will the Chancellor confirm that he will seek to truncate the Finance Bill, remove its controversial measures, such as making tax digital, and thereby enable everybody to focus on the economic issue that will matter most to the whole country over the next few months: which party can best be trusted to run the economy?

Mr Hammond: I certainly agree with my right hon. Friend on that last point. On the matter of process, assuming that the House votes in favour of my right hon. Friend the Prime Minister's motion tomorrow, there will then be the usual end-of-Parliament process of negotiation with the official Opposition on measures that are currently before the House, with a view to passing them in whatever form is appropriate before prorogation.

Several hon. Members *rose*—

Mr Speaker: Brevity, please, because I am keen to get through as many colleagues as possible.

T3. [909608] **Ian Blackford** (Ross, Skye and Lochaber) (SNP): As we are congratulating football teams, I am sure the House will want to join me in congratulating Hibernian football club, which has returned to the top league in Scotland.

The Chancellor of the Exchequer has a brass neck when he talks about a stable and resilient economy. The growth in the money supply, which has been trending at around 6%, is mainly down to an increase in personal borrowing and credit card debt. When are we going to get fiscal measures that will stimulate the economy, rather than relying on the boom and bust we are seeing again?

Mr Hammond: I can confidently predict for the hon. Gentleman that, after the general election on 8 June, there will be a Budget that will give him the answers he is seeking.

T2. [909607] **Oliver Colvile** (Plymouth, Sutton and Devonport) (Con): The House may be aware that Plymouth Argyle were also promoted yesterday.

I am the chairman of the all-party group on south-west rail. Last November, the peninsula rail taskforce published a report on the future of rail in the south-west. One key recommendation was for a resilient railway line through Dawlish. Will my right hon. Friend confirm that there is enough money in the kitty to deliver that?

The Chief Secretary to the Treasury (Mr David Gauke): Improved rail resilience in the south-west is a priority, which is why we committed £5 million in Budget 2016 and £10 million in autumn statement 2016 to support that work. The Government will continue to work with Network Rail to develop options for future investment in the south-west in Network Rail's control period 6.

T7. [909612] **Gareth Snell** (Stoke-on-Trent Central) (Lab/Co-op): Co-operatives and worker-owned businesses tend to be more resilient and are more productive. Does the Chancellor agree that regulation and law should not disadvantage their development? Will he consider redirecting tax incentives away from company executives and towards employees looking to buy their own workplace?

Mr Philip Hammond: We are very keen on employees having an opportunity to take a stake in the businesses for which they work. We will look carefully at any proposals that would tend to enhance productivity by incentivising and encouraging employees.

T5. [909610] **Sir Henry Bellingham** (North West Norfolk) (Con): Given the large proposed increase in probate fees, and bearing in mind that deceased people's bank accounts are frozen, will the Chancellor or the Chief Secretary look at allowing the fees to be paid after probate has been granted and the estate has been wound up?

Jane Ellison: In most cases, the Ministry of Justice expects that banks will be able to release enough cash from the estate to pay the probate fee, and we know from HMRC that the average estate is 25% cash. The MOJ is working with the British Bankers Association and others to put arrangements in place.

T10. [909615] **Kate Hollern** (Blackburn) (Lab): We have heard today an awful lot about a stronger economy and the need to improve productivity. What discussions has the Chancellor had with his Cabinet colleagues about skills and education funding? There is concern that children in Blackburn are about to lose £284 per head under what the Government call a fairer funding formula.

Mr Philip Hammond: The hon. Lady will know that my right hon. Friend the Secretary of State for Education is considering responses to the consultation on the school funding formula. At the Budget, we announced a substantial increase in funding for 16-to-19 technical education, which will make an important contribution to improving the UK's productivity.

T6. [909611] **Mr Andrew Turner** (Isle of Wight) (Con): Although the south-east is the financial powerhouse of the UK, it does none the less have some less prosperous areas such as the Isle of Wight. What steps is my right hon. Friend taking to ensure that the benefits of economic growth reach all corners and all islands of the United Kingdom?

Mr Hammond: I know that my hon. Friend regards the islands as particularly important, and I concur with him on that. The Government support continuing economic growth across the south-east, including all regions and islands. The Solent local enterprise partnership receives more than £180 million from the local growth fund, including funding for investment in local skills and business start-ups, with the Isle of Wight receiving about £15 million of investment in local infrastructure and skills.

Jim Shannon (Strangford) (DUP): Will the Chancellor give us an assurance that he will not surrender to the outrageous demands of Tusk, Juncker and Barnier that the UK must pay €60 billion before it leaves the EU?

Mr Hammond: As I have already said, this should be seen for what it is: an opening gambit in a long and complex negotiation.

T8. [909613] **Peter Aldous** (Waveney) (Con): Britain's coastal communities have enormous potential for sustainable economic growth in the trade, energy, fishing and tourism sectors. Much good work is being done, but I would be grateful if my right hon. Friend gave us an assurance that no stone will be left unturned to ensure that coastal Britain realises its full potential.

The Economic Secretary to the Treasury (Simon Kirby): As someone who also represents a coastal community, I am pleased to say that coastal areas will benefit from nearly £40 million of investment through the latest round of the coastal communities fund, and that we will do all we can to get the very best possible deal.

Stewart Malcolm McDonald (Glasgow South) (SNP): Will the Chancellor tell us which will be the first to go in the upcoming Tory manifesto: the pledge on international aid spending, the triple lock, or the promise not to raise any new taxes?

Mr Philip Hammond: I am afraid that the hon. Gentleman will just have to contain himself and ready his money, because he will be able to buy a copy in due course.

T9. [909614] **Matt Warman** (Boston and Skegness) (Con): The taxpayer has benefited from the return to private ownership of Lloyds and UK Asset Resolution, but can my right hon. Friend provide an update on the sale of the Royal Bank of Scotland?

Mr Hammond: We are making real progress in realising our holdings in the banking sector. We continue the programmed sale of our shareholding in Lloyds, which is now down from 43% to less than 2%. Just last month, we sold £12 billion of Bradford and Bingley mortgages in a highly competitive process. The Government are not at present actively marketing their stake in RBS. Our policy remains to return the bank to private hands as soon as we can achieve fair value for the shares, recognising that fair value could well be below what the previous Government paid for them. We must live in the real world and make decisions on the future of our holding in RBS in the best interest of taxpayers.

Mr Dennis Skinner (Bolsover) (Lab): In the real world, seven years ago, a Tory Chancellor stood at the Dispatch Box and said that we had to cut the money to every single local authority in Britain by up to 40% because we needed to get rid of the deficit. Now, seven years later, that deficit is still more than £60 billion. Will the Chancellor apologise to the people of Britain for that lousy mistake?

Mr Hammond: That deficit is still £60 billion, but it was £200 billion when we started working on it.

Martin Vickers (Cleethorpes) (Con): Following the football theme of this afternoon, I am sure that everyone would wish to know that Cleethorpes Town has finished as champion of the Northern Counties East League, which means that even more people will want to travel to Cleethorpes. Infrastructure development was mentioned earlier. Will the right hon. Gentleman give an assurance that all roads will lead to Cleethorpes?

Mr Gauke: I will take that as a representation for all those many fans wanting to go to Cleethorpes to watch football.

Chris Stephens (Glasgow South West) (SNP): Can the Chancellor confirm that HMRC takes eight months to fill a vacancy in the national minimum wage compliance unit? If that is so, what will he do properly to resource that service so that workers can get a decent day's pay for a decent day's work?

Jane Ellison: I will look into the specific issue that the hon. Gentleman raises, but I want to make it very clear that HMRC investigates absolutely every report of national minimum wage violations. We take the matter very seriously, and we do enforce it.

David Morris: In my constituency I held a public consultation on creating an enterprise zone or a business park. The Labour county council has blocked it considerably and constantly. Would my right hon. Friend the Chancellor like to come to my constituency and listen to what my constituents are saying about having an enterprise zone?

Mr Philip Hammond: As it happens, I was just planning my domestic travel arrangements for the next five weeks, and I will keep my hon. Friend's request in mind when I do that.

Business of the House

3.35 pm

The Leader of the House of Commons (Mr David Lidington): With permission, I should like to make a short statement about the business for tomorrow.

WEDNESDAY 19 APRIL—The House will be asked to approve a motion that allows for my right hon. Friend the Prime Minister to seek an early parliamentary general election under the Fixed-term Parliaments Act 2011. This will be followed by consideration of Lords amendments to the Technical and Further Education Bill, followed by a debate on a motion relating to section 5 of the European Communities (Amendment) Act 1993.

The business for Thursday 20 April remains Backbench Business Committee business, as I previously announced. I shall make a further announcement about future business in the usual way on Thursday.

Valerie Vaz (Walsall South) (Lab): I start by thanking the Leader of the House for his statement and for coming to the House to inform us of the change of business to a motion calling for a general election. I now understand why it was so difficult to get out of the Leader of the House a date for the forthcoming Queen's Speech, despite consistently asking him for it. Obviously, the Prime Minister's U-turn has been a long time in the planning.

I am concerned that the Prime Minister chose to make her statement outside No.10 rather than come to the House. This is a massive U-turn. At least seven times, most recently on 20 March, the Prime Minister has ruled out an early general election. She said:

"I'm not going to be calling a snap election. I've been very clear that I think we need that period of time, that stability to be able to deal with the issues that the country is facing and have that election in 2020."

Clearly, this Government cannot be trusted.

Given that the general election is on 8 June and there are 25 working days until Parliament can be dissolved, can the Leader of the House let us know the exact date for the Dissolution of Parliament? May I repeat that a statement of such importance should have been made to the House of Commons, given the nature of this massive U-turn. Her Majesty's Opposition will ensure that we will promote stability, and that there is an alternative fairer vision for this country.

Mr Lidington: The hon. Lady asked about the date for Dissolution. That is laid down in statute: it has to take place 25 days before the proposed date of polling day. Therefore, the date of dissolution will technically be at one minute past midnight on Wednesday 3 May, so in effect we are talking about Dissolution at midnight on the night of 2 to 3 May.

I do not recollect any previous Labour Prime Minister announcing a general election on the Floor of the House of Commons. My right hon. Friend the Prime Minister went about things in the time-honoured fashion this morning. She is putting to the country the case for this Government to go forward on the basis of a clear mandate to provide the clarity and stability that the entire United Kingdom needs, as we approach the historic task of implementing the referendum decision taken by the

British people and forging the new, deep and special partnership with our friends and allies in the European Union that we all want.

Mr Peter Bone (Wellingborough) (Con): May I thank the Leader of the House for making a statement at the earliest possible opportunity, and the Prime Minister for making an announcement that was not leaked to the media in advance? Will my right hon. Friend confirm that it is not in the gift of the Prime Minister to decide whether there is a general election? It will be this House that decides, and if Her Majesty's Opposition do not want a general election, cannot face it, or are worried about annihilation, they will not vote for it tomorrow.

Mr Lidington: I agree completely with my hon. Friend.

Pete Wishart (Perth and North Perthshire) (SNP): I thank the Leader of the House for his short but incendiary statement. Here we were believing that this was not the time for these types of big decisions, and that the core focus of this Government should really be on their hard Brexit. This is one of the most extraordinary U-turns in political history, and the Fixed-term Parliaments Act 2011 has been about the biggest possible waste of this House's time. The calling of a general election now returns to a Prime Minister, and the interests of party now come before the interests of country. In the coming election, we will ensure that Scotland continues to be fully protected from this Tory Government's attempt to take our nation off the cliff edge of their hard Brexit and from their obsession with austerity. The Tories might play their petty party political games, knowing that they are up against a woeful and pitiful Labour party, but the Scottish National party will ensure that Scotland is fully protected from the worst of this Government's clutches.

Mr Lidington: The Prime Minister and the party she leads will take to the people the case for the Union of the four nations of our United Kingdom, and our belief that those four nations are better off working together in that unique enduring partnership of the United Kingdom. I say to the hon. Gentleman that the Prime Minister took her decision—a decision that, as she said this morning, she took with considerable reluctance—because it is in the interests of the people of this country. It is in the interests of the entire nation that we have clarity, stability and constancy of purpose as we move forwards.

Mr Jacob Rees-Mogg (North East Somerset) (Con): Does the Lord President agree that this is actually one of the rare occasions when it is absolutely right that the statement was first made to the British people—not to this House—because it is they who are being asked to use their sovereign power to determine the composition of a new House?

Mr Lidington: My hon. Friend makes a cogent point. It will, of course, be for this House in the first place to decide whether to approve the motion that we will debate tomorrow. If the Government's motion is carried, we will then put our case to the people.

Tom Brake (Carshalton and Wallington) (LD): The Prime Minister was not for calling a snap general election, but now she is, perhaps sensing a political opportunity. The choice to go for an election now is hers and hers

alone, as was the choice of a hard Brexit. Will the Leader of the House make time available before the general election campaign starts for this House to discuss the party of government's failure on the NHS, tackling violent crime, and dealing with people with disabilities and their benefits?

Mr Lidington: I am astonished that the right hon. Gentleman, on behalf of the Liberal Democrats, was able to talk about political opportunism with a straight face. The Prime Minister alone has to take the decision to put forward the motion tomorrow, but it will be a decision for every Member of the House of Commons when we meet tomorrow to decide whether that motion is approved.

Geoffrey Clifton-Brown (The Cotswolds) (Con): My right hon. Friend has confirmed that Parliament will be dissolved at midnight on 2 May. Will he please confirm on which date Parliament will be prorogued?

Mr Lidington: The usual discussions are under way between the usual channels about the handling of business that is currently before Parliament. On the assumption that the motion is carried by the House tomorrow, those discussions will intensify. I hope that I will be able to provide the clarity that my hon. Friend seeks as soon as possible.

Ms Angela Eagle (Wallasey) (Lab): The Leader of the House has given us an image of the Prime Minister being dragged, kicking and screaming, into calling a general election when she did not want one. Can we find time in what is left of this Parliament to have a debate about why she decided to trigger article 50 and then throw the entire planning into doubt by then calling a general election, which will waste at least three months of the precious, short time we have left to get the best deal for Britain?

Mr Lidington: Far from throwing things into doubt, the Prime Minister's decision has, assuming that the people return this Government—it will be a choice for the people to take—ensured that there will be the clarity of a mandate behind her and her Government to deliver a successful negotiation, and to implement it over the course of a five-year term.

Dr Matthew Offord (Hendon) (Con): Some Members of this House are labouring under the impression that the next general election will be a rerun of the referendum. Will the Leader of the House confirm that article 50 having been triggered, regardless of who wins the next election there is no turning back?

Mr Lidington: The wording of article 50 is clear, and it is clear that any change to the two-year timetable can happen only if it is agreed unanimously by all member states, including the departing member state. As my right hon. Friend the Prime Minister has made clear, whatever side we took in the referendum campaign, we must respect the sovereign decision of the British people.

Ian Paisley (North Antrim) (DUP): I thank the Leader of the House for his statement and assure him that the Democratic Unionist party will support the motion tomorrow. We say, "Bring it on: bring on the election

and let people support the Union and the Unionist cause in Northern Ireland." Will he clarify tomorrow the last date for people who wish to register to vote to do so, so that there is clarity and certainty about the registration process, especially in Northern Ireland?

Mr Lidington: Clearly, I do not want to pre-empt the decision that this House will take tomorrow, but, assuming that the motion is carried, I will try to provide that clarity as rapidly as possible.

Helen Goodman (Bishop Auckland) (Lab): The Leader of the House says that he does not want to pre-empt tomorrow's decision by this House. Was not the Prime Minister attempting to do that in naming 8 June?

Mr Lidington: What the Prime Minister was doing this morning was making her ambition clear about the timeframe for the general election. I have to say to the hon. Lady that the specific date would have been the first question put to the Prime Minister, in the House and outside, had she not named one.

Kirsty Blackman (Aberdeen North) (SNP): Mr Speaker, you may remember—as you took an active part in it—a debate in January 2000 that went on all night so that the next day's business did not exist. Given that in debating the Finance Bill the House can sit until any hour tonight, what will the Government do in the event of tomorrow not existing?

Mr Lidington: Given that question, I suspect that the hon. Lady and her colleagues are a bunch of fearties as far as a general election is concerned.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): The Leader of the House will agree, I am sure, that the prime responsibility of this House is to hold the Government to account. Does he not think that many, not just in this Chamber but outside across the country, will regard the Prime Minister's rush to an early general election as a strategy to evade responsibility for the chaos we have had in this country since the previous Government arranged a referendum that they actually lost?

Mr Lidington: The Prime Minister's decision is about inviting the British people, in the national interest, to return her to provide the leadership, the sense of direction and the clarity which this country needs and which those in the hon. Gentleman's party are so clearly unable to provide themselves.

Mr Nigel Evans (Ribble Valley) (Con): Will the Leader of the House confirm that should the motion pass tomorrow we are not voting for a new Prime Minister for just two years over the course of Brexit, but a new Prime Minister for the duration of a Parliament of five years? Many of us are expecting that either the current Prime Minister or the leader of the Labour party will walk through the door of No. 10 post 8 June. Will the Leader of the House encourage my right hon. Friend the Prime Minister to go head to head with the Leader of the Opposition in as many TV debates as possible before 8 June?

Mr Lidington: I suspect that the electorate would be fascinated to see the outcome of such a debate.

Mr David Hanson (Delyn) (Lab): Will the Leader of the House confirm that in the event of a two-thirds majority not agreeing to tomorrow's motion, the only way the Government could call a general election would be to table a vote of no confidence in themselves? When does he plan to do so?

Mr Lidington: We intend to go into tomorrow's debate with the clear objective of persuading that two-thirds majority to support the Government's motion.

Hywel Williams (Arfon) (PC): The Prime Minister was inconsistent about Brexit, and now her iron determination not to call a general election transmutes into a leaden determination to have one. May I assure the Leader of the House that, with Labour in a writhing mess, we in Plaid Cymru relish the opportunity to provide a Welsh alternative to this ideologically driven, opportunist, right-wing Tory Government, and that we will be voting yes tomorrow?

Mr Lidington: I suppose I should express my appreciation for the hon. Gentleman's final phrase, if not for the rest of his remarks.

Chris Bryant (Rhondda) (Lab): For weeks constituents have been emailing me and telephoning my office because they are terrified of the changes to the personal independence payment regulations, which we were finally going to be allowed to debate and vote on tomorrow, but the Leader of the House has suspended that. Will he guarantee that this House, this Parliament, will have a chance to vote on and debate them before Dissolution?

Mr Lidington: As I have said, the usual channels will discuss the allocation of business between the debate concluding tomorrow and the date of Dissolution.

Greg Mulholland (Leeds North West) (LD): The Liberal Democrats welcome the opportunity to take on this divisive, destructive Tory Government and their hard Brexit, but how much will this general election cost; and if the Prime Minister wanted to do it, why did she not call it for 4 May? The decision not to do so is going to cost a lot of taxpayers' money.

Mr Lidington: The timetable for any general election is laid down by the Fixed-term Parliaments Act and the Political Parties, Elections and Referendums Act 2000. A general election on the same day as the local elections would not be possible, given what the laws require.

Mike Gapes (Ilford South) (Lab/Co-op): Inflation is rising, real living standards are potentially going to decline and we know that there will be very difficult negotiations with our European Union partners. Is not the real reason that the Prime Minister has called this election so that she can avoid having a general election in 2020, which would be very dangerous for her party? She thinks that she can win now in order to avoid dealing with the consequences of a hard Brexit.

Mr Lidington: The country I look at is one in which unemployment is falling, employment is at record levels, the deficit is down and there are record levels of spending on key public services, which is made possible because of the strong economy that my right hon. Friends the

Prime Minister and the Chancellor have fostered. I look forward to a general election and to making the case to the people for that programme of political commitment and the leadership of my right hon. Friend the Prime Minister to continue.

Alison Thewliss (Glasgow Central) (SNP): The Government's ridiculous rape clause came into force on 6 April, with no parliamentary scrutiny. The usual channels had promised that a Delegated Legislation Committee would be held to provide some parliamentary scrutiny of that despicable policy. Will that now happen, given that Parliament is to be dissolved very soon?

Mr Lidington: Any change to the law has of course to go before Parliament. I will put the hon. Lady's point to my colleagues among the business managers, but I cannot give her an immediate promise that she will get the time she seeks.

Angela Smith (Penistone and Stocksbridge) (Lab): Will the Leader of the House confirm what will happen to the Manchester Gorton by-election, given that on 4 May there will potentially be no Parliament for any candidate to be elected to?

Mr Lidington: There is no statutory provision for the cancellation of a by-election when a general election is in progress. It is up to the judgment of the acting returning officer, whom one might expect to regard the by-election writ as having been superseded. That was the course of action taken by the acting returning officer in the one precedent that I have found, which dates back to November 1923.

Mark Durkan (Foyle) (SDLP): Will the Leader of the House tell us whether the Prime Minister took soundings from the Secretary of State for Northern Ireland as to the impact of this announcement on the ongoing inter-party talks, and does the Secretary of State for Northern Ireland still intend to bring legislation through this House and the House of Lords in the wash-up in respect of rates and topping up the mandate for the current Assembly to appoint an Executive?

Mr Lidington: My right hon. Friend the Northern Ireland Secretary is of course considering what difference, if any, should be made to his announced plans as a result of the Prime Minister's announcement this morning. I will try to provide the hon. Gentleman with absolute clarity as soon as possible, but my expectation is that there will continue to be a need for such legislation.

Kate Green (Stretford and Urmston) (Lab): Will the Leader of the House acknowledge that we will none the less elect a metropolitan Mayor in Greater Manchester on 4 May, who will take up office and responsibility for transport in the city region? Will the Government confirm that the Bus Services Bill will complete its parliamentary passage before Dissolution?

Mr Lidington: The passage of any Bill currently before Parliament will depend on the talks between the Government and the official Opposition which always take place ahead of a general election.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): In calling a snap election, do the British Government seriously take the view that a UK election will really change the EU 27 negotiating position? If so, are they not guilty of living in a land of fantasy?

Mr Lidington: It will be important that the newly elected leaders in France and Germany will meet a newly re-elected Prime Minister of the United Kingdom, all of them with the confidence that they have mandates from their voters as they approach those negotiations in a constructive spirit.

Alan Brown (Kilmarnock and Loudoun) (SNP): To date, the Chancellor has refused to share with Parliament any analysis of the impact of Brexit—in fact, he seems to have refused to share it with the Secretary of State for Exiting the EU, given his shambolic performance in front of the Select Committee—but this general election is all about clarity. In the interests of clarity, will the Government print analysis showing the impact of a hard Brexit versus Scotland staying in the single market, which is what my constituents voted for?

Mr Lidington: I could make the arguments that the hon. Gentleman has heard before about the vital importance to Scotland of the United Kingdom single market, but I would say to him in particular that the Prime Minister's objective of delivering a new deep and special partnership with our friends and allies in the EU27 will serve the economic and security interests of Scotland well, as it will serve those of the whole of the United Kingdom well.

Margaret Ferrier (Rutherglen and Hamilton West) (SNP): Following the question asked by my hon. Friend the Member for Kilmarnock and Loudoun (Alan Brown), is the Leader of the House in a position to confirm or deny that the 2017 Tory manifesto will say “yes” to a single market, or will it be “out”?

Mr Lidington: I will put the hon. Lady on the priority mailing list for a copy of the Conservative party manifesto.

Ian Blackford (Ross, Skye and Lochaber) (SNP): The Scottish Parliament recently voted by a margin of 69 to 59 for us to have a referendum, yet the Prime Minister arrogantly and contemptuously told us that now is not the time. If it is now the time for this Parliament to make such a decision, should not this Parliament also empower the Scottish Parliament to allow the Scottish people to have a say on their future?

Mr Lidington: The hon. Gentleman and his parliamentary colleagues have been demanding, week after week, that the Prime Minister seek a new electoral mandate from the people of the United Kingdom in order to deliver our exit from the European Union. She is doing just that, and if the hon. Gentleman is to be consistent, he might welcome that, rather than complain.

Stewart Malcolm McDonald (Glasgow South) (SNP): Following the question from my hon. Friend the Member for Kilmarnock and Loudoun (Alan Brown), the Leader of the House is right to say the general election will be about clarity. Does he, like me, look forward to the clarity that the TV debates will give us, and does he agree that any attempt by any political leader, especially one from the Government Benches, to shirk from those invitations would be wholly unacceptable?

Mr Lidington: Ahead of tomorrow's debate it is somewhat premature to speculate on what the broadcasters will decide to propose with regard to the allocation of time for general election coverage, but I will take the hon. Gentleman's comments as a representation.

Jess Phillips (Birmingham, Yardley) (Lab): I was not going to speak, but like everybody else sat in this Chamber it may well be the last time I get the chance. *[Interruption.]* If hon. Members will let me finish. I came here to speak honestly and plainly, and to speak like the people outside this building. What I cannot understand from what the Leader of the House has said today is how any of this makes things clearer, or makes us feel more stable, more secure. All I ask is: how does this look to people outside? As somebody who came from outside, it looks to me like political opportunism.

Mr Lidington: I think and I hope that people outside this building will look at what the Prime Minister said on the steps of No. 10 this morning and believe that she is seeking an electoral mandate for herself as leader of a Government who will then be in a position to carry through the extremely challenging and ambitious European negotiations over the next two years. She would then implement the new partnership we are seeking with the EU 27, with confidence deriving from the fact that—I hope—the Government enjoy a secure, enduring parliamentary majority for those measures for an entire five-year term.

Syria and North Korea

4.1 pm

The Secretary of State for Foreign and Commonwealth Affairs (Boris Johnson): With permission, Mr Speaker, I should like to begin by paying tribute to the Britons who were killed in tragic circumstances in Stockholm and Jerusalem. Chris Bevington was among four people who died in Sweden when a truck was driven into helpless pedestrians on 7 April. Hannah Bladon was stabbed to death in Jerusalem on Good Friday in a senseless attack. Our thoughts and prayers are with their families.

I wish to update the House on two of the most significant foreign policy events of the last fortnight, namely the situations in Syria and North Korea. These disparate challenges encompass one common theme. In each case, hereditary dictators presiding over cruel tyrannies have challenged the essential rules that underpin our world peace. The United States has responded with strength and resolve, and in accordance with its traditional role as the guarantor of the rules-based system. In both cases, the United States has acted with the full support of the British Government.

Turning first to Syria, at 6.39 am on 4 April there was a chemical weapons attack on the town of Khan Sheikhoun in rebel-held Idlib province. The House will recall the horrifying aftermath: men, women and children convulsed in agony, some foaming at the mouth, as their bodies were poisoned by nerve gas. Rescue workers tried desperately to decontaminate the casualties. We saw children with oxygen masks clamped to their faces. Even by the standards of a civil war that has claimed more than 400,000 lives, this was among the most shocking incidents.

I want to repeat for the benefit of the House exactly what we know about the attack on Khan Sheikhoun, because there has been a concerted attempt to obscure the facts. We know beyond doubt that two Sukhoi-22 aircraft took off from Shayrat airfield, where we know chemical weapons are stored. We know that they were overhead at 6.39 am when, according to all eyewitness accounts, the attack took place. We know from shell fragments in the crater that sarin had not only been used, but that it was sarin carrying the specific chemical signature of sarin used by the Assad regime. Given that samples from the victims show conclusively that they had been exposed to sarin gas, there is only one conclusion to be reached: that the Assad regime almost certainly gassed its own people, in breach of international law and the rules of war. That shows the emptiness of the agreement—reached in 2013 and guaranteed by Russia—that was supposed to rid Syria of chemical weapons once and for all, and, I am afraid, exposes the misjudgment of those who regarded that deal as a substitute for resolute action.

The attack on Khan Sheikhoun is already the subject of an international inquiry by the Organisation for the Prohibition of Chemical Weapons. Thanks in large measure to UK diplomacy, the United Nations now has a joint investigative mechanism with a mandate to identify any party responsible for chemical attacks in Syria, and I trust that it will report as soon as possible. The House should bear it in mind, however, that UN investigators have already found the Assad regime guilty of using poison gas on three separate occasions in 2014 and 2015.

Some Members have suggested that we arraign Assad before the International Criminal Court. I must say to them that the only way of bringing Syria before the ICC would be through a referral from the Security Council, and we tried that option in 2014, only to be thwarted by the vetoes of Russia and China. Sadly, Russia's response to the attack on Khan Sheikhoun has been to try to protect Assad yet again. On 12 April, it cast its eighth veto on behalf of Assad in the Security Council, blocking a resolution that would have demanded the regime's co-operation with the international investigation.

The day after the atrocity I spoke to Secretary of State Tillerson, and it became clear that the United States was considering a military response. In the early hours of 7 April, the US did indeed take action, firing 59 cruise missiles at the military air base from which the gas attack is believed to have been launched. We were given advance notice of the operation, but at no stage did the US Administration ask for our military help; they asked only for political support. Advance warning was given to Russian military personnel, who were co-located with the Syrian air force at the same base, to minimise the risk of casualties.

The Government believe that the US action was a necessary, appropriate and justified response to an awful crime. As many as 20 Syrian military aircraft are believed to have been destroyed, and, as the House will know, Assad's air force has been bombing civilians day after day for most of the past six years. The destruction of some of those strike aircraft will in itself save some lives, but still more important, I think, is President Trump's emphatic message that the era during which Assad's barbarism met with passivity and inaction has finally come to an end. America's determined response creates an opportunity to break the deadlock and pave the way for a political settlement of Syria's tragedy, but that will happen only if Russia is prepared to bring Assad to the negotiating table and begin a transition to a new Government who will represent the sole chance of peace in Syria. After the chemical attack and the American strike, the priority was for Secretary Tillerson to convey that message to Russia with the backing of as many countries as possible. The combined weight of the G7, and like-minded countries in the region, unanimously supported the US military action as a "carefully calibrated" response to a "war crime", and mandated Tillerson to go to Russia and urge the Russians to

"promote a real and genuine political process in Syria".

I want to stress that we in the UK have no intention of dislodging Russian interests in Syria; on the contrary, we recognise Russia's long connection with that country and the national interests at stake. But Russia's position in Syria does not depend on Assad. The unmistakable lesson of six years of bloodshed is that Assad cannot deliver what his people—and the wider world—so desperately need, namely, a peaceful and united Syria. Therefore, I hope I have the support of everyone in this House when I call on the Russians to end their blind support for Assad, stop the gas attacks and the barrel bombs, allow the delivery of aid to those who need it, deliver a real ceasefire and begin the political process that will include a transition away from Assad.

That was the message that Secretary Tillerson conveyed to Putin and to Sergei Lavrov on 12 April. We will do our utmost in the UK to hold accountable anyone found responsible for that gas attack, and we will work

with our American counterparts to create the conditions for Russia to work with us and to escape its entanglement with the toxic Assad regime, which poisons Russia's international reputation just as surely as it poisons its own people.

I turn now to North Korea. Last weekend's events provided further proof of the threat that that country poses to international peace and security. On Saturday, North Korea paraded an arsenal of ballistic missiles in front of carefully regimented crowds. Only 24 hours later, the regime tested another missile, although this time the launch failed. Last year alone, North Korea tested two nuclear bombs and 24 missiles. I remind Members that all those tests break a series of UN resolutions dating back to 2006, when resolution 1695 was passed unanimously by the Security Council, yet on Monday the Pyongyang regime threatened further missile tests on a "weekly, monthly and yearly basis".

The regime is now developing intercontinental ballistic missiles, which would be capable of delivering a nuclear strike on the mainland United States. These weapons have not yet been fully tested, but no one can be complacent about the potential threat they pose.

Yesterday, I spoke to my Chinese counterpart, Wang Yi, and I urged him to use Beijing's unique influence to restrain North Korea and to allow a peaceful resolution of this crisis. By suspending its coal imports from North Korea, China has given a welcome signal of its willingness to exert pressure on the regime. Later this month, I shall attend a special meeting of the Security Council on North Korea.

All hopes for progress rest on international co-operation—especially between China and the US—and the verifiable disarmament of North Korea's nuclear weapons and ballistic missiles. The crises in Syria and North Korea represent a challenge to the law-based liberal international order in which this country believes. Britain's role is to stand alongside the United States and our allies as we confront those threats. In that effort, we will not tire. I commend this statement to the House.

4.13 pm

Emily Thornberry (Islington South and Finsbury) (Lab): I thank the Foreign Secretary for advance sight of his statement and join him in sending my condolences to the families of Chris Bevington and Hannah Bladon.

Obviously, the Foreign Secretary's statement is somewhat overshadowed by another announcement today, but the issues at hand here are far more important for the future of our world than the Prime Minister's cynical short-term manoeuvres. She talked about the need for leadership and stability, yet is happy to plunge the country into six weeks of uncertainty exactly at the time Britain needs to provide stable global leadership on issues such as Syria and North Korea. However, we should not be surprised, because on those and other global crises the Conservative party is abdicating any effective leadership role for Britain.

I turn to Syria. We were all appalled by the dreadful attacks on civilians witnessed during the Easter recess. Two weeks ago, there was the horrifying chemical attack on Khan Sheikhoun, killing dozens of ordinary villagers and injuring many hundreds more. Just two days ago—I was rather surprised that the Foreign Secretary did not see fit to mention this—there was the suicide bombing of so-called pro-regime evacuees in Rashidin, with dozens

of children among those who were killed. They were lured to their deaths by the promise of free crisps—a tragic reminder that in this conflict Bashar al-Assad does not hold a monopoly when it comes to horrific atrocities against innocent civilians, including children.

We need a peaceful settlement in Syria now more than ever. Indeed, last week the Foreign Secretary said that his priority was to

"build co-ordinated international support for a ceasefire...and an intensified political process",

and I agree with him. So why, rather than working for co-ordinated international action properly to investigate, punish and prevent the use of chemical weapons, is the Foreign Secretary instead threatening more unilateral airstrikes by the US against the Assad regime? Why, rather than engaging in that peace process, did he instead cancel his proposed talks in Moscow, and in the process so comprehensively alienate the Putin Government that they have refused to talk to Britain in future? And why, rather than ensuring that the G7 spoke with one strong voice on Syria last week, did he instead present it with a half-baked, quickly rebuffed proposal for sanctions, without doing any preparatory work to win the support that was needed?

The Foreign Secretary ended last week disowned by Downing Street, ignored by Russia, and humiliated by the G7. The only straw he can cling on to, we presume, is this: that the United States State Department is still telling him what to say and do, and which countries he is allowed to visit. To that end, may I ask a final question on Syria? Based on his close relationship with the Trump Administration, can he clarify exactly what their strategy now is?

Turning briefly to North Korea, the Foreign Secretary rightly condemns the ongoing nuclear missile programmes being pursued by Kim Jong-un's regime. I hope he will agree that, like Syria, this a crisis that can be resolved only through co-ordinated international action, through the de-escalation of tensions and, ultimately, through negotiations. So can he assure us that Britain will argue against any unilateral military action taken by the United States, and instead urgently back China's call for a resumption of the six-party talks? When it comes to North Korea, the world needs statesmanship, not brinkmanship. We cannot afford blind loyalty to the Trump Administration if they are leading us down the path to war.

Peace in Syria and North Korea and our relationship with the Trump Administration are vital issues for the future of Britain and the world, and, as much as the Prime Minister would like the coming election simply to be about Brexit, we must ensure that these and other international concerns are not forgotten.

To that end, my final question for the Foreign Secretary is this: will he commit to join me in a televised debate between all the parties on foreign policy—no ifs, no buts? I am ready to say yes now, so will he commit today to do likewise: announce the first election debate and put his party's promise of stable leadership on the line?

Boris Johnson: I am obviously disappointed that the shadow Foreign Secretary should choose to intrude into this very important consideration relatively separate issues of domestic political policy: we are trying to explain the position of the UK, and indeed the west, towards the Assad regime. And, by the way, we are having a televised debate now in case she had not noticed, and we should continue in that way.

[Boris Johnson]

To answer the right hon. Lady's serious point, we are engaged in trying to use the opportunity provided by American action to drive forward the political process. It is not easy, and I think in all honesty that she should reflect on her approach, because what we are trying to do requires a great degree of cross-party support. We want the Russians to face up to the real option before them. If they continue to back Assad, they will be backing a regime that—I hope Members heard what I said about the use of chemical weapons—has been proved beyond a shadow of doubt to have used chemical weapons that are banned under international law. I would like the Russians to accept that there is a deal. That could be that they have an improvement in their relations with the Americans, and work together with the rest of us to tackle the scourge of Daesh. In return, the Russians need to understand that they need to make a serious commitment to a political process. At the moment, they are not doing that. They need to make a proper commitment to a ceasefire, and at the moment they are not making that commitment. They need to stop their client using chemical weapons. They said that they would do that in 2013. Rather than simply parroting the lines of the Kremlin, the right hon. Lady should support the collective action of the west, not just the G7 but the like-minded countries—

Emily Thornberry: What?

Boris Johnson: The right hon. Lady has said, for instance, that the west is divided in its attitude towards sanctions. Let us be absolutely clear that all we are trying to do is to follow where the evidential trail leads—[*Interruption.*] If the OPCW finds that members of the Syrian armed forces have been responsible for that attack, I hope she will agree that they should face sanctions. If she were to oppose that, I would find it absolutely extraordinary. The United States has moved to impose sanctions on a further 300 people, and there has been a large measure of support from all western countries for doing exactly that.

Furthermore, it seems unclear from the right hon. Lady's account whether she supports the American action at all. I wonder whether she could enlighten the House as to whether she is in favour of what the Americans did. For the first time in five years, the Trump White House has shown that the west is not prepared to sit by and watch while people are gassed with weapons that should have been banned—

Emily Thornberry *rose*—

Mr Speaker: Order. We appreciate the Foreign Secretary's inimitable rhetorical style, but I fear that the right hon. Lady, by moving as though to intervene, supposes that she is taking part in a debate. Let us await the televised debate, if it is to happen. At this point, the Foreign Secretary can content himself with responding to questions.

Boris Johnson: I am grateful, Mr Speaker.

It was far from clear to me, in listening to the right hon. Lady's response, whether she actually supports what the United States has done. I would like some elucidation on that. As I have said, for the first time in five years, that action has shown that the west is willing to stand up to the use of these vile weapons. This has

given us a political opportunity that we have hitherto not had, and I think that her best bet would be to support this Government and the efforts of western countries in trying to drive that forward and get the Russians to deliver a genuine political solution—[*Interruption.*]

Mr Speaker: Order. I say to the right hon. Member for Islington South and Finsbury (Emily Thornberry) that all sorts of things might be judged by some people to be intolerable, but I am afraid that what is above all intolerable is to depart from the normal process. She is a person of very considerable intellect and ingenuity. Doubtless, through her colleagues—and possibly subsequent to the statement—she can find ways of giving expression to her concern, but at this point if she could assume a Zen-like calm, the House would be the beneficiary of that.

Sir Nicholas Soames (Mid Sussex) (Con): It is obviously right that a diplomatic joint approach in Syria is more important than unilateral action. Will the Foreign Secretary therefore commit to continuing to work closely with our American allies and other partners and friends to bring an end to this barbaric slaughter in Syria?

Boris Johnson: I am grateful to my right hon. Friend for his question. That is exactly what we are engaged in doing. I do not pretend to the House that it will be easy. We have been here before; we have seen the whole Kerry-Lavrov rigmarole that went on for months and months. However, this is an opportunity for Russia to recognise that it is supporting a regime that deserves the odium of the entire world. That is costing Russia friends and support around the world, but it now has a chance to go for a different approach, and that is what we are collectively urging it to do.

Ms Tasmina Ahmed-Sheikh (Ochil and South Perthshire) (SNP): I thank the Foreign Secretary for advance sight of his statement and I associate Scottish National party Members with his opening remarks, in which he paid tribute to those who lost their lives in Jerusalem and Stockholm. Our thoughts are with their families.

The international community must respond to what can only be described as the monstrous actions of the Assad regime. There should be an international investigation sponsored by the Security Council. If that is blocked, such an investigation should be ordered by the General Assembly of the United Nations. The mechanisms exist to enable that to happen, and the UK Government must lead the way. The findings should be taken to the International Criminal Court and those responsible should be arraigned and subjected to the force of international law.

The US air strikes on Shayrat airfield are a demonstration of the unpredictability of the Trump Administration, which many fear will only cause further escalation of the conflict. In their rush to congratulate that Administration on their recent strike, did the UK Government consider its repercussions? Until now, coalition aircraft have operated with relative freedom against Daesh in eastern Syria. Now, Russia has suspended the US-Russia air operations accord, and the Assad regime will likely activate its extensive air defences. The skies

above Syria will therefore be much more dangerous for UK pilots, while Syrian civilians on the ground will suffer even more.

We in the SNP have questioned the UK Government's policy on airstrikes from the very beginning, but now we must have answers. What changes will have to be made to adapt to the changing situation, and how will that affect the coalition aerial campaign against Daesh? UK jets and bombs will not bring peace in Syria. We call on the UK Government to reconsider their tactics and urgently present a revised military strategy in Parliament. Although dialogue aimed at ending the conflict is welcome, above all we want hostilities to cease and civilians to receive the basic food, shelter and medical care that they so badly need.

Finally, on North Korea, we urge all parties to lower tensions and use diplomatic means to work through disagreements. This is yet more evidence of the need to implement multilateral disarmament and put an end to the existence of weapons of mass destruction in general, and nuclear weapons in particular.

Boris Johnson: The hon. Lady will know that the UK is already the second biggest donor of humanitarian aid to the region, so we have a record that we can be proud of. I return to what she had to say about the American strike. I am looking at faces that are familiar from previous statements on Syria; month after month I have come here to update the House on how that tragedy is unfolding, and I see people who have taken a passionate interest in this subject and have called repeatedly for us to do more. Finally, the United States has taken what we believe to be condign action—action that I think is entirely appropriate—but somehow it fails to find favour with the hon. Lady.

I think that what has happened is a good thing, but we should not overstate its importance from a military point of view. We have to recognise that this is a political opportunity, and it is an opportunity for the Russians to recognise the manner of regime that they are propping up. That is the message that we need to get over loud and clear, and unanimously.

As for North Korea, the hon. Lady makes a good point about the need to get rid of nuclear weapons. I think it would be foolish—I hope that she agrees—for the United States even to begin to think of getting rid of its nuclear weapons before we have a denuclearised North Korea.

Crispin Blunt (Reigate) (Con): I thank the Foreign Secretary for the detailed evidence he has presented to the House about the responsibility for the nerve agent attack in Syria. I commend him for giving the House that detail and, in doing so, I invite him to depersonalise his assessment of the Syrian regime simply around the personality of its President. We already have in place a mechanism by which that President will be held to account in future by the Syrian people if he wishes to seek their views under the International Syria Support Group conclusions of November 2015. That process has already been agreed on by 20 nations, and we should be relying on that and not using rhetoric that might make it more difficult to get into that process.

Finally, if I may ask my right hon. Friend about North Korea, I invite him to put pressure on the United States to try to dial down the public rhetoric. In some ways, North Korea is like an attention-seeking child

who happens to belong to someone else—in this case, China. While the United States has proper responsibilities to the other nations in the area about their security, ratcheting up the rhetoric with North Korea is probably the wrong way of publicly dealing with it.

Boris Johnson: I entirely agree with my hon. Friend that we should be clear that our quarrel is not only with Bashar al-Assad, but with others in his regime. It will be possible to sketch out a route map to show how we can keep the institutions of Syrian government and yet get rid of the most murderous elements of the regime. We need to be getting that idea across clearly in the next weeks and months.

On North Korea, I am sure that my hon. Friend's words on the need to avoid ratcheting up the rhetoric are wise—he speaks from experience—but I believe that the key lies mainly with China in this arena. It is very much in the interests of the Chinese and the Russians, who share a border with North Korea, to rein in Kim Jong-un and persuade him to abandon what I think is a path of self-destruction.

Hilary Benn (Leeds Central) (Lab): In the light of the American Vice-President's current visit to the region to consult, one hopes, South Korea and Japan, among others, on the most effective way of containing North Korea's nuclear ambitions, and reflecting on the Foreign Secretary's own experience at the recent G7 summit, does he think that there is the potential for further economic sanctions directed at Pyongyang? Does he think that China would fully support such a step?

Boris Johnson: The crucial thing is for the Chinese and others to implement the current sanctions and to allow them to have a full economic impact. As the right hon. Gentleman may know, there has been some doubt in recent months about the full application of those sanctions. The people of North Korea are living in absolute misery, penury and servitude. The trouble is that they can probably continue to live in that state for a long time to come, unless their Government see sense. We must work with the Chinese to persuade them.

Sir Hugo Swire (East Devon) (Con): Given the fact that the Chinese, in a most welcome manner but rather surprisingly, did support sanctions at the UN in 2013, the chances are that they will come to the UN Security Council meeting at the end of this month in a positive frame of mind. The Foreign Secretary is right that Russia shares a small border with the Democratic People's Republic of Korea. It is also a permanent member of the UN Security Council and is party to the six-party talks. In addition to having good discussions with his opposite number Wang Yi in China, will my right hon. Friend commit to talk to Sergey Lavrov and point out that this is another chance for Russia to rehabilitate its international reputation, which is extremely tarnished at the moment?

Boris Johnson: My right hon. Friend is absolutely right. He has great expertise in this matter. It is perfectly true that the economic relationship is overwhelmingly between China and North Korea, but, as he says, Russia certainly has a role. Russia should not be permitted to hide endlessly behind China's skirts, a point that Rex Tillerson made in Moscow on 12 April.

Ann Clwyd (Cynon Valley) (Lab): In 1988, I took a cross-party group from this House to see some of the survivors of the Halabja attack. There was a lot of discussion about who was responsible, and people such as Professor Alastair Hay went out to Halabja and brought back soil samples and evidence. I wonder whether experts in the UK are again being used to find out who perpetrated this terrible carnage and suffering on the Syrian people. Has the Foreign Secretary talked to such people, who could be of help again due to their experience in dealing with chemical weapons?

Boris Johnson: I well remember the right hon. Lady's efforts in respect of Halabja, and she played a big part in hardening my heart against Saddam Hussein many years ago. She campaigned on the matter with great effect, and rightly so.

What we are doing today is supporting the OPCW's expert fact-finding mission, and I have sketched out all we know about what happened on the morning of 4 April—the best evidence that we have so far—and I hope the House will believe that the evidence is very persuasive indeed. The fact-finding mission will now draw on a variety of sources, including samples from the victims, environmental samples, munition fragments, footage of the incident and its aftermath, and interviews with survivors, people who were first on the scene, medics and eye witnesses. The mission will be able to draw on signals intelligence, flight tracking, data analysis, meteorological information and other information that will be shared by us and other countries concerned.

Our experience is that such fact-finding missions are able to reach conclusions in very difficult circumstances and, going back to the point I made to the right hon. Member for Islington South and Finsbury (Emily Thornberry), we need such information to create the evidential trail to the individuals responsible. There is good evidence already, and we will use what we have, when and where possible, not only to impose sanctions but to pursue prosecutions for war crimes.

Sir Eric Pickles (Brentwood and Ongar) (Con): My right hon. Friend says that Russia's position in Syria does not depend on Assad but that the Assad regime's position in Syria is wholly dependent on Russia, and that Russia must accept its responsibility for the attack. If Russia's reputation is to be rehabilitated, the first important step will be to help ease the Assad regime out of Syria.

Boris Johnson: I absolutely agree with my right hon. Friend. It is crucial to understand that the Russians, as they have freely admitted in the past, do not have any deep spiritual affinity with Bashar al-Assad. They do not love him but are wedded to him for the time being. I believe that, in the long term, there can be no future for Syria with Bashar al-Assad in power, and we have to find a way forward. What we want to do now is to reach out to the Russians, to get them to understand that point and to commit to a serious political process, and we should not abandon that goal.

Mr David Winnick (Walsall North) (Lab): I do not regret any of my votes opposing military intervention in Syria, because at various times we were asked to oppose one side or the other, but if there had been no military

retaliation in response to the chemical attack, is there not a case that it would have encouraged Assad to do it again?

Boris Johnson: The hon. Gentleman is absolutely right, and it is why we should acknowledge that the United States has changed the terms of trade in Syria. It is now up to us to make the most of this opportunity to get political change.

Alistair Burt (North East Bedfordshire) (Con): I thank my right hon. Friend for his statement and for the tone with which he made it. One of the purposes of the American action the other day was, as it would have been in 2013, to demonstrate to President Assad that he cannot militarily subjugate all his people and, therefore, to give force to negotiations in which he will actually have to concede something. The difficult question is this: had the US Secretary of State asked my right hon. Friend for some sort of support that evening, what would have been his answer? Do he and the Government consider themselves bound by the decision of the House in August 2013 and David Cameron's statement afterwards? If so, does he intend to return to the House to discuss the matter further? If not, what might the United Kingdom be able to do to demonstrate its force and resolve against such actions as those we saw from President Assad the other week?

Boris Johnson: As my right hon. Friend knows and as I said, we were not asked for specific support, but it is my belief—I stress that no such decision has yet been taken—that were such a request to be made in future and were it to be a reasonable request in pursuit of similar objectives, it would be very difficult for the United Kingdom to say no.

Ms Gisela Stuart (Birmingham, Edgbaston) (Lab): Hannah Bladon was a student at Birmingham University, and our thoughts and prayers are with her, her family and her friends. As a result of her having been stabbed to death in Jerusalem, has the Foreign Office changed any of its travel advice?

Boris Johnson: I repeat my condolences to the family of Miss Bladon. All I can say is that although we are offering consular assistance to her family, at the moment we are not changing our general advice about travel to Israel.

Dr Sarah Wollaston (Totnes) (Con): Given the vile propaganda role of Asma al-Assad in propping up a murderous and barbaric war criminal, will the Foreign Secretary update the House as to what discussions he has had with the Home Secretary so that we can send a very clear message that such a role is incompatible with British citizenship?

Boris Johnson: We do not discuss individual citizenship cases, as I am sure my hon. Friend knows, although I understand the feelings she is expressing. What I can tell her is that Asma al-Assad, in common with her husband, is certainly on the sanctions list.

Mike Gapes (Ilford South) (Lab/Co-op): The Foreign Secretary's original statement was comprehensive and measured, but it had one significant omission—there

was no mention of Turkey. There are 3 million Syrian refugees in Turkey and, as he knows, the Turkish Government and President Erdogan have called for a no-fly zone. Others, including myself, have called for a no-fly zone over Idlib. What discussions are ongoing about how to protect civilians in Syria, not just from chemical weapons, but from barrel bombs?

Boris Johnson: The hon. Gentleman makes a very good point and he is right to draw attention to the cardinal role of Turkey in this whole crisis. As he knows, Turkey has borne the brunt of the huge tide of refugees, and I agree very much with what he is saying about no-fly zones, which are strongly supported by Rex Tillerson and the US. However, they cannot be delivered without a ceasefire, which is why I return to this challenge we are making to the Russians: it is up to them not just to stop the barrel bombs that the hon. Gentleman mentions, but to deliver a real ceasefire.

Sir Edward Leigh (Gainsborough) (Con): The Foreign Secretary rightly dealt at length with the chemical attack, but I was surprised he did not take the opportunity to condemn also the appalling attack on Shi'a civilians in which 126 were killed, including 68 children, when fleeing from Foah and Kefraya. This highlights the problem faced by Alawites, Shi'a and Christians in Syria: however much they detest Assad, as we all do, they rely on him to protect them. For too long in this House, we have tried to engage in regime change—in removing Saddam, Gaddafi and now Assad. We should concentrate on humanitarian work and on protecting minorities in the middle east.

Boris Johnson: I fully appreciate the point my hon. Friend makes and he is perfectly right when he says that our thoughts should equally be with the 126 victims of that appalling attack, many of whom were children, as the right hon. Member for Islington South and Finsbury said. There are many, many victims in this conflict, but the overwhelming majority of the 400,000 who have died in the past five or six years—I believe this war is now in its seventh year—have been victims of the Assad regime and its supporters. For that reason, I must say to my hon. Friend that I understand his hesitations, which are of course shared by many people, who think instinctively that perhaps it would be better to stay with the devil we know, but this is a very, very odious devil indeed, and as I look ahead I just cannot see how Bashar al-Assad can remain in power in Syria in the long term. We have to go back a long way in history to find somebody who has murdered quite so many of his population and retained office.

Alison McGovern (Wirral South) (Lab): I thank the Foreign Secretary for his statement. Of course, it is not for any of us in this House to decide who runs Syria; that is a choice for the Syrian people.

We should judge recent events in Syria as being successful only if they form part of a comprehensive strategy to protect civilian life. What conversations has the Foreign Secretary had with the Secretary of State for International Development about getting the aid that we as a country have paid for to those who need it in Syria? Thanks to you, Mr Speaker, we were able to call for such action for Aleppo, but we failed. Now, people in Idlib are being targeted in a way that we have

discussed in this House previously. What strategy do we have to save civilian lives, to get aid in, to get people out of Syria so that they can receive medical attention, and to help to save each and every life that we can?

Boris Johnson: I pay tribute to the hon. Lady's consistent campaigning on this issue over the years. She is right to draw attention to the appalling humanitarian situation. Around 1.5 million people are still being besieged by Assad's regime, which is using starvation as an instrument of warfare. On what we are trying to do, I go back to my earlier points: there must be a ceasefire and the Russians must make it possible for the humanitarian convoys to access the people who need help. That is what we are trying to promote, not only in Geneva but at the Astana talks. It is up to the Russians. We can build the exit for them, and I think it is an attractive exit: they have the chance to get long-term western support for the rebuilding of Syria; they would have their strategic interests in Syria—at Tartus and Latakia—protected in the long term; and they could have a political role in Syria's future, but they have to ensure that there is a ceasefire, an end to the barrel bombs and a proper political process.

Dr Julian Lewis (New Forest East) (Con): Will the Foreign Secretary tell us what the outcome of that proper political process would be, given that even commentators who absurdly used to claim that there were 70,000 moderate fighters against Assad in Syria now accept that the overwhelming majority of the armed opposition is run by Islamists? While accepting that Assad is a monster in the tradition of Gaddafi and Saddam Hussein, does the Foreign Secretary also accept that there is a distinction between punishing him for using chemical weapons and removing him to replace him with a virulent Islamist regime?

Boris Johnson: I strongly agree with the wisdom of that remark. It will be essential to have a political process that preserves the institutions of the Syrian state while decapitating the monster.

Greg Mulholland (Leeds North West) (LD): The international community has failed in Syria for too long, so I echo the Foreign Secretary's comments: some action was indeed needed, and may be needed in future. His statement was quite rightly firm on Russia, but it did not give a sense of how the peace talks will move forward, which, as well as Russia changing its position, is clearly essential.

Boris Johnson: As several hon. Members have said, in the end, the new constitution and arrangements for Syria will be a matter for the Syrian people, but there are certainly people in Syria on either side of the debate who could come together to form a new federal Government for the country and take it forward to a much brighter future.

David Rutley (Macclesfield) (Con): Russia has propped up the Assad regime for far too long. When I met the Russian ambassador a year ago, I urged him to request that his Government find a new home for Assad outside Syria to enable the political process to move forward and create peace in that country, but he declined. Does my right hon. Friend agree that it is time for Russia to change its mind on that matter?

Boris Johnson: To the best of my knowledge, the Russian President suggested that Bashar al-Assad should find refuge in some Gulf country, which I shall not upset by naming.

Mr Mark Hendrick (Preston) (Lab/Co-op): In his statement, the Foreign Secretary said, “I stress that we have no intention of dislodging Russia from Syria.” Well, we would be fools to think that we could. He then went on to say, “But Russia’s position in Syria does not depend on Assad.” For the past seven years, Putin has supported Assad through thick and thin. He will not suddenly develop a conscience, as we can see from his actions over the years in Chechnya and elsewhere. We are left in a position in which Russia, as a member of the UN Security Council, will constantly block any military attempts, which leaves us with a scenario where Trump could take unilateral action, as he did on the Syrian airfield. Although I supported that particular action, how far are we supposed to support Trump in those actions without the backing of the Security Council? Clearly, he could take such action against Assad and against President Kim in North Korea.

Boris Johnson: I disagree very strongly with the hon. Gentleman. Of course, it is difficult. Of course the Russians have been backing Assad for many years, but this is an opportunity for them to have a new bargain in which there is a ceasefire, an end to the barrel bombs and an end to the chemical weapons—a real political solution—and in exchange they get a genuine relationship with the United States, join the rest of the world in the war against Daesh—[*Interruption.*] Yes, and they have an acknowledgment that they have a way out of the quagmire of Syria and that the west will step in, once it is possible, to pay for the reconstruction of that country.

Seema Kennedy (South Ribble) (Con): Iran has committed hundreds of troops and billions of dollars to Syria. Furthermore, many Iranians in living memory have been victims of chemical attacks. Will my right hon. Friend reassure the House that his Department is taking advantage of the full diplomatic relations that we now have with Iran to put pressure on the Assad regime?

Boris Johnson: Yes, we certainly are. An important point to make to the Russians is that, in the end, it is the Iranians who are benefiting from any progress that the Assad regime makes. It is the Iranians who are the whip-holders in that relationship. In the end, the Russians need to detach themselves from the Iranians as well as from Assad.

Margaret Ferrier (Rutherglen and Hamilton West) (SNP): I hear what the Secretary of State is saying, but a new report from Human Rights Watch suggests that US forces last month failed to properly confirm targets before launching a missile strike in Aleppo, killing dozens of civilians, including lots of children. They even destroyed a building that it has been established was a mosque. As the UK Government cheerlead yet more US airstrikes in Syria, what steps will he take to avoid yet more civilian deaths in Syria?

Boris Johnson: Obviously, we deplore any civilian deaths in Syria, but I also deplore any false equivalence between American actions and the dropping by the Assad regime of barbaric weapons, which were banned in 1925.

Rebecca Pow (Taunton Deane) (Con): I welcome my right hon. Friend’s call for a peaceful and united Syria—who could disagree with that—and especially the need for the humanitarian protection of civilians, but does he agree that putting down shutters is never a productive way forward? In that light, will he confirm that he remains in regular contact with his Russian counterparts?

Boris Johnson: Of course.

Ian Paisley (North Antrim) (DUP): I appreciate the statement from the Foreign Secretary, and extend my sympathy and thoughts to the Bevington and Bladon families. He mentioned that his Government have to deal with odious devils. Of course some of those devils are home grown, and this Government have been able to deal with them in the past. It may seem attractive to remove one leader from power in terms of regime change, but does he accept that the real lynchpin in Syria is Russia? What is the true state of his relationship with Russian officials and of the relationship between Her Majesty’s Government and the Putin regime?

Boris Johnson: The hon. Gentleman is absolutely right. In the end, it was the Russian intervention that saved Bashar al-Assad’s regime. The Russians have it in their hands to change the outcome in Syria for the benefit of not just the Syrian people, but Russia as well.

James Cartledge (South Suffolk) (Con): I thank my right hon. Friend for his statement, but, to echo the question of my hon. Friend the Member for Gainsborough (Sir Edward Leigh), there are Members who are concerned about this phrase “regime change” and any policy that moves in that direction. Will my right hon. Friend confirm that if the US moves towards a more explicit regime-change policy with regard to Assad, we would support it only after a vote in this House endorsing such a policy?

Boris Johnson: The policy of the Government is spelt out very clearly in resolution 2254, which calls for a political process leading to a transition away from the Assad regime. I think my hon. Friend will agree that that is the right way forward.

Antoinette Sandbach (Eddisbury) (Con): The Foreign Secretary confirmed that the regime had been responsible for three previous chemical attacks on civilians. Given that, can he confirm whether there is international support for targeted sanctions against military commanders, despite the way the negotiations went earlier?

Boris Johnson: I am grateful for that question because there was never a proposition for general sanctions against Russia, for instance. That was a piece of media ectoplasm, if you like, Mr Speaker. We have strong support for the idea of taking the evidence that the fact-finding mission will accumulate, using it to isolate the individuals who may have been responsible—by the way, there may be Russian military advisers who are complicit—and not only imposing sanctions on them, which I know my hon. Friend agrees would be the right thing to do, but arraigning them for war crimes.

Dr Matthew Offord (Hendon) (Con): What role does the Foreign Secretary see the United Kingdom playing in confronting the bellicose actions of the North Korean regime?

Boris Johnson: The most important and useful thing we can do is to intercede with our Chinese friends to stress to them the huge influence that they have in this matter and get them to use their economic weight to get Pyongyang to see sense.

Points of Order

4.56 pm

Emily Thornberry (Islington South and Finsbury) (Lab): On a point of order, Mr Speaker. Is it in order for the Secretary of State, while refusing to answer the challenge of a televised debate, to use the opportunity of a statement to make the most extraordinary claims? Perhaps the biggest was that he was unaware of Labour's position on this matter. We have made it abundantly clear that the way we should have proceeded was for UN inspectors to establish beyond doubt who was responsible and challenge the international community, including the Russians, to take multilateral action against the perpetrator, who is presumably Mr Assad.

Mr Speaker: What I would say to the right hon. Lady off the top of my head is that unawareness, whether real or proclaimed, is not disorderly. Proceedings have been orderly. Some people may feel better informed, others may not, but the right hon. Lady, who has considerable experience, both of this place and of pleading her case in the courts, has made her own point with her own eloquence in her own way, and it is on the record.

Ian Paisley (North Antrim) (DUP): On a point of order, Mr Speaker. On Sunday 2 April and again on Sunday 9 April the former Deputy Prime Minister Lord Prescott claimed that my father, when Member of Parliament for North Antrim, had his phone tapped by the security services, contrary to the Wilson doctrine. This infringed the rights and liberties of all 650 Members of the House and, more importantly, the rights and liberties of our constituents. What steps can be taken to verify Lord Prescott's claims and to hold to account those who failed to inform the Speaker at that time about the breaking of the Wilson doctrine? What course is now open to Parliament to uncover the truth in this affair?

Mr Speaker: I am grateful to the hon. Gentleman both for his point of order and for his characteristic courtesy in giving me notice of his intention to raise it. If he believes that the privileges of the House have been infringed, the proper course of action is for him to write to me, setting out the facts of the matter.

There is a specific reason for my exhortation to write in this particular circumstance. He is essentially raising a matter of privilege. Traditionally, in such circumstances the Chair always advises a Member to write to the Speaker. If the hon. Gentleman does so, I will make a decision on whether this should be pursued as a matter of privilege. We will leave it there for now. I am grateful to the hon. Gentleman.

Parish Council Governance (Principles of Public Life)

Motion for leave to bring in a Bill (Standing Order No. 23)

4.59 pm

Mims Davies (Eastleigh) (Con): I beg to move,

That leave be given to bring in a Bill to make provision for the governance and operation of parish councils in England; and for connected purposes.

I am bringing in this Bill to make a fundamental point—that, as we devolve power down to local communities, we should ensure that the councils to which we are giving more power are run in a good way. Throughout all of public life, we should ensure that elected representatives adhere to the Nolan principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Those principles need to be at the heart of all governance and, indeed, of parish councils.

I declare my own involvement in local councils. I was a district councillor and twice a parish councillor before coming to this place. I have helped to produce a neighbourhood plan and sat on various parish council committees. As a councillor and now via feedback as a Member of Parliament I have seen how parishes should work. I am passionate about the principle that decisions should be made as locally and as properly as possible. Indeed, as Hamble-le-Rice Parish Council is showing—it is to agree the first stages of a neighbourhood plan—good parishes can make a real difference, with committed people coming together in the best interests of their area. I also fully support those calling for Eastleigh to have a town council to give it a separate voice in the face of hostile development through Eastleigh Borough Council's missing local plan. I completely support the Government's great devolution programme, which empowers communities.

I will speak today about the most local form of government: parish councils. There is a patchwork of 9,000 parish councils across England, each offering the closest form of representation in our democracy. Serving on these parishes are 80,000 councillors—some elected, some unopposed and some co-opted. However, a strong part of ensuring that localism and the devolution agenda really work for people is ensuring that councils and councillors are ready to receive these new powers.

We need to ensure that parish councils are truly representative. Representatives should come forward to offer a mix of talent and experience—they should have varied backgrounds. However, the party politicisation of parishes in many areas sadly and brutally undermines that situation. This Bill would seek to reverse that. Multi-hatting, whereby a councillor sits on a number of different councils, is not in itself a bad thing. Vertical multi-hatting, where a councillor is a parish and a district councillor, or a parish and a county councillor, helps to foster good communication between councils. However, I draw the attention of the House to the growing negative version of this, which I call horizontal multi-hatting. This is when an individual sits on multiple parish councils.

A borough councillor in my constituency sits on Bursledon Parish Council and West End Parish Council. The seat that this individual is taking up could have been filled by someone who genuinely wanted to contribute

to their community, rather than purely to be a political placeholder—somebody who is not just seeking to qualify simply by being within three miles of one or two boundaries. In such instances, it really is a case of keeping seats cold, rather than keeping them warm. Or is it just a question of spying on the other camp? There should be a restriction on this kind of horizontal multi-hatting so that people can get involved with community representation and political parties cannot simply block others from taking part in the community.

The Bill also highlights the concerning weakness of safeguarding in parish councils. A parish council often has a single member of staff in the form of a part-time clerk. Parish councillors are often heavily involved in the local community and the many organisations they work within. They are the lifeblood of the parish council. Two problems can arise from that. First, a proper and effective safeguarding policy is difficult to maintain with limited staff time and an often rather informal approach to governance. Secondly, and very seriously, in instances brought to my attention in my constituency and elsewhere, parish councillors have used their position to bypass safeguarding policies. I have heard reports that parish councillors are using their position within their communities, and their status as a councillor, in order to get inappropriate access to community places such as local schools and community buildings.

When we discuss these matters it is important to balance the real need for good safeguarding with the right to stand in a local election. I believe that this balance can be rightly struck by requiring all council candidates to be DBS—Disclosure and Barring Service—checked as a first step to being nominated for an election. We also need to ensure that best practice for safeguarding is instilled right down to our parish councils and right across the country. That will include effective tracking and logging of potential interactions between councillors while performing their duties, such as surgeries, particularly where vulnerable members of society will be approaching people for assistance by virtue of their councillor status. This will of course mean more focus on training for parish councillors.

As we push power downwards to local communities, we must also provide those communities with access to outstanding training for their local representatives. During discussions with the area branch of the National Association of Local Councils it has given me wonderful examples of effective and comprehensive parish council training packages, which can and must be implemented. I was particularly pleased to see the example set by Hampshire NALC, under the brilliant Colin Mercer, a councillor in Botley, who is ensuring that exactly this kind of work is done for our new councillors. NALC has provided me with a copy of its handbook, which it says is the most requested publication that it writes. The handbook points the way towards a national training standard for our parish councillors. At a time when we are giving more power, more responsibility and more discretion to parish councils, we need to fully understand their new role in localism and the devolution agenda.

I am sure that colleagues will sympathise with the feeling of having been elected and then suddenly told to just get on with it. That is clearly not good enough. The people making the decisions on planning for finance, for project management, for procurement, for key contracts, and for the challenging and complex issues that keep a

vibrant community alive must be in the best possible position to decide on the outcomes. We need to look at a more effective system of oversight for our parish councils to give them confidence in good decision making.

I want to make it absolutely clear that in my experience as a parish councillor and as an MP, the vast majority of parishes are doing a fantastic job of representing their community and working hard within it. However, in the tiny minority of cases where things go wrong, we need to make sure that someone is there to properly scrutinise and learn lessons. Whether it is through expanding the remit of the ombudsman, bringing in a clear and stronger code of conduct review, or, again, standards boards, we need to be able to tackle this issue.

Fundamentally, my experience and my political outlook mean that I firmly believe in giving more power to local communities. While we debate here in this grand Chamber and even grander building, it is worth remembering that people across the country, this evening and throughout the week, will be putting on their coats and walking up to their local village hall, sitting regularly in their community spaces wanting to make their communities and local areas a little bit better. I believe that these measures will assist those councillors and make our parishes work better so that they can continue to serve their residents fully and even more confidently.

Question put and agreed to.

Ordered.

That Mims Davies, Scott Mann, William Wragg, Mrs Anne-Marie Trevelyan, John Howell, Amanda Solloway, Antoinette Sandbach and Lucy Allan present the Bill.

Mims Davies accordingly presented the Bill.

Bill read the First time; to be read a Second time on Friday 12 May and to be printed (Bill 168).

Finance (No. 2) Bill

Second Reading

Madam Deputy Speaker (Natascha Engel): The amendment has been selected.

5.10 pm

The Financial Secretary to the Treasury (Jane Ellison): I beg to move, That the Bill be now read a Second time.

This Government have long demonstrated that they can deliver a stronger, more secure economy. The economy is demonstrating robust growth, the employment rate is at a record high and the deficit has been brought down by almost two thirds since its pre-financial crisis peak.

We are in a much stronger position now than we were in 2010, but there is no room for complacency. Indeed, as we begin the formal process of exiting the European Union, we have an even greater incentive to provide a strong and stable platform for the future. Both the debt and the deficit are still too high, so we remain focused on getting the public finances in order, not continuing to endlessly borrow and jeopardise future generations, as some would have us do.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): Will the Financial Secretary give way?

Jane Ellison: I will make a little more progress and then I will happily give way.

Before setting out the Bill's contents in more detail, I should of course refer to the fact that the Prime Minister has today announced her intention to lay before this House a motion calling for an early general election.

Peter Dowd (Bootle) (Lab): When?

Jane Ellison: Members should be paying more attention. Earlier today the Leader of the House updated right hon. and hon. Members on how that motion, if it is passed, will impact on the business of the House. We hope to hold constructive discussions with the Opposition, through the usual channels, on how this Bill will proceed.

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): We are always here to help.

Jane Ellison: It is good to hear that Opposition Front Benchers are here to help.

To return to the matter under discussion, I will lay out the themes of the Bill and then I will allow the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards) to intervene. We are very clear that our taxes and the system underpinning them need to be fair and competitive and, critically, they must be paid. This Bill will take the next steps in helping to deliver a fairer and more sustainable tax system, one that can support our critical public services and get the country back to living within its means.

The Bill implements changes that respond to the challenges that our tax system and, indeed, our society face. It delivers on intergenerational fairness by tackling inequality of health outcomes across and within age groups, and it delivers changes that better reflect the different ways in which individuals choose to work,

[Jane Ellison]

enabling people to earn money and create wealth, whatever their chosen business structure, but at the same time ensuring that those choices are not distorted. The Bill also delivers vital revenues to put our public finances on a sustainable footing, secure the future of public services that we all value and help to further bring down the deficit.

Jonathan Edwards: Will the Financial Secretary confirm that the Office for Budget Responsibility report that accompanied the most recent Budget downgrades growth forecasts for each year in the forecasting period, by comparison with that which accompanied last year's Budget?

Jane Ellison: I do not know whether the hon. Gentleman was in the House earlier, but the International Monetary Fund has today upgraded its growth forecast. All the economic indicators are pointing to robust growth, despite the acknowledged challenges of the negotiating period ahead.

George Kerevan (East Lothian) (SNP): In the interests of this potentially more consensual period in the run-up to Prorogation, as we try to work out what will remain in the Bill, could the Financial Secretary tell the House where the £2 billion per annum to replace the non-raising of the national insurance contribution is going to come from, if she is so wedded to balancing the books?

Jane Ellison: The Chancellor was clear at the time and in our statements about the Budget and subsequent decisions that we are looking to balance the budget across the period. Clearly, if we are going into a general election campaign, we will have more to say about that in the manifesto. We will lay that out there; this is not the place for that.

George Kerevan: This is the Finance Bill!

Jane Ellison: Well, there are measures in the Bill that are immediately and openly about revenue raising, and we will come to some of those. The Chancellor was very direct about that when he made his Budget statement and, indeed, at the time of the autumn statement.

Let me say a bit about what the Government have done to support fairness between the generations. An essential priority for this Government is that everyone should have access to our NHS when they need it, and that everyone should enjoy security and dignity in old age. That is why we announced in the spring Budget an additional £2 billion—that has just been referred to—in funding for adult social care. This means that councils in England will have access to, in total, £9.25 billion more dedicated funding for social care over the next three years as a result of changes introduced by this Government since 2015.

On top of that, in the last two fiscal events we have done much to help to build a better future for our younger generation by helping people to save more of the money they earn; by investing in education and skills, which was a key theme of the autumn statement and of the Budget; and by building more affordable homes. The Finance Bill will build on this work, particularly by helping to tackle childhood obesity and to deliver a healthier future for our children.

Kirsty Blackman (Aberdeen North) (SNP): Recent studies have shown that the youngest people in our society who are working, those aged 22 to 29, are earning less than previous 22 to 29-year-olds have ever earned, or certainly less than they have earned in recent times. They are also less likely to own a home and are more likely to rent, and they are disadvantaged by comparison with previous generations. What is the Minister doing to ensure that that stops and is reversed now?

Jane Ellison: I have just talked about some of the things we are doing. Some of these long-term trends need to be addressed through things such as investing in people's skill levels. Ultimately, if we want to have a low welfare, high wage, high skill economy, we need to invest in people right from the earliest days. The package on skills in particular, which was unveiled recently, is intended to make the generational step change to ensure that people can get high skill, well paid jobs. That is exactly what we are talking about in relation to things such as affordable housing: we acknowledge that there are challenges for younger people and, indeed, we are looking to address them.

Let me talk about the issue of childhood obesity—an issue close to my heart, as a former Minister for Public Health. The UK has one of the highest obesity rates among developed countries, with soft drinks still one of the biggest sources of sugar in children's diets. That is a cost not only to the productivity of our economy but to the public purse; indeed, there is also a great cost to individuals. The direct cost to the NHS of treating ill health due to people being overweight and to obesity totals over £6 billion a year.

The Bill will legislate for a new soft drinks industry levy to encourage producers to reduce added sugar in their drinks. The levy is working already: there have been reformulation announcements by Tesco, by the makers of Lucozade and Ribena, and of course by A. G. Barr relatively recently. I have had discussions with several companies during recent months, and I understand the effort and investment they are putting into changing their product and portfolio mix.

Even though revenues from the levy will be lower as a result of the earlier than expected reformulations—unusually, we in that sense welcome the fact that predicted revenues will be lower, because the policy is working early—we will maintain the full £1 billion funding for the Department for Education during this Parliament that we pledged to make. That is further evidence that the Government are committed to tackling childhood obesity. It is part of a programme of work being carried on across Departments to deliver fairer outcomes for future generations.

Joanna Cherry (Edinburgh South West) (SNP): Cancer Research UK ambassadors like my constituent Sue Spencer have helped to highlight the fact that obesity is the second highest risk factor for cancer after smoking, so I welcome what the Minister has said about the provisions in the Bill for a soft drinks levy. May I ask her to confirm that the provisions will be part of a package of measures to tackle childhood obesity, including help for parents to protect their children from junk food advertising and steps to tackle high-sugar milk-based drinks, which are at present excluded from the Bill?

Jane Ellison: The hon. and learned Lady tempts me to talk about a subject from a previous portfolio that is very close to my heart, but it is clearly a matter on which, for the most part, the Department of Health leads. We are committed to tackling this right across the Government. To take one aspect—she mentioned products that are not within the scope of the levy—Public Health England, working very closely with manufacturers, is leading a very ambitious programme of work, which is well under way, to set ambitious targets. When we look at the progress this country has made in our world-leading salt reduction programme, we can see that it was all done through such close working, as well as by being ambitious and by pushing the industry. Alongside the levy, which has turbo-charged that work, that is a very substantial element of the plans. The Department of Health is doing other things, in particular working with schools, and with the money from the levy more can be done.

Let me turn to another theme of the Finance Bill, which we have talked about as a strategic challenge not just for this country but for many developed countries: the different ways in which people are now working. The Bill takes important steps within the tax system to adjust to and reflect the changing ways in which people are choosing to work. For example, individuals who work through a company currently pay significantly less tax than individuals who are self-employed or work as employees. This is true even in many cases where individuals are doing very similar work. Indeed, the Office for Budget Responsibility estimates that the faster growth of new incorporations compared with the growth of employment would reduce tax receipts by an additional £3.5 billion in 2021-22. The Government are committed to helping all businesses, large and small, in all parts of the UK to succeed, but we are clear that the tax system must ensure fair treatment between individuals working in different ways, and of course it must be sustainable.

The Bill will take some initial steps to help to address this issue and deliver a tax system that is fair and works for everyone. First, the off-payroll working rules will be amended for public sector engagements, with responsibility for administering the relevant tax rules moving to the body for whom the individual is working. This change will help to tackle widespread non-compliance with the current rules, which costs more than £700 million each year across the economy. Secondly, from April 2018 the Bill will reduce the dividend allowance from £5,000 to £2,000. This change will help to reduce the tax differential between individuals working for their own company and those working as employees or self-employed. Crucially, it will raise much needed revenue to invest in our public services, including adult social care, as the Chancellor explained at the Budget.

I want to assure right hon. and hon. Members that there will still be a healthy environment for investors. The allowances that the Government have introduced or raised mean that a general investor will still be able to invest about £50,000 without paying any tax on the resulting dividend income. For example, we have increased the amount that individuals can save or invest tax-free through an ISA by the largest ever amount: up to £20,000 this tax year. This and other allowances mean that 80% of all general investors will still pay no dividend tax on their investments. As I have set out, this change

will help to address the rising cost to the public finances of the growth in incorporation. It is in that context that the change to the dividend allowance should be considered.

The Bill will further modernise the tax system by legislating for making tax digital. Just as taxation must adjust to the world around it, so must the administration of the tax system. With millions of businesses already banking, paying bills and buying services online, making tax digital is a natural extension of this reality. The Government have brought large swathes of government services into the digital age, including within the tax system, and we need to go on to complete that journey. Businesses will feel the benefit too, being helped to get their tax right first time and cutting down on excessive administrative burdens over the long term. Simultaneously, making tax digital will help to tackle the tax gap, as error alone cost the Exchequer £8.7 billion in 2014-15.

Sammy Wilson (East Antrim) (DUP): Does the Minister not accept that all the studies conducted so far indicate that this will present an additional cost burden to small businesses, which will have to give returns four times a year? In many parts of the country, small businesses do not even have good access to the digital economy to make those returns.

Jane Ellison: On the latter point, I looked at this matter in detail recently. On what would be required of people in terms of the digital uploading of data, the vast majority of people in the country—in percentage terms, in the high 90s—have access to the right broadband speed.

As for what the change will mean for the smallest businesses, we do not recognise some of the figures that have been put in the public domain by some representative bodies. The Treasury has conducted its own analysis and published it, including the methodology behind it. We acknowledge that this will be a big change for the smallest businesses, particularly for those below the VAT threshold, which is why the Chancellor announced plans to defer for an additional year those businesses coming into the system. Given that the pilot has now started, that means that the system will be piloted for two years before some of the smaller businesses enter it.

However, we cannot sustain the current level of error and the size of the SME tax gap in the long term; we must begin to tackle those problems. A number of developed countries are increasingly digitising their tax systems, and that will have long-term benefits for business. I accept that the transition may involve challenges, but we shall try to provide support during that period.

Nigel Mills (Amber Valley) (Con): I fully accept the need to tackle the tax gap, but if the advantages for the very smallest businesses are as my hon. Friend has described them, would she be willing to consider allowing such businesses to opt into the system, rather than making it compulsory for those with very low levels of turnover? Might they be allowed to see how the system works over a period of, perhaps, five years?

Jane Ellison: My right hon. Friend the Chancellor has already announced that businesses with a turnover below the VAT registration threshold will have an additional year, until April 2019, before digital record-keeping quarterly updates are made mandatory. I am sure that we shall debate the issue in more detail later, so I will

[Jane Ellison]

not be drawn into it too much now. Suffice it to say that some of the alternative proposals do not tackle the level of error and the tax gap. We need to address that, because it is part of the general challenge relating to the sustainability of the tax base.

We believe that this change will benefit more than 3 million small businesses in the United Kingdom, the vast majority of which are banking online. We are going with the flow and following the direction in which society is moving. As I have said, however, a package of support will be available to the smallest businesses. We may have a chance to explore that a little further, but it will depend on how much time we have to debate the Bill over the coming days. HMRC will ensure that the needs of businesses are best met by enabling them to learn from the ongoing pilot phase, which, as I said earlier, will now be longer for the smaller businesses. We want to make sure that these much needed reforms are implemented smoothly at the operational level.

I have talked about the way in which the Bill can support the health of the next generation and about how it can help us to adapt our tax system to the modern realities of working life, but I also want to talk about how we can create a fairer, more sustainable tax base and raise much-needed revenue in the process. As I have said, the Government remain committed to their fiscal mandate of reducing the deficit. That is why, for instance, they made the difficult decision to increase the standard rate of insurance premium tax from 10% to 12% in the autumn statement, thus raising vital revenues that were required to support public services. The Chancellor set out very directly the need to raise additional revenue.

As I have made clear, the Government recognise that taxes must be fair. They should also be competitive, which is particularly important as we enter the critical next phase of the negotiations on our exit from the European Union. We need to ensure that our economy retains its competitive edge, and remains an attractive place for both business start-ups and ongoing inward investment. Some excellent decisions in that regard have been made in recent months. However, taxes need to be paid. That should go without saying, but, although ours is one of the narrowest tax gaps in the developed world, and although we are, in my view, one of the most transparent countries when it comes to the way in which we measure and report on it, we need to tackle tax avoidance at all levels to ensure that everyone—big business, small business and individuals—pays the right amount at the right time.

The Bill provides for further action to ensure that we receive the tax revenues that are due by continuing our work to tackle tax avoidance and evasion. We already have a strong track record. Since 2010, HMRC has secured about £140 billion in additional tax revenue as a result of tackling avoidance, evasion and non-compliance. The UK has also shown international leadership: it is at the forefront of many of the international discussions about tackling those issues. Indeed, some of the thorniest avoidance and evasion issues that we face, particularly where they involve complex multinational structures and businesses, can be tackled only in international forums. We have worked closely through the OECD and other international bodies and we will continue to do so

and to lead the discussions to tackle those issues. This Bill will build on that work by introducing more than 10 policies that are forecast to raise over £5.5 billion by 2021-22.

First, the Government will update the rules on how companies claim tax deductions for interest expenses and losses. From this month, large businesses will no longer be able to reduce their UK taxable profits by deducting a disproportionate amount of interest expense in the UK. Nor will they be able to offset all their tax liability with past losses in years when they make substantial profits. Taken together, those measures will raise nearly £7 billion from large companies over the next five years.

Secondly, the Bill will continue the Government's crackdown on the use of artificial disguised remuneration schemes by putting beyond doubt the existing rules and by introducing a new charge on outstanding loans from 5 April 2019. Those changes will ensure that scheme users pay their fair share of tax and will bring in £2.5 billion by 2020-21.

Thirdly, to deter those who gain financially from enabling tax avoiders, the Government will introduce a new penalty for those who enable the use of tax avoidance schemes that are later defeated by HMRC. That is an area on which we have worked closely and where policy development has benefited from a focus on quality tax policy making. We have worked closely with representative bodies to ensure that all people working within the spirit of their professional guidelines have nothing to fear from the new rules. However, it is important that we tackle the enablers.

I think we have all as constituency Members of Parliament heard from people who feel that they were given advice that was later revealed to have been poor advice. However, we have not had a system whereby we were able to pursue in the way we wanted those people who enabled the tax avoidance. That cannot be right. Therefore, the Bill will mean that enablers of abusive arrangements can be held accountable for their activities, while ensuring, as I say, that the vast majority of professionals who provide advice on genuine commercial arrangements will not be impacted. The Bill will also bring an end to a long-standing imbalance in the tax system by abolishing permanent non-dom status. That will raise £400 million each year by the end of this Parliament.

As a package, those measures will ensure that our tax system remains fundamentally fair and that people and businesses pay the taxes they owe. We have introduced them not only because it is important to sustain the tax base—that is important for the revenue we need for vital public services—but because it is important that people feel that everyone is contributing as they should be and that we are asking everyone to work within the rules. The quid pro quo for having a competitive and fair tax system is that taxes should be paid.

The Bill will help to deliver a fairer and more sustainable tax system, one fit for the digital age and responsive to the different ways in which people choose to work. It will continue our work to tackle tax avoidance and evasion. It will help to deliver improvements to the nation's finances, to pay for critical public services and, by taking a significant step to address the issue of child obesity, to deliver a better future for our younger generation. The Bill delivers on the Government's plan for Britain, a stronger economy and a fairer society. I commend it to the House.

5.33 pm

Peter Dowd (Bootle) (Lab): Plausibility ran through every sentence in the Minister's speech. Plausibility ran riot, but plausibility I do not accept.

Who would have thought that a general election would be called on the day we were in this Chamber, which is packed-out, for this scintillating debate? I do not think anyone would have thought that. Only a few weeks have passed since the Chancellor's shambolic Budget U-turn, yet today the Prime Minister has announced a U-turn in relation to the general election. We all thought the lady was not for turning, as she has led us to believe on at least seven occasions, and of course we were wrong. *[Interruption.]* Apparently the Prime Minister did not want an election, and clearly in the last few days she has had some sort of damascene conversion—a damascene conversion to democracy, apparently. We had the Brexit referendum last year which gave authority to push on with Brexit, but we now find that the Prime Minister says she wants even more authority. I thought we had been getting the Brexit vote pushed on us time after time, but clearly that has not been enough. The Prime Minister might possibly be feeling slightly insecure; I really do not know, but we are where we are.

As the Finance Bill is a product of the Budget, it is only right that we start this debate by offering a reminder of its contents. Notwithstanding what the Minister has just said, the Budget continued the Government's programme of tax cuts for multinational corporations and the super rich: by the end of 2021 they would have received £70 billion-worth of tax breaks, paid for by those on middle and low incomes and of course the self-employed. *[Interruption.]* That is a fact; it is clear from the Office for Budget Responsibility's figures and the Government figures.

The Budget failed, however, to address adequately the social care crisis, and we are now seeing 900 adult social workers in England leaving the profession every day—and goodness knows how many GPs getting their pension statements are ready for moving on as well. It also did little to support small and medium-sized business owners, who are the lifeblood of the economy and increasingly feeling the pressure as the economy slows and inflation rises.

More importantly, the Budget demonstrates that this Government are willing to break their manifesto commitments at the drop of a hat. Despite the Chancellor's bravado, the Government's economic ineptitude after seven years is clear for all to see. His Government have presided over the slowest recovery since the 1920s, with growth and average earnings downgraded yet again. The Chief Secretary said in his Budget speech that the Government do not believe in "spending and promising" what they "cannot deliver" and agreed that that is an important barometer by which to judge the Government's record. Let us look, therefore, at what the Government have promised over the past seven years and what they have actually delivered.

On coming to power, the Conservatives committed to balancing the books by 2015—a Conservative broken promise. They said that would be pushed back to 2019-20—another Conservative broken promise. Instead, by 2020 they plan to be borrowing an eye-watering £21.4 billion. Some 10 of the Government's 14 Budget and autumn statements since 2010 have seen an increase

in forecasted borrowing. This Government's record on borrowing has been missed target after missed target, with constant upward revision. The Government pledged that debt as a percentage of GDP would start to fall in 2015; instead it continues to grow—another Conservative broken promise.

The Government's record on growth has been one of epic failure. The OBR has now revised down economic growth for 2018 and for every remaining year of the Parliament, notwithstanding the comments made before about the OECD. The British people wait to see any benefits of growth, but the only growth they can expect to see is in the size of the Government's Finance Bills; this one is a whopper, coming in at 762 pages, longer than any previous Finance Bill and one of the largest pieces of proposed legislation ever presented to this House. Those 762 pages are hardly riveting reading, I have to say. *[Interruption.]* I have read every single syllable of it, several times.

We would need to search long and hard through those hundreds of pages for anything that helps ordinary taxpayers. Instead it is replete with ever-more complex giveaways to corporations and the super-rich. But even those hundreds of pages are not enough to contain the Government's giveaways to the rich. This mammoth Bill will be supplemented by an unprecedented number of statutory instruments, on the back of the Treasury's already unheard of use of SIs. There were 90 in the last Session, and there have already been 88 in this one. We have heard about Henry VIII edicts, but this makes the Chancellor look like a committed parliamentarian.

The growth in the size of the legislation is matched only by the growth in the number of broken Conservative promises. Are this Government doing anything to deliver growth that benefits the average household? The Chancellor has consistently pledged action to tackle the UK's productivity gap, but under this Government, this country's productivity gap with the G7 has grown by a fifth, and we now have the largest gap since 1991. The Conservatives were in government at that time as well.

This Government have done little to tackle the scandal of chronic low pay and insecure work. Despite falling unemployment, workers are currently suffering their worst decade for pay in 70 years. Rising inflation is now outstripping wage growth and, according to the Resolution Foundation, real-terms pay is now falling for around 40% of the UK workforce. The Government's promise of a £9 national living wage has been consistently revised downwards—first to £8.80 and now to £8.75—while rising inflation results in the cost of living going up for everyone. It is clear that when it comes to introducing a wage that working people can live on, only a Labour Government will deliver. This Finance Bill does little to address the crisis in living standards that many of our constituents are currently feeling. Nor does it offer support for small and medium-sized businesses, which are facing rising costs and a lack of investment due to the Government's hard Brexit strategy—if you can call it a strategy.

Tom Tugendhat (Tonbridge and Malling) (Con): The hon. Gentleman is making some interesting points, but I hope he will forgive me for saying that they seem to run contrary to the facts as I see them. I see businesses coming to Britain, I see investment moving to Britain, and I see opportunity starting in Britain. This all seems

[Tom Tugendhat]

to run contrary to his argument, and I wonder whether he can explain why businesses see Britain as a land of opportunity and growth when he clearly does not do so.

Peter Dowd: If that is what the hon. Gentleman sees, I suggest that he needs to take off his rose-tinted spectacles.

We are all aware that the only Conservative idea for the shape of a post-Brexit economy is to turn our once pride-worthy economy into a bargain basement tax haven. That is what the Conservatives want. We have had seven years of slogans from this Government, but we still have no evidence that their negotiations on Europe amount to anything more than something written on the back of a fag packet. They are non-existent, and they have been non-existent for the two or three years since the announcement of the referendum, other than their preparation to sell us down the river to tax avoiders and dodgy dealers across the globe.

The Government make great claims on tackling tax avoidance in the Bill—we heard the Minister talk about this earlier—but it is a charter for tax avoiders, and no amount of smokescreens and bluffing can hide that fact. The Chancellor wants us to believe that measures to bring some non-doms into tax will really tackle the problem, but throughout the Bill we see measures to preserve the special status of non-doms and to privilege that group over domiciled taxpayers. Even the Government's headline "deeming" measure is undermined because they have chosen to preserve the non-dom status of offshore trusts. How on earth is this going to get more taxes paid if non-doms are being forewarned that they can simply hide their money away in a trust and still keep it beyond the Revenue's grasp? When is closing a loophole not closing a loophole? When is it hidden in a magic spreadsheet.

The Bill fails to introduce any meaningful measures to tackle tax avoidance and evasion, which even this Government admit are costing at least £36 billion a year. In short, this Finance Bill continues to push our country towards a low-tax and low-pay economy in which a small minority of the rich can get wealthier at the expense of everybody else.

Mr Jacob Rees-Mogg (North East Somerset) (Con): I would love this to be a low-tax economy, but is the hon. Gentleman aware that tax as a percentage of GDP is going to be at its highest level since Harold Wilson was Prime Minister?

Peter Dowd: I am grateful to the hon. Gentleman for bringing that to my attention. Let me put it like this: if we had a Labour Government, the percentage would be even higher.

The Finance Bill does nothing to fund the NHS, which is facing its worst ever crisis. As the former Secretary of State for Health, Lord Lansley, has said, the Government planned for five years of austerity, but having 10 years of it was neither planned for nor expected. That came from a man who wasted £3 billion on a top-down reorganisation of the NHS. By underfunding and overstretching the NHS, the Tories have pushed health services to the brink; that must be in everybody's postbag.

Tom Tugendhat: It is very kind of the hon. Gentleman to give way again. As he has brought up the NHS, I feel that it is only right for us to ask how Labour is doing on the NHS. We have to look to Wales to see how Labour is doing—not well, is the answer. The statistics from the NHS in Wales indicate that treatment is poorer, waiting lists are longer and people are less satisfied than they are in England or, indeed, in Scotland, where the SNP has, sadly, also delivered worse results.

Peter Dowd: I draw the hon. Gentleman's attention to waiting lists in England, where an estimated 3.8 million people are waiting for treatment. I suggest that he should be more concerned about those 3.8 million people in England than he is about Wales.

Steve McCabe (Birmingham, Selly Oak) (Lab): Does my hon. Friend think it is remotely credible for a Tory MP on the eve of a general election to boast about the NHS? If one thing is certain as we go into this election, it is that people know who they can trust on the NHS.

Peter Dowd: My hon. Friend is completely right about that. If Conservative Members want to send me their manifestos on the NHS, I will be happy to look them through. As a matter of fact, I might get even more votes if I put those manifestos through the doors in my constituency.

The Finance Bill does nothing to help to fund the NHS. It is as simple as that. By underfunding and overstretching the NHS, the Tories have pushed health services to the brink. The number of NHS beds has been cut by 10% since the Tories came into government; that issue has been raised. GP recruitment is at an all-time low, and more GPs are moving out of practice. Community pharmacy funding has been savagely cut back, in some instances by as much as 20%. As a result, as many as 3,000 pharmacies, in rural and urban communities alike, face closure. That is not the best record on the NHS; it is as simple as that.

Sammy Wilson: I accept what the hon. Gentleman has said about the difficulties that the NHS is facing. However, earlier in his speech he described borrowing as eye-wateringly high, so how does he propose to fill the gap in funding to increase standards in the NHS?

Peter Dowd: I referred earlier to the money—£70 billion, I believe—that the Government have given away to corporations. That would be a start, and I would welcome the hon. Gentleman's support for my proposal in the next Parliament.

We have seen £4.6 billion cut from the budget for social care, which is linked to, and on a continuum with, the NHS. The Chancellor has pledged to return only £2 billion over the next three years—£1 billion for the year 2017-18 and £500 million a year for the two following years—which is half what the King's Fund has estimated that the social care sector needs not for next year, but today. That is another Conservative broken promise. Missed targets are pushing the NHS and social care into further crisis. The Government are behaving like an ostrich in that regard, and the situation is coming back to bite them.

I turn to small and medium-sized businesses, which contribute more to the British economy than they have ever done. SMEs are forecast to contribute £217 billion

to the UK economy by 2020, but the Finance Bill does little to address the concerns of many business owners. The business rate system continues to be rigged in favour of giveaways for big corporations at the expense of SMEs. How can it be right for the business rates bills of a leading supermarket's biggest stores to fall by £105 million, while independent shopkeepers struggle with a cliff-edge hike in their rates? That is a fact today. The system needs to be fairer and weighted more in favour of SMEs, which is why a Labour Government would bring in a package of reforms to ease the burden of business rates. Rising business rates and rising inflation are creating a perfect storm for SMEs. Small business inflation has risen to its highest point in eight years, with basic costs soaring by 3.2% last year. SMEs' costs are predicted to go up by £6.8 billion by the end of this year. All that is happening while the Conservatives continue to look the other way in complete denial.

Victoria Atkins (Louth and Horncastle) (Con): In that spirit, does the hon. Gentleman welcome the additional £20 million to £25 million a year to support some businesses that will no longer receive small business rate relief after the revaluation?

Peter Dowd: Of course I welcome that figure, but the hon. Lady has to ask herself whether businesses should have been put in that position in the first place. That is the fact of the matter. It is too little, too late. I accept the £20 million figure, which is fine. Small businesses need all the support that they can get, because we are talking about people's jobs and about businesses that people have worked hard to grow and nurture, and there is a danger that they will go out of business as a result of Government policies.

Sammy Wilson: Given that larger stores weathered the recession much better than many small businesses, would the hon. Gentleman consider the policy that has been introduced in Northern Ireland whereby larger stores pay a 15% premium on their rates to finance some relief for smaller businesses in town centres?

Peter Dowd: If that suggestion came from the Government side, I would say that I would listen to the representations, and we would listen to any representations, so to speak, that would help small businesses.

Moving on to alcohol duty, the Finance Bill will only further undermine our local pubs, which are already under threat, with 29 pubs closing every week. While we welcome plans to make tax digital, the Government's plan will shift huge administrative burdens on to small businesses and the self-employed, who are just trying to pay the taxes they owe—so much for the Conservatives being the party of small business. There is no reason businesses should have to submit quarterly digital tax returns, particularly when they lack the time, resources and capacity to convert records into digital standards on a frequent basis. All that comes when they are under stress from business rates. That is why we support the view of the Treasury Committee and of small business owners and the self-employed that it is better to exempt the smallest taxpayers from quarterly reporting and to phase in making tax digital to ensure that implementation is right for all, rather than the Conservative party wasting taxpayers' money and time by correcting mistakes further down the line.

Making tax digital will also place new burdens on HMRC, which is already teetering on the edge after the constant slashing of its resources over the past few years. Thousands of hard-working staff have already been dismissed, and taxpayers are waiting on the phone for hours, which costs far more than the cuts have saved. The closure of dozens of tax offices across the country is still to come, putting thousands of jobs at risk in my constituency alone. How will HMRC cope with the ever-increasing complexity of its responsibilities with just a skeleton staff? How will any of the "reduction in errors" expected from making tax digital actually come about? How will we ever close the tax gap when there are no tax inspectors left to help taxpayers get their returns right and when HMRC has been filched of the resources it needs to run a service? It is a total false economy.

Jane Ellison: I am sorry, but I rise to defend HMRC. What the shadow Minister just said is the most outrageous attack on the hard-working men and women of HMRC. Far from people hanging on the phone for hours and the various other exaggerations that we just heard, I suggest that he look at the publicly available figures for HMRC performance in a range of areas, where he will see that what he said is far from the truth. HMRC's performance has been excellent in recent years in many areas, as shown not least by the £140 billion extra raised since 2010 from avoidance and evasion.

Peter Dowd: That attempt at plausibility has gone amiss yet again. The reality is that we are constantly contacted by people about HMRC. Those on the frontline, such as the thousands in my constituency, are doing a damn fine job. The idea that I would attack thousands of people from my constituency is complete nonsense. They are struggling against the odds, which have been stacked against them by this Government. That is the reality. The Finance Bill was a failure before it was even started. It is a busted flush.

The Minister referred earlier to helping homeowners. If the Government are setting aside resources to help homeowners, such as through lifetime ISAs, they should also tackle the threat to the stability of the housing market from organisations such as Bellway, which is tying people to their homes through its leaseholds. That is a scandal and an outrage. The housing market is in danger if such scams are allowed to continue. The Government are quite rightly putting in resources to fund the housing market, so if we are to deal with the issues in it, they should be calling those organisations in, getting a grip on them and telling them to stop ripping off the people who bought homes from them.

The Bill is making income tax payers, small and medium-sized businesses, and the self-employed pay the bill for the endless stream of tax cuts for corporations and the super-rich. It takes no serious action to tackle tax avoidance, putting in place get-outs and workarounds that mean it is just another smokescreen.

Lucy Frazer (South East Cambridgeshire) (Con): Does the hon. Gentleman accept that the Bill comes from a Government who have significantly increased the number of people in employment? Earlier this year, only 370 people were unemployed in my constituency.

Peter Dowd: A million people in employment are on zero-hours contracts. Millions of people are in insecure work. Of course I welcome employment, but it has to be

[Peter Dowd]

secure, well-paid, reasonable, sensible employment that allows people to sustain their families. Under this Government, millions of people are unable to sustain an ordinary life with the wages they receive. That is the reality.

Tom Tugendhat: The hon. Gentleman is being generous in giving way. Does he understand that his pledge further to increase taxes runs directly contrary to his hope for better employment? Increasing taxes and increasing the burden of the state on companies around our country would lead to employment falling, not rising. Welfare cases would rise, not fall. It would be generally bad for our entire economy.

Peter Dowd: I do not know which speech the hon. Gentleman has been listening to, but I did not refer to raising taxes.

Tom Tugendhat: You did!

Peter Dowd: No, I did not. I was asked earlier how I would pay for the changes, and I indicated that I would start with corporations. In effect, corporations receive £70 billion in relief over a five-year to six-year period through banking levy reductions and so on. That is the starting point for us. As far as I am concerned, the Bill takes us no closer to knowing when the Conservatives will finally meet their target of closing the deficit. A series of failures has led them to borrow more than any other Government in history, and far more than every Labour Government combined. That is the fact of the matter.

Lucy Frazer: Can the hon. Gentleman tell us how much Labour would borrow under his plan?

Peter Dowd: Certainly less than you. In short, this Bill is another Conservative broken promise, and I urge the House to refuse it a Second Reading.

5.59 pm

Nigel Mills (Amber Valley) (Con): It is a pleasure to speak on this nice, brief and moderate Bill. I suspect the Bill that finally clears the House in the next couple of weeks will be a little thinner. I am not sure that I welcome the change to printing the Finance Bill in one block, rather than two; it feels worse.

My speech will focus on the content of the Bill rather than on trying to start the general election campaign, which does not technically begin until tomorrow, but I am sure I heard the hon. Member for Bootle (Peter Dowd) say that Labour wants tax to be a higher proportion of GDP than the Government currently have it. If that is a Labour manifesto pledge, I suspect it will appear on more leaflets for Conservative candidates than for Labour candidates. The only real way of achieving it is to raise income tax, national insurance or VAT, none of which will be popular with the electorate.

For coherence, I will address the Bill's measures in order. First, there is a moderate measure that will allow employers to offer their employees up to £500 of pensions advice, and associated advice such as the impact on tax bills, tax-free. Where there are problems with people's understanding of how the pensions system works, of how much they will have in their retirement and of how

much they need to save and how they should save it, any effort we can make to encourage them to take more advice, and get good advice—the earlier, the better—has to be right. I welcome increasing the tax relief from £150 to £500.

Clause 31 addresses interest restrictions for corporates, which will be allowed to claim tax relief on interest only up to 30% of their earnings before interest, taxes, depreciation and amortisation. Before coming to this place, I spent many years advising large corporates on their corporation tax bills. I wrestled with the many efforts that have been taken to get the allowed interest deduction down to a sensible level. There are well over half a dozen different anti-avoidance measures, such as allowable purposes, thin capitalisation rules and the worldwide debt cap. We have had all manner of attempts to get to the right answer, but successive Governments—Conservative, Labour and coalition—saw it as a competitive advantage for the UK to try to attract inward investment from holding companies by having a generous interest deduction.

It is right to recognise that, in an era when large multinational corporations have been gaming the global tax system to a ridiculous degree, we cannot allow our system to be exploited by excessive interest deductions, especially where they are not real commercial interest costs to the worldwide group. It makes sense for us to get in line with the global consensus that the interest limit should be 30% of EBITDA. The House should approve the measure to provide some scrutiny of the downside impact of how we attract international investment.

How many businesses that employ large numbers of high-skilled people are here for the interest deduction that we effectively allow on profits earned across the world? What impact will that have on where those businesses choose to locate in future? I hope the impact is zero and that, because we are such a great place to do business and employ people, businesses do not come here to chase generous tax deductions, but it will be interesting to see the impact of this policy change.

The rules are complicated, and there are some sensible exemptions for infrastructure investment. We need to encourage private companies to invest in UK infrastructure, and our regime is not all that generous—we do not give tax relief for large amounts of industrial building, which can have a large infrastructure cost. We should reform those rules, too, to make sure that we have a competitive regime so that, if a multinational company is looking to invest in infrastructure, the UK is the place to do it, not somewhere else for tax purposes.

I welcome the deemed domicile rules that the Minister outlined. People out there who try to understand tax cannot understand why rich people can avoid tax because of where their father was born. We have had that strange historical system since the colonial days. It should be absolutely clear that people who are born here should pay all their taxes here, and people who have lived here for a long time should be paying the same taxes. The idea that a person can move and live here for 40 years, or even be born here, and avoid certain taxes is a ridiculous way of exploiting our tax regime, and I welcome the steps to change that.

Clause 71 introduces the soft drinks levy, about which I have raised concerns in previous debates. I welcome taxes on unhealthy activities, and we have lots of taxes on alcohol and tobacco for sensible reasons. We have an

obesity crisis, and it is perfectly right to consider taxes on unhealthy foods and drinks. A sugar tax makes sense, but when a consumer sees a product they want to buy in a supermarket they should be able to see something that says, “This product is so unhealthy for you that it is taxed, so you will pay more for it.” That is how to get behavioural change. Someone walking down the aisles of a major supermarket should think, “A can of full-sugar cola is 10p dearer than Diet Coke because it is unhealthy, so I will buy the Diet Coke.” That should also apply to ridiculously sized portions of cake, to sweets that are very bad for you and to all those other unhealthy things that we eat. We should try to structure a sales tax on unhealthy products to get the behavioural change we want.

There are many reasons why the Government have chosen to go down the route of targeting a particular product, but there is a real danger that the market for cola is so complicated that the consumer might not know that the charge even exists. I happened to be in a supermarket over the weekend looking at the varying prices of cola. I am quoting Tesco because it is my nearest supermarket—I should declare an interest because my wife works there—and I can buy a 2-litre bottle of Tesco own-brand cola for 55p, a 2-litre bottle of Pepsi for £1.25 or a 2-litre bottle of Coke for £1.66, or two for £2.50. We are adding 18p a litre, so how a consumer will know from the varying prices, never mind all the promotions, which of those colas is the bad one and which one they should be avoiding is not entirely clear. Looking at the prices for smaller quantities, a 600-millilitre bottle of Pepsi is 99p, which is about the same as a 2-litre bottle.

Michael Tomlinson (Mid Dorset and North Poole) (Con): My hon. Friend is making a cogent argument, but does he not welcome the targeted nature of the fund? The levy will go to the Department for Education to help all our children in all our constituencies to have healthier lifestyles. Does he welcome that, even if he has concerns about other aspects?

Nigel Mills: I welcome more funding to help children to be healthy and more funding for sports. I especially welcome the fact that the largest employer in my constituency, Thorntons, as part of the Ferrero group, gives big funding to school sports. More funding for healthy activities for children has to be a good thing. I am a little nervous about hypothecating taxes for individual spending, because there is a real risk that it would lead to a complicated tax system. It is a little like giving with one hand and taking away with the other. I welcome the fact that we are raising such spending, although I would not want to link it directly to a tax.

Jane Ellison: Just to clarify, one reason why the levy is on producers is that we want to drive the reformulation of products. Drawing on my previous role as public health Minister, every study that has ever been done across the world has shown that reformulating products at source is probably the most effective way of helping people to tackle obesity. I have spoken to supermarkets and producers for many months and, in their own research, they are getting the message back from consumers that tackling the problem at source through reformulation is what people want to see.

Nigel Mills: I agree that changing what people consume without their knowing it, and without their having to change their own behaviour, will get the calorie reductions that we want. If that is the argument, I am intrigued about why we are going for the soft drinks industry, which has produced diet brands that use no sugar and contain no calories, and has innovated with things such as Coca-Cola Life that have reduced calories and reduced sugar content by using different sugars. There is a risk that industries that have spent lots of money developing popular products and marketing them will think, “We do all that investment and are still getting clobbered by a levy, whereas other industries that do not do that investment do not have a levy. Perhaps we should not invest and run the risk.”

We can debate this at length, but what we are trying to do is right. The childhood obesity crisis is such that we have to take some measures. I accept that this measure targets something that contributes to that crisis, but as we develop this policy I would like us to have a clear thing that consumers can see in the shop which says, “This is unhealthy, so it will cost you more.” That would be a better way of getting the behavioural change and the change in diets we need, and it is likely to be more effective in the long run.

Kirsty Blackman: I appreciate the point the hon. Gentleman is making and I have a lot of sympathy with his wider point about reducing the consumption of sugary food. His point about making it obvious to people what they are consuming is interesting, and that could be done more widely, in relation not just to soft drinks, but to things such as pasta sauces, which contain a huge amount of sugar but where there is a lack of awareness. One of the biggest things we can do to change behaviour is increase awareness, rather than increasing the cost on all these things.

Nigel Mills: I agree with the hon. Lady about that. The products we should probably be targeting are those people think might be healthy but are not. I may buy a smoothie thinking that it contains lots of fruit so it must be good for me, but it, too, is high in calories. It is not a bad thing to consume that fruit; I need to have it as part of a balanced diet. Certain milk drinks are incredibly bad for people and may be worse than many soft drinks, but I am not entirely clear that the levy applies to those. If we had structured a tax that went on something high in sugar or high in calories, that may have been a way of getting to the outcome we were after.

Lucy Frazer: Does my hon. Friend accept that the provisions will give rise to a public debate, and therefore to public awareness of sugar in drinks? Some people may not have been aware of that before, but they will know about it now.

Nigel Mills: Having a broader debate to raise people’s understanding that a diet cola is much healthier than a full-sugar cola for most people is helpful. I am not sure how much of an impact debates in this place or taxes on producers will have on people’s consumer decisions when they are in the supermarket, as those are probably based on price, promotion and their personal preferences or historical buying habits. However, the Government are right to tackle this issue.

[Nigel Mills]

Clause 108 seeks to tighten up the rules on VAT collection from fulfilment businesses. Globalisation has changed how businesses are structured so that people buy from them online. People then avoid paying VAT due in the UK, which is a big weakness. We have a generous turnover threshold. Most countries in Europe do not let people have their first £80,000 of turnover VAT-free—I believe the figure is now £83,000. It is right that we have that exemption, but we need to find ways of stopping people selling things on internet marketplaces and exploiting it, because there is a big revenue leak. This also makes it very hard for UK businesses resident here that are trying to comply with the rules to compete with those internet-based sales where people are not charging VAT on products on which they ought to be charging it. All the measures we can take to ensure that anyone trading here who turns over more than £80,000 has to charge VAT on the things they sell have to be right, and I look forward to seeing how those measures work and what more the Government can do on them.

Clause 120 deals with making tax digital, on which the Minister and I had an exchange earlier. I accept that we have to make tax more digital than it is and we have to get everybody filing returns online. I can see why the Government would want the information much earlier than they are getting it and would seek to remove the errors. Individuals and businesses do not want to make errors and they want to get their tax right. I am not sure how much we help them when we add 762 pages of Finance Bill every year and they have to try to work out how to comply with them. Making tax digital is the right thing to try to do, but I worry that if we rush the smallest businesses into it we will end up with the wrong outcome. I accept that businesses turning over more than £80,000 are probably already filing their VAT quarterly, doing monthly PAYE activities, presumably on a computer, and reporting those, and doing the same thing for auto-enrolment. Those businesses are probably already gathering, just about in the right format, all the information they need, and making these returns should not be unduly onerous for them. In that area, the advantages outweigh the downsides. However, I do worry about ending up with a perverse outcome.

Mr Rees-Mogg: My hon. Friend is slightly glossing over the problems for businesses. Many of them will be paying accountants to make the filings that they are already making and this will be a further cost to them, which will bear down particularly heavily on smaller businesses.

Nigel Mills: Yes, and I was coming to that point about the smaller businesses. I suspect that businesses that are submitting VAT returns have already gathered all their sales data and invoice data, and will have to gather all their payroll data for their PAYE reports, and so most of the stuff they need to do this reporting has already been gathered and looked at coherently. Small businesses may do that only once a year and employ an accountant to do it, so we run the real risk of going from having an annual return prepared by a qualified person who has looked through the information and made it coherent and accurate to having a quarterly statement that the individual tries to do themselves, ending up with much less accurate information being

prepared than before. We need to be careful to avoid going from a relatively reliable annual return to an unreliable four-times-a-year situation and unintentionally increasing the errors that HMRC has to look at. Instead of doing this once a year and making sure they have got it right, the risk is that people may choose not to pay an accountant or be unable to afford an accountant to do this four times a year. So there is some merit in thinking about how we phase in this measure for the smallest businesses. We could make the compulsory date a few years further away and encourage people to choose to opt in if they feel they can comply. In that way they would gain advantages from knowing that their tax bill is right and will not be shocked when they get the statement back from HMRC. There are some advantages here, so if we sell this right, businesses will choose to sign up to it and the final compulsion after a few extra years will perhaps not be as big a shock.

Sammy Wilson: Does the hon. Gentleman acknowledge that this may be meant to do away with errors and give businesses an idea of what their tax payments are going to be, but there are end-of-year adjustments—those relating to stock, work in progress, depreciation and so on—which will have an impact on a firm's tax business? If these things have to be done once a quarter, it adds significantly to the work businesses have to do and therefore to their costs.

Nigel Mills: I agree with the hon. Gentleman that we have to think about how to do the annual adjustments—they have to be made only once—if we move to a quarterly system. A lot of very small businesses are already on simplified accounting methods in any case, so perhaps those issues will not apply to that extent. The Minister reminded me that the Government have been trying to expand on those simplified accounting measures to make things easier for small businesses, and so I hope that some of those issues would not arise.

During the debate on my first Finance Bill as a Member of this House, one of my amendments sought to suggest that we move the corporation tax system much closer to the annual accounts that people submit, rather than having lots of different tax adjustments. Such an approach would be much clearer for business and would create big cost savings. With more of these things, perhaps I will eventually get to that dream I had nearly seven years ago, although I am not entirely optimistic about that. To be fair, we should welcome the fact that the Government have relaxed the timetable for businesses whose turnover is less than the VAT threshold. I welcome that and it has been largely welcomed by most small businesses in my constituency, which did have concerns about this.

As we are dealing with corporation tax and as I was talking about amendments I tabled to the first Finance Bill on which I served, let me say that one of my other amendments sought to allow groups to file one corporation tax return for their whole group, rather than having to file one for every individual entity and then making loads of complicated claims about how losses are moved around the group. This Bill contains restrictions on how many of the losses brought forward from previous years can be used, but we are allowing those losses now to be used right across the group, rather than just in the entity that originally made the loss. That is a welcome change.

As we leave the EU and can finally lay to bed all the worries we had about whether we would have to include all EU companies in a group tax return, if we had one, because it would be discriminatory under EU law to include only UK companies, perhaps now is the time to look, as many other countries have, into allowing groups of companies to file one tax return that shows the profit for the whole group and does not have to track every individual transaction between all the companies. That would help us to tackle some tax avoidance schemes that have played on the different treatment of transactions between companies. It would make it easier to comply and help to tackle avoidance so, as we move through the Brexit process, I hope we can look at those issues that we have previously found difficult.

Suella Fernandes (Fareham) (Con): Does my hon. Friend agree that the cut in corporation tax from 19% to 17% in 2020 is only going to be good for the economy—the previous cut produced an increase in revenue from corporation tax—and will set Britain out as a favourable place for business and investment as we enter the next phase of our history through Brexit?

Nigel Mills: I absolutely agree: it is important that we continue to send the signal that Britain is a great place to do business and to invest. We want as much international investment here as we can get, so it is absolutely right to have a headline corporation tax rate that is as low as we can have it. I welcome the fact that we are going to get it down to 17%. The previous Chancellor hinted that he might have used 15% to give a sense of direction; perhaps the Government will look into using that in the manifesto we are about to produce.

George Kerevan: Can the hon. Gentleman explain why Germany, which has a much higher headline rate of corporation tax, does so much better industrially?

Nigel Mills: I think I would have had to attend several of the hon. Gentleman's lectures to understand better how the German economy works, but that is not something I have ever studied. We could probably talk about euro rates and the history of investment in skills and so on, but I suspect it is not all down to corporation tax.

Kevin Foster (Torbay) (Con): In his consideration, will my hon. Friend, like me, bear in mind the fact that the closest and most comparable jurisdiction in the European Union is Ireland, where the headline rate is around 12.5%?

Nigel Mills: Yes, and Ireland has found that that corporation tax rate has been successful in helping to attract investment. I noticed that throughout all Ireland's financial crises and its desperate need for tax revenue, that rate was one thing on which it was not prepared to move, which is a sign of how successful it thinks it has been.

Mr Alan Mak (Havant) (Con): I hope my hon. Friend will join me in sharing the sentiments of our hon. Friend the Member for Fareham (Suella Fernandes) and celebrate the fact that Britain will have the lowest rate of corporation tax in the G20. To come back to the point made by the hon. Member for East Lothian (George Kerevan) comparing Britain to the German economy, does my hon. Friend agree that although the British and German

Governments spend a similar amount on research and development—around 28%—the big deficit is actually in private sector investment? If we are going to lead the fourth industrial revolution, which will be important to ensuring that our economy is strong, we need to get the private sector to invest. That is what the Bill will do.

Nigel Mills: I agree with those sentiments. If we are going to get into a debate about the German economic model, though, I should probably step out of the middle of it because it is not an area I have ever looked at.

There is a clause in the Bill on the Northern Ireland corporation tax and how we will make the lower rate there work. This is probably my chance to sneak in a remark, Mr Deputy Speaker: I hope we can get an Executive formed in Northern Ireland so that they can take the decision to have a lower rate of corporation tax. I suspect we probably do not need to rush that clause through the wrap-up, given the current situation, although I guess it is not controversial in Northern Ireland.

Sammy Wilson: Does the hon. Gentleman accept that there will be great disappointment in Northern Ireland that because of Sinn Féin's insistence on unrealistic demands, there will not be an Executive in the near future, meaning that Northern Ireland's ability to reduce corporation tax, which was a key part of the economic strategy, will be removed from the Executive?

Nigel Mills: I do agree: it is regrettable that the inability to form an Executive means that it looks like a power that was long campaigned for will not be used on the timetable it should be. We have seen how important it is for the Northern Ireland economy to have a rate that matches that of the Republic of Ireland so that it can compete on attracting investment. Many issues will get lost in the upcoming general election, but I hope that the need for Northern Ireland to find a way forward is not one that we take our attention off for the next six or seven weeks.

I think it was to last year's Finance Bill that the Government accepted an amendment to introduce territory-by-territory reporting for all large corporates as part of their annual tax strategy. When the Minister sums up, will she update the House on the timetable? When might that power be turned on so that we can start to see those reports?

I welcome the measures in the Bill to encourage social investment by increasing tax relief but making sure that it is focused on the right things and is not subject to avoidance. I recently heard that a group of residents in Holbrook had managed to raise the funds to buy a local pub that faced being knocked down and turned into housing, by getting 250 or so people to buy shares in the new business. That is a real example of what a community can do to save a valued asset and I pay tribute to their success.

I wish to touch briefly on air passenger duty. I do not want to revisit the whole debate—I accept that we need it to raise revenue—but I just wonder whether, as we leave the European Union and some of the restrictions on how we can regionalise taxes drop away, the Government will be prepared to look at measures to encourage new routes into regional airports. That would help to tackle the congestion and air quality in London, and it would

[Nigel Mills]

help the economy outside London by providing direct routes to the high-growth parts of the world. I wonder whether it is possible to produce a scheme in which we have either lower rates of APD on routes into regional airports, including East Midlands airport near my constituency, or lower APD for a new route for a certain time period—perhaps three or five years—to enable such a route to become viable. Such measures would not have the big revenue hit that they would have on all the London airports, and would target the money that we can spend on getting the vital regional growth that would help the regions of England outside London. As APD is a devolved tax, if Scotland chooses to have a lower APD rate in future, we may see some interesting tax competition if airports in the north of England feel the need to respond.

Overall, I welcome the Bill. It contains many important measures that will help to protect our tax base and tackle avoidance—which we all want—and help the economy to grow. It is an important Bill and I hope its provisions will survive the discussions over the next few days.

Sammy Wilson: The hon. Gentleman quite rightly mentions tax avoidance. Does he accept that although there are measures in the Bill on tax avoidance, given that the tax gap is nearly £40 billion but the Government's target is to collect £5 billion more between now and 2020, the issue is not being taken seriously? There will be frustration that rich companies will still be able to walk away with very low tax bills.

Nigel Mills: I was nearly finished, but the hon. Gentleman invites me into a debate on the tax gap. I do not have the numbers to hand, but it is important to understand what makes up the tax gap. Tax avoidance by large corporates is actually a relatively small part of it. From memory, the largest part is due to people who operate in the black market and do not pay VAT or declare their tax. Another large part is down to errors or mistakes by small businesses or individuals. It is right that the Government should bear down on all those aspects, but I do not think it is possible to get the tax gap down to zero—it would involve some kind of ridiculously heavy compliance burden. We could probably get there only by having zero tax rates or zero economic activity, so there will always be some level of tax that we cannot collect, but the measures that the Government have taken progressively over the past seven years to tackle aggressive tax avoidance have been the right ones. We have the general anti-abuse rule, which we are trying to tighten up in the Bill. When that gets to its five-year anniversary, I look forward to seeing whether we can change our strategy on targeted abuse rules, whether we might not need to have quite so many individual anti-avoidance rules, and whether we can rely on the general one.

Although we have discussed Making Tax Digital, a key part of reducing the tax gap is making businesses report and be more compliant on a more regular basis. We must press on with that and make it work, but we do not want to risk going too far. There are more measures that we could try to take to encourage people not to pay cash in hand to avoid paying VAT. It is very hard for an individual to know whether the person cutting their hedge or driving their taxi is tax registered. Perhaps we

should have some kind of registration process so that a person can say, “I want to engage people who are fully tax compliant. If you can show me that you are, I will happily hire you. If you can't, perhaps I will hire someone else.”

Mr Mak: My hon. Friend is making a very good speech about the changing nature of the economy, particularly in relation to the rise of the gig economy. Will he join me in welcoming the review by Matthew Taylor about how we can tax both the individuals and the companies operating in the gig economy to make sure that we strike that fair balance between taxation and innovation in our economy and our employment market?

Nigel Mills: Yes, I happily welcome that review. That has become an emerging issue that we need to tackle. It will probably blow up in the national insurance debate. I welcome the measures in this Bill, which propose that where the public sector engages with individuals who try to incorporate themselves, those individuals will not get the tax advantages. That has to be right. We need to find a way of doing that for very high paid individuals outside the public sector who try to do that. We need to ensure that they are taxed on that income in a way that the tax system intends, and not allow them to get an advantage through the corporation tax system. I accept that the reduction in the dividend relief that was announced in the Budget was the right thing to do. As we see our employment market changing, we need to ensure that the tax system is not encouraging unscrupulous employers to try to pretend that their employees are self-employed in order to get a tax advantage for themselves, leaving those individuals in a far worse situation without the security of being employed and without the rights to welfare, holiday, sick and maternity pay to which they are entitled. That review will be very important in enabling us to strike the right balance and to encourage people who are genuinely self-employed and taking risks. I accept that we should have a lower tax rate for people who do that. How we get our tax rules to match the changing way that people work will be extremely important, and that review will have an essential role to play.

I will wrap up my contribution by saying that I welcome this Bill and that, whatever passage it has, I wish it well.

6.32 pm

Stewart Hosie (Dundee East) (SNP): I beg to move an amendment, to leave out from “That” to the end of the Question and add:

“this House declines to give the Finance (No. 2) Bill a Second Reading because it derives from the 2017 Budget which confirmed the continuation of austerity, it fails to provide the necessary stimulus to compensate for the economic impact of Brexit, it fails to address the inequity of VAT being charged on the Scottish Police Authority and the Scottish Fire and Rescue Service, it fails to provide concrete measures to support the oil and gas industry, it increases Insurance Premium Tax above the level of inflation, it increases duty on Scotch whisky, and it is a wholly inadequate response to the economic challenges being faced by Scotland and the UK.”

We oppose this Finance Bill—well, someone has to—not so much because of what it does but because of what it does not do. Let me take as an example the inequity of Scotland's police and fire and rescue authorities

paying VAT. It is a long-standing problem, and this Government could and should have taken the opportunity of this Finance Bill to rectify it, but they did not. In the Budget, there was at least a recognition of the problems faced by Scotland's oil and gas sector, but no specific measures were announced—just another options paper, which was effectively announced last year. This Finance Bill should have been the opportunity to make concrete proposals for UK content and for oil exploration and decommissioning allowances to ensure that the sector continues to thrive, to flourish and to provide substantial tax yields for decades, but of course it does not. It does, however, put up the duty on Scotch whisky, and increase insurance premium tax again by 20%, which is way above the rate of inflation. Effectively, the Bill treats the Scotch whisky industry and the insurance sector as cash cows for the Treasury.

Having said that, we do welcome some of the measures in the Bill, particularly those that are intended to clamp down on tax avoidance and evasion. I welcome what the Minister said about restricting the use of past losses, disguised remuneration, the initial penalties for tax avoidance enablers, and the removal of the permanent non-dom status. However, it is hard to see how this Bill will assist in any substantial way to address the long-term UK challenge of improving productivity or even helping to make society a little less unequal, which is vital to unlocking our growth potential. That is particularly the case when one considers that alongside this Finance Bill are a set of welfare proposals that do not support inclusive growth but, rather, drive a coach and horses through it. They include the cut of £30 a week to employment and support allowance for claimants placed in the work-related activity group; a 55% cut in the rate of ESA for disabled people under the age of 25; the freezing of the lower disabled child element of universal credit; and the changes for full-time students who receive disability living allowance or personal independence payments who are now not treated as having limited capability for work and are therefore not entitled to universal credit until they have been assessed, which means that they face long delays without support.

I do not want to digress too far from the Bill, but delivering those cuts when disabled people and those on low to middle incomes are already facing a barrage of cuts from this Government is a disgrace. Moreover, those cuts not only fly in the face of the Tory party's last manifesto commitment to help more disabled people into the workplace—something that is vital—but undermine the essential drive for real inclusive growth, which is vital if we are to grow the economy and maximise our potential.

Rebecca Pow (Taunton Deane) (Con): I just want to point out that, under the Scotland Act 2016, we are devolving benefits worth £2.8 billion to the Scottish Parliament. That is almost a fifth of Scottish spending. It would be really interesting to hear what the hon. Gentleman thinks about that. Indeed, he could even welcome the fact that this Government have created such a strong economy that Scotland is able to have that much money gifted to it.

Stewart Hosie: I am sure that the Scottish people will be delighted to hear that the hon. Lady thinks that somehow they do not pay taxes and that they are dependent on the largesse of ladies like her to fund our welfare system.

We have had a very small amount of welfare devolved. If she wants to make such a contribution, she can read out the rest of the Whips' briefing note when she catches your eye later, Mr Deputy Speaker. [*Interruption.*] The Tories can groan all they like, but they have called a snap election, and on the same day we are debating the Finance Bill.

In this Bill, the Minister wishes to reduce the dividend nil rate from 2018-19 from £5,000 to £2,000. I will listen carefully in the next 10 days or so to what the Government say about that. Perhaps they can prove that only very wealthy people benefit from that allowance and that it may be a reasonable change. Equally, it may be the case that many small and start-up business owners depend on that money to tide them over and that the measure will be nothing more than a tax on enterprise—a disincentive to start a business, to create jobs and to power local economies.

I did find it slightly jarring when the Minister explained that wealthy people could put lots more money in individual savings accounts. That is fantastic news for people who are already wealthy: they can save tax free. Let us juxtapose that with a change to the dividend nil rate from a modest £5,000 down to £2,000, which might act as a disincentive to people who genuinely want to start a business, while allowing already wealthy people to save tax free. That might be the kind of error we would have seen under the old fiscal charter and its requirement to run a permanent surplus quickly, almost irrespective of the economic conditions. However, the new fiscal charter is more flexible than the last one, which should make such a measure unnecessary. The Government are still targeting a surplus early in the next Parliament. Let us see how early it is in the next, next Parliament.

Again, without digressing too far, the numbers and the timescale for even a modest surplus within four or five years look precarious. The forecasts for a current account surplus are tiny, not even reaching 1.5% of GDP. If there is any external shock or capital flight if sterling suffers further devaluation, which is quite likely if the Brexit negotiations go wrong—again, highly possible—the figures could fall apart very quickly indeed.

At its heart, this is a Finance Bill delivered with the pretence that the hard Tory Brexit is not happening. It sits in splendid isolation from reality. We cannot assess whether it will assist with the challenges that lie ahead. We cannot even assess properly what the consequences of the limited measures in it will be, because the Office for Budget Responsibility told us about Brexit at the Budget:

“There is no meaningful basis for predicting the precise end-point of the negotiations as the basis for our forecast.”

In short, this Finance Bill, like the 2017 Budget, is effectively based on a central assumption that pretends that Brexit does not exist. That is a ridiculous thing to do, given that article 50 has already been triggered.

Mr Rees-Mogg: The hon. Gentleman quotes the OBR, which was one of the few forecasters that was responsible enough a year ago not to make wild assumptions about what Brexit would mean. Most of the other forecasters thought they knew what would happen and got it comprehensively wrong. It shows prudence, caution and common sense not to try to forecast that which is essentially unknowable.

Stewart Hosie: I think the hon. Gentleman has been on record attacking the OBR for its forecasts. If he has not, I apologise, but I am sure that many of his colleagues have. No one seriously suggested that on day one or in week one, month one or even year one, even before the negotiations were complete, Brexit would result in any kind of catastrophe, reduction in GDP or other such thing. The real danger is for the medium and long term. As the hon. Gentleman brings it up, let us remember what some of the forecasts said. The Treasury itself said that we could lose up to £66 billion from a hard Brexit, and that GDP could fall by about 10% if the UK reverted to World Trade Organisation rules, which echoed the Chair of the Treasury Committee and other assessments. The London School of Economics said:

“In the long run, reduced trade lowers productivity”—
a huge problem for the UK—which
“increases the cost of Brexit to a loss of between 6.5% and 9.5% of GDP.”

It put a range of figures on those costs of between £4,500 and £6,500 per household.

There are other assessments from the Fraser of Allander Institute, from the FTSE 500 senior executives and from the British Chambers of Commerce. The hon. Member for North East Somerset (Mr Rees-Mogg) may not believe those assessments. Some of them may not come to pass, but given that the warnings are very real and credible, one would have imagined that they would instruct a far bolder Finance Bill. That is the point that I was trying to make.

Mr Rees-Mogg: The point I was trying to make was that we have had incredibly wrong forecasts from all these illustrious bodies. The hon. Gentleman was only wrong on the OBR. I criticised lots and lots of bodies; the OBR was the one I singled out for not being so foolish as to make erroneous forecasts. The Treasury, the International Monetary Fund and the Bank of England all said that the day we left there would be Armageddon and we would have a punishment Budget. This turned out to be nonsense, and it is much wiser of the current Chancellor to avoid foolish speculation.

Stewart Hosie: I do not want foolish speculation; nor do I want rose-tinted spectacles or ostrich heads in sand. There are very credible warnings of what Brexit might deliver. If the Government fail to mitigate the risks, they fail the people, and that is incredibly important.

To be fair to the Chancellor, in terms of what mitigation measures he could take and has taken, last autumn he announced additional support for capital investment and research and development; and he has since reiterated some of his R and D statements and put some more flesh on the bones of investment. However, the figures from the last autumn statement show that public sector net investment falls in 2017-18, and presumably 2018-19, depending on what happens after the 8 June election. The figures announced only a few months ago for public sector gross investment show them falling again this year, compared with the forecast made last winter, and not increasing again until 2020 or beyond. We would argue that money should have been allocated, and the Finance Bill should have reflected this, to mitigate the damage that we and many others believe is likely as a result of a hard Tory Brexit.

Of course it is not all about Brexit. Nor is it about reminding the House—I will not do it today—of the failures and broken promises on debt, deficit and borrowing. It is not even about repeating the mistakes of the past on investment. We are now in such uncertain times that in order to protect jobs, to protect yield and to protect the current account, trade should be front and centre, but little was said about that today and there was nothing in the Finance Bill that would assist in that regard.

The Budget Red Book tells us already that the current account is in negative territory for the entire forecast period. The impact of net trade will be zero or a drag on GDP growth, without the impact of Brexit, for almost every year of the forecast period in the Budget. That is after a near 15% devaluation in sterling since the referendum. More should have been done, and it should have been done in this Finance Bill.

My hon. Friend the Member for East Lothian (George Kerevan) intervened earlier on how growth will be generated. It is forecast to be based on heroic levels of business investment after the uncertainty of Brexit ends, which we do not believe will be any time soon. It will be propped up by household consumption with a commensurate rise in household indebtedness; by central Government investment, which I welcome; and by fixed investment in private dwellings, but house price rises are forecast to be two or three times the rate of already rising inflation. That is not a balanced recovery, and there is nothing in the Finance Bill that would assist in balancing it.

However, the issue of trade is most worrying. The figures are clear, notwithstanding one quarter's blip in either direction. The last full years for which we have figures saw the current account £80 billion in the red, and a deficit in the trade in goods of over £120 billion. Nothing in the Finance Bill today would assist businesses to trade in a way that would even begin to shrink or erode those deficits.

This is a thin debate today because of other announcements, so I will conclude by saying what I said at the start. We will oppose this Bill—not so much for what it contains as for what is missing. We will do so because, like the Budget that drives this Bill, it is wilfully blind to the damage that Brexit will do, and in our view it is a completely inadequate response to the challenges that the economy will face.

6.48 pm

Dr James Davies (Vale of Clwyd) (Con): It is a pleasure to be called to speak in support of this Finance Bill. As a whole, it is a Bill that prioritises economic stability, and there is much to welcome in it. My constituents will be pleased at the further increase in income tax thresholds.

I want to talk about the soft drinks industry levy, which appears in part 3, clauses 71 to 107. This was announced in the Budget a year ago, and it was reconfirmed in the childhood obesity plan last summer. At this point, I should declare an interest in that I devoured a very large Easter egg in recent days, but leaving that aside, I will get back on track to welcome the levy wholeheartedly as one lever in tackling obesity.

There is no single silver bullet to tackle the obesity crisis in the UK and in the west in general, but the levy is a necessary part of a package of measures to begin to

tackle it. I have reached that clear conclusion through membership of the Select Committee on Health. I admit that if I had been asked about a sugar tax a year or so ago, I might have been somewhat uncertain, and it is clear that there is some uncertainty among hon. Members here today. I hope to convince some of those with lingering doubts to ensure that the provisions pass without further amendment.

Obesity affects about a quarter of adults in the UK, and it is estimated that it may affect up to 70% of us by 2050. One startling fact is that obese children are five times more likely to become obese adults, so there is a clear need to tackle childhood obesity.

Alison Thewliss (Glasgow Central) (SNP): I am glad to hear that the hon. Gentleman supports the sugar tax. Does he agree, though, that the obesity strategy really does not go far enough because it does not start until children are older than two? Bad habits could already have been formed by that stage. Does he support an increase in the scope of the policy?

Dr Davies: It is true that the Health Committee—myself included—has called for additional measures, but the plan as it stands is certainly a step in the right direction. I will come to further points in due course.

One in five children starting primary school is overweight. By the end of primary school, it is one in three—quite a striking figure. The inequality between communities is also striking. Some 60% of five to 11-year-olds in the poorest neighbourhoods are obese; the figure reduces to just 16% in the most affluent areas. That translates into regional variation.

Kevin Foster: My hon. Friend is making an important point about the fact that there is a higher growth in obesity rates among those from the most deprived backgrounds. People who live on one side of a particular hill in Torquay live for 13 years longer on average than those who live on the other side. Does he share my concern that those sorts of stats could get worse?

Dr Davies: Indeed. I strongly believe that the measures outlined in the Bill go some way to tackling that situation.

Perhaps the main health effect of obesity among children is tooth decay. It is the main source of hospital admissions for five to nine-year-olds, with some 26,000 admissions, probably in England alone, and 179,000 teeth—if not more—extracted among the age group each year. Some 25% of children in the age group have tooth decay, and 90% of those cases are estimated to be preventable. Of course, sugar is a key cause of the problem. As for older children, 46% of 15-year-olds have tooth decay, and £129 million was spent on the extraction of teeth in under-18s between 2012 and 2016.

The impact of obesity on adults is even more concerning with tooth decay and, in no particular order, type 2 diabetes mellitus, cardiovascular disease, gastro-oesophageal reflux disease, gallstones, osteoarthritis, sleep apnoea, infertility, pregnancy problems, mental health problems, liver and kidney disease, and—last but certainly not least—cancer. At least 13 types of cancer have been implicated with obesity. In fact, obesity is thought to be the biggest cause of preventable cancer after smoking. More than 18,100 cases of cancer in the UK per year are estimated to be thanks to obesity. Those types of cancer include some well-known ones such as breast,

bowel, endometrial, oesophageal and pancreatic. There is an impact on the NHS of an estimated £5.1 billion per annum, and a cost to the economy in general—£27 billion a year down to lost productivity, unemployment, early retirement and welfare benefits.

It is vital that we recognise the extent of the problem posed to the health and wellbeing of ever-rising numbers of people by the obesity crisis. How should we target this? Well, it is believed that there is a genetic susceptibility to obesity. That is not to say that all obesity is down to genetics, but it is thought that the inheritance of several genes—polygenic susceptibility—leads some to an increased drive to eat. Much has been said over the past decades about personal responsibility, education and exercise. Education and exercise do have an important place, but the reality is that they have not succeeded as the main way to target the problem.

We have an issue with more sedentary lifestyles and an obesogenic environment, whereby unhealthy, high-calorie foods are so easily available around us. Calorie intake sadly overwhelms most people's efforts to exercise those calories off. Personal responsibility certainly drives many—perhaps those with the intellectual and financial resources to follow the path to deal with the problems they face—but it is not easy. In any case, children cannot be expected to exercise personal responsibility, because they do not have their own freedom of choice. Various measures are important in tackling the crisis, including reformulation targets by Public Health England and others, which will reduce sugar, fat, calories and so on in the foods that children eat.

Advertising is also important. Advertising restrictions have recently been expanded from television to other media such as social media and advergames, but more could be done if necessary. Labelling is important, and Brexit offers an opportunity in more flexibility in labelling our products. Promotions and discounts in supermarkets and elsewhere are critical. The issue of local authorities' planning powers for takeaways and so on has been mentioned on a number of occasions.

Rishi Sunak (Richmond (Yorks)) (Con): My hon. Friend makes an excellent point about the freedom for better labelling after we leave the European Union. Does he agree that one sector that could benefit from that is the dairy sector and dairy farming? Those products could have better country of origin labelling, which would help British shoppers to choose British dairy products and support British farmers.

Dr Davies: That is a very good point. A point has also been made about the flexibility to include information on labels such as the number of teaspoons of sugar in a product, which we are currently unable to do. A wide range of benefits could arise, which is interesting.

The soft drinks industry levy has a key role. Soft drinks are the biggest source of dietary sugar for children, but they contain little, if any, dietary benefit. Five-year-olds are believed to consume their own weight in sugar per year, and four to 10-year-olds each consume half a bathtub of sugary drinks per year. That is food for thought. The Scientific Advisory Committee on Nutrition and the World Health Organisation advise that free sugars should comprise less than 5% of daily energy intake; yet the estimated intake among our children is two to three times that figure.

[Dr James Davies]

The proposed mechanisms of the levy relate to producers and importers of packaged soft drinks with added sugar. The levy is designed primarily to encourage reformulation, as has been mentioned. The implementation date of April next year gives manufacturers time to pursue reformulation, and many have been doing an excellent job in achieving that. The levy drives manufacturers to reduce portion sizes and to market their low-sugar alternatives. It will be tiered, whereby 18p per litre is levied when the total sugar content of the drink exceeds 5 grams per 100 ml, and 24p per litre is levied when the total sugar content exceeds 8 grams per 100 ml. According to my mathematics, that is about 6p to 8p per can of drink. The levy will apply to drinks as ready-prepared or diluted as directed on the packaging.

The hope is that the levy will be passed on to consumers in the same proportion as applied. In other words, there will be no cross-subsidy. One concern raised by the Health Committee was that low or zero-sugar drinks might end up picking up some of the extra costs levied on manufacturers by their sugary alternatives. If that were to take place, it would be a missed opportunity to maximise the positive impact of the levy.

Mr Mak: My hon. Friend is making an excellent speech based on his personal knowledge and work as a medical doctor. Will he join me in encouraging children's charities, such as Magic Breakfast, that play an important role in educating children about health eating and the avoidance of too many sugary drinks to redouble their efforts, and to use the sugar levy as a catalyst to do more work in the area?

Dr Davies: I will indeed. I will come on to the positive impact that the potential introduction of the levy has had on the general debate on sugar and obesity.

Coming back to the idea of cross-subsidy in terms of the cost of drinks, we, as a Government, should keep an open mind as to whether that needs to be regulated. The levy excludes fruit, vegetables and milk as a form of added sugar. It also excludes baby formulas, drinks for medicinal and dietary purposes, drinks comprising 75% or more milk, and small producers of under 1 million litres of beverage per year. The revenue raised is due to double the funding for PE, sport and breakfast clubs. It is expected that £1 billion will pass to the Department for Education for this purpose, with, of course, equivalent sums being passed to the devolved nations as per the Barnett formula.

The important thing to note is that, with successful reformulation, companies will pay no additional tax. It has been a mark of the success of the progress made with this policy that reformulation is already taking place, and it is therefore expected that in fact £1 billion will not be raised. I praise the Chancellor of the Exchequer for confirming that he will nevertheless pass on the full £1 billion in this Parliament for the purposes identified. Reformulation is possible—companies are already showing that. There has been success in the past with reformulation of products as to the amount of salt they contain. I mentioned before that this whole debate is causing a discussion throughout our nation about obesity and sugar, and that has to be a good thing. I hope that even this debate will help to further that.

Will such a policy work? There is no direct comparison, but in Mexico when a tax of roughly 10% was levied, it led to a 12% reduction in sugar intake, and in Hungary a 40% tax led to manufacturers reducing sugar content. A 2016 modelling study suggested that thanks to the levy 144,000 adults and children would be saved from obesity each year; that 19,000 would be saved from diabetes mellitus; and that the number of decayed teeth—270,000—would be reduced. We have certainly seen some tentative support among the public. I truly believe that in view of the scale and consequences of the obesity crisis, we do not have the luxury of time to make excuses. We can lead the world in this area and create evidence that other countries can then use and follow.

Matt Warman (Boston and Skegness) (Con): Does my hon. Friend agree that this is an example of measuring success in terms not of the revenue raised but the behaviour that we change, and that the evidence that he talks about will not only change behaviour but genuinely change people's lives in all our constituencies?

Dr Davies: My hon. Friend makes a good point. This is about how people live their lives in the foods and drinks they choose to consume and the way they look at their diet in general.

I would like to address a couple of criticisms raised by some. First, is this policy an example of the nanny state? I would argue that we use the tax system to influence behaviour and always have done. The Government have a duty of care to address important public health issues, as we do with tobacco and alcohol. As I said, freedom of choice is limited with regard to children, because they are not in a position to exercise freedom of choice. We live in a world that is skewed against our health interests; choice over healthy options can be difficult to come by as we are continually surrounded by unhealthy products. I would go so far as to suggest that some reduction of choice in sugary drinks on our shelves is a price worth paying to deal with the crisis that we face. I support the use of the tax system to support public health endeavours such as this one.

The second criticism is, "Is this just an extra tax, is it an attack on jobs, and is it regressive?" The tax can be avoided if products are reformulated or if existing sugar-free options are promoted. I would therefore argue that jobs in our food and drink sector should be safe. In fact, our food and drink sector can thrive if it can show the world how to tackle this agenda successfully. It is not a regressive measure either. The health gains are the biggest for those on low incomes, and sugar-free options are available which, we hope, will cost no more than they currently cost.

I support the soft drinks industry levy as a small but necessary part of the fight against childhood obesity.

Dr Caroline Johnson (Sleaford and North Hykeham) (Con): As a consultant paediatrician I have seen and treated a number of children with obesity and seen the health consequences of this growing problem. Does my hon. Friend agree that this tax is a useful part of the Government's programme but only part of a much wider programme to tackle obesity, and that education will ultimately be the major part?

Dr Davies: Yes. The levy is a bold and brave move, but it is only a small part of the efforts we need to make to tackle this problem. Unless we tackle it from

a multitude of directions with a number of different strategies, we will not make progress. There is no one silver bullet.

We need to monitor and evaluate the impact of a levy over the coming year and beyond. I understand that secondary legislation had been due this spring. I am not sure whether that has been slightly delayed following today's announcement, but it will no doubt follow in time for the levy to be applied from April next year. As a GP, a member of the Health Committee and a father of two young children, I will be following this topic with great interest.

7.6 pm

Steve McCabe (Birmingham, Selly Oak) (Lab): I want to follow the hon. Member for Vale of Clwyd (Dr Davies) in addressing my remarks to part 3 of the Bill and the chargeable soft drinks levy.

I was struck by the Minister's comments about the Government's remarkable record on borrowing. I wonder whether she has had an opportunity to look at the work of Professor Richard Murphy of the University of London, who has done a rather extensive comparative study of Labour and Conservative Governments over a 70-year period, which shows quite clearly that Labour in office always, on average, borrows less than the Conservatives, and always pays back more while in office. That is not quite the impression that the Minister may have tried to convey.

Mr Rees-Mogg: That is because Labour always inherits a wonderful financial situation from the Conservatives and we always inherit a mess from it.

Steve McCabe: Yes, of course that is the hon. Gentleman's belief. However, if we go back in history, I seem to recall Tory Chancellors singing in the bath as the pound collapsed and we were jettisoned from the ERM. I seem to recall crisis after crisis, including one Tory Chancellor who left a note saying, "I'm sorry I've made such a mess of it, old chap." I do not think it is quite as the hon. Gentleman remembers. I would say that the Minister's claims on borrowing are about as reliable as the Chancellor's reputation for competence proved after the shambles of his Budget.

Like many others, I would like to know what bad news is coming down the line. Why is it, after five public refusals to call a general election—after assurance after assurance that there would be no election before 2020—that the Prime Minister now needs one? What does she know that the rest of us do not know? I suspect that what she knows is that the NHS is in chaos, our schools are in chaos, the Brexit talks are in chaos, and the economy is heading for the doldrums. That is what I suspect is happening. *[Interruption.]* I think the hon. Member for Peterborough (Mr Jackson) would like to rise and say that for the benefit of *Hansard*.

Mr Stewart Jackson (Peterborough) (Con): I am inordinately fond of the hon. Gentleman, but we have heard this—"24 hours to save the NHS"—so many times for the past 20 years. It is a fact that the Conservative party spends more on the NHS, is more committed to the NHS, and delivers better patient care than Labour has ever done.

Steve McCabe: The hon. Gentleman may be reading from one of those notes that the Whips have been passing around, but I have not got around to mentioning the NHS yet. I will come to it.

I want to comment on the points made by the hon. Member for Vale of Clwyd. I agree that high-sugar diets are associated with a large number of serious conditions, including tooth decay, cardiovascular disease and type 2 diabetes. I will not repeat the figures, but I am grateful to him for giving the stats for five to nine-year-olds and for saying that such diets are the leading cause of hospital admissions for that age group. Of course, that imposes a considerable cost on our already overstretched NHS. He also rightly said that sugar is a leading cause of tooth decay for 15-year-olds, whose permanent teeth are being damaged. That is all preventable, as he said.

I think we are agreed that excessive sugar consumption is the main cause of tooth decay, so in principle I am in favour of a soft drinks levy. However, I am worried that it is an isolated policy and that it will fail to bring about the lasting change we hope for in the consumption habits of the public.

The hon. Gentleman gave the example of Mexico. If he looks carefully at what actually happened, however, he will see that, after an initial dip in sales of soft drinks, they subsequently rose and are now slightly higher than their pre-tax levels. The risk of such an isolated policy is that it may not have the long-lasting effect we seek. Indeed, it is debatable whether there is any robust evidence that an isolated levy on soft drinks will actually reduce the prevalence of any of the health conditions associated with high-sugar diets.

Jane Ellison: I am happy to comment on a couple of things. First, the provision is designed slightly differently from the Mexican initiative and others around the world. It is deliberately a producer levy, to drive reformulation of product. Secondly, to recap what I said in my opening speech, it is not happening in isolation. I entirely agree that it would not be enough in isolation, but it sits alongside a very ambitious body of work, not least in relation to reformulation across a range of different food groups, particularly those focused on children's diets, on which Public Health England will lead over the next few years, working closely with manufacturers.

Steve McCabe: I am grateful to the Minister. Obviously, we cannot cite Mexico as evidence in favour of the policy and then dismiss it when there is contrary evidence. That was the point I was making. I do not disagree with some of the stuff for which she is arguing, but I and a lot of other people want a broader public health approach. We need to do a bit more to promote healthy eating and improve awareness of the risks associated with unhealthy diets.

I ask the Minister to think again about an industry comprehensive code, because that might be much better and enforceable. If that was to work in conjunction with a soft drinks levy, it might make a much more significant difference. The obesity strategy has been mentioned, but the truth is that most people were pretty disappointed with it when it came out. I remember her in her previous incarnation being much more optimistic about it than appears to be the case now.

With the NHS—this is for the benefit of the hon. Member for Peterborough—significantly extending waiting times for those needing operations for hip and knee

[*Steve McCabe*]

replacements, and in the absence of any announcement of additional funding for the NHS, and with the Government continuing, as we have just heard, not to recognise that a funding crisis is engulfing the NHS, the need for a comprehensive set of preventive health measures to complement any soft drinks levy has become all the more pressing. I simply make the point that a tax to plug a hole in yet another failed Tory Budget simply will not be enough. We all know how we arrived at this tax, but it will not be enough by itself.

I do not know how much of this Bill will ever see the light of day, but I do know that it does not address the funding crisis in our schools and our NHS; the impact of cuts in policing, which are now resulting in predicted rises in crime; or the sense in my constituency of Selly Oak that, when it comes to fairness and those who are just about managing, this Government's economic plans and other policies do not help them. With unemployment in Selly Oak at 4.5%, against 2.4% nationally, this Government simply are not working for Selly Oak.

7.15 pm

Mr Jacob Rees-Mogg (North East Somerset) (Con): It is a great pleasure to follow the hon. Member for Birmingham, Selly Oak (*Steve McCabe*) and to join in this discussion on the great subject of sugar. While listening to my hon. Friend the Member for Vale of Clwyd (*Dr Davies*), who told us the extraordinary fact that an average five-year-old eats his own body weight in sugar during the course of a year, I considered my own children. I do not have a five-year-old—I have a six-year-old, a four-year-old and lots of others—but the six-year-old weighs 3 stone, which seems to me to be similar to the weight likely to apply to five-year-olds. That is 42 lb, or 672 oz, so if a five-year-old is eating his own body weight in sugar in a year, he is eating 1.84 oz of sugar a day, which is equivalent to 11 teaspoons of sugar. One thinks of the lines of *Mary Poppins*:

“Just a spoonful of sugar helps the medicine go down”,

and one wonders whether the medicine goes down even better after 11 spoonfuls of sugar.

In spite of thinking that 11 teaspoons of sugar is quite a lot, I am not in favour of sugar taxes, because I do not think it is the job of the Government to tell me how much sugar to give to my children. I think that is a matter for parents to decide for themselves, and the tax system should be there to raise the revenue the country needs to pay its way. The tax system is not there to tell us how to live our lives. There may be an exception with tobacco, but that is not really the case with alcohol, which is a matter of raising revenue. Our rates on alcohol work very well in raising revenue, as, incidentally, do those on tobacco, which is a serious generator of funds for the Treasury to pay its way.

I am sceptical about the proposed approach. I was struck by my hon. Friend's comments that a lot of obesity is in fact genetic. If that is the case, we are penalising people who have a genetic propensity to obesity while it is fine for people like me.

George Kerevan *rose*—

Mr Rees-Mogg: I give way to another hon. Gentleman for whom it is fine to eat lots of sugar.

George Kerevan: Indeed, I had a fine East Lothian Easter egg. Does the hon. Gentleman accept that the difficulty with the hands-off approach he suggests, leaving it entirely to the individual, is that there is a vast advertising industry that also influences consumer behaviour and that using a sin tax is a way of evening out that process?

Mr Rees-Mogg: There is indeed an advertising industry, but we live in a free country and people ought to be able to advertise products. We have a lot of misinformation, have we not? We now learn that fat is not as bad for people as it was said to be, and that people have put sugar into products from which they have removed the fat in order to make them taste nicer because fat-free products without sugar taste disgusting. Advice that turned out to be wrong has led to manufacturers doing things that then turn out to be unhealthy. I am suspicious of the advice that comes from Government and their ability to get it right. If they end up getting it wrong, force us to change our behaviour and tax us, we get the worst of all possible worlds.

A little bit of sugar does nobody any harm at all—only taking it to excess does so—and the only justification, which has indeed been made, is for children. However, I think that ignores the responsibility of parents, most of whom are responsible, and puts up the cost for responsible parents of giving their children what may, in many households, be an occasional treat rather than a regular habit. It is a tax that falls hardest on the poorest in society, who may occasionally be giving their children something that they like, because of the excesses of others. I do not really think that that is the job of the Government.

That leads me to the issue of hypothecated taxation. Ministers should write out 100 times a day, “Hypothecation is a bad idea.” That has been the Treasury orthodoxy for as long as there has been a Treasury. Hypothecated tax does not work because it produces the wrong amount of money for what it is seeking. We see that with the prospect of putting money from the sugar tax into schools. We now discover that not enough money is likely to come from the sugar tax to meet the obligations given to schools, and that money will therefore have to come out of general taxation.

If it were a good idea to put the money into schools in the first place, it ought to have come out of general taxation in the normal way. If it was not a good idea, but just a clever way of spending the money, taxpayers' money should not have been used. If we get into the position that something is now being done that did not need to be done because it was promised as money from a tax that has not arisen, that is not a good way of carrying out Government policy. All hypothecation of taxation should be struck off: it simply leads to the wrong amounts.

That leads me to the broader point I want to make about this Finance Bill and the Budget that preceded it. It is very good news that an election has been called, because the Budget has become so hemmed in by the number of promises on taxation and revenue expenditure that have quite rightly been kept. Governments ought to keep their promises, and this Government have been absolutely rigorous in doing so, even ones that I do not like. For instance, I am not in favour of the 0.7% going on overseas aid, which I think has been a wasteful and

extravagant promise when money is needed elsewhere. However, the justification was that it was in our manifesto, and in manifestos parties make a pact with the electorate that they ought to continue with except under the most extraordinary circumstances that have not arisen.

Such an approach has led to very many areas of expenditure being fixed, while taxation has been limited at the same time. The deficit has been brought down to a third of what it was when this Government came in—a very substantial achievement, of which this Government and their predecessor ought to be proud—but it has become very hard to take that any further because of the encapsulating commitments that are limiting the Chancellor's freedom of action. That is why the Finance Bill, for all that it has 700 pages, will not lead to a great deal of fundamental reform. It is tweaking things at the edges—looking at little bits of money here and little bits there—rather than taking a fundamental or basic approach to our tax system.

Our tax system has become overly complex and, from the pressure of having to find little bits of money, it is becoming even more complex, which makes it difficult for taxpayers to pay the right amount of tax. We can see that more anti-avoidance legislation has come in to stop avoidance, because we have overcomplicated the tax system in the first place and a corrective measure has therefore had to be taken to try to prevent revenue from seeping away. A good example is the discussions we are having about perceived employment as opposed to self-employment. The Government were extremely proud of their achievement in making self-employment easier, but a constituent who came to see me explained that the £3,000 national insurance contributions exemption for small businesses had led to all the people working for him having to become individual companies, whereby it cost £3,000 a year less to pay them than if they were directly employed or were employed through one subsidiary company.

Very good ideas come into individual Budgets—particular tax breaks to encourage particular forms of behaviour to lead to certain outcomes that the Government wish to see—but they then have to be corrected by anti-avoidance measures because they get taken and used in a way that was not intended under the initial legislation. That is why the election will be a great opportunity to stand on a platform of tax simplification, and I hope we will achieve the sort of majority that will help to push that through. To achieve tax simplification, it will be necessary to ensure that avoidance is removed at source, rather than by anti-avoidance measures. That means taking away some of the existing exemptions and incentives that encourage people to set up more complex systems than they need to minimise the amount of tax they pay.

I am a defender of people taking such an approach. If Parliament legislates for tax to be collected in a certain way, with certain exemptions and thresholds, the individual taxpayer is completely and legitimately entitled to use them to their fullest extent. The approach is the fault not of the taxpayer, but of Parliament for putting exemptions into or leaving them in legislation. We should always be very careful to distinguish avoidance from evasion. Evasion is straightforwardly criminal—not paying the amount of tax that is, by law, due. Avoidance is looking at the tax system and saying, “I do not owe that tax, and I do not have to pay it because Parliament has not legislated for me to pay it.” As individual

taxpayers, we are all entitled, as are all our constituents, to pay the tax Parliament requires, not a penny less or a penny more. If we had a system that was simpler overall, that would be hugely beneficial.

There is a lot about anti-avoidance in the Finance Bill, including the new rules for non-doms, about which I would be very careful. We live in a world where some very rich people want to come to the United Kingdom, and when they are here they employ people, spend money and pay taxes. We have a system that has barely changed since the days of Pitt the Younger—I cannot say I remember them, but I wish I did—and that broadly unchanged system was actually very beneficial for our economy because it brought into this country wealthy individuals who then provided economic activity. It is absolutely right to ensure that people who are obviously domiciled here in all normal senses of the word should be seen as being domiciled here, but we do not want such a difficult regime that people who might come here and contribute to our economy feel that they cannot do so.

Jane Ellison: I want to give my hon. Friend a degree of reassurance. A new measure in the regime advanced as part of the non-doms reforms will make it easier for anyone to invest in the real economy—business investment—which I hope he will welcome. I entirely take his point that we want to make sure that people can come to this country from anywhere and invest in the real economy.

Mr Rees-Mogg: Absolutely. That is an important part of the reforms, but there has perhaps been a tone—more from the previous Chancellor than from the current Chancellor—that the non-doms were using the system. A lot of them could actually go anywhere in the world, but they come here because of the great virtues of investing in the UK: we have clear rights of property; we have an effective rule of law; and we have had simple regulations that have allowed them to be here. However, we have now increased the charges on them and increased their eligibility for certain taxes, and I think we should be very cautious about that because one never knows, with these sorts of things, where the tipping point will come. It may be that the annual charges applied to non-doms seem quite small compared with their wealth, but when we consider that they have families—the charges have to be multiplied for the wife, the number of children and grandparents, or whoever—we may find that the charges become quite high. The people bringing such wealth into the country have enormous mobility: they can go elsewhere. I know that standing up for non-doms six weeks before an election is not necessarily going to be a great rallying call for North East Somerset, but ultimately I think good economics leads to good politics rather than the other way around. A lot of what was done with regard to non-doms was much more about politics and perception than the contribution non-doms make to this country. In the context of Brexit, we want to show that we are genuinely open to the rest of the world. We want people to come here to invest and to spend their money, because that is so important to our long-term economic prosperity.

There is a broad challenge with this Finance Bill, as there will be with its successor which will no doubt come. I have a feeling that this will be one of those happy years where we get more than one Finance Bill.

[Mr Rees-Mogg]

Finance Bill debates are particularly enjoyable parliamentary occasions because they have no time limit. The hon. Member for Aberdeen North (Kirsty Blackman) said that we might go right through the night and not be able to have our debate tomorrow. I look forward to that happening at some point in the future, but I have a feeling it is not going to happen today. Finance Bill debates are the best debates because of their fluidity and flexibility.

When we get to the second Finance Bill, a fundamental choice will still have to be made. This relates to the answer we had from the hon. Member for Bootle (Peter Dowd) on the Opposition Front Bench. There is an absolutely key point at the heart of this Finance Bill, as there will be at the heart of any new Finance Bill. When I intervened on him and said that the tax rate as a percentage of GDP was at its highest since the days of Harold Wilson, his answer to me was that under Labour it would be even higher.

Peter Dowd: May we just have clarity on this? I did not say that. The hon. Gentleman brought it to my attention that it was high under Harold Wilson and I made the point that yes it was.

Mr Rees-Mogg: I look forward to reading the characteristically accurate transcript *Hansard* will have for us tomorrow. The great thing about *Hansard* is that it allows us to correct our grammar—indeed, it often corrects it for us—but it does not allow us to correct the sense, so we will see what was said precisely.

That is the choice. If the hon. Gentleman now wishes to move away from that choice I think that is telling: with an election approaching Labour Members are nervous about it, but the Labour party—the socialists—remains the party of high taxation. The Conservative Government have had to increase taxation because of the enormous deficit left by the spendthrifts of the last Labour Government who almost bankrupted the country. We would probably have gone to the International Monetary Fund at the time if it had had any money left, but it was bailing out Greece and everywhere else so it did not have much for us by the time the Conservatives came in. Through hard work, control of expenditure and, I am sorry to say, some tax rises, the deficit has been brought under control. That is the fundamental achievement of this Government.

As we go into an election, it is the really big picture that matters. It will give such a clear and forthright choice to the British people. Do they want to continue to be governed by people who recognise that it is their money—the money of the individual taxpayer—of which the Government must take as little as possible to finance that which they are required to do? Or are we going to go back to the days of socialist tax and spend, with a huge increase in the deficit to finance spending programmes and tax increases that are even higher than those in the days of Harold Wilson? It was, of course, Denis Healey who said that he would squeeze the rich until the pips squeaked. That was his approach to taxation. Do we, by dutiful, sensible and prudent management of the economy, get things back under control where, with proper reforms, we can lower the tax burden?

Dr Paul Monaghan (Caithness, Sutherland and Easter Ross) (SNP): In that context, how does the hon. Gentleman explain a national debt of close to £2 trillion?

Mr Rees-Mogg: I would explain the national debt of approaching £2 trillion because of the place where we started. It is very interesting that when the previous Chancellor, my right hon. Friend the Member for Tatton (Mr Osborne), started reducing the deficit he was told by Opposition Members, “Too far, too fast!” They chanted it like a mantra as he stood at the Dispatch Box nobly defending his policies. In fact, he went at the right pace to ensure that the Budget deficit came under control, while at the same time the economy was not unduly affected by the reductions in expenditure and increases in taxes that had to be made. It was a first-class balancing act by my right hon. Friend and that is why the deficit is at £2 trillion.

Jonathan Reynolds: I am loth to give the hon. Gentleman further exposure, but if that strategy was as successful as he believes, why did it not meet its own objectives and we are still discussing the deficit and the very large amount of national debt today?

Mr Rees-Mogg: It has succeeded. We have the fastest growing economy in the G7. For all the stuff we heard a year ago, the economy has carried on motoring ahead. The economy has done pretty well every year now since 2010. That is the success of the economic strategy that the Government followed. The deficit is about a third of what it was in nominal terms, but as a percentage of GDP it is now within the normal bounds of deficits.

Jonathan Reynolds: I may be falling into my own trap, but I remember listening to the hon. Gentleman’s speeches in the previous Parliament when he said that if the deficit was at this level, going on from 2010, that would be a disaster. Now he is saying it is a huge achievement. Can he not understand why the lack of humility makes one cynical about the content of his speeches?

Mr Rees-Mogg: I do apologise for a lack of humility. I shall try to do better in that regard. I am, however, flattered that the hon. Gentleman remembers my speeches from years ago. I admire his attention to the debates in this House. The point I was making then was that a deficit of £150 billion a year, or 10% or 11% of GDP, was completely unsustainable. It is now down to about £50 billion and about 3.5% or 4% of GDP. It is at a manageable level. That is the achievement of the previous Chancellor and the current Chancellor.

Rebecca Pow: Is not one of the fundamental reasons why the economy is in safe hands with those of us on the Conservative Benches that Conservatives have an understanding of the importance of business? My hon. Friend is still in business. Unless one understands how business works and what makes it tick, we cannot raise the revenues necessary to pay for what we need in this country.

Mr Rees-Mogg: My hon. Friend comes from Somerset and her parents are constituents of mine. For both those reasons, she is invariably right and on this occasion particularly so. There is no money tree. It has to come from the success of businesses. It is a matter of balance. The hon. Member for Stalybridge and Hyde (Jonathan Reynolds) wishes to get away from that balance, but it had to be done at the right rate to ensure the least economic problems as taxes were raised and expenditure cut. That has been achieved.

Peter Dowd: If the long-term economic plan was such a wonderful strategy, why did the former Chancellor and the current Chancellor keep missing their targets?

Mr Rees-Mogg: Targets are based on forecasts and forecasts have variables within them that even the wonderful, or not always wonderful, boffins cannot get absolutely right. What matters is not the precision of the forecast, but the broad trend of the economy. We have had consistent economic growth. We have the highest employment on record. This is an enormous achievement. As I said a moment ago, we have the fastest growing G7 economy.

George Kerevan: I cannot let the hon. Gentleman continue with his analysis of the previous Chancellor's single plan for the economy. In the first two years of the previous Chancellor's reign, from 2010 to 2012, there was a very rapid move to austerity—tax rises and cuts in spending. Growth slowed precipitously and by 2012 the Chancellor reversed his policy. In fact, he got the Treasury and the Bank of England to print money and pump it into the housing market, so there was a change in policy. The original austerity did not work.

Mr Rees-Mogg: I do not agree with that analysis. My analysis is that the austerity allowed for a looser monetary policy which had beneficial consequences, that between 2010 and 2012 it was essential to operate a very tight fiscal policy to permit exactly the type of monetary policy to which the hon. Gentleman has referred, and that it would not have been possible to maintain the confidence of the markets if we had operated a loose fiscal policy and a loose monetary policy during those two years. The lack of economic growth during that period ties in with the considerable problems—the severe crisis—experienced by the eurozone and other economies.

On this occasion, I do not agree with the hon. Gentleman's analysis of what went wrong, although I often do agree with him. I see a continuity in the policy of my right hon. Friend the Member for Tatton. However, although no time limit has been imposed this evening, I do not feel that I should go on forever. Many Members wish to speak, and others want to have their dinner. Let me end by reiterating that we face a great choice: between the higher taxes proposed by the hon. Member for Bootle and the opportunity for lower taxes, sound economic growth and prosperity. I know you are independent, Madam Deputy Speaker, but vote Conservative.

7.41 pm

George Kerevan (East Lothian) (SNP): I shall support the amendment, although that does not prevent me from believing that there are many interesting and good things in this draft Finance Bill. However, I find myself agreeing with my colleague on the Treasury Committee, the hon. Member for North East Somerset (Mr Rees-Mogg), in one respect. We will have two Finance Bills, because the current process has been truncated, and a much smaller Bill will be passed before the dissolution of Parliament. When a second Bill arrives later in the year, we shall have a chance to be more strategic and reforming, rather than continuing to add bits and pieces and ending up with the monstrosity—in terms of length—that we have at present. That said, I think that in the final few days, as we move towards a slimmed-down

Finance Bill, there may be some room for an agreement between Government and Opposition on what can be achieved. In that context, I ask the Minister to deal with a couple of points when she responds to the debate.

Inevitably, in dealing with the financial period between 2015 and 2020—the year that would normally have marked the end of the current Parliament—the autumn statement and the March Budget made certain predictions about Government expenditure and taxation, along with certain promises about what would be achieved by 2020. One Parliament cannot bind another, and this Parliament, as it reaches its end, cannot bind the one that will arrive in the summer; nor can we predict who will govern following the general election. However, I think it would be helpful to Opposition Members if the Minister provided certain clarifications about the Government's intentions, should they be returned in June, in respect of meeting the obligations that they set themselves for the period between now and 2020.

Let me give an example. The Government have guaranteed that they will meet their obligation to spend £1 billion derived from the sugar levy—the tax on the sugar industry—over the period ending in 2020. Normally that would fall, so I should like some indication of whether, should the Government be returned, that would continue to be their intention between now and the next Parliament. It would be helpful for Opposition Members to know that. Although I think that the tax on the soft drinks industry is inadequate, and a bit quixotic in terms of what is and is not taxed, I also think that it is a step in the right direction. There are hypothecation issues, but, given that this is where we are, it would be useful if the Government guaranteed that, if re-elected, they would continue in the same direction.

City deals are another issue for Opposition Members. We were reaching an agreement with the Treasury on a number of city deals in, for instance, Edinburgh and East Lothian—some in the east of Scotland and some in the west—and I understand that the Treasury had intended to sign them off following the local government elections. Again, one Parliament cannot bind another, but I think it would be possible for the Treasury to provide some comfort on the subject of city deals before dissolution.

Mrs Anne Main (St Albans) (Con): The hon. Gentleman is presenting a marvellous argument for people to vote Conservative. He is presenting the positive argument that if the Minister assures him that the wonderful things that he expects us to do will indeed be done, they will definitely be delivered if the electorate vote Conservative. I look forward to the Minister's assurances, given that the hon. Gentleman has basically asked everyone to vote Conservative.

George Kerevan: I was very careful to say that I was not anticipating who would actually be in government. I was giving the present incumbents in the Treasury a chance to say what they might do should they be re-elected.

Let me move on now, because I think it important to analyse the contents of the Bill. I think that it contains two sets of structural weaknesses. The first reflects what I consider to be a change in the pulse of the economy, which has occurred since the end of 2016 and is embedded in all the latest data that we have—data that have

[George Kerevan]

emerged in the last month, since the start of the Easter break. I fully accept that the Government have presided over a period of economic growth since 2010. I do not want to dismiss the figures—in a number of years, our growth rate has been higher than those in other large industrialised countries—but what has underpinned that growth? All the figures suggest that it has been underpinned by consumer spending, largely funded by the rise in consumer debt.

I do not gainsay the growth, but, in her opening remarks, the Minister placed a great deal of emphasis on the Government's success in that regard. If economic growth is founded merely on consumer spending, and that consumer spending is based on borrowing, it is not sustainable, and I think it entirely legitimate to question how long the Government can go on relying on consumer debt to fund growth. In fact, we are now approaching the end of that period. What worries me is that the fiscal plan embedded in the autumn statement and the March Budget assumes the continuation of growth that is beginning to falter.

Let me make a point that I raised after the autumn statement, and also during the Budget debate. It seems to me that the Chancellor gave himself plenty of fiscal fire power in the autumn statement through increased borrowing—or, at least, the removal of some of the more over-optimistic projections of the previous Chancellor, and some of his more egregious games with time limits in relation to when income would arrive. The current Chancellor, in the autumn statement, clearly borrowed sufficient money in order to give himself some fire power should the economy slow. The trouble is that in the autumn statement all that spending power was delayed until post-2019, which is when we will see what the Brexit deal actually is. If the economy slows between now and 2019, it will be too late to use the fiscal fire power. That was the criticism of the autumn statement that was made by me, and by other Opposition Members.

The March Budget was fiscally neutral, by and large, but it has run into some headwinds. If the incoming Government, whoever they are, post-8 June, do not make up the projected shortfall from the proposed rise in national insurance contributions by the self-employed, there is a hole of a couple of billion pounds to fill. That aside, as I have said, the March Budget was fiscally neutral. If we put together the autumn statement and the March Budget, the Chancellor has a nest egg that he can bring to bear on a slowing economy, but it is pencilled in for 2019. For the next two years, he is relying on economic growth funded by consumer debt. However, all the latest numbers show that that is no longer happening.

Jane Ellison: The hon. Gentleman is making an interesting speech and I welcome the consensual tone that he has struck on a number of measures. I have to push back on the charge that fiscal firepower will be delayed beyond 2019. The Chancellor was explicit in the autumn statement that we borrowed to invest in greater productivity and some of that is happening now. Some of the national productivity investment fund is for short-term investment. In addition, as the hon. Gentleman knows, Barnett consequentials of £800 million for the Scottish capital budget are there for the Scottish Government to spend as they see fit.

George Kerevan: I accept what the Minister says, but the extra investment from the productivity fund that is going into the economy at the moment totals hundreds of millions, not billions, of pounds. The bulk of the spend, when it comes in 2019, will be in long lead items. A lot of it will be for housing, which is one aspect of the productivity investment fund I have never quite understood, as I do not see how investing in housing will raise industrial productivity.

Let me come back to the key point on which I want the Minister to respond. The latest data on the economy show that consumer spending is starting to slow. The first quarter retail figures, out just this month, are the worst for six years. It is clear that the reserves of spending in consumer hands are disappearing.

The previous Chancellor was very lucky in that in 2010 to 2013 windfall gains came into consumers' hands, particularly from insurance on mis-selling. In 2015, even though wage rises were limited, there was a precipitous fall in the inflation rate. That raised real incomes. It is clear that, in 2016, because of that boost to real incomes, people started borrowing again and consumer debt started to rise. By the end of 2016, the savings ratio in the UK had fallen to historically low levels. One can sustain that amount of consumer borrowing and spending only for so long. By the end of 2016, it was beginning to fall.

Like the hon. Member for North East Somerset, I was never moved by the visions of economic Armageddon from the Bank of England and the Treasury during the Brexit discussion. However, I do think that, in the next two years, investment will be impacted upon by Brexit fears. That is not happening at the moment. Therefore, I think that there is reasonable evidence that the tapering off of consumer expenditure is not to do with the Brexit debate; that is still to come down the highway. It is to do with the fact that consumers no longer have the reserves to go on increasing their spending, in which case we are looking at an economic downturn in 2017. That is precisely the time the Chancellor should be using his economic firepower, rather than, as in the March Budget, having a fiscally neutral stance.

When questioned on the matter, the Chancellor has said that the slack would be taken up by business investment. There is no sign of that. In real terms, business fixed investment has been falling since 2015. It started to fall well before the Brexit debate. It blipped a little in the middle of 2016, but it has gone on falling. There are no organic signs anywhere that business fixed investment is increasing. Business spending is going on all sorts of things—for example, moving corporate activities to Europe to protect against Brexit—and a lot of money is being spent on buying British companies. However, we are not getting fixed investment in machinery and plant, and even if we did, it would take several years for that to feed through into productivity gains.

The latest quarterly market purchasing managers' report suggests that growth projections from purchasing managers, who are pretty hard-headed, have halved since the last quarter of 2016. My general conclusion is that the Government are being far too optimistic about where growth is going in the UK. It is going down.

Conservative Members like to quote international comparisons. The latest OECD projections for growth in 2017—the OECD never quite got to the more insane evaluations of a collapse in growth that some other agencies

did in 2016—suggest that growth in the G20 countries, in the United States, in Germany and in Canada will on average outstrip UK growth, so the situation is no longer as rosy as the Minister would have us believe. Some of the fiscal proposals in the Bill are based on a previous analysis of where the economy is. They have been overtaken by events. If we go through a general election and come to an autumn Budget and a second Finance Bill, all bets are off and we will be back to square one. That is not the way to run an economy.

Earlier, we discussed corporation tax, which is a key element. There is a long-term plan to cut it, and that hinges on what happens in the Brexit discussion. Clearly, the Government want to try, in a post-Brexit world, to make Britain a very low-tax economy, in the sense of attracting inward investment by having low levels of corporation tax. The danger of that strategy is that other countries will follow us, particularly the US; the Trump Administration have already threatened that. However, there is a stark contrast between countries such as Germany, where the headline rate of corporation tax is still 30% to 33%, and the UK, which is cutting corporation tax. Germany has much better productivity and higher industrial investment. Why is it that it can do that, and outstrip the UK economy, when we, with corporation tax that is low at the moment and going lower, cannot seem to generate the industrial investment and higher productivity?

It comes back to the issue of consumption and relying on debt-fuelled consumption to power growth. If we power our economy through consumer debt, it becomes dangerous to raise taxes on consumers, because we would immediately see a drop in consumer spending. Germany has focused on driving its economy through industrial investment and exports. Once you have that, you take the pressure off taxation on the consumer. That is the solution to the riddle and it is why the Germans seem to tax their industries more but, by running the economy at a higher level and generating more sales from exports, take the pressure off. They recycle a lot of the tax money back into industrial and infrastructure investment. They equate the basis for the industrial wealth that they tax—

Kevin Foster: I am listening with interest to some of the hon. Gentleman's points. Does he agree that one of the issues that the German economy has, particularly in its industrial sector, is that many of its markets are locked into exchange rates by the euro? In more free-flowing economies and in previous exchange rates, it would have been able to devalue and so increase its competitive advantage.

George Kerevan: I am happy to agree with that point. The weakness of the euro is that across Europe it has locked the German supply chain into an artificially low exchange rate. On the back of that, Germany has generated a massive trade surplus, which it is not redistributing. That is undermining the whole European economy. I perfectly accept that. I was not arguing that the German economy is perfect; rather, I am suggesting that it is too simplistic to link the headline level of corporation tax with the performance of the economy, because we can find all sorts of examples that go the other way.

My real criticism, which I still direct to the Minister, is that the growth that the Conservative Government have trumpeted as their success is based on the shifting

sands of consumer debt, which has now reached a level that cannot be sustained, so we need something else. We definitely do need to increase the level of industrial investment, and that requires a different set of fiscal tools in order to encourage consumer saving and recycle that consumer saving into industrial investment. That is the whole weakness that underlies the Finance Bill: it is a set of small measures based on the assumption that the economy will go on growing because consumers will go on spending. If they do not, the whole rationale of the Finance Bill falls apart.

I will now briefly move on to the second pillar, and the second strategic weakness, of the Finance Bill. In order to maintain the level of consumer spending, this Government have had to pass a series of pieces of legislation to bind their own hands when it came to raising taxes on consumers. If we do that, we then have to find money from somewhere else. Therefore, although this Bill contains a series of small tax rises here and there, in the aggregate what is happening is that this Government are being forced to start distorting the entire tax system because they have no other way to go but to invent new stealth taxes to maintain the level of income to Government.

The Clerks to the Treasury Committee came up with a rather interesting example on probate—the tax, if tax it be, on the probating of wills. The proposal for the levy on probating added to the cut in inheritance tax results in an anomaly. Where a father and mother leave a house to their children that is worth, let us say, £1 million and one penny, the inheritance tax is tiny—it works out at 40p—but the probate that has to be paid is £8,000. So in effect, cutting inheritance tax and replacing it with a probate levy gets us back to where we started. We can see that once we start down that road, we will go on increasing the levy on probate simply as a revenue earner.

That is not just happening with the tax on probate; it is happening in a whole series of small tax changes. By legislating to put a lock on income tax and other taxes, we end up having to raise revenue in a series of anomalous and distorting ways, and that makes the Finance Bill even more complicated.

Mr Rees-Mogg: Does the hon. Gentleman share my concern that the difficulty with doing this through charges is that they come through in a statutory instrument, whereas new taxes go through a much fuller parliamentary procedure? We should all be concerned about taxes that do not see the full rigour of parliamentary scrutiny.

George Kerevan: I could not agree more, and I look forward to the hon. Gentleman taking that up in the 1922 Committee—as I am sure he has.

If we run through a whole series of the provisions in the Bill for raising taxation, we see this creeping distortion of the tax system, such as the tax-free allowance on dividend incomes being cut from £5,000 to £2,000 to raise £800 million, which is a substantial, chunky sum. We can see where the tax-free allowance on dividend income is going to go. As for VAT on mobile phones used outside the EU, I can pretty well guarantee that if this Government are returned, the moment we are out of the EU that roaming tax will go on to our phone bill when we are taking our holiday in the 27 member states.

[George Kerevan]

The insurance premium tax is one of the worst means that this Government have tried simply to increase revenue. They keep raising it year by year, so the increase of 20% proposed in the November autumn statement is simply a revenue-raising tax—there is no rationale other than simply to raise money. In terms of the insurance premium tax, there is a whole series of insurance forms not yet covered by the tax, so one can quickly see a future Chancellor saying, “Well, let’s put the insurance premium tax on reinsurance, or on buying shipping and aircraft. Why shouldn’t an airline pay insurance premium tax on buying an aircraft?” Rather than using the core taxes like income tax, we will end up with a series of distorting taxes, including the rise in spirit duty and the tax on whisky in the March Budget. I presume the Chancellor said to himself, “Well, with the significant fall in the value of the pound, there will be a gain in terms of export prices, so we can afford to claw some of that back as a tax,” but it is not strategic to the needs of the industry; it is simply a revenue-raising power.

What is wrong with the Bill as it stands? It misunderstands the nature of where the economy is and makes no allowance for the fact that consumer spending is about to decelerate, and it introduces a whole raft of new taxes, or increases in stealth taxes, which are fundamentally a change in direction and a distortion of economic processes.

I hope that when we come back after 8 June for a second bite of the cherry with a second Finance Bill, the Government might, should this Government be returned, be willing to look at some of these matters.

8.7 pm

Kit Malthouse (North West Hampshire) (Con): It is a joy to follow my Treasury Committee colleague, the hon. Member for East Lothian (George Kerevan). That should imply not an endorsement of his views, but rather an appreciation of his passion and erudition. I rise to welcome the Finance Bill—if it goes through unmolested, and even if it does not—and to concentrate my remarks, brief as they may be, on a couple of areas.

As an aficionado of my speeches and interventions, Madam Deputy Speaker, you will be aware that I have developed something of an obsession about the future of the British economy being based on a combination of science and private capital. We are fortunate in this country in being a science superpower. In the south-east of England we have five of the world’s top 20 science universities: in King’s, UCL, Oxford, Cambridge and Imperial, we have possibly the largest agglomeration of scientific research on the planet, not just in life sciences, but in physical sciences, synthetic biology and all sorts of new exciting and interesting areas.

We are incredibly good at science. Our history of scientific endeavour points to that. There is one Cambridge college that has more Nobel prizes for science than the whole of Japan, for example. So we are good at science; what we are not so good at is turning those scientific discoveries into companies. We used to be good at that of course, back in the 19th century; much of the wealth of this country was built on the discovery and innovation of the Victorian era, put together with what was then much more adventurous private capital to

create some of the monoliths—the huge companies we built over the following century and have sadly too often since sold to the rest of the world.

During that period, and particularly after the war, we were, however, lax in planting the acorns that would be required to produce the forest of oaks that we could chop down and sell to the highest bidder in the future, so our stock of these large companies has diminished. In fact, this is a European problem. Of the top 500 companies in the world, only two have been created in the past 40 years. Fortunately, those two are both British—Vodafone and Virgin—but that is not enough. If we are to continue our proud history of industrial innovation and of creating these large multinationals, we need to start planting those acorns. The operation of private capital and its dynamism in finding the ideas, the discoveries, the molecules, the therapies and the inventions are absolutely critical.

I have raised this issue again and again with the Chancellor in questions and during debates. I have asked about the complexities that are put in the way of individuals who wish to invest in innovations. The primary vehicles for investment that the Government allow private individuals to use are the enterprise investment scheme and the small enterprise investment scheme. They are welcome schemes that provide incentives for investors and some tax relief on disposal, but they are complex. Over the past eight to 10 years that the EIS has been in place—the SEIS has been in place for slightly less time—a body of case law has built up around their operation, as always happens with these things. Investors have tried to be innovative with the schemes, and investments have often been disallowed on technical bases. As a result, people are to a certain extent becoming shy of using them. Looking at the SEIS in particular, we see that the number of companies availing themselves of the scheme has levelled off. It has been broadly the same for the past three or four years.

I therefore welcome the measures in the Bill to introduce flexibility into the EIS and SEIS. If the Government really want to see a cascade of private capital into small, innovative businesses and into scientific endeavour, they need to make those schemes as flexible and easy to operate as possible. At the moment, if I want to invest a relatively small amount of money—£10,000 or £15,000—in a company, I need an accountant and a lawyer, and I need to get pre-approval from the Inland Revenue to ensure that I get my tax relief. I have to do all that in order to invest a relatively modest amount, in investment terms. So is it any wonder that the level of investment in these schemes is not enormous?

In this country at the moment, the Government are making 60% of the investments below £2 million through various schemes and funds and through the British Business Bank. That is all very welcome, but for a capitalist country, this is not right. The majority of investment should be from private capital, and it should be individuals who are making those investments. Accessing retail capital and putting it next to science to allow the two to create a powerful cocktail of wealth creation is key to the future of the British economy. I hope that, if we have another Finance Bill this year, the Government will seek to liberalise the investment regime for private investors in private businesses, particularly those that are innovative or science based.

The same applies to venture capital trusts. These were an enormously beneficial invention when they came in about a decade ago. They attracted huge amounts of capital. There was a time when people saw them as the last 100% tax shelter, but they, too, have fallen out of fashion. Their complexity and the poor returns that they produced compared with the tax relief available for them have meant that the number of VCTs has shrunk and the capital under management by VCTs has been broadly static over the past few years. These two things together—private capital investment through the EIS and SEIS and private capital coming in through VCTs—must be the twin planks underpinning the future of the British economy. We know that we cannot rely on foreign investment and that we cannot rely entirely on institutional investment. They are far too cautious for some of the innovations that need investment. So re-energising private capital and providing easy, flexible ways for individuals to invest quite small amounts of money into innovative companies will be absolutely key. I welcome some of the flexibilities in the Bill and I hope that the Government will be more ambitious over the next 12 months.

Mr Steve Baker (Wycombe) (Con): My hon. Friend's speech is an absolute treat because it is a much better version of the speech that I made on science and markets in the Vehicle Technology and Aviation Bill Committee on which we served together. Does he agree that one of the key spirits that we need to recapture from the 19th century, when we took science and innovation and turned them into big companies, is getting people who know how to do things, such as engineers, to become entrepreneurs—perhaps in the spirit of I. K. Brunel? In that way, those who know how to produce will also know how to invest and how to serve people in a commercial way.

Kit Malthouse: My hon. Friend makes a powerful point. This is a chicken and egg situation. If people with ideas and inventions who are thinking about starting their own business know that capital is more easily available, they will be much more likely to go out and take the risk of starting that business. It is often the paucity of capital and the difficulty of raising it that lead such people not to proceed.

Let me give the House a small anecdote. When I was deputy mayor for business and enterprise in London, I went to a life sciences fair where companies were making presentations about their inventions. I came across a group of young biochemists from Cambridge who had invented what they called an espresso machine for DNA. When people are doing primary research, they often need to manufacture DNA on which to carry out their research. The standard ways of doing that are either to send off to have it made elsewhere, which is time consuming and expensive, or to make it themselves by trial and error. This group had developed software and invented a machine to produce the necessary kind of DNA. I thought that was incredible. It was an amazing British invention. The group had won a prize at Cambridge and received a small grant. I thought that they would need £5 million or £10 million, and if I had had it, I would have given it to them. When I went up to them afterwards, I discovered that they were trying to raise only £250,000, but they were having difficulty in doing so,

even though, as far as I could see, their incredible invention was going to revolutionise research. Time and again while I was doing that job, I met young, ambitious and exciting scientists who had a molecule, a therapy or an invention but who were unable to access the necessary capital and would therefore go off and become chartered accountants, like me, instead. We lose a huge amount of talent that way. My hon. Friend has made a strong point.

I lament the passing of the employee shareholder scheme, which was introduced by the previous Chancellor, under which employees could enter into an agreement to vary their employment rights in exchange for which shares in the company. Sadly, the scheme was abused. It was often not taken up for the purpose for which it had been intended. It was abused by some as a form of disguised remuneration. The Government are quite right to close the scheme down, but that nevertheless leaves us with a problem. Not enough people in the United Kingdom participate in the balance sheet of this country. The Prime Minister has often talked about having an economy that works for everyone, but such an economy surely has to be one that is largely owned by everyone. I do not mean owned in a statist or communist way; I am talking about an economy in which everyone has some kind of financial interest from a balance sheet point of view.

We spend a lot of time in this House obsessing about people's profit/loss account. Is my income bigger than the next chap's income? Am I earning more than the lady round the corner? We obsess about income inequality, but we rarely obsess about wealth inequality; yet intergenerational wealth is built on the balance sheet of the family. It is built on the investments, albeit small ones, made by one generation. That wealth is expanded by the next generation and built on by the third one. That was certainly the story in my family. We came from fairly lowly beginnings, yet here I am now. This has been built on the fact that my grandparents made investments and my parents started a business. Hopefully, in turn, they will pass some of that wealth to me, although not, I hope, for a long time yet. We have a collective family balance sheet. We are able to buy stocks and shares, for example, but that is denied to lots of people in this country.

The one place in which individuals should have a share of wealth is in the companies that they work for. If we are really to have an economy that works for everyone, we need an economy that is largely owned by everyone. The Government have schemes available, particularly for employee share ownership, in which companies can set up pools of capital for their shareholders. I have been looking into this for my own business, but the scheme is incredibly complicated. In dealing with relatively small amounts of money, I need lawyers and accountants and pre-approval from the Revenue. There is an incredible frictional cost involved in getting such a scheme under way.

My plea to the Government, having got rid of the employee shareholder scheme, is to think about how to facilitate that idea—how to make sure that it is in the interests of employers and business owners to involve their employees in the business in a capital sense. That will enable employees to create for themselves a balance sheet on which to begin the intergenerational wealth

[*Kit Malthouse*]

creation that the country needs. If we can do that, we will start to build an economy that works for everyone.

I want to talk about two other small things. I welcome the change to the allowance for investment in grassroots sport. Members may not have noticed, but the Finance Bill will make investment in grassroots sport deductible for businesses, and that will be extremely welcome to football, cricket, hockey and many other clubs. I am proud to say that my business has sponsored local children's football clubs at schools and so on. The more we involve business with school and grassroots sport for young people, the more both parties will see each other on the same level and the more interested they will be in each other. That is a good thing.

Finally, I want to say something about the overall tenor of the Bill. It has become clear to me over the last three or four Finance Bills that we in this House will increasingly struggle to tax a changing economy. We have seen in the discussions about national insurance and business rates that because of the changing nature of business, the standard Whitehall way of taxing the world will not last that much longer. We are moving into a world of cloud computing, the gig economy, non-domiciled businesses and cashless businesses that operate from third or fourth countries. All those things will be difficult for us to tax, and one of our challenges over the next Parliament will be to think more radically about how to deal with the changing nature of our economy and how to tax it to pay for the things we need.

My personal view is that given the changing nature of our economy and the removal of a lot of cash from the business cycle, it may be time to start to look at things other than direct taxation. Corporation tax is difficult, complex and hard to collect. There is a big tax gap compared with VAT, which is relatively easy to collect and where compliance is high. If I were Chancellor, I would probably prefer to have VAT.

With international businesses transacting in the UK and extracting money, we may need to start to look at the notion of a universal sales tax. Such a sales or turnover tax would be more easily collected and might well allow us to have a lower tax rate, spread across a wider tax base, because we would catch international businesses that transacted from, say, Luxembourg or Ireland. Fundamentally, the rule should be that if the sale takes place in the UK, the tax on the sale is collected here, no matter where the company is domiciled.

We will have to think quite carefully over the next five years, after we get through the general election in the next few weeks, about the changing nature of the economy and the radical measures we need to take to keep up with it. Beyond that, we are making good progress.

8.23 pm

Kirsty Blackman (Aberdeen North) (SNP): I want to talk about quite a few things. I might have given a somewhat different speech had there not been a general election looming. I might have kept my speech briefer, because I would have known that we would get the chance to discuss things in Committee of the whole House and Public Bill Committee. But just now, everything seems to be up for grabs and there is no clarity about

what we will get to discuss. It is really important to lay out the SNP's position on several matters so that the Government are absolutely clear about where we stand as they make decisions before prorogation. We are in quite uncharted territory.

I want to start by talking about the budgetary process and the issues around it. Earlier this year, the "Better Budgets" report was published by the Chartered Institute of Taxation, the Institute for Fiscal Studies and the Institute for Government. They made several recommendations for making the budgetary process better and ensuring that better decisions are made. I have written to ask the Select Committee on Procedure to look at the procedural matters that could be changed to meet the recommendations. The Government have already done one thing; the report suggested that we should have only one fiscal event a year, and the Government have agreed to that. I am pleased that they have done so, and I think it makes much more sense for the planning process, consultation and scrutiny if everything happens in a single event rather than being split over two different events.

I would also like the Government to consider taking evidence in the Finance Bill Committee. It is a slightly bizarre quirk of the Finance Bill that we do not take evidence in the Committee, and I think it would be really sensible to do so. I know that the Treasury Committee takes evidence, but it is different from the Finance Bill Committee, so the members of the Bill Committee do not necessarily hear the things that are said. I would appreciate it if the Government considered that.

Generally, I have been fairly critical of the budgetary process, the lack of scrutiny around it and the lack of consultation about some of the measures. Things have been slightly better in the last couple of years and fewer rabbits have been brought out of hats, but that still happens and it still inspires U-turns, as we have seen. This Government and future Governments have a huge amount of work to do to secure better scrutiny of the budgetary process and enable better decisions to be made. Decisions are more likely to stick and to be adhered to if they are good decisions in the first place.

I want to talk about a few things, including a few things that are actually in the Finance Bill. The elephant in the room, which was not talked about enough at the Budget, is Brexit and its impacts. My hon. Friend the Member for East Lothian (George Kerevan) covered a lot of that.

One thing that must not be underestimated is the impact of inflation on households, particularly those that have less than £100 in savings. The statistics show us that nearly 50% of households are in that position. For a lot of people here, who have been relatively comfortably off for most of their lives, it is quite hard to understand that. But it is quite easy to end up without that much in savings. It is quite easy to be a broken-down washing machine and a new car battery away from financial disaster, or to be a couple of months without pay away from real financial problems. As my hon. Friend also mentioned, people in that position do not have the access to debt and credit that they used to have. That is a problem that we are storing up for the future, and things such as the changes around ISAs do not help a huge amount. People can save into ISAs only if they have money to save. Changes to wages and the living wage have been positive—

Victoria Atkins: Does the hon. Lady accept, in the spirit of this part of her speech, that the introduction of the national living wage and its increase this very month to £7.50 help exactly the people whom she is talking about, and that raising the threshold at which we start to pay income tax must help as well?

Kirsty Blackman: I absolutely agree that things such as the national living wage—it is not a living wage, however; it is an increase in the minimum wage, and no calculation is done as to whether people can live on it—and the increase in the personal allowance have been positive for people at the bottom of the pile, in particular. However, the reduction in tax credits more than balances things out in many cases. People are losing more as a result of the changes to tax credits, for example, than they are gaining from the changes to the personal allowance and the minimum wage. I absolutely agree that those things are positive, but people are still feeling that their household budgets are squeezed by the cost of food going up in recent weeks, for example, which is set to increase, particularly for imported food.

A few people have mentioned intergenerational fairness, which is a real issue for me that I have spoken about a lot, and there has been a lot of stuff in the news this week about millennials. I am one of the 39 millennial MPs—I am 31 this year and was born in 1986—and many of my peers are worse off than their parents' generation was in terms of the wages that they can expect to receive at a younger age and their access to property, whether through property ownership or through rents as a proportion of their income. This is purely anecdotal, but many people at my age are thinking about putting off having children because they cannot afford a secure home. For a Government looking forward to a future tax take, that is a real issue for a few years down the line. Many people have spoken about that, although we do not yet have the statistics for how the numbers will look.

The hon. Member for North West Hampshire (Kit Malthouse) talked about the gig economy, and I get that the Government need to find a different way to tax it due to the avoidance of normal tax routes. However, we need to find a different way to ensure that young people who find themselves working in the gig economy have a measure of stability in their lives and can continue to be able to pay money that they owe, such as rent, in order to finance what is a reasonable lifestyle, rather than a particularly comfortable one.

On austerity, I have mentioned the changes that the Government have made for those at the very bottom of the pile who need to claim benefits—not just out-of-work benefits, but tax credits and so on, which encourage people into work. According to what we hear from those who come into our constituency offices, the Government's changes to the Motability cars scheme have made it more difficult for people to access work, because their vehicle has been taken away, which has an impact on the Government's tax take and will increase the amount of benefits that will need to be paid to some people.

Moving from the general context to some of the specific issues in the Finance Bill and the things on which we want the Government to be aware of our views, I will start off with the police and fire services. My hon. Friend the Member for Dundee East (Stewart Hosie) mentioned the VAT on police and fire services in

Scotland. We have raised this matter on many occasions and will not stop raising it, because the Government do not have a principled position. They cannot say that they are treating Scotland fairly when they have allowed VAT exemptions for Highways England and the London Legacy Development Corporation, which is a UK-wide organisation. The Government cannot stand on the moral high ground, because they have allowed those exemptions. We ask again that the UK Government change the VAT treatment of the Scottish police and fire services. I imagine that they will say no, but we are asking again and will not stop asking until a UK Government of whatever colour change the VAT treatment.

We also want to raise the issue of Scotch whisky, as people may imagine. The above-inflation increase in Scotch whisky taxation is a real issue for our whisky producers. International trading is slightly more uncertain than it has previously been due to Brexit, so whisky trading with European markets could be less easy than in the past, and the same could be said for countries that the EU has free trade arrangements with. Whisky is a high-value product. It creates a huge number of jobs in Scotland. It generates taxation for the UK Government at levels that are not pennies. The UK Government need to think seriously about how they are treating Scotch whisky, and if this Bill goes its full course, we will table an amendment stating that we do not want this above-inflation increase in taxation.

My hon. Friends the Members for East Lothian and for Dundee East both mentioned insurance premium tax, so I will not rehash the arguments too much, but it is being levied largely on people who purchase insurance who are just trying to do the right thing by getting insurance. They are trying to create a safety net for themselves, and the Government should be applauding that, not taxing it. The problem is that the tax has increased dramatically even over the two years that I have been an MP. The Government need to think carefully about whether insurance is a sensible place to tax people when it forms part of a behaviour that we want to encourage.

Colleagues on both sides of the House have talked about their support for the soft drinks levy and positive changes relating to childhood obesity, mentioning the studies that have been done on whether it will make it a difference. The Health Committee suggested that it is important for milk-based drinks to be included and, having looked at the Government's rationale, their statements on milk-based drinks and the Health Committee's report, I do not see a good reason for them to be excluded—some milk-based drinks have the same proportion of sugar as their non-milk-based counterparts. If the Bill were to run its full course, we would table amendments suggesting that the loophole should be closed. We generally support the measure, but the loophole should not be left open. If we are creating such a tax in primary legislation, we should do it properly. There is no good reason for milk-based drinks to be excluded at the moment.

There has been a lack of consultation on Making Tax Digital and the changes to self-employment, and the UK Government have had to change their position on a number of things. They have had to slow down the roll-out of Making Tax Digital and change their position on national insurance for the self-employed. Partly because the consultation done in advance is not good enough,

[Kirsty Blackman]

they do not properly understand the implications of what they are doing before they do it and, therefore, have to row back on it. Real change is needed.

Some Conservative Members have mentioned the proposed changes to things such as the taxation of self-employment. I get that the UK Government are trying to equalise self-employment and employment, but those in employment get the benefits of holiday pay, maternity leave, sick pay and all those things. If there is to be a massive change to the treatment of self-employment, it must be looked at in its entirety. The changes must be made within that context, rather than the tinkering around the edges that we get in Budgets with a general movement towards a general idea.

The Government should make no changes to this for the next few years while they do a comprehensive survey and work out what self-employment looks like now, in 2017-18. The kind of people who are self-employed certainly did not look the same 10 or 15 years ago—the number of women in self-employment is much higher than in previous years—and we need to make sure that the goalposts are not moved for them. The tinkering needs to stop. If the Government are to make changes, they should make them in one go after a proper consultation. They should make a reasonable change in one move.

Talking about a lack of consultation moves me on nicely to oil and gas. I was frustrated with the UK Government's spring Budget because they announced exactly the same thing as they announced last year on the transfer of late-life assets. The Minister is shaking her head, but the transfer of late-life assets was announced in last year's spring Budget. This year the Government have announced exactly the same thing about making it easier to transfer late-life assets, but now they will have a group of experts look at it. Why did they not do that last year? I am frustrated that this has not happened quickly enough. I would have liked it to happen more quickly, but I am pleased that the UK Government are doing it. We have been asking for it for a long time and it is a positive move, but they need to move a bit quicker.

We are seeing platforms move towards decommissioning as fields move towards the end of their useful life. Getting oil out of those fields will not be a priority for the big players, but if a new entrant were to come in and take on an asset, it would get as much oil or gas out of it as possible. We need to encourage such behaviour. If the UK Government do not do that, they will have less tax income in future, so it is key for everyone that it happens.

Let me move on to other matters relating to oil and gas—the UK Government will not be surprised to hear us calling for these because we have called for them before and we will keep doing so in the hope that they might actually happen. We want changes on exploration. Although the moves the Government have made on seismic surveys have been hugely positive and very much welcomed—we really appreciate them—we need to make it easier and more cost-effective for companies to explore. We need more exploration allowances. A huge amount of oil is still under the North sea, and the UK Government could receive a huge amount of revenue from the extraction of these minerals. They need to take action now to secure those future levels of taxation.

So there are a few things the UK Government can do. Exploration is really important, as are small pools. I have lost my notes on this, but I believe there is the equivalent of 3.4 billion barrels of oil in small pools in the North sea. There are more than 360 pools with less than 50 million barrels of oil where extraction is not yet taking place. Those pools are treated in the same way for tax purposes as all the other pools, but we could do some fairly simple things to make them much more economically viable. We could remove the supplementary charge on small pools, which would reduce the taxation level from 40% to 30%. That would make it much more likely that we get anything at all from some of those pools.

We could change the taxation level for those small pools so that it is equivalent to the level for onshore oil and gas extraction. The Government obviously think that that level is reasonable for onshore extraction, so it should also be reasonable for these areas where the technology is new. Extracting from a small pool is different from extracting from the bigger areas—those we have previously extracted from—and people are going to have to innovate to do this. The tax system needs to recognise that this is more difficult to do and that we are not talking about the bigger pumping that we saw previously. This is a different situation and the UK Government will not get any tax take from these pools if they do not do something about it.

I have two more things to say about oil and gas—Members would expect an Aberdeen MP to talk about oil and gas! Some Conservative Members were talking about private capital, and companies and businesses not having enough access to capital investment. We have been calling on the UK Government to be more positive about oil and gas supply chain companies so that they can get increased investment. There is a huge, positive future for oil and gas companies, particularly in the supply chain. The North sea is the gold standard for things related to supply chain extraction and the services that we provide; I am told that you cannot go to Houston without hearing an Aberdonian accent, because of the number people, as well as the skills and expertise, that we have exported. Even in these times of reduced revenues coming from the oil and gas that they are extracting, those companies still need to be innovating, in order to get the more difficult oil and gas out. They need capital financing to do that, and the UK Government need to do what they can to make sure that those companies are linked with the right people and that, for example, banks are not cancelling overdrafts at a moment's notice. Those changes need to be made.

My hon. Friend the Member for Aberdeen South (Callum McCaig) and I recently had a meeting with the London Stock Exchange Group, when we invited it to Aberdeen to talk to companies about its ELITE programme, which trains companies in accessing capital financing. Although it was a hugely positive meeting, not enough of these companies knew about such schemes or where they could go to get finance. There is a real issue to address and the UK Government need to do what they can to be positive, particularly in relation to the oil and gas supply chain, so that we can secure that future in Aberdeen and the UK more widely.

On that note, the other thing the SNP were going to table an amendment on—we still will if we have the opportunity—was UK content. Decommissioning is

coming through in a bigger way. It is not by any means the end of exploration and other things in the North sea, but we are going to see more decommissioning in the coming years. A huge number of people are concerned that not enough of the decommissioning tenders are going to UK companies. Currently, not enough of the tenders for other things relating to oil and gas are going to UK companies, either. We would like the UK Government to take action to see what they can do to ensure that, wherever they can be, companies are incentivised to use UK suppliers and UK content. That would be hugely positive for jobs, including high-value jobs, in the UK.

It is important that the UK Government think about oil and gas and keep it front and centre, because it certainly was not enough of a priority in the industrial strategy and the leaked documents on Brexit priorities. Given the amount of revenue the UK Treasury has received from the oil and gas industry and the amount of future revenue, we need to ensure that the industry is listened to and that as much as possible is done to make sure that the UK Government can take the maximum amount of taxation.

On tax collection and avoidance, a 2014 Credit Suisse report on the success of small countries mentioned the fact that for large countries corporate tax collection as a percentage of GDP is significantly smaller than for small countries. That is partly an issue of size, but this is a real problem that will continue to come through for the UK Government. Over the past couple of days we have seen news reports about Border Force officials being stretched as it is and not being able to take action on immigration. Well, Border Force staff also deal with some of the customs issues. If we do not have an appropriate customs service in place, we will not be able to ensure that we collect the right amount from whatever tariffs we have in place. That will be another tax loss for the UK Government, so wherever they need to upskill, they should upskill. Frontline staff will have to ensure that tax is collected in the new scenarios where currently we are not having to do nearly as much tax collection.

I appreciate the opportunity to speak in this debate. As I have said several times, we do not know what is going to happen with the rest of the Bill, but I think I have made as clear as I can the SNP's position on the things that we consider to be most important.

8.47 pm

Victoria Atkins (Louth and Horncastle) (Con): So much has already been said in this debate that I am going to attempt to be short and, I hope, concise in my remarks. I am aided by the fact that a little time ago I got an A-level in economics, and I hope I will be able to explain my views on the Bill in language of which my economics teacher would be proud.

It is particularly appropriate that we are discussing the Finance Bill because, of course, the Prime Minister today made a momentous statement announcing the next general election. It is only right that we are talking about the economy and finances of this great country, because a strong economy is vital to achieve all that we care about. In my constituency, Louth and Horncastle, a strong economy means jobs and successful firms creating prosperity, and from that, taxes flow. Of course, taxes pay for everything that we care about, from the national health service to defence, in which I have a

particular interest because RAF Coningsby is in my constituency. They also pay for schools, and I am sure that we all in this House are united in our wish to ensure that the young generation are educated properly and fully so that we can make a success of not only Brexit but the future. I was particularly pleased today to see the Prime Minister emphasising not only her plans for Europe but the future beyond Brexit.

But—there is always a but—we must still continue to get public spending under control. There is no magic money tree, no matter how often Opposition Members would like to pretend there is. We have, sadly, a debt of nearly £1.7 trillion, which equates to almost £62,000 for every household in the country. We are spending more money on debt interest than on defence and policing combined, which is why we must learn to live within our means.

I have to say that, having spent several hours in the Chamber listening to erudite colleagues, I was a little concerned when, in answer to how much money Labour planned to borrow after the next election, the shadow Chief Secretary to the Treasury said something along the lines of—I hope I am not misquoting him—“We will borrow less than the Conservatives.” I did not hear any detailed financial planning. I will look forward to that in the coming weeks.

One of the best ways to ensure that this country succeeds and is prosperous is to make it the best place in the world in which to do business. That is precisely why we are cutting corporation tax, which was 28% under Labour, to 20% today, falling to 17% in a couple of years' time.

Jonathan Reynolds: There is no magic money tree.

Victoria Atkins: Indeed. I hesitate to rely on my A-level economics, but companies employ people who pay taxes, and companies themselves pay taxes—not just corporation tax, but VAT, payroll tax and business rates. This is all about giving businesses the best chance of succeeding.

Jonathan Reynolds *indicated assent.*

Victoria Atkins: I am glad to see that the hon. Gentleman agrees with me.

One of the most important things about any tax system is not just that it should help to pay for the things that we care about, but that it should be fair. In my previous career, I prosecuted tax fraudsters for a living. I am delighted to say that the main offence that we used to prosecute such people was cheating the public revenue, because if they commit tax fraud, they are a cheat. I look forward to helping the Government not just in the Finance Bill, but in the Criminal Finances Bill, to ensure that tax fraudsters feel the full force of the law.

Looking beyond Brexit, the reason I welcome this Finance Bill is that it places a very great emphasis on helping working families with the cost of living. I intervened on the hon. Member for Aberdeen North (Kirsty Blackman) to say that we have raised the national living wage in April to £7.50, which means an income boost of more than £500 for a full-time worker this year. The personal allowance will rise for the seventh year in a row, benefiting 29 million people, which means that a basic rate taxpayer will pay a full £1,000 less in income tax than they did in 2010 under Labour.

[Victoria Atkins]

I also welcome this Bill for the help that it gives local authorities for adult social services—I am talking about an additional £2 billion of funding over the next three years—and the extra £100 million it provides in 2017-18 for capital investment for accident and emergency departments in England. I also welcome the £320 million to extend the free schools programme. The fact that the Prime Minister has called an election today shows that the Conservatives are the true Government of the United Kingdom. I know that the Scottish National party will welcome the fact that, under this Bill, Scotland will get more money, as will the Welsh Government and the Northern Ireland Executive. I welcome this Bill and I look forward to the campaign on the principles therein.

8.53 pm

Suella Fernandes (Fareham) (Con): I am pleased to speak in support of this Finance Bill on a day when the general election has been announced, giving the British people a real choice to determine the future of our country—a choice between an overspending, overtaxing, profligate Labour Government propped up by SNP subversives and a prudent, fiscally sensible Conservative Government who can continue the achievements that have been secured so far.

I will focus my comments on clauses 1 and 2, relating to income tax. First, though, it is important to put it on the record that the British economy is strong, resilient and robust, which enables it to punch above its weight in the world. Thanks to the decisions of this Government, employment is at a record high. In Fareham, 968 fewer people claim out of work benefits, a drop of 73% since 2010. The budget deficit has been reduced by nearly three quarters, and public sector net borrowing is forecast to fall from 9.9% of GDP in 2010 to 2.6%. In addition, the Bank of England has upgraded its forecasts for growth in 2017. Global businesses such as Google and Nissan are making huge investment decisions in our country. We are seeing expansion in manufacturing, construction and services. So all the predictions that we heard last year about recession, unemployment and stagnation have not been borne out.

While the Bill does not change the income tax thresholds for the 2017-18 financial year, the Government have made sensible changes to income tax in clauses 1 and 2, which should be highlighted. In particular, by raising the tax-free personal allowance threshold to £11,500 this year, we are supporting families, workers and those on lower and middle incomes. This means that the amount that someone can earn tax free will be over 75% higher than it was in 2010. Someone on a salary of £15,000 will pay £800 a year in tax now, compared to £1,700 in 2015. That is a massive boost to those incomes. By taking millions of people out of income tax altogether, we are committing ourselves to supporting people to keep the money that they earn and we are incentivising work.

So why are these lower taxes important? This is a basic principle of economics that the left simply fails to grasp. They just do not seem to get that raising taxes stifles innovation, reduces the incentive to work and kills the desire to get out there and earn a salary.

Mrs Main: My hon. Friend is making an excellent speech. Of course it is the Conservative party that has increased the thresholds so that people keep more of

their own money. The Labour party got rid of the 10% tax rate and brought more people into paying tax than ever before.

Suella Fernandes: I could not agree more. That is the point that I want to make. It is a principle of basic economics. My hon. Friend the Member for Louth and Horncastle (Victoria Atkins) referred to her A-level economics. She will be familiar with the Laffer curve and basic economics, which say that higher taxes do not necessarily lead to higher tax revenues because they reduce the tax base.

George Kerevan: Does this Bill not raise taxes on insurance, and on this, that and the other thing? Is the hon. Lady in favour of the Bill or not?

Suella Fernandes: I completely agree. I am not saying no tax rises at all. I am saying that tax rises have to be prudently applied, and this Conservative Government definitely apply that principle, as we are seeing when it comes to income tax. Let us look at why people work. They go to work because they want to preserve the amount of money that is not taxed. It is the post-tax amount, not the pre-tax amount, that we all work for. Increasing the tax rate reduces the amount that people have available for themselves and decreases the amount available to be taxed.

George Kerevan: They are paying for the health service.

Suella Fernandes: Yes, but let us see what history has shown. When Gordon Brown increased the higher rate of tax, tax revenue fell. When my right hon. Friend the Member for Tatton (Mr Osborne) dropped it again, tax revenues increased. It shows that we need to incentivise people to work and invest in education and training, and incentivise businesses to invest in this country and to employ people, which generates more economic activity and revenue that can be ploughed back into our public services. That is what Opposition Members fail to grasp and Conservative Members see very clearly. That is why under Governments led by Labour we ended up with higher taxes, higher borrowing, higher debt and in a recession that this Government are still tidying up.

To close, I am pleased that this Government are committed to enabling people to keep more of the money they earn so that individuals and businesses can take part in our economy. We can create a fairer Britain, and a country in which we can all prosper and be rewarded for our efforts.

9 pm

Rishi Sunak (Richmond (Yorks)) (Con): From the discovery of Australia to the invention of the cat's eye, the history of Yorkshire's people is nothing if not entrepreneurial. That spirit is alive and well in my constituency in particular. From Heck sausages to Tennants auction house and the Wensleydale Creamery, ambitious SMEs are at the heart of our community and economy. Before I arrived in this place, I spent my career investing, backing businesses like those with the capital they needed to grow. I am delighted that this Finance Bill recognises what my years in the investment industry taught me—that ready access to finance is the fuel of success for ambitious SMEs, just as successful SMEs are the fuel of a prosperous economy. Yet, as I have said in the House before, the UK funding landscape for growth businesses presents challenges.

Just 3% of British companies manage to expand beyond 10 employees—half the success rate of businesses in America. The UK has a relatively shallow bond market for early stage businesses, and a venture capital sector that is just a seventh the size of America's. British entrepreneurs often face an uphill struggle to attract equity risk capital. That is why the Government have enhanced the enterprise investment scheme and created the seed enterprise investment scheme. Since their inception, these programmes have together helped more than 3,000 companies to raise more than £15 billion in early stage finance. The Finance Bill builds on that success to ensure that these schemes help even more small businesses to access investment, grow and create jobs.

Under the current regulations, shares with a right to future conversion are unfortunately regarded as a pre-arranged exit, making them ineligible for EIS and SEIS. But that goes against the reality of conversion arrangements. Far from opening the door to tax avoiders, conversions are often a crucial mechanism for facilitating an initial public offering. If an SME has the ambition to accelerate its growth through accessing the public markets, the Government should not stand in the way. I am pleased to say that the Bill addresses that anomaly. However, there is more we can do.

Many lawyers, accountants, investors and entrepreneurs say that the EIS process is often too complicated and takes too long. The Government's recent consultation on the advance assurance service, which lets HMRC assess a firm's EIS eligibility before it seeks funding was welcome, and provoked ideas about what we can do to speed things up. First, I can see the logic for introducing some form of fee for advance assurance. This would help to raise the resources necessary for HMRC to provide a smoother service with greater transparency around processing times and specific dates for document review. Secondly, we could look at the use of standardised documentation, which would save time and money for all participants, enabling HMRC to speed up its approvals.

Thirdly, we must look at how to simplify the EIS rules and their interpretation. Of course, provisions must be made to stop tax avoidance, but the widespread view of practitioners is that the pendulum has swung too far the other way. In the words of one leading venture capital lawyer, there are now "too many gotchas" in the current set of rules. In general, it is the view of the EIS Association, admirably chaired by Lord Flight, that a large part of the reason for this complexity is the need for our laws to comply with EU state aid rules. I hope that when we leave the European Union, the Government will have the opportunity to look at simplifying the EIS rules and ensure that our SMEs get the capital they need to flourish.

I will briefly touch on two other points in the Bill: tax reliefs for sports clubs and companies donating to them; and museums and touring exhibitions. The internet enables us to be so much closer, but we cannot replicate the presence of being close to a Barbara Hepworth sculpture or looking at Shakespeare's first folio. The Government's incentives to take exhibitions around the country will enable us all to share in our cultural history and heritage.

When it comes to backing small businesses, this Finance Bill—like the others that came before it—shows wholeheartedly why this Government's record is unmatched.

As the British voters decide in the next few weeks who can best steward Britain's economy, I commend this Bill to the House.

9.4 pm

Rebecca Pow (Taunton Deane) (Con): There is much to welcome in this Finance Bill and I am very pleased to be taking part in this fascinating debate.

Contrary to the ill-informed comments of the hon. Member for Aberdeen North (Kirsty Blackman), this Bill provides the framework for making the UK one of the most competitive fiscal regimes for oil and gas in the world. I was going to intervene to make that point but decided to save it for my speech.

This Bill brings with it the specific tools we need to keep the economy soundly on track. It demonstrates that this Government have a clear understanding of what is needed to run the country, keeping it on a firm financial footing while enabling businesses to grow and thrive, as my hon. Friend the Member for North East Somerset (Mr Rees-Mogg) said. It enables hard-working individuals and families to live within their means. It enables funds to be raised through our fair tax system to provide the necessary public services we all need. It enables us to have the vital funds to treat and to help those who are not so able to help themselves. That is always something essential that we, the Conservatives, should not and never will forget.

All this has been made possible in challenging times. I welcome the Chancellor's announcement that we have just been able to allocate another £2 billion of additional funding for adult services, another £100 million to the NHS, and an additional £300 million to fund 16 to 19-year-olds in the new technical education system of T-levels. I applaud that because we absolutely have to skill up our young people to keep our economy strong and growing, but also, in this Brexit world, we need to be on top of our game to maintain and grow our global position.

I applaud the increase in the personal tax threshold to £11,500. This is often mentioned on the doorstep in Taunton Deane. People see it as a real bonus and a real benefit, and say thank you for it. Keeping corporation tax low generates more tax revenue, so that has to be applauded. Given the number of times that businesses collar me to mention this, I have definitely got the message, and certainly the Chancellor has.

I am not going to go on any more about the nitty-gritty of those aspects of the Bill because I want to turn to my own constituency. If the Government, with their solid plans for a strong economy, can get it right for Taunton Deane, they can get it right everywhere—and they are getting it right with their sound economic plan. Since I have been the MP for Taunton Deane, as I am absolutely delighted and honoured to be, it has attracted much more funding than ever before, especially for infrastructure. Traditionally, Taunton Deane, and indeed the rest of the south-west, has been completely underfunded under the Liberal Democrat regime that has held sway there, but this is changing, and I am delighted to be a part of that.

Mrs Main: Where are they?

Rebecca Pow: Indeed. Where are they, to speak up for themselves?

[Rebecca Pow]

Having made a strong case with my Conservative local council, my Conservative county council, and the line-up of all the other Conservative MPs in Somerset, we have money coming forward to upgrade the A358 and create a super-expressway to the south-west. We have had £7 million for a smart motorway on the M5, £6 million for the Tone Way and the Creech Castle junction, and £4.6 million to upgrade Taunton rail station, which is the hub of the south-west and will welcome everyone to the south-west. This is absolutely phenomenal, and none of it would have been possible without a sound economy. It is helping to drive up productivity, which is much needed in the south-west, and it is working. It is creating jobs; indeed, unemployment has never been so low in Taunton Deane, at 3.6%. Get this right and everything works.

Finally, I will touch on an unusual area to mention in a finance debate, namely the environment. With a sound economy and appropriate funding, if we want to have healthy air, clean water, flood-resilient measures and wider catchment processes, and if we want to protect our special landscapes, including ancient trees and sites of special scientific interest, we need to fund farmers and landowners to manage the habitat appropriately for all of us. I say to the Chancellor that that will not happen without a thriving economy. If we want to encourage businesses not to use microbeads in their products, they need the time and money to invest in research, so they also need to be thriving. Indeed, if we want to encourage businesses to go along the lines of the circular economy, they need to invest to find the right way to do it. They might have to invest, but in the end it will pay dividends.

That all needs to be done within the positive framework of a sound economy. I applaud the steps that the Chancellor has taken. The right framework is in place, regardless of Brexit, so let us continue to build on it. Thank you, Madam Deputy Speaker, for including my name last on the list.

9.10 pm

Jonathan Reynolds (Stalybridge and Hyde) (Lab/Co-op): It is a pleasure to close today's debate on the Finance (No. 2) Bill, even if other events have possibly overshadowed today's important parliamentary business. In fact, I understand that there are reports circulating this evening that the Crown Prosecution Service is about to charge 30 senior Conservatives with election expenses fraud, so I am afraid it is possible that we may be squeezed down the news cycle still further. I am grateful to Members for their thoughtful contributions to today's debate.

This is a poor Government who have achieved very few of the aims set out by David Cameron when he first came to power in 2010, especially in relation to the public finances. Instead, they have created a crisis in living standards and underfunded essential public services. Those of us who entered Parliament in 2010 know that the Government's promises on the economy when they came to power have not even come close to being fulfilled, and this Bill takes a lot of pages to deliver very few tangible improvements on that poor level of performance.

I will begin by reiterating the concerns raised by my hon. Friend the Member for Bootle (Peter Dowd) at the beginning of today's debate. The Bill is certainly large, adding complexity and technical detail to the statute

book, yet we have been presented with an almost impossibly tight timeline in which to properly scrutinise and discuss it. The stakeholders we have consulted have echoed those worries. For example, industry bodies tell us that they have struggled with interpreting and analysing the Bill's full impact, given the time and volume involved. I imagine that that process will be truncated still further, given the imminent general election.

On the specifics of the Bill, HMRC is rightly at the centre of the Government's plans to tackle tax avoidance. The Government's own estimate of the current tax gap stands at £36 billion, which in the opinion of many tax experts is a highly conservative figure, given the method of calculation. It is extraordinary that the Government believe that they can address that gap by drastically cutting HMRC's staffing and budget levels. At autumn statement 2016, the Government announced a series of cost savings via administration and operational measures at HMRC, totalling £180 million a year by 2021-22. It goes entirely against reason that the Government are trying to find £180 million in savings in an organisation that is critical to efforts to recoup a slice of that £36 billion in missing revenue.

The significance of that tax gap has never been more critical. Our NHS has been pushed into crisis by the Government's failure to fund it and social care properly. Each week brings new and damning revelations about the state of the service we all rely on, with the end result being that in some areas the Government have simply given up on their own targets, such as the 18-week waiting time for hip and knee surgery. We need a properly funded plan for the NHS that takes into account the real needs of delivering a 21st-century health service with patient welfare at its heart.

We also face the significant added complication of Brexit, which remains unaddressed in the plans for HMRC. Although we all remain in the dark about what exactly our departure terms will look like, we face the reality that we may for the first time in decades have a customs border between us and the EU that will need policing. We are already seeing a crisis in VAT evasion from overseas sellers, potentially costing the Exchequer as much as £1.5 billion a year, by its own estimates. Should we leave the single market, there will be a huge increase in pressure on the customs system, which is struggling to cope as things stand. These are serious matters for consideration, related to the fulfilment section of the Bill. UK retailers are not on a level playing field with unscrupulous sellers from around the world, at a cost to both our competitiveness and our Exchequer, and HMRC is currently ill-equipped to tackle that abuse.

Businesses of course operate in a global environment today. That brings its own challenges, and we need to make sure we are providing the right framework for businesses to handle it. We are approaching what has been termed the fourth industrial revolution, which has precipitated a huge shift in the nature of work and employment. It is unsurprising, therefore, that many of the clauses in the Bill legislate for those changes, such as those involving IR35 and Making Tax Digital.

Undoubtedly, we must change our approach to how we treat employment in the 21st century, but the Government seem to be firing unsuccessfully at a moving target. This change in approach comes far too late and, in our opinion, has the wrong focus. The rise of the gig

economy has brought opportunities for some, but challenges and exploitation for others. Flexibility and independence have been highly valued advantages for some workers, but self-employment has also been abused by unscrupulous employers as a means to reduce their tax bill and to avoid giving contractors the rights and entitlements of employees. So far, the Government's only answer has been to propose punishing the employees by increasing taxes on them, not to consider the rights and obligations of both sides of this equation.

We saw that reflected in the chaos of the Budget last month, when the Chancellor's completely wrong-headed decision to introduce NICs parity with employed workers highlighted the lack of understanding at the highest levels in the Treasury of the modern nature of work. The Government rightly backed down on the issue, but it showed that trying to legislate piecemeal for what has effectively been a revolution in the world of work has been ill thought through and will not succeed.

For example, IR35 shifts the entire burden of taxation on to contractors, rather than looking at the underlying issue of why the public sector has become so dependent on these types of employees. As is argued by the Low Incomes Tax Reform Group, the rules on errors in taxpayer documents seem to ignore the fact that low-income groups could now be caught in punitive anti-avoidance measures simply because they have no choice but to operate through an agency, or because they cannot afford accountancy advice to help them to fill out their tax returns. As an alternative, we advocate a wholesale review of the package of measures offered to self-employed individuals. Our scrutiny of the measures in the Bill is delivered through that lens: these are a succession of piecemeal changes that risk hurting people unwillingly caught in the net of self-employment, rather than wealthy tax avoiders.

Opposition to the NICs rise for the self-employed was so intense because the UK prides itself on being a country of entrepreneurs, and on being able to create an environment in which small businesses and independent workers can thrive. The Making Tax Digital proposals are yet another illustration of how the Government continue to miss the point when legislating for a changing world of work. These proposals will put undue pressure on small businesses and the self-employed, who simply do not have the resources to input tax information on a quarterly basis.

Even the House of Lords Economic Affairs Finance Bill Sub-Committee has said that it does not share HMRC's confidence in its estimates of how far the tax gap will be reduced by this measure, which it has described as fragile and little more than guesswork. Evidence given to the Sub-Committee showed that the initiative is in fact likely to result in greater errors in taxpayer reporting, not fewer, as businesses come under pressure to fill out accounts four times as frequently. Again, HMRC will be expected to accommodate this system at the same time as its resources are being cut and even more legislation is being piled up for it to enforce. In line with the rise in business rates, it is difficult to see how the Government can truly say that they are seriously committed to helping UK business to succeed. Instead, 2017 has so far been characterised by punitive measures and uncertainty, and this looks set to continue.

We should be discussing a Finance Bill—this is what we needed—that would address the real problems that exist in this country: the fact that real pay is still lower than before the financial crisis, that 6 million people earn less than the living wage, and that 4 million children live in poverty, two thirds of whom are in households where their parents work. We should be talking about how to balance the tax system and spread the burden, not simply getting into a race to the bottom on corporation tax while seeing crushing rises in business rates, alongside increases in bureaucracy and administration. We should certainly be discussing a serious and realistic plan for the NHS and social care; from what I have seen in my own constituency, I reject entirely the Government's assertion that they are properly resourcing social care in particular. We have a Finance Bill that does none of these things. For that reason and many others, we will oppose giving it a Second Reading tonight.

9.19 pm

Jane Ellison: With the leave of the House, I will close today's debate, and it is a pleasure to do so. It has been an interesting and wide-ranging debate, and I thank all hon. Members for their contributions. I will try to touch briefly on their contributions, but I suspect, with the time being rather against me, that I will not be able to answer all their questions. As I said in my opening speech, we no doubt have several discussions ahead of us about the next steps on the Finance Bill.

The Finance Bill takes the next steps in helping Britain to succeed both now and in the future. What was lacking from the rather opportunistic speech we have just heard was any willingness to face up to the economy's strategic challenges. Many are touched on in the Bill and I will refer to some of them now. One theme that emerged—in the speech by the hon. Member for Bootle (Peter Dowd) at the beginning of the debate and in other speeches—was a focus on productivity. Nobody could have been clearer about facing up to the country's productivity challenge than the Chancellor. I think everyone should be able to support the measures we have laid out to respond to the long-term challenge as a priority, and to take targeted action to invest in innovation and infrastructure.

We are also introducing measures on setting corporation tax to make our economy more competitive. I wholeheartedly reject the comments we hear from the Opposition that try to set small business against large business against medium-sized business. All businesses, over 1 million of them, large and small, will benefit from our cuts to corporation tax. We want to ensure that we offer SMEs enhanced research and development tax relief, and other measures that will help them to grow. I welcome the emphasis placed by my hon. Friend the Member for Richmond (Yorks) (Rishi Sunak) towards the end of the debate on that very issue of how we help businesses to grow. I find it extremely disappointing that the Labour party seeks to pass judgment. We want small businesses to become big businesses and we want to ensure that we help that to happen.

There have been a number of comments, not least from both Opposition Front-Bench spokesmen, about HMRC resourcing. I sprang to the defence of HMRC's record. It has made sustainable cost savings of more than £1 billion over this Parliament while improving performance. Over the same period, it has collected a

[Jane Ellison]

record level of tax revenue, reducing the tax gap to a historic low of 6.5% in 2014-15. Measures in the Bill will build on the measures already passed by both this Government and the coalition Government to close the tax gap. I would be very disappointed to think that Opposition Members are not supportive of those measures.

Turning to Back-Bench contributions, my hon. Friend the Member for Amber Valley (Nigel Mills) made an excellent and typically thoughtful speech. It was wide-ranging and I will not be able to respond to all the points he made, but he was supportive of the soft drinks industry levy. He rightly focused on measures to tackle the tax gap in VAT and important new steps we are bringing forward. He spoke about a number of other issues. He asked me about when we might look to turn on the power we took last year with regard to country-by-country reporting. We have always said that we want to make the case at various international forums to work through that in an international context. We will continue to raise the issue and pursue international agreement on public country-by-country reporting.

My hon. Friend also sought reassurance on the compressed interest restriction, a measure that, along with the loss relief measures in the Bill, stands to raise £7 billion across the period in question—very significant sums of money from large corporations. He wanted reassurance that that would not be a block on growth and investment. I think I can give him that reassurance. We have a very open and competitive economy, and we have a very competitive tax system, but we expect businesses to pay the right amount of tax. We are not the only country with an interest restriction: for example, Germany, Italy and Spain have similar rules, and other European countries will be introducing similar rules over the coming years. I hope that gives him a degree of reassurance.

My hon. Friend the Member for Vale of Clwyd (Dr Davies) gave a very thoughtful speech on the soft drinks industry levy. I very much welcome his support, drawn from his experience not just on the Health Committee but professionally. He gave a tour de force speech outlining the reasons for providing a prescription to tackle obesity. Obesity offers a considerable threat to the long-term finances of the NHS. I welcome his support for the levy.

The hon. Member for Dundee East (Stewart Hosie) expressed a degree of scepticism about the work that we have done to support the oil and gas industry. I do not think that that scepticism can be justified. We have worked very closely with the industry, and we now have one of the world's most competitive fiscal regimes for oil and gas, although we intend to go further. At the time of the 2017 Budget, we published a discussion paper on how taxation could better support the transfer of older late-life assets—an important issue for the basin—and ensure that we could put them into the hands of companies that wished to invest. I have met industry stakeholders to discuss the issue, and I know that the announcement has been welcomed. I think it should also be welcomed by Members in all parts of the House, not least members of the Scottish National party—including the hon. Member for Aberdeen North (Kirsty Blackman), who raised similar issues.

The hon. Member for Dundee East also mentioned insurance premium tax. When we made announcements about the proposed new rate, the Chancellor made clear that it was intended to raise vital revenue to fund our public services. Those who oppose such a rise must themselves make clear where they would find the sizeable revenues that we need to invest in our front-line public services and generate income for our economy. I did not hear many answers to that question during today's debate.

The hon. Member for Birmingham, Selly Oak (Steve McCabe) spoke mostly about the NHS. Let me respond by saying that a strong NHS needs a strong economy, and that is what we are trying to build.

The hon. Member for East Lothian (George Kerevan) made a thoughtful speech, and I agree with him about the need for long-term investment to address the productivity challenge. He gave a degree of support to the soft drinks industry levy, and sought a number of reassurances—not all of which I can give him tonight—about some of the steps that would be taken in the weeks ahead. I was glad to hear that he thought there was much to be commended in the measure. I expect that we shall return to the issue of the productive growth agenda, but let me repeat what I said to him in an intervention: £800 million of additional capital will flow, in Barnett consequentials, to the Scottish Government as a result of the announcements in the autumn statement about the national productivity infrastructure fund. The hon. Gentleman also talked about household debt. I merely note that the debt interest to income ratio is at a record low: it was 4.5% in 2016, compared to 10.1% in 2008.

Although I was not in the Chamber at the time, I believe that my hon. Friend the Member for North West Hampshire (Kit Malthouse) made a typically robust speech in which he supported all measures to promote investment. He talked about science, the need to encourage entrepreneurs, and the challenge of taxing the gig economy, which the Chancellor has acknowledged to be one of the strategic challenges facing not just our economy but developed economies throughout the OECD area. We are contributing to the international debate on that subject. There is more to be said about it, but measures in the Bill begin to address, for example, how some online trading platforms deliver in terms of VAT. That missing VAT represents one of the big parts of the tax gap, and we hope that there will be widespread support for our measures.

The hon. Member for Aberdeen North referred to the scrutiny of tax policy. I think that she and I can agree about many aspects of the announcement of the move to a single fiscal event. As for her other points, we have worked extremely closely with a number of industry stakeholders on some of the more complex measures in the Bill. I think that those measures have been greatly improved as a result, and the stakeholders have given the Government credit for that. We heard another rerun of the argument about VAT refunds for the Scottish police and fire and rescue services, and once again—

Madam Deputy Speaker (Mrs Eleanor Laing): Order. It is a little impolite to make so much noise that the House cannot hear the Minister. While there may be other matters that Members need to discuss, there is nothing more important than the Minister's summing up of a debate on the Finance Bill.

Jane Ellison: What could be more exciting and important to talk about? I wonder.

I reiterate that the Government warned Scottish Government officials at the time that the new funding model that they proposed would lead to the loss of eligibility for VAT refunds. I expect the SNP will raise the matter again, but it will continue to get that straightforward response to the issues that it has raised.

There was a cluster of pithy and important speeches towards the end of the debate. My hon. Friend the Member for Louth and Horncastle (Victoria Atkins) spoke about the need for sound finances and about reducing borrowing. She made a welcome contribution. My hon. Friend the Member for Fareham (Suella Fernandes) put a welcome emphasis on the increase in personal allowances. How little we heard about that from some Opposition Members. Since 2010, there has been a huge increase in what people can earn before they are taxed.

My hon. Friend the Member for Richmond (Yorks) (Rishi Sunak) drew on his experience and gave voice to the entrepreneurial spirit of Yorkshire. He focused on early-stage finance for growing businesses. He is right that there are things that are helpful in that regard in the Bill, but we are always happy to hear more ideas about how we can support entrepreneurs and businesses to grow.

Fittingly, my hon. Friend the Member for Taunton Deane (Rebecca Pow) ended with the message that we need to keep the economy on track to greater growth and stability. That brings me to my conclusion.

The changes that the Bill is introducing are significant in a number of regards. They will raise significant revenue to support the public services on which our nation depends by tackling tax avoidance and evasion. The Labour party has been a little opportunistic in some of the things it has said in the debate. In the coming weeks, it will have to answer questions about how it would close the tax gap and balance the books to gain any credibility in the eyes of the electorate. It will also have to address in the coming weeks questions on the strategic challenges that this Government have been prepared to face up to—the challenge to look at a tax system that works however people choose to work, and the challenge to address the erosion of the tax base in a serious, long-term, strategic way. The Government are prepared to face up to those challenges, and measures in the Bill begin to address some of those head on.

We are also addressing head on the critical issue of childhood obesity. We are tackling it with our game-changing soft drinks industry levy; that is just one of the measures being taken across Government to tackle childhood obesity. It was welcome to hear support on all sides for that measure. I hope that we are able to make good progress with that because it is a game changer.

The Bill demonstrates the Government's commitment to a stronger, more secure, more productive economy. I am therefore delighted to commend it to the House.

Question put. That the amendment be made.

The House divided: Ayes 54, Noes 314.

Division No. 194]

[9.33 pm

AYES

Ahmed-Sheikh, Ms Tasmina	Blackman, Kirsty
Bardell, Hannah	Boswell, Philip
Blackford, Ian	Brock, Deidre

Brown, Alan
Cameron, Dr Lisa
Chapman, Douglas
Cherry, Joanna
Cowan, Ronnie
Crawley, Angela
Day, Martyn
Donaldson, Stuart Blair
Durkan, Mark
Edwards, Jonathan
Ferrier, Margaret
Gethins, Stephen
Gibson, Patricia
Godsiff, Mr Roger
Grant, Peter
Gray, Neil
Hendry, Drew
Hosie, Stewart
Kerevan, George
Kerr, Calum
Law, Chris
MacNeil, Mr Angus
McCaig, Callum
McDonald, Stewart Malcolm
McDonald, Stuart C.
McDonnell, Dr Alasdair

Adams, Nigel
Afriyie, Adam
Aldous, Peter
Allan, Lucy
Allen, Heidi
Andrew, Stuart
Ansell, Caroline
Argar, Edward
Atkins, Victoria
Bacon, Mr Richard
Baker, Mr Steve
Baldwin, Harriett
Barclay, Stephen
Barwell, Gavin
Bebb, Guto
Bellingham, Sir Henry
Benyon, rh Richard
Beresford, Sir Paul
Berry, Jake
Berry, James
Bingham, Andrew
Blackman, Bob
Blackwood, Nicola
Blunt, Crispin
Bone, Mr Peter
Borwick, Victoria
Bottomley, Sir Peter
Bradley, rh Karen
Brady, Mr Graham
Brazier, Sir Julian
Bridgen, Andrew
Brokenshire, rh James
Bruce, Fiona
Buckland, Robert
Burns, rh Sir Simon
Burrowes, Mr David
Burt, rh Alistair
Cairns, rh Alun
Campbell, Mr Gregory
Carmichael, Neil
Cartledge, James
Cash, Sir William
Caulfield, Maria

McLaughlin, Anne
Monaghan, Carol
Monaghan, Dr Paul
Mullin, Roger
Newlands, Gavin
Nicolson, John
O'Hara, Brendan
Oswald, Kirsten
Paterson, Steven
Ritchie, Ms Margaret
Robertson, rh Angus
Saville Roberts, Liz
Sheerman, Mr Barry
Sheppard, Tommy
Skinner, Mr Dennis
Stephens, Chris
Thewliss, Alison
Thomson, Michelle
Weir, Mike
Whiteford, Dr Eilidh
Whitford, Dr Philippa
Wishart, Pete

Tellers for the Ayes:
Marion Fellows and
Owen Thompson

NOES

Chalk, Alex
Chishti, Rehman
Chope, Mr Christopher
Churchill, Jo
Clark, rh Greg
Cleverly, James
Clifton-Brown, Geoffrey
Coffey, Dr Thérèse
Collins, Damian
Colville, Oliver
Costa, Alberto
Courts, Robert
Cox, Mr Geoffrey
Crabb, rh Stephen
Crouch, Tracey
Davies, Byron
Davies, Chris
Davies, David T. C.
Davies, Glyn
Davies, Dr James
Davies, Mims
Dinenage, Caroline
Djanogly, Mr Jonathan
Dodds, rh Mr Nigel
Donaldson, rh Sir Jeffrey M.
Donelan, Michelle
Double, Steve
Dowden, Oliver
Doyle-Price, Jackie
Drummond, Mrs Flick
Duddridge, James
Duncan Smith, rh Mr Iain
Dunne, Mr Philip
Elliott, Tom
Ellis, Michael
Ellison, Jane
Elphicke, Charlie
Eustice, George
Evans, Graham
Evans, Mr Nigel
Evennett, rh David
Fabricant, Michael
Fallon, rh Sir Michael

Fernandes, Suella
 Field, rh Mark
 Foster, Kevin
 Fox, rh Dr Liam
 Frazer, Lucy
 Freeman, George
 Freer, Mike
 Fuller, Richard
 Fysh, Marcus
 Gale, Sir Roger
 Garnier, rh Sir Edward
 Garnier, Mark
 Gauke, rh Mr David
 Ghani, Nusrat
 Gillan, rh Mrs Cheryl
 Glen, John
 Goodwill, Mr Robert
 Gove, rh Michael
 Graham, Richard
 Grant, Mrs Helen
 Gray, James
 Grayling, rh Chris
 Green, Chris
 Green, rh Damian
 Greening, rh Justine
 Grieve, rh Mr Dominic
 Gummer, rh Ben
 Gyimah, Mr Sam
 Halfon, rh Robert
 Hall, Luke
 Hammond, rh Mr Philip
 Hammond, Stephen
 Hancock, rh Matt
 Hands, rh Greg
 Harper, rh Mr Mark
 Harrington, Richard
 Harris, Rebecca
 Harrison, Trudy
 Hart, Simon
 Haselhurst, rh Sir Alan
 Hayes, rh Mr John
 Heald, rh Sir Oliver
 Heappey, James
 Heaton-Harris, Chris
 Heaton-Jones, Peter
 Henderson, Gordon
 Herbert, rh Nick
 Hermon, Lady
 Hinds, Damian
 Hoare, Simon
 Hollingbery, George
 Hollinrake, Kevin
 Hollobone, Mr Philip
 Holloway, Mr Adam
 Hopkins, Kris
 Howarth, Sir Gerald
 Howell, John
 Howlett, Ben
 Huddleston, Nigel
 Hunt, rh Mr Jeremy
 Hurd, Mr Nick
 Jackson, Mr Stewart
 James, Margot
 Javid, rh Sajid
 Jayawardena, Mr Ranil
 Jenkin, Mr Bernard
 Jenrick, Robert
 Johnson, rh Boris
 Johnson, Dr Caroline
 Johnson, Gareth
 Johnson, Joseph
 Jones, Andrew

Jones, rh Mr David
 Jones, Mr Marcus
 Kawczynski, Daniel
 Kennedy, Seema
 Kinahan, Danny
 Kirby, Simon
 Knight, Julian
 Kwarteng, Kwasi
 Lancaster, Mark
 Latham, Pauline
 Leadsom, rh Andrea
 Lee, Dr Phillip
 Leigh, Sir Edward
 Leslie, Charlotte
 Letwin, rh Sir Oliver
 Lewis, rh Brandon
 Lewis, rh Dr Julian
 Liddell-Grainger, Mr Ian
 Lidington, rh Mr David
 Lilley, rh Mr Peter
 Lopresti, Jack
 Lord, Jonathan
 Mackinlay, Craig
 Mackintosh, David
 Main, Mrs Anne
 Mak, Mr Alan
 Malthouse, Kit
 Mann, Scott
 Mathias, Dr Tania
 Maynard, Paul
 McCartney, Jason
 McCartney, Karl
 McLoughlin, rh Sir Patrick
 McPartland, Stephen
 Menzies, Mark
 Mercer, Johnny
 Merriman, Huw
 Metcalfe, Stephen
 Milling, Amanda
 Mills, Nigel
 Mitchell, rh Mr Andrew
 Mordaunt, Penny
 Morgan, rh Nicky
 Morris, Anne Marie
 Morris, David
 Morris, James
 Morton, Wendy
 Mowat, David
 Mundell, rh David
 Murray, Mrs Sheryll
 Murrison, Dr Andrew
 Neill, Robert
 Newton, Sarah
 Nokes, Caroline
 Norman, Jesse
 Nuttall, Mr David
 Offord, Dr Matthew
 Opperman, Guy
 Osborne, rh Mr George
 Parish, Neil
 Paterson, rh Mr Owen
 Pawsey, Mark
 Penning, rh Mike
 Penrose, John
 Percy, Andrew
 Perry, Claire
 Philp, Chris
 Pickles, rh Sir Eric
 Pincher, Christopher
 Poulter, Dr Daniel
 Pow, Rebecca

Prentis, Victoria
 Prisk, Mr Mark
 Pritchard, Mark
 Pursglove, Tom
 Quin, Jeremy
 Quince, Will
 Raab, Mr Dominic
 Redwood, rh John
 Rees-Mogg, Mr Jacob
 Robertson, Mr Laurence
 Robinson, Gavin
 Robinson, Mary
 Rosindell, Andrew
 Rudd, rh Amber
 Rutley, David
 Sandbach, Antoinette
 Scully, Paul
 Selous, Andrew
 Shannon, Jim
 Shapps, rh Grant
 Sharma, Alok
 Sheerman, Mr Barry
 Shelbrooke, Alec
 Simpson, David
 Simpson, rh Mr Keith
 Skidmore, Chris
 Smith, Chloe
 Smith, Henry
 Smith, Julian
 Smith, Royston
 Soames, rh Sir Nicholas
 Solloway, Amanda
 Soubry, rh Anna
 Spelman, rh Dame Caroline
 Spencer, Mark
 Stephenson, Andrew
 Stevenson, John
 Stewart, Bob
 Stewart, Iain
 Stewart, Rory
 Streeter, Mr Gary
 Stride, Mel
 Stuart, Graham
 Sturdy, Julian
 Sunak, Rishi

Swayne, rh Sir Desmond
 Swire, rh Sir Hugo
 Syms, Mr Robert
 Thomas, Derek
 Throup, Maggie
 Tolhurst, Kelly
 Tomlinson, Justin
 Tomlinson, Michael
 Tracey, Craig
 Tredinnick, David
 Trevelyan, Mrs Anne-Marie
 Truss, rh Elizabeth
 Tugendhat, Tom
 Turner, Mr Andrew
 Tyrie, rh Mr Andrew
 Vaizey, rh Mr Edward
 Vara, Mr Shailesh
 Vickers, Martin
 Villiers, rh Mrs Theresa
 Walker, Mr Charles
 Walker, Mr Robin
 Wallace, rh Mr Ben
 Warburton, David
 Warman, Matt
 Watkinson, Dame Angela
 Wharton, James
 Whately, Helen
 Wheeler, Heather
 White, Chris
 Whittaker, Craig
 Whittingdale, rh Mr John
 Wiggan, Bill
 Williams, Craig
 Williamson, rh Gavin
 Wilson, Mr Rob
 Wilson, Sammy
 Wollaston, Dr Sarah
 Wragg, William
 Wright, rh Jeremy
 Zahawi, Nadhim

Tellers for the Noes:
 Andrew Griffiths and
 Steve Brine

Question accordingly negated.

Question put forthwith (Standing Order No. 62(2)),
 That the Bill be now read a Second time.

The House divided: Ayes 313, Noes 236.

Division No. 195]

[9.47 pm

AYES

Adams, Nigel
 Afriyie, Adam
 Aldous, Peter
 Allan, Lucy
 Allen, Heidi
 Andrew, Stuart
 Ansell, Caroline
 Argar, Edward
 Atkins, Victoria
 Bacon, Mr Richard
 Baker, Mr Steve
 Baldwin, Harriett
 Barclay, Stephen
 Barwell, Gavin
 Bebb, Guto
 Bellingham, Sir Henry
 Benyon, rh Richard
 Beresford, Sir Paul
 Berry, Jake
 Berry, James
 Bingham, Andrew
 Blackman, Bob
 Blackwood, Nicola
 Blunt, Crispin
 Bone, Mr Peter
 Borwick, Victoria
 Bottomley, Sir Peter
 Bradley, rh Karen
 Brady, Mr Graham
 Brazier, Sir Julian
 Bridgen, Andrew
 Brokenshire, rh James

Bruce, Fiona	Gove, rh Michael	Liddell-Grainger, Mr Ian	Selous, Andrew
Buckland, Robert	Graham, Richard	Lidington, rh Mr David	Shannon, Jim
Burns, rh Sir Simon	Grant, Mrs Helen	Lilley, rh Mr Peter	Shapps, rh Grant
Burrowes, Mr David	Gray, James	Lopresti, Jack	Sharma, Alok
Burt, rh Alistair	Grayling, rh Chris	Lord, Jonathan	Shelbrooke, Alec
Cairns, rh Alun	Green, Chris	Mackinlay, Craig	Simpson, David
Campbell, Mr Gregory	Green, rh Damian	Mackintosh, David	Simpson, rh Mr Keith
Carmichael, Neil	Greening, rh Justine	Main, Mrs Anne	Skidmore, Chris
Cartlidge, James	Grieve, rh Mr Dominic	Mak, Mr Alan	Smith, Chloe
Cash, Sir William	Gummer, rh Ben	Malthouse, Kit	Smith, Henry
Caulfield, Maria	Gyimah, Mr Sam	Mann, Scott	Smith, Julian
Chalk, Alex	Halfon, rh Robert	Mathias, Dr Tania	Smith, Royston
Chishti, Rehman	Hall, Luke	Maynard, Paul	Soames, rh Sir Nicholas
Chope, Mr Christopher	Hammond, rh Mr Philip	McCartney, Jason	Solloway, Amanda
Churchill, Jo	Hammond, Stephen	McCartney, Karl	Soubry, rh Anna
Clark, rh Greg	Hancock, rh Matt	McLoughlin, rh Sir	Spelman, rh Dame
Cleverly, James	Hands, rh Greg	Patrick	Caroline
Clifton-Brown, Geoffrey	Harper, rh Mr Mark	McPartland, Stephen	Spencer, Mark
Coffey, Dr Thérèse	Harrington, Richard	Menzies, Mark	Stephenson, Andrew
Collins, Damian	Harris, Rebecca	Mercer, Johnny	Stevenson, John
Colvile, Oliver	Harrison, Trudy	Merriman, Huw	Stewart, Bob
Costa, Alberto	Hart, Simon	Metcalfe, Stephen	Stewart, Iain
Courts, Robert	Haselhurst, rh Sir Alan	Milling, Amanda	Stewart, Rory
Cox, Mr Geoffrey	Hayes, rh Mr John	Mills, Nigel	Streeter, Mr Gary
Crabb, rh Stephen	Heald, rh Sir Oliver	Mitchell, rh Mr Andrew	Stride, Mel
Crouch, Tracey	Heapey, James	Mordaunt, Penny	Stuart, Graham
Davies, Byron	Heaton-Harris, Chris	Morgan, rh Nicky	Sturdy, Julian
Davies, Chris	Heaton-Jones, Peter	Morris, Anne Marie	Sunak, Rishi
Davies, David T. C.	Henderson, Gordon	Morris, David	Swayne, rh Sir Desmond
Davies, Glyn	Herbert, rh Nick	Morris, James	Swire, rh Sir Hugo
Davies, Dr James	Hermon, Lady	Morton, Wendy	Syms, Mr Robert
Davies, Mims	Hinds, Damian	Mowat, David	Thomas, Derek
Dinenage, Caroline	Hoare, Simon	Mundell, rh David	Throup, Maggie
Djanogly, Mr Jonathan	Hollingbery, George	Murray, Mrs Sheryll	Tolhurst, Kelly
Dodds, rh Mr Nigel	Hollinrake, Kevin	Murrison, Dr Andrew	Tomlinson, Justin
Donaldson, rh Sir Jeffrey M.	Hollobone, Mr Philip	Neill, Robert	Tomlinson, Michael
Donelan, Michelle	Holloway, Mr Adam	Newton, Sarah	Tracey, Craig
Double, Steve	Hopkins, Kris	Nokes, Caroline	Tredinnick, David
Dowden, Oliver	Howarth, Sir Gerald	Norman, Jesse	Trevelyan, Mrs Anne-Marie
Doyle-Price, Jackie	Howell, John	Nuttall, Mr David	Truss, rh Elizabeth
Drummond, Mrs Flick	Howlett, Ben	Offord, Dr Matthew	Tugendhat, Tom
Duddridge, James	Huddleston, Nigel	Opperman, Guy	Turner, Mr Andrew
Duncan Smith, rh Mr Iain	Hunt, rh Mr Jeremy	Osborne, rh Mr George	Tyrie, rh Mr Andrew
Dunne, Mr Philip	Hurd, Mr Nick	Parish, Neil	Vaizey, rh Mr Edward
Elliott, Tom	Jackson, Mr Stewart	Paterson, rh Mr Owen	Vara, Mr Shailesh
Ellis, Michael	James, Margot	Pawsey, Mark	Vickers, Martin
Ellison, Jane	Javid, rh Sajid	Penning, rh Mike	Villiers, rh Mrs Theresa
Elphicke, Charlie	Jayawardena, Mr Ranil	Penrose, John	Walker, Mr Charles
Eustice, George	Jenkin, Mr Bernard	Percy, Andrew	Walker, Mr Robin
Evans, Graham	Jenrick, Robert	Perry, Claire	Wallace, rh Mr Ben
Evans, Mr Nigel	Johnson, rh Boris	Philp, Chris	Warburton, David
Evennett, rh David	Johnson, Dr Caroline	Pickles, rh Sir Eric	Warman, Matt
Fabricant, Michael	Johnson, Gareth	Pincher, Christopher	Watkinson, Dame Angela
Fallon, rh Sir Michael	Johnson, Joseph	Poulter, Dr Daniel	Wharton, James
Fernandes, Suella	Jones, Andrew	Pow, Rebecca	Whately, Helen
Field, rh Mark	Jones, rh Mr David	Prentis, Victoria	Wheeler, Heather
Foster, Kevin	Jones, Mr Marcus	Prisk, Mr Mark	White, Chris
Fox, rh Dr Liam	Kawczynski, Daniel	Pritchard, Mark	Whittaker, Craig
Frazer, Lucy	Kennedy, Seema	Purglove, Tom	Whittingdale, rh Mr John
Freeman, George	Kinahan, Danny	Quin, Jeremy	Wiggin, Bill
Freer, Mike	Kirby, Simon	Quince, Will	Williams, Craig
Fuller, Richard	Knight, Julian	Raab, Mr Dominic	Williamson, rh Gavin
Fysh, Marcus	Kwarteng, Kwasi	Redwood, rh John	Wilson, Mr Rob
Gale, Sir Roger	Lancaster, Mark	Rees-Mogg, Mr Jacob	Wilson, Sammy
Garnier, rh Sir Edward	Latham, Pauline	Robertson, Mr Laurence	Wollaston, Dr Sarah
Garnier, Mark	Leadsom, rh Andrea	Robinson, Gavin	Wragg, William
Gauke, rh Mr David	Lee, Dr Phillip	Robinson, Mary	Wright, rh Jeremy
Ghani, Nusrat	Leigh, Sir Edward	Rosindell, Andrew	Zahawi, Nadhim
Gillan, rh Mrs Cheryl	Leslie, Charlotte	Rudd, rh Amber	
Glen, John	Letwin, rh Sir Oliver	Rutley, David	Tellers for the Ayes:
Goodwill, Mr Robert	Lewis, rh Brandon	Sandbach, Antoinette	Andrew Griffiths and
	Lewis, rh Dr Julian	Scully, Paul	Steve Brine

NOES

Abbott, rh Ms Diane
 Abrahams, Debbie
 Ahmed-Sheikh, Ms Tasmina
 Alexander, Heidi
 Ali, Rushanara
 Anderson, Mr David
 Ashworth, Jonathan
 Bailey, Mr Adrian
 Bardell, Hannah
 Barron, rh Sir Kevin
 Benn, rh Hilary
 Betts, Mr Clive
 Blackford, Ian
 Blackman, Kirsty
 Blackman-Woods, Dr Roberta
 Blenkinsop, Tom
 Blomfield, Paul
 Boswell, Philip
 Brabin, Tracy
 Bradshaw, rh Mr Ben
 Brennan, Kevin
 Brock, Deidre
 Brown, Alan
 Brown, Lyn
 Brown, rh Mr Nicholas
 Bryant, Chris
 Buck, Ms Karen
 Burgon, Richard
 Butler, Dawn
 Byrne, rh Liam
 Cadbury, Ruth
 Cameron, Dr Lisa
 Campbell, rh Mr Alan
 Campbell, Mr Ronnie
 Carmichael, rh Mr Alistair
 Champion, Sarah
 Chapman, Douglas
 Chapman, Jenny
 Cherry, Joanna
 Clwyd, rh Ann
 Coffey, Ann
 Cooper, Julie
 Cooper, Rosie
 Cooper, rh Yvette
 Cowan, Ronnie
 Coyle, Neil
 Crausby, Sir David
 Crawley, Angela
 Creagh, Mary
 Creasy, Stella
 Cryer, John
 Danczuk, Simon
 Davies, Geraint
 Day, Martyn
 De Piero, Gloria
 Donaldson, Stuart Blair
 Dowd, Jim
 Dowd, Peter
 Dugher, Michael
 Durkan, Mark
 Eagle, Ms Angela
 Eagle, Maria
 Edwards, Jonathan
 Elliott, Julie
 Ellman, Mrs Louise
 Elmore, Chris
 Esterson, Bill
 Evans, Chris
 Fellows, Marion
 Ferrier, Margaret
 Field, rh Frank
 Ffello, Robert
 Fletcher, Colleen
 Flint, rh Caroline
 Flynn, Paul
 Fovargue, Yvonne
 Furniss, Gill
 Gapes, Mike
 Gardiner, Barry
 Gethins, Stephen
 Gibson, Patricia
 Glindon, Mary
 Godsiff, Mr Roger
 Goodman, Helen
 Grant, Peter
 Gray, Neil
 Green, Kate
 Greenwood, Lilian
 Greenwood, Margaret
 Haigh, Louise
 Hamilton, Fabian
 Hanson, rh Mr David
 Harris, Carolyn
 Hayes, Helen
 Hayman, Sue
 Healey, rh John
 Hendrick, Mr Mark
 Hendry, Drew
 Hepburn, Mr Stephen
 Hillier, Meg
 Hodgson, Mrs Sharon
 Hoey, Kate
 Hollern, Kate
 Hopkins, Kelvin
 Hosie, Stewart
 Huq, Dr Rupa
 Jarvis, Dan
 Jones, Gerald
 Jones, Helen
 Jones, Mr Kevan
 Jones, Susan Elan
 Kendall, Liz
 Kerevan, George
 Kerr, Calum
 Kinnock, Stephen
 Kyle, Peter
 Lamb, rh Norman
 Lammy, rh Mr David
 Law, Chris
 Leslie, Chris
 Lewell-Buck, Mrs Emma
 Lewis, Clive
 Long Bailey, Rebecca
 Lucas, Caroline
 Lynch, Holly
 MacNeil, Mr Angus Brendan
 Mactaggart, rh Fiona
 Madders, Justin
 Mahmood, Shabana
 Mann, John
 Marris, Rob
 Marsden, Gordon
 Maskell, Rachael
 Matheson, Christian
 McCabe, Steve
 McCaig, Callum
 McCarthy, Kerry
 McDonagh, Siobhain
 McDonald, Stewart Malcolm
 McDonald, Stuart C.
 McDonnell, Dr Alasdair
 McDonnell, rh John

McFadden, rh Mr Pat
 McGinn, Conor
 McGovern, Alison
 McKinnell, Catherine
 McLaughlin, Anne
 McMahon, Jim
 Meale, Sir Alan
 Mearns, Ian
 Miliband, rh Edward
 Monaghan, Carol
 Monaghan, Dr Paul
 Moon, Mrs Madeleine
 Morden, Jessica
 Mulholland, Greg
 Mullin, Roger
 Murray, Ian
 Newlands, Gavin
 Nicolson, John
 O'Hara, Brendan
 Olney, Sarah
 Onn, Melanie
 Onwurah, Chi
 Osamor, Kate
 Oswald, Kirsten
 Owen, Albert
 Paterson, Steven
 Pearce, Teresa
 Pennycook, Matthew
 Perkins, Toby
 Phillips, Jess
 Phillipson, Bridget
 Pound, Stephen
 Powell, Lucy
 Qureshi, Yasmin
 Reeves, Rachel
 Reynolds, Jonathan
 Rimmer, Ms Marie
 Ritchie, Ms Margaret
 Robertson, rh Angus
 Robinson, Mr Geoffrey
 Rotheram, Steve
 Ryan, rh Joan
 Saville Roberts, Liz
 Sharma, Mr Virendra
 Sheerman, Mr Barry
 Sheppard, Tommy
 Sherriff, Paula
 Shuker, Mr Gavin
 Siddiq, Tulip
 Skinner, Mr Dennis
 Slaughter, Andy
 Smeeth, Ruth
 Smith, rh Mr Andrew
 Smith, Angela
 Smith, Cat
 Smith, Jeff
 Smith, Nick
 Smith, Owen
 Smyth, Karin
 Snell, Gareth
 Spellar, rh Mr John
 Starmer, 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
 Thomson, Michelle
 Timms, rh Stephen
 Trickett, Jon
 Turley, Anna
 Turner, Karl
 Twigg, Derek
 Twigg, Stephen
 Vaz, Valerie
 Watson, Mr Tom
 Weir, Mike
 West, Catherine
 Whiteford, Dr Eilidh
 Whitehead, Dr Alan
 Whitford, Dr Philippa
 Williams, Mr Mark
 Wilson, Phil
 Winnick, Mr David
 Winterton, rh Dame Rosie
 Wishart, Pete
 Woodcock, John
 Wright, Mr Iain
 Zeichner, Daniel

Tellers for the Noes:
Thangam Debonnaire and
Vicky Foxcroft

Question accordingly agreed to.

Bill read a Second time.

Business without Debate

ADJOURNMENT (SUMMER)

Motion made, and Question put forthwith (Standing Order No. 25),

That this House, at its rising on Thursday 20 July 2017, do adjourn till Tuesday 5 September 2017.—(*Heather Wheeler.*)

Question agreed to.

COMMUNITIES AND LOCAL GOVERNMENT

Ordered,

That Julian Knight be discharged from the Communities and Local Government Committee and Mr Christopher Chope be added.—(*Bill Wiggin, on behalf of the Committee of Selection.*)

Employment and Support Allowance

Motion made, and Question proposed, That this House do now adjourn.—(*Heather Wheeler.*)

10.1 pm

Neil Gray (Airdrie and Shotts) (SNP): Earlier today, we were all gripped with anticipation for an hour or so as to what the Prime Minister would say at the Downing Street lectern. It was a closely guarded secret. Was she to speak about her own ill health, North Korea, Syria or perhaps even Northern Ireland? In the end, we heard a statement of opportunistic self-interest in calling for an early general election. This evening, we hope we will hear what we have been anticipating for months. We hope we will get some detail on what the Government are doing to honour their promises to long-term sick and disabled people who have been found unfit for work but are losing £30 per week from their employment and support allowance. I intend leaving plenty of time for the Minister to respond to this speech, so that she can finally set out the support that is going to be available for sick and disabled people who are, as of now, receiving £30 a week less than they were before 3 April. I noticed before the debate was due to start that she was walking into the Chamber on crutches. I hope that she has not done herself too much of a disservice and that she is able to take part in the debate in a full and meaningful way.

The ESA work-related activity group is for people who have been assessed as being unfit for work, but who must carry out some form of work-related activity—for example, training courses. There has long been an acknowledgement that people in receipt of ESA WRAG have higher costs associated with their illness or disability in carrying out that work-related activity than someone who is fit for work. That is why ESA WRAG has paid a higher weekly amount than jobseeker's allowance: it is on the understanding that people will rely on ESA WRAG for longer and have higher costs.

Indeed, the Minister acknowledged that when she said:

“We must ensure a person's liquidity is in place, so that they can afford the additional costs brought by looking for work, or by being poorly or disabled: higher energy bills; mobile and internet access costs; the cost of getting insurance; the cost of a special diet, in some cases; the extra travel costs that come with unpredictable itineraries; clothing and bedding costs; and the cost of specialised equipment—to name just some of those costs....”

When that security and liquidity goes, often so, too, does a person's dignity and wellbeing.”—[*Official Report*, 17 November 2016; Vol. 617, c. 462.]

Yes, Minister—indeed. Yet, as of 3 April this Government are going to pay £30 per week less to ESA WRAG recipients to bring their allowance down to the level of jobseeker's allowance, at £73.10 per week. We do not yet know what the Minister is doing or has done to mitigate the £30 per week cut to ESA WRAG, which it is estimated will realise £640 million in annual savings for the Government in a short space of time. She hinted in the passage I just read out, and further on in that speech on 17 November, that she would take steps financially to mitigate the cut. I shall take some time to look at some more of what the Minister has said on this issue.

Stephen Timms (East Ham) (Lab): Will the hon. Gentleman give way?

Neil Gray: I will of course give way to the right hon. Gentleman, who has contributed a great deal on this subject and from whom I am keen to hear.

Stephen Timms: I am grateful to the hon. Gentleman, who is making an important argument. Did he hear, as I did, the Minister give an assurance only three weeks ago in response to a question from the hon. Member for Enfield, Southgate (Mr Burrowes) that the Government will provide full mitigation for the losses incurred by ESA claimants in the work-related activity group? Has he yet heard any information at all about any mitigation, let alone full mitigation?

Neil Gray: I thank the right hon. Gentleman for that intervention. Several statements have been made, and I shall come on to speak about them, but we have not had any detail about how they are going to be realised. I hope that this debate can impress it on the Government that they should finally provide that detail, albeit sadly after the changes have been introduced.

Jim Shannon (Strangford) (DUP): This is an important issue that has kept a good number of Members in the Chamber for the debate. Does the hon. Gentleman share my concern that some of those who are assessed and put into the work-related activity group should not be there in the first place? A number of my constituents fit into that category; is the same true for him?

Neil Gray: Absolutely. There are great problems in the assessment process. It is part of a wider problem with the system as it stands. To take away £30 a week from people who have been assessed as unfit for work and who are in the work-related activity group is certainly not the right way to go about things. We impress it on the Minister that these cuts should be paused.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): I congratulate my hon. Friend on securing this debate and raising these critical issues. Does he recognise that many of those in the work-related activity group will be people who move in and out of work as their conditions fluctuate? When they go back on the benefit during a period of ill health, they are going to find themselves in a very much disadvantaged position compared with before. This is just no way to treat people who are battling and living as best they can with often incurable, long-term, debilitating illness.

Neil Gray: My hon. Friend is absolutely right and, to her credit and in her typical way, makes her point well. The Government have suggested that there will be a 12-week window in which recipients of ESA in the WRAG may well be able to return to the previous rate; I suggest that that is not enough. If the Government will not reverse the cut, there should be a longer grace period to allow people the opportunity to return to work and to attempt to sustain that work, which is not always easy for some of these people to do.

Patricia Gibson (North Ayrshire and Arran) (SNP): My hon. Friend is being generous with his time. Does he agree that despite the 12-week pause—this window that he has talked about and that the Minister has mentioned—the sanctions imposed on the people who are losing this money will push them further and further

[Patricia Gibson]

away from the prospect of work, further and further into poverty, and therefore further and further into social isolation and away from the job market?

Neil Gray: Absolutely. I thank my hon. Friend for that intervention, because that point has been made by the expert disability charities. They do not see this cut as an incentive for people to find work; rather, it hinders their opportunities for getting back into work, if they are able to do so as part of a timely process.

In November, in response to the debate on a cross-party motion on this subject that I introduced in this Chamber, the Minister committed to ensuring that a replacement system of support would be in place for ESA recipients in the WRAG before the cut was to take place, but we have no clarity over what that system is or will look like. She said that support would be provided and an additional £15 million invested in the flexible support fund, but, of course, the flexible support fund is a discretionary fund used by jobcentres to help those in receipt of unemployment benefits to find work. It can be used to help with the cost of travel to interviews, childcare, clothing or uniforms to start work. However, the flexible support fund has been heavily criticised by the National Audit Office, the Work and Pensions Committee and others, because of its complexity and under-utilisation.

There have been allegations that jobcentre staff have been pressured into not using the fund. It is also one of the best kept secrets in Whitehall as information about it is not available on the Government's own website. What concerns me most is that there is no detail over how the flexible support fund, which will total only £83 million after the additional allocation, will directly support ESA WRAG recipients. Have jobcentre staff been told to target the flexible support fund on disabled people?

Another commitment made by the Minister was to secure better deals with service providers to help disabled people financially. She was going to broker deals with energy companies and telecoms suppliers to help sick and disabled people with their bills, but how many people will be able to afford a BT TV package or Sky broadband on even the higher rate of ESA WRAG? Even if she has managed to secure better deals on energy or insurance costs, we have not been told about them. How much will they aid disabled people? Will they make up the shortfall? Who are the deals with? When will they come into force? Will the Government promote them?

The Minister also committed to having personalised support packages in place by now—either a place on the Work and Health programme or Work Choice. Of course the Work and Health programme has yet to start and Work Choice is not new support. Additional places were also to be provided on the specialist employability support programme, which is a very small project, with only 1,700 members in 2015. Another idea was on job clubs, but we have not had any further detail on that. There is also the drive for work experience places with wrap-around support for young people, but again there have been no detail on whether this will be available for WRAG recipients.

Increased funding for the Access to Work mental health support service has also been mentioned. It has been launched, but is available only if a person is in work or signed off work sick, so it will not help those on

ESA WRAG. All in all, we have had many different ideas. There have been different, tentative and ultimately detail-free announcements. In the end we have no detail and no way of knowing how the Government plan to live up to their promise of ensuring that ESA WRAG recipients are not punished financially or how they intend to halve the disability employment gap by 2020, as was promised.

Hannah Bardell (Livingston) (SNP): I thank my hon. Friend for giving way and congratulate him on bringing this serious issue to the attention of the House. Does he agree that the Government are just piling on more pernicious cuts on top of—let us not forget—the closure of Remploy a few years ago, and a missed opportunity in the industrial strategy where there is very little talk of how they will close the disability employment gap? They need to be much more ambitious and much more helpful.

Neil Gray: I agree with my hon. Friend. Indeed I understand that submissions to that effect have been made to the Government's consultation on the industrial strategy.

All of us—colleagues across this House, Members of the House of Lords, expert disability charities, which have opposed this cut, and disabled people themselves—are expecting detail from the Minister this evening. She has had two weeks' notice of this debate. She will have known what I was going to raise because I have been asking the same questions for months. There can be no excuse for not being very clear and for not providing great detail on how her Government are honouring their many promises in debates past to placate their own Back Benchers.

Of course I can predict one thing the Minister will say. The Scottish Government now have limited powers over some aspects of social security and she will claim that the Scottish Government can therefore mitigate this cut for the people of Scotland. I hope that I can pre-empt her reading out that nonsense by telling her that I am standing here defending employment support not just for disabled people in Scotland, but for disabled people up and down these isles. Secondly, the Scottish Government have already spent almost £400 million since 2013 mitigating Conservative cuts to social security in Scotland. At a time of austerity, when Scotland's budget is being cut back to the tune of £2.9 billion in this decade, and the Scottish Government are having to divert depleted funds to mitigate Tory social security cuts, I do not think that telling Scotland to pay twice for disability employment support would be the strongest position for the Minister to take, and it does nothing to help or answer the questions of disabled people elsewhere. So perhaps she will stick to finding a credible argument to justify this cut and outline what additional support she will provide rather than deflect responsibility for it.

The Disability Benefits Consortium brings together 70 different expert disability charities and they have opposed this cut from the start. On the same day as the cross-party motion presented to the Backbench Business Committee was debated in November, they signed an open letter to the Government calling for the cuts to be stopped. They have criticised in particular the Government's idea that somehow disabled people are disincentivised to work by receiving an extra £30 per week. The Government completely ignore the fact that the majority

of sick and disabled people are desperate to work but struggle to find a job. The Government ignore the fact that a third of ESA recipients sometimes cannot afford to eat on the old ESA WRAG rate. Almost seven in 10 say that this cut will cause their health to suffer. The Government have done nothing to assess how this cut will impact on the mental health of recipients. Nobody could suffer a one third cut in their income and not see their health deteriorate in some way as a result, especially when they are already struggling to get by.

The people we are talking about today are people with disabilities or mental health conditions. They want to work, but they cannot. They are faced with the double indignity of wanting to work but being unable to find a job, and then being told that the financial support they are struggling to live on is a disincentive to find work. I am aware—not just from the debate in November when a number of Tory MPs followed MPs from eight other parties through the Lobby to call on the Government at least to pause these cuts, but since then—that all is not well on the Government side of the House in relation to this policy. I understand that the Prime Minister attended a meeting with concerned Tory MPs a few weeks ago and was told directly by them that she needed to do more. Perhaps we will get some clarity tonight as a result.

We need to hear from the Minister what she is going to do to live up to that quote about liquidity. What is she doing to ensure that disabled people, who are already struggling to get by, will be financially supported in addition to any enhanced employment support that may be forthcoming?

This will be one of the final debates of this Parliament. So far the Government have failed to listen to the disability charities, Opposition parties, the Work and Pensions Committee or the will of the House, given the vote in November. Perhaps in the coming weeks, Government MPs will hear more from the electorate about this devastating cut and come back in the next Parliament with a more serious response.

10.16 pm

The Minister for Disabled People, Health and Work (Penny Mordaunt): I welcome the debate secured by the hon. Member for Airdrie and Shotts (Neil Gray) and thank all Members who have attended and intervened on his speech. I shall concentrate my comments on the work-related activity group issue, which is at the heart of the debate. The hon. Member for Livingston (Hannah Bardell) asked about measures to deal with the disability employment gap. Clearly, we are going through the Green Paper consultation responses, but we want to build on the momentum created on these issues and wish to bring forward a White Paper at the earliest opportunity. Additional working up of those ideas will be done with employers and the third sector, which will be able to continue the momentum.

Hannah Bardell: I thank the Minister for dealing with that point, but does she not think that that should have been done before the cuts were made? Would that have been a logical approach, rather than making the cuts, leaving people destitute and devastated, and then thinking about how they are going to be helped?

Penny Mordaunt: The WRAG issue was debated heavily last year and voted on in the House. The measures that were put in place to provide additional support to

that group, which I will go into in detail, were debated at the time and confirmed in the Green Paper. So the issue was mentioned in the Green Paper, but it had been consulted on extensively beforehand.

On the point about the industrial strategy, we are very much engaged with the Department for Business, Energy and Industrial Strategy, and we are looking at what can be secured on this agenda from that strategy.

Help is available to enable people to live independent lives and ensure that those who can work have the opportunity to do so. This includes personal independence payments, the Access to Work scheme; local authority-provided social care support and aids and adaptations; NHS-provided aids; free prescriptions; free or discounted travel, for example to hospital appointments; the blue badge scheme; disabled students allowance; the disabled facilities grant; budgeting loans, cold weather payments through the social fund; and housing benefit. I shall not repeat the arguments that I made, as the hon. Member for Airdrie and Shotts has quoted me, but I will address some of the points on liquidity before moving on to his questions about the support package.

We have announced some additional funding for the flexible support fund in the coming years, which offers grants to support claimants with the associated costs of returning to work. Through the flexible support fund, Jobcentre Plus has a discretionary fund that is available to claimants. This includes barrier awards for individual claimants. Such awards could include travel and care costs to help people to attend training or the jobcentre itself. The funds can also be allocated to help claimants to move closer towards or into work—for example, for clothes to attend a job interview and start work, and much more. Each district manager is allocated a proportion of the national budget. There are very few national guidelines, and they have considerable freedom as to how to deploy the funds locally. This clearly helps with work and employment support-related costs.

As the hon. Gentleman will know, at Christmas we introduced a new procurement tool, which enables people quickly to purchase things, commission services and so on using the flexible support fund, so I take issue with the allegations he makes. Maybe the process has involved a lot of admin historically, but that is currently not the case.

Neil Gray: Will the Minister confirm whether the flexible support fund will be better directed towards recipients of ESA WRAG?

Penny Mordaunt: Yes. I will come to that point shortly. I also briefly mention the social fund, which can help with non-work-related costs.

We looked at several ways of potentially ring-fencing funds to this group, but in all cases we felt that it would be subject to legal challenge, so this is by far the simplest thing to do. We can monitor how this is being used and see where the money is going. The flexible support fund and the social fund are the only real route to be able supply additional funding to help people, whether that funding is cost-related to work and moving closer towards getting into work, or whether it is other costs associated with the cost of living.

We have also looked at what we can do to reduce a person's outgoings. I thank my officials, who have done a huge amount of work with telecoms and energy

[Penny Mordaunt]

suppliers to establish what support is on offer, and to encourage new offers and some low tariffs. That work has concluded and the Department for Work and Pensions will signpost claimants—not just WRAG claimants, but others—to services that help to reduce those costs. For example, tariffs are available, particularly to those on ESA, that package up broadband, phone and other costs at a low tariff of £10 a month.

When work coaches meet claimants, they will be able to offer signposting to services that help claimants with budgeting and saving money on household bills. That will be supported by a fact sheet that can be given to claimants. The fact sheet is already in operation and has been distributed through our operations arm. It is a one-stop shop that has all the information in one place, as well as signposting to local services. That is a big step forward. The leaflet, “ESA40”, which is sent to all ESA claimants at the beginning of their claim journey now includes a link to the Money Advice Service and its free support on saving money and household bills. This links into the work that the Department has been doing to follow on from the Extra Costs Commission, and it is a big step forward for the Department.

When ESA was introduced by Labour in 2008 as “a radical reform package”, the work-related activity component was intended to act as an incentive to encourage people to participate in work-related activity and, therefore, return to work quicker.

Debbie Abrahams (Oldham East and Saddleworth) (Lab): I do not want to get the Minister up and down on her feet, but I refer her back to what she said about the additional support that will now be available. The Government’s own impact analysis estimated that half a million people would have £30 a week less—£1,500 a year less. What proportion of those 500,000 people will be in receipt of the additional support that her Department is making available, and to what extent?

Penny Mordaunt: That very much depends on an individual’s circumstances. We have looked at a range of circumstances that someone might find themselves in—for example, someone who might need also to apply for PIP. We have looked at the time lag between someone, for example, coming on to being a new claimant for ESA and their actually being able to access that benefit. We have looked at a range of scenarios that someone might find themselves in. However, this support is available to anyone in that circumstance. Indeed, some of it is available to all claimants—for example, the social tariffs, which is a big step forward for the Department.

Neil Gray: The Minister stated in November:

“When that security—

that is, money and liquidity—

“goes, often so, too, does a person’s dignity and wellbeing.”—[*Official Report*, 17 November 2016; Vol. 617, c. 462.]

Is she therefore confident that the measures that she is putting in place, and the tariffs that are going to be available, will compensate people for this £50 a week?

Penny Mordaunt: I hope that what I have said, and what the hon. Gentleman has quoted me as saying in previous debates, at length, would give him some confidence

that I really do understand that we have to do both things. We have to ensure that people are able to pay their bills. If we want them to focus on getting well and on moving closer to, or going back into, the workplace, then putting additional stresses on them is not remotely helpful. That is why we have undertaken this new work in the Department to see whether we can reduce someone’s outgoings, and why we have worked with our operations arm to ensure that this is not something that just sits in a drawer but is being offered to people. These budgeting conversations are happening. So yes, I am confident that this will be acted on throughout our Jobcentre Plus network, and we can monitor how progress is being made.

I mentioned the original intent of the work-related activity component in acting as an incentive. The hon. Gentleman will know that we have recently consulted on radical reform of the work capability assessment. As the hon. Member for Strangford (Jim Shannon) mentioned, it is deeply flawed. We have had many consultation responses on that area, and it will be a major focus of the forthcoming White Paper.

I want to provide some reassurance about the additional support that will be in place, and is in place. All the support that is outlined in the Green Paper is currently in place. That includes recruiting 300 disability employment advisers; the capacity to have one-to-one health and work conversations with a Jobcentre Plus work coach to raise someone’s confidence and help them to manage their health condition; additional places on Work Choice and the work and health programme for all eligible and suitable claimants who wish to volunteer for it; additional places on our specialist employability support programme to support those, in particular, who are furthest away from the jobs market; increased funding for the access to work mental health support service to provide support for in-work claimants; jobcentres reaching out to small employers to identify opportunities and to help match people to jobs with the new small employment offer; and the community partners, who are now all recruited and in place.

Heidi Allen (South Cambridgeshire) (Con): I am conscious that all the things I am hearing are excellent in terms of getting people into work, but so much of this £30 is about, for example, “Can I turn my heating on because I am in long-term recovery from cancer chemotherapy and I am at home a lot.” Would it be possible for the Department to give us some case studies so that we can see how the £30 is made up—what specific funds, whether a broadband deal or whatever it might be, are in place for Joe Bloggs? I know that the Chair of the Work and Pensions Committee, the right hon. Member for Birkenhead (Frank Field), has written to the Minister about this.

Penny Mordaunt: Yes. As I have said, in the work we have done we have tried to look at people who may be in different circumstances. They may have additional costs or there may be a gap between them and the ability to attain those costs. Clearly, the amount of benefits that someone might receive from the additional funds—whether they be in-work support, cost-of-living support or social tariffs—will depend on the individual, but we could certainly create some case studies. We could also, as time rolls on, give some real-life case studies of how this is working and how the flexible support fund and other provisions are being used.

We have recruited some very high calibre individuals to the multidisciplinary teams, including specialists in mental health and community support. We received more than 2,500 applications for those posts. Many other areas of support are available and I would be happy, although this is going ahead, to continue the dialogue with colleagues who may still have concerns.

Question put and agreed to.

10.31 pm

House adjourned.

Westminster Hall

Tuesday 18 April 2017

[MR PETER BONE *in the Chair*]

Child Maintenance Service

11.30 am

Mr Peter Bone (in the Chair): We start with a debate on the Child Maintenance Service. It is good to see so much media interest in this today at Westminster.

Marion Fellows (Motherwell and Wishaw) (SNP): I beg to move,

That this House has considered the Child Maintenance Service.

It is a pleasure to serve under your chairmanship, Mr Bone. I want to thank the Backbench Business Committee for giving us the opportunity to discuss this extremely important issue affecting families across the UK. I would also like to extend my thanks to my colleagues present, who may have had to cut short their Easter weekend to attend today. The fact that they are present highlights the importance of this debate.

Many constituents have approached my office regarding issues with the Child Maintenance Service. In their experience and mine, it is an extremely frustrating and inefficient service to deal with. When it is responsible for something as important as financial support for children, and quite often single-parent families, it must execute its duties properly and get it right. That is not happening.

The Child Maintenance Service is under-resourced, unfit for purpose and failing families across the UK. It has disregarded historical maintenance arrears. It allows non-resident parents to renege on their responsibilities by failing to collect current maintenance, and it imposes a tax on parents who desperately require its services. It fails to provide a service of the decent standard that should be expected of any Government agency.

Despite the length of time I get to speak, when writing this speech I was not thinking about which issues to speak about; I was thinking about what things I would have to leave out, as the maintenance system is so rife with issues. The CMS needs a radical overhaul to ensure that parents and their children can access the support they are entitled to. That support is not optional.

Mr David Burrowes (Enfield, Southgate) (Con): I congratulate the hon. Lady on securing this important debate on an issue that is getting attention in lots of areas at the moment. A group that she may want to leave out is those who are able to reach agreement. The Minister will come back and say that family-based assessments have increased and that many more are reaching agreement. Will the hon. Lady drill into the detail of whether or not that shows the success of the current system?

Marion Fellows: The hon. Gentleman is right; I am not going to concentrate on that. Family-based arrangements are what everyone wants, but they do not happen in all cases. I am here to support and talk about those who are outwith that scheme.

The support that the CMS gives is not optional; it is a legal right for children. The Child Maintenance Service is failing to secure children and their parents with care their rights, or it is taxing them to gain access to what is theirs. Maintenance payments have had both a current and historical problem with underpayment, people not paying and arrears. To date, the outstanding arrears for child maintenance stand at an astonishing £4 billion. That figure alone shows the extent to which the Child Support Agency and the Child Maintenance Service are failing people. At this point, I should add my thanks to the charity Gingerbread, because I am drawing heavily on its work in its recent report. It is likely that that figure does not represent the full picture, as paying parents under direct pay are assumed to have paid their maintenance in full unless the CMS is told otherwise.

According to Gingerbread, which has been doing fantastic work to raise this issue and support families, during the transfer process from CSA to CMS many parents have been pressured into not transferring their historical arrears over to their new claim. The Department for Work and Pensions calls that a fresh start. However, no equivalent letter is sent to paying parents to encourage them to pay off their arrears. In 2013, the UK Government issued “Preparing for the future, tackling the past”, in which they outlined their strategy of disregarding past debts and instead focusing on the payment of current maintenance. In line with that strategy, between December 2015 and March 2016, debt collections per case dropped from £35 to £22.

The DWP has calculated that as little as 12% of CSA debts on both the CSA and CMS systems will actually be collected. Current arrangements are allowing parents to renege on their responsibilities. Even though these debts were accrued in the past, parents should still be held responsible now. Collecting historical arrears should not mean a trade-off with current arrears; both are a priority.

Stephen Timms (East Ham) (Lab): I agree very much with what the hon. Lady is saying. I want to mention one of my constituents, who first approached me in September 1999 and the father of whose child has steadfastly refused to contribute anything. He has spent a great deal on lawyers in the intervening almost 20 years to avoid paying maintenance. Today he owes £55,000, of which £15,000 is owed to my constituent. Does the hon. Lady agree that it is absolutely vital that the money is collected and that the parent receives what is owed to them?

Marion Fellows: The right hon. Gentleman makes an absolutely valid point. That is exactly what I am trying to argue. We should chase arrears; not to do so seems to fly in the face of common sense and natural justice.

Members of the public, and indeed Members of this House, may not be aware that during the switch from CSA to CMS case history is not transferred, leading to a loss in accumulated knowledge that wastes resources and could allow a non-resident parent another chance to renege on their payments. Despite waiting years for an effective service that will proactively seek to collect owed maintenance, these parents with care and their children are being forgotten, with no option for recourse. If debts are uncollectable or unlikely to be collected, parents must be made aware of that. Additionally, if the

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UK Government are unwilling or unable to take the steps to secure children their rights, they must compensate receiving parents for their failings.

Although the CMS is taking the approach of focusing on current maintenance, it is also failing in that regard. Most arrears were accumulated under the CSA. However, since the launch of the CMS in 2012, nearly half of paying parents have been allowed to accrue arrears. As I have said, those in direct pay are assumed to have paid the full maintenance. Given that 70% of CMS cases come under direct pay, compared with just 33% of CSA cases, the magnitude of the problem under CMS is likely to be far larger than the numbers show.

Just because parents agree to pay, it does not mean they will fulfil their obligations. Under the CSA, between January and March 2016, one quarter of paying parents did not pay the full amount due. Of that number, two thirds paid less than half or nothing at all, which demonstrates that the priority of focusing on the payment of current maintenance is not being met. This Government's strategy is failing.

Stringent criteria must be fulfilled before CSA debts will even be considered for collection under the Child Maintenance Service: a parent must open a CMS case, and CSA arrears payments must have been received in the last quarter before moving to the Child Maintenance Service, or the parent must explicitly ask for those arrears to be collected.

The Child Maintenance Service process is extremely difficult to understand and is often not communicated properly to parents. For example, DWP figures show that 17% of those using direct pay whose payments stopped or never even started were not aware that the CMS could even pursue payments for them. Similarly, 15% did not even know about the collect and pay service. Shockingly, a recent report from PayPlan found that more than half of single parents did not even know their child was eligible for support from their absent parent. Communication with parents about services available to them and their rights is lacking; they need to be informed.

The CMS needs not only to take action to collect historical arrears, but to make parents aware of their rights and of what the CMS can do to assist them. A variation claim—the main tool for receiving parents to ensure that their ex-partners' proper income is taken into account—is kept secret. The cynic in me believes that that information is intentionally withheld to reduce the likelihood of any sort of action being taken.

Taking simple measures such as providing written breakdowns of arrears, how they were accrued and what options are available to people would go a long way towards improving parents' interaction with the service and awareness of their rights.

Ms Margaret Ritchie (South Down) (SDLP): I congratulate the hon. Lady on securing this very important debate. Is she aware that in Northern Ireland, 40 members of staff in the Department for Communities who deal with child maintenance are apparently to be laid off? The Department will find itself without experienced staff when it should be ensuring that money goes from absent parents to the children who urgently require it.

Marion Fellows: I thank the hon. Lady for her intervention. She is absolutely correct. Indeed, what she refers to ties in with the whole DWP agenda of closing offices. I will come on to the under-resourcing of that Department.

Even if parents have an understanding of what the CMS can do to assist them, there is a hesitance on the part of the CMS to take enforcement action. That is a major reason why arrears have been allowed to accrue historically and currently.

Antoinette Sandbach (Eddisbury) (Con): Does the hon. Lady agree that in effect that deprives resident parents of their rights, because they have no other means of enforcement? Their legal rights to enforce through the courts have been taken away by the child maintenance system, and that leaves them powerless to pursue what is their right: the maintenance due to them for their children.

Marion Fellows: I thank the hon. Lady for her intervention. Again, I completely agree. When I went to the Backbench Business Committee to apply for this debate, I was aware even there of the consensus across the House on the lack of action and the failings of the Child Maintenance Service, and that is being reinforced by these interventions.

Variation claims place the burden of proof on the parents with care to show that their ex-partners' incomes are misrepresented. I have constituents who have either hired private investigators or become private investigators themselves to prove to the CMS that their ex-partner is lying about their income. That is not their job; it should be the job of the CMS.

Philip Boswell (Coatbridge, Chryston and Bellshill) (SNP): I congratulate my hon. Friend on bringing this debate to the House. Does she agree that improvements need to be made to diminish further the ways in which former partners can manipulate and use the system as a weapon of abuse and control? That was the case with one of my constituents, who, as my hon. Friend clearly states is happening commonly, had to prove her ex-partner's financial status.

Marion Fellows: I thank my hon. Friend for his intervention. Yes, that is at the heart of what I am trying to get across today. This system is not working, and the bottom line is that children are suffering because of it.

Both parents and my staff have raised concerns about the difficulty of making a complaint. The new system makes the first complaint an "inquiry" rather than a complaint. Parents and even my staff have to be persistent in escalating their issue to a complaint to have it properly investigated. I understand that the CMS cannot utilise the enforcement actions available to it without proper cause. However, I have had through my door numerous constituents who have not received full and proper payments from their ex-partners. Despite that evidence having been shown to the CMS, there is a severe lack of urgency. Parents are required to jump through hoops to get any sort of action taken and to fight their case. That demonstrates the lack of understanding of how important it is for parents with care to receive full and timely payments. It has also contributed to a culture of non-payment, which leads to ironically named "paying parents" not paying at all.

Without wishing to sound dramatic, I believe that the Child Maintenance Service should strike fear into the hearts of parents not making their proper contributions. If the CMS took more seriously its duties to pursue maintenance, parents would perhaps not be allowed to make incomplete, late or non-payments. The UK Government have sanctioned benefit claimants and clawed back supposed overpayments. I would like to see them take an equally enthusiastic approach in ensuring that “paying parents” actually pay.

In addition, parents must pay the maintenance that reflects their income. A major difference between the CSA and the CMS is that parents cannot claim for a variation on the grounds of a “notional income” if parents have assets of more than £65,000 or a lifestyle inconsistent with their stated income. That has removed a vital option whereby parents with care can challenge their ex-partners’ claims.

Furthermore, non-PAYE income such as dividends and rental income is not automatically taken into account when calculating maintenance. I have constituents who know that their ex-partner is earning large sums from rental income, for example, but that is not taken into account, allowing parents to minimise their maintenance payments at the expense of their children. We have to see the CMS take action against non-payment, and a change in the rules is required to ensure that maintenance calculations reflect incomes and that, in particular, wealthier parents with assets support their children.

A closer relationship with Her Majesty’s Revenue and Customs would be welcomed, especially regarding data sharing. A bolstering of the financial investigation unit would also be welcomed. That would ensure thorough investigations into those who are self-employed or have complex financial arrangements, so that they pay the right maintenance. It is not enough simply to add to parents’ arrears; action must be taken to collect the money.

The Child Maintenance Service is at crisis point. So long as that continues, we are allowing parents to avoid their responsibilities to their children. It is a common misconception that it is the receiving parent who is losing out if a paying parent fails to make proper payments, but it is the children who are paying the price. Proper receipts of child maintenance have been shown to lift one in five families out of poverty. If the UK Government do not take proper action to secure children their rights, they will be allowing that to happen. The risk of poverty for children in single-parent households is almost double that for children in a household with two parents. Child maintenance is therefore a vital source of income for those families. Some single parents are working themselves to exhaustion to provide for their children while non-resident parents and the Child Maintenance Service allow them to. The Minister must publish the new maintenance collection strategy with set targets for collection; a dedicated enforcement team focused on arrears collection and the collection of current maintenance; and greater use of enforcement powers.

Before the process of coming under the child maintenance system, a parent must pay a £20 charge, and when they come under collect and pay, receiving parents are taxed 4% of their payments. Responses from Ministers have revealed that that is to raise money to fund the maintenance service and to encourage parents to make family-based

arrangements—arrangements between themselves—rather than having an application to the CMS as the default option.

When I tabled a question asking what percentage of those who applied to the CMS were parents with care and what percentage were non-resident parents, I was dismayed to find that those figures were not available. It makes sense to assume that the vast majority of people who make the initial application are parents with care. Many of those parents will be applying to the CMS out of necessity; they will pay the £20 application fee and be taxed at 4% of the maintenance that is collected simply for accessing their rights.

Of those who applied to the CSA, one third had already had a failed family-based arrangement. Although charges may encourage some parents to make family-based arrangements, they can also deter people from going into the child maintenance system in general, leaving them entirely without assistance or recourse. That is particularly true for people on low incomes, who require support the most. Two fifths of receiving parents on direct pay said that they found the application fee difficult to afford; so, too, did half of those on very low incomes. One quarter of receiving parents who moved from direct pay to collect and pay said that they found the 4% collection fee difficult to afford also. Astonishingly, 16% of parents with an FBA said that being unable to afford the fees was one reason why they did not apply to the CMS. Instead of supporting families, charges are taking money out of parents’ pockets, food out of children’s mouths and clothes off their backs—through no fault of their own and all for simply accessing their rights.

Pushing parents out of the maintenance system can leave them without any money at all. Some 29% of former CSA parents with care said that the application fee was a factor in not having an arrangement, and the 4% collection charge influenced 24% of those same parents. The charges are actively deterring people from seeking any assistance at all when they most need it.

One group in particular requires special attention and sensitivity: parents who have been the victims of domestic abuse or violence. Of those who applied to the CSA, half had experienced violence or abuse at the hands of an ex-partner—a substantial group, which must be considered with great care. After a year, about a fifth of receiving parents whose direct pay arrangements had broken down or had not even started said that domestic violence was a factor. In addition, 22% of receiving parents said that domestic violence made it difficult to set up a direct pay arrangement. That shows that so many such parents need maintenance services and need them to be effective. I appreciate that the Government have removed the £20 application fee for these parents; however, the same understanding and approach must be implemented in relation to the 4% collection charge. Those parents cannot be expected to interact in any shape or form with their abusive ex-partners. For most parents, the Child Maintenance Service should not be a default starting point but for such parents it absolutely should. Taking simple steps such as allowing for anonymised direct pay could protect those victims. When we consider that many parents on low incomes are deterred by charges, forcing those parents to deal with their ex-partners to save money is a danger to their security and wellbeing, and often, I should add, to the

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children involved as well. Some parents end up not reporting unpaid maintenance out of fear of reprisal attacks or worsened relations. Those parents deserve to be treated with the utmost dignity and respect, and the Government must therefore make urgent provision for that.

Charges can be a barrier for parents and their children. While I believe that parents should seek a FBA if possible, we should not exclude those who have tried and failed. While I appreciate the Government's need to fund the service, they should not penalise children. In a worst case scenario, the 4% charge should be added on to the 20% charge that non-resident parents incur under collect and pay—they should pay the price for non-compliance, not their children, especially if it can be proven that a FBA is not working or that the paying parent is not making the contributions that they should.

Gingerbread recommends that a means test also be implemented to ensure that those who most need the service are not deterred by the £20 application charge. Taxing children and parents, many of whom apply to the CMS out of necessity because of low incomes or domestic abuse, is not just. They have a legal right to this support, and the Government should not be skimming off the top of what can be a vital lifeline. We must therefore see an end to the 4% tax on maintenance.

I do not want to portray all paying parents as villains. Many pay support for their children both inside and outside of the maintenance service, but the CMS system also penalises them. It is an imperfect system for either parent. Implementing a 25% threshold on a change in income on paying parents can leave many lower income parents struggling, and allow higher income parents to retain more money that could be used for supporting their children. I agree that having the threshold provides payment stability and ensures that the CMS does not incur large administration costs for changes in income; however, it must be set at a level that ensures a more accurate reflection of parents' incomes—the 25% rule must be looked at. CMS staff have also indicated to Gingerbread that there has been reluctance to move cases from direct pay to collect and pay because of the high 20% charge. Staff therefore need to utilise other enforcement measures to ensure proper payment. There must be a review of those charges to encourage staff to move cases to collect and pay if need be, and not to be deterred by placing higher charges on the payments of non-resident parents.

Both groups of parents will undoubtedly have had major issues with actually dealing with the Child Maintenance Service. That is one complaint that every parent who comes to my office has in common. The main complaint is that they are passed from pillar to post and every time they call the CMS they are given a new caseworker who has no previous knowledge of their case, requiring the calling parent to provide lengthy explanations of often complex arrangements within a complex system. Staff often provide parents with conflicting information depending on the call handler. One caseworker told a staff member from my office that due to a lack of resources, oral responses were given rather than written responses. That often leads to contradictory information being given to parents by different caseworkers. My staff have said that it is even difficult for MPs' staff to

receive a written response from the Child Maintenance Service. In one instance, it caused one of my constituents to accrue thousands of pounds worth of debts. He was not notified of that over the phone and was only informed in writing several months down the line. However, when letters are sent, and they still are, they can be misleading. The most ridiculous issue brought to my office was when a constituent received a letter outlining his maintenance for his three children. Imagine his surprise—or horror, rather—considering he had only ever fathered two children.

I have already outlined how receiving parents lack awareness as to what options are open to them to pursue maintenance, and that staff are reluctant to enforce action. However, parents who are aware have reported to Gingerbread and my office that they feel they constantly have to pursue the CMS to pursue their ex-partner. Rather than a game of cat and mouse, this is a game of dog, cat and mouse. When we look at how much is spent in total each year on the collection of child maintenance, that is not surprising. From 2013-14 to the forecasted projected spending for 2016-17, the total spent on the CSA and the CMS has decreased by 21%. That reflects what has been heard from staff—that the service is underfunded and unable to deal with its workload properly. As a result of poor customer service, satisfaction rates among both groups of parents have dropped significantly over the years.

“Dissatisfied” would perhaps be an understatement for how people feel about the Child Maintenance Service. Both groups of parents are suffering from the CMS's administrative and operational inefficiency, which makes any dealings with it unbearable. Complaints are not taken seriously and communication on rights and actions is almost non-existent. I welcome the Government's reviews, but the CMS is rife with problems, requiring a radical overhaul of how it operates.

With £4 billion of uncollected maintenance, and parents being allowed to renege on their current liabilities, the Child Maintenance Service is failing parents and children. Yes, implementing arrangements to deter and minimise non-compliance are welcome, so long as they do not deter parents with care. What is inescapable, however, is that the best way to secure for children their legal rights is for the Child Maintenance Service to get in there and secure those rights for them.

The Government need to take steps to strengthen enforcement teams to enforce payments and forge a closer relationship with HMRC to see parents' actual incomes accounted for in maintenance calculations. The UK Government have taken an approach to welfare that promotes self-reliance while shrinking the welfare state. What better way to ensure self-reliance than to ensure that parents pay to support their children? If those children are not the responsibility of the state, they are the responsibility of their parents, who must pay their contributions.

The system of charges needs urgent reform. It is unacceptable for parents who turn to the CMS out of nothing other than necessity to be taxed for doing so. Children should not lose out on a single penny or pound—or shilling, in my memory—due to their parents' non-compliance. Implementing reforms to abolish charges and collect maintenance properly would benefit parents with care by allowing them to receive maintenance in full and on time, and also provide a lifeline to lift low-income families out of poverty.

A culture of non-payment has developed. Parents are failing to make full and timely payments, because the Child Maintenance Service and the UK Government are allowing them to. As Gingerbread says, children living in single-parent families are at almost twice as much risk of poverty as children in coupled families. The UK Government should protect victims and survivors of domestic abuse, not punish them financially for their inability to engage with their abusive ex-partners. It is clear that the UK Government remain wedded to austerity, in stark contrast with the Scottish Government's determination to create an inclusive, equal Scotland.

I call on the Minister to follow up on the Gingerbread recommendations. I will not go through them again, but they are easy to access, and there are not a lot of them. They would make a huge difference to parents with care and, more especially, to children. The CMS is insufficient, inefficient and incapable. Our children deserve better.

Mr Peter Bone (in the Chair): Three Back-Bench Members are trying to catch my eye. The Front-Bench speakers cannot start the winding-up speeches later than 12.30.

12.1 pm

Antoinette Sandbach (Eddisbury) (Con): I thank the hon. Member for Motherwell and Wishaw (Marion Fellows) for securing this debate. I should perhaps put on record that I have used the Child Support Agency for the last 13 years. I would liken most of that time to banging my head against a brick wall. I also spent four years as a caseworker supporting parents with their cases, particularly with the Child Support Agency, the predecessor to the Child Maintenance Service, due to my personal knowledge of the procedures.

My experience is that staff are not properly trained. CMS staff in particular, since the move to the Department for Work and Pensions, have no idea what their enforcement powers are, are extremely reluctant to use them and regularly fail to do so. Proper compensation is also lacking when the CMS makes mistakes. I appreciate that the volume of complaints to my inbox about the CMS is relatively small, but that is because the vast majority of 3 million cases are still under the CSA system and have not yet been transferred to the CMS. Given my experience, that is probably a blessing in disguise.

I know that that is not this Minister's fault. I feel sorry for her, because she has taken over a system that has had systemic failings for years. The fact that £4 billion in arrears is outstanding demonstrates how catastrophically single parents in this country have been let down by a system that was supposed to make collections easier. The hon. Member for Motherwell and Wishaw has ably outlined some of the key problems on which Gingerbread has made recommendations: I will concentrate specifically on avoidance by self-employed parents.

As we know from the Chancellor's recent statement, a vast number of people are moving to self-employment. Their numbers are growing, particularly among non-resident parents. Self-employment makes avoiding child maintenance easier—there are online forums that provide advice to non-resident parents on how to avoid paying child maintenance—and frankly, the Government have not stepped up to the plate. It is absolutely scandalous that

parents whose legal rights to maintenance for their children have been taken away and given to the state find the state unwilling or unable to enforce those rights. That is not good enough, and in my view, it is discriminatory, because it operates largely against women, as 75% of single parents with care are women. The Government must examine the issue again.

I call for specific action by the Minister. In particular, I echo the calls on "lifestyle inconsistent with earnings". It is ridiculous to suggest that a parent who might have separated from their partner 10, 13 or 15 years ago should have a detailed knowledge of their financial circumstances. Often, the only evidence available to show the Child Maintenance Service is evidence of a lifestyle inconsistent with earnings. For example, a constituent of mine who left his wife and set up with another partner had a Range Rover and foreign holidays abroad, but was £33,000 in arrears. Eventually, after a long court case, the matter went to a tribunal hearing. The evidence in that case was lifestyle inconsistent with earnings; it is vital that that clause be reinstated.

The Government must consider how tax rules are used to disguise assets. In particular, if someone is self-employed or a director of their own company and makes a director's loan into the company, that asset is owned by them, and it means that they can take a large amount of money out of the company, but it is not considered an asset for the purposes of child maintenance. That is wrong. It allows abuse of the system, and it is being used a lot. That information should be available from Companies House and Her Majesty's Revenue and Customs. The issue needs to be examined again.

Further, I urge the Government to consider giving women an enforceable right in the courts where there is an asset threshold. Where that asset threshold is set is a matter for the Minister and her team to decide, but if there are more than £500,000 in assets, for example, that case ought to fall outside the CMS, because they are not taken into account. For example, the family home is exempt from consideration among the assets of the non-resident parent.

It does not take much looking to find past cases in the tribunal system where there have been assets of several million pounds in the form of the family home, expensive sports cars and other high-value items that the CMS cannot take into account because they do not generate an income. That is a convenient shelter allowing high-net-worth individuals to avoid paying for their children. The issue is important. The women involved in these cases have no other way of enforcing their rights. The Government have removed their rights in court, and they need to be reinstated, because so many assets have been excluded from consideration that non-resident parents' ability to pay for their children is not being reflected.

I mentioned earlier that CMS staff do not know their rights. The CMS is completely unwilling to request data from the Land Registry, for example. I support co-location of HMRC and CMS staff. HMRC should automatically notify the CMS if a non-resident parent's claim for tax relief increases. If they put in a tax return and are claiming up to the tax-free allowance in income, the CMS should automatically be notified. We should have much more effective data sharing across Government to enable enforcement.

[*Antoinette Sandbach*]

I fought the system as a single mum for eight years. As a lawyer, I thought that I would be able to understand and work the system, but even now that I am a Member of Parliament, we still cannot get it to work. It is really a scandal and a disgrace that lone parents are being let down so badly by a system that allows non-resident parents to manipulate it.

I am grateful for this debate. If, as a Government, we are to be there for everybody, we must support those who are least able to enforce their rights. The fact that their legal rights have been taken away means that the burden and responsibility on the Government are that much greater. Having practised as a barrister for 13 years or more, I know that a judge in the courts would look at these things very differently from the Government. Quite frankly, it is time to give women more rights to take these matters through the courts, or to make sure that staff are properly trained to take the necessary action and enforce the rules appropriately. I note that there are £3.9 million of arrears in the Minister's constituency; regrettably, there are £5.4 million of arrears in mine. I say to any single parent who reads this debate: please contact your MP—allow us to try to help to make the system work for you.

When the CMS makes mistakes, it should compensate appropriately. The compensation regime for the CMS has changed since responsibility moved to the DWP. That is wrong, and I suspect that we will see some reports from the parliamentary ombudsman about maladministration claims against the DWP. It is unacceptable that when the Department has made mistakes, it has been the children who have had to pay for them. There are some simple steps that could be taken that would not necessarily cost the Government huge amounts of money, but which would help parents to enforce their rights.

12.12 pm

Jim Shannon (Strangford) (DUP): I thank the hon. Member for Motherwell and Wishaw (Marion Fellows) for setting the scene for us in detail. As elected representatives, we are all well aware of the issues because we see them in our offices every day. I will comment on some recent cases that I have seen.

The system is supposed to help people, but we often see cases in which it does not. It is meant to ensure that parents who do not have full custody of their children are still responsible for part of their care. Such a system is needed because, unfortunately, there are those in our society who believe that leaving their children's mother entitles them to leave their children behind too. That does not need to happen—indeed, it should never happen—and the system is in place to address that. We are highlighting the system's shortcomings today, but to be fair, the CSA has been able to sort out some of my constituents' problems, whether those problems have been on the father's or the mother's side. There are occasions when things go right, but unfortunately there are more occasions when they do not. The system is in place to ensure that responsibility is spread, but as the hon. Lady pointed out, every time it is not used successfully, the loser is the child. It is also clear that the system is in no way addressing all the issues. I believe that a better and more effective way can be found.

The hon. Lady referred to a report by the charity Gingerbread. I also read that report—I am sure the Minister did too, because she is very thorough. The report, which was launched in June last year, found that

“hundreds of millions of pounds of child maintenance arrears owed to children are failing to be collected by the government”.

David Simpson (Upper Bann) (DUP): My hon. Friend mentions children, who are the most vulnerable ones in these cases. Surely it is time we revamped the whole system—it would not be the first time that a Government scrapped a system and put in place a new one that worked. We have to think of the vulnerable.

Jim Shannon: My hon. Friend is absolutely right: it is the children who are vulnerable. In many cases it is the mother, too, and on the odd occasion it is the father—it depends on the issues—but the focus of our attention should be on the children, as it is in this debate.

Gingerbread referred to

“new debts piling up in the new system worth an average of £668 per family.”

That is a huge amount of money to a single-parent family; it could be the uniform or the lunch money. There must be a way of getting that money paid or the matter addressed. Gingerbread also notes that

“almost £4bn of unpaid maintenance arrears has accumulated over the 23-year lifespan of the Child Support Agency...which is in the process of being shut down and replaced by its successor, the Child Maintenance Service”.

We hope that the CMS will learn from the mistakes of the CSA and deliver a better system. I look to the Minister to explain how such a better system will be unveiled and how it will ensure that parents and children get their money when they should. However, the Government estimate that only 12% of that amount is ever likely to be recovered. Although I may look to the Minister for a positive response and for guidance, I am well aware that the Government have already stated that they will not get all the money anyway—they have almost drawn a line in the sand and said, “We can't do it.” I have to say that that is very disappointing.

The hon. Member for South Down (Ms Ritchie), who is no longer in her place, referred in an intervention to the staff. Although the administration of the system is devolved, the rules, regulations and laws on the CSA and the CMS are decreed by Westminster. Staff are moved about all the time. In all my years of dealing with child maintenance issues, I cannot remember ever speaking to the same person twice about the same issue. More often than not, people phone up and say, “They said they would phone me back, but they didn't.” How many times have I heard that? It is unbelievable how often staff move about and that happens.

The hon. Member for Eddisbury (Antoinette Sandbach) referred to cases in which a father moves job and becomes self-employed. Off the top of my head, I can think of a couple of cases in which a father in a very comfortable position, earning big money, has said to his wife and two children, “I am not going to be self-employed any more—I am going to go and live with my dad,” and has run away from his responsibility for maintenance. I believe that is wrong. There are others who go on the dole or who take up a job as a taxi driver—I have

nothing against taxi drivers, but their earnings are all cash in hand and they can declare their own figure after their expenses. We need to look at this.

There are also delays in the system. I am now in direct contact with the manager of the system in Northern Ireland. To be fair, contacting him seems to initiate a response, but what about all the other people who are not MPs? What about the mother who is at her wits' end because she does not have the money to look after her children? I expect—as you and other hon. Members would, Mr Bone—the same response to mothers like her as there is to us.

Gingerbread has found that

“evidence suggests that decreasing effort is being put by the government into collecting more than £700m of arrears on existing cases... Meanwhile, within the new CMS, a new system of incentives and penalties was intended to prevent arrears arising in the first place. Yet, after almost two-and-a-half-years of full operation, £52.5m has accumulated in CMS maintenance arrears, with almost half of all non-resident parents in the system having some child maintenance debt. And these figures will increase as cases are gradually transferred across from the old system.”

I have also seen cases of parents—I have to say that in all cases they were fathers—who have moved out of the country and got a job abroad. I wonder how we can chase up non-residents of the United Kingdom.

I echo the cry of Gingerbread's former chief executive Fiona Weir, who said in June:

“Britain's child maintenance system is contributing to a culture where too many parents think it's optional, rather than obligatory, to pay their child's maintenance... The accumulated level of CSA arrears is staggering and completely unacceptable. With analysis showing that one-in-five families are lifted out of poverty by child maintenance payments, this is vital money that parents, and their children, can't do without.”

She clearly outlined the issue and where we are on it. She went on to say:

“And with the Institute for Fiscal Studies calculating that poverty rates for single parent families will double by 2020”—

therefore, the situation will get worse—

“more than ever that child maintenance owed for children needs to be collected by the Government.”

We look to the Minister and the Government to see how best they can do that.

There are also parents who are separated or divorced who come to a financial arrangement, which is an agreement by the two people. It is quite a good system, because by and large they come to a financial arrangement that is equal to what the CSA or the CMS would have arranged. However, I am frustrated, because sometimes the CSA—or, now, the CMS—will pursue those making financial arrangements to see if they can get more out of them. They almost look at them as easy targets and I find that most frustrating.

This issue is continually raised in my office. Just last week, I had a father in my office who has children from a previous relationship. His ex is in a better job than he is and is much better off financially. He has not run away from his obligations to support his children, but there must be a financial equation that is fair and realistic, and that enables everyone to do what they have to do. Fewer than half the eligible families receive child maintenance, an estimated 70% of closed CSA cases involve outstanding arrears, and £52.5 million is already owed under the CMS system.

Communication is also vital. Whenever a lady phones up looking for her CSA payments, I expect the Department to phone her back, so we must initiate a better system, because communication is so important. In the life that we live as MPs in this House, communication—how we relate to and respond to our constituents—is so much of our bread and butter.

I am conscious of the time, so I will finish with this. There are failures that are clear, and these must be addressed, so we must look at the rules, regulations and guidelines that come out of Westminster and consider how we can change them so that the system can work better, whether in Northern Ireland, Scotland, Wales or England. I look to the Minister for assurance that these past debts will be actively sought and that changes will be made to prevent that situation from continuing. With that in mind, we must do better than collecting just 12%.

Mr Peter Bone (in the Chair): Before I call the last Back Bencher, which will be David Burrowes, let me say that I will now start the wind-ups at 12.33 pm, because this is a Backbench Business Committee debate and we want to make sure that Back Benchers have a chance to speak in it.

12.22 pm

Mr David Burrowes (Enfield, Southgate) (Con): Thank you, Mr Bone, for calling me to speak.

It is a pleasure to take part in this very important debate. It is a cross-party debate and quite rightly so, because this is a matter of cross-party concern; we all have constituents who have come to us and who are dealing with ongoing concerns about child maintenance arrears. So I congratulate the hon. Member for Motherwell and Wishaw (Marion Fellows) on securing the debate.

In many ways, I will echo the speech of my hon. Friend the Member for Eddisbury (Antoinette Sandbach), who has very personal knowledge of this issue, but I also want to bring to bear my constituents' concerns. In some ways, this will be a dress rehearsal for the consideration of my ten-minute rule Bill tomorrow, although today's events may prevent that from happening. Nevertheless, I am sure that everyone will want to wait and consider my ten-minute rule Bill before we finish this Parliament. It focuses squarely on equity and justice.

Let me mention a point of principle on which we can all agree—especially Government Members, as it was very much a creature of Margaret Thatcher's Government, and we want to follow through on it. It is the principle of parental responsibility, which recognises that we have a statutory child maintenance system and that all parents have continued responsibility to make reasonable contributions towards the upkeep of their children. It is an important principle and it covers all children. Whatever system we have in place, whatever statutory arrangement exists and whatever administrative reasons are given by the Government—convenience, expeditiousness, or whatever—we must not lose sight of the overarching principle of ensuring that the ongoing responsibility of providing maintenance for all children is met.

This process is focused on the children and not so much on the parents. Whether a parent is employed or self-employed, there must be an equity in justice for the ongoing maintenance of children; that is at the heart of

[Mr David Burrowes]

the debate and it must continue to be at the heart of the Government's actions as they carry out their review. I am not sure what will happen after today's news, but we are waiting with bated breath for the Government to lay their report before the House after the 30-month review. It was promised in the spring. We are in spring—spring has sprung—and so we look forward to that report being laid before the House, as it will set out the Government's view. I know that they have an ongoing five-year review, but the 30-month review is of the current system.

Everything is coming together. The Select Committee on Work and Pensions is also conducting an inquiry on the subject, and the Public Accounts Committee has been waiting to do further work on it with the National Audit Office. The spotlight is very much on the Minister; I hope she feels the heat. It may be the case that when previous Ministers appeared in Westminster Hall and before the rest of Parliament in many debates about the Child Support Agency, child maintenance was the main issue in our constituency casework. That is not the case now, but I would not want the Minister to feel in any way that the situation has been sorted and that she can tell us all, as I am sure she will, that family-based arrangements are on the up, and there were 70,000 or so in 2014-15; that, as I know from her evidence to the Select Committee, and her written evidence, there is a view that the CMS is performing well, with seven out of eight parents now addressing their child maintenance liabilities; and that things are improving. Nevertheless, I would not want her simply to go away and say that she can move on to all the other areas of her brief, because this issue remains a genuine concern.

I want to draw attention to a constituency case that amplifies my point. There is an issue with arrears. For example, my constituent went through the old CSA system and she battled hard. When people come to us as MPs, they are at the very end of their tether, and they come to us only because they have the wherewithal to do so. They have probably been through trauma and conflict in their relationship and they now have to face further trauma and conflict to try to get the just deserts for their children. Eventually, therefore, they come to MPs; we only see a snapshot of the issues that people face.

Many others have given up. In fact, the Minister may need to reflect on the issue of the £20 fee, to establish whether some people have given up because they see that £20 as money that would be better spent on putting food on the table rather than seeking maintenance—they might have heard bad stories and they might not have the confidence to go through the process.

Although the Minister might say there is some good news out there, we must reflect on the deterrent effect, as Lord Freud did when he said that we would have this review. He said that if there was an impact, particularly on the poorest families, as a result of any changes, we would need to reflect on the deterrent effect. I would like the Minister herself to reflect on it.

My constituent went through the whole process, went to a tribunal and eventually got an assessment, as she knew all along she would. Our constituents know that effectively assessments are being made that are completely out of step with what they themselves know about the

lifestyle of the non-resident parent, and that are totally out of step with what that parent is contributing, if they contribute anything at all.

In the case of my constituent, there were accumulated assets of some £600,000, which the tribunal eventually found and which plainly needed to be tapped into regularly to support her teenage son. That has now left arrears of £40,000, but she asks, "Where will that come from?" At the end of the day, will she see that money going to support her son?

My constituent has told me, and I have referred to it in correspondence with my hon. Friend the Minister, that the reality is that the variation grounds that she had been able to rely on have now been abolished. She could rely upon those grounds to get through to the tribunal and eventually to get through that interrogation or inquiry because she was able to get that redress. However, that option has now been taken away from her and from anyone in her position. That rug has been pulled away from them, and so they are very much reliant on, let us say, what is in some ways the "cheap and cheerful" CMS system, but the CMS does not allow—in fact, it actually stymies—redress being pursued through the courts. That redress must be there, particularly in high-value and complex cases, of which there is an increasing number.

My constituent, along with others, is no longer permitted to seek such redress. The reality is that the variation grounds, which allowed for a parent with no apparent income to be treated as having a notional income, have been abolished, and we need to consider whether they should be restored. The issue of jurisdiction is relevant, because it is so limited now within the family courts for child maintenance—dealing with consent orders, and also with top-up payments, but only when there is in excess of £156,000 a year. In all other cases in which the parents cannot agree, this statutory child maintenance system is the only way to seek redress, so we clearly need to consider whether there should, at least, be another option, another way for constituents such as mine, who are not seeing justice, to have the redress they need.

In the case of my constituent, under the current system the non-resident parent would legitimately be able to have a nil maintenance liability. That is the reality. From £600,000 of assets, a £40,000 liability would now be nil. That is madness. It is ridiculous. It does not make sense. It is woefully unfair and goes against the principles that started off the system back with Margaret Thatcher, and now today under the 2012 scheme.

[IAN PAISLEY *in the Chair*]

We need, therefore, to look at the situation properly. Since 2012, any review or variation of the calculation can take account only of taxable income on the basis of Revenue and Customs data, primarily from tax returns and pay-as-you-earn. Without the opportunity to interrogate through tribunals, we are reliant on that data. In Select Committee evidence, the Minister has said that she is working hand in glove with HMRC. There is now a financial investigation unit amassed with 50 investigators, and she has stated that she is homing them in on this challenging area of self-employed non-resident parents. I want to see evidence of that, because in some ways it is too little too late for many people who have been through the system.

It really is not good enough. At the moment, there is the invidious situation for many parents of saying, “You go off to HMRC, to their tax hotline, and there will be an investigation of whether it is fraud”. The Minister needs to reassure me that her investigators will bridge the gap regarding something that is not technically fraudulent but is seriously and scandalously avoiding liabilities. But it is almost too late. The system needs to be front-ended not back-ended, with the opportunity of redress. I hope that the review will bring some of that.

We have had the whole debate about national insurance contributions, and we now recognise the larger numbers of people gaining their income through self-employment. The system does not properly cater for the children of traders, company directors or those with financially complex affairs. I pay great tribute to Gingerbread, which gives the example of a haulier who had his tax return assessed for child maintenance liabilities in a year when he had bought a truck. That truck took away pretty much all his liability—the truck was being put before the children. That is a scandal. It is unacceptable. We must have a system in which we are real as to the situation facing parents today and to their different employments. We do not want to prevent people from being self-employed, but there must be fairness. If we are going to have fairness on national insurance we must have it for child maintenance. I look forward to the Government taking advantage of the Matthew Taylor review to get it right before it is too late for many more parents, with the Minister leading the way.

In conclusion, as time is moving on, we need to see how the £20 fee is affecting poorer families. I ask the Minister to do something about that. I want to reiterate the words of my hon. Friend the Member for Eddisbury and to use the parlance of the Prime Minister: we need a child maintenance system that works for everyone, not just the privileged few.

12.33 pm

Margaret Ferrier (Rutherglen and Hamilton West) (SNP): I was going to say, “You have become young, Mr Bone”, but we have someone else in the Chair. It is an honour to serve under your chairmanship, Mr Paisley. I thank my hon. Friend the Member for Motherwell and Wishaw (Marion Fellows) for securing this important debate. Like those of many Members, my office is being inundated with child maintenance cases at the moment.

The hon. Member for Eddisbury (Antoinette Sandbach) gave a detailed speech that focused on avoidance by self-employed non-resident parents and used her experience as a single mum. I think we all agree with her that lone parents are being let down by the system. The hon. Member for Strangford (Jim Shannon) stated that it is clear that more cases go wrong than right, and he also mentioned that the Child Maintenance Service seems to pursue those who pay and not those who do not, which is a ludicrous situation. The hon. Member for Enfield, Southgate (Mr Burrowes) stated that there must be justice and equity and ongoing maintenance for parents, with the redress they need. He hopes that the Minister will focus on the areas of concern and that there will be a review of the whole system before it is too late for other parents.

There appear to be problems not only with the system itself, but with its operation, and I will begin by speaking about policy and then highlight some constituent cases.

It is clear from the many cases mentioned by hon. Members today that we are all suffering the same; but the parents are suffering even more, so we need to sort this out.

I will give the Minister an overview of what I see are the problems that need to be addressed. Simply put, it is not only unreasonable to charge single parents to access their right to support, it is utterly deplorable. As we have heard, some of those parents are survivors of domestic abuse, and the Government have not even attempted to make exemptions for them. The system has a real potential to create further distress and it is my position and that of my party that the Government need immediately to remove that obstacle for single parents, to protect all children from poverty, regardless of their family situation.

We need only look at the statistics to understand the logic in our argument. Children who live in single-parent families are almost twice as likely to be at risk of poverty compared with children in coupled families. Brutal cuts because of Tory austerity, combined with the rise in living costs, mean that child maintenance matters even more in protecting children from poverty. With no end in sight to the harsh ideological austerity agenda, and with living costs looking set to rise further due to Brexit, the situation looks set to worsen still. If the UK Government are not prepared to take measures such as scrapping child maintenance charges, they cannot claim to be serious in the slightest about dealing with child poverty.

Let us contrast that with the situation north of the border. The Scottish Government continue to prioritise the rights of children. Scottish National party Ministers are introducing a child poverty Bill that will enshrine in legislation targets to reduce child poverty. While we strive ambitiously forward, I hope that Westminster will not work against us. The Scottish Government do not have powers over the child maintenance service, so my colleagues and I urge the UK Government to follow the SNP's lead. If they are not prepared to do so, then please, Minister, give us powers over the service and we will do something about it. Vulnerable families and the rights of the child must be protected. The Government cannot shy from their responsibilities; they must take urgent action to address the ongoing problems with the service that we have heard about today.

I agree with what everyone has said about Gingerbread. I support its Maintenance Matters campaign, and believe that the Government should immediately scrap the £20 application fee for single parents on low incomes, get rid of the 4% collection charge and make better provision to protect domestic abuse survivors. The charges are grossly unfair to the collecting parent and, in essence, punish them for the other parent's non-compliance. The charges also create a barrier to accessing the statutory service for those on low incomes, who are arguably those most in need of support. The Department for Work and Pensions' own evaluation research has shown that about half of those on direct pay and two fifths of receiving parents with a case closing are on very low incomes. Now, 4% may not sound much, but for someone on a low income it really matters. Ministers should be concerned that a quarter of receiving parents who have moved from a direct pay to a collect and pay arrangement say that losing 4% of their maintenance is difficult to afford.

[Margaret Ferrier]

There seem to be major issues with the internal operations of the service too. Recently, my office has seen a huge spike in the number of cases, and, as we have heard today, so have those of many hon. Members. My constituents are turning to me for help because they just do not know who to turn to. Naturally, I am only too happy to help, but I am dismayed that they are having a difficult and frustrating time dealing with the agency directly. A huge part of the problem is that when they call, they are speaking to a different adviser every time who could be in any of the different call centres in different locations across the UK. We are repeatedly told that people receive conflicting information and advice depending on who they speak to.

The service my office has been receiving has declined. On two occasions, I have had to escalate cases out of sheer frustration. It would be expected that my staff would receive the appropriate level of service by ringing the MP hotline, but that has not been the case. We are also not given responses by email—we get them only by letter. That slows the entire process down. Why can we not be given summary responses, confirming what has just been discussed and disclosed by telephone?

I have one constituent case that has gone on for about 18 months. Louise came to me as she felt her ex was hiding money from the CMS, and she could not get it to look into things further. After we got involved, I agreed to escalate the case to the financial investigations unit. Initially she was advised that the timescale might be six months. Then it went to a year, and so on. Parents and MPs' offices understand that the work is sensitive and secretive, but many parents are just left feeling that nothing is happening. Meanwhile, they are left to struggle on, still not receiving a maintenance payment. Regular contact from the caseworker is essential, even if it is only to say, "No update." Ultimately, people want to know that they have not been forgotten. The service I received in Louise's case was appalling. My office must have called about 20 times for an update and never received a call back until we escalated it to a senior level.

Two separate constituents have intimated that the CMS has tried to push the collect and pay method when both parents have been happy with direct pay. Are advisers being instructed to do that so that the Department can make money from collection fees?

Another constituent, John, came to me after receiving a letter about arrears on his account. The arrears were extortionate, as were the proposed monthly payments. Once I got involved, my office asked for a full breakdown of the account, as John disputed the arrears. We received the wrong information from the CMS in a telephone call and were told the arrears were approximately £700. My caseworker called the constituent to tell him and within five minutes of hanging up the phone, we received a further call from the CMS with a correction that added thousands of pounds to the figure. Understandably, I was angered by that and asked for a full written breakdown. That took approximately six weeks to arrive. The case is still ongoing, moving at a glacial pace due to the Child Maintenance Service. Does that sound like an efficiently run service?

It is clear that the system is broken. I think the rise we are seeing in the number of cases is only the tip of the iceberg. When my office and my constituents do not get

the service they should, it has a major impact on everyone, especially the children. The Minister simply must act to protect them and to stop the suffering of my and other Members' constituents.

12.43 pm

Ms Marie Rimmer (St Helens South and Whiston) (Lab): It is a pleasure to serve under your chairmanship, Mr Paisley. I pay tribute to the hon. Member for Motherwell and Wishaw (Marion Fellows) for securing this important debate. It is right that parents who are separated or divorced fulfil their obligations to their children and provide financial support. As the hon. Lady mentioned in her opening speech, child maintenance is financial support for a child's everyday living costs paid by one parent to another once they have separated. It is a vital source of income for separated families.

The Child Maintenance Service is meant to work by assessing a paying parent's ability to pay, calculating the amount due and, if necessary, collecting and enforcing payment. However, the system has a number of failings—they have been outlined clearly today—that are forcing more and more children into poverty. Gingerbread, which supports single-parent families, maintains that the Government's one-size-fits-all approach is placing support for children from separated families at real risk. There is real concern that the CMS, which was brought into effect in 2012, prioritises administrative convenience over the interests of children.

Three charges were introduced: a £20 application fee, enforcement charges for non-payment, and a collect and pay fee for those who ask the service to administer the payments. That is putting off parents who cannot afford the fee from claiming the financial support that their children are entitled to. Under collect and pay, parents must hand over 20% on top of their usual child maintenance amount—we have heard enough about that already this morning. The unfair charges will disproportionately impact survivors of domestic abuse who are unable to have a family-based arrangement and feel that they have no option but to use the service, as they are too frightened to have a direct link to their abuser.

I echo the concerns of previous speakers. The hon. Member for Eddisbury (Antoinette Sandbach) made an excellent contribution using her personal and professional experience. She clearly outlined many of the problems. The charges are a cruel and callous tax on child support. Ultimately, it is the children who will lose out on money intended to support them. Crucially, the application fee can be waived for domestic violence victims—around a third of applicants are given the exemption—but no such exemption exists for the collection service.

It is becoming increasingly clear that the CMS is yet to deliver the modern, fit-for-purpose service intended by the transition from the Child Support Agency system. That system was replaced by the CMS because it was riddled with failings, such as mistakes being made during the assessment process and poor performance. However, the CMS is performing just as poorly, due in part to poor case management and the lack of information and training for staff supplying the service and the lack of information for parents. Those things continue to hamper the CMS's performance.

Parents on the previous child maintenance schemes are only being invited by the Government to apply to the 2012 scheme—transfer is not automatic. Can the Minister explain why the transfer is not automatic? Recent figures suggest a backlog of £4 billion in uncollected child maintenance payments. Does she agree that that is completely unacceptable? I am sure she does. Can she outline what steps the Government are taking to deal with the backlog?

The money is owed by non-resident parents and has built up over 23 years. Figures show that some 1.2 million resident parents are owed child maintenance. The vast majority of unpaid child maintenance money was accumulated under the CSA scheme, but a further £93 million has already built up under the new CMS system. The Government have failed to increase the incentive for non-resident parents to take responsibility for their children, reducing their children's incomes as a consequence. Will the Minister outline how exactly the Government are actively pursuing unpaid child maintenance? Will they provide compensation to the families who have been left waiting for their unpaid maintenance?

The National Audit Office said that as of September 2016, there were more than 1.1 million cases of arrears. Although the majority related to the CSA scheme, more than 96,000 were from the new CMS scheme. Since the introduction of the new scheme, the NAO has said that the Department had reduced the number of enforcement actions it is taking. The Government have stated that they are offering parents a fresh start by suggesting that they write off debts to which their children are legally entitled. These are some of the poorest children in society, suffering from incompetence and cuts in enforcement workers and enforcement work. Why do the Government not restore staffing levels, step up enforcement and ensure that the new Child Maintenance Service is obliged to collect outstanding debts?

Child maintenance can make a huge practical difference for single parents. It can help pay fuel bills, buy clothes for children or fund school trips. It can put food in their mouths and clothes on their backs. For particularly financially vulnerable families, including single-parent families on benefits, it can also be the difference between children growing up in poverty or not. The risk of poverty for children in single-parent households is nearly twice that for children in two-parent households. That is particularly important considering that under this Government, 4 million of our children in the UK now live in poverty. Child maintenance alone lifts a fifth of low-income single-parent families out of poverty. When social security is being cut and child poverty is predicted to dramatically increase, it is more important than ever that children do not miss out on such vital financial support. Can the Minister please outline what steps the Government are taking to tackle the increasing levels of child poverty?

One in four families in Britain is a single-parent family, and 1.5 million families rely on Government-run schemes to ensure they get the right child maintenance payments. When child maintenance goes unpaid by a parent, it is our children who lose out. Increasing the barriers to statutory support is an ill-advised move if the Government intend for more children to benefit from maintenance arrangements. I urge the Government

to do more to make sure that vulnerable families and children do not lose out from the changes, but benefit from them.

12.50 pm

The Parliamentary Under-Secretary of State for Welfare Delivery (Caroline Nokes): It is a pleasure to serve under your chairmanship, Mr Paisley. I congratulate the hon. Member for Motherwell and Wishaw (Marion Fellows) on securing this important debate. She is certainly committed to this issue. I thank her for the work that she has done in raising the profile of the Child Maintenance Service and for her contribution this morning. I also thank Members of all parties. It struck me this morning that this issue transcends party lines. We have heard from the three main parties in Westminster—

Jim Shannon: And the DUP.

Caroline Nokes: And from my friends in Northern Ireland. My hon. Friend the Member for Enfield, Southgate (Mr Burrowes) raised the question of whether I felt the heat of this issue. I can assure him on this beautiful spring day that I certainly do feel the heat. Members have made me feel it this morning, but, much more importantly, I feel the heat of this issue every single time I open an email from a parent with care who is not receiving the correct amount of maintenance. I also feel it when I receive emails from non-resident parents who raise concerns about the amount they have to contribute and whether arrears that have built up are indeed the correct figure. So yes, I feel the heat. I also concur with what I think every single Member has said this morning: our first thought should be for the children. It is not a question of non-resident parents and parents with care. Their battles, to be frank, are not of interest to me compared with what we feel for the children who need support and maintenance from both parents.

I commented at a Select Committee last year when I was a new Minister—it seems a long time ago—that I wanted to hear about cases, because that helps me to point out to CMS officials where there have been failings and where we could do better. That matters to me, because it matters that maintenance flows to children in as many cases as possible. I said it at that Select Committee and I will repeat it today: I welcome receiving emails from parents with care and from non-resident parents because I need to know—although given this morning's news, I do not know for how much longer I need to know.

I want to be clear that the responsibility for ensuring that child maintenance is paid on time and in full lies with paying parents. Parents who think they have got away with not paying their maintenance as their children grow up are not cheating the system; they are cheating their own children. The hon. Member for Motherwell and Wishaw spoke of having to think about what she left out when she composed her contribution this morning. I wake up thinking of the children who are not receiving the correct amount of maintenance. The words of my hon. Friend the Member for Enfield, Southgate about a truck being more important than paying maintenance to children will ring in my ears.

The DWP is currently delivering a comprehensive package of reforms to the system, which are intended to encourage and support parents to take responsibility

[*Caroline Nokes*]

for paying for their children's upbringing. Where parents do not meet their responsibilities, the statutory scheme is there to enforce payments.

Hon. Members have rightly mentioned this morning that under the old system the Child Support Agency did not provide the right support to parents and was expensive to run. We know—Members have acknowledged this—that the bulk of arrears referred to accrued under the former CSA. The new system run by the Child Maintenance Service is designed to specifically address some of the shortcomings of the CSA. We have learnt from mistakes of the past. Where the previous system often drove a wedge between parents, the new system is designed to encourage collaboration at every stage. Evidence shows that parental collaboration has a direct positive impact on children's outcomes such as health, emotional wellbeing and academic attainment. We know that a constructive inter-parental relationship, whether parents are together or separated, will improve outcomes for children.

The new child maintenance options service acts as a gateway to the scheme, ensuring that parents are given the information and support they need to make an arrangement that is right for them, whether that is a family-based arrangement or a statutory one. Our agents receive specialist training to help them to deal sensitively with clients, and tailored support is delivered via phone, live webchat and email. Child maintenance options has helped a quarter of the clients who contacted them to set up family-based arrangements, which we know are better for children in the long term. The number of parents who have made an effective arrangement following contact with the service increased in the first two quarters of 2016, from 82% to 87%.

We know that maintenance arrangements, while important, are one of the many issues that parents face when they separate, so our agents can also signpost parents to a wide range of organisations that can provide specialist support and advice on the issues they may need help with in their relationships.

The charges, which we have heard about this morning, were introduced in 2014 to provide a further incentive for parents to collaborate, and we know that collaboration works in the best interests of the children. Although the service is primarily funded by the taxpayer, the charges contribute a small amount, helping to offset some of the costs associated with providing the service—it is a small amount, in the region of 10%. All the measures are designed to encourage the parents who can to make their own family-based arrangements. It is perhaps inevitable that the families who end up in the statutory scheme will be the ones for whom that is most difficult.

It is important to reflect on that point. Parents who can collaborate do. Those who are committed to working together seldom come within the orbit of the CMS. It therefore follows that the parents with whom we do have contact are the ones who are most likely to have

conflict and difficulties. It is true that, as the hon. Member for Strangford (Jim Shannon) said, family-based arrangements are the ideal solution and provide the best outcomes. We do not want parents to have to come within a statutory scheme. However, we acknowledge that that is not always possible.

We continue to use all the tools at our disposal to maintain compliance and recover arrears, but it is inevitable that some arrears will accrue as some parents go to great lengths to avoid their responsibilities. At the end of last year, I visited our CMS centre in Hastings and spoke to both the enforcement team and the financial investigation unit. I was very impressed by their professionalism and dedication, but I was also struck by how difficult their job is. Perhaps it is inevitable in a buoyant employment market that non-resident parents find it easier to change job than when the economy is not so good.

We have heard from various hon. Members that one of the significant problems lies with the self-employed and company directors. It is there that we have the biggest challenges. Both the financial investigation unit and the enforcement teams are determined to do what they can, using the powers already available to them. We can at present make deductions from single-held bank accounts, but not from joint accounts. We are looking at how we can best use our powers to include joint bank accounts. I am very conscious that some non-resident parents hide assets and income within the bank accounts of other family members. We desperately need to address such abuses, which will form part of our arrears strategy, which we will publish later in the spring¹, notwithstanding my earlier comment about this morning's announcement.

I promised the hon. Member for Motherwell and Wishaw that I would leave her some time to conclude. I am conscious that I have been short of time, but I have a mass of information that I would like the opportunity to share. My parting shot is this: if we are to have an arrears strategy and an enforcement strategy that really works, we need to be creative and determined to do it. My door is always open to Members who wish to come forward with new and innovative ideas as to how we can best make parents accept responsibility for their children.

Ian Paisley (in the Chair): I call Marion Fellows for about 45 seconds.

12.59 pm

Marion Fellows: Will the Minister please send her notes? In the short time she may have left, will she send the stuff that she was unable to share with us, because we all want to know? None of us here can say that we will be here after the next election, but the issue will not go away. It needs to be addressed.

Question put and agreed to.

Resolved,

That this House has considered the Child Maintenance Service.

1. [Official Report, 20 April 2017, Vol. 624, c. 1-2MC.]

Serious Fraud Office

1 pm

Kirsten Oswald (East Renfrewshire) (SNP): I beg to move,

That this House has considered the relationship between the Serious Fraud Office and other agencies.

It is a pleasure to serve under your chairmanship, Mr Paisley. I sought this debate because of concerns about investment losses suffered by my constituents, and because of my related work as chair of the all-party parliamentary group for the Connaught Income Fund. As a newer Member of the House, I am coming fresh to an issue that many longer-standing Members may have considered previously. I make no apology for that. I am also not a lawyer, so I do not intend to get into the legal principles underlying the work of the Serious Fraud Office. However, having participated in a debate in February on SFO funding, I was interested to hear talk of the need to make changes to the legal framework.

I thank the Library for its support. I found its summary hugely helpful in confirming that there is a problem—certainly of perception and possibly also with the balance of the law being wrong. The Library note states:

“The enforcement of law in the field of financial services is surprisingly complicated. It involves a matrix of law and rules overseen by different bodies, agencies or regulators. It often contradicts a ‘common sense view’ of what actually is a crime.”

In preparing for that February debate, I was amazed to learn of what I considered to be the under-resourcing of the Serious Fraud Office. Is £60 million the budget we should be devoting to tackling the most serious acts of fraud, or should there be a significant increase in SFO capacity? In a recent speech, Megan Butler of the Financial Conduct Authority identified that the banking sector alone estimates its financial crime compliance costs at some £5 billion a year. In that context, the annual cost of the SFO seems remarkably low and increasing it seems to be a worthwhile investment.

Some hon. Members here may have helped to put in place the legislative and organisational framework that appears to have so badly failed my constituents and others caught up in the Connaught and other financial services scandals. A debate on the relationship between the SFO and other agencies may help them to consider whether they view the current situation as satisfactory.

When we look at the matter in detail, we must look at issues in sequence. We must decide the balance we want to see between the criminal law and the regulatory framework. Only when that is clear can we allocate responsibility to the relevant agency. I would cite two examples of where the balance is perceived to be wrong.

First, despite the banking sector bringing the UK economy to the brink of collapse, very few individuals have faced sanctions, regulatory or criminal, following the 2008 financial crisis. Secondly, the manipulation of financial benchmarks such as LIBOR, on which billions of pounds depend, was not a specific offence until recently. By contrast, an inaccurate mortgage application has long been classified as mortgage fraud, and many applicants and their advisors have faced prosecution for such a crime. If law enforcement was similarly lax in response to any other explosion of what most of us regard as crime, there would be outrage. Instead, what

we see is an increasing cynicism and a view that “There is one law for them, and another law for us.” We need to address that cynicism.

The late Tam Dalyell, former Father of the House, did not always see eye to eye with my party. However, he left a great legacy as a parliamentarian. During his campaign on the sinking of the *Belgrano*, he highlighted the principle that small inconsistencies tend to be part of larger inconsistencies and that seemingly small untruths are often part of larger untruths. Thinking about that issue, it struck me that if this House could not understand why such a fraudulent enterprise as Connaught was able to operate and the perpetrators able to go undetected for so long, we could have little confidence that the systems for regulating financial services in the UK are generally fit for purpose.

I make no pretence of having an answer. By holding this debate, I am providing the Minister with an opportunity to reassure the House that the Government think they understand—and that they propose to take steps to prevent a recurrence. An FCA investigation into the Connaught fund is under way and I look forward to the outcome. However, much information is already in the public domain.

Connaught was an investment vehicle launched in 2008 under the title “Guaranteed Low Risk Income Fund”. Members of a certain vintage, like myself, might recall the Wile E. Coyote cartoons, in which a hapless coyote bought devices from Acme Trading in a desperate effort to catch the elusive Road Runner. The devices inevitably misfired or backfired. Calling a fund that promised a high rate of return “guaranteed low risk” might raise suspicions that it was similar to the sort of product sold by Acme Trading. But the fund did not come from Acme Trading; the “guaranteed low risk” fund came fully signed-off with the Capita brand.

Capita describes itself as the UK’s leading customer, business and professional support services organisation. Indeed, a few years ago, the Ministry of Justice brought Capita in to operate a contract after concerns were raised about the original operators. Capita is known to sit close to the heart—if such a thing exists—of the UK’s financial services sector. Investors would rightly expect officers authorising use of the brand to have a high aversion to reputational risk. They would not expect the name to be allied with an obvious scam.

Unfortunately for investors, the supposedly “guaranteed low risk” fund proved no better a performer than an Acme Trading rocket and it careered right out of control from day one. Four years later, the fund, now rebranded as the Connaught Income Fund, hit the wall, taking the savings of more than 1,000 investors with it, with losses of more than £100 million pounds—less than a third of which has ever been recovered.

We know the Connaught fund careered out of control from day one, because one of the participants said so in the case of Connaught Income Fund, Series 1 v. Hewetts Solicitors. Mark Cawson QC, sitting as a Deputy Judge of the High Court, stated that in his view passages within the fund’s information memorandum

“were suggestive of an intention that the Fund would lend directly to the ultimate borrower requiring the bridging loan.”

However, the evidence given in court by Michael Davies, who had been at the centre of the fund throughout its life, was that that was never the intention,

“however the IM might have been expressed.”

[Kirsten Oswald]

From the start, the funds went to a single group of companies—Tiuta plc and its subsidiaries. Immediately, Tiuta used some of the funds to replace the group's past dodgy investments. I hope that the origin of that dysfunctional fund as the product of a highly regulated financial services firm is central to the FCA inquiry. I believe it should also be of interest to the Serious Fraud Office. If it is not, there must be something seriously wrong with the body of law underpinning the financial services sector. Without Capita acting as an operator that boosted the fund's credibility, it may, like an Acme Trading rocket, never have got off the ground—saving a lot of people a great deal of money and distress.

We know a lot about the operation of Tiuta because of a whistleblower, George Patellis. In early 2011, shortly after becoming its chief executive, he approached the FSA with what he called clear evidence of Tiuta defrauding the Connaught fund. In a recent finding, the Complaints Commissioner expressed doubt about whether at the time the FSA seriously considered whether fraud had occurred. Indeed, the FSA delayed acting on or sharing Mr Patellis's allegations for approximately 18 months, allowing Connaught to rake in millions of pounds more from investors and to pass them to Tiuta to disappear. The companies in the Tiuta Group entered administration in 2012 and then went into insolvent liquidation.

When the information given by Mr Patellis was finally passed on, despite the scale of the losses identified by that time, it was not passed to the SFO—it was passed to the City of London Police. It seems that the FSA was very reluctant to do anything that flagged up the case as one of fraud, especially as it had been allowed to continue for so long on its watch. It is now six years since Mr Patellis made his report to the FSA. In those circumstances, the likelihood of any court action against participants in the Connaught scandal being challenged on the grounds of delay must be very high.

When I looked for the detail of the agreements between the SFO and the FCA to cover such circumstances, I was very disappointed at what I found. The SFO website contains a range of codes and protocols with other agencies governing its responsibilities. An agreement with the FCA is not listed. The FCA's own enforcement information guide makes no reference to fraud or to a relationship with the SFO.

In 2014, two of the directors of Connaught were disqualified for a combined total of 16 years. The Insolvency Service cited their failure to manage Connaught's relationship with Tiuta as the key factor in the failure of the fund. I am not sure what conclusion one can draw other than that the nature of that relationship, which was fundamental to the Connaught and Tiuta operation and had functioned for nearly four years, was not an accident. Again, there appears to be no published agreement between the Insolvency Service and the SFO—at least, there is not one on either agency's website. There is a reference in the Insolvency Service's guidance to the possibility that, if an offence has been committed, it may result in a report to the appropriate investigating or prosecuting authority.

One of the key events in the life of the Connaught fund came in September 2009—a year after it was opened. Capita stepped down as operator and was replaced by Blue Gate Capital. Surprisingly, the change

triggered no requirement for due diligence, and no warranty or indemnity in respect of the operation of the fund to that date. The departure of the fund from its information memorandum and the conflicts of interest on the Tiuta side of the operation must have been well known by that time, because one of Blue Gate's early acts was to issue a new information memorandum, which apparently brought the terms of the fund's information memorandum and its operation into closer alignment. One might have expected that the discovery of that discrepancy would have resulted in some action, other than for Blue Gate to seek to align the paperwork with the practice it had inherited.

I note that, in some areas of financial services, a system of suspicious activity reports has been established. In 2014-15, more than 300,000 reports were submitted. That volume of reporting is underpinned by the clear identification that it is a criminal offence to fail to report knowledge or concerns about money laundering or that someone may be gathering money to fund terrorism.

It seems that the Connaught operation became practised in using investors' funds to meet running costs, and elements of the Tiuta group accounts were falsified to overstate the value of assets underpinning the fund. As chief executive, Mr Patellis initiated a process of reviewing the group, including whether it should declare insolvency. In his report to the FSA, he highlights that the directors continued to draw high salaries and benefits, and that consultants established regular fee lines, despite the fact that they were all aware that new funds were being attracted and consumed with no plan in place for returning the group to financial stability.

Surely, given the FSA's principles of business, the participants in that process should have been obliged to report their knowledge and concerns. By departing so markedly from the information memorandum, they had collectively fallen into the way of publishing false information. I can think of no reason why the people who were aware of that fraud should not have been under an obligation to report to the FCA or the SFO that investors' funds were being handled in a way that did not match up with the prospectus or the information memorandum. Rather than being met with confusion, as Mr Patellis' report was, the introduction of a formal mechanism, such as an SAR, may provide the clarity the system needs.

If an ordinary citizen had committed a comparable level of dishonesty in completing a mortgage application, they would immediately face investigation with a view to a criminal prosecution. Is it right that those embedded in our financial services sector should be protected from such investigations? Should we ensure earlier involvement of the SFO or the police when an apparently rogue fund is uncovered?

In previous debates, I have heard the senior managers regime cited as a solution to many of the problems in the sector over recent years. Having looked at some of the consultation materials issued as part of putting the senior managers regime in place, I have doubts if that will be the case. The consultation paper on duty of responsibility for senior managers appears to contain no reference to fraud or to the SFO. If I have missed it, or if it is buried in some other paper, I would be happy

if that were highlighted to me. If I have not missed it and it is not there, that strikes me as an omission that must be corrected.

I found the discussion paper on the legal function even more concerning, because it opens the prospect of excluding the firms' heads of legal function from the SMR. In terms of issues such as the design of investment opportunities and their operation, regulated entities should not have any closed books from the regulatory and enforcement agencies.

It strikes me that we still have some way to go to properly embed a fraud-aware approach into the regulatory framework of the financial services sector. Two ways in which that can be done—I would love to hear the Minister's opinion on this—are to properly resource the SFO and to create much stronger links between the FCA's staff and the SFO's work. I look forward to hearing the Minister's comments on all those points.

1.15 pm

The Solicitor General (Robert Buckland): It is a pleasure to serve under your chairmanship, Mr Paisley. I congratulate the hon. Member for East Renfrewshire (Kirsten Oswald) on securing this debate. I noted the remarks she made in a debate on an associated issue relating to the SFO in February. I pay tribute to her and to colleagues on the all-party parliamentary group for raising this undoubtedly very serious issue, which has caused real loss for those who invested in the Connaught scheme.

The hon. Lady outlined her concerns clearly, and said that she has already raised them with the FCA. She will appreciate that the Financial Conduct Authority is a separate, independent body, and I am not empowered to comment on its investigation, which is still ongoing and is extremely complex. The fact that many investors are still out of pocket is fully appreciated, and it is understood that certainty is needed about whether they can expect to receive compensation. The FCA will update them as soon as it can, and it is encouraging investors to consider what they can do in the meantime to protect their position.

The hon. Lady raised wider issues about, first, the status and funding of the SFO, and, secondly, its relationship with other agencies that help to police economic crime, misconduct and the sort of activity that, frankly, damages the reputation of financial services not only in the City of London but in the whole of the United Kingdom. I assure her that the Government take this matter extremely seriously, because it pertains not just to economic reputation but to our national security. That is why it was welcome that the Home Secretary announced last year that wider work will be carried out through the Cabinet Office to examine our response to economic crime more broadly. As part of that examination, we will look at the effectiveness of our organisational framework, and the capabilities, resources and powers available to the organisations that tackle economic crime, so it embraces fundamental questions of the type that the hon. Lady asked.

The SFO does vital work in tackling the most serious instances of fraud, bribery and corruption. It is an important part of the UK's enforcement regime. It is right that questions continue to be asked about the adequacy of the way in which we deal with economic crime and how we can improve it. The hon. Lady was right to ask questions about LIBOR and the sort of

activity that took place at the time of the economic crash in 2008. Although it is welcome that a number of people who were involved in manipulating the LIBOR regime have been prosecuted and, indeed, convicted, I agree that more needs to be done. It is acutely incumbent on the Government and the enforcement agencies to ask those questions at all times.

The hon. Lady rightly raised the issue of funding, about which we had a debate in this House not long ago. I assure her that the director of the Serious Fraud Office, David Green, who has been doing excellent work since his appointment in 2012, is satisfied that the funding his office receives is sufficient to carry out investigations and prosecutions. Let us not forget that the blockbuster funding allowed by the Treasury gives the SFO the flexibility and fleetness of foot it needs to mount special and unexpected investigations—it is, of course, very much a demand-led office.

I am glad to report that, in recent months, the SFO has yielded hundreds of millions of pounds for the Treasury in the form of new deferred prosecution agreements—most notably with Rolls-Royce and most recently with Tesco, to name but two. I am impressed by and pleased with the progress of the SFO since the appointment of David Green and with how it has focused on the criteria that it has to apply under the governing statute that set it up some 30 years ago.

Briefly, to remind ourselves, the SFO is a relatively small, specialised department that is allowed by law to investigate and, where appropriate, to prosecute cases of serious or complex fraud, which includes cases of domestic or overseas bribery and corruption. Such fraud calls for a multidisciplinary approach and recourse to the legislative powers available to the SFO.

The criteria for case acceptance are strict. The SFO will consider all the circumstances of a case, which include: cases that undermine the United Kingdom's commercial or financial reputation in general, and the City of London's in particular; cases in which the actual or potential loss involved is high; cases in which the actual or potential harm is significant; cases with a very significant public interest element; and, finally, new species of fraud. All frauds are serious, causing real detriment to those who fall victim to them, but the criteria rightly set a high threshold that has to be applied by the SFO.

On the way in which the SFO works with other agencies, I reassure the hon. Lady that it has constructive strategic and working relationships with all its law enforcement and regulatory partners. It engages with other agencies whenever relevant throughout the life of a case, right from the development of that case through to its investigation, prosecution and recovery of the proceeds of crime.

Those relationships are supported continually through attendance at various cross-Government working groups and regular bilateral liaison meetings, whether at the senior or operational level, and they are underpinned by memorandums of understanding or operational protocols where necessary. Such structures have evolved over time and in particular since the establishment in 2013 of the National Crime Agency's economic crime command. The NCA plays a co-ordinating role in a structure of governance that applies across all areas of economic crime, and the SFO plays its part in all the relevant groups to form that collective response.

[*The Solicitor General*]

There are agreed roles and responsibilities, and the SFO investigates a particular species of serious fraud, bribery and corruption cases. At all stages of the assessment, however, reports of economic crime received by the SFO are under review to establish whether the matter falls within its jurisdiction and remit. If the matter is deemed not to reach that high threshold, it is closed and, if appropriate, consideration is given as to whether another law enforcement or regulatory partner may be better placed to develop the information.

Such decisions are made with a clear understanding of the remits of the other law enforcement agencies. The decisions are underpinned by frequent meetings between members of the SFO's intelligence unit and their counterparts in the NCA, the Financial Conduct Authority and the other law enforcement and regulatory agencies. They meet in order to avoid the inevitable duplication or the conflict that might occur between reports. It will therefore be clear that only one agency is in the lead on any given issue.

We have to appreciate that many referrers—members of the public or others—will approach several agencies with the same matter, so each other's expertise and capabilities are needed to make real progress with an investigation and to avoid, for want of a better phrase, reinvention of the wheel. That is essential if we are to make proper progress.

In particular, regular meetings are held between members of the foreign bribery clearing house—"foreign" means the involvement of other jurisdictions, which of course includes Scotland—to place potential investigations with the relevant authority. An SFO secondee therefore works with the NCA bribery and corruption intelligence unit, which helps with that process by providing direct access to the assets of the NCA and SFO.

Operation of the clearing house is governed by a memorandum of understanding that was agreed in 2014 and is published on the SFO website. Parties to the MOU are the City of London police, Scotland's Crown Office and Procurator Fiscal Service, the Crown Prosecution Service of England and Wales, the Financial Conduct Authority, the Ministry of Defence police, the National Crime Agency and the Serious Fraud Office. We need not end there, however, because the MOU is being looked at again and refreshed to ensure that it is as relevant as possible, bearing in mind current challenges.

Another MOU, between the SFO and the Scottish prosecuting authorities, sets out further rules for co-ordination and co-operation between the two bodies. The SFO does not have prosecutorial authority north of the border, but it has investigatory powers over frauds that could be prosecuted in England, Wales and Northern Ireland, so the co-operation with the Scottish authorities is vital.

Those MOUs set out the remit of each agency involved in tackling bribery, in accordance with the agreed roles and responsibilities grid that exists for bribery and corruption cases, and provide a framework for how the agencies will co-ordinate foreign bribery work. That ensures that all credible allegations of foreign bribery with a connection to the UK are properly assessed.

The SFO also takes part in other strategic delivery and working groups, including Project Bloom, which relates to pension fraud and is chaired by the Pensions Regulator, and the Panama papers taskforce announced by the then Prime Minister in April last year. The SFO is a founding member of the joint financial analysis centre, which is an important part of the Panama papers taskforce and was launched in July last year with the NCA, Her Majesty's Revenue and Customs and the Financial Conduct Authority.

The SFO has invested a significant amount of its intelligence resources into that new joint analytical centre, which is complemented by a dedicated group of officers based within the SFO who manage and develop the resultant intelligence and contribute to the analytical process and the product of it generated by the JFAC.

The SFO also actively participates in a number of Panama papers forums, including the JFAC co-ordination and response group, which provides a platform to share efficiently information and intelligence, agree primacy and co-ordinate joint working. The SFO's commitment to the principle of joint working has directly benefited numerous SFO investigations as well as an operation with HMRC, supported by the NCA, in relation to serious and complex fraud allegations. There is a referral mechanism; the SFO refers matters to the JFAC as well as being a part of that centre itself.

The SFO does not have its own powers under the Police and Criminal Evidence Act 1984. It carries out searches and arrests with the support of the NCA and police forces and it works with them collaboratively, where appropriate, throughout investigations. That symbiosis is very much a part of the way in which the SFO operates with other organisations.

I take on board what the hon. Lady said about the need further to refine and improve the process. I can assure her that with each year that passes, that is precisely what happens. If lessons can be learned from previous failures or omissions, they are learned and they are used to refine existing memorandums of understanding and existing partnership working to ensure as seamless a response as possible to economic crime. There is much to be done. Much has been achieved, but I accept the spirit of the hon. Lady's motion: there is more to do.

Question put and agreed to.

1.29 pm

Sitting suspended.

Future Accommodation Model

[MR CHARLES WALKER *in the Chair*]

4.30 pm

Jeff Smith (Manchester, Withington) (Lab): I beg to move,

That this House has considered the Future Accommodation Model.

It is a pleasure to serve with you in the Chair, Mr Walker. I hope that you and other Members had a good Easter recess and are looking forward to an exciting few weeks ahead.

I brought forward this debate because of widespread concern about the way in which the Government are progressing the future accommodation model, the consultation process and the impact that the FAM may have on recruitment and retention by our armed forces. The Ministry of Defence seems to lack a convincing case, other than simply wanting to get personnel out of service family accommodation and into either their own homes or the private rented sector. The worry is that that threatens the practical availability of affordable quality accommodation for service personnel. I hope that the Minister can reassure us about some of the concerns and perhaps give clearer answers about what the FAM will look like.

I thank hon. and hon. and gallant Members for attending today's debate. I do not intend my opening remarks to be very lengthy, as other Members in the Chamber have much more experience of and knowledge about this issue than I do and I am looking forward to hearing from them. I thought that there might be one or two more Members here, actually, but today's events have perhaps focused minds elsewhere. The House discussed this issue a few months ago in a half-hour Westminster Hall debate, and I hope that this longer debate gives Members a greater opportunity to express views and the Minister an opportunity to give us some assurances.

During the recent debate on the armed forces covenant, the Minister said that the future accommodation model "is a complex model, and it is a controversial matter. Much of the problem is that we have not had the opportunity to communicate what the options will be in the future, and I am determined to address that."—[*Official Report*, 2 February 2017; Vol. 620, c. 1291.]

I hope that this debate gives him the opportunity to do that in rather more detail than we have had so far.

The context of the debate is a long period of dissatisfaction with military housing and what the hon. Member for Berwick-upon-Tweed (Mrs Trevelyan), who I am pleased to see here today, described as a "crisis" in military housing. The Public Accounts Committee found that service families

"have been badly let down for many years and are not getting the accommodation service that they have a right to expect"

and added that the

"current model for providing accommodation for families is not flexible enough to meet the reasonable needs of service families in the 21st century."

There is a clear need for change, and the Opposition understand that need. We welcome the principle of broadening choice for service personnel and families, but that must include an important role for service

family accommodation. Military accommodation is not just about bricks and mortar; the support networks and communities in a patch are absolutely crucial, too.

The future accommodation model is the Government's response to their commitment to make a new accommodation offer to service personnel. The Government committed in the 2015 strategic defence and security review to

"help more Service personnel live in private accommodation and meet their aspirations for home ownership."

They say that the future accommodation model will be based on need, be more flexible and reflect modern demands, which will provide personnel with more choice about the type of accommodation they live in and its location, and help if they wish to buy their own property or rent privately. I hope that we will get some assurance from the Government today that the FAM can deliver those aspirations—we are not yet convinced about that—and, most importantly, that they are taking fully into account the views of service personnel and families. There is concern that the proposals that come forward may be rushed through without full understanding of the long-term repercussions in terms of cost and impact on retention.

I want to raise a concern about the potential increased use of the private rented sector. Many of us will know from our constituency casework—I certainly know from mine—that that sector causes the greatest problems in terms of affordability, quality and security of tenure. There is real worry about the suitability and affordability of the private rented sector in some of the areas in which it might be needed. Although we understand the need for change, change is sometimes difficult, and we are worried that the future accommodation model is causing significant concern for both personnel and the families federations. There is real concern that the consultation was not carried out satisfactorily—let me put it that way at this stage.

The Armed Forces Pay Review Body's 46th report highlights the need to maintain a clear line of communication with forces families about the FAM. It states that service families federations

"said that honest and clear communication around the implementation of the People Programme strands, especially the Future Accommodation Model, will be essential as housing is seen as a key element of the overall military offer, particularly for the Army."

Hon. Members will be aware that the Department conducted a survey on the future accommodation model. The sample size was 137,000 and there were 24,302 valid returns, which represents a response rate of just 18%. Of those respondents, 42% had not previously heard of the FAM and a further 19% had heard about it but did not know anything about it. The Government surely cannot claim that a one-off survey to which fewer than a fifth of eligible respondents replied wholly represents the views of the armed forces, and they should not base significant policy changes on it.

I have a few questions. Given that the response rate for the FAM survey was so low, would it not make sense to re-run the survey with more detailed options and try to raise awareness of the future accommodation model ahead of that survey? Can the Minister tell us whether there are plans to run another survey at a later date when there are more details about the model? What is he doing to ensure that he takes into account a more

[Jeff Smith]

representative cross-section of views? If there is concern about the cost of another survey, could it be run as an additional part of the armed forces continuous attitude survey or the families continuous attitude survey, which both had higher response rates last year than the FAM survey?

The Department has said that the FAM is not a one-size-fits-all policy, but as it has been presented so far it treats the three services exactly the same. We know that when it comes to housing, what works for one service may not work for the others. There is a big difference, in particular, between the situation for members of the Navy and that for members of the Army and the Royal Air Force. Army personnel are less likely to own a home—28% are homeowners—than Royal Navy or Royal Marine personnel, of whom 42% are homeowners. Being an owner-occupier makes a lot more sense for Navy personnel, because their jobs are more geographically concentrated and because of the particular housing markets in the areas where they tend to serve. Does the Minister think that a review of accommodation might present an opportunity to allow the individual services greater autonomy to deliver the housing that works for their personnel? Can he tell us whether the Department will let the services make the case for what will work for them, not just apply the new model across the board?

There are real concerns about the consultation, but I am also keen to hear what the Department is doing to examine the potential impact of the options on both cost and retention. On cost, the MOD told the Armed Forces Pay Review Body that

“whilst maintaining the total subsidy that Service personnel receive, FAM would deliver around £500 million savings over ten years... this will be delivered primarily through reduced running costs, capital receipts and savings.”

I am interested to know how the Department got to that figure when so few details about how the FAM will work seem to have been finalised. The Department said that

“the Future Accommodation Model will not reduce the total pot of money currently used to subsidise housing”

and

“the rental allowance would be adjusted so that no one loses out if they are required to work in more expensive areas”.

If the total pot is not reduced, there will clearly have to be some redistribution of funding away from some types of accommodation and towards others, particularly if some options are considerably more popular than others. What analysis has the Department done of the likely take-up of different options?

Furthermore, if servicemen and women increasingly move into the private rented sector, there is a strong likelihood of costs going up for either the Department, service personnel or both. The private rented sector is getting more and more expensive, with Savills estimating that rents are set to rise by 19% by 2021. Would a rental allowance rise with rental inflation? Most military personnel spend about 10% of their monthly salary on accommodation compared with civilians, who spend 30% to 40%. Will families see their costs go up, or will the Department make up the shortfall? A significant feature of the future accommodation model is increasing home ownership among service personnel. Of the FAM's potential options, “Owning away from work” and “Owning

near work” both mention the Forces Help to Buy scheme. Will the Minister confirm that that scheme will be extended beyond 2018?

The Army Families Federation's “Big Survey” 2016 found that, when asked what they like most about service family accommodation, 74% of Army families said that they like living close to other service families and being part of a community, and 66% said that they like having access to service community support facilities such as the Army welfare service and unit welfare staff. We know that living in military communities can be really important for military families, particularly when partners or parents are away.

Similarly, the Army Families Federation asked families about their experience of living off the patch in substitute service family accommodation, and

“many commented on the impact of not living in a military community, leaving them feeling isolated and insecure, sometimes living in a civilian community that did not understand the issues and challenges of military life.”

My worry is that families would face a similar issue in the private rented sector. They would not have the support network that they have on the patch, and the potential impact of that on morale cannot be underestimated; Opposition Members would have real concerns about a move towards greater use of the private rented sector. Those families would also not have the security that comes with service family accommodation. With no guarantees of tenure, landlords can put a property on the market with no warning, and 86% of respondents to the Army Families Federation's “Big Survey” raised that lack of guaranteed tenure as a negative aspect of renting privately.

Military families with disabled members would have to look for properties that were already adapted or which had landlords willing to make adaptations, whereas SFA properties can be more easily and quickly modified. Perhaps most importantly, given that the Government's Housing and Planning Act 2016 does not set a standard that all rental properties are required to meet, what are the safeguards against military families ending up in substandard properties?

We know that affordable, accessible housing is a vital component of the offer made to military families. The Army Families Federation's “Big Survey” 2016 found that, if service family accommodation was reduced in favour of a rental allowance, 30% of those surveyed would definitely leave the Army, and a further 46% would consider leaving. Both the Armed Forces Pay Review Body and the Centre for Social Justice, in a report written by the hon. Member for Canterbury (Sir Julian Brazier), acknowledge that the future accommodation model will necessarily reduce the level of benefits that military families receive now, and are concerned about the consequences for retention and recruitment. Any future accommodation model must balance not just costs but the need to ensure that personnel feel valued and continue to see the armed forces as an attractive career option.

I will try to finish, Mr Walker. I am concerned that the Government are attempting to rush through what could look like short-term savings without considering the longer-term repercussions on the families of service personnel or the future ability of our military to recruit and retain staff. I would like to see improved consultation with individual services on their accommodation needs,

greater scrutiny on the costs of the roll-out of FAM and improved safeguards to ensure that no military families feel isolated or lose out financially as a result of these changes. I look forward to hearing from other hon. Members on this important issue.

4.44 pm

Sir Julian Brazier (Canterbury) (Con): May I say what an honour it is to serve under your chairmanship for the first time, Mr Walker? I congratulate the hon. Member for Manchester, Withington (Jeff Smith) on securing the debate and on his thoughtful and interesting speech.

The House, and indeed the Minister, have heard me speak several times before on this subject, so I will be fairly brief. However, it is worth saying at the outset that we face some quite serious manning shortages in two of our three services. The Army is now 4.9% under strength on paper and, looking at the large rise in the number of people who are still serving but who have been medically downgraded over the past five years, the underlying trend is worse. The Air Force, on paper, actually has a slightly higher deficit than the Army, but the Navy has managed to stay within 2% or so of its target. Retention is a very big factor, but so are justice for, and the welfare of, our armed forces.

I have been a passionate believer in opportunities for home ownership for the armed forces for my whole political career. The only time I went to see Margaret Thatcher when she was Prime Minister—which shows how old I am—specifically regarded a scheme for home ownership opportunities for members of the armed forces; I did ten-minute rule Bills and the rest of it. I will try to set out now why I think the vision for home ownership in the future accommodation model is not quite right. We are essentially talking about a move towards two models—not a complete move, but a move away from service family accommodation as the main model and towards a system of allowances and owner-occupation.

The hon. Member for Manchester, Withington has already mentioned some of the complexities involved. We are not proposing to do as the Australians do, which is a very expensive scheme whereby its Department of Defence takes on houses in a community and all of the legal risks; it does the tenancy, maintenance and all the rest of it, and people move in and out as if they were in service family accommodation. The proposal that has been put forward, as originally announced, would leave people in a position whereby, at most, the Ministry of Defence might find a property, but after that the tenant would be responsible for the tenure, the length of which might not correspond with the length of their tour. If it is a rolling tenure, they can be thrown out with two months' notice, and if it is an annual tenure, they will clearly have problems with renewals because their postings will not always tidily fit the years.

Above all, on maintenance, whatever the issues now—I pay tribute to my hon. Friend the Minister for his progress in driving up the quality of what we are getting out of the maintenance contracts from CarillionAmey—the reality is that, with the private sector, people would be on their own. Like the hon. Member for Manchester, Withington, I have had some very bad constituency cases. For soldiers on operations, such as airmen flying

in Iraq, if their family's boiler breaks down or roof leaks and the landlord does not want to know, they cannot go to their commanding officer because Defence would not have a say in it.

The hon. Gentleman mentioned the importance of morale when troops are away, not only on operations but also often on extended exercises abroad and so on. When we still had Howe Barracks in Canterbury, I remember canvassing there and meeting a little boy kicking a football with his friends. His father had just been shot the previous night by a sniper in Iraq. The fact that he was there with all his mates, whose fathers were all subject to the same risk, was an important part of the supportiveness that the military estates provide.

I am also puzzled—I hope my hon. Friend the Minister will say something about this—as to whether we really are serious about moving people out into the community. The places we seem to be moving out of, such as Canterbury, Ripon, Chester and Maidstone, have affordable accommodation in the community and good employment prospects for wives, but we are expanding places like Catterick, and keeping open places like Lossiemouth—for at least 15 years or so—where there is very little of either.

This knocks on to the armed forces covenant. I pay tribute to the work that my hon. Friend the Minister has done on the covenant. One thing to come out of that is that we have persuaded councils to remove the local requirement in the case of service families for housing, so that if a serviceman or servicewoman is serving in an area and does not have a local connection beyond the fact that they have been posted there, they will still be eligible to get on the housing list when they come out. However, as we increasingly focus on super-garrisons, I cannot see how that can continue. Are we really going to say that the council in North Yorkshire, which covers Catterick, will have to take on soldiers from that very large—and further to be increased—base, and that that is suddenly a problem just for the ratepayers in that one small area?

I do not think that a move towards an allowance is a good idea. I do not have an ideological objection to having allowances for some fringe cases, so that we can manage the housing stock more efficiently, and some people would occasionally have to wait for a short time in a hiring on the way in. However, we have debated this before, and I cannot see how a needs-based allowance will deliver this for the officer corps.

We are critically short of young majors, and captains becoming young majors. They are roughly the same group as pilots coming up to the first breakpoint. These are the most expensive people in the armed forces in many cases and the people we most need to run the system. They are the people who, in many cases, have not yet started their family; they are perhaps married but do not have children yet. They will end up with a very small allowance, rather than good-quality married quarters that are compensation for the penalties of service life, including the lack of spousal employment in many cases.

As I said at the beginning, I am a passionate believer in home ownership. I certainly do not believe it is fair at the moment to have a situation where the Army, and to some extent the Air Force, are so gravely disadvantaged. I urge my hon. Friend the Minister to consider that promoting owner-occupation is not the solution for the

[*Sir Julian Brazier*]

Army and the Air Force. It means that if someone is posted in an area where there is no affordable local housing or housing on a scale where large numbers of people could buy it without driving the house prices up, they are then outside it.

If we start to reduce the subsidy for married quarters—as we increasingly did in the last review, when 81% of rents went up—but provide extra allowances for people who are owner-occupiers, the people in service life who suffer least from it are the very ones who will then get the most benefit out of it; one could mention a couple of examples. For example, if someone is living in RAF Waddington, which is one of a very small number of airbases on the edge of a big city—in that case, Lincoln—where there is plenty of spousal employment and plenty of affordable housing, they will be able to do very well out of it. If someone is living in Colchester, they will be able to do very well out of it; that is one of the few Army bases where that applies.

However, the people who are paying the extra rents and losing are those who are living in the Cattericks of the world or in Aldershot, where there is lots of housing but it is too expensive for them. It is the people living in remote places such as Lossiemouth or the instructors at RAF Valley and the infantry training school at Brecon. Those are crucial people who do not have affordable housing there, and who in many cases have very little opportunity for spousal employment. They cannot go down an owner-occupier route.

If we want to provide a fair route to getting a foot on the housing ladder, it must not be tied to owner-occupation. It has to be available for a mixture of different tenures, so that if someone happens to be living near a house and at one point in their career lives in it, they can let it the rest of the time. Unfortunately, if someone does that at present, they will be hit by the Chancellor's new landlord tax when they let it.

I know that the Minister is starting to free it up a little, but the rules are still pretty dour at the moment. If someone has taken out a forces help to buy loan, they have to apply for permission to let the house to anybody. Looking at the small print, that is not a commercial risk I would want to take on. So yes to home ownership for getting a foot on the property ladder, but no to tying it to owner-occupation.

I want to reinforce what the hon. Member for Manchester, Withington said and what my hon. Friend the Member for Berwick-upon-Tweed (Mrs Trevelyan)—I am glad that she will be speaking shortly—has been saying for a very long time about the survey carried out on the future accommodation model. For my sins, I am a graduate mathematician, and I worked as a professional statistician. It cannot be said too often that a self-selected sample is not a sample. The problem is not that one fifth is not enough. It is easily big enough if it is a sample, but this is not a sample; it is a self-selected sample, which is very different. If only one fifth choose to fill in a survey, they are not representative. Any polling organisation—I know that one was involved in this survey—should advise that.

I have a print-out here of the first page of the survey website. After the note on privacy at the beginning, the very first words read:

“Service personnel are dissatisfied with the current accommodation system and it is becoming unaffordable, so the MOD is thinking about accommodation options for the future—the Future Accommodation Model.”

From the word go, the scene has been set to encourage people to support change. The current option is not actually given as an option anywhere. There may be more, but on flicking through quickly I found no less than 10 references to opportunity for home ownership. However, nobody says that the number of postings that are near affordable housing will be reduced; that is not mentioned. Nor does it tell people that there will be an extra tax if they buy a property and let it.

Group after group have hints that they will get extra allowances out of this. We are told that it will be extended to the unmarried. There is a very strong case for that, but will it include children from a previous relationship? It will become very expensive if it does. That is not made clear, but that is one group of people to whom it could apply. There is a hint that people might get more help with their mortgages. As we go through, it is suggested that more money may be available for area after area. It does not actually spell out that if the thing is to remain affordable, we will end up potentially with higher rents and other issues for those who are still in married quarters, unless money can be found elsewhere. There is just one comment at the very beginning about this being within a fixed budget. As we go on, we can see why more and more people thought this was nirvana coming.

I will end by saying that I have the highest respect and regard for my hon. and gallant Friend the Minister. We worked together, which I very much enjoyed. I know he is deeply committed to the armed forces. Indeed, he has served for nearly 30 years in what was the Territorial Army. I share his vision that we need to find routes to home ownership for people in all three services; there is a perfectly good one for the Navy at the moment. However, I urge him to think again about whether owner-occupation is the right way for the Army and Air Force and to ask himself whether moving towards a needs-based allowance and away, in many areas, from SFA will maintain a happy and effective Army and Air Force.

4.58 pm

Douglas Chapman (Dunfermline and West Fife) (SNP): It is a pleasure to serve under your chairmanship, Mr Walker. I congratulate the hon. Member for Manchester, Withington (Jeff Smith) on securing this important debate.

Living arrangements are an eternal dilemma for those who choose to serve in our armed forces. On the MOD side, that has a huge impact on recruitment and retention of those who choose to serve. The very sacrifices of that service are underlined by the unique challenges to personal and family lives presented by frequent moves, long periods deployed away from home and rigid working hours. Ensuring that that sacrifice is met appropriately by the Government they serve is imperative.

The Scottish National party supports much of the future accommodation model in principle, but, a bit like in a Gordon Brown Budget of old, the devil is always in the detail; I am sorry, but an election has been called. The current Government also have an attachment to allowing the private sector to profit from tasks that are

not naturally relevant to the free market. The point was well made by the hon. Member for Canterbury (Sir Julian Brazier).

I hope that the MOD does its utmost to provide for armed forces personnel comfortable and appropriate accommodation that is flexible to their needs and those of their family. However, it is also incumbent on Members of this Parliament and of the next Parliament to provide the scrutiny and accountability that is applied to the delivery of this model to ensure that the mistakes of the past are not repeated and that sufficient investment is made in the estate as a whole. We welcome the provision for flexibility in the future accommodation model. I hope that the MOD prioritises working with personnel and their families, along with relevant experts in the field, to explore ways of increasing the effectiveness of its overall delivery.

As I said at the start, the unique pressures of military life mean that pastoral care and stable and fit-for-purpose accommodation are the foundations of strong morale among the men and women who serve in all three armed forces. An army may well march on its stomach, but it fights for something to come home to, and the Government must provide that.

Just as the armed forces have moved with the times in areas such as the role of women and minorities, so they must move away from the entirely rigid forms of accommodation that were previously the norm, not just to maximise their offer to serving personnel, but to fulfil their responsibilities as a decent employer. It is therefore welcome that the future accommodation model highlights the fact that

“the accommodation allowance of tomorrow will be provided based on...need, regardless of age, rank or relationship status”.

I hope that that is a sign that there is a move towards a more equitable system for all.

However, that is not to say that there have not been problems with the application of the model up to now. As MPs, we must shine a light on the worst practices in the delivery of accommodation across all three services. The Public Accounts Committee found last June that CarillionAmey was

“badly letting down service families by providing them with poor accommodation”.

Some 5,000 complaints were made by service families in just two months of last year alone, according to *The Guardian*. As a member of the Select Committee on Defence, I have enjoyed visiting bases throughout the UK and Scotland, but this is one issue that continually comes up, with similar enough examples occurring to indicate a pattern across all the accommodation that has been provided. It might be easy to dismiss some complaints as inevitable, but we should take the warning from the Public Accounts Committee that

“frustration with the failure to undertake small-scale repairs may be driving some highly trained personnel to leave the military, wasting the investment made in them.”

Given the state of recruitment in some aspects of the military services, we cannot afford to ignore that situation. It is a catalogue of errors for which the ultimate sanction for CarillionAmey must apply. Hearing that the Minister is considering withdrawing the contract if the company does not continue the marginal improvements that it has made recently is welcome.

I am not sure whether service personnel and their families will have much good to say about CarillionAmey, but it is vital that the Government continue to move forward with a wide-ranging and worthwhile consultation of those who use the accommodation most. Countries such as Denmark and the Netherlands have a much more holistic approach to supporting personal and family choices in the military. I can only hope that this is an opportunity to move towards a similar system in the UK.

Ultimately, the armed forces must represent the society that they protect in all its diversity. There must be a solid and sustainable offer to people from all walks of life. That begins with a flexible approach to accommodation and the necessary investment committed in full. The Minister can be assured that those on the SNP Benches today and, we hope, in the next Parliament will continue to hold him to account on that point.

5.4 pm

Mrs Anne-Marie Trevelyan (Berwick-upon-Tweed) (Con): It is an honour to follow the hon. Members who have spoken. In particular, I thank the hon. Member for Manchester, Withington (Jeff Smith) for bringing the debate to the House. As colleagues know, this issue is very close to my heart. It has become, unwittingly, something of a passion for me, because military families have regarded me as the person to come to with their issues. It is lovely to hear filtering through to the national consciousness all the work that we did last year through the Public Accounts Committee and the National Audit Office about the problem of accommodation that just is not good enough for those families' needs.

Looking specifically at the future accommodation model, I come back to the question that I raised with my hon. Friend the Minister before Christmas: is the survey good enough to work up a policy from it? My hon. Friend the Member for Canterbury (Sir Julian Brazier) made the point—we raised this issue at the time—that it was a leading survey. It was predicated on driving answers that could only say, “I like one of the four new options.” It did not offer those who are not yet married, those who are married and do not have children and those who are married with children and have served for 20 years plus, who have been through the gamut of the CarillionAmey experience—good and bad, as it often is—the opportunity to say, within the set of four options, “Actually, what we have now is the best option. Although the house is rubbish, the plumbing is rubbish and the windows don't shut properly, it is still the best option.” That was not in the survey and therefore the Ministry lost the confidence of all the armed forces at that point.

Those who completed the survey did so with a heavy heart. They filled in that blank box, but the Minister has not released the information from that. I will continue to press the Department to release all those data. The excuse given is that that might identify people. Well, we have seen every Department ever remove, with a black pen, things that might identify people. Families who filled in that box would like to see the data published, so that they know that the Department has read and is taking seriously the endless comments—I have seen many of them, because people sent them to me—that said, “But we don't like any of those four. We would like to stay in service family accommodation, however rubbish it is, on patch, in the community where it is provided.”

[Mrs Anne-Marie Trevelyan]

I will therefore continue to press the Minister to think about how that information could be published in a way that does not put any individual at risk, and to question whether that survey, in its extremely biased and leading form, was a good enough basis on which to set policy.

There are certain key concerns that families continually raise with me. For instance, will the allowance be taxable? Perhaps it will not be initially, but does not the Treasury always end up finding its way around allowances? There is a real sense of anxiety about the lack of clarity. Will the allowance be adequate? As my hon. Friend the Member for Canterbury said, the cost of housing changes dramatically depending on where people are posted. I understand that the Department is moving towards looking at FAM in two streams, in terms of both mobility and stability. I am very pleased if that is the case. I hope that the Minister can explain to us whether we are now looking at two different types of FAM package for those who have different needs. Those who are in the RAF and will always be based in one part of the country, where their families like to be, will have a different perspective on how this might work for them.

The deepest anxiety, which families raise continually, is: "If we are expected to rent a house or buy a house"—it will be probably be to rent a house—"what if we then move?" As so many Army wives in particular say to me, "Is it so wrong to want to actually live with my husband? Sorry, but am I supposed to be dumped somewhere in Birmingham while he goes off and does stuff? I want to live with my husband. My kids want to see their dad at the end of the day."

This is particularly relevant to Army families. Unless those personnel are deployed abroad on long postings, they go off on exercise for a few days or a few weeks at a time. They are fundamentally living on patch and taking part in family life. The situation is not the same for the Royal Navy, whose personnel deploy for six to nine months at a time. There is a real concern, particularly among Army families, that it is not understood that this scheme will not support the family unit, but that is vital. As the hon. Member for Dunfermline and West Fife (Douglas Chapman) said, family life is what keeps soldiers, sailors and airmen fighting abroad for their country. They do so knowing that their family is back here; there is a real purpose to their efforts on our behalf.

Another area of real concern that I would like to raise with the Minister is how the children will cope—or not cope. My hon. Friend the Member for Canterbury has already raised the question of nursery provision and of schooling. We battle on, and the Minister is very supportive in relation to individual cases in which children cannot find a school place when their parents are moved at short notice. That is difficult. Let us say that children are placed, for the purpose of stability, with their non-serving parent somewhere away from where the families are, in a non-military environment. We are seeing already too many cases in which the schools do not know how to support adequately those children whose parents are serving in the military. Quite a few, and I imagine there will be more, now have two serving parents. Those schools need resources, support and understanding.

In my constituency, in the village of Longhoughton, which is next door to RAF Boulmer, we have a primary school that is 80% military children. The headteacher is

extraordinary in the way that she adapts the teaching to the children's needs. She has a direct relationship with the commanding officer of RAF Boulmer so that she knows what is going on. Those children can be well supported, their education can be maintained and stability can be provided even though their parents are doing really difficult jobs. An awful lot of them are coming and going to the Falkland Islands, which is not round the corner—they are off on a long old journey. Teachers who are within the military framework and have lots of military children can provide the stability that those children really need, but if a single child is in a school nowhere near a military establishment we have real problems and see cases of the inability of school teachers to really understand how best to support such children. That is a key area.

Again, our boys and girls will serve our nation and protect us—they love their jobs, are extraordinary people and take incredible risks—but if they feel that their families are not being looked after while they are away serving, they will leave the service earlier than we would wish them to or need them to. We have also invested heavily in their training and, as my hon. Friend the Member for Canterbury said, our numbers are still low. It leads to the question of retention risk and whether the Department has actually done the value-for-money assessment of whether this policy will have a serious impact on retention. All the evidence I see—anecdotal and in more detail from the survey results that have been published—indicates that this is just not robust enough.

We cannot afford the risk of greater loss from that cohort in the middle in particular. They may have filled in the survey and, at the moment, have no kids and quite like the idea of being able to buy their own home—it all sounds relatively rosy in the garden—but if in two or three years' time they have children and suddenly find that it is really difficult and the framework the Department offers through FAM is not robust enough to support them, we will lose them and that investment. I really challenge the Minister to make sure that we have done the proper value-for-money analysis of whether this is the best way forward in terms of the housing investment we make for those families and future families, so that we do not get this wrong.

On the positive side, because I am hugely supportive of what the Minister does in a very difficult environment, we have seen a move forwards. I was at RAF Boulmer last week catching up with my local team. The move to put into the local rented market houses within service family accommodation that are not presently lived in by service families is interesting. It is starting to happen at RAF Boulmer—the Minister might want to come and talk to them—and is working well and gives flexibility.

The key is to remember that families move. Interestingly, at the moment Boulmer has quite a lot of single young men and two single young women—they are in the mess in the barracks—but if two or three of them were to move and two or three new families to arrive, family housing will suddenly be needed. That continuing fluidity will always be needed. The concern is that if we rent out too much service family accommodation, we will not have the fluidity that we need as individuals move around the country as they are posted. I ask the Minister to bear that in mind, although I support the idea that those houses should have someone in them. That is a

good idea because, as all the work we have done with CarillionAmey and its efforts have shown, if a house is left empty, it deteriorates. We need to invest in them, either by putting people in them and making sure that the kitchen functions and the plumbing works, or by making sure that they are lived in and supported with a CarillionAmey contract, which works. It is getting better—I definitely have less casework than I used to have, so that is good news—but we need to continue to watch over that.

I will leave two questions for the Minister. The conversation suggests that three pilots for FAM will start next year. I think we would have greater confidence that the Department is listening and making progress if we were to know early on where those are likely to be—which military groups are likely to be asked to test this out—and how long those pilots are likely to run before anyone else is asked to move under this unknown and anxiety-causing part of the Ministry of Defence's proposals.

5.14 pm

Jim Shannon (Strangford) (DUP): It is a pleasure to be called to speak in this debate, Mr Walker. I congratulate the hon. Member for Manchester, Withington (Jeff Smith) on raising this issue. The fact that so much is happening elsewhere in the House explains why the numbers are small for this debate; none the less, the quality of the contributions has been exceptional and everyone has contributed thoughtfully. I am pleased to see the Minister in his place. Every one of us respects the Minister because of the personal service he has done. We understand that, and he probably understands where we are all coming from as well. We look forward to his response, but we also encourage him—in a nice, gentle way—to move towards where we want to be and where he knows we want to be on this. That is the important thing. It is always good to have a Minister in place who understands the issues and can respond to them.

I represent Strangford, which has a very proud service history. Service in uniform is the norm for many in my constituency. I wholeheartedly support those who have served in the past and who are currently attempting to establish a veterans' centre in Northern Ireland, although that is a topic for another day. The Minister will know about that issue because he had the occasion to meet some of those people a short time ago.

We all know the background to this debate. As hon. Members have indicated, armed forces personnel are entitled to service housing depending upon their circumstances. Some 40% of personnel live in single living accommodation and nearly a third live in service families accommodation. I am particularly taken by what the hon. Member for Berwick-upon-Tweed (Mrs Trevelyan), who preceded me in this debate, said about the demand for education. There is also the demand for health. When we look at accommodation, a lot of other things have to be bolted into that process. This is not just about accommodation and property; it is also about schools and health. All those things come together.

I am fortunate to have had the opportunity to be in the armed forces parliamentary scheme—I did three years with it. That gives us a chance to go and see accommodation and meet the soldiers. When we met the soldiers we got what they really thought, then we

met the officers and they perhaps gave a different opinion—somewhere in between was where the mix and the balance was. There was one thing that those soldiers told us over and over again wherever we were meeting them in their accommodation and on exercise. We always asked what the issues were. One of the major issues for those looking at the long term was pensions, but for those who were family-orientated it was accommodation. The issue of accommodation came up again and again, and I believe that indicates its importance to those people.

The Government committed to making new accommodation offers available during the 2015 strategic defence and security review to enable more service personnel to live in private accommodation and look to home ownership. I have a certain sympathy for those who want to gain the opportunity of home ownership and was not aware of the tax that could apply—the hon. Member for Canterbury (Sir Julian Brazier) referred to this—for those who buy accommodation and then rent it out. There is a tax on that, so perhaps the Minister will address that in his response. The future accommodation model has been touted as being based on need, being more flexible, reflecting modern demands and providing personnel with more choice over the type of accommodation they live in, the location and the help if they wish to buy their own property or rent privately.

I commend the Government, and the Minister and his Department in particular, for the Forces Help to Buy scheme. I believe it is a good scheme if done correctly. Many service personnel have chosen to pursue it, and they should have that opportunity. By the way, an issue that came up during my travels with the armed forces parliamentary scheme over the last three years was that of having somewhere to put down roots and the accommodation that personnel wanted. Again, I believe that the Government and the Minister's Department have moved at least to address some of those issues. I have been made aware that some 9,000 personnel have already bought their own home via the Forces Help to Buy scheme—that is great news—but my concern is that that is nowhere near the number of people who wish to secure their accommodation in the places where they want and that more help is needed. I look to the Minister's response for how we address those issues and the needs of service personnel. That is what our troops and their long-suffering families need, and that is what I am calling for.

In my three years in the armed forces parliamentary scheme, we visited many camps, mostly RAF, across the east coast of England, as well as in Catterick and Cyprus. The accommodation in some of those places was not up to standard, although the Ministry of Defence was taking steps to address it. It was not just about whether the kitchen worked but about leaking, draughty windows and other bread-and-butter issues that we deal with every day among our constituents. Those issues must be addressed.

When I read the Committee's report, I was dismayed to see that accommodation remains the issue most reported by far to the families federations. I echo that opinion. The report asserts that the national housing prime contractor is still not delivering to the standard expected and should be held to account. CarillionAmey's performance this year has been so inadequate that the Public Accounts Committee considered that families had been let down and were not getting the service that

[*Jim Shannon*]

they had a right to expect. Despite some statistics showing recent improvement, the lived experience of too many service family accommodation occupants remains poor, causing stress and frustration. On top of that, it is difficult for families to live apart while service personnel are on duty in other parts of the world. Separation has an impact on families that can lead to other difficulties. The effect on children has been addressed, but there is also an impact on wives at home, and we must consider that forcefully.

If repair services are not at contracted levels, we must question whether the levels set by the MOD are good enough. Furthermore, although we agree with the broad principles and aims of the combined accommodation assessment system, the decision to implement charge increases for most occupants at a time of such poor performance on maintenance was inappropriate, and the roll-out of the CAAS in the UK was far from successful from many families' perspective, due to poor communication and a complex appeal process.

I should declare an interest, in that I served in the armed forces for 14.5 years as a part-time soldier in the Ulster Defence Regiment and the Royal Artillery. The bureaucracy in the Army and the services is mind-boggling at times; my goodness, the appeal process is complex. On poor communication, whenever the opportunity arises, we should ensure that we communicate with personnel and families on an accountable basis. It is totally unfair to charge for accommodation if it is not up to standard. I witnessed some of the accommodation issues that I have mentioned. I understand that there has been a direct commitment to address those issues, which is good news.

The report is a damning assessment. Clearly, urgent changes must be made for the sake of our armed forces families. I understand the need to reduce the estate. I remember the Palace barracks in Holywood, where some of the accommodation, over the years, could not be lived in, because it was not up to standard. That needs to be addressed. The Abercorn barracks in Ballykinler are a separate issue, on which the Minister knows my opinion. I believe that that accommodation should be retained by the estate. That is a different issue and not for this debate, but just to put it on record, the MOD should retain at least ownership of that accommodation. Should we have to resort to taking it over again, we can do so.

More can be done on accommodation. We have a duty of honour to provide a home life for those who serve us by giving up their home and risking their life. What has gone before is not acceptable. We must do better, and I remain to be convinced that this model is the way to go. I look to the Minister for assurance. We need more than a hint of help, to use the word used a short time ago; we need concrete proposals that bring change and look after our service personnel.

5.24 pm

Brendan O'Hara (Argyll and Bute) (SNP): It is a pleasure to serve under your chairmanship, Mr Walker. I thank the hon. Member for Manchester, Withington (Jeff Smith) for securing this important debate and putting accommodation for service personnel and their families under scrutiny once again. I feel that a certain

announcement made this morning may overshadow what is happening here, but that should not diminish the importance of the message that we are sending out. I absolutely agree with the hon. Member for Strangford (Jim Shannon) that despite the numbers in attendance at this debate, its quality shows how important the issue is to every single Member of this House, regardless of political party.

We as elected politicians have a responsibility—indeed, a duty—to do everything that we can to ensure that our service personnel and their families get the homes that they deserve. As the UK Government are preparing the accommodation model, it is only right that the accommodation should be seen to be comfortable and of an appropriate standard and that the model should be sufficiently flexible to meet our military personnel's needs and those of their families.

The hon. Member for Manchester, Withington discussed the 2015 strategic defence and security review, and he was right to question the practicalities of supplying suitable and affordable housing in areas where it is needed. It is an issue that must be addressed. He also highlighted the failings of the future accommodation model survey and asked whether it could be carried out.

That has been a recurring theme throughout this debate. Several hon. Members have mentioned the future accommodation model survey. The hon. Member for Berwick-upon-Tweed (Mrs Trevelyan), who has been a great champion of our armed forces personnel, spoke out about the faults in the survey, describing it as biased and leading. The hon. Member for Canterbury (Sir Julian Brazier), the experienced statistician among us—that was news to me, but it is always good to have expertise in the room—highlighted the serious problem that the survey was entirely self-selecting and so leading in its questions as to render it almost meaningless.

The hon. Gentleman also questioned the wisdom of moving personnel out of established military communities into areas where housing was not as suitable and perhaps not as affordable, and where job opportunities for spouses were not as plentiful. He has given us much to think about, and so has my hon. Friend the Member for Dunfermline and West Fife (Douglas Chapman), who said that housing is an eternal dilemma for those serving in our armed forces. He was right to say that we in the Scottish National party support in principle much of the content and spirit of the future accommodation model. We will support the MOD in providing comfortable, appropriate accommodation for our armed forces personnel that is flexible enough to meet their needs and those of their families.

We welcome the announcement on the Government's website that the new future accommodation model will be fairer than before,

"bringing more choice and helping more people get the housing they need, irrespective of age, rank or relationship status."

Some might argue, with some justification, that it is remarkable that that was not already the case, but in the spirit of "better late than never", we are pleased that it is happening now.

We welcome the acknowledgement that the current system simply does not work for many families. That recognition is extremely important. The Government must understand that that model's level of understanding cannot apply if the new model is to succeed. The Government's

commitment to providing flexible accommodation through the new model is broadly welcome. If it can become a reality, it will undoubtedly lead to genuine improvements.

However, I say to the Minister that in order to do that, it is vital for the MOD to work directly with our service personnel and their families. It must also speak with experts in the field to ensure effective delivery. Every opportunity to consult and review must be taken, and the key to that must be engagement with the people at the sharp end: those for whose accommodation the model is being established. We welcome the proposal, as I have said, but we also want guarantees that the utmost scrutiny and accountability will be applied to the delivery of the model to ensure that the mistakes of the past are not repeated.

All too often, the Government are behind the curve in planning, particularly now and particularly for issues that relate to our service personnel and their families. The needs of our service personnel and their families should be a key priority. Planning for achieving the right accommodation model must include military personnel and their families in a genuine and meaningful way. When the Government published the most recent SDSR in 2015, they committed to developing such a new model to

“help more Service personnel live in private accommodation and meet their aspirations for home ownership.”

As we have heard, the model aims to deliver, from 2018, an approach to accommodation that is more flexible and gives better value for money, both for service personnel and for the MOD.

It is right that the Government recognise that change is needed. In 2016, *The Guardian* reported:

“Almost 5,000 complaints were made by service families between March and May this year alone.”

Service families are already under pressure and already have to sacrifice an awful lot. They really should not have housing complaints added to the list of pressures that they suffer. It beggars belief that, as the hon. Member for Strangford pointed out, service families have had to endure a housing repair provision that is so poor that the Public Accounts Committee has had to intervene to publicly criticise CarillionAmey for having “failed to meet its key performance indicator of completing 95% of its tasks within the agreed response time.”

Indeed, with just one exception, it failed to meet that target every single month between December 2014 and January 2016. That is simply not good enough. Our service personnel and their families deserve much, much better. The Committee stated unequivocally that

“CarillionAmey are badly letting down service families by providing them with poor accommodation”.

As if the cost to the individual were not enough, let us consider the cost to the country as a whole. As the Committee has made clear,

“frustration with the failure to undertake small-scale repairs may be driving some highly trained personnel to leave the military, wasting the investment made in them”

by the country. Can we really afford to lose highly skilled, highly committed military personnel for what is essentially the want of a washer? The hon. Member for Canterbury made the same point when he spoke about retention of personnel.

Like many other hon. Members, I have many serving personnel in my constituency of Argyll and Bute. Their families make an enormously positive contribution to

our local community, day in, day out, and they deserve better than what they are getting at the moment. Let us never forget the jobs that our service personnel do, which are highly skilled, highly stressful and potentially highly dangerous. Trying to maintain normal family life in such circumstances can be extremely difficult, because their families have to move around, they have rigid working hours and they may be away on long periods of service.

This debate is an opportunity to thank our service personnel and their families. It gives us a golden opportunity to do the right thing by them and provide them with a proper accommodation model. Doing so would provide the reassurance that the MOD is learning from the mistakes of the past and would send a very useful signal to other sections of the community from which we hope to recruit. As my hon. Friend the Member for Dunfermline and West Fife said, we ask so much of our armed forces personnel, so the least we can do is give them something worth while to return to.

5.33 pm

Gerald Jones (Merthyr Tydfil and Rhymney) (Lab): It is a pleasure to serve under your chairmanship this afternoon, Mr Walker. I thank my hon. Friend the Member for Manchester, Withington (Jeff Smith) for securing this debate, for making a very powerful case and for his questions to the Minister, which I hope will be answered today. It is also a pleasure to follow the hon. Member for Argyll and Bute (Brendan O’Hara).

I am sure we all agree across the Chamber that our armed forces need to evolve constantly to meet the security situation of the day, whether that is in their make-up, their equipment or their basing. Labour welcomes the chance to re-examine how we provide accommodation to our service personnel and consider how to make the offer as attractive as possible in order to keep encouraging our best and brightest into a career in the forces. It is vital that the wellbeing of our servicemen and women is a top priority in the changes made, but I am concerned that the future accommodation model focuses more on savings than on what is best for our personnel.

The hon. Member for Canterbury (Sir Julian Brazier) raised concerns that mirror those of my hon. Friend the Member for Manchester, Withington. The hon. Member for Dunfermline and West Fife (Douglas Chapman) reminded us of the Public Accounts Committee’s findings on service family accommodation. The hon. Member for Berwick-upon-Tweed (Mrs Trevelyan) asked whether the survey was good enough and stated her opinion that it was a very leading survey with limited choice—I shall refer to that point later. The hon. Member for Strangford (Jim Shannon) highlighted the importance of this issue to us all and related his experience with the armed forces parliamentary scheme and his involvement with serving personnel.

To put the debate in context, voluntary outflow rates for our armed forces are at an historically high level, particularly for jobs with transferable skills such as engineering. In the 12 months to 31 January 2017, more than 7,000 personnel left the armed forces earlier than planned through voluntary outflow. It appears that the overall offer of life in the armed forces is becoming less attractive: this is the sixth consecutive year of pay restraint, national insurance contributions are going up and rents are rising under the combined accommodation

[Gerald Jones]

assessment system. It is therefore more important than ever that service personnel feel valued and that they should want to join the forces and stay in them. I will return to that point shortly.

One of the most significant changes made to service family accommodation was the selling off of married quarters to Annington Homes by the Major Government. I was not a Member of the House in 1996, but I am sure that those who were will remember the debate about the sale. Under the deal, the Department retained the freehold, but Annington Homes holds a 999-year lease, with the Department renting the properties back from Annington Homes on a 200-year under-lease. The deal was met with opposition from the Labour Benches; the then shadow Defence Secretary, the former Member for South Shields, said:

“The deal is breathtaking in its short-termism.”

He also said:

“The Government have never seriously attempted to deny the fact that the sale was not concerned with the long-term interests of our service men and women: the scheme was concocted solely to raise finances for the Treasury coffers”.—[*Official Report*, 16 July 1996; Vol. 281, c. 952-953.]

I understand that a rent review is due in 2021, 25 years after the initial sale, and every 15 years thereafter. As a consequence of that review, as is usually the case, the rent paid by the MOD is likely to increase.

I am concerned that if the future accommodation model is not done properly, we may see history repeating itself and the Government further tying the MOD's hands. We are now hearing reports that because of poor management of the defence budget to the tune of £1 billion per year over the next decade, the Secretary of State is having to consider cuts to the Royal Marines. The Department has said that the future accommodation model will save it £500 million over 10 years, but we need to see more detail before we can take it at its word.

What we know about the future accommodation model so far is that the Government are fairly clear that they want to get personnel into the private rented sector, as well as promoting more home ownership, but are unclear on the detail of how to deliver that. The proposals laid out in the survey suggest that four potential options will be available to service personnel, loosely structured around the idea of stability or mobility. My hon. Friend the Member for Manchester, Withington has already pointed out the need for transparency and much more consultation with service personnel; I completely agree, and I look forward to the Minister's answers to my hon. Friend's questions.

Our main concerns with the future accommodation model as proposed are the impact on service families and standards in the private rented sector, costs, and the knock-on effect on retention rates. In the future accommodation model survey, the most important factor in accommodation for service personnel was good quality: 97% ranked it as a top priority. All of us here are all too familiar with the question of standards in the private rented sector. While many landlords are good, there are also those who are not good, and we are concerned that there will be nothing to check standards, and that in some cases families may be forced to live in less than appealing conditions. There will not be the same access to maintenance and repairs that personnel have now, and while service family accommodation can be adapted

for families with disabled members, in the private rented sector such families will have to find housing that has already been adapted or convince a landlord to adapt a house for them.

There is also the need for security of tenure in the private rented sector. Some 86% of respondents to the AFF survey stated that the lack of guarantee of tenure during a posting was either a negative or a very negative aspect to renting privately. I simply do not see how it can be workable to encourage families or individuals who need to be mobile to move into the private rented sector. In the event of a posting, the onus will be on personnel to find new rented accommodation. That may be in a place they have never been before, and there will likely be cost implications for ending tenancies early, which will have to be covered. The complications are seemingly endless.

As for cost, my hon. Friend the Member for Manchester, Withington pointed out that there are no details when it comes to costing, except for the saving of £500 million over 10 years that the Department told the Armed Forces Pay Review Body it expects FAM to deliver, primarily through reduced running costs, capital receipts and savings, while maintaining the total subsidy that service personnel receive. However, if nothing has been settled in terms of the model, how can the Department make such a projection? I would be extremely interested to hear from the Minister what type of model that figure was based on and how the Department came to it.

Finally, there is the risk that FAM poses to retention rates. As I have mentioned, voluntary outflow remains high and we need to continue to attract people into the armed forces. Subsidised housing is a significant part of the overall offer, particularly when we consider that housing is becoming less and less affordable across the UK. The AFF survey made it clear that if service family accommodation was reduced in favour of a rental allowance, 76% of those surveyed would either consider leaving or would definitely leave the forces. That should be of great concern to the Government. The combination of a number of factors has created “the perfect storm” for retention issues and if the Government do not get the accommodation model right, they risk exacerbating the situation to a point of serious concern.

In conclusion, we know that in the past the Conservatives have made some rash decisions when it comes to service accommodation and we are concerned that this could be yet another costly example of that, hitting both the public purse and retention rates. The primary focus for a new accommodation model should be a balance between what is good for the service personnel and what works within the Department's budget. Service accommodation should not be the first thing that gets cut to try to balance the books. The Government need to show that they value personnel just as much as they value equipment, and show that that view is much more than just words and translates into policies that have the wellbeing of our servicemen and women at their heart. I look forward to hearing the Minister's response and I hope that it will clarify some of the points that have been raised this afternoon about this very important issue.

Mr Charles Walker (in the Chair): I call the Minister. Minister, would you allow the hon. Member for Manchester, Withington (Jeff Smith) two minutes at the end to wind up?

5.43 pm

The Parliamentary Under-Secretary of State for Defence (Mark Lancaster): Mr Walker, it is a pleasure to serve under your chairmanship for what I sense will be the last time this Parliament, although we shall see.

I start, of course, by congratulating the hon. Member for Manchester, Withington (Jeff Smith) on securing this debate, which provides us with another vital opportunity to discuss the future accommodation model. It is vital because the welfare of our service personnel is the basis on which we build a world-class armed forces, able and willing to take on the threats and challenges of these volatile times. Getting this matter right is absolutely in all our interests. Let us be honest—we have not always done that.

As I have said previously, nobody is under any illusions that successive Governments' records on service family accommodation in recent years have been an unqualified success. Indeed, issues with CarillionAmey, which several hon. Members raised today, have been well-documented. Nevertheless, I am grateful for the comments made by my hon. Friends the Members for Canterbury (Sir Julian Brazier) and for Berwick-upon-Tweed (Mrs Trevelyan), and others, which show that there is at least an acknowledgement that we have made progress in recent months. There has definitely been an improvement, but I am not remotely complacent. Much more needs to be done and I reaffirm my previous statement that if CarillionAmey does not perform on its contract, it will be replaced.

Equally, a number of detailed questions were put to me today and I will do my best in the time I have available to answer many of them. As ever, with some of the more technical questions, I will endeavour to write to hon. Members in the shortened timeframe we now have before this Parliament dissolves; I am sure that my officials will work especially hard to try to get those answers for me as soon as they can.

However, I will start by gently making just one point. The hon. Member for Manchester, Withington basically said that he felt this process was being rushed; I would argue that it is anything but. Absolutely no firm decisions have yet been made, and this debate is yet another valuable opportunity for colleagues from all parties to contribute to this process and influence it. We do not anticipate coming to any firm conclusions, or rather that the next Government will not come to any firm conclusions, until probably the end of the year, with a trial not starting until the end of 2018, and a move to a new model will probably not be completed for perhaps 10 or even 12 years. With respect, that is hardly a rush.

The focus of today's debate is not the past but the future, and in particular our intent to ensure that, when it comes to service family accommodation, we move with the times in a way that is logical and beneficial for all. As our troops return from Germany and we look to rationalise our estate, there is an unprecedented opportunity for us to do just that, by taking the opportunity to modernise the way we provide housing for our people, making it fair, flexible, and affordable.

Our future accommodation model is the mechanism for achieving that goal. Its benefits are not well understood—I accept that—and there are many myths and misconceptions shrouding it. However, before I hopefully

go on to debunk the most prominent of those, I should start by explaining why the FAM will be a vast improvement on what has gone before.

Equally, however, in response to the comments from the hon. Member for Strangford (Jim Shannon), I must say that I believe that across the House there is a will to provide a workable, practical and sensible solution for our armed forces personnel. Indeed, this may well be one of the last points of unity that we find over the next seven weeks as we head towards the excitement of the general election in 51 days' time. As I say, there is a will to try to get this matter right and although, judging by his comments, my hon. Friend the Member for Canterbury may feel that we are on different sides of this argument, I am not sure that we are. This is all about delivering choice rather than prescribing to our service personnel what they will take. Also, let us not forget that some 20% of our service personnel opt out of the system and get absolutely nothing, which cannot be right.

First, I want to see a system that will be fairer, reflecting the societal norms of the 21st century rather than those of some bygone era. Let me give just one example. Currently, a married senior officer will be assigned a four-bedroom home, even if he or she has no children or other dependents, and will usually pay just £350 to £450 a month for it. By contrast, an unmarried member of the junior ranks, with a partner of 10 years and two children, is entitled to nothing more than a single bedroom in a block. How can that be right? If that service person moves out into the private sector to live with their family, it could cost them well over £1,000 every month.

The absurdity of this state of affairs becomes all the more apparent when one reads the testimonials of the men and women whom it affects, such as the Royal Navy sailor who wrote to tell me how he cannot live with his girlfriend, even though they have been in a relationship for several years and have children together, or the couple forced to live apart because they are not married, or the father forced to live as a visitor with his own family. We cannot turn a blind eye to these situations any more. So, under the new model, we are committed to ensuring that provision is based on need.

However, FAM will not only seek to redress inequity but to be far more flexible than the current model, and flexibility is the key. The current model is failing to keep pace with modern life. What our service personnel want today—indeed, what they need—is choice and stability. They want to be given the choice of how to live, where to live, and with whom they want to live, and to be near the schools of their choice, to own their home and to provide their partners with stability and employment opportunities. Currently, however, our personnel must like what is on offer or lump it and, if they choose to go it alone, we cut the purse strings and they get nothing—no assistance, financial or otherwise, from the Ministry of Defence. That does not make sense and it needs to change.

We have made a start, through our forces Help to Buy scheme, which has so far helped more than 10,000 service personnel, but we have to go further. Under the proposals being considered as part of the future accommodation model, service personnel will be better supported to make their own decisions, and will receive our support regardless of where they choose to live.

[*Mark Lancaster*]

The final point in this section of my speech is that the future accommodation model will be affordable. The current offer is inefficient and increasingly unaffordable. At present, we spend more than £800 million a year on accommodation, and that is set to rise, but a fifth of the personnel do not benefit from it. FAM will make savings by reducing management overheads, reducing further spending and stamping out inefficiencies. Let me make it clear—in case hon. Members are in any doubt—that savings will not be made through reducing the effective subsidy that personnel receive. This is about doing away with inefficiencies, such as the 10,000 or so MOD properties that currently sit empty. How can it be right for the taxpayer that we have those properties, all of which take money to maintain and currently serve no purpose because they are empty? We now try to rent them out when we can, getting an income that is reinvested, but we must keep a number of them empty, and rightly so, to try to always have ready what we say a service family should live in.

The intent is clear: we want a model that is fair, flexible, affordable and fit for the 21st century. That is our steadfast intention, but exactly how we get there is still being carefully considered and debates like today's are feeding positively into that. To give just one example, the point has been raised with me before that even though we are moving to a system based on need there should be certain appointments that absolutely maintain a property: a commanding officer probably should have a property that goes with the appointment because of the wider needs of his role. We are looking at the various options to ensure that that is possible but, as I have said, at this stage no final decisions have been made. Nothing is set in stone. Ideas and plans will continue to evolve as we assess policy options over the coming months. Towards the end of the year we should be able to give more certainty about what the future policy will look like, but it will be important to continue engaging with service families to get the detail right, and we will eventually test policy in the real world with several pilots towards the end of 2018. I cannot at this stage give the exact details of what shape those pilots will take, but hope to do so shortly.

Crucially, our people will remain at the core of the decision-making process. We are listening, and will continue to listen, to service personnel, their families, family federations and other organisations. For instance, since we last debated FAM in Westminster Hall in October 2016, the FAM survey results have been published, with more than 24,000 servicemen and women responding and giving us their views on the model, indicating their housing preferences and needs. Hon. Members made some criticism of the survey in their contributions, and I shall attempt to address that, but it is interesting that this did not include cases in which the survey produced information that supported their points. None the less, I agree that it was a self-selecting survey and will be subject to response bias, but that has been recognised in our use of the results, which we have combined with many different sources of evidence. It is, after all, only one source of evidence. We tried to find a balance between giving enough information to inform a response and not putting in so much that we made it too complex. Crucially, I can say, as a statistician, that because of the number of responses, the survey gives a 99% degree of

confidence that broadly—[*Interruption.*] I can see that my hon. Friend the Member for Canterbury is itching to intervene. I have provoked him.

Sir Julian Brazier: A sample of 24,000 would give an exceptionally high level of confidence but, as I stressed earlier, this is not a sample—it is a self-selected group. I am sorry, but the claim of 99% just does not stand up.

Mark Lancaster: My hon. Friend has made that point twice and I take it firmly on board. I will respond only by saying that the survey is one of several sources of evidence we are using.

It is because of the views of service personnel and suggestions made in this Chamber last October that we have looked in more detail at how personnel should be supported in the private market, at how service families accommodation might be a bigger part of the future model and at how we assess the potential impact on retention and operational effectiveness—matters raised by several hon. Members. Later this year, we will visit garrisons, air stations and naval bases to talk to service personnel about the model, to ensure that they understand what it could mean for them, to inform them of the opportunities that lie ahead and to listen to their feedback.

Much remains fluid as we continue to seek the most expedient solution for all involved but, despite our best intentions, that fluidity has resulted in speculation, concerns and incorrect assumptions that must be quashed, and I turn briefly to those now. First, we are not getting rid of all service family accommodation and single living accommodation. That could not be further from the truth. Single living accommodation enables rapid mobility of personnel, offers good value for money and delivers a unique service not seen anywhere else on the private market, so we will be keeping it. Likewise, we recognise and value the additional support to service personnel that service family accommodation provides. Decisions on the quantity of retained service family accommodation will be based on the local private market, demand, value for money and operational needs. Those factors will be at the forefront of our minds during the decision-making process. I encourage all hon. Members to go and look at the nearly 1,000 homes we are building around the Larkhill area if they want to see for themselves our commitment to service family accommodation.

Secondly—I said this earlier, but it is a point worth repeating—the £400 million effective subsidy that service personnel as a whole receive will not be cut. Thirdly, just as we do now, the MOD will shield our people from variations in rent across the country. From north to south, be it in Catterick, Northolt, or Andover, service personnel will have access to subsidised accommodation, and will make the same contribution for the property regardless of the geographic location and of whether it is service family accommodation or a private rent. In practice, that means that a service person in Yorkshire will contribute the same as one in Wiltshire, with the difference being covered by their allowance. What is changing is that we will move to a model that, for the first time, provides support to service personnel both in and outside of the wire.

We have had a well-informed and useful debate. Whatever our opinions on the finer points at stake, we should not lose sight of the overriding fact that we all

share the same fundamental desire to ensure that those who serve us are well provided for. I reassure hon. Members that their views, and those of their constituents, will continue to shape our plans. Working together, I have no doubt that we will engineer a future accommodation model that will provide our people with the greater choice and stability they expect, deserve and need; as I said earlier, something that it is in everyone's interests to get right.

5.58 pm

Jeff Smith: I thank the Minister for his comments and welcome the fact that he said that this is an ongoing debate and that he is prepared to listen to the concerns. This is an opportunity to influence. I urge him to reflect on the fact that the concerns have come from across the House. They are shared concerns, and I hope he will take that on board.

There are a number of questions that, understandably, have not been answered, and I look forward to receiving some written responses. I thank hon. Members for their contributions and for bringing their experience and knowledge to this important debate. As the Minister said, the debate will continue as we attempt, I hope with some consensus and collectively, to provide a solution that will work for our armed services personnel and of which we can all be proud, just as we are proud of their service to our country.

Question put and agreed to.

Resolved,

That this House has considered the Future Accommodation Model.

Long-term Health Problems and Work Outcomes

[MR PHILIP HOLLOBONE *in the Chair*]

Mr Philip Hollobone (in the Chair): Will Members not staying for the next debate please be kind enough to leave quickly and quietly? We now come to the important subject of the role of employers in improving work outcomes for people with long-term health problems.

6 pm

Craig Tracey (North Warwickshire) (Con): I beg to move,

That this House has considered the role of employers in improving work outcomes for people with long-term health problems.

It is a pleasure to serve under your chairmanship on this very interesting day, Mr Hollobone. The Prime Minister has promised that her Government

“will do everything we can to help anybody, whatever your background, to go as far as your talents will take you.”

Today, I intend to focus on what that means for employers of people with long-term health problems and disabilities. In all the very welcome debate about how the Government can best achieve their aim of halving the disability employment gap, the critical role of employers in supporting people to stay in work and, more positively, to reach their potential has been relatively neglected. “Improving Lives”, the Green Paper on work, health and disability, is an excellent foundation to start filling that gap. The Department for Health and the Department for Work and Pensions are to be commended for working in partnership and shining a light on the role employers can play in preventing people from falling out of work through ill health.

Some 83% of disabled people acquire their disability during their working lives. We all know friends, colleagues, family members and constituents who had a job and then suffered a serious health problem. We have seen how, once the shock of diagnosis starts to dull, people quickly ask themselves whether they will be able to keep working and how they will support themselves and their loved ones. When ill health stops someone from working long term, getting back to work can be a key milestone in their recovery and a big step towards them feeling themselves again.

Effective support from employers can make an enormous difference to people's physical, mental and emotional health and to their chances of returning to work. But sadly, the reverse is also true. Many employers do not create a culture where employees can even disclose health problems. Groundbreaking campaigns such as “Time to Talk” and those run by Heads Together have done much to make it easier for people to speak about their mental health, for example, but too many people are still too scared to speak to their employer and too few employers are ready to respond in the right way.

Research by the Mental Health Foundation last year found that 45% of working people with a diagnosed mental health problem had not disclosed it to their employer in the past five years. Of those who had told their employer, only half reported mainly positive consequences. As one of the people who took part in the research said,

“no one is able to say, ‘I have a mental health problem and I can't come to work today’”.

[Craig Tracey]

As co-chair of the all-party parliamentary group on breast cancer, I have heard at first hand how hard many people find it to tell their employer that they have cancer. I suspect that may be even more of an issue for those types of cancer that are more common among men. Research by the charity Maggie's found that one in five men with cancer find it so difficult to tell their employer that they put it off until they have to leave work to seek treatment. One in 10 do not tell their employer at all. If employees do not feel they can disclose a health problem, employers cannot hope to put in place the right support.

Jim Shannon (Strangford) (DUP): I congratulate the hon. Gentleman on bringing this important matter forward for debate. Does he agree that one way of doing it would be for the Government to create an index of employers based on how they support staff with disabilities and health conditions? Companies could be encouraged to consider how best to promote disability inclusion. Further, the Government could look at how employers' legal and tax obligations could be changed to incentivise them to engage more proactively with the health of workers.

Craig Tracey: The hon. Gentleman is right, and I will touch on tax incentives later. There are lots of opportunities there. The Green Paper is a good and innovative start in looking at how we can move things forward.

The earlier those open supportive conversations between employers and employees happen, the more effective the support will be. Well-managed employees can focus on their recovery and are more likely to successfully come back to work when they are ready.

Jo Churchill (Bury St Edmunds) (Con): By 2035, one in two people will get cancer. In the two short years I have been in Parliament, I can think of perhaps half a dozen colleagues across the House who have had cancer. Cancer is often defined by its survivorship, such as the great work that Macmillan does. Does my hon. Friend agree that a more open dialogue allows people to be helped through that illness—which is not necessarily a long-term condition or a terminal illness—so that they can return to work and enjoy fulfilling careers and supporting their families?

Craig Tracey: I thank my hon. Friend for that intervention. I know she speaks from experience. She is a few steps ahead, mind-reading my speech. I will come to the valid point she makes, but I definitely agree with her comments.

Obviously such conditions can have many knock-on effects for families. When someone gives up work for health reasons, their partner will often cut back or stop working to become their carer. That can double the financial impact. Employers clearly have an enormous role to play in the health and working lives of disabled people and those with long-term health conditions. As the number of working people living with chronic health problems grows, the impact employers have on the population's work and health outcomes—both positive and negative—will grow, too. Around 21 million people of working age in the UK will have at least one long-term

condition by 2030. By the same year, the number of working-age people with cancer is set to increase from the current figure of 750,000 to an estimated 1.7 million. Ensuring that employers retain as many of those people as possible and support them to progress their careers will also help the Government to tackle some of the other big challenges facing our society.

The Government's report "Fuller Working Lives: a partnership approach" and the recent independent review of the state pension age by John Cridland are both responses to our ageing workforce. Demographic change is sometimes presented as a problem for the long term, but we need to confront some implications now. In five years' time, there will be 763,000 more people in the UK aged 50 to 64 and 292,000 fewer aged 16 to 49. One in eight people stop working before reaching the current state pension age due to ill health or disability, and raising the pension age will only increase that figure. It is inevitable that as people age, they are more likely to have health problems—half of over-50s have a long-term health problem—but it is not inevitable that so many should be forced to give up work.

More flexible and understanding employers would retain a greater amount of those people, and it would also mean that people would retire with bigger pension pots. The DWP has said that if the average earner worked to 65 instead of 55, they could have more than £200,000 in extra income and increase their pension by 60%. It would also be good for people's health and the sustainability of the health service. The "Five Year Forward View" for the NHS in England recognises the need for "new partnerships" with employers to help people

"get and stay in employment"

as part of a

"radical upgrade in prevention and public health"

to protect

"the sustainability of the NHS, and the economic prosperity of Britain".

I am pleased that the Government prioritised the critical role of employers in the Green Paper, which also makes a strong business case for employers to invest in inclusive workplaces and health and wellbeing. It would reduce the £9 billion direct cost of sickness absence and boost productivity through healthier, more engaged employees. The Green Paper includes welcome plans to ensure that the public sector

"leads the way in developing employment practices that allow disabled people and people with health conditions to flourish."

But it is the Government's proposals for the 26 million people working in the private and third sectors that could have the biggest impact on work and health outcomes, and it is on those that I wish to focus. The Green Paper asks how those employers could be incentivised to invest in the things we know create healthy workplaces and prevent people from falling out of work. How can we create a culture where people feel confident about disclosing health problems? How can we ensure employers have regular conversations with employees who are off work to agree steps to support their return? How can employers put in place timely access to occupational health and vocational rehabilitation support? The Green Paper proposes sensible reforms to statutory sick pay to ensure that people are not penalised financially by returning to work. It also proposes putting in place a one-stop shop for employers with information on the

different things they can do to support staff and the return on investment they can expect to see from such measures.

While such measures would be welcome, they would not alone bring about the vision set out in the Green Paper of a society where everyone is ambitious for disabled people and those with long-term conditions, where jobs actively support and nurture health and wellbeing and where everyone at risk of long-term absence or falling out of work due to ill health gets early action as needed to stay in or return to work. The Government acknowledge that much more needs to be done.

The Green Paper is a call for bold, ambitious ideas and I understand the response from individuals, charities, employers and others has been very encouraging, with thousands already putting their views forward. That momentum must not be lost. Making progress towards the Government's vision will bring enormous benefits to working people who live with long-term health problems, and to their families, employers, the economy and taxpayers. My first question to the Minister is therefore how the Government will involve those outside Parliament who have engaged so valuably up to now and have so much to bring to the debate.

My second question relates to one of the bold ideas put forward to rapidly improve the ability of employers to provide effective early support for those at risk of long-term sickness absence. The Green Paper includes a section on group income protection insurance, recognising that it not only provides an income to those who are too ill to work, but also includes vocational rehabilitation and practical support for employers, which together prevents and reduces sickness absence and stops people from falling out of work altogether. Group income protection insurance is purchased by employers, who cover their staff. One virtue of that is that, save for the very highest earners, there is no medical underwriting, which means that insurers do not ask any questions about employees' medical history or existing conditions. People with health problems are covered at no additional cost.

The evidence is that group income protection is highly effective. The Green Paper cites a report from the Centre for Economics and Business Research, which found that such insurance reduces the length of sickness absence by an average of 16.6%. Research from one provider, Unum, found that seven out of 10 people with serious health problems who used its return-to-work service got back to work with the same employer. The most common conditions for those returning to work were mental health and musculoskeletal problems, which are the two health problems prioritised in the Green Paper.

Currently, just 7% to 8% of employees have group income protection from their employer. The Green Paper states that the Government think group income protection insurance has a much greater role to play. Coverage is particularly low among female workers and those working for small and medium-sized employers, yet both are most likely to benefit from the support it provides. Rates of sickness absence and disability are higher among female workers than men, yet for some reason employers fail to protect them in equal numbers.

SMEs are less likely to have experience of managing someone with a serious health problem or to have access to human resources, occupational health or vocational

rehab expertise. As a former small business owner myself, I know what an impact it has when one of a small team needs to take time off. I know how difficult it can be to try to support an employee with a long-term condition, while also meeting legal obligations and keeping a business on track.

In my role as chair of the all-party parliamentary group on insurance and financial services, I have received representations from across the sector that make the case for tax incentives for employers to invest in group income protection for their staff. Insurers, their trade bodies and employers, through EEF, make the case that a tax incentive for employers would be the most effective way to increase coverage. They argue it would raise awareness of the benefits of providing the insurance, would act as a signal from the Government that group income protection is something good that employers should consider investing in, and would stimulate demand for and supply of this insurance.

Working with its members, the Association of British Insurers has produced an economic evaluation highlighting the gains to taxpayers if a modest incentive increased coverage. Fewer people would fall out of work or would require state support. Those in work and those who were too ill to work and so receiving an insured income would continue paying taxes on their salaries. Will the Minister explain how the Government intend to support a much greater role for group income protection insurance? Are they minded to consider the case for a temporary tax incentive for employers, particularly SMEs, to invest in it?

The Green Paper vision is rightly ambitious and I am sure it will have broad support from those inside and outside the House who follow the debate. The Green Paper talks of a 10-year plan to achieve that, but there is clearly potential to make great strides in a much shorter timeframe. The Government can take action now that will make a huge difference to the lives of working people with long-term health problems, their families, employers and the taxpayer.

Janey, a solicitor who shares her story in a guide from the British Heart Foundation, was 35 when she was diagnosed with a serious heart condition after giving birth to a baby boy. Janey's employer communicated with her and together they agreed a successful plan so she could return slowly and steadily to her job, starting after a long absence on a two-day week and building up to four days a week over six months. She got back to work doing longer hours, but always making sure she was home in time to be with her son. That is the kind of positive experience we want everyone to have. So my final question is how the Government will measure success in delivering their vision. What are their top priorities in supporting employers to improve the work and health outcomes of people with long-term health problems?

I welcome the Government's approach to this important subject. There are some exciting opportunities for innovative solutions to help those with long-term problems to remain in work. I look forward to the Minister's response.

Mr Philip Hollobone (in the Chair): I know we are talking about long-term health issues, but I can see that the Minister is in some discomfort with a short-term health issue. It would be perfectly in order if she would like to give her speech sitting down.

6.16 pm

The Minister for Disabled People, Health and Work (Penny Mordaunt): Thank you, Mr Hollobone. It is a pleasure to serve under your chairmanship. I shall start standing, but will take you up on your kind offer if it becomes too much.

I congratulate my hon. Friend the Member for North Warwickshire (Craig Tracey) on securing this debate on a critical issue that faces the country, at an opportune moment, with the Green Paper consultation having just finished. I also thank the hon. Member for Strangford (Jim Shannon) and my hon. Friend the Member for Bury St Edmunds (Jo Churchill). We have had a lean but fit debate, and I thank them personally for their contributions.

As has been stated, the Department for Work and Pensions and the Department of Health published the “Improving Lives” Green Paper in October last year, to start a national discussion about how we can support more disabled people and people with health conditions to get into work, stay in work and have full and fulfilling careers. The consultation ended in February and we have received a huge response from a wide range of employers, disabled people, people with health conditions and organisations with an interest. I thank Members who held events during the consultation period, and healthcare professionals who have also responded. We are now taking stock of what we have heard and will decide the next steps on this important agenda.

In moving forward, we want to continue working with stakeholders—that includes employers—to build on those contributions to the debate and to keep the momentum going. It was always going to be tricky to give my hon. Friend satisfaction about exactly when a White Paper would appear; it is even more tricky bearing in mind announcements made earlier today. I can assure my hon. Friends that we want to seize the momentum that the Green Paper has built and bring forward a White Paper very swiftly. Work can continue outside of the civil service, in the private sector and the third sector, which will play a critical role in delivering the support. We want those organisations to continue thrashing out the issues so that we can arrive at a White Paper in good time.

Let me focus on the case for employer action. It is clear that there are compelling reasons for employers to take action on health and work. Employers who invest in inclusive workplaces and in the health and wellbeing of their staff can expect wider access to talent and skills, improved engagement and retention of employees and consequential gains for the performance and productivity of their businesses, reduced sickness absence and also reduced presenteeism, which is an issue, although it is not often spoken about. They will be more able to capitalise on the purple pound’s nearly £250 billion of spending power in this country because of the insight that their workforce will have.

Employers will increasingly need to help their employees remain healthy and manage their conditions if they are to benefit as much as possible from the skills and experience of our ageing population, which my hon. Friend the Member for North Warwickshire referred to. Older people will make up an even greater part of the workforce in the future. In the next five years, it is estimated that the number of people aged 50 to 64 will

increase by 800,000, while the number of people aged 16 to 49 will fall by about 300,000. We know that older workers bring great benefits to businesses by drawing on their knowledge, skills and experience, and can help businesses to remain competitive.

My hon. Friend the Member for Bury St Edmunds spoke about cancer, which is becoming a chronic condition. Although we are living longer, we are living more years in ill health. There is clearly a correlation between our ageing population and the increased prevalence of long-term chronic conditions and multiple health issues, so this is an incredibly important agenda for the nation.

Jo Churchill: Cancer is often referred to as a generic, but various forms present very differently. The TUC has a great campaign called Dying to Work, which is driven by someone with metastatic cancer. They have a limited lifespan, but they want to carry on working. That is part of this agenda. If a person feels fit and able, whatever their condition, the Government should be doing all they can to encourage them.

Penny Mordaunt: My hon. Friend makes a very good point. Part of the importance of the Green Paper is that it tries to push the concept of work as a health outcome. Whatever someone’s circumstances, meaningful activity is a key part of keeping them healthy, and it benefits their emotional wellbeing.

We can already move forward with many of the things we trailed in the Green Paper. The one-stop shop will be not just a passive repository for Government information to support employers, but a shop window to the third sector and other organisations that can provide the expert, bespoke support that employers want. If, for example, a business has employed someone with autism, it will want expertise and expert advice, so we want to move forward with that immediately. The Disability Confident scheme is gathering pace, and there are many other things we can do to improve services, such as Access to Work.

On the issue of statutory sick pay and income protection, through the consultation we have been exploring how employers can actively promote health and wellbeing and manage sickness absence, including whether statutory sick pay should be reformed to better enable supportive consultations and a phased return to work. We also know that group income protection insurance, which offers preventive programmes, wellbeing services and income protection elements, can offer benefits and has the potential to help employers retain disabled employees and those with health conditions.

Analysis by the Centre for Economics and Business Research indicates that long-term absences among employees who have access to and use early intervention and rehabilitation services tend to be nearly 17% shorter than those among employees who do not. We want employers to do more to invest in their employees’ health and wellbeing, and thereby to reap the benefits that such investment brings. That includes actively considering whether group income protection could be part of the answer in promoting the health and wellbeing of their workforce. That was a key focus of the Green Paper, and we want to focus on it as we go forward.

We welcomed the responses to the consultation, in which we asked questions about the role the insurance sector should play in supporting the recruitment and

retention of disabled people and people with health conditions. We also asked for feedback on the barriers and opportunities for employers of different sizes when adopting those insurance products for their staff. In particular, we asked why larger employers are not making better use of such protection schemes, and how take-up among SMEs in particular can be encouraged. We are now reviewing the full range of opinions expressed in the consultation, and we look forward to continuing to work with the industry to consider how those barriers can be overcome. We will consider what role the Government might play in reducing those barriers to take-up, and what the industry might need to do. We welcome offers to continue to work with the Government on these issues to encourage wider employer action to help employees stay in or return to work.

A number of health trials are going on at the moment, and we wish to run further trials with our innovation fund. Many of them touch on the incentives for employers to make the investments and follow good practice in their workplace. For example, one trial is introducing a wellbeing premium—a reduction in local business rates provided the business puts in place particular things to support the mental health and emotional wellbeing of its staff.

As we explore what works and what is good practice for employers, we need to remember that we are already asking employers to do a lot. They have done a lot on pensions, and some of them are doing a lot on the apprenticeship levy. Those are really good things, and businesses clearly see the merits of investing in them. We must also bear in mind that we want employers to create jobs, so we have got to get the balance right. That is why I think this is one of the interesting parts of the Green Paper consultation and the White Paper that will follow.

It is important that any efforts to improve opportunities and outcomes for disabled people and those with long-term conditions also focus on mental health. Only one in three disabled people with a mental health condition is

in employment, and 49% of the 2.4 million employment and support allowance claimants have a mental health condition as their primary condition.

In January, the Prime Minister announced the first steps in our plan to transform the way we deal with mental health problems at every stage of a person's life—not just in our hospitals, but in our classrooms, at work and in our communities. An important strand of that plan is to support mental wellbeing in the workplace. That is why Dennis Stevenson, who has campaigned for a better evidence base for mental health for many years, and Paul Farmer, the chief executive of Mind, have been commissioned to review how employers can better support all employees, including those with mental ill health or poor wellbeing, to remain in and thrive through work. They are considering best practice across the full range of employers, and engaging with individuals with lived experience. They will present evidence and recommendations for employers and the Government to consider.

My hon. Friend the Member for North Warwickshire made a point about measurement, which will clearly be a focus for us as we bring forward our ideas in the White Paper. Although we will continue to report the labour market statistics and look at the disability employment gap and other such numbers, we need locally driven solutions in health and employment services and education, so we need to focus on the current unmet need, whether in healthcare or employment support. By looking at the local numbers and getting local ownership so the different stakeholders can wrap support around the individual, we will get really good things to happen at a local level. That is what we need to enable and encourage—so expect some of those targets, which will look at the actual numbers, and formulas surrounding the disability employment gap. Once again, I thank my hon. Friend for securing this important debate and all hon. Members who took part in it.

Question put and agreed to.

Royal Institution of Chartered Surveyors: Property Act Receiverships

6.29 pm

Jo Stevens (Cardiff Central) (Lab): I beg to move,

That this House has considered the regulatory role of the Royal Institution of Chartered Surveyors in Law of Property Act receiverships.

It is a pleasure to serve under your chairmanship today, Mr Hollobone. The Royal Institution of Chartered Surveyors is the professional body that accredits some 125,000 professionals in the land, property and construction sectors worldwide. The RICS banner slogan is “Confidence through professional standards”, and a mission statement proudly announces:

“We regulate and promote the profession, maintain the highest educational and professional standards, protect clients and consumers via a strict code of ethics, and provide impartial advice and guidance.”

That statement embodies the key principle that although a professional body has responsibilities to its members, such as setting standards, training and interpretation of legislation, its overriding responsibility is to the public at large—its members’ clients and customers—to provide assurance and confidence that RICS members are behaving entirely professionally to those third parties.

Self-regulation, which is what that represents, leads RICS to its immediate conflict of interest. On the one hand, it represents the interests of members, who fund the organisation; on the other hand, it has an overriding responsibility to the public at large. The issue becomes how RICS manages that conflict and whether RICS is achieving the appropriate balance in judging the actions of its members. That is the crux of what today’s debate is about.

RICS, naturally, claims that everything is in order. On its website it states:

“We assure competence and enhance our professionals’ status by providing confidence to consumers and markets”,

and:

“We are proud of our reputation and we guard it fiercely, so clients who work with an RICS registered professional can have confidence in the quality and ethics of the services they receive.”

No self-regulator will ever say otherwise, but the question is whether RICS is delivering on that commitment in practice. Unfortunately, in the experience of my constituent Mr Shabir and many others, the answer is emphatically no.

RICS has entirely misdirected itself in Mr Shabir’s case and should issue a revised decision that accords with RICS’s mission statement and the facts of his case. A further concern to me is that public pronouncements by RICS, specifically those made to the Select Committee on Business, Innovation and Skills under the chairmanship of my hon. Friend the Member for West Bromwich West (Mr Bailey), seem wholly virtuous and bear no relationship to RICS’s interpretation of its own standards when it responds to complaints such as those of Mr Shabir.

Turning to the Law of Property Act 1925, it is unfortunate that although the LPA or the relevant mortgage deed provides for a lender to appoint a receiver, section 109(2) of the Act defines the receiver as the “agent” of the borrower. That creates an immediate

conflict, since a bank or other lender, when faced with claims of unreasonable behaviour on behalf of the receiver whom it has appointed and whose remuneration it has agreed, will shelter behind the fact that the receiver acts as the agent of the borrower. Most commentators acknowledge, however, that that is not the reality. The receiver’s first and often only loyalty is to his appointer, and the impecuniosity of the borrower, often as a consequence of the very actions of the bank or other lender, will deny the borrower the ability to defend himself. In such circumstances—for example, when a RICS member is acting in, or in association with, a receivership capacity—it is essential for RICS to set the bar for acceptable behaviour at the very highest possible standard.

On 16 September 2015, I led a debate in Westminster Hall about the case of Mr Shabir and that of Alun Richards, a constituent of my hon. Friend the Member for Ogmore (Chris Elmore). I will not repeat the details of the case, but in summary, as a consequence of the financial crash in 2007-08, Lloyds bank took the opportunity to reassess its relationship with customers who were borrowing large sums of money at low rates of interest above base. Those customers were known as fine margin customers. Faced with the significantly increased costs of funds in the money markets, Lloyds sought to improve its position by eliminating fine margin customers from its portfolio. The mechanism to achieve that was systematic down-valuation of a customer’s property in order to engineer a shortfall in the key loan-to-value ratio. Once that term was breached, Lloyds could pass the customer in question to the Bristol recoveries department—from which it was confirmed there was no escape—and resist all proposals for restructuring.

The Bristol recoveries department was in effect the graveyard of Lloyds, because no business came out of it alive. It has become infamous as the centre of the malpractice and it has dealt with cases from all over the country. Once a business was with the recoveries department, receivers were appointed. They then eliminated the customer and met Lloyds’s objective. Any shortfall for Lloyds was met by the Government under the taxpayer bailout arrangement. To add credibility to that manoeuvre, Lloyds needed the support of a professional firm with apparent independence and full RICS endorsement. In Mr Shabir’s case the firm was Alder King, which had at one time been owned by Lloyds. The advantages to Alder King were all too obvious: a significant source of extremely profitable consultancy and receivership work, much of which was unnecessary and would not normally have arisen were it not for the position that had been artificially created.

Kevin Brennan (Cardiff West) (Lab): I congratulate my hon. Friend on securing the debate. I give her my full support. What she is presenting is the tip of the iceberg. I cannot name a constituent of mine in a similar case because he wishes to remain anonymous, owing to confidentiality agreements negotiated around the malpractice. Suffice to say, he is a victim of exactly the same kind of malpractice by Lloyds as she is describing.

Jo Stevens: My hon. Friend is right. We have the names of people who have been affected, but many cannot identify themselves because of gagging agreements in the settlement of disputes.

As far as Mr Shabir and others similarly affected are concerned, the Lloyds manoeuvre was not simply an esoteric exercise. The practices employed have destroyed perfectly viable businesses and sources of livelihood for their owners—Mr Shabir had a business worth about £10 million. Recognition of such practices is widespread, including in the Tomlinson report and the financial press, and there is much sympathy for those who have suffered financial loss. Redress, however, remains elusive, not least as a consequence of the prohibitive cost of litigation. This really is a David against Goliath situation.

At a time when RICS's support might be decisive, it remains in denial about the malpractice that lies at the heart of this matter. What, therefore, was the malpractice? Mr Jonathan Miles, a partner in Alder King, was embedded in the Lloyds recovery department in Bristol. He was given a Lloyds email address, telephone and business card, and his true identity as a partner in Alder King was concealed. Mr Julian Smith, another Alder King partner, was not only instructed to do the valuation of Mr Shabir's business—in reality, the down-valuation by Lloyds—but appointed receiver over his property. Mr Smith had significant involvement with Lloyds and he, too, was provided with a Lloyds email address and had access to confidential customer data. Disturbingly, RICS has confirmed that during that whole period Mr Smith was on a part-time secondment to Lloyds. That is about as obvious a conflict of interest as we will ever see. Mr Smith was acting as judge, jury and executioner.

The terms of those involvements—in particular Mr Miles's full-time secondment, which lasted several years—were to act in an executive capacity within Lloyds. The relevant financial arrangements have never been disclosed, which raises doubts about whether they even existed. In that executive capacity, Mr Miles was threatening customers, making receivership appointments to his own firm and signing property sale completion documents as a senior authorised Lloyds official. The valuations produced by Alder King were up to 50% less than comparable valuations produced by valuers with a national profile. Furthermore, once appointed, Mr Smith acted in blatant disregard of Mr Shabir's interests. Mr Shabir has been left with arrears of rates, service charges and utilities' services, some of which have become the subject of county court judgments against him. An attempt was even made by Alder King to sell one property from Mr Shabir's portfolio to Mr Julian Smith's personal assistant at Alder King.

It goes without saying that each of those matters appears to raise serious concerns when placed in the context of RICS's literature and professional standards. Naturally, therefore, Mr Shabir made a complaint to RICS. That was on 29 June 2011. It drew an extraordinarily disappointing response, which contained a list of reasons for doing nothing and, in particular, a denial that the issue had anything to do with ethics and conduct. A second approach in July 2011 did not even attract the courtesy of a response, and a further approach in April 2014 led to completely inconclusive dialogue for five months. RICS finally agreed to receive a formal presentation on 13 November 2014, but although all the complaints that had been given in were evidenced, three months passed, and in February 2015 RICS concluded in a letter to Mr Shabir that

“there is no evidence of misconduct by Alder King or the members in question”.

The letter also added that the matter could be referred to an independent reviewer—appointed by RICS—to review RICS's procedures, but not the actual decision.

As might be expected, the issue of conflict of interest features widely in professional standards literature published by RICS. Doing something that secures an unreasonable pecuniary advantage to the detriment of others is so obviously irregular that there is not even any reference to it in that literature. On 4 March 2015, RICS's public position was defined by Ms Eve Salomon, then chair of RICS Regulation, in evidence to the Business, Innovation and Skills Committee, chaired by my hon. Friend the Member for West Bromwich West, during an inquiry into the regulation and policies of the insolvency sector. Ms Salomon said in her evidence, in response to questions 20 and 21, that

“secondment...is subject to an arm's-length contractual agreement between the secondee and his or her firm and the employing organisation.”

She went on to say that

“where somebody might be a secondee in a bank...and then subsequently...is appointed as a fixed-charge receiver, that could potentially raise issues of conflicts of interest, but those matters are dealt with by professional codes”.

She also said:

“If we found evidence that, say, a secondee had given advice on the expectation that the matter would be leading into receivership and that that particular chartered surveyor would be appointed as a receiver, then we would see problems.”

Ms Salomon's colleague at RICS, Mr Graham Stockey, added:

“At that stage, provided it is at arm's length and the contract that is set up clearly limits the involvement of the secondee, the conflict could be managed. We look very closely at what the terms of the contract would be and what the terms of the appointment are, and it is up to the firm to be able to show RICS Regulation that there is no conflict. This is something that we look at really closely.”

His comments were endorsed in the evidence session by Mr Julian Healey, who is the chief executive of NARA—the Association of Property and Fixed Charge Receivers. In response to question 19, he said:

“Yes, there is conflict between a fixed-charge receiver going into a bank and advising on matters and then saying, ‘I have identified this as a distressed property. What a good idea. I’—

or my firm—

“shall now go and act as fixed-charge receiver’.”

Those comments were also endorsed by Mr Phillip Sykes of R3, who said in response to question 85 that it would represent an unacceptable conflict of interest if that secondee individual or his firm

“was then to go on and take the insolvency appointment...In my experience, certainly, the banks take enormous care to ensure that if a secondee is working on a particular case then their firm will have no part in any enforcement proceedings.”

From reading that evidence, which was given publicly, it is particularly disappointing that when I wrote to the director of regulation at RICS, Mr Luay al-Khatib, on 15 December last year, he sought to explain away Ms Salomon's comments to the Select Committee as being

“of a general nature to assist the Committee and not comments made in relation to Mr Shabir's case”.

It is of fundamental concern to me that Mr al-Khatib declares himself to be satisfied with the decision that RICS made when he knows that there are no agreements

[*Jo Stevens*]

governing the terms of secondments that have lasted for five years, that the secondments were without charge to the bank, that there was no escape from the recoveries department—the excuse offered by RICS that there was no certainty of a receivership appointment following Alder King’s advice or valuations is therefore simply nonsense—that the issue of under-valuation has not been addressed and that there was no tendering for receivership work, as cases on which Mr Miles worked were invariably passed to Alder King.

Having attempted since late 2015 to get Lloyds, Alder King and RICS each to meet with me and my constituent to address the issues I raised in my debate in September 2015, I have come to the conclusion that RICS is failing to deliver an acceptable level of regulation. Worse than that, it is doggedly maintaining in its public pronouncements that it is subscribing to the highest possible principles and standards, whereas in reality it is condoning practices that are untenable and universally condemned by other professional bodies. Whatever the reasons for its actions, be they the extent of the practices, the importance of the members concerned, compensation considerations or others, RICS is completely undermining a principal basis for its existence, namely the maintenance of public confidence in a professional body. I recognise that LPA relationships bring their own difficulties, but on the evidence of Mr Shabir and others who have been affected by practices similar to those I have outlined, regulation has failed in the one area where it was most needed.

In March 2017, RICS published on its website a professional statement entitled “Conflicts of Interests”, together with some commentary notes. Obviously there is merit in refreshing professional standards from time to time, but the problem is that RICS is not using its statements or standards when dealing with members who are in breach of those standards. At a meeting held here in Parliament on 15 March 2017, the Thames Valley police and crime commissioner, Mr Anthony Stansfeld, who was responsible for the prosecution of the now convicted bankers behind the HBOS fraud, stated that in his opinion the board of Lloyds bank, which owns HBOS, had been well aware of the fraud since 2009, despite persistently denying it for many years. And here we are again, in my constituent’s case and that of many other small and medium-sized enterprises, dealing with the same Lloyds board, the same owners of HBOS and the same set of individuals: the chairman, Lord Blackwell, and the chief executive, António Horta-Osório.

Mr Shabir’s case has clear parallels with the Reading fraud case. It involves fraudulent activity and then a cover-up. The former chairman of Lloyds, Sir Win Bischoff, wrote to Mr Shabir’s former Welsh Assembly Member on 14 October 2010, completely refuting the allegation that the receivership had been mishandled and specifically saying that there had been no conflict of interest. But he then went on to say that Alder King was Lloyds’s preferred firm of professionals in the south-west. That statement is in itself conflicting. How can the guarantee of receivership work sit alongside Alder King secondments to Lloyds? We know that it sat alongside them very comfortably, because I have a letter from Alder King’s Julian Smith, dated 21 December 2009, to his Alder King boss Jonathan Miles, at his Lloyds bank address, thanking Mr Miles for appointing

him as receiver. Sir Win was also sent the letter, but declined to respond. I also have a letter dated 22 May 2014, written by the then Secretary of State for Business, Innovation and Skills, Vince Cable, confirming that he had met Lloyd’s chief executive, Mr Horta-Osório, and discussed Mr Shabir’s case. The chief executive told him that he had “looked into the matter personally”. So the chair and the chief executive of Lloyds knew what was going on and did nothing. That sounds very familiar.

Lloyds has effectively opened up its bank vaults and allowed Alder King to walk right in and help itself. Meanwhile, RICS, supposedly keeping watch, ensures that Alder King has a clean getaway. The financial incentive for Lloyds and Alder King to cover up the fraud is clear, but this dereliction of regulatory duty by RICS, in the face of the most blatant conflict of interest, makes RICS complicit in the fraud itself.

I ask the Minister to address three matters in his response. If RICS is to retain its role in the sector, it should establish which, if any, of its member firms are on bank or lending institution panels and have secondment agreements operating with those lenders. If there are member firms that have such a relationship, does the Minister agree that that should be confirmed in writing to all associated parties before any involvement by those firms in potential receivership cases? Does he agree that RICS must immediately establish with its members, such as Alder King, a system of financial redress for victims of this fraudulent malpractice, including Mr Shabir and other SME owners? The victims should not have to put themselves through the stress and expense of litigation where there is no equality of arms. Since Lloyds has had the principal financial interest in cases such as Mr Shabir’s—Lloyds is still part taxpayer-owned—and has been pulling the strings of RICS members, it should be required to be the major party to that system of financial redress.

The past few weeks have not been good PR for the banking industry, and particularly not for Lloyds. The Reading fraud convictions, the subsequent announcement of yet another £100 million compensation scheme and the launch of a new independent lawyer’s investigation have all made headline news. The scope of that investigation covers the role of three successive chairmen at Lloyds—Bischoff, Blackwell and the chief executive, Mr Horta-Osório—all of whom denied knowledge of the Reading fraud case until it got to court. We know from the release of a leaked internal Lloyds document that those executives knew of the fraud—they even referred to it as fraud—as far back as 2009. Mr Shabir has received the same stonewalling from the same set of individuals.

I conclude by reiterating that banks, regulators and specifically RICS need to clean up their act to restore public confidence and trust. They need to offer full and immediate redress to the victims of their malpractice. The issue is not going to go away, even despite today’s announcement of a general election.

Several hon. Members *rose*—

Mr Philip Hollobone (in the Chair): Order. The debate runs until 7.30 pm. Jo Stevens has three minutes to sum up at the end, which means I have to call the Front-Bench spokespeople no later than seven minutes past 7 pm. The Opposition spokesperson and the Minister each have 10 minutes. Three hon. Members are standing from the array of Labour parliamentary talent I see

before me. I am going to have a five-minute time limit on speeches so that everybody has equal share, and we will start with Mr Adrian Bailey.

6.50 pm

Mr Adrian Bailey (West Bromwich West) (Lab/Co-op): May I say what a pleasure it is to serve under your chairmanship, Mr Hollobone? I will do my very best to keep within the time limit you have outlined.

I congratulate my hon. Friend the Member for Cardiff Central (Jo Stevens) on her doggedness and determination in continually bringing this issue to Parliament and on the lucid and forensic way in which she outlined the issues. I would find it difficult to elaborate in any way on the details of the cases that she has brought to the notice of Members in this and the previous debate.

I also compliment Mr Shabir and—although he is not mentioned in this debate—Mr Richards from the Ogmore constituency, who suffered a similar situation, for their doggedness and resilience in ensuring that this has been brought to the notice of parliamentarians and that the issues are examined in public. Their experience would have defeated lesser people and they deserve commendation for the way that they have campaigned.

As my hon. Friend said, the issues arising from the evidence were examined by the former Select Committee on Business, Innovation and Skills. Unfortunately, the hearing was just before the 2015 general election. Although we took the evidence, we never had the chance to make recommendations. However, the answers that my hon. Friend has referred to from that meeting quite clearly illustrate the vast gap between the public rhetoric of these bodies and the private reality of how they operate. Anybody hearing the particular case studies can only be astounded that a professional body, and representatives of that body, could have acted in such a way, and that there does not appear to have been any legal redress for the way in which they acted, or compensation for the victims of their actions. The wide consensus of opinion about the awfulness of the actions and the terribleness of the experience that the individuals have gone through—let us be clear: it is reflected by many other small businessmen and women up and down the country—raises matters of huge concern.

I would like to highlight one or two issues that the Government must address, the first of which is the gap that seems to exist in the Serious Fraud Office's threshold for investigation of fraudulent activity. I will not repeat the words of the Solicitor General in the previous debate, but he basically said that investigation was reserved for high-profile and serious cases of fraud and was limited to companies such as GlaxoSmithKline, Tesco and Rolls-Royce. It would appear that we have a Government body that is prepared to act on behalf of big business but not small business.

The Solicitor General went on to say that ActionFraud had been established to ensure reporting. I have looked at ActionFraud; it reminds me a bit of the ill-fated cones hotline that existed in the 1990s, because someone can report something, but absolutely nothing will happen. If anything can happen, that is not made clear to anyone who makes a report.

Kevin Brennan: "Inaction Fraud".

Mr Bailey: Absolutely.

In conclusion, the issues are of such seriousness, and the way in which the professional organisation has responded to them so inadequate, that the Government must look at some sort of intermediate implementation of action against fraud, to help small as well as big businesses.

6.56 pm

Mr Alan Campbell (Tynemouth) (Lab): I commend my hon. Friend the Member for Cardiff Central (Jo Stevens) for securing the debate. I would like to use the brief time available to raise a constituency case, with the permission of my constituent Mr Graham Stewart.

Mr Stewart has been a builder and developer since 2000. He was encouraged by Lloyds bank to move his account to Lloyds in 2003. He banked with Lloyds over the next decade, in which he developed a substantial property portfolio. His accounts were handled both locally and regionally without any great difficulty until they were moved to the Bristol business support unit. His loans were originally reviewed every two years; that period was shortened by the bank, which added a cost for him each time. In June 2012, he was told that his loan depended on his selling a number of his properties, that the valuation would be carried out by the bank's own valuers and that his repayments would virtually double. When he complained about bullying, he was told at the end of November 2012 that the loan was to be called in and would have to be repaid in full, despite his not being in arrears at the time.

Mr Stewart was told by the Bristol business support unit that Alder King would be brought in to revalue his properties, which would be sold off to repay the loan. I am advised that, as has been alluded to earlier, staff at Alder King and Lloyds BSU moved seamlessly between the two offices. Alder King valued his properties at £1.1 million, despite a recent revaluation by Lloyds valuers at £1.8 million. I am told that the bank was able to access the Government's enterprise finance guarantee scheme to recover the shortfalls that it had, but Mr Stewart was left with considerable debt. He has been told by local valuers who knew his properties that Alder King had knowingly valued them at a lower value. In their words, he has been sold down the river.

The relationship between Alder King and Lloyds has been the subject of much speculation and investigation, and indeed forensic analysis by my hon. Friend this afternoon. In October 2015, I asked the Serious Fraud Office to add Mr Stewart's case to its wider investigation, but I was told that the amounts involved did not reach the necessary threshold. In my view and that of others, Mr Stewart and others have been let down by the various agencies and bodies that have been set up to protect their interests. Alder King's website tells us:

"Alder King is regulated by the Royal Institution of Chartered Surveyors."

The commercial property section of the RICS website states that

"you can be sure your survey will be carried out to the highest professional standards."

There have been many other cases, so it is fair to ask why RICS has been so slow and reluctant to respond to this situation.

Another example—I will not go into it in great detail, because a legal case may well be pending—is a family business in my constituency that also banked with Lloyds.

[*Mr Alan Campbell*]

The bank appeared to engineer a default; this time, it brought in not Alder King, but PricewaterhouseCoopers. It tried to asset-strip the company to the benefit of the bank, but certainly not of the company or its employees. Not only is PricewaterhouseCoopers regulated by the Royal Institution of Chartered Surveyors, but senior employees have provided offices for RICS' governing body.

Finally, it is important to point out that we are describing not just a crisis for businesses but a personal crisis for owners, often at cost to their health and their families. They ask, and I ask: if there are rules and procedures for companies regulated by RICS, why do those rules seem to work primarily in the interests of the banks and those acting in their name, rather than those of my hard-working constituents?

7 pm

Chris Elmore (Ogmore) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Hollobone. I thank my hon. Friend the Member for Cardiff Central (Jo Stevens) and congratulate her on securing this debate. The injustice that affected her constituent would warrant a debate in itself, but the fact that the same inequalities might have affected thousands of similar individuals deserves the attention of every Member of this House.

In my limited time, I will explain the situation of my constituent, Mr Alun Richards, in the hope of showing the damage caused by such malpractices. Shortly after my election last May, Mr Richards came to one of my constituency surgeries to explain his story. Alun Richards was once one of west Wales's most successful businessmen. By the turn of the millennium, his farming and property enterprises had been recognised with awards, and they soon attracted the attention of Lloyds Banking Group. Eager to attract his custom, Lloyds offered Mr Richards a gold star account and an interest rate of 1% over base. After considering other offers, Alun took up the offer made by Lloyds, and all was well until the 2008 banking crisis.

Suddenly, with little notice, Alun's bank managers in Carmarthen, Gwilym Francis and Ian Richards, transferred his accounts to a larger branch in Bristol. After a period of sustained silence, Alun spoke with his new branch to find out who his new bank manager would be. Stunned, he discovered that his new manager, Max Meredith, was in the business support unit, focused on recoveries. Mr Richards was understandably confused and alarmed. His business had been booming, and his new manager, Mr Meredith, agreed that the circumstances were not usual for such a transfer. He agreed to transfer Mr Richards's account back to his old branch, but Gwilym Francis and Ian Richards at that branch refused to accept the account. Alun Richards soon received a visit from two representatives of the business support unit in Bristol, Mr John Holiday and Mr Jonathan Miles.

During the meeting, one of Alun's accountants raised questions about Mr Miles's behaviour and background. Mr Miles repeatedly claimed on this occasion and in the 2.5 years that followed that he was an employee of Lloyds. Mr Richards has since discovered that Mr Miles was actually a chartered surveyor, a member of RICS and a partner at Alder King estate agents. No official secondment was in place; Mr Miles even appointed partners from Alder King, Julian Smith and Andrew Hughes, as

the Law of Property Act 1925 receivers. When that initially surfaced, Mr Hughes temporarily resigned. RICS has refused to take any actions and, following complaints against Bristol-based lawyers TLT, neither has the Solicitors Regulation Authority. The Insolvency Practitioners Association has also stood still.

The saga of Alun Richards's case has involved Lloyds Banking Group, Alder King and the Royal Institution of Chartered Surveyors. Alun, who once owned enterprises totalling more than £5 million, was left penniless and on the road to ruin as a result of their actions. Similar injustices by those organisations have taken place in most constituencies across the UK. I wish it were possible for each Member of this House to understand how such scandals have affected their constituents, but unfortunately too many victims have felt powerless and remained silent.

At the heart of the matter are the Law and Property Act receiverships, which, due to their malpractice and dereliction of duty, should be considered by the Royal Institution of Chartered Surveyors. Unfortunately, there is cause to believe that RICS has failed to do so. I hope that this debate will encourage RICS to regulate Law of Property Act receiverships to the fullest extent and play its role in preventing injustices such as those that have affected my constituent.

7.3 pm

Bill Esterson (Sefton Central) (Lab): It is a pleasure to serve under your chairmanship, Mr Hollobone. My hon. Friends have set out examples of how their constituents have been badly treated over a number of years, first by the banks that distressed their thriving and successful businesses and then by the failure to secure justice after a long struggle, often with the support of my hon. Friends and their predecessors.

This is not just about one bank. It has been about Lloyds, HBOS and Royal Bank of Scotland. A constituent of mine came to see me just last week about NatWest, his business having been run down in a similar way to those of my hon. Friends' constituents'. Businesses that were successful, that paid their interest on time and that were in a position to continue making their payments were run into the ground, in order to realise the maximum possible amounts for the banks and not in the interests of the customer. That is the reality of what has happened over many years and I am afraid that it could still be happening today, given the system that still exists.

The Tomlinson inquiry found at RBS a lack of competition and conflicts of interest, as well as the need for a proper retail banking sector, and yet we are in a situation today where those issues are still to be addressed. RBS may well have its own compensation scheme being set up, but no money has been paid out and at this stage it is being handled by RBS itself. It is still not independent of RBS. At the heart of this debate is that lack of independence and whether there are conflicts of interest in the LPA system.

Mr Bailey: Often, banks will say that the poor levels of business lending are because businesses will not come to banks for that lending. Does my hon. Friend agree that it is cases such as those mentioned today that have deterred many small businesses from going to their local banks and that, by default, inhibit our ability to invest in our economy for the future?

Bill Esterson: My hon. Friend is absolutely right, and I will address that point now—I was going to make it later. Our economy continues to struggle. We see sluggish productivity and low growth, particularly with smaller businesses, and one of the reasons is the lack of access to finance for those small firms, which undoubtedly causes them problems. I am in no doubt that the reputational damage done by these scandals and the lack of trust among smaller firms in the banks are factors that contribute massively to the problem.

We have seen businesses distressed and put out, people's livelihoods destroyed and people's lives damaged as a result of the behaviour of some of the banks, and of the people working in them and the people working for them as supposedly outside professional consultants. In the debate last December about alternative dispute resolution we heard about the activities of lawyers who are seconded into some of the banks and about the way they carried out similar activities. The convictions for fraud involved management consultants, and today we are talking about surveyors. There are conflicts of interests, whereby professionals are seconded into banks and then take decisions in the interests of those banks—why would they not do so, when their future lucrative work depends on those relationships?—and referring their own firms for the ongoing work, no doubt for fear of losing such work in the future.

With the LPA, the contracts have now been written in such a way that they favour the lender over the borrower. The borrower cannot then challenge the valuation of surveyors, because the valuer's duty is to the client, not to the borrower. The original intention of LPA receiverships, which was to create a balance between borrower and lender, has been completely overwritten by the way that the banks prepare their standard terms and conditions in their contracts. Of course, most smaller businesses cannot afford the cost of legal action to challenge what is happening, especially when they are up against the financial clout of the financial institutions causing these problems.

So what is to be done? How can such scandals be avoided in the future? What are the remedies for what has happened before? There needs to be a sea change to ensure that the chances of repetition are reduced. There needs to be compensation, not just a scheme that is administered very slowly and internally without proper independent scrutiny and operation. I am talking about RBS, but in fact it is ahead of the other banks, given that it has any scheme at all. Perhaps the Minister can look at how we can ensure proper scrutiny, independent regulation and a proper complaints process within RICS and other professional bodies, so that RICS members do not get scrutinised by other RICS members. My hon. Friend the Member for Cardiff Central (Jo Stevens) explained the situation extremely well: there is a judge, jury and executioner system within RICS and elsewhere. That has to change if there is to be proper scrutiny to prevent such injustices and an opportunity for remedy when they happen.

We have to prevent such things from happening again, and there has to be compensation. Whatever Government are elected on 8 June have got to take these things seriously. It is long beyond time for that. Justice delayed is justice denied. It is 10 years on, and many former small business owners have lost everything and are completely unable to get compensation for what has happened to them.

My right hon. Friend the Member for Tynemouth (Mr Campbell) talked about the Serious Fraud Office's potential interest, and he is absolutely right. I would like to hear what the Minister says about the potential for an SFO investigation into each and every one of these scandals. What prospects are there in the future for further fraud investigation?

We have got to prevent such things from happening again, and we have got to have proper regulation. The FCA's remit does not include the regulation of business lending; it is there to regulate consumers. It does have a role in regulating sole traders and smaller partnerships. Is it time that small and medium-sized enterprises are given the same protection as consumers?

There is also the issue of the LPA receivership system. The Labour Government introduced the Enterprise Act 2002, which reformed aspects of insolvency law, but LPA receiverships were not included at that stage. Given what we have heard, is it time that LPA receiverships were given the same status as administration? Should we go down the route of having the chapter 11-type system that exists in the United States? In some way, we need to return to the original intention of LPA receiverships of achieving a balance between the interests of borrowers and lenders and some kind of limit on the level of fees that agents can charge.

My final point is about the process that can be used to deal with complaints. It seems to me that having self-regulation, whether through RICS or elsewhere, is not working, given the examples we have heard about. Is it time to look at meaningful arbitration and proper dispute resolution? I have raised a number of times the issue of the small business commissioner, which the Government are creating. They have acknowledged that there is an issue with the unfairness of contracts for the SBC. We will have a chance to look at that. When that post is created, will the Minister consider the need for proper, meaningful dispute resolution—perhaps binding arbitration—and giving that responsibility to the small business commissioner in relation to these matters, as well as in relation to late payments, which are its primary purpose?

There are a number of issues that need to be picked up. The Minister can respond to them now. The next Government really will have to act, otherwise—my hon. Friend the Member for West Bromwich West (Mr Bailey) was right to intervene on this point—we will continue to have a system where the relationship between small businesses and the banks is very poor. Unless that is resolved, we will not improve the performance of our small businesses, which are a crucial part of our economy. In the meantime, those who have suffered very seriously by losing their livelihoods will not see the remedy that they should, and there will continue to be a danger of a repeat performance by financial institutions, if that is not already happening.

Mr Philip Hollobone (in the Chair): If the Minister would be kind enough to finish his remarks no later than 7.27 pm, that would allow Jo Stevens three minutes to sum up the debate.

7.15 pm

The Parliamentary Under-Secretary of State for Justice (Dr Phillip Lee): It is of course a great pleasure to serve under your chairmanship, Mr Hollobone. I congratulate

[*Dr Phillip Lee*]

the hon. Member for Cardiff Central (Jo Stevens) on bringing the important topic of the regulation of Law of Property Act receivers back to the Chamber, and I congratulate other hon. Members on their contributions. This debate was postponed from March the 22nd because of the dreadful events on that day, and I am sure that I speak for everyone in the Chamber when I say that our thoughts are with the victims' families even now.

This debate follows on from a debate that the hon. Member for Cardiff Central secured in September 2015 relating to concerns raised by one of her constituents, Mr Kash Shabir, about the appointment of fixed charge receivers by Lloyds bank and the conduct of the individual appointed. I understand that since then there have been separate investigations by the Serious Fraud Office and the Royal Institution of Chartered Surveyors into the treatment of her constituent by Lloyds Banking Group and Alder King, the firm of chartered surveyors used by the bank, but no further action has been taken against those investigated. She is dissatisfied with that outcome and, as a result, with the current regulation of LPA receivers. Law of Property Act receivers are also referred to as "receivers of rent" and "fixed charge receivers". I will refer to them simply as "receivers".

The Act in question is the Law of Property Act 1925, the key provisions of which in relation to receivers are sections 101, 109 and 110, which define the relationship of the receiver with the mortgagor and the mortgagee and set out the powers of the receiver. However, the Act provides that those provisions may be varied or extended by the mortgage agreement, and most modern mortgage deeds contain express provisions that replace or supplement the statutory provisions. The relationship of the mortgagor, mortgagee and receiver is therefore, as a general rule, governed by the contract creating the security for the agreed finance, not by the default provisions in statute. The terms of agreements vary from case to case but are likely to require the borrower to allow a person appointed by the lender to take over the management of the mortgaged property when the loan is in default, usually to collect rental income for the lender to service the arrears but with the right to sell the property if necessary.

On that basis, the appointment of a receiver provides a relatively straightforward way for the lender to protect its position. The ability to do that would seem, indirectly, to help keep the cost of borrowing low and the availability of credit greater than it would otherwise be. Those are clearly desirable objectives, but giving contracting businesses the right to decide the terms of their own contracts does not mean that the receiver has *carte blanche* as to how he or she exercises his or her powers. Receivers are under legal obligations. They must act in good faith and use their powers for proper purposes, and although their primary duty is to the lender in securing repayment of the secured debt, they must manage the mortgaged property with due diligence and have regard to the borrower's interests.

There will be cases where lenders and receivers do not act properly, and the hon. Member for Cardiff West—I mean the hon. Member for Cardiff Central, not Cardiff West—described circumstances in Mr Shabir's case where questions must at least be asked. In such cases, borrowers may have the right to seek compensation by an action for damages against the lender or the receiver in respect of the wrongs alleged to have been committed. Determining

the rights and wrongs of such cases is a matter for the courts, and I can only recommend that borrowers caught up in such situations should take legal advice about their rights and remedies and how best and most economically to proceed.

Jo Stevens: The Minister has referred to the prospect of litigation, but does he not accept that in this situation—where a small business owner has lost their entire business, has no money and is up against the might of a financial institution—it is simply not possible for them to enter litigation? That is why some alternative form of redress and a scheme is necessary.

Dr Lee: Of course, in a difficult situation where all of someone's funds have been exhausted, I recognise that litigation would be a problem. It would not be appropriate for me as a Minister to comment on an individual case, but I hear what the hon. Lady says and will take away her suggestions.

Kevin Brennan: The Minister mentioned Cardiff West, which is my constituency; my hon. Friend's constituency is Cardiff Central. The point is not that we are discussing an individual case but that Members are trying to describe a systemic problem that exists in all our constituencies across the country. In many cases, as I outlined, constituents are unable to reveal in full in public what they have been through because of confidentiality agreements. As a Minister, does he not see the need for the Government to consider action along the lines suggested by my hon. Friend the Member for Cardiff Central (Jo Stevens) as a result of the systemic concern that Members are expressing?

Dr Lee: I thank the hon. Gentleman for his intervention. In the particular case that the hon. Member for Cardiff Central raised, a series of investigations have not uncovered any wrongdoing. The Government are listening in terms of the problem *vis-à-vis* small, medium and larger enterprises that other Members raised, and we will be taking that away, but as things stand, we have found no evidence of anything untoward being done by any of these organisations.

Private law actions are one type of remedy, but they do not preclude the question of whether there should also be regulation of other kinds. Receivership is not specifically regulated. It is not subject to insolvency regulation. Receivers are, however, generally members of professional organisations with regulatory functions, and they will be subject to the regulatory rules applied by their professional body.

Most receivers are likely to be members of the Royal Institution of Chartered Surveyors. RICS was established by royal charter in 1868 and is independent of Government. To protect consumers and to maintain and develop the standing of the profession at home and internationally, RICS sets professional standards for its members and takes disciplinary action against them for breaches of its rules. RICS's regulatory regime is governed by an independent regulatory board, which has a majority of non-surveyor members. RICS has recently announced new rules to deal with conflicts of interest that will be introduced early next year. Other receivers belong to the Insolvency Practitioners Association, which also has regulatory powers.

Over the years, RICS and the IPA have both responded to concerns that there are general issues that need to be addressed in the field of receivership. In 1999, they entered into a memorandum of understanding relating to a voluntary registration scheme for receivers to provide a system of voluntary regulation against agreed standards. The memorandum was updated in 2012 and 2015.

Some 200 receivers are also members of the Association of Property and Fixed Charge Receivers, also known as the Non-Administrative Receivers Association. It is a relatively recently formed body. It aims to represent the interests of receivers and to promote better standards. Unlike RICS and the IPA, it is not a regulatory body. NARA, RICS and the IPA are jointly reviewing the professional practice standards underpinning the work of their members as receivers. The review is expected to include a public consultation, which will consider the degree of independence required from the lender and the borrower in receivership appointments. The new scheme should strengthen the self-regulatory regime.

Receivers are appointed only where a lender has concerns about the value of its loan. The borrower may not agree with the lender's action, but should have been aware of the possibility that a receiver might be appointed in certain circumstances from the outset. One of the potential problems is that the receiver may face a conflict of interest. Conflicts arise in many areas of professional practice and are generally successfully dealt with in sensible and proportionate ways. Sometimes professional businesses have to turn down business opportunities because they are conflicted and the conflict cannot otherwise properly be managed. Sometimes of course the right action is not taken and legal and regulatory action may follow against those who got it wrong.

The hon. Member for Cardiff Central has identified cases where things may have gone wrong. I am not in a position to say whether there were unacceptable or improperly managed conflicts of interest that ought not to have been permitted to occur in Mr Shabir's case. That is a matter for the courts and the appropriate authorities in the light of the law and relevant regulatory rules. We should also remember when considering Mr Shabir's case and others like it that receivership has existed for many years and has during that time presumably worked well in many cases. The independent regulation of receivers through their professional bodies is also long-established and is subject to ongoing review with the objective of improving standards and better protecting consumers.

A number of points were made by hon. Members during the debate. I will respond to them as best I can, but insolvency, financial services regulation and the professional regulation of surveyors are not matters for which the Ministry of Justice is responsible. I will, however, ensure that the points raised on those topics by the hon. Member for Cardiff Central and other hon. Members during our debate are passed on to the appropriate Departments.

The hon. Member for Cardiff Central asked whether RICS has been doing its job. The Royal Institution of Chartered Surveyors has investigated the allegations made by Mr Shabir and has not found evidence of misconduct. It has also offered to speak with the hon. Lady to discuss her concerns, but says that it cannot reopen its investigation without new evidence. The Serious Fraud Office carried out an investigation and decided there was insufficient evidence to meet its criteria for prosecution.

The hon. Lady also asked why the Government have not acted against Lloyds. The Government believe that financial service providers must be properly regulated, but the case for more or different regulation must be made before the present system is changed. The Financial Conduct Authority is considering matters relevant to the regulation of the provision of financial services to small and medium-sized enterprises. The Government will consider the FCA report when it is published. It would not be appropriate for the Government to comment further while the process is ongoing.

The Opposition Front-Bench spokesman, the hon. Member for Sefton Central (Bill Esterson) asked a question about wider economic and regulatory issues. I will refer all the questions regarding the working of the economy to the Treasury for consideration. The FCA is still working on the issues raised in the Tomlinson report. As I have said already, it would not be appropriate to anticipate its investigations and the report.

In conclusion, I acknowledge the vigour and tenacity with which the hon. Member for Cardiff Central has campaigned on behalf of Mr Shabir and others. I appreciate the concerns she has raised and the very difficult situations that have been created for her constituent and others by the financial crisis of 2008-09. I cannot intervene in specific cases or commit the Government to any particular action to change the legal or regulatory framework relating to receivers. I can, however, promise that the Ministry of Justice will continue to keep the issues for which it is responsible relating to receivers under review and pass on concerns raised to other Government Departments as necessary.

7.27 pm

Jo Stevens: May I thank the Minister for his response? I felt heartened in some respects and a bit downbeat in others. I am grateful to him for saying that he will take the concerns away. I thank the right hon. and hon. Members who have contributed to the debate.

Rather than focus on a particular individual in my summing up, I want to say that, as my hon. Friend the Member for Cardiff West (Kevin Brennan) has pointed out, this is about systemic failure. It affects huge numbers of people. It is not just about businesses, it is about humans—about families, individuals and the crises that it has caused them. It is clear that the difference between the public rhetoric, which was mentioned by my hon. Friend the Member for West Bromwich West (Mr Bailey), and the private reality is very severe for all our constituents. We are looking for a wider remedy and redress system to prevent this happening again.

I am grateful to the Minister for saying that he will take things away and look at them, but there is clearly evidence of wrongdoing here. It falls in the gap between SFO criteria and local police force criteria for investigation. Large numbers of people who have been badly affected have fallen into that gap. We need to look at some way of ensuring that their financial situation is redressed.

Question put and agreed to.

Resolved,

That this House has considered the regulatory role of the Royal Institution of Chartered Surveyors in Law of Property Act receiverships.

7.28 pm

Sitting adjourned.

Written Statements

Tuesday 18 April 2017

BUSINESS, ENERGY AND INDUSTRIAL STRATEGY

Register of Beneficial Owners of Overseas Companies and Other Legal Entities

The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Margot James): My noble Friend Lord Prior of Brampton has made the following statement:

On 5 April, we published a call for evidence seeking views on a new register that will show who owns and controls overseas companies and other legal entities that own UK property or participate in UK Government procurement.

The intention to create this register was announced at the International Anti-Corruption summit held in the UK last May. In providing greater transparency, the register will play a vital role in helping to combat corruption and money laundering. Greater transparency will also enhance the UK's reputation as an open and stable place to invest.

Last year the UK became the first country in the G20 to introduce a register of UK company beneficial ownership. The new register will impose similar requirements on overseas entities that choose to invest in property in the UK or bid to provide central Government contracts here. The creation of this register will ensure that the UK continues to be at the forefront of the corporate transparency and anti-corruption agenda.

[HCWS588]

COMMUNITIES AND LOCAL GOVERNMENT

Troubled Families

The Secretary of State for Communities and Local Government (Sajid Javid): As required by the Welfare Reform and Work Act 2016, section 3(1) and (11), my Department published the first annual report on Tuesday 4 April, setting out how the current Troubled Families programme (2015-2020) has been supporting the most disadvantaged families. We will lay this report on 24 April 2017 when both Houses have returned from recess.

This notice details what the report will cover, for the period up to end of March 2017, as well as for the next financial year, including setting out which families are eligible for the programme and how the progress of families supported will be measured.

Families classed as 'relevant households' on the programme, as defined by section 3 of the Welfare Reform and Work Act 2016, have at least two of the following problems:

Parents or children involved in crime or anti-social behaviour.

Children who are not attending school regularly.

Children who need help; that is children of all ages, who need help, are identified as in need or are subject to a child protection plan.

Adults out of work or at risk of financial exclusion or young people at risk of worklessness.

Families affected by domestic violence or abuse.

Parents or children with a range of physical and mental health problems.

The rationale for these eligibility criteria and how local authorities should identify families using a range of indicators, suggested referral routes and information sources was set out in the "Financial framework for the expanded Troubled Families programme: April 2015 onwards" published on 5 March 2015. The financial framework also sets out how the progress of families supported will be measured.

'Supporting disadvantaged families, Troubled Families programme 2015-2020: progress so far' sets out how the programme is changing the way councils work to be more effective in supporting those in need, including through a whole family approach and co-ordinated practical support. It also includes considerations for the next phase of the programme including which families are eligible for support, and how their progress will be measured.

The programme will continue support for disadvantaged families with complex problems and will work with up to 400,000 families by 2020.

The next phase of the Troubled Families programme supports the Government's paper, "Improving Lives: Helping Workless Families". This sets out new evidence on the multiple and overlapping disadvantages experienced by workless families - including parental conflict and problem debt.

As part of the next phase of the programme, the Government will be conducting a review of the current payment-by-results funding model. This is to make sure that this model continues to help the programme meet its objectives, and to strengthen the programme's funding requirements.

[HCWS594]

EDUCATION

Contingent Liability Notification

The Secretary of State for Education (Justine Greening): There will be no statement today on a contingent liability notification.

[HCWS597]

Schools Capital Allocations

The Secretary of State for Education (Justine Greening): My hon. Friend the Parliamentary Under Secretary of State for the School System (Lord Nash) made the following written statement on 3 April 2017.

Today, I am announcing £2.4 billion of capital funding to create new school places needed by September 2020 and to maintain and improve the condition of school buildings. This forms part of our wider plan to invest more than £24 billion in the school estate by 2021.

We want to build a country that works for everyone—and that means providing a good school place for every child, one that offers them the opportunity to fulfil their potential. Investing in our school buildings and creating a sufficient amount of school places are key parts of the Government's plan to ensure that every child has the opportunity of a place at a good school, whatever their background.

We are committed to investing £7 billion in this Parliament to create new school places. Together with our further investment in free schools we expect this to deliver 600,000 new school places over the course of the Parliament. We have already announced £4.8 billion of funding to local authorities for 2015-19, and today we are announcing a further £980 million for 2019-20, taking

total investment so far through this Parliament to £5.8 billion. In doing so, we continue to recognise that good investment decisions require certainty. Announcing allocations for 2019-20 today means local authorities can plan years ahead with confidence, and make good strategic investment decisions to ensure they deliver good school places for every child who needs one.

Alongside this new funding we are publishing data from the 2016 School Capacity Survey, which highlights the progress made by local authorities to date in providing new school places using our previous investment. By May 2016, our investment had already helped to create nearly 735,000 additional school places since 2010, with 136,000 delivered in 2015-16 alone.

Alongside this investment in new school places, we are committing more than £10 billion over 2016-21 to maintain and improve the condition of the school estate. As part of this, I am today confirming allocations of £1.2 billion for local authorities, voluntary aided partnerships, multi-academy trusts and academy sponsors to invest in their own condition priorities, and a further £0.2 billion of devolved formula capital directly to schools in the financial year 2017-18. This allocation includes the Condition Improvement Fund which is providing funding of £466 million for 1,435 projects across 1,184 academies and sixth-form colleges. These projects will help to ensure that children across the country have access to a good school place, further supporting them to reach their full potential.

This funding will help improve the quality of school buildings across the country, targeting schools with the highest need. It can also help schools reduce their running costs, by replacing outdated facilities with buildings that are more efficient to run. So I want schools, local authorities and academy trusts to look carefully at how they can achieve the best value from this investment.

Details of today's announcement will be published on the gov.uk website, and copies will be placed in the Libraries of both Houses.

[HCWS590]

TREASURY

Contingent Liability Notification

The Economic Secretary to the Treasury (Simon Kirby): I can today confirm that I have laid a Treasury Minute informing the House of the contingent liability that HM Treasury has taken on in authorising the sale of a portfolio of Bradford & Bingley loans acquired during the financial crisis under the last Labour Government.

This includes certain remote fundamental market-standard warranties which are capped at 100% of the final sale price. The maximum contingent liability arising from these remote warranties is capped at the total consideration received, giving a maximum contingent liability of £11.9 billion. These fundamental warranties are considered to be so remote that they do not meet the definition of a contingent liability requiring disclosure under International Financial Reporting Standards. However, they are disclosed as remote contingent liabilities under principles of parliamentary accountability.

Further market-standard time and valued capped warranties and indemnities confirming regulatory, legislative, and contractual compliance have been provided to the purchasers. The maximum contingent liability arising is approximately £0.79 billion.

I will update the House of any further changes to Bradford & Bingley as necessary.

[HCWS595]

UK Bilateral Loan to Ireland

The Chief Secretary to the Treasury (Mr David Gauke): HM Treasury has today provided a further report to Parliament in relation to the bilateral loan to Ireland as required under the Loans to Ireland Act 2010. The report relates to the period from 1 October 2016 to 31 March 2017.

A written statement on the previous statutory report regarding the loan to Ireland was issued to Parliament on 13 October 2016, *Official Report*, column 15WS.

[HCWS596]

CABINET OFFICE

Conduct Guidance for Elections (4 May)

The Minister for the Cabinet Office and Paymaster General (Ben Gummer): On 4 May 2017, elections will take place to local authorities in England, Wales and Scotland, including for directly elected Mayors to seven combined authorities, and two local district councils in England.

As is normal ahead of elections, guidance has now been issued for civil servants in UK Government Departments and those working in arm's length bodies on the principles that they should observe in relation to the conduct of Government business in the run up to the forthcoming elections.

The guidance sets out the need to maintain the political impartiality of the Civil Service, and the need to ensure that public resources are not used for party political purposes during this period. The period of sensitivity preceding these elections began on 13 April.

The guidance was published on 10 April, and copies have been placed in the Library of the House and at: <https://www.gov.uk>.

[HCWS591]

DEFENCE

Service Complaints Ombudsman

The Parliamentary Under-Secretary of State for Defence (Mark Lancaster): My right hon. Friend the Minister of State for Defence in the House of Lords (Earl Howe) made the following written statement on 3 April 2017.

I am pleased to lay before Parliament today the service complaints ombudsman's annual report for 2016 on the fairness, effectiveness and efficiency of the service complaints system.

This report is published by Nicola Williams, her first as service complaints ombudsman, and covers the first year of operation of the new service complaints system and the work of her office in 2016.

The new service complaints system was introduced on 1 January 2016. The system is shorter, seeks to promote greater confidence in the system and strengthens the oversight and accountability through the powers of the ombudsman. I am pleased that the report acknowledges the good work undertaken by each of the services in 2016 as they have implemented the new system. The ombudsman also reports

on those areas where further work is required to improve the way in which complaints are handled, and makes 12 new recommendations.

The findings of the report and the recommendations made will now be considered in detail, and a formal response to the ombudsman will follow once that work is complete.

[HCWS592]

NORTHERN IRELAND

Political Update

The Secretary of State for Northern Ireland (James Brokenshire): Since the Northern Ireland Assembly election on 2 March I have been engaged in talks with the political parties and the Irish Government, in accordance with the well-established three-stranded approach. These talks have had one clear purpose: to re-establish an inclusive, devolved Administration in line with the 1998 Belfast Agreement and its successors. Throughout this process the UK Government have played an active role in working with the parties and putting forward proposals to build consensus.

The first phase of talks, led by the parties, concluded without an agreement on 27 March. Following consultation with the parties and the Irish Government, I then invited the parties to a further phase of intensive roundtable talks to help resolve the key outstanding issues. The second phase of talks were paused shortly before Easter. All the parties were actively engaged and some further progress was made, including on the formation of an Executive and on legacy. There are, however, a defined number of outstanding issues where there is a lack of agreement between the parties particularly those surrounding culture and identity. Work also remains to be done to address issues of trust and confidence in Executive working. The Prime Minister has spoken to the leaders of the two main parties and I have been keeping her updated throughout.

While recent discussions have not resolved these matters, they have helped to distil them and identify possible areas for consensus. The parties will now have a final opportunity to reach agreement, building on the discussions which have taken place over the past six weeks. On 2 March, the people of Northern Ireland voted clearly for devolved government. The parties mandated by that election still have a duty to provide the government for which they campaigned. Discussions between the parties, and the UK and Irish Governments, will continue, in accordance with the three-stranded approach. The prospect of a forthcoming UK general election does not change this approach.

It remains my intention to introduce legislation into Parliament to address immediate requirements. I have already indicated that I will legislate to set this year's regional rate to address the urgent need for rates bills to be issued by councils. In addition, I believe it is also right to introduce provisions that would enable an Executive to be formed in early May should agreement be reached. To have this legislation in force in time, I will be requesting that its progress through Parliament be fast-tracked.

[HCWS593]

WORK AND PENSIONS

Workless Families

The Secretary of State for Work and Pensions (Damian Green): On 4 April we published “Improving Lives: Helping Workless Families”, setting out this Government's vision to improve outcomes for children who grow up in workless families and face multiple, associated disadvantages.

This Government are committed to creating a country that works for everyone. We want to create a fairer Britain where success is based on merit, not privilege, and where everyone has the chance to go as far as their talents and hard work will take them.

We have already made great steps in rebalancing society in favour of ordinary working people: the employment rate runs at a record high and unemployment is at the lowest rate for over a decade. There are now 590,000 fewer children in workless households compared to 2010.

However, despite this progress, for some families, worklessness, not employment, is the norm. In 2014-15 there were 1.8 million children in workless families across the United Kingdom, and in over eight out of 10 cases the child was in a long-term workless family. These families often face multiple disadvantages—for example, relationship distress is almost three times as prevalent in workless couple-parent families compared to when both parents are working.

New analysis shows what a profound impact worklessness and its associated multiple disadvantages can have on children's emotional, behavioural and educational outcomes. Our ground-breaking research shows children in workless families are almost twice as likely to fail to reach the expected standard at all stages of their education. Evidence also shows how exposure to parental conflict can have long-term negative impacts on children's early development. We must act now to break this cycle of disadvantage.

We are introducing four major new policies which will transform local services so that they can better support workless families:

The next phase of the Troubled Families programme, to place a greater emphasis on supporting parents with complex problems back into work;

A major programme to reduce stress and conflict in workless families;

Enhancing the role of Jobcentre Plus in working with local partners to tackle collectively the multiple disadvantages facing unemployed individuals in a better, more joined-up way; and

Greater support to help those with drug and alcohol dependencies into work, in response to recommendations from Dame Carol Black's review of employment support for those with drug/alcohol dependencies.

The Secretary of State for Communities and Local Government published the Troubled Families annual report on 4 April, which sets out more detail on the next phase of the programme and should be read in conjunction with “Improving Lives: Helping Workless Families”.

To track our collective progress in improving outcomes for disadvantaged families, we are introducing nine national indicators, as set out in our analysis and research pack. These will build on our two statutory indicators of parental worklessness and children's educational attainment—for which the first annual report was published alongside “Improving Lives: Helping Workless Families”. I will lay this report formally in Parliament on 24 April.

We will break down our evidence to a local level, to enable local partners to understand and identify the needs of their community. We will continue to work with local agencies and partners on a range of tools, including our family evidence resource, to help them use our new evidence to commission and deliver effective interventions for workless families.

The analysis and evidence we have developed—in conjunction with leading academics and experts, as well as other Government Departments—takes us further than ever before in understanding the root causes of disadvantage.

The indicators and evidence base we are introducing form a framework for action—and in doing so, help to drive improvements in children and families' lives, now and over time. By targeting services on the issues that prevent parents moving into work and cause instability in family life, Government, working with local authorities and other partners, can help workless families and their children overcome their problems and improve their lives.

[HCWS589]

Petitions

Tuesday 18 April 2017

OBSERVATIONS

TRANSPORT

No. 31 bus service to Cheadle from Hanley

The petition of residents of the constituency of Stone in Staffordshire,

Declares that the No. 31 bus service to Cheadle from Hanley should not be withdrawn.

The petitioners therefore request that the House of Commons urges the Government to ensure that the No.31 bus service to Cheadle from Hanley is not withdrawn.

And the petitioners remain, etc.—[Presented by Sir William Cash, *Official Report*, 15 March 2017; Vol. 623, c. 459.]

[P002029]

Observations from the Parliamentary Under-Secretary of State for Transport (Andrew Jones):

I recognise the importance of public transport for both the sustainability and independence of communities, and its valuable role in preventing isolation.

Three-quarters of bus services outside London are provided on a commercial basis by private operators and decisions on service provision are mainly a matter for the operator concerned. However, where there is not enough demand for a bus route to be commercially viable in its own right, all local authorities in England have powers to subsidise bus services which they consider socially necessary.

The Government provide around £200 million to bus operators in England via Bus Service Operators Grant (BSOG), around £40 million of which goes direct to the local authorities who tender those services.

It is also worth noting that the Bus Services Bill, currently progressing through Parliament, will provide local authorities with new tools to improve bus services. This includes future powers to request commercial information from bus operators who withdraw, or reduce significantly, local bus services.

I therefore strongly encourage bus operators and local authorities to work together, in consultation with local communities, to identify the right transport solutions that meet the economic and environmental challenges faced in the area and deliver the greatest benefits for residents.

WALES

Unfinished Dwellings in Heol Berwyn, Cefn Mawr

The petition of residents of Cefn Mawr in the constituency of Clywd South,

Declares that the petitioners believe that it is unacceptable that Harron Homes has only part finished the construction of residential dwellings in Heol Berwyn, Cefn Mawr; further declares that part finished construction sites may become magnets for anti-social behaviour and infestations of rats due to partially constructed sewers; and further that such part finished construction sights are a blight upon communities.

The petitioners therefore request that the House of Commons urges the Government to declare and enforce that part finished construction sites be completed, sold outright, part sold or gifted to the Local Authority or a Housing Association.

And the petitioners remain, etc.—[Presented by Susan Elan Jones, *Official Report*, 8 March 2017; Vol. 622, c. 910.]

[P002025]

Observations from the Secretary of State for Wales (Alun Cairns):

Housing policy and the decision-making process for planning applications for housing developments in Wales are devolved and the responsibility of the relevant Local Authorities, the Welsh Government and their agencies.

WORK AND PENSIONS

Closure of Jobcentres

The petition of residents of the UK,

Declares that the closure of the two remaining Jobcentres in Wavertree should not take place; and further that meaningful consultations should take place on proposals that consider the delivery of services to the public.

The petitioners therefore request that the House of Commons urges the Government to stop the closure of two remaining Jobcentres in Wavertree; and further that the Government should immediately halt all DWP Jobcentre/office closure proposals, undertake immediate Equality Impact Assessments, and enter into proper meaningful consultation on all proposals that affect communities and the delivery of services to the public.

And the petitioners remain, etc.—[Presented by Luciana Berger, *Official Report*, 28 February 2017; Vol. 622, c. 267.]

[P002017]

Observations from the Secretary of State for Work and Pensions (Damian Green):

On 31 March 2018 DWP's PFI PRIME (Private Resource Initiative for the Management of the Estate) contract with Telereal Trillium expires. This 20 year contract covers the majority of DWP's current property portfolio of over 900 sites. This has given us a unique opportunity to review which offices we will need in the future, taking account of the increased use of our online services, the impact of Universal Credit and the anticipated demand on our services.

The falling claimant count and the increased use of our online services in recent years means that 20% of rent is going toward space we are not using. As a result we expect to save an estimated £180 million per year for 10 years as a result of our proposals for estate rationalisation.

We have sought to redesign our estate in a way which will continue to meet the needs of customers across Liverpool, and this includes maintaining local staffing levels across our Jobcentre Plus network. All of our customer facing staff at Wavertree and Edge Hill jobcentres will be relocated to our proposed site at Toxteth, with our back of house staff relocating to Huyton jobcentre. They will continue to offer the same support and services to our claimants and will maintain the relationships they have built up over time. In fact we are recruiting and expect to have more Work Coaches in every nation and region in March 2018 compared to today.

Our plan has always been to reduce the amount of space we occupy nationally by 20% and we have announced similar proposals across England, Scotland, and Wales in line with this plan. As Jobcentres vary in size this 20% figure does not relate directly to the number of Jobcentres in a specific area.

We have carefully considered the wider impacts on local communities as part of review of our estate and the sites we intend to keep were identified based on a wide range of factors, including geographical coverage and accessibility. Where we are proposing to close a jobcentre we are taking all possible precautions to minimise disruption for customers and vulnerable people. This includes using face to face, e-mail, telephone and postal contact and, where none of those routes is appropriate, home visits.

We believe that it is a reasonable expectation that a customer travels to a new location which is within three miles or 20 minutes by public transport of their existing jobcentre. Where we propose moving a Jobcentre to a location which is further away than this we have consulted publicly. This included our proposals for moving the services currently based at Wavertree and Edge Hill.

The Department has been mindful of its duties under the Equality Act 2010 throughout the development of these proposals. Statistical analysis of the potential impact of the proposals on people with the protected characteristics has informed high-level decision-making so far. We are now collecting local, site-specific information and will be conducting Equality Analysis which will be reflected in our final business decisions.

ORAL ANSWERS

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**not later than
Tuesday 25 April 2017**

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