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PARLIAMENTARY DEBATES
(HANSARD)

HOUSE OF LORDS
OFFICIAL REPORT

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
Con Ind	Conservative Independent
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Lab	Labour
Lab Ind	Labour Independent
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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House of Lords

Thursday, 18 June 2015.

11 am

Prayers—read by the Lord Bishop of Birmingham.

Oaths and Affirmations

11.04 am

Lord Lloyd-Webber took the oath, and signed an undertaking to abide by the Code of Conduct.

Burma: Ethnic Minorities *Question*

11.05 am

Asked by Baroness Berridge

To ask Her Majesty's Government what discussions they have had with the Government of Burma concerning the persecution and trafficking of the Rohingya Muslims and ethnic minorities in Burma.

The Minister of State, Foreign and Commonwealth Office (Baroness Anelay of St Johns) (Con): My Lords, the United Kingdom raises the problems in Rakhine with the Government of Burma at every opportunity. The Minister of State for Asia Pacific called the Burmese ambassador to the FCO on 18 May to express concern, calling for an urgent humanitarian response and regional co-ordination. In parallel, our ambassador in Rangoon delivered the same message, with the EU and US, in a démarche to Burmese Ministers and again bilaterally on 4 June.

Baroness Berridge (Con): My Lords, I thank my noble friend the Minister for that Answer. Approximately 90,000 Rohingya Muslims have been trafficked this year alone. Laws are now proposed to restrict religious conversion and to make it punishable by up to 10 years imprisonment should a Buddhist marry a non-Buddhist, and Rohingya Muslims have been stripped of their right to vote. The root cause of this is militant Buddhist nationalism, which seeks to link Myanmar's identity to that of being a Buddhist. What representations have Her Majesty's Government made about the recent case of Htin Lin Oo, a Buddhist, who was sentenced to two years in prison earlier this month after being charged under the penal code with insulting Buddhism simply because he tried to argue that the conduct of extremist Buddhist nationalists, who were preaching hatred and inciting violence, was contrary to the teaching of Buddhism?

Baroness Anelay of St Johns: My Lords, first, I recognise the work that my noble friend does so well for all of us as co-chair of the All-Party Group on International Freedom of Religion or Belief. We are extremely concerned about the approach of the Burmese

Government to those who wish to express their own religious identity. We are one of the most outspoken countries in the world about not only freedom of religion and belief but freedoms generally. The Burmese Government are left in no doubt. As to those who are prisoners of the regime, we make it clear that there should be proper treatment of prisoners and proper judicial process. It is wrong around the world if people are inhibited from practising their own belief.

Lord Anderson of Swansea (Lab): To be credible we have to be consistent, as the noble Baroness and her committee have always been. The US Commission on International Religious Freedom puts Burma in the worst category and states that its Government are wholly unwilling to investigate and prosecute those who are guilty of abuses against Muslims. The US puts Burma in its "country of particular concern" category. I am pleased that the Government and the EU are making representations with the US, but is it normal to make this joint démarche when, to be powerful and credible, we always ensure that we work with the EU and the US?

Baroness Anelay of St Johns: Indeed, yes. We work with both the EU and the US on these matters. With UK support, the issue of Rakhine was discussed at a briefing of the UN Security Council on 28 May, where I raised the matter of Burma with Prince Zeid, the High Commissioner for Human Rights, in Geneva on Monday. I will continue to do so. Later this morning, I meet the US Ambassador-at-Large for International Religious Freedom and I will discuss the matter with him personally.

Lord Alton of Liverpool (CB): My Lords, as one in five Rohingya has now fled since 2011, does the Minister agree that hate speech is a key issue here and that many admirable Buddhist monks and civil society actors are speaking out against this? Can we not do more to help them in what they are doing? Will she also say a word about Kachin state, which is covered by this Question on ethnic minorities, where some 100,000 people have been displaced and more than 200 villages have now been burned to the ground?

Baroness Anelay of St Johns: My Lords, with regard to freedoms—or lack of freedoms—in Burma, we have made it clear that it is essential for Burma to address the dire situation not only of the Rohingya community, but of other persecuted communities, regardless of the region. We want to see improved humanitarian access, greater security and accountability and a sustainable solution on citizenship applying country-wide.

Lord Wallace of Saltaire (LD): My Lords, can the noble Baroness say something about the critical engagement we have with the current Burmese Government? For example, I understand that we are training Burmese military. How much leverage does the closeness of our relationship with the Burmese Government give us to make constructive criticism of this sort?

Baroness Anelay of St Johns: My Lords, the noble Lord is right in his assumption that this relationship gives us more leverage. It is not merely a matter of providing technical training to the military so that they know the proper way to behave within the confines of reacting to what they may consider to be public disorder. We are also providing technical support in advance of the November elections so that they may be carried out in a proper manner.

Baroness Warsi (Con): My Lords, is my noble friend aware of the allegations of sexual violence perpetrated by the Burmese army against a number of ethnic minorities during this conflict? I congratulate her on her new role as the Prime Minister's special representative on preventing sexual violence in conflict. What specific work do she and the Foreign Office intend to do in this area?

Baroness Anelay of St Johns: I am grateful to my noble friend. It was an honour to be appointed last week by the Prime Minister as his special representative on preventing sexual violence in conflict. When I had meetings in Geneva, it became clear that colleagues—not only in the United Nations but in countries and NGOs around the world—are ready and willing to work with the UK on these matters. As to what happens next in practical terms, I assure my noble friend that I have already identified countries where specific action can be taken by me and those around the world with whom I am working. Burma is clearly at the top of the list, as are Syria and Iraq.

Baroness O'Loan (CB): My Lords, the Minister is clearly aware that the new protection of race and religion laws in Burma will make life much harder for Burmese minorities to marry, start a family or change religion. Do the Government agree with Burma's Cardinal Charles Bo that these laws represent an unacceptable and regrettable erosion of religious freedom?

Baroness Anelay of St Johns: I absolutely agree.

Baroness Kinnock of Holyhead (Lab): My Lords, does the Minister agree that the recent disenfranchisement of the Rohingya by the withdrawal of their ID cards is a further, outrageous attack on an already severely persecuted group? Does she accept that the forthcoming elections in Burma cannot possibly be free and fair when hundreds of thousands of people are being denied the right to vote and while the military maintains its 27% stake in the Burmese Parliament?

Baroness Anelay of St Johns: My Lords, I entirely agree with the noble Baroness that the withdrawal of what are known as the white cards from the Rohingya was an improper act. This is the politest phrase I can think of in the circumstances. It severely imperils the appropriateness of the election results. However, we must recognise that Burma is on the cusp of having the opportunity to elect a civilian Government for the first time. This does not prevent our remaining outspoken about the fact that the Rohingya should not have had their ability to vote withdrawn.

Economic and Social Inequality

Question

11.14 am

Asked by **Lord Howarth of Newport**

To ask Her Majesty's Government what measures they will prioritise to reduce economic and social inequality in a One Nation Britain.

Lord Ashton of Hyde (Con): My Lords, the Government believe that the best way to reduce inequality is by delivering full employment and reducing the number of workless households. By restoring growth to the economy, low-income households will become more likely to enter work, and households will reap the benefits of a growing economy. More people are in work now than ever before, and since 2010 the number of children in workless households has fallen by around 390,000.

Lord Howarth of Newport (Lab): My Lords, while the Prime Minister sloganises about the Government's one-nation approach and as the Chancellor forswears any tax increases on the well off and remains bent on hitting the poorest again with a further £12 billion of cuts in social security, is it not inevitable that inequality will worsen, with its associated pathologies of ill health, underperforming education, poor productivity, slow economic growth—as the IMF pointed out this week—and, whatever tokenistic legislation they pass, a budget surplus continuing to recede beyond the horizon?

Lord Ashton of Hyde: My Lords, I do not agree with the noble Lord. Income inequality in the UK has actually come down, and this is reflected in household incomes since 2007-08. The annual average disposable income of the poorest fifth of households has risen by £100 in real terms, while over the same period the largest fall has been in income for the richest fifth of households, which has reduced by £3,000 per year. The way to address inequalities, both social and economic, is to get people into work so that they can reap the benefits of full employment.

Lord Hylton (CB): My Lords, does the Minister agree that much social inequality is caused by the acute shortage of affordable housing? Will the Government put their fullest energy into bringing forward surplus government and local authority land and brownfield sites so that the gap in provision of new affordable housing can be met?

Lord Ashton of Hyde: My Lords, housing is of course extremely important. The effect on low-income families for housing is particularly acute so, as we all know, the Government are working on this. But the most important thing is that people in whatever kind of housing it may be are able to work and produce benefits for their families.

Lord Morgan (Lab): My Lords, is not the main cause of inequality in fact inequality of wealth, which was not dealt with in the Answer? No Chancellor has attempted to deal with it since David Lloyd George

quite a long time ago. However, have not the present Government made matters significantly worse by failing to tackle inheritance fairly and by failing to set proper taxation on wealthier property? Is it not appropriate to consider the Government's policy on equality on Waterloo Day?

Lord Ashton of Hyde: My Lords, the facts do not bear out the noble Lord's question. I accept that wealth inequality is higher than income inequality—although he is shaking his head—and that is the case both in the UK and across the OECD. However, it has not changed since records began in 2006. Internationally, the level of wealth inequality in the UK remains below the OECD average and significantly lower than that seen in the US.

Lord Lang of Monkton (Con): My Lords—

Baroness Hussein-Ece (LD): My Lords—

The Lord Privy Seal (Baroness Stowell of Beeston) (Con): My Lords, we have not yet heard from anyone from either the Liberal Democrat Benches or the Conservative Benches, but because we have so far had some contributions from the Opposition Benches, perhaps I may suggest that we start with my noble friend Lord Lang and then go to the noble Baroness, Lady Hussein-Ece.

Lord Lang of Monkton: My Lords, in addition to the excellent answers already given by my noble friend to the noble Lord, Lord Howarth, should he not also draw attention to the fact that raising the tax threshold has also been an enormous advantage to those at the lower end of the social equality scale? This, together with the other excellent points he has made, completely confounds the arguments coming from the Benches opposite.

Lord Ashton of Hyde: My noble friend is absolutely correct. Since 2007-08, the annual average disposable income of the poorest 20% of households has risen by £100 in real terms, while the average annual income since 2007-08 of the richest 20% has fallen by £3,000.

Baroness Hussein-Ece: My Lords, the Minister talked about people who can work and should work, but he has not mentioned the inequality of those families which are headed by someone with a physical or mental disability who cannot work. Children in such families are increasingly living in poverty, and inequality is rising. Can the Minister say how these cuts to welfare, which can only be described as ideological, will impact on those families? Will he tell us whether the Government will undertake to do an impact assessment to ensure that inequality does not get worse for those families?

Lord Ashton of Hyde: My Lords, the noble Baroness is absolutely right, and we do want to pay attention to those who are not able to work. She is completely right on that. I will not undertake to do an impact assessment, but I will pass that on.

Lord Davies of Oldham (Lab): My Lords, my noble friend Lord Howarth mentioned the IMF report. The report rejects the trickle-down effect, rejects the idea that increased inequality makes economies more dynamic and counsels that the best way to stimulate economies is to support the worst-off 20% in any country, and—wait for it—the other aspect would be to increase the strength of trade unions. What is the ministerial response to this report?

Lord Ashton of Hyde: My Lords, we do not agree with that.

Noble Lords: Oh!

Lord Ashton of Hyde: We think that the best way to help the lower—the poorest—in this country is to enable them to get to work. That is why having a record number of people in work is a good thing.

Prisons: Secure Colleges *Question*

11.21 am

Asked by **Lord Ramsbotham**

To ask Her Majesty's Government what contracts have been let for the proposed secure college.

The Minister of State, Ministry of Justice (Lord Faulks) (Con): My Lords, contracts for the construction and operation of the secure college pathfinder have not been signed. We are now considering the next steps.

Lord Ramsbotham (CB): My Lords, I thank the Minister for that reply, and I am very glad to note that there is a pause. What the troubled young people concerned need more than anything else is long-term contact with a responsible adult. This is being denied to them, and becomes less likely the larger the establishment. This need has been recognised by both the Department of Health, in particular its children and young people's mental health and well-being taskforce, and by the Department for Education, which has legislated for local home authorities to be responsible for the delivery of health and social care and education plans for those with learning difficulties. Could the Minister please encourage his Secretary of State to take advantage of the Chancellor's budget cuts, ditch this whole proposal and listen to the advice which is already being acted on by other ministries?

Lord Faulks: As the noble Lord and the House will know, there is a new Secretary of State. He is looking at the whole question of the custodial estate, in particular the youth custodial estate. He will of course consider all the factors which featured in the debate about secure colleges. At this stage, I can say that a considerable focus of his attention will be on education, which lies at the heart of secure colleges. It is very important that these young men—and they are mostly young men—have proper access to good education.

Lord Beecham (Lab): My Lords, the Minister's reply is matched for opacity only by the very similar reply given yesterday by his colleague Mr Selous to my honourable friend Dan Jarvis. That reply said that:

"The Coalition government legislated for secure colleges and we are now considering the next steps. We remain clear that education should be at the very heart of youth custody".

What next steps are the Government contemplating? Is it a possibility that the Government will resile from their ill-informed and ill-advised policy of establishing a massive secure college on the Glen Parva site in Leicestershire?

Lord Faulks: The difficulties that exist with youth custody are well known, such as reoffending. Of course, as the House will be aware, the good news is that the number of those in youth custody has reduced from 3,000 to 1,000. This means that those in various forms of youth custody present real problems and real challenges. The secure college pathfinder was a solution favoured by the last Government. We have not ruled out using a secure college. It has not yet received approval at Treasury level, but all of the ideas which it incorporated have not been abandoned. They contain many sound approaches to providing the right answer to this difficult problem.

Lord Elton (Con): My Lords, when my noble friend makes his recommendations to his Secretary of State, will he emphasise the importance of treating young prisoners as human beings and not as statistics? By that I mean that after they come out of education they have to go back into education seamlessly, which means very close correlation between the local education authority and the prison. Therefore, if you have only one gigantic one you hugely increase the distances to be dealt with, which in itself is a handicap in delivering a good programme.

Lord Faulks: My noble friend makes an important point about the continuity in respect of educational gains which can be attained by secure colleges. He will of course be aware that one of the difficulties with this particular cohort is that they very rarely had any continuity in their education before they went into a youth custody institution. One hopes that not only the habits they will acquire in youth custody but the appetite to learn can be consolidated by the sorts of links he describes.

Lord Reid of Cardowan (Lab): My Lords, will the Minister bear in mind the very pertinent point made by the noble Lord, Lord Ramsbotham? Whatever the structure, a key element in combating recidivism is the relationship between the young offender and another more mature mentor. In many cases, this can assist in killing two birds with one stone. Some of the people who have proved to be very adept and effective at this are themselves ex-offenders, or indeed, ex-members of Her Majesty's Armed Forces, both of which groups find it very difficult to get jobs when they come out of prison or the Armed Forces. It is good for the young people, but it is also an opportunity to provide employment for two groups of people who find it particularly difficult to be employed.

Lord Faulks: The noble Lord makes a valuable point. The use of appropriate mentors and role models is extremely important, particularly in a cohort that has very often lacked such role models and mentors in the past.

The Earl of Listowel (CB): My Lords, following the theme of the importance of continuity of relationships for these young people, is the Minister aware that the policy of the Children's Minister in the other place, Edward Timpson MP, has been to restrain the removal of children in local authority care from their local authority area and local family community to a children's home perhaps hundreds of miles away? That is his policy; can the Minister reconcile it with this policy, which, given that about 50% of these young people will have experienced care, will mean that many will have to be placed a long way away from their local authority, community and family if this plan is proceeded with?

Lord Faulks: Of course I understand the noble Earl's concern. He has been a consistent supporter of those at this level of challenge to the community. Of course, there are challenges with the limited number of people who are now in custody because, by definition, there will not be a suitable secure children's home or secure children's training centre in every part of the United Kingdom. However, it is a principle that will be very much borne in mind.

Lord McNally (LD): My Lords, the House is aware of my interest as chairman of the YJB. Is the Minister aware of how grateful YJB staff are for the widespread support in this House for the work that they do? Is he also aware that, as indicated by the Question asked by the noble Lord, Lord Ramsbotham, there is increasing and welcome co-operation among Whitehall departments—health, education and justice—to make sure that young people who receive education while in custody continue to get education, training or job opportunities once they go through the gate?

Lord Faulks: I am very happy to acknowledge the joined-up thinking to which the noble Lord refers. I pay tribute to him as the chair of the Youth Justice Board for all the valuable work that the Youth Justice Board and he do in helping with these great difficulties that confront the Government. I think that the YJB is joining in with a stocktake generally of the youth offending teams. I know that education is a major concern across government, and it is something that the Secretary of State will have very much in mind.

Employment: Elite Professions

Question

11.29 am

Asked by *Lord Kennedy of Southwark*

To ask Her Majesty's Government whether they plan to implement the recommendations of the Social Mobility and Child Poverty Commission report on non-educational barriers to elite professions.

The Parliamentary Under-Secretary of State, Departments for Business, Innovation and Skills and for Culture, Media and Sport (Baroness Neville-Rolfe) (Con): The noble Lord will be aware that the recommendations of the Social Mobility and Child Poverty Commission are for employers rather than the Government. Recruitment practices are also a matter for employers. Clearly, participation in higher education is one of the key factors in improving social mobility and we now have record levels of disadvantaged students entering higher education.

Lord Kennedy of Southwark (Lab): Does the noble Baroness agree that it is outrageous and ridiculous to make any suggestion that client expectation is a barrier to elite professions doing more to break down non-educational barriers to entry? Elite professions need to do much more to improve the diversity of the people that they employ and to ensure that, no matter where you went to school and where you grew up, if you have made the grade and got the talent you get a fair chance of getting the job.

Baroness Neville-Rolfe: My Lords, there has been a lot of hot air over this report, but what really matters for social mobility is education, getting people into work and working with employers, which we have been doing through the social mobility business compact. It has been focusing on work in schools to raise aspiration, providing fair work experience and inclusive recruitment practices, which picks up what the noble Lord said.

Baroness Eaton (Con): Would my noble friend agree with me that the best way of improving social mobility is the creation of jobs? Could she perhaps tell the House how the Government are performing on their target of 1,000 jobs per day?

Noble Lords: Oh.

Baroness Neville-Rolfe: I very much agree with my noble friend that having a job is key. This is a Government for working people. To come back to the first point, we know that families with working members have much better outcomes than those with only non-working members. This Government are about education for others, employment and better apprenticeships and we are making great progress.

Baroness Deech (CB): Does the noble Baroness agree with me, drawing on my experience as a tutor for admissions, that certain government and coalition policies have actually made social mobility more difficult? First, certain potential students cannot afford to leave home and go to better universities; they are forced to stay at home because they cannot afford the maintenance. The Government have not tackled that. I appreciate that tuition fees are not a barrier, but maintenance is. Secondly, the removal of legal aid and the cutting of lawyers' fees has made enormous difficulty for young, poor people from disadvantaged backgrounds wanting to join the legal profession. It is much worse than it was before.

Baroness Neville-Rolfe: I do not entirely agree with the noble Baroness. In England I believe that we have a sustainable and fair higher education system based on affordable student loans. That is despite dire predictions in this House and elsewhere. I defer to my noble friend Lord Faulks on legal aid. There are opportunities in the professions and the legal and professional firms are really making some progress in trying to widen things. We must encourage them to do that rather than complaining about it.

Lord Lea of Crondall (Lab): My Lords, is the Minister, who seems to be an expert on hot air, aware of the report just a couple of days ago on this matter in the *Financial Times*—not noted for its hot air—which reports that one of the employers on this very question of bias in recruitment said, “Some of these people did not go to public schools, so they would not understand our public school jokes”? Well, they wouldn't, would they?

Baroness Neville-Rolfe: I am not clear what question I am supposed to be responding to. You have to remember that it is not surprising that leading professions and companies seek to recruit from top universities as well as other universities—they are doing both. I speak as a businesswoman when I say that companies need students and candidates with social skills, persistence, know-how and brain power. As I said in reply to the Question, it is very good news that we now have a record level of disadvantaged students entering higher education. This cannot be a one-sided debate.

Baroness Hayman (CB): The Minister referred to social skills. Does she agree that one reason often quoted by employers for the lack of access to good jobs for young people is insufficient emphasis in the national curriculum in state schools on those softer skills that prepare young people for the world of work? Would she undertake to discuss that issue with colleagues from the Department for Education?

Baroness Neville-Rolfe: The noble Baroness makes an excellent point. I would of course be happy to discuss that with my colleagues in the Department for Education. Graduates need to leave university with a range of skills so that people can succeed in the professions or wherever they choose to go. This is also an important part of the work to which BIS can contribute.

Business of the House

Timing of Debates

11.36 am

Moved by **Baroness Stowell of Beeston**

That the debate on the motion in the name of Lord Flight set down for today shall be limited to two hours and that in the name of Baroness Wheatcroft to three hours.

Motion agreed.

Pensions: Reforms

Motion to Take Note

11.36 am

Moved by Lord Flight

That this House takes note of recent and proposed reforms to the state and private pensions, including the triple lock, the introduction of a single tier pension and increased pensions freedom.

Lord Flight (Con): My Lords, I start, if I may, by declaring my interest and congratulating Dr Altmann on her appointment. I can think of no one better to do the job that she is doing. She is enormously respected in the industry and I look forward to her being a powerhouse in further reforms of pensions and retirement saving. I have been involved in the management of pension funds for 45 years. I am still a trustee of my company's old pension scheme and have advised the industry body TISA on its major pension reform project.

The first point I would like to make is that I think it is desirable, if possible, for pension reform to have cross-party consensus. This was broadly achieved with the auto-enrolment scheme. For individuals, pension and retirement saving is long term and the one thing that is not desirable is too many changes with changes of government.

I congratulate both the last Government and this one on the reforms that are now being implemented. We have had the most significant reforms to pension saving for a generation.

I have long supported abolishing the obligation to buy an annuity. Indeed, I recollect that I had a private Member's Bill on this in the other place. The crucial point is that people are at the mercy of the interest rate cycle. If someone buys an annuity when interest rates are extremely low, they will get a bad deal for the long term. Those are the present circumstances.

With regard to the ability to withdraw money from pension savings subject to an income tax charge, I think that is ultimately desirable and a good thing. One of the big disincentives to saving was that people could not withdraw money if they really needed it for other purposes.

We all heard the Chancellor's announcement yesterday, and read about it in our papers, with regard to issues around people not being able to withdraw money and charges. I make the point that there are two sides to the story, and a number of regulatory requirements were introduced at the very last minute that need to be dealt with. The fundamental point is that if there is a substantial withdrawal, the life company is obliged to make sure that the individual has had advice on the steps that they are taking, which is quite difficult to organise. I know that the number of inquiries that the industry has had to deal with in the last few weeks has been huge. I am hopeful that in a co-operative way the Government can get together with the industry and sort out these problems so that people can freely withdraw cash and are not overcharged when they do so.

Similarly, I have strongly supported the single-tier principle. The great problem with pension tax credits was that they discouraged people from saving. I hope that it will end up as a complete single tier, as under the present arrangements some people will get more, some less, than they were otherwise going to get. Some issues still need addressing, such as the fact that a wife who has relied on her husband's pension contributions for her state pension will not be able to do so, yet has not really had time to make alternative provisions.

The triple lock is generous, and there are questions as to whether this will be affordable long term: already 46% of adults are over 50. However, it must be borne in mind that pensioners typically have a higher rate of inflation as a result of energy costs going up than the official inflation figure, so there is a fundamental case for the relative generosity. As noble Lords will be aware, the triple lock means that pensions will go up by whichever is the greatest: inflation, 2.5%, or earnings.

Happily, auto-enrolment is up and running but it is still very modest, at 1% contributions. By 2018, these are to increase to 3% from the employee and 4% from the employer, and effectively 1% is expected from the Government. I make the point that this really is still not enough even under the assessment by the DWP, which has recommended that contributions need to be in the order of 15% of earnings per annum. Still, I think that auto-enrolment is going to be crucial. I am hopeful that, as we have seen so far, the number of people opting out will be very modest.

Areas still to be looked at are the relationship between pension saving and care providers. There have been some useful suggestions that pension accumulation could go straight to care providers without a tax charge where there is the need. In a sense, it is robbing Peter to pay Paul that the Government might otherwise have to pay through other channels, so it is a question of making that easier. I am also a strong supporter of the passing on of residual pension savings to children. This could be a very powerful savings incentive, just as owning a house was very much driven by the attraction of parents being able to pass something on to their children.

A crucial point is that retirement savings are not just about pensions. Different routes have come up. I particularly support the Government's measures with regard to ISAs, both increasing the maximum and allowing the surviving spouse to inherit the full tax benefits of ISAs on the death of their spouse. This was a very fair and necessary reform. The figures are extremely impressive. ISA totals at the end of the last tax year stood at £470 billion. They are likely to be in the order of £530 billion now, with some 13 million ISA savers. Interestingly, the total volumes of cash ISAs versus security ISAs are roughly the same; the amount going forward is greater with cash ISAs but the total accumulated is roughly the same. ISA saving is running at something like seven times individual money-purchase pot saving, and it is equal to some 60% of total contributions into pension schemes, of whatever sort, by employers and employees. Its great virtue is that it is simple, and in my experience large numbers of the self-employed are using ISA saving for their retirement provisioning.

Many in their 30s and 40s have opted to go into the buy-to-let market as an alternative, largely because property returns have been superior to equity returns. I am amazed to note that there has been such an increase in the number of private sector landlords over the past seven years, making a total of some 3 million landlords, a lot of whom are likely to be individuals in the buy-to-let market. For a lot of people it is the appreciation in value of their owner-occupied house that they will look to as some source of retirement income. There is a need for properly regulated property equity release schemes.

My biggest point is that retirement is an out-of-date concept born of an age when many men did hard physical work and really had to retire. In my experience most people want to work longer, partly for the money but substantially for the companionship. Look at this very House, where I believe the average age is now 71. I greatly welcome the reforms and more reforms and incentives for people to work longer. It is inevitable that in due course the retirement age will rise to 70. It is a function of longevity. Indeed, 70 today is a lot younger than 65 was 40 or 50 years ago in terms of people's health and life expectancy.

However, people are still not saving enough to provide for their retirement years or in an economic sense. About a third of the population has less than £250 in savings and two-thirds are still not saving at all for retirement. Even allowing for the fact that a lot of people have more than one pension pot, the average pension pot saving per saver is still only £55,000, whereas the DWP target is for people to have a non-state pension income of £8,500 per annum. At a macro level, our savings rate has been too low for too long. The cumulative current account deficit of the last 15 years is some £700 billion and has been financed by selling businesses, property, and in a sense the family silver. It is a major reason for low investment and poor productivity growth. Our economy needs a savings rate closer to 10% than its present much lower rate. I am pleased to note that the Government are committed to addressing the savings gap.

Some issues still need to be considered and resolved, such as the pot follows member versus aggregation debate—I personally think that pot follows member makes more sense—and the need for full and meaningful transparency of cost disclosure. There is also a huge need to get pension savings better managed. I much welcome what the Mayor of London has initiated with regard to small local-authority pension schemes.

Most people with money purchase pensions go for the default option. That is actually not a bad decision, as they are often quite sensible funds, but some 90%—even 92%—are NEST savers, which is particularly illustrative of the fact that people really do not understand the territory. As regards pension direct-contribution savings of all sorts, I am concerned that as people get over 50 a lot is shifted into bonds for investment. Bonds may be safe in the short term but are highly dangerous in the long term if you get a burst of inflation with much higher interest rates. Those over 50 are increasingly having too much of their pension savings automatically placed into bonds under what are known as lifestyle arrangements.

It is a tragedy that RDR has resulted in a massive contraction of pension advice. More than 70% of the population has no source of advice. The Government's arrangements for advice on the principles are all very good but leave people hanging in mid air when finding out what product to select. It is a tragedy that defined benefit saving has virtually collapsed over the last 15 years. A major cause has been IFRS17, which requires the calculation of the pension liability to be related to gilts, and therefore an artificially low interest rate in the long term.

The reality is that pension schemes that appear to be in deficit are going to be in huge surplus as and when bond interest rates return to normal. The main reason why companies have wanted to close their defined benefits schemes is because of the risk of deficits which they are required to make good. We want to encourage savings and the limits need to be reviewed. My own view is that it would be sensible on the contributions side to limit the tax credit to 20% for everybody and to have a maximum of £50,000. I would also abolish the overall lifetime limit, which is often quite complicated to arrive at.

On 29 June, there will be a seminar in Room 3 to present the proposals of the industry group that has worked with TISA on what other things might be done for the pensions industry. Two of its best suggestions are, first, for everyone to have a digital passport, which would make anti-money laundering requirements much easier to deal with and provide individuals with easier access to information by product, for transfers and to enable them to review their pension and other savings. In a sense, it would be a pension dashboard that people could tap into. The second suggestion is that there should be a much more powerful Minister for Savings and Pensions within the Treasury to co-ordinate, develop and implement savings policy.

The real need is to make pension saving easier. Even among your Lordships, when I have asked people what their attitude is many not surprisingly find it far too difficult and are turned off by it. I believe that is even more true of the country as a whole and that the further reforms that we ought to be looking at over the next five years should involve measures to make retirement saving much easier for people. It is staring us in the face that that is one of the reasons why ISA saving has been so successful.

11.51 am

Lord Hutton of Furness (Lab): My Lords, it is an enormous pleasure for me to follow the noble Lord, Lord Flight, of Arundel. He brings tremendous expertise and knowledge to our proceedings on pensions and in a sense, although I hate to say this, has made my speech pretty well redundant because I want to echo everything that he said. He made some very important points but that will obviously not stop me, as a former politician, making my own speech in my own way. I hope to avoid repeating all the things that he said but he has done the House a great service. I say that because pensions and retirement saving will be one of the most important issues facing Parliament for the next few years, and the reasons why are self-evident.

[LORD HUTTON OF FURNESS]

Britain is changing; we are getting older and the demographic forces at work will literally change the face of our society in our own lifetime. It is therefore absolutely obvious—I think it has been to us all for a long time—that if we are to manage the effects of that change sensibly and avoid the calamity of the next generation of pensioners finding themselves living a life of poverty, which has been the curse of just about every previous generation of pensioners, then we have to take matters into our own hands. In simple terms this primarily means that, as individuals, we all have to accept more direct personal responsibility for ensuring that we have adequate means in our retirement years to sustain and afford the lifestyle that we want.

This is also a critical point in understanding the reforms of the last 10 years and making sure that they work because, as the noble Lord, Lord Flight, said, we have the best chance of managing this demographic change effectively if we can try to maintain and sustain the consensus about retirement savings and pensions that has existed since the noble Lord, Lord Turner, and his fellow commissioners produced their groundbreaking report in 2005. Sometimes in politics, consensus is not a good thing and you need someone to stand up and say something difficult to change things. That in fact was what the noble Lord and his fellow commissioners did. In the process of producing their report, they established a new common ground between all the main parties. This is one area where we should all strive to sustain that consensus—and, to their credit, the previous Government did that. They took forward auto-enrolment, which is a fundamental pillar of encouraging greater personal financial responsibility for retirement, and implemented those significant reforms. They also took forward a very necessary change to the social security state pension in the United Kingdom. The new single-tier flat-rate pension is an excellent idea. There have been and there probably will continue to be disagreements about aspects and details of those policies. I do not think, however, that there is anyone left standing who does not think that those reforms are some of the essential things that we need to do to encourage more people to save more for their retirement. That is the holy grail that we now have to pursue.

The last thing any of us should want to encourage is a return to the decades of disagreement and division that were the hallmarks of the previous 20 years of pension policy. It will not help us build for the long term, and that is fundamental if we are to encourage more people to save more for their retirement years. A constant chop and change will, by definition, undermine any policy designed to encourage long-term saving. We have to sustain the consensus. We have to maintain it; we have to work at it if Britain is to be a nation of savers. As the noble Lord said, we have an awfully long way to go if we want to be a nation of savers. Our savings rate at the moment is a matter of dispute among economists as to how to best calculate it, but it is probably about 6%. Once automatic enrolment and the reforms that the Turner commission recommended have matured fully, we know that people will be saving around 8% or 9% in the defined contribution schemes in their workplaces. The simple truth is that that will

not be enough. It is not going to give people sufficient retirement income for the extra decade or more that they can now expect to live.

I will talk primarily about workplace savings and pensions because these are absolutely fundamental. As I said, we are going to have to take more personal responsibility for our income in retirement, and that is clearly the logic behind the reforms to the basic state pension. The fundamental question that is inevitably going to arise during the course of this Parliament, particularly when we get to 2017-18, when automatic enrolment has matured, is “Are people saving enough?”. It has been a success so far: we have 2 million new people saving in workplace retirement accounts, and opt-out rates have been very low. However, of course people are contributing only about 1% of their salaries today. I do not think many people will notice that coming out of their pay packets. When that starts to creep up to 3% or 4%, people are definitely going to know. Will that increase the rate at which people opt out of these new savings plans? Probably. I think we can expect the opt-out rates to start rising. Therefore, there is going to be a pretty obvious moment in this Parliament when we are going to have to stop and ask ourselves, “Will the current course be sufficient to equip people with the income they need for their retirement?”. I do not think it will be. The question is not “Do we have to look at this issue again?” but “When will we have to look at this again?”. Of course, there are two aspects of this equation—how much people are putting in, and how many are opting out. At some point, we will have to look at both issues.

I welcome the Minister to her place on the Front Bench. As the noble Lord, Lord Flight, said, she is a lady of tremendous status and knowledge of pensions, and we look forward to her time as Pensions Minister with great excitement. To encourage her a little bit, I do not think she needs to start digging around in the undergrowth just yet. It will be important to see what happens in 2017-18, when we get to the point where people are contributing the maximum amount envisaged under the legislation. That moment is going to come during this Parliament. There are some cases of public policy of which we can say, “We tried to encourage people, but they did not take up our incentives. They just went on in the way that they were doing before”. We could do that on this occasion. We could shrug our shoulders and say, “It is all too difficult. We have had 10 years of legislation. We tried to encourage people to save, but they did not”. I do not think we can ignore any evidence that is emerging that people are not saving, or that their savings are not sufficient. We are going to have to do something.

Obviously the question then is “What are we going to do?”, because making people save—removing the right to opt out—is a very big policy step to take. So, too, would be increasing the contributions into these pension plans because, of course, legislation restricts the amount that employers can contribute to 3%. That is a very big step to take. If we get anywhere near that, I would strongly suggest to the Minister that she ought to have another look at the Work and Pensions Committee’s report from the last Parliament and its recommendation that the Government set up an independent pensions commission. I was the Secretary

of State who decided not to do that in 2005, so I am holding my hands up and saying, “I am guilty”, but I think that we now need to have another look at this, at the 10-year mark since the noble Lord, Lord Turner, produced his report. We are at this critical juncture, and we may well face some important decisions in the next couple of years about going further, and probably faster, in encouraging more people to save. If we are to take the noble Lord’s advice and maintain the consensus, as I think we should, we must also ask: who and how? What is the best way in which to maintain that cross-party consensus? Would it be best served by the Minister coming to this House and making an announcement, or by bringing together people with knowledge and experience of the industry and the changes that are taking place in society and asking them to report to Parliament on the next steps? There is a precedent, in that we did that a few years ago with the independent Committee on Climate Change, to try to take as much of the politics as we could out of it. There is a useful precedent that the Minister might want to follow. The adequacy of savings will be a major issue in this Parliament and we have to address that before we go any further.

The issue of adequacy can also be tackled from the other end of the telescope. There is the question of what we do with the legislation on auto-enrolment, but there is another debate that the previous Pensions Minister, Steve Webb, opened, which was long overdue, on the adequacy of defined contribution as a savings platform. I think that DC is a good thing and an inevitable thing, as the noble Lord said, because employers were leaving DB and they are not going to come back. There has to be a better savings platform for people in the workplace, and defined contribution will do all the heavy lifting in the decades to come. But it is pretty clear that the track record of defined contribution has been pretty patchy, and there are a lot of concerns about whether it can do all that heavy lifting. The debate that the former Minister opened up on defined contribution pensions is a very worthy one, which I hope that the Minister will find it within herself to prosecute.

I am particularly not a fan of collective defined contribution schemes, not because I have anything in principle against them but because I do not think that they can be grafted on very neatly to the UK pensions savings system. I hope that I am wrong, but I do not think that I will be. Employers are not really showing any signs that they want to share more of their longevity or interest-rate risk with their employees. I do not think that that is going to happen. But there is a lot to be said for the writings of the leading US pensions thinker, Robert Merton, and I hope that the Minister has had the opportunity to read them, or will have shortly. Robert Merton won the Nobel Prize for economics with his work on financial instruments. He has a very clear view of the inadequacy of DC and the fact that it is focused on the wrong risk. We are managing volatile assets and trying to focus on that, and we look at the pension pot and try to grow that, but there is no one really managing the risk that the income that the saver might have when retiring on a DC plan is going to be inadequate. Of course, the wonderful thing about defined benefit plans is that you will know pretty well all the way along what your retirement income is going

to be; it will be expressed as a fraction of your earnings, whether it is a career average or final salary. So you will know what your retirement income is and you can plan accordingly. That is a great comfort and peace of mind to savers. Unfortunately, in the switch from defined benefit to defined contribution, we have completely lost the fundamental and important language of income. We talk about assets and the value of those assets, but no one can really talk about income to someone saving on a DC plan: “What is the retirement income that I can expect to see?”. I hope that that will be looked at in the department and, if the Minister is so minded, the department will task a new independent pensions commission with responsibility for looking at it. This is an issue that needs to be explored more fully—a fundamental, almost do-or-die issue. If defined contribution is going to do the heavy lifting, we must keep our focus on DC as a savings platform, in addition to being concerned about whether people are saving enough or at all.

The noble Lord also drew our attention to the other significant reform of the last Parliament—the change to the rules about annuitisation. It is absolutely right that in today’s times people should have more control over their money. We do not want to be treated like idiots or children. At a time when annuities do not look like a good deal for a lot of savers because of the historically low rates of interest, it is right that they have more choice. That is particularly true if that saver also has the benefit of some legacy DB in their savings plan, as they might have accumulated a few defined contributions pots because their jobs have moved and they have changed.

So I have no objection in principle to the reforms, but it is important that the Government are doing something to monitor this and make sure that they know what is going on in the marketplace. They must know what people are doing. I do not see that they have any means at their disposal at the moment for collecting that information, and they need them. They need to bang heads. One can disagree with a policy—people can think it is a good or a bad thing—but, it having been legislated for, it is unacceptable for financial service providers to block people’s access to their pension pots if they want to cash them. If that is what is going on, Ministers need to act.

The Minister has an enormous agenda. I wish her the very best. She has the good will of everyone in this House behind her in tackling some of the enormous responsibilities that she has been charged with.

12.06 pm

Lord German (LD): My Lords, I pay tribute to the noble Lord, Lord Flight, for introducing this debate. He is well known for his commitment to savings. Reflecting on the comments by the noble Lord, Lord Hutton, I must say this is unlikely to be a debate in which there will be a great deal of controversy, but it is a debate in which there will be some need and desire to predict what we might do in the future and to take that step forward.

I congratulate the new Pensions Minister, who has a long and tremendous record as a campaigner and advocate and latterly as the champion for older people. I shall start by quoting her words in the *Sunday Times* on 31 May 2015. She said:

[LORD GERMAN]

"I also want to continue the pensions revolution that my predecessor, Steve Webb, so ambitiously started ... we have seen some important changes that will alter the pensions landscape for generations to come".

I hope she will not mind if I spend a few moments paying tribute to her predecessor Steve Webb who, I understand, was the longest-serving Pensions Minister, certainly in my lifetime—perhaps someone will correct that, but I think that is the case. He recognised that society owes a debt of gratitude to older people for the contribution they have made to making our country a better place through their hard work during their lives. He brought in a pensions revolution addressing some key issues by the legislation he oversaw.

The three factors in that revolution were: preparing people for their retirement; getting people to save more; and making adequate state pension provision—that is so important for lower-income workers and women who depend so much on the state pension. It is worth recognising that the level of the state pension moved, in purchasing terms, from the lowest it had been for almost 30 years in 2008 to the new promised single state pension, which is likely to be more than £150 a week and will be supported by the triple lock. As the noble Lord, Lord Hutton, said, this ambition was shared across parties, but the big changes occurred under the previous Government on Steve Webb's watch. We on these Benches pay tribute to his knowledge, understanding and drive.

Now we move on—it is time for implementation and to learn lessons, changing and adapting as we move forward putting these ideas and this legislation into practice. I take the point about a savings revolution being needed, so first among all these must be raising awareness and understanding, which the noble Lord, Lord Flight, mentioned. Financial education should start in school. Saving for a pension is not something which crosses your mind when you are getting that all-important first job, but it is important that it does. Later in life, understanding how to make your savings work best for you is a critical judgment, so there is plenty of work for the new Minister, and we on these Benches wish her well with the challenge.

I want to touch on some of the issues that the Government now face. I recognise that in some ways I will be reiterating some of the contributions that have already been made, but perhaps I will be treating them in a slightly different way. On the triple lock, the Government like the concept and have agreed to keep it for the full five-year term of this Parliament. If it is good for the foreseeable future, why not enshrine its use in legislation so that it would take another Act of Parliament to change it? We on these Benches believe that is right, just and a fair answer to raising the state pension. It is a true buffer against a Government making real-terms reductions for a group of our people who can make no alternative arrangements if and when that happens. That is why we would not just keep it but legislate for it.

Auto-enrolment has been a big success so far in the number of people who have been brought into saving. Its rollout to deal with inertia in pension saving has been a success story, but, as the noble Lord, Lord Hutton, said, it has some challenges ahead. With millions of

new pension savers now enrolled in a pension scheme, the most encouraging feature so far has been the small number who have voluntarily withdrawn from pension saving. But the most challenging group of companies and people to be auto-enrolled is yet to come, as the self-employed and micro-businesses are brought within the ambit of the legislation. In her response, can the Minister tell us in what ways the Government intend to help this group of people with the bureaucracy that they will face? Will the Government be on hand to help this most difficult segment of our working population into saving?

So far, we have seen no real evidence of companies reducing pay in order to make the employer contributions that the legislation requires. However, as the levels of contribution have to be ramped up, and as wage increases so far have been fairly low, it will take some time to see whether this is happening on any scale and whether there will be a reduction in pay awards in order to make those employer contributions. Yesterday we were told that wage increases are now running at 2.7%, so there is beginning to be a greater possibility that some of that increase may be foregone in order to meet the costs of the employer contributions. We need to be wise to that fact and look out for it.

This issue is closely tied to the increase in contribution levels envisaged in the legislation, and to where we need to go beyond the current legislation. As others have said in this debate, people need to save more for their pensions, and companies will have to match that increase in their contributions. Perhaps the Minister can tell the House what studies of these effects are currently under way and when meaningful results will become available.

A further issue is that of exclusion from saving for lower-paid workers. As the thresholds have risen—now in the £10,000 range, with further rises promised—there is a danger that the earnings trigger will exclude a number of workers from saving who would benefit from being in a pension scheme. Is the Minister contemplating lowering the earnings trigger, so that it brings more lower-paid people into pensions saving?

During the coming months and years, we on these Benches will want to examine tax exemptions on pension contributions. In particular, we will want to consider whether there should be a single rate of tax relief on pension savings—which the noble Lord, Lord Flight, alluded to. We do not want simply to make changes that might create cliff-edges in the way that government investment might work. For example, by simply reducing the tax relief on those earning more than £150,000, you create a cliff-edge immediately.

The issue of charges and fees on pension savings has already been raised in Questions in this Session. We on these Benches will want to examine the Government's intentions in this matter—not just fee and charge caps but also transparency. In the savings journey travelled between the pension saver and the pension investor, and then back again as savings are withdrawn, there are many tiers of influence, each with the potential to make a charge to the next tier. Savers deserve to know what is happening to their money in each of these tiers, and many of the charges

are hidden and not known, so transparency and fee caps will be very much on the agenda for my noble friends on these Benches.

The defined ambition schemes introduced in the last Parliament, providing more certainty of pension outcome than defined contribution schemes, were referred to by the noble Lord, Lord Hutton. There needs to be a genuine debate and examination of the way in which these schemes can be progressed and the take-up of the principle that is outlined within them.

The early evidence on pensions freedom should be available to us fairly soon. We are told that 60,000 people have now withdrawn some of their pension pots, so some early evidence will be available on how the work of this scheme has been for them, particularly their relationship with the Pension Wise scheme. The particular evidence that we want to see includes the inclusion of housing wealth in the assessment, which was, again, something raised by the noble Lord, Lord Flight. With housing wealth being sometimes 10 times the average pension pot of an individual, it is an important factor. We need to assess how important a factor that has been in people's decision-making about their new freedom and whether that has been fully taken on board in the advice and guidance given by both financial advisers and Pension Wise.

Secondly, has appropriate consideration been taken of making appropriate savings for future retirement? We will also want to examine in depth the effectiveness of the second line of defence recently put in place by the FCA. We need to know what the pensions industry is doing to adapt to all of these changes. It has to adapt because more flexible approaches are demanded by savers as they seek to draw down their money. There is a whole host of new ways in which people take their retirement, and the circumstances in which they do this will also vary. The use of these flexibilities will increase, not decrease.

We are in a new world. Retirement dates are not fixed and people will make choices as they see their future in differing ways. It may be that we will need to consider a more regulated market in this decumulation phase in order properly to protect consumers' interests. We want to see the evidence of the market and what it is doing. Is it offering appropriate new financial products? We need to examine the early evidence of what the market is offering, and deal with restrictions placed by some companies on people being able to access their money. Also, can and should NEST step in where there are gaps in the market offering?

The Government may have some money in hand in order to support some of these matters because they expect to get tax receipts as the pension freedoms kick in. Tax paid at the marginal rate on the average £17,000 draw-down, reduced to tax on under £12,000 after the 25% tax-free sum is deducted, will not meet the extra £12 billion-worth savings in welfare that the Government are looking for, so they should put some of this extra tax into supporting a better savings culture in our country—an enhanced savings strategy. Noble Lords may wish to consider how that is to be determined during the course of this Parliament, but it is, as both of the previous contributors have said, a significant factor in the way that we need to move forward.

This has been a bit of a canter around the pensions landscape; each item is worthy of a debate on its own. To return to my opening remarks, the legislative foundations are in place, but there is a need to examine the many points of implementation. We look forward to working with the Minister on these matters, and where necessary challenging the Government on their approach. But that is for the future. We wish the Minister well today. I am sure that she recognises the challenges ahead of her. We look forward to her maiden speech and to working with her in the coming years.

12.19 pm

Baroness Drake (Lab): My Lords, I refer to my interests in the register as a trustee of the Telefónica/O2 and Santander schemes and as a member of the boards of the Pensions Advisory Service and the Pension Quality Mark. I begin by congratulating the Minister on her appointment; I look forward to debating with her in this Chamber. She has certainly assumed responsibility for pensions at a time of radical change, but I have no doubt that she is more than capable of embracing it.

Commenting on the freedom of choice agenda is made difficult when the Government's strategic objectives for the long term remain unclear. People now have open access to their savings, but when the state has auto-enrolled workers into schemes, compelled employers to contribute and invested billions in tax relief, there is a public policy interest in knowing what the Government's intended long-term outcomes are. As the noble Lord, Lord Flight, conceded in opening this welcome debate, we no longer have a private pension system; rather, we have a long-term saving system. We no longer talk about desirable replacement incomes, because people are no longer required to secure an income. What is the desirable savings pot size for the median earner that policies should be targeting? What is the Government's aspiration for contribution rates and how will they achieve them? What is the intended balance between individual freedom and societal outcome? As my noble friend Lord Hutton indicated, these are matters of some significance, on which society requires the political system to come to a consensus position.

Let us take employers, for example. Their workplace pensions are key to delivering savings. The Government's pension proposition has to be attractive to the senior managers who decide on their company's pension arrangements if we are to avoid a drift to simple minimum compliance. Employers' disengagement from pensions was, after all, a major reason for the decline in savings that led to auto-enrolment and employer compulsion. Yet their behavioural response to the freedom agenda has attracted very little analysis. There are more changes to come—tax relief, lifetime allowance, annual allowance, salary sacrifice—but what is the impact of policy decisions on the level of employers' engagement with pension saving? Saving for retirement is a 40-year project and policies must work not only for today's older workers who have been able to save but also for younger people who are still to save if they are to get to retirement and have a reasonable existence.

[BARONESS DRAKE]

There is clearly benefit in giving greater freedom to the saver, but the impact of the extent of the freedoms, the speed of their introduction, the response of the market, the shift of the risk to the individual and the impacts on employers were never fully considered. The Government are dependent on the market to deliver the choice agenda, yet we know that there are features of the pensions market that hinder the proper functioning of competition—complexity, consumer inertia, asymmetry of knowledge—and that legitimise more state intervention than would otherwise be the case.

We see problems emerging that were raised in this House only days ago, in particular by my noble friend Lord Bradley. It was therefore welcome to hear the Chancellor acknowledge that there are concerns that some companies are not doing their part to make those freedoms accessible and that the Government are now considering a cap on charges and have asked the FCA to investigate. Yet the FCA warned some months ago, in its interim report on the retirement income market, that consumers were poorly placed to drive effective competition and that the introduction of greater choice and more complex products would reduce consumer confidence and weaken the competitive pressure on employers to provide good value.

What of the requirement on the independent governance committees to report on draw-down products? Will the Minister be asking them to give the matter priority? The Chancellor advised that he wants to make sure that savers are treated fairly, but the FCA's rules on treating customers fairly contain no explicit requirement on providers to act in the best interests of savers. They rely on effective competition to deliver for the saver, yet time and time again experience shows that competition is not able to deal with conflicts of interest and the failure to deliver value for money. The Government need to find a sustained resolution to the dysfunctions in this market. We cannot go on endlessly dealing only with the symptoms.

What is required is not an alignment of interests but a hierarchy of interests, where conflicts of interest are resolved in favour of the saver. Providers have to be able to make a profit but only on products which are designed and operated in the saver's interest and which provide value for money. Now, we face an urgent need for substantive data so that regulators and the Government can identify early and respond quickly to emerging problems. It would be helpful to know from the Minister how the Government intend to meet this need.

New freedoms come with new inefficiencies, which undermine value for money. These include some providers' restrictive processes for accessing the freedoms, their charges for advice, for transfer out and for transfer in, charges for looking after your money, charges for accessing your money, embedded commission and other charges, which need to be addressed.

There is a danger in the current debate that the message simply becomes, "Everyone must be free to make a dash for the cash and no barriers must be put in their way", but of course that cannot be right either, and we need a measured debate on this matter. The Government are right to require individuals to

take advice in certain circumstances, such as when seeking to transfer substantial defined benefits or protected rights into cash. The risk from pension scams is growing.

It is right that people take time to consider their options, because choices taken can be irreversible. We want providers to behave more responsibly. It is difficult to compel providers to provide certain products, and one would not want to compel the inefficient ones simply because of the debate that is currently taking place. We know that some employers and trustees are reluctant to provide access to choice through their workplace schemes. They are concerned about their own liability. Some fear associating with poor decision-making by savers or assisting access to products in case there is a mis-selling scandal. They are waiting to see how the market evolves.

Providers are setting their own access processes and requirements for customers wanting flexible access. Some face problems. As Martin Wheatley at the FCA observed, the timescale for delivering the freedoms and design products was challenging, and providers struggled to complete due diligence testing on their products. Many have had to significantly change their business model, systems and procedures. For some, that remains a big challenge. Some providers may also be cautious because they fear the risk of mis-selling. When advice should or should not be required is an example of the struggle between public policy and what the market feels it wants as its operating model.

The issue of the ease and cost of transferring from one scheme to another so that people can access their freedoms becomes of increasing importance, as the Government are now discovering. However, we know that there are real inefficiencies in facilitating ease of transfer between one pension scheme and another.

Much of the recent debate is focused on the post-55s, significant numbers of whom were in good occupational schemes. They may not be reliant solely on their DC pots; they may have other incomes, such as from DB schemes, but over time this will change. The savings of future generations may all be DC. Greater freedom and irrevocable decisions put more risk and responsibility on to the individual.

The Minister wishes to promote greater financial awareness and understanding, and the decision to provide guaranteed guidance was a welcome step in that direction. However, the need for guidance over a working life will grow as the personal responsibility to make provision for retirement and other needs increases. Access to advice at a cost that is reasonable, particularly for those on moderate incomes, will not be readily available. People will be left with limited support if there is no source of independent and impartial guidance. People need guidance from a trusted source, delivered by an entity that has no commercial interest in the customer's next steps. This allows the guidance to be personalised and gets closer to the boundary of the advice—without stepping over it—that can be delivered by a commercial organisation that has a vested interest.

Guidance should be offered at the main life event touch points, such as student loans, childcare costs, changing employment and starting to save. If the future is greater personal responsibility, the provision

of support and guidance needs to be more radical. The noble Baroness has been radical in the past and I am sure that she will be so in the future.

Perhaps I may conclude by making a personal plea to the Minister: could she please pay full regard to the position of women in pension reforms? We now face a situation where a little over one in three of the people who are auto-enrolled are women. In part, the problem has evolved because of the earnings trigger—the level of earnings that you have to achieve before your employer is obliged to auto-enrol you into a pension scheme. Fortunately, after several years of argument, the Government have frozen the value of the earnings trigger rather than relentlessly track the income tax threshold. I fear that there is a loss of focus on the need for the private pension system to work for women as much as for men. At the moment, two in every three of the people being auto-enrolled are men. I hope that the sororal commitments of the Minister, which have been ably and warmly demonstrated in the past, are not diminished by ministerial office.

12.32 pm

Lord Kirkwood of Kirkhope (LD): My Lords, it is always a pleasure to follow the noble Baroness, Lady Drake. She is an expert and the House is lucky to have access to her experience. I support most of what she has said, but I would underscore her last point about the importance of the entitlement of women in the past and in the future. It was one of the issues that Steve Webb dealt with best, and my noble friend Lord German has paid a substantial and appropriate tribute to him. We are all agreed that we need to be solicitous of women's rights and entitlements in the country's future pension provision policy.

I declare an interest. I am the chairman of the General Medical Council's superannuation DB scheme. It has been a source of education for me on some of the complexities of investment policy and will inform some of the things I have to say. I applaud the noble Lord, Lord Flight, not only for the debate today but for the keen interest he takes in this issue. We are on different sides of the park on some of the economic arguments but no one can take away from him the fact that he has been dedicated to trying to get people to consider a savings policy. He, too, has great knowledge from which we benefit.

I welcome again—I will keep welcoming her for a long time to come—the noble Baroness, Lady Altmann, to her ministerial role. I am going to offer her some quite gratuitous advice: she should refuse to resign. If over the next five years she is threatened with a ministerial reshuffle, I hope she will promise to come and tell some of her friends on all sides of the House that that is a possibility because we know where the Prime Minister lives and how to give people a really hard time. It is stark-staringly obvious why I say that. One of the reasons Steve Webb was a successful Minister is that he was not one of 14—he was in place for five years. If the noble Baroness is given a full term, I am confident that she will make a positive contribution. If the ministerial role is chopped and changed it will be to no one's advantage. We will be solidly behind her when she refuses to resign. I hope she will take that piece of advice.

I would also advise the Minister to do nothing, take no steps and make no changes until she is absolutely sure that the department has given her the full brief on winners and losers in both the long and short terms. I do not need to tell her that. It is important that we recognise the significance of some of the changes that may be made for ordinary people and the political ramifications of those changes.

As a Scot, perhaps I may remind her that quite a bit of the industry is based in Edinburgh. There is quite a lot of politics going on in Scotland at the moment as well. If she were kind enough to visit Edinburgh, I would personally organise the pipe band. There is a serious point to be made about the other parts of the United Kingdom as well because this is a UK-wide policy area. A lot of it is—and should be—based in the City but there are other parts of the kingdom furth of London. I do not think I need to tell her that, either.

This has been a very good debate which will repay careful study. I want to support some of the things that other noble Lords have said. I am sure the Minister knows already that the game has changed. Thinking about pensions needs to be done entirely differently in the future. I was encouraged that, in his important remarks, my noble friend Lord German referred to the need to look after low-paid households and low-paid members of schemes—particularly DC schemes. I agree with what the noble Lord, Lord Hutton of Furness, said about the significance of DC schemes and the decisions we will have to take about them. I support—well, half support—what he said about the need for a new commission.

Will the Minister go back to the department and ask for the papers about the Pension Provision Group to be dug out? The group was set up by Harriet Harman in about 1992, and a splendid Scot called Tom Ross chaired it. The group was independent and had access to specialist departmental support staff. It did an analysis of the waterfront and came up with the recommendation that eventually led to the Pensions Commission. That valuable contribution from the noble Lord, Lord Turner of Echinshill, was therefore spawned by the work done by Tom Ross's group.

The plea from the noble Lord, Lord Hutton, to have a full-blown rerun of the commission—which I would support—falls on deaf ears because it is too complicated or would take too long. Perhaps I may recommend an alternative. It is not as good, but it would do. It could be done within 18 months and would produce a SWOT analysis which I think the Minister would find very useful. This would be a small, independent group which would look at where the gaps are. As other noble Lords have said, all the reforms that have been put into place have rightly been made with all-party support. We are grateful to be in this position. We should also be grateful for the quality of the industry that we have behind us. We are global leaders in this area.

Although the situation is urgent and needs attention, we should not forget the industry in our deliberations. I think it was really fed up and ticked off by the announcement in Budget 2014 that all these changes would happen “just like that”. I understand why that was done. Some information is market sensitive and

[LORD KIRKWOOD OF KIRKHOPE]

some things have to be announced in ways that protect it. However, we must give the industry an honest chance to participate in some of our thinking about the future. We need to be looking at how the pieces of the jigsaw fit together. There are gaps and I think that the Minister will be driven to address them. It would be better if she anticipated them and started thinking about them before they happened.

A total savings culture change is necessary, and I was very interested to see that Mr Martin Wheatley of the FCA said the other day that,

“You can no more live in modern society without finance than you could without housing or water”.

Coming from the chairman of the FCA, that is a pretty powerful statement, and I absolutely agree with it. It is the sort of thinking that should underlie all of our policies in the future. In the long term the culture will change, and I am sure that the Minister's experience will serve her well in driving the agenda.

I agree wholeheartedly with the noble Lord, Lord Flight, when he says that we should promote the Minister to a senior role in the Treasury. If my experience is anything to go by, she will find that the ideas she may have in the future will be blocked by people along the road. This agenda needs to be driven by someone who is in the middle of the spider's web. I know that she will be in the middle of her own spider's web, but she needs a bigger web. She needs Treasury support to do what she needs to do, and I think she probably knows that.

In the short term, running repairs are necessary, as is identifying the gaps. A Pension Provision Group analysis would help in that. I concur entirely with the noble Lord, Lord Hutton of Furness, in what he said about occupational schemes. Come 2018, we will need to be vigilant about what is happening to these schemes. I am very worried about this. If I have read the data from the auto-enrolment declaration of compliance report correctly, at the moment there are as many people—5.2 million to 5.3 million—outside auto-enrolment as are inside, and that is only looking at bigger employers. The next phase of auto-enrolment will involve smaller employers. The effect of earnings of £10,000 triggering access along with job definition and self-employment restrictions means that we are leaving a whole lot of people outside the scheme, and that is even before we get to the version of the problems described by the noble Lord, Lord Hutton. He is right to remind us about that. Indeed, he made a powerful speech in the debate on the Queen's Speech which I read with interest; he has persuaded me about this.

I shall make a quick point about the triple lock. My noble friend Lord German said that there are some savings to be made, and he is correct. Her Majesty's Government are making huge savings over a 50-year or 60-year schedule, as the Institute for Fiscal Studies has pointed out, by suppressing the accrued rights of S2P from maturing in the future. They are also making huge changes in terms of extending the state pension age. I agree with the noble Lord, Lord Flight, that within reason it is a sensible thing to do, but people need time to plan for it. So any attack on the triple lock, certainly in this Parliament, should not happen.

Colleagues should remember that the triple lock can still exist and be cheaper because all you need to do is change the definition of earnings or reduce the increase from 2.5% to 2%. Those are the factors. I would not put it past the Treasury to do this if things get tough later on, but if it happens, I can tell the noble Baroness that she will meet stout resistance from, I suspect, all sides of the House. If the Government do try to do that, we will start to look seriously at the savings they will be making over the long term in terms of SPA and abolishing S2P rights. She will have a fight on her hands if that is tried, so I am warning her of it right now. I will say it only once, because it is important.

Finally, I think that the Pension Wise service is wholly correct, but wholly inadequate. I said earlier that I learn an enormous amount as the chairman of a defined benefit scheme. It is a struggle, although it has a really supportive sponsoring employer who could not do more to support the trustees in trying to defend the interests of the scheme members. It is now fantastically complicated trying to stay ahead of the curve, given the volatility of the asset market and gilts. The noble Lord, Lord Flight, knows more about those than I do. Investment rates and contribution rates over a 40-year period are nearly impossible for individuals to work out, a point made by the noble Baroness, Lady Drake. It is almost impossible for ordinary people to comprehend during a 40-minute Pension Wise interview. They need continuous help.

As the chair of a small superannuation fund, I get fortnightly briefings about the state of the market to try to stay ahead of the game. If ordinary people who know nothing more about the pensions industry than the man in the street do not get enough help, then I am not surprised that they get into ISAs. Maybe we should be thinking more carefully about that, which is another important point made by the noble Lord, Lord Flight. Right now, I am certain that while the guidance guarantee was correct, it is inadequate. It really needs to be substantially beefed up if it is to be safe.

In conclusion, I say to the Minister that I wish her well. I am sure that she will be successful and that she will be in her role for five years, because if she is not there will be more to-do about it, in my view. She is part of a one-nation Government who are contemplating £12,000 million of cuts, if the Chancellor is to be believed. We will also be looking to her to fight the good fight within government, to make sure that low-income families in particular, who are trying to save and to make proper provision for an adequate retirement income, are properly protected by this one-nation Government over the course of these cuts. I wish the Minister well.

12.45 pm

Lord Stoneham of Droxford (LD): My Lords, I, too, congratulate the noble Lord, Lord Flight, on initiating this debate and on his remarks. I have known him for nearly 50 years, and I can honestly say that I have never agreed more with one of his speeches than the one he made today. I also join in welcoming the noble Baroness, Lady Altmann, and I look forward to her maiden speech, particularly given her experience at the consumer interface. I hope that one of the things

she will concentrate on as the new Minister is that area of pension policy. I and my colleagues on these Benches, my noble friends Lord German and Lord Kirkwood, saw the legislation through the coalition Government from these Benches. It is good to see that this was actually one of the most successful parts of the coalition Government.

I join in thanking Steve Webb today for all the work that he did in the coalition. That team effort was built on his very successful working with Iain Duncan Smith and the noble Lord, Lord Freud. This produced reforms that in my view would not have happened with a single-party Government. It built—and this is another lesson for pension policy—on the reforms initiated by the previous Government and the foundations prepared by the Turner commission, whose membership included the noble Baroness, Lady Drake. Turner's vision was of a simple state pension that adjusted to life-expectancy improvements, with automatic enrolment into private pension savings and with the full back-up of the state-sponsored scheme that is now NEST. The coalition's achievement was really to review and then reform the structure of pension policy, which is now simpler and more coherent. However, as has been raised in this debate, we still need to cope with how to raise the actual level of saving.

Steve Webb brought huge experience of pensions and expertise into government. I was very proud to have been associated with Steve in the pension review which our own party carried out in 2003-04, which set out the case for a citizen pension. This has effectively become the higher state pension and is set at the level of pension credit. It was in our manifestos in 2005 and 2010, and it included a commitment to the triple lock. Despite the restraints on public spending that we had in the last Government, it is good that both those measures—the triple lock and the introduction of the higher single state pension—were supported.

Steve Webb had to fight hard in government to get that, particularly the single state pension, especially in the middle of the Government between 2012 and 2013, and it is right that he should be proud of that legacy. He has effectively restored the Beveridge commitments that there should be a basic state pension approaching 20% of average earnings to provide a minimum standard of living while at the same time acting as a platform on which private pension savings would be built. The triple lock stops the withering away of the relative value of that state pension, which has been going on since 1981.

A couple of other reforms were important in the coalition Government. We undertook a review of public pensions, which was conducted very thoroughly by the noble Lord, Lord Hutton. It has not been mentioned in the debate. It was not a popular thing to do, but it had to be done. The coalition, and the consensus that that report helped to introduce, helped the introduction of those reforms, which are ongoing.

Although auto-enrolment had been envisaged by the previous Labour Government, it was reviewed by the coalition. It has been well introduced and we have had success so far, but as the noble Baroness, Lady Drake, warned us, there are issues that we will need to follow up. I hope that the Minister will give us some of the latest figures on auto-enrolment, as the figures that

I have seen have not been updated since last year. Contributions are still too low, but the introduction of auto-enrolment has to be phased in. It is a start, and what we need now is stability of policy-making.

Two other reforms were introduced by the previous Government. Steve Webb was always concerned about charging. He imposed a cap on the auto-enrolment schemes, which was welcomed. The Government then got into the issue, which again I support, of providing choice and the ability for people to use their pension funds more flexibly. That was almost inevitable once people began to question the returns they were getting from annuities, as the noble Lord, Lord Flight, said. We need to encourage more saving. Frankly, if people feel restrained and do not have that choice, that in itself will be a deterrent to saving.

Looking to the future, there are a number of priorities that the noble Baroness, Lady Altmann, could look at. As people have said in the debate, there is a need for stability: people need certainty that these policies will now be bedded down and continued with. I think Steve Webb mentioned this recently: if there is one area where the Government could have done more it is improving communication and education. People need to save more, and if they are to be encouraged to do that they have to have a better understanding of and confidence in the policy, which needs greater stability.

I hope that we will use the digital facilities to help them. I will give one example. In the previous Government we tried to have better communication with people who were about to take their state pension, because there is very little communication with them. I suspect that this is the experience of others: every year I get a letter about my winter fuel allowance, telling me that it has been paid into my bank account. Frankly, that money and that communication should be used to prompt people either when they are undercontributing or when their pensions are not adequate to meet the requirements of their retirement. Just as endowment policy companies have been forced to write to people where their policies clearly were not delivering what they were meant to deliver, we should look at improving communication with regard to state pensions. It can be done more easily and cheaply digitally than by a letter through the mail, which I still get for my winter fuel allowance.

Now that the structure is in place for policy, clearly we have to look at other means of improving better saving. I support the views of the noble Lord, Lord Hutton, that we must look at the defined contribution alternatives and particularly the defined ambition schemes as a way of widening the debate to deal with the issues and people's concern as they look at their savings and the poor returns that they could be getting from their defined contribution schemes.

Providers will be the key in the future. The confidence which consumers and potential pensioners have in the providers of their pensions is essential. There is still a lot of distrust over charges, because they are misunderstood and often hidden. If we are going to get into the whole issue of freeing up draw-down options, we must deal with the fact that every time we have had a reform in pensions and financial services, it has provided an opportunity for further fraud and

[LORD STONEHAM OF DROXFORD]
mis-selling. If we introduce these things too quickly and before proper regulation is in place, we will have difficulties, and that will undermine confidence on savings. If there was a criticism, it is probably fair to say that the opening up has been done too quickly, which leads to the possibility that we will have more problems in the future.

We could have done with a few more years of Steve Webb in charge. However, I am sure that the noble Baroness will contribute to the ongoing debate in this important area, and I know that Steve Webb will be contributing to the debate outside Parliament. We on these Benches salute Steve Webb's achievements in government and we hope that the noble Baroness, Lady Altmann, will defend and develop his legacy and that of the coalition in government.

12.56 pm

Lord Bradley (Lab): My Lords, I also congratulate the noble Lord, Lord Flight, on initiating this wide-ranging and thoughtful debate. I was particularly struck by his statistic on the average age of the House. Having recently reached state retirement age, I am pleased that I still fall below the average age in this House. I also welcome the noble Baroness, Lady Altmann, to her new position as Pensions Minister and, like all noble Lords, I look forward to her maiden speech at the conclusion of this debate. As has been rightly said, we know that she has tremendous expertise in this area, which everyone in this House will benefit from. She is warmly welcomed.

In the limited time available to me, I will concentrate on the issue that I believe is currently foremost in the public's mind—that is, how the pension freedoms flowing from the Taxation of Pensions Act and the Pension Schemes Act, which came into force in April of this year, are being implemented and how they are impacting on customers. I said at Third Reading of these Acts that implementation was barely nine weeks away, that I remained deeply concerned at the speed at which changes were being introduced and that the issue,

“will be closely scrutinised both inside and outside this House to ensure that the public's interests are properly and fully thought through and protected”.—[*Official Report*, 5/2/15; col. 797.]

It is clear that this remains our number one priority, although I recognise from the very thoughtful contributions to this debate that there are a number of other important issues, such as the single-tier pension, the triple lock and auto-enrolment, which we must return to in future debates.

Let me be clear again that Labour supports the introduction of greater flexibilities in how people access their defined contribution pensions, as we believe that it is right for people to choose how to use the money that they have saved. However, we have said that there are three tests for the reforms. The advice test—is there robust advice for people providing for their retirement and measures to prevent mis-selling? The fairness test—the new system must be fair, with those on middle and low incomes still being able to access the products that give them the certainty in retirement that they want, and the billions that we spend on pension tax relief must be available across the board.

The cost test—the Government must ensure that this does not result in extra costs to the state, either through social care or pensioners falling back on means-tested benefits, such as housing benefit. We will continue to monitor the implementation of the reforms against these tests.

In the run-up to the introduction of the reforms, we called for the FCA to introduce a second line of defence, requiring providers to give information to those looking to access their pension pots. We were pleased that during the passage of the Bill the Government accepted that call from this side of the House.

We also called for the Government to consult on developing a charge cap for income draw-down products, with a focus on those offered by a saver's own pension provider, on the assumption that these customers may have taken the least active approach to choosing a new product. At that time we highlighted the research from Which?, and I quote from it again:

“Based on a scenario of someone with the typical pension pot of £36,000, drawing down £2,000 a year, we calculate that a cap of 0.5% would leave someone in our scenario around £10,300 better off than with charges at 2.75%. A 0.75% cap would mean that they have a total of around £8,800 more over their retirement and a 1% cap would give them around £7,500 more”.

So obviously it is pleasing that the Government are now consulting, through the FCA, on these caps. As we have heard in the debate, though, these charges and the consultation must be transparent, and we must come to a sound but quick conclusion to ensure that customers do not continue to be ripped off by high charges.

During the implementation phase, in the wake of consistent concern about fraud, we asked the Government to take action to give savers greater protection. We suggested that a Labour Government would introduce a new cross-government task force on tackling fraud and scams, overseen by the Pensions Minister. We also suggested a new kitemark so that savers could recognise regulated pension products, and a cooling-off period so that savers had the time to make a final decision about their pension pot to protect them from handing over a lifetime's savings to potential fraudsters. I am sure that the new Pensions Minister will want to reflect on those proposals in her new role.

Let us consider a little further what has happened in the three months since the introduction of the flexibilities. Already, in the wake of their introduction, many concerns have been reported about fraud and, as my noble friend Lord Hutton mentioned, restrictions on the public's access to their savings. First, I turn to fraud again—I think it is a very important matter. There remain persistent concerns that companies offering fraudulent or poor-value products will use the reforms as an opportunity to persuade savers to part with their cash. The *Daily Mail* reported on 23 May this year that:

“Pension savers are being warned to be on their guard against fraudsters who pass themselves off as working for Pension Wise, the Government-backed pension guidance service—but whose aim is to con you out of your savings”.

Research from the consumer group Which?, published six weeks after the pension reforms came into effect, found that one-third of over-55s who are not yet retired have already been contacted by someone looking

to sell them a potentially poor product. The Minister has suggested that tackling this kind of fraud is one of her priorities in her new role as Pensions Minister. What action are the Government taking now to monitor the levels of potential fraud in the market, and how are they ensuring that, alongside the prevention of fraudulent products, savers are protected from products that may offer a higher degree of risk than they realise they are taking on without full knowledge?

Secondly, there is the difficulty of accessing savings. The *Daily Telegraph* has been running a campaign highlighting the difficulties that some savers face in accessing their pension savings in the way that they want to. There are two main issues: first, providers do not yet offer the type of income draw-down products, or options for taking some of their savings as cash, that the savers actually want. The ABI has been robust in defending pension providers' behaviour in this context and highlights the fact that these reforms have been introduced at speed. A *Financial Times* report on 13 June quoted Huw Evans, chief executive of the ABI, who said that the industry said that it had been set an unrealistic timetable to implement the changes announced by the coalition Government in the 2014 Budget. He went on to say:

“So much has been done at the last minute ... The first thing we need is absolute regulatory certainty about what providers can do and what they can't do”.

I would be grateful if the Government would comment further on what they are doing to look at that issue.

The third issue that I want to highlight is advice, which several noble Lords have mentioned, and which is a crucial part of public confidence in the new system. Let us consider providers requiring savers to access advice before accessing their pension pot. Several providers require savers to access advice before taking out their pensions as cash or in an income draw-down scheme. This highlights two problems. First, some providers see a lack of regulatory clarity around their responsibility if savers take up options that prove not to be of best value, or indeed detrimental to their finances. The FCA has published guidance to providers but says that it will review it this summer. Providers argue that this could be seen as a consequence of the rushed nature of the reforms. Secondly, there is a lack of affordable advice to those with smaller pension pots. Pension Wise can offer only guidance, not regulated advice. I would be grateful if the Minister would clarify the circumstances in which the Government believe that people should take advice before accessing their pension pot, and set out what they are doing to ensure that affordable services are there for all those who need them.

Most importantly on the question of advice, what action are the Government taking to monitor the take-up of Pension Wise and advice from citizens advice bureaux, and the level of customer satisfaction with the service? I put down some Parliamentary Questions on this matter but, unfortunately, to date they have not been answered—otherwise, I might not have had to press the Minister on those points today. There also appears to be an absence of any plans for the collection and publication of data on Pension Wise usage. This would be an important measure,

providing basic user feedback on the service itself, its quality and whether it was helping people to navigate the new pension freedoms.

What action are the Government taking to monitor the type of products that people are accessing, and the implications of this for access to means-tested benefits and further cost to the Government as a consequence? What current assessment have they made of whether the increase in tax revenue that they were predicting in 2014 from the freedoms will be realised? Are the Government enabling people to sell annuities that they have already purchased in exchange for a cash sum? What progress are they making on that reform?

As I said, time is very limited and these are extremely important issues for us to debate. I commend all the contributions that have been made. I am sure that all of us across the House seek to ensure that the consumer's interests are always protected and that the public remain confident that the new freedoms being rolled out are in their best interest. I know that we will receive a very thoughtful response in the maiden speech of the noble Baroness, Lady Altmann, to all the issues raised in the debate. I welcome the Minister to the Dispatch Box.

1.10 pm

The Minister of State, Department for Work and Pensions (Baroness Altmann) (Con) (Maiden Speech): My Lords, I am proud and honoured to stand here today as a Member of this House and thank my noble friend Lord Flight for initiating this debate and for the many important and interesting points he raises, which I look forward to discussing with him. I also thank other noble Lords for their kind words. I must say that I am finding this such a friendly place. I am enormously grateful to my two supporters, my noble friends Lady Wheatcroft and Lord Freud, and to the doorkeepers and all the wonderful people who make this great House work so well.

I am particularly pleased to be among so many notable experts—especially all the noble Lords who have spoken so eloquently today—who have a deep knowledge of the UK pensions system. As someone who has studied and advised on pensions policies independently, I am excited to have joined the Government, with the opportunity it gives me to work inside this House to try to deliver the important pension reforms already under way, and initiated by my esteemed predecessor Steve Webb.

In the past 15 years or so, I have worked really hard to help ordinary pension savers. I have been involved in a number of campaigns trying to achieve justice for those who have lost out in our pension system, and it has been a privilege to have been able to make a difference to so many people's lives. That is what motivates me. I earnestly hope that, in my new role, I will be able to help many more—time will tell. I thank the many noble Lords who have already shown me such warmth, kindness, support and friendship since arriving in the House.

As this is my maiden speech, I hope I may share with noble Lords a few words about my background. My mother, a wonderful woman, well liked by everyone, tells me that I always had a strong sense of social

[BARONESS ALTMANN]

justice, helping others wherever I could. Even at school I would stand up for those who were bullied. I remember my parents being proud of me for defending my friend one day and telling me, “Don’t stand by, stand up, stand strong”. I often think of those words.

My parents and their families were refugees from eastern Europe who arrived here with nothing. All my grandparents were so grateful for the freedoms and opportunities they enjoyed in this wonderful country of ours. I have been asked why I chose Tottenham as my “place”, and can assure noble Lords that this is not because I have a hidden talent for playing football. Actually, my father’s parents lived at their small shop in Tottenham—the Hale Bargain Store. I have many fond memories of serving in the shop and then walking to football at White Hart Lane, holding hands with my father and granddad in the Tottenham Hotspur glory days. As I am the last member of my family of Altmanns, I have chosen Tottenham as my “place” as it holds so many special memories of my time there.

Sadly, my father passed away in his 50s and never reached retirement. This is quite poignant for me given that my career has focused on helping people prepare for, and enjoy, retirement. After reading economics and studying at Harvard, I completed a PhD on pensions and later-life poverty at the London School of Economics. I then worked in the City and spent many interesting years managing institutional assets, mostly pension funds.

I took time out after having my third child and then returned to corporate life as an independent consultant, working on pensions and investment policy. I advised the Treasury and the No. 10 Policy Unit, while also working with many top international firms on pension investment, risk management and member security. That work led to public recognition as a pensions expert and consumer champion, which is ultimately why I am here today, among such distinguished company.

Turning to the subject of today’s debate, I first express my gratitude for the important work done by the Pensions Commission in generating the momentum that has brought us to the point we have now reached. The commission’s excellent analysis showed that any system of private pension saving needs to be considered against the background of the state pension and, rightly in my view, concluded that means-testing must be reduced; state pensions should be flat-rate with the widest possible coverage and should rise in line with earnings; and that private saving must be facilitated. That is why the delivery of the new state pension, rolling out auto-enrolment to all employers and ensuring that customers are treated fairly in the new pensions landscape will be major priorities for me as I do my utmost for the pensioners of today and the future.

The reforms put in place so dedicatedly by my predecessor in the last Government—I echo the many tributes paid to Steve Webb—are now reaching a critical stage. I am well aware that the real tests for success are still to come, notwithstanding the encouraging trends so far. I am also actively aware that, as the noble Lord, Lord Hutton, mentioned, maintaining a consensus is vital. I think there is broad agreement that a base level of state pension is essential. The value of the basic state pension as a proportion of earnings

had been in almost constant decline since 1978. However, with the introduction of the triple lock, the previous Government helped to ensure that today’s pensioners now receive the highest share of basic state pension relative to earnings in two decades, so that pensioners are protected even in tough times. I repeat the Prime Minister’s commitment that this triple lock will be maintained during this Parliament.

As many noble Lords have said, the current state pension system is one of the most complex in the world. State pension provision has undermined private pension saving as too many pensioners just ended up on means-tested benefits that penalised their private income. The new state pension introduced by my predecessor—I echo the remarks of the noble Lord, Lord Stoneham, in that regard—will significantly reduce pensioner means-testing. People therefore have a better chance of knowing what to expect from the state pension, so they can plan any additional personal retirement income they may want or need on top. Unfortunately, the new state pension has not yet been properly understood. This is mainly because of the complexity of contracting out, and we need to communicate this more clearly. I absolutely agree with the noble Lord, Lord Stoneham, about the importance of communication. This is an area on which I have already spent an enormous amount of time in my new role. I reassure my noble friend Lord Kirkwood that among the plethora of briefings that I have requested from my team, I have already asked for submissions on winners and losers and will now add to that ever-growing list a request regarding the Pension Provision Group. I should also let him know that I hope to be in Edinburgh in the middle of July and look forward to the band.

Rising longevity means that successive generations are spending longer and longer in retirement. This is, of course, pretty good news. However, we all know that there are also huge cost implications for state pensions, which is why we will have an independent review of the state pension age by 2017. I want the review to consider not only rising life expectancy but wider social, occupational and gender factors. I reassure the noble Baroness, Lady Drake, and the noble Lord, Lord Kirkwood, that I am acutely aware of the disadvantages faced by women in our pension system.

Let me now address the pension freedoms. There are some who say that the financial industry or the Government know best what people should do with their private pensions and that most people cannot make sensible decisions for themselves. I disagree. Yes, some may be reckless and most will certainly need protection, guidance and even advice but the new pension freedoms are right, in my view. I have long been an advocate of trusting people with their own money. I was acutely aware of how the one-size-fits-all approach of the past meant that too many people—unless they had very large pension funds—were forced to buy annuities that were often not suitable for their needs. I am most grateful for the support for the new pension freedoms, in particular from the noble Lord, Lord Bradley.

The previous system most benefited the wealthy but we have now offered more choice and flexibility for the majority of savers as well. I should like to stress an important point: the reforms are particularly helpful

in that they use the tax system to incentivise people to keep money in their pensions into later life. By taxing lump sum withdrawals, removing the 55% tax on death and allowing pension savings to pass to the next generation free of inheritance tax, there are strong reasons for people to keep pensions rather than spend them too soon. Most importantly, these reforms will also encourage more people to save in pensions in the first place.

Of course, we must also make sure that customers have good value options to choose from. The pensions industry needs to help individuals to act as they would like to and as the law now allows but, so far, too many firms are not offering many of the new options to their customers, or they are imposing hefty charges, lengthy delays or exit penalties on those wishing to transfer to other providers. This is most disappointing.

My right honourable friend the Chancellor of the Exchequer announced yesterday in another place—this was welcomed by the noble Baroness, Lady Drake—that we will be launching a consultation next month, asking the industry, consumer groups, media and individuals to submit evidence of the reality facing customers in this new landscape. We need the evidence to inform any action that might be required to ensure that the market works as intended and customers are treated fairly. We must not allow consumer rights to play second fiddle to the interests of large financial firms. So far, it is clear that competition has not always addressed consumer detriment but, ultimately, it is in the interests of providers to look after their customers well. Their long-term success requires a new approach, and I assure noble Lords that I am at least as concerned about this as they are. I intend to take action to drive fair treatment of customers. I am also concerned about the transparency of all fees and charges for pensions and savings products. The noble Lord, Lord German, rightly mentioned this. I share the sense of urgency expressed by the noble Lord, Lord Bradley, and I reassure him that I will reflect on his other remarks.

It is also important that the pension freedoms have been accompanied by the creation of Pension Wise. I am grateful for the support of many noble Lords, including the noble Lord, Lord German, and the noble Baroness, Lady Drake, for this service. Pension Wise has already been used by thousands of people. Its free and impartial guidance helps pension savers understand the options available to them and the risks and costs associated with each. People also need to be alive to the risk of scams and we must keep working hard to raise awareness of this important issue. I can tell the noble Lord, Lord Stoneham, that I have also already had conversations with the FCA about this issue, financial advice and the difficulties faced by advisers and their customers in accessing affordable advice. In addition, we need to improve financial education, as the noble Lord, Lord German, rightly said. Public understanding of the long-term savings and investment market is currently inadequate.

As well as problems with pensions, I have, for many years, been concerned about the looming crisis in social care funding. The ageing population means that there will be an enormous surge in the numbers needing to rely on care in coming years, and there is simply no

money set aside to pay for this. There is still much more to be done to incentivise saving for later-life care, whether as part of pension provision, separate care savings plans, a widespread insurance system or a combination of all these.

Turning to auto-enrolment, the coverage and adequacy of pension saving had been in rapid decline for many years. Unfortunately, the rising costs and risks of defined benefit pension provision led, as we have heard today, to employers closing traditional defined benefit schemes. I have great sympathy with the many employers who have been struggling with ever-increasing pension liabilities in the current, exceptionally low interest rate environment. Pension provision is clearly moving towards defined contribution, which employers are using to replace defined benefit. It is encouraging, however, that automatic enrolment has so far been successful and that opt-out rates have been really low, especially among young people, so that coverage of workplace pensions is once again increasing.

I can inform the noble Lord, Lord Stoneham, that as of last week 5.25 million people have been automatically enrolled, 44,757 employers have met their automatic enrolment duties and the number of eligible employees participating in workplace pensions has increased by 900,000, to 11.7 million. But we must not be complacent: half of all employees have been automatically enrolled but this accounts for only 4% of employers and contributions are low, as the noble Lord, Lord Hutton, rightly remarked. The hardest work is just starting, as there will be many challenges in ensuring that the huge numbers of remaining employers manage the auto-enrolment process. In particular, I am conscious of the situation of micro-employers and I reassure the noble Lord, Lord German, that I am actively engaged in ensuring that auto-enrolment for the smallest employers is successful and that they are given an easier way to manage this issue. I have already had many meetings on this topic.

Of course, a major factor in people's retirement income is how much and for how long they save into a pension but, as life expectancy keeps rising, it is also imperative to help people stay in the labour market in later life, including beyond the state pension age if they choose to do so. As my noble friend Lord Flight rightly said, we need to retire the traditional concept of retirement. In that vein, I was amused by and grateful for the remarks by the noble Lord, Lord Kirkwood, about my possible retirement from my new ministerial role, even before I have made my maiden speech.

In conclusion, my aim as Pensions Minister is to try to make pensions work better for people. As I explained to your Lordships at the start of this speech, I have been involved in all aspects of pensions for my entire career. In this work I have always believed that pensions are not just about money. Ultimately, they are about people. We all hope to have a pension one day to help us enjoy our later life. Pensions are precious and need to be nurtured. So many of us have taken them for granted. As the Prime Minister announced to the press when asking me to join his Government:

“What we are doing is taking the country's leading expert on pensions, on savings, on financial education, and ... she will be at the heart of Government, making sure we complete this great

[BARONESS ALTMANN]

revolution where we are giving people much more power to save, to access their pension, to pass their pension on to their children, because we want to create a real savings culture in our country for everybody”.

I realise that my new role in government and as part of this House is a huge responsibility. There is much to do. I have had the privilege of working with a large number of noble Lords from all sides of this House over the years, and I hope I can count many as friends. I would like to get to know and work with more of your Lordships in a spirit of co-operation and consensus rather than confrontation.

These are national and social imperatives in which we all have an interest, and I will try my best to make policy work better for people from all walks of life. With that in mind, I look forward to working with the House on the challenges ahead.

1.31 pm

Lord Flight: My Lords, I congratulate my noble friend Lady Altmann on her speech, which was very helpfully down to earth and displays that she has already got her feet more than under the table in dealing with a lot of what must be dealt with. I am sure we all wish her success.

I thank the noble Lord, Lord Hutton, for his kind remarks and for what he has contributed, particularly his work on the changes to public sector pensions. This was difficult and sensitive territory, and a workable compromise emerged. I just make the point—which I think the noble Lord, Lord Hutton, was perhaps making—that it concerns me that the gap between the pensions available to those working in the public sector and those working in the private sector is wider than I wish it were. There is a somewhat miserly DC arrangement left in the private sector, and there is the DB arrangement left in the public sector. I am not quite sure what the noble Lord, Lord Hutton, was recommending, but he asked: is just DC pension provisioning sufficient? I have a rather unthought-out vision of whether there could be a pooling arrangement that amounted to more of a DB scheme and where longer-term risks could therefore be taken in the way investments are made. There is a need, certainly in large organisations, for employer co-operation. It is very sad that we had the best pension system in the world with our DB system, which was able to function because it could take a long-term view of the management of its assets.

Whenever I have asked the Government why they do not do something about IFRS 17, which has made a mockery of DB pension liabilities, the answer I have always received was, “This is for the profession, and not the Government”. I am aware, however, that when the same issue arose in the US, Congress rightly did not stand for such nonsense, and used its power to stop an accounting standard damaging pension arrangements.

I also thank the noble Lord, Lord German, for his kind remarks. He made some very useful points, to which my noble friend Lady Altmann responded. The question of what tax relief should be is important, and, strangely perhaps, we are in agreement that it should really be set at a universal level.

I thank the noble Baroness, Lady Drake, for her very well thought-out contribution to this debate. She raised a lot of sound intellectual questions about what needs to be looked at. My only concern about more involvement by the FCA is that it creates yet more complexity. As many noble Lords will be aware, the whole issue of why the industry is perceived as not having responded adequately to the changes has been largely the result of what it is obliged to do under FCA requirements.

There is not time to go through other contributions, but this has been an extremely valuable debate, with many very constructive contributions made across the House. I find it very encouraging that the spirit of consensus is here and looks as though it is staying.

Motion agreed.

Economy: Creative Industries

Motion to Take Note

1.35 pm

Moved by Baroness Wheatcroft

That this House take note of the contribution of the creative industries to the United Kingdom economy.

Baroness Wheatcroft (Con): My Lords, it gives me genuine pleasure to introduce this debate on the economic importance of the creative industries. It should not be so much a debate as a celebration, because our creative industries are thriving. The latest government figures show that the creative industries together were worth almost £77 billion to the economy in 2013, and they have grown considerably since then. They are on a roll: they have been growing at three times the rate of the UK economy as a whole for several years. They are creating jobs at a remarkable pace. Between 1997 and 2013, job creation in the sector grew by 3.9% a year; the economy as a whole managed just 0.6%—much better than many countries, but the creative industries show just what can be done. There are now 1.71 million people employed in the creative industries.

But statistics tell only part of the story. We all know that the creative industries do not generate just money and employment; they bring joy and enlightenment—they improve life for everyone. At the Globe Theatre, Shakespeare has been brought to life for children who never thought they could enjoy it. Some of our modern novelists are opening doors to the imagination for people who never thought beyond the reality that for them was really quite mundane. Harry Potter turned a generation of youngsters into readers when their parents had almost given up hope.

Whether it be music or film, theatre or museums, art or books, the UK is delivering quality, variety and innovation. On Wednesday evening America’s First Lady, Michelle Obama, dropped in to see the Victoria and Albert’s magnificent exhibition—ground-breaking in its use of technology and imagery—of Alexander McQueen, under the title “Savage Beauty”. If she had had a little longer to spare, there are many other things that she could have taken in. I particularly would have liked her to take a look at what the British Museum

has on now, as I am deputy chairman there. She could have seen a fantastic exhibition of Greek sculpture, “Defining beauty”, and indeed it is beautiful.

There are so many other cultural delights to savour in this country, and there is no doubt that our arts and culture bring visitors to the UK in droves. Tourism is now the UK’s fifth-largest industry. I am glad to say that in this year’s election campaign, unlike the previous one, every one of the main parties had tourism in its manifesto, a recognition of how important it is. Our arts, our culture and our heritage strongly influence the decision of people to visit the UK. According to the Association of Leading Visitor Attractions—I declare an interest, as a director of the association—the number of visits to the country’s top museums, parks and heritage sites rose by a remarkable 6.5% last year. Most of those visits are from people who are going to bring more money into the economy and go away happy rather than feeling robbed—and you cannot say that for every industry.

Our creative talents are flourishing in every sector. Our theatres and orchestras attract culture-hungry visitors to the UK and, of course, are significant earners overseas. We are currently very successfully exporting Her Majesty the Queen, in the shape of Helen Mirren and “The Audience”, which is playing to an ecstatic audience on Broadway. We are excelling in a way that other countries envy. I was delighted to learn, courtesy of the Arts Council, that its money is being spent in part on the Hip Hop Foundation, without whose benefit we would not now be enjoying what Rizzle Kicks brings to the audience. We have talent on a grand scale. I am still bemused why “Britain’s Got Talent” has to resort to giving the first prize to a dog that cannot even do its own stunts—we have people who can do their own stunts.

In the creative industries, this House boasts representatives of virtually every aspect of the sector, from composing to broadcasting to writing and film producing, and I am much looking forward to hearing from so many experts here today. Only this week, I was able to shake hands with Lionel Richie in the Peers’ Dining Room. Sadly, he was eating rather than doing the cabaret, but it was good to see him here. This House welcomes talent from the creative industries.

Government has played a part in fostering the creative industries, of course. In times of austerity—and we have certainly been living through them—there are inevitably going to be cuts. Budgets have to be rationed, but the investment in the creative industries has continued to be something that the Government have taken very seriously. Particularly noticeable are the tax reliefs for the film industry, introduced in 1997 by a Conservative Government and built on by successive Administrations. I cannot deny that another very creative industry has grown up around those tax reliefs, but let us not get involved in that niggly, as steps are being taken to deal with that. Let us concentrate on how successful the actual tax reliefs have been.

In 2008, the total spend on making feature films in the UK was £723.1 million, and by last year that figure had more than doubled. Inward investment into the industry has trebled over the same period, to reach more than £1.2 billion by last year. This is money that could easily have gone elsewhere, for there are other

countries just as keen as we are to bring the film industry and big blockbuster movies into their economies. That is why the tax reliefs make a difference, and why they are staying. For every pound that the Treasury puts into the film industry, it is getting £12 back. That does not sound like a bad deal to me.

And the film industry is making winning products that we all enjoy. The Oscars are flowing in our direction, the film industry is a success and, of course, it nurtures so many skills and businesses around it. It needs wig-makers and set builders, for instance, as well as make-up artists, sound engineers and catering—and I now know that that means hot food available at any time, or it gets dangerous. Pinewood, where my noble friend Lord Grade is chairman—although, sadly, he could not be with us today—runs apprenticeship schemes, as do other film-makers, and has links into many local schools, explaining to the children the career possibilities that the industry has to offer. Those highly effective tax reliefs are being extended into high-end television programmes, animation programmes and video games, which will all flourish with the new regime. The UK has proven expertise in these sectors and is a major exporter. In highly competitive markets, it makes sense for the Government to bolster the chances of success.

The nurturing of these industries is crucial, and not just because of their own earning capacity. Let us not overlook the pleasure that they generate, although I gather that your Lordships’ House comes under some threat in the new James Bond movie. The skills that these industries nurture are important too, because they feed into other industries. The design and engineering skills that are crucial to the creative industries now feed into every sort of manufacturing, from fast-moving consumer goods to cars and heavy engineering. Successful marketing, an industry in which the UK has long excelled, needs the slickest design and the best video production techniques. Design is what gives mundane products the edge and opens up international markets to them.

The London Olympics provided a fantastic demonstration not just of our sporting prowess but of our ability to put on a show. Here I raise an issue which continues to concern me about some of the smaller companies involved in the 2012 extravaganza. I have mentioned it in this House before, because it smacks of unnecessary bullying by the big commercial operators and hurts the smaller firms. Having been involved in the 2012 Olympics is a fantastic calling card for a small company. It should enable them to win new contracts, particularly if they are interested in working on the next Olympics. But the fierce rules of the International Olympics Committee, drawn up to protect the major sponsors, still prevent many of those small companies from boasting of their achievements. I know that the Government have looked at this before, but I do urge them to look again and see whether there is no room for manoeuvre here. Of course, I would draw no parallels with FIFA, but it looks to me as if the smaller companies need a degree of protection rather than allowing the big companies to trample over them.

One thing that would make a huge difference to the economy in this country is improving productivity by finding a way in which to lift those small companies

[BARONESS WHEATCROFT]

up more quickly into becoming bigger companies. “Scaling up” was the phrase used at a conference that I attended this week, run by the Enterprise Research Centre. It made much of the fact that, in the US in particular, they are far more effective at scaling up their businesses than we are. There are lessons to be learnt by listening to companies that want to grow about what is holding them back. It is not access to finance or red tape and regulation—with the exception of planning, of course, but that is a problem still for so many businesses. My noble friend Lord Grade is eloquent on the issue of the nearly 10 years that it took to get permission for Pinewood to extend its development. So much was put in jeopardy over that 10-year period. In the end, Pinewood got the sensible solution—it was allowed to go ahead, but after 10 years of agony.

What would really help those small companies, many of them in the creative industries, to benefit in negotiating new markets? They want help in finding their way into export markets. PLASA, the trade association which represents companies in the entertainment and technology field—I should say that it stands for Professional Lighting and Sound Association, in case, like me, noble Lords are a bit of a nerd when it comes to acronyms—finds that its members have difficulty in negotiating the numerous government schemes around to help companies. I know that the Government are moving to simplify the system, and BIS is at work, but anything that could be done to make it easier for smaller companies to access the help that already exists would be important. One thing would be to get them on more trade missions, as creative companies do not dominate them at the moment, and they would really be useful contributors. That would help—and it would help, too, if we could persuade our bigger companies to nurture and mentor the smaller companies. It happens a bit in manufacturing, where Unilever is doing it; there is no reason why it should not happen in the creative industries more than it does.

The creative industries are so diverse and so exciting that I could far outlast my allotted time in talking about them. I am conscious that there are many aspects of the creative world that I have not touched on, but shall rely on others to do justice to our brilliant creators of books, music and television. If the creative industries are to continue to flourish, it is important that our schools nurture the creative urge in children from the earliest age but do not stop when they leave primary school. We all have the ability to be creative in one way or another, and it would be to the country's benefit if that ability were fostered. In today's digital world, people need to have mastered the basics of education, but if we are to continue to build a world-beating creative sector and industry generally, we need people who can think creatively. Where would Apple be without the benefits of a talented British designer? An appreciation of arts and culture fosters the creative instinct. Let us ensure that our children are given the chance to enjoy the rich variety of delight that the creative arts have to offer.

1.50 pm

Lord Bragg (Lab): My Lords, I thank the noble Baroness, Lady Wheatcroft, for securing this debate. It is most important and most timely. Unfortunately—when

I say “unfortunately”, I mean it with complimentary intent—her speech was so comprehensive and brilliant that I could spend most of the rest of my speech saying “as the noble Baroness, Lady Wheatcroft, said”. She has enabled me to cross out several pages of what I was going to say, which will be a relief for everybody in this House—but then I thought, “Well, repetition has its place”. It had better have. We remember:

“A horse! a horse! my kingdom for a horse!”—

one of Shakespeare's best lines; or in “Macbeth”—

“Tomorrow, and tomorrow, and tomorrow”—

another good line; so I am going in behind those two. My next remark is exactly like the noble Baroness's, so I am going to stop this and get on with it.

The creative industry in this country is a beacon. It has high skills of a world-class order, a phrase which I shall use time and again. That can be proved but, as the noble Baroness, Lady Wheatcroft, said, we do not have the time. It is niche-rich in the crafts and arts of film-making; in everything to do with stagecraft and the people who appear on stage; and in the performing arts. One of its great practitioners and exemplars, my friend the noble Lord, Lord Lloyd-Webber, is in his place today, and I am very pleased to see him here. He has proved that bringing talents together in this city can topple what was thought to be an unassailable fact, that only Americans can do musical theatre. That went for a burton some time ago.

The creative arts in this country are also extraordinarily efficient. There is still a lingering idea that these are long-haired—I am sorry about that—people drooping around the place who cannot really knit. In fact, if you look at plays, exhibitions, films, programmes and concerts, you find that they open when they say they will, they run for as long as they say will, and they almost all come out making some sort of profit and give great delight and hurt not. They also produce massive returns for a little investment, as the noble Baroness, Lady Wheatcroft, also said. For £1 of state investment £2, £12 or £16 comes back. It is an extraordinary economic feat and, again, despite being put to the fore in the opening speech, that fact is often obscured. We somehow do not like to think that the arts make money. We think it is art for art's sake, meaning they will get on with it and we need not bother about it.

We have to bother about it now because of the power that the arts are bringing to us all over the place. Reputationally, they have become our cultural world service. Wherever you go, people know about British writers, British theatre, British actors—and on and on it goes. This is a benign influence. It not only brings money back to the country but shines the right sort of light on this country and brings the right sort of prestige in area after area. I compare what is going on in the arts with what is going on in scientific research in this country. We have less than 1% of the world's population yet we publish more than 16% of the research documents in science. We are second only to America. We punch way above our weight, and we do almost precisely the same in the arts.

We also are provenly dynamic in bringing together and cohering communities that have almost fallen apart and in enlightening those which have been lying quiet for some time. A small example is in the county

of Cumbria, where a grant to the Kendal Brewery Arts Centre will give it a place in the cultural rural economy of the Lake District which will undoubtedly enhance it. The word “subsidy” should be made redundant. I think it should be banned because it is nothing like a subsidy. It is an investment and “investment” has a positive and decent ring to it. That investment in Kendal will create more jobs and activity and bring what the Lake District desperately needs, which is a coherence of the cultural possibilities in that area. We see the same in Manchester, Gateshead and cities and towns all over the country. We have more than 350 literary festivals and almost as many music festivals, art festivals, dance festivals and documentary film festivals. There is nothing like it anywhere else in the world. They are bringing not only pleasure to people like us—me, everybody here, and everybody else—but a feeling that there is something that can be done with that which we thought was just a side issue, and on it goes.

The popularity of the arts is astounding. Who would have thought 15 or 20 years ago that the British Museum would be the greatest visitor attraction in this country? Who would have thought 10 or 15 years ago that more people would go to Tate Modern than to Arsenal? Who would have thought that you could scarcely get a ticket for the RSC or the National Theatre or for the work done by the noble Lord, Lord Lloyd-Webber, or all over the West End? Whether it is a straight play or musical theatre or whatever, the venues are packed out and people are piling in to see these creations in the arts which are coming from the people who live here.

We have such resources when we decide to put them together. We are working towards something that has ceased to be a small matter or something we can ignore. Take the BBC, for instance. It is a unique cultural institution. It is the biggest institution of its kind in this country and probably in the world. It is a great force for the arts. The Proms are about to start. Radio 4 is the biggest commissioner of drama in the world. We have had “Wolf Hall”, and we have arts programmes. Then, there are arts on ITV and Channel 4, and Sky Arts commissions new drama and new arts programmes and is rolling along. That conglomeration in one place makes this city, as well as Manchester, Glasgow and, to a certain extent, Cardiff, a whirlpool of interconnecting talents and possibilities which brings together people who are creating an industry which is worth calling and treating like an industry. I have not even mentioned the great schools of drama, music and dance which bear comparison with—and, in fact, exceed—most in the rest of the world.

So why are we slashing and tampering with key investments when the arts are in such a strong state? It makes no sense to me. State intervention in various areas can seem risky, but it is not at all risky in the arts, as the noble Baroness, Lady Wheatcroft, pointed out. There does not seem to be a single risk-taker. All over the place, small amounts are being put in and huge amounts are coming back, but in many cases it depends on a key contribution from the state or local authorities. It is almost like a virtuous triangle: the state puts in something which is almost like a key—it unlocks, it is an enabler; then sponsors come in; and then the box office comes in and the thing will roll. Why do you

need the key in the lock in the first place? It is because quite a lot of what happens in the arts has to happen with no money coming in. It is called research, preparation or rehearsal. Nothing is coming in at all. That happened, for example, with “Matilda”. The amount of time that took to research could not be paid for by box office or sponsors, because there were none; it was not being performed. It had to have something to keep it going. Now it is cascading money into this country from performances all over the world. The key question is: why do the Government not feed what is patently so successful and works across the social waterfront? What is to be gained by starving it? It is baffling.

Look at what the Government do with their money elsewhere. Look at Defra, whose antics seem directed at laming the farming industry. That gets money all over the place and wasted all over the place, and nobody seems to bother very much. Look at our defence procurement, which is ridiculous and scandalous—these ships that have not been built for planes that have not arrived, or pilots whom we cannot train. What has that to do with any sense? But we go along with it, we bear it, and we think it is for some common good. I do. I wish they would move faster and that our defence was better, but there you go; we put up with it. It gets masses of money compared with what is given to the arts. And so it goes on. The amount that we spend on law, sometimes on cases that last more than 30 years, has gone beyond ridicule. It is a disgrace. It is silly. Noble Lords, I am sure, will be interested to know that in Athens, where the sort of law that we approve of started, every case took one day and took place in the marketplace. We could learn a little from that, but we need not go that far. We could learn something from all the money that is spent and squandered in those ways.

So why are the creative arts penalised—as they are at the moment—when they should be not only celebrated but encouraged to grow? It is a thriving sector; it is not, as people think, an add-on. William Morris wrote:

“I do not want art for a few, any more than education for a few, or freedom for a few”.

What we want is as many people as possible to be awakened to the possibilities of art. As we have said, it is to do with comprehensive and compulsory teaching in schools, letting people use their imaginations and following through people’s imaginations. We know that children are very imaginative and what they can do, and then it stops, not because of some biological clock-stopping but because it is not given opportunities and cultivated. But if we have a layer of possible creativity from the very beginning, there is very little that we cannot achieve in this country.

We have a fair chance of catching up with the mineral-rich countries, the population-rich countries and the industry-rich countries if we follow this line in our economy, if we release, as it were, the dark matter in more and more people—still too few, as William Morris said. We should let loose ideas and liberate people who can come forward—as many have done increasingly, but not enough—to challenge, to change and to make things glow, whether in science or the arts, and create an economy that feels completely different. It will have to be, because this is the century,

[LORD BRAGG]

in my view, in which all the prizes will go to the most creative. We have all the building blocks in place. What we need is enlightenment from the centre.

2.03 pm

Baroness Bonham-Carter of Yarnbury (LD): My Lords, those are two very hard acts to follow, but I will try. I thank the noble Baroness, Lady Wheatcroft, for bringing this debate. Back in 2007, I brought a similar debate. In those days, “creative industries” was a relatively unused term that was rather resented by the cultural community, but I think it was wrong. The fact is that the creative sector, alongside being central to the well-being of society as well as individuals, also means well-being for the economy, as we have already heard. The Victorians understood this. They created a department of science and art and invested in what was to become the V&A in order to develop skills needed to feed British industry—and the creative industries sector emphatically means well-being for this country’s economy.

As the House of Lords Committee on Soft Power recognised in a report last year, the UK’s cultural collections, institutions, industries and media continue to create powerful channels of communication that help us to increase the UK’s profile, forge links internationally and widen our sphere of influence. I am fortunate enough to be the Prime Minister’s trade envoy to Mexico and have seen this at work first hand. I have also seen how these cultural and creative elements increase our prosperity by fostering trade and investment.

The year 2015 is the year of the UK in Mexico and of Mexico in the UK. It is a celebration of cultural, educational and business exchange, but at its heart is culture. But it is not just about the likes of the wonderful Mayas exhibition, which opens tomorrow at Tate Liverpool. This weekend there will be a V&A sponsored event called “Digital Futures”. Workshops and events happening in Mexico City and Dundee will be linked via the web, and the two communities will be able to develop and design projects together. That is creativity and industry.

Before the election, we Liberal Democrats published a strategy paper, *The Power of Creativity*, to which the chair of Arts Council England, Sir Peter Bazalgette, contributed this thought:

“There’s a new political agenda for the arts in addition to their intrinsic value. It features the importance of the rapidly growing creative industries and the way the arts supply them with vital talent”.

Artists have long been intrigued by discoveries of science and technology. All those who saw Mike Leigh’s wonderful film about Turner will have seen how he was inspired by the scientific research of colleagues in the Royal Academy. Increasingly, inventors are recognising the value of creative skills in maximising the potential of their products, and are working in ever closer collaboration with those who possess those skills.

Notions of “us” and “them”, a perceived opposition between those who practise science and those who practise art, and between those who are creative and those who pursue commerce, are being proved obsolete. To ensure that our next generation is a generation of creators, schools need to be encouraged to promote

not just science or art but the art-science crossover. The success of those in the creative industries lies in the fusion of technology and creative skills. Yesterday I was at a British Council event where the brilliant, and if I may say so very handsome, Thomas Heatherwick was present. He is the creator, among other things, of the Olympic cauldron, a wonderful example of the fusion of technology and creativity.

We have a skills shortage in the creative industries, and yet they offer such vibrant, exciting, rewarding careers for our young people. I know this, having worked for many years in the television industry. To enhance access to these skills and careers, we must address our education system. Does the Minister not agree that Ofsted should be asked to monitor the curriculum so that no school can easily drop subjects such as music, art or drama; that the rollout of new high-status GCSEs in creative subjects should be completed as soon as possible; and—I cannot believe that I am still asking this—that Darren Henley’s national plan for cultural education should finally be fully implemented?

Then there is the careers advice that is on offer, or the lack of it. I welcome initiatives that are helping young people, such as First Story, a charity run by Katie Waldegrave and William Fiennes. They nurture creative talent and help to build communication skills through providing creative-writing workshops in state secondary schools. The National Art & Design Saturday Club, run by the Sorrell Foundation, founded by Sir John and Lady Frances Sorrell, similarly provides schoolchildren with the environment in which to learn from industry experts, for free, in colleges and universities across the country. The club helps young people to gain qualifications and gives them an understanding of careers in the creative industries. Does the Minister not agree that we need more institutions and businesses from the creative industries collaborating with schools in this way to provide high-quality careers advice? We also need more schools coming on board to show what a career in the creative industries can mean.

Then there is the problem of the lack of diversity across the creative industries. It is essential that they reflect 21st-century UK—our vibrant, creative, multicultural country—but they do not. That means that so much potential is being excluded. As the now well-deserved “Sir” Lenny Henry drew attention to in his BAFTA TV lecture last year, between 2006 and 2012 the number of BMEs working in the UK TV industry declined by 30.9%. Creative Skillset conducted a census that showed quite clearly that black and Asian minority ethnic representation in the creative industries in 2012 was just 5.4%—the lowest rate since it started taking a census—and it is not getting better.

The then DCMS Minister of State, Ed Vaizey, who I am glad to say is still the Minister of State, responded and established a round table that was cross-party—it included me as a member—and included representatives from across the industry to address the issue. Will the Minister confirm that it will continue to meet—I hope that I can say “we”—and will push for actions and results? It cannot be yet another talking shop.

To pick up on something that the noble Lord, Lord Bragg, said, support for culture and the arts feeds into the economy at regional level. It is of great concern

that in certain parts of the country disproportionate cuts have been inflicted by local government. It is also, as he said, short-sighted. We know that putting money into culture is an investment rather than simply a subsidy—I agree that we should get rid of that word—in that it revitalises local economies and regenerates neighbourhoods that have seen traditional industries decline. I declare an interest as a trustee of the Lowry in Salford, which is a prime example. This place of culture has been a resounding success as a catalyst for the regeneration of Salford Quays, the development there of Media City and the consequent expansion of the local economy. Does the Minister agree that it would be a good idea for local authorities to be required to publish their spending per head on culture and the arts?

As I mentioned earlier, I had a career in television before politics. Charter renewal is upon us and I hope the Minister will agree that the BBC, funded by the licence fee, should be protected and celebrated, and that Channel 4 should remain in public ownership, because as well as showcasing British culture and creativity at home and abroad, the broadcast media also function as an important stimulus for the creative industry as a whole and as such are a major contributor to our creative economy. We are a creative nation living in a rapidly changing world driven by young people and young technologies. The creative industries, as the noble Baroness, Lady Wheatcroft, said, are on a roll. We are ahead of the game. Let us make sure that we stay there.

2.13 pm

Lord Berkeley of Knighton (CB): My Lords, I cannot disagree with a single word that I have heard so far. In fact, when the noble Lord, Lord Bragg, mentioned repetition in:

“A horse! a horse! my kingdom for a horse!”,

I felt that the only retort I could make would be a vocalisation of the opening of Beethoven’s fifth symphony—ba ba ba bom, ba ba ba bom! Those notes were a great beacon to the civilised world in the Second World War. Everything that we create has repetition and variation. It is a synthesis of what has passed. That is why it is so important. In looking forwards, we look backwards and we educate.

I congratulate the Government on honouring their manifesto pledge to empower local people and councils to have more say in the siting of onshore wind farms. This does indeed affect the economy and culture of areas such as mid-Wales, where national monuments such as Offa’s Dyke and Repton’s Stange Park, which is grade-I listed, have been under threat of visual blight.

It is in many ways a privilege to stand here in your Lordships’ House as one of several representatives of the creative industry of this country, because the artistic achievements, the sheer talent and the rewards that this part of our society generates are nothing short of magnificent. As we have heard, those rewards are so diverse: they bring £76.9 billion into our economy by the Government’s own figures. They entertain and amuse us and they shine a light on to what it is to be a human being.

Schopenhauer said that because of its non-representational nature and being independent of natural phenomena, music is able to reveal truths about the essence of things, of life indeed, and we know that it can often communicate where words fail. That civilising quality is not restricted to paying audiences or to congregations worshipping in some of the most glorious churches and cathedrals anywhere in the world, or listening to great choirs singing the masterly polyphony of our past—Byrd, Tallis, Gibbons—and now the living work of my colleagues such as James MacMillan, newly knighted, to whom I offer many congratulations. Yet he would be the first to tell you—and he did when he came and performed here at Parliament—that this rich and, for the moment, thriving community must be restocked, as he was clearly doing with the schoolchildren he brought to play to us. Far too many children get little or no music or exposure to the other arts, as the pianist and amateur James Rhodes also told us recently. Yet we know that through music and the arts children thrive and have an emotional outlet and, as with sport, learn to listen and co-ordinate as part of a group.

Let me take an extreme example of the conundrum that we find ourselves in. The news that Sir Simon Rattle is to return to these shores has been welcomed by many, but his desire to see a new concert hall has met with rather more divided enthusiasm. Yet we do not have an orchestral venue in London that can compete with the Wigmore Hall’s acoustics for chamber music, or those of Kings Place. Some say that having a new hall that would be the equal of the Musikverein in Vienna or the Concertgebouw in Amsterdam cannot be contemplated while music education is so underfunded and could really do with the several hundred million pounds being talked about for the new hall. However, Sir Simon Rattle, when he went to the City of Birmingham Symphony Orchestra, was the catalyst for the building of the wonderful Symphony Hall, Birmingham, and I have no doubt that his commitment, charm, celebrity and talent will galvanise some of the wealthy businessmen in the City of London—in other words, tap funds that would probably not anyway be going to music education.

Were that to be successful, we would gain a brilliant new hall without compromising the essential work in schools that we all value so highly. So here is a very practical suggestion for the Minister—one that will cost nothing. Act as an enabler and a motivator to still further the pre-eminence of this country’s standing in the cultural world by giving the capital a hall worthy of those not only abroad but in Birmingham or Manchester.

This issue is interrelated to education, as Sir Simon Rattle would be the first to tell you, because there is not much point in building a fabulous hall if we are no longer getting the young players coming through to refresh our orchestras and ensembles for the future. That includes the hugely successful musicals by the noble Lord, Lord Lloyd-Webber, and the whole of the pop industry as well—this is not an elitist plea. Great musicians work in different areas. Indeed, I have done that during my life and have found it most enriching.

This is an area that is ripe for research and development, yet as we have heard—unlike for the film industry, for example—no funds are available. That is another area

[LORD BERKELEY OF KNIGHTON]
that the Government might look at. Additionally, there are no funds at present for librettists to work up a scenario before the exquisitely expensive undertaking of mounting a new opera or musical begins—and so too late in the day something that might have been ironed out at a developmental stage remains to spoil the end product. We all say, “If only, if only”. I know, of course, that money is scarce. I am deliberately trying to assist the Government with ideas that are possibly doable. I accept that the music hubs are a very good development but I really would like to see the Minister from the DCMS holding hands with the Education Minister—we are, after all, talking about the arts community. To further improve music in schools is, I think, the most crucial matter.

That takes me, in a roundabout way, to the BBC and its future. So many artistic achievements are initiated and brought to a wider audience—to those who of course pay for them and the BBC—by the corporation, which is doing a job that we perhaps take for granted. In declaring an interest here as both a composer and a broadcaster, I must say that many guests, especially those from less-privileged backgrounds, who have appeared on my programme “Private Passions” describe the ray of light that was the BBC Third Programme, now Radio 3. The playwright Alan Plater, for example, said that he owed his entire music education completely to the BBC. If I may say so, “In Our Time” on Radio 4 is a quite remarkable tool of enlightenment and education.

Finally, on intellectual property, if the Government wish to safeguard this thriving economy, as they say they do, then they must be alive to the difficulties that all creators face in how to protect their rights, given the avalanche of new technology. Of course, we all embrace the wonders of the internet and the ability to share and spread ideas but, if it is allowed to castrate our recording and publishing industries, we and the Exchequer will suffer grievously. I am not entirely satisfied that the Government have fully got to grips with our—the creators’, and hence the economy’s—needs in this respect. There is so much to celebrate but also much to nurture and reinvest in. As we have heard, many small companies are in desperate straits, but the facts are there: investment in this section of our society reaps incredible rewards.

2.23 pm

Lord Lloyd-Webber (Con): My Lords, first, I wish to apologise to my noble friend Lady Wheatcroft. I have been working in America and I am afraid that, because of my timing, I missed the first couple of minutes—I am so sorry. I congratulate her hugely on bringing this debate. How thrilling it is to hear the word “investment” rather than “subsidy”. As I am sure all noble Lords know, the creative industries grew, according to the DCMS figures, by 10% in 2013, which is three times greater than for the wider economy. We employ 1.7 million in the creative industries—or we did in 2013—which is 5.6% of total employment in the UK. The speakers preceding me have dealt with the various issues that I wanted to talk about so eloquently that I will now restrict myself to talking about the world of theatre and music.

Once again, I have boring statistics, but they are interesting—the West End received 14.7 million visitors last year and paid nearly £104 million in VAT. Others, I am sure, will work out how much of that came back to the arts but I am afraid that I do not have those figures. Broadway lagged a little behind with 13 million visitors but its gross paid admission for last year was a staggering \$1.36 billion. That makes one realise how extraordinary it is—and how lucky I am—to be working in live entertainment, which of course you cannot pirate. Therefore, I completely support the views of the noble Lord, Lord Berkeley of Knighton, about how we must protect all forms of intellectual copyright. Luckily, in theatre, that is not so much of an issue.

As I have been working in America now for the past few months, I thought that I would remind the House of our representation on Broadway. I quickly note—I apologise if I leave any out—that we have “Les Misérables” running on Broadway, “Matilda”, “The Audience”, “Skylight”, “Wolf Hall”, “The Curious Incident of the Dog in the Night-Time”, “Mamma Mia!” and some musical about a bloke in a mask. I was really interested to see how the Tony awards went this year. The award for best play went to “The Curious Incident of the Dog in the Night-Time” and best musical went to a musical called “Fun Home”. Next year—much to my chagrin I am afraid, as I have a musical coming to Broadway next year—I know that it will be won by a musical called “Hamilton”, which has already been tried out at the Public Theater in New York and is, in my view, a ground-changing musical that will change many people’s attitude about what the musical can achieve. I mention that because all these shows have something in common. “Fun Home”, “Hamilton” and “The Curious Incident of the Dog in the Night-Time” all started in publicly supported, or subsidised—or I should say “invested in”—theatres. The Public Theater and the Circle in the Square Theatre, where the two American shows started, are somewhat dissimilar to our system because, although there is some public finance available, support comes, on the whole, from philanthropists.

This is all by way of saying that it is absolutely vital that we realise the importance of the investment that we have in the arts. Five of the eight British musicals and plays being staged in New York came from either the Royal Shakespeare Company or the National Theatre. We have to consider, as other noble Lords have said, that every pound we spend will come back over and over again.

That brings one to education, because music in education is something that I feel extremely passionate about. I have seen the amazing impact that music has had on students at Highbury Grove School in Islington where, as I am sure many noble Lords know, every child is, in their first term, given a free violin. Through music, that school, which was considered to be pretty much at the bottom of the heap a few years ago, has now turned around and had its first child enter Oxford, which is a pretty extraordinary achievement. It is now a school that everybody wishes to attend. Music in education is absolutely vital. It concerns me that, when I was a junior at the Royal College of Music, it was free, but now you have to pay.

That leads me to my real concern—on which I ask the House to support me—that we must make sure that our young people have access to the training that they need in music and theatre and all areas of the creative industries. It is extremely worrying that, to go to a stage school or theatre college, you now have to pay such an enormous amount of money that it is being left to foundations and others to fill the funding gap with scholarships. It concerns me how many people may be slipping through the gap. The other night, in New York, an extremely well-known film director—I will not mention his name, although the noble Lord, Lord Bragg, will probably be able to guess; he is of the same political persuasion as the noble Lord—said to me that he was worried that the best stage school in Britain was Eton. We must address the fact that funding is vital now for young people in all the performing arts.

Finally, picking up on the point made by the noble Lord, Lord Berkeley of Knighton, about the concert hall in Britain, I use the opportunity to remind noble Lords that one of the difficulties that we face in the West End is that many of our theatres were built in the Victorian era. A very positive thing that the Government could do would be to look at perhaps relaxing the guidelines on the listing of these buildings to make them more appropriate to today's use. As I said, there are difficulties when you consider that many of our theatres have galleries, with separate entrances for those galleries. However, they are not really fit for modern performances, and that is an issue that one day will have to be grappled with in a major way.

In conclusion, once more I say passionately that the word “investment” should be substituted for “subsidy”.

2.29 pm

Viscount Colville of Culross (CB): My Lords, I declare an interest as a BBC producer. I congratulate the noble Baroness, Lady Wheatcroft, on her continued support for the creative industries.

This debate comes at a very important time for the broadcast industry in which I work. There are great British success stories from across the independent media production sector. Not only have there been increasing numbers of commissions from foreign broadcasters but the global streaming giants, such as Netflix and Amazon, are also investing in original content from the UK. My former colleague Alastair Fothergill, who runs Silverback Films in Bristol, has just completed a multimillion-pound deal with Netflix to produce an eight-part landmark natural history series called “Our Planet”, which will be a follow-up to “Planet Earth”, and there is serious talk that Jeremy Clarkson could set up a production company to start making programmes for Netflix.

British independent TV, radio and digital production companies are riding the wave of this new economy. The sector has in 10 years gone from a small cottage industry to making £3.1 billion last year. A third of that content is being provided for foreign, internet and broadcast channels. However, two-thirds is still being made for UK channels. This country is still the most important market by far for the independents. In fact, almost all the production in certain genres, such as

output for children, religion and high-end science, history and arts, is made for the British market, and the BBC is one of the most important clients. It spent 46% of its content investment last year with independents, generating nearly half a billion pounds in revenue. BBC Worldwide is also the largest distributor of television content outside the United States, and so sells on the independents' work across the globe.

However, I fear that the Government are putting this great success at serious risk. Their manifesto commitment to freeze the BBC licence fee is threatening one of our great success stories, and I am told that a freeze would be a good outcome. There is a possibility that the licence fee will be reduced, as well as being top sliced for non-broadcast services, which is what is happening under the present charter agreement. If the freeze goes ahead, by 2020 the BBC will have shrunk by half—maybe more—compared with the previous decade. Of course, there are strenuous efforts to generate funds from elsewhere—BBC Worldwide generates £1 billion in revenue—but the licence fee remains at the core of its funding.

The role of the BBC is crucial in supporting the independent production market across the whole of the British television industry. A reduction in its spending is mirrored by a reduction in spending by other public service broadcasters. What Ofcom said in its latest report is interesting. It stated that,

“ITV may be incentivised to invest only to the degree required to compete effectively for share. It mainly competes with BBC One, given the comparative reach and share of the two channels ... The level of BBC (and especially BBC One) investment in first-run original programmes therefore appears to be a contributory factor in stimulating ITV to spend more through competition”.

Indeed, the figures for investment by the two channels bear out the extent to which they shadow each other. The Ofcom report shows that in 2008 the BBC spent nearly £1 billion on original output, while ITV spent almost the same amount. By 2013, BBC1 was down to £747 million and ITV to £794 million. I fear that a freezing of the BBC licence fee will see spending by UK public service broadcast channels reduce further over the next charter period.

A reduction in public funding will affect the upfront revenue for production companies and will threaten what is becoming one of their most important sources of revenue: intellectual property, to which my noble friend Lord Berkeley referred—that is, the rights paid for reuse of the original content. Under the Communications Act 2003, the PSBs in this country are mandated to let independent production companies keep much of their intellectual property, once the original programme has been shown a number of times and for a certain length of time on digital catch-up services. For instance, when BBC Store is set up later this year to allow audiences to buy their favourite programmes, independent producers will be able to negotiate an extra fee for their content. In a world in which more and more programme content is watched at different times on the internet, there are all sorts of opportunities for independent producers to exploit this IP.

However, the ability of producers to exploit their intellectual property is not mandated for contracts outside those of the public service broadcasters in this country. It does not apply to Netflix, Amazon or a

[VISCOUNT COLVILLE OF CULROSS]

host of foreign markets, which are buying content from this country. Most of the producers are simply paid a one-off fee to make the programme and all the subsequent rights are held by the company which commissioned it. The producers do not have the right to exploit their content or to reuse it in ever more imaginative ways. A reduction in BBC funding would obviously inhibit the growth in extra IP revenue for independent producers and it would not be easily replaced by the contracts negotiated with foreign-based buyers.

I know that the Government want a smaller BBC but a smaller BBC will have wider ramifications for the whole media economy in this country. It is the bedrock of one of our most dynamic industries. I should like to ask the Minister whether he is concerned that a reduction in the BBC licence fee would adversely affect the economic success of this great British success story. After all, is not this Government the champion of business—small business and entrepreneurs?

2.35 pm

Lord Haskel (Lab): My Lords, I have just spent a few wonderful days at an example of the creative economy at work. I have just come back from the Aldeburgh music festival. Aldeburgh is a charming seaside town in an area of outstanding natural beauty, but music has transformed it into a world-class cultural and learning centre—a centre of excellence. Last year, 25,000 tickets were sold to audiences from more than 20 countries. This is the tourism referred to by the noble Baroness. However, that does not reflect all the work that goes on. Master classes for promising musicians are given by world-famous artists. These same world-famous musicians give free outreach performances to develop new audiences, given during the day in a bandstand on the beach or in a car park in Ipswich—“restocking”, as the noble Lord, Lord Berkeley, put it.

Then there are the new commissions and first performances, activities which continue throughout the year. Last year, 100,000 tickets were sold to people who demand a good infrastructure of places to stay, places to eat, places to shop, galleries to visit, walks to take and bicycles to ride, as well as to hear music, make music, develop talent and create new music.

Aldeburgh may be a charming town but it is away from the amenities of London or any other major city, so it has little creative infrastructure to sustain it. It is a clear example of the creative economy creating and working, showing that something can be done, as my noble friend Lord Bragg put it.

I use the phrase “creative economy” because I am a little wary of the words “creative industry”. I am wary because these broad classifications can be misleading. I know that the City likes them and they can be used to produce impressive numbers—the noble Baroness gave us some, as did other noble Lords—but I learnt to be wary of broad classification very early on. I trained as a textile engineer and started work just at the time when the industry lost its quota and tariff protection and was obviously in trouble. The word was that there was no future in textiles, but some of us were not put off by that broad classification. Some created the fashion industry. I went into the aircraft

industry and started creating fabrics that met the stringent requirements of the Air Registration Board, designed to suit the airlines. Others went into the health industry, with fabrics that deterred bugs but were designed to suit the hospital decor. You see, we were not going to be categorised.

That is why, when the DCMS produced its list of creative industries, I was a little wary. You can have creative industries such as film and video or television and radio, but large parts of these industries are not creative, such as managing the buildings, managing the studios and supplying the equipment. Software and computer services is deemed to be a creative industry, but I agree with the noble Baroness, Lady Wheatcroft, that it is as creative to write software for a milling machine or a 3D printer in the engineering industry as it is to write software for a computer game. We even have technology and algorithms to create augmented reality, so where does creativity begin and where does it end? It is essential that the DCMS has a clear view on this because it is the activity that is important to investment—the investment to which the noble Lord, Lord Lloyd-Webber, referred—and not just the industry. Arts may set the agenda but technology and engineering deliver it. You have to differentiate.

This is why I am in favour of the innovation index created by NESTA, which tries to measure the activity rather than the industry. What is the current thinking at DCMS about this? What is now on its list of creative activities? Designing and making a piece of jewellery is certainly creative, but what about selling it? Does not that distort the picture? The problem is that these creative activities are intangible—difficult to measure and difficult to separate.

However, the Office for National Statistics made a move towards this when it modified its way of measuring GDP last September and tried to include some of these intangible activities. It was right to do so because we need a more accurate and up-to-date picture. Creative activities are changing all the time and we have to be aware of this to ensure that the creative infrastructure is in place.

The Minister will know that at present the most important infrastructure for the creative industries is broadband. Every time he goes to a meeting or has a discussion, I am sure that this is the one issue that comes up again and again: the quality, width, availability and security of broadband. Can the Minister assure the House that the concerns of the creative sector are being taken into account when installing broadband? The impression that you get is that it is not. Now that we have the internet of things, the creative economy will need to be even better served.

Another infrastructure concern of the creative community is what I can refer to only as the creative ecology. By that I mean the carefully balanced mix of ownership, finance and control. In TV and radio, in theatre, in heritage, in art, we have a mix of ownership and finance—of publicly owned and financed, socially funded, and privately funded and owned. This mix has grown up over the years and there is a balance that seems to work for our creative sector, particularly as the arts move between them. The mix seems to support and stimulate each other and helps the arts make money, as my noble friend Lord Bragg said. Does the

Minister's department plan to maintain this balance or to alter it—for example, by changing the BBC licensing arrangements or the way in which public arts activities become private or commercial? Many noble Lords are very concerned about the BBC. This is a very delicate balance and I hope the Government will be very careful if they come to tamper with it.

I thank the noble Baroness for this debate. It is important to hear the views and experiences of noble Lords because the creative economy is not only wonderful days at Aldeburgh but an important part of developing every sector of our economy in surprising ways and surprising places. The noble Baroness spoke of scaling. She is right. High-value and high-growth areas of the economy, whatever the industry, benefit from creativity. It is part of the knowledge transfer network—the science and the arts together, as the noble Baroness, Lady Bonham-Carter, put it.

I declare an interest as honorary president of one of these knowledge transfer networks. It was in this capacity that I heard that point made very strongly at the Graphene Show 2015, which was held in Manchester in April—I am sorry the Minister was not there—to celebrate the 10th anniversary of the discovery of graphene. The development of such a product requires the arts and industry to come together. If noble Lords want to see it in action, I hope they will come to the Cholmondeley Room on Tuesday, at 6.30 pm, where I am hosting an event to demonstrate it. I look forward to hearing from the Minister.

2.46 pm

Baroness Kidron (CB): The creative economy is built on the skills, talent and imagination of the many. The notion of the exceptional is dispelled by a sector that, as we have already heard, provides 1.7 million jobs. While it is quite right to celebrate it, it is far from clear how new skills, talent and imagination are to be nurtured in order that we fulfil the promise of this vibrant sector.

My interests in this area are many. I am a working film director, I run a small production company, I am married to a playwright, I am a president of Voluntary Arts and a trustee of several organisations that have arts and education at their core. Rather than pointing out my own overcommitted schedule, I am just trying to make clear that I am embedded in the communities of which I wish to speak.

Her Majesty's Government and the coalition before them supported the creative industries handsomely, with tax credits, loan schemes, enterprise guarantees and innovation funds, but these welcome investments do not automatically ensure exponential growth. Like any supply chain, it is only as good as its weakest link. So while the Government and the Treasury have been fair to the creative industries at this end of the chain, to make good on this investment we must look more carefully at the supply side.

For my generation of artists and creators, going to university was free, as was art school, film school and adult learning. There was a commitment to the arts as a tool of social mobility. Many of us remember *commedia dell'arte* and Brecht in primary school, mountains of clay and the help of the local potter, free recorders

and violins—all standard interventions in perfectly unexceptional state schools. When we left our family homes, often much younger than 25, we lived in cheap flats or unwanted social housing on housing benefit. Small enterprise grants, schemes from the local council or a lowly industry job for which you were paid kept us going. We were not lazy or disaffected; we were writing, painting, imagining and making work while modestly receiving investment—I believe that is the word—from the state. It was an unintended consequence of our fervent activity that the faces that fill our screens, play our concert halls, represent us at the Venice Biennale, claim their BAFTAs, Tonys or Oscars and write our national stories are now proud contributors to the £76 billion that the creative industries contribute to the creative economy.

I do not want to misrepresent my community. There is a great deal of interest in making money and creating wealth, but there is a very indirect line between investment in the creators and the actual creation of that wealth. It is a delicate ecosystem that is not obedient to the laws of economics that one might reasonably apply to manufacturing or to more tangible services. Nevertheless, it is one that delivers very real economic results.

Our current pre-eminence on the world stage in the arts and creative industries is the result of multiple routes, many pockets of support and a fair amount of public tolerance that allowed a diverse population to develop its talent, skill and imagination. From this rosy past, we might consider the context for today's young people. It is simply a tragedy that successive Education Ministers have devalued the arts in a structural way within the curriculum and by successive public utterances that suggest that studying science is the only way to job security and well-rewarded employment. This simply is not so. Our creative industries are burgeoning. We have an impending skills gap of at least 750,000 in digital alone—a sector that repeatedly cries out for those with maths and art, which is actively discouraged by our school system. Outside the creative industries lie another 950,000 creative jobs; that is one in 12 jobs in the UK.

What about student debt that has sucked the less privileged out of the humanities, arts and performing arts as they listen to the mood music and take a more cautious approach to their education or bypass further education altogether, or the proposal in front of us to deny housing benefit to the under-25s? These are the same under-25s who are routinely working for months on end as interns for no money in order to build their CVs, which automatically excludes the less well-off and those whose family homes are not in the few urban centres that house the creative industries. My concern is not about any single policy but a matrix of policies, of which these are but a few, creating insurmountable obstacles to the talented youngsters who might otherwise have been our next generation of creatives.

The Government may not feel that they have the resources to tackle all aspects of this environment, but they can give everyone a fair start. STEAM not STEM is what we need in our schools. STEAM not STEM is what the Commons CMS report, *Supporting the Creative Economy*, recommended. So do the CBI and an increasing number of mainstream employers who bemoan the

[BARONESS KIDRON]

lack of critical thinking and creative skills in our graduates. So too do Professor Ian Livingstone and Alex Hope, who worked on the computer curriculum, Sir Ken Robinson, teachers and head teachers and, indeed, noble Lords on all sides of this House.

I ask the Minister: when are we going to see arts, technology and science presented as an equal and interconnected whole, both in the curriculum and with the right mood music to accompany it? Without this commitment from government, I fear that the next generation will be a pale, posh shadow of the current one.

I turn from schools to our broader community. There is a tendency when talking about creativity to insist on the notion of the individual genius. I have been lucky enough to know a number of artistic geniuses. Even the more narcissistic and self-regarding of them would say that great art is made by groups of people and not by individuals, schools of thought, traditions of practice and active participation of colleagues; that their own practice is made possible by reflecting other people's creativity, both past and present. This misconception is important, because the powerful notion that creativity is the realm of the exceptional individual casts a shadow over the creative ecosystem. People voluntarily coming together in groups is often seen as secondary to the real thing.

As president of Voluntary Arts, I recently attended the Epic Awards. One went to a music studio in Kirriemuir in Scotland that gives expression and skills to dozens of young people living in isolated villages across the valleys. Another went to two women from County Donegal who designed tiny, micro-libraries, each no bigger than a bollard, open 24 hours a day, working on an honour system and situated in places of natural beauty. The local community walks or cycles to borrow a book, exercising the mind and body simultaneously. A third award went to the inspirational woman who, from her home in Birmingham, co-ordinates 170 other devoted knitters to knit prosthetics for women who cannot have, or who are waiting for, reconstructive breast surgery.

These outposts of creativity do more than simply charm. They are part of our national narrative of what it is to be an engaged citizen. From this great pool of an estimated 10 million UK citizens who pursue voluntary, cultural activity emerge investors, designers, small companies, creative services and individual artists. They are participants and wealth makers in our creative economy. I therefore ask the Minister to make a meaningful commitment to this important and much-overlooked group by protecting arts provision and the spaces to convene at local level. This is best done by ring-fencing arts budgets in the local authority settlements, or we will lose the fragile infrastructure upon which these communities depend.

I end by mentioning someone who is both an artist and a scientist. My friend of many years, Sir Antony Gormley, has an artistic practice that starts with the extraordinary task of wrapping himself in cling film and making a cast of his own body from which he then makes his sculpture, often on a monumental scale. There is no rational explanation for why this process should result in work of such meaning for populations

as diverse as Gateshead, Aboriginal communities in Australia and the inhabitants of New York or St Petersburg. However, I have seen first hand how his work electrifies and moves people all over the planet. Sir Antony is a net contributor to tourism, our GVA, our soft power and our national identity. He employs artists and engineers, he works with foundries and galleries worldwide. No government policy could engineer such an endeavour as his—it is beyond reason; it is art—but government policy has the power to invite all our citizens to take their creativity seriously, and at the very least it should attempt to do no harm.

In a conversation last week, Professor Brian Cox said, "Physics has taught us that there was a beginning and that there will be an end, but it is art that will help us understand how to spend the vast time in between". Without the next generation of creative children, without creative communities up and down the country, without the freedom to invent new artistic practice that is neither measurable nor sensible, we threaten the future growth of our creative industries and by extension its contribution to the economy. Perhaps more importantly still we may find that we have an inadequate supply of artists to imagine how we might spend the vast time that Professor Cox informs us we shall have to fill between the beginning and the end.

2.58 pm

Lord Inglewood (Con): My Lords, what we have heard in the Chamber this afternoon, since my noble friend Lady Wheatcroft initiated this debate, proves that it is axiomatic that the creative activities of this country are central to our economic well-being. As the noble Viscount, Lord Colville, said, this has been enhanced by the applications of digital technology

Having started there, I think that the next question we need to ask is: what are we, as a society, going to do about that? While it is very easy to talk about creativity, it is sometimes perhaps a bit less obvious exactly what we mean by it. In my assessment, it entails two elements—an imaginative and interesting mind, coupled with an ability to express what that mind wants to convey. The question we then have to ask ourselves is this: is our education system achieving that for the next generation? I am no expert on education, which has never been a political topic on which I have any great expertise, but it is my impression—and, regrettably, this has been confirmed by someone in your Lordships' House who knows a lot about it—that increasingly there is a tick-in-the-box, results-led framework around what is happening. It seems that the ghost of Mr Gradgrind is fingering the collar of successive Secretaries of State, and I believe that that is bad for creativity.

Another instance of the kind of thing that concerns me is the teaching of history. As far as I can see, history is increasingly being presented to the children of this country as being a combination of the Romans and the Holocaust. If one tries to imagine one's perspective of the wider world based principally on those two points, a very strange picture emerges.

In the context of a discussion on creativity and the creative industries, one of the absolutely central things is to appreciate that failure is both inevitable and

important. Second chances are especially important. We have simply got to avoid being too hidebound by formal qualifications in response to some kind of actual or moral audit that may surround in particular the early stages of these activities. Ability and potential are far more important than the qualifications which have been acquired. What matters is the potential to achieve something interesting and great and valuable for the future.

That being the case, the culture of the society we live in is important. Is it the case that we British people collectively value the attributes which are the seedbed of creativity in our society? I am afraid that if we look at society's general attitude towards museums, concert halls, art galleries, architecture and landscape, we probably do not. Yet, if we listen to the evidence presented to us by my noble friend Lady Wheatcroft or read the essays published recently by Sir Peter Bazalgette of the Arts Council, it is increasingly clear that these things really do matter. But so frequently what is often reflected in various parts of the press is the fact that we Brits pride ourselves on being plain people who know what we like, and we do not like that fancy stuff. That is a very bad context for encouraging creativity more widely. While I would never stand up in your Lordships' House and commend the French way of managing the economy, I do think that the French attitude to culture is one that we could emulate to our advantage in this country.

Potentially for the economy, it is just as important for people to go to art and drama colleges and music schools as it is for them to train to be accountants. After all, we should remember that when Dr Johnson was looking at Thrale's brewery before it was to be sold, he commented that you were not simply looking at vats and furnaces, but at,

"the potentiality of growing rich beyond the dreams of avarice".

Are we as a society training people properly for the creative industries? My guess is that we are not.

I want to touch on one particular instance which arose earlier in the debate: the discussions on the future of the BBC. Over the past few years I have done quite a lot of work in and around television and the media, and there is a wide range of opinion about the role and place of the BBC in the creative economy. What is interesting is that I have never heard anyone demur from the proposition that the BBC fills a very important role in training people in the sector who then go on to do great things in the non-public areas of television and broadcasting. If the BBC is demolished for whatever reason, that training function will be lost unless it is specifically reinstated, and it is self-evident that that is not in the national interest.

What else could be potentially damaging to the creative industries? We need to be on our guard against the pernicious influence of conventional wisdom and political correctness, because they can and do get in the way of imagination and important contributions. I am thinking about this in the context of the present furore surrounding the remarks of Sir Tim Hunt, a man I have never met and know nothing about, and I do not think I understand what his great achievement was. However, it reminds me of the debate when Galileo suggested that the universe was not organised

in quite the way the Roman Catholic church would have us believe. Against that background, Sir Tim Hunt is a Nobel prize winner. Is there anyone in your Lordships' House who would not swap their peerage for a Nobel prize? Is there anyone sitting in this Chamber who has not on occasion said something silly or done something that perhaps they would rather they had not? I do not think so. What Sir Tim Hunt did was to say something silly and foolish, which I am sure on a moment's reflection he regrets deeply, but is the response of University College London and the Royal Society right? The peccadillo he committed is far less than the peccadillo they have committed, and I hope personally that he will be reinstated to the positions he held before. In this House we are quite rightly concerned to look at our rules of self-regulation and we exclude those who have served prison sentences, but there is no suggestion that those who commit parking offences should be expelled. We must be on our guard against political correctness and conventional wisdom.

It has also been mentioned that people in the creative world are often rather difficult. I am sure that that is right. Here in Parliament we live in a world where the whips exercise great influence and power. Almost by definition, the people who are some of the greatest contributors to the creative world are those who are the most difficult and whose way of life perhaps might be criticised by, to pluck an example, the Archbishop of Canterbury. Were Francis Bacon and Lucian Freud, to name just two, people whose other activities made them easy to deal with? The answer is no, and while not every difficult person is a great artist, nevertheless sometimes we have to accept that that is the way God made us all.

Finally, let us remember that a vast amount of the output of the creative industries is, let us be clear about it, pretty good rubbish, but that is the price we pay for works of genius. There is a process of sifting and elimination, and we should not criticise because a certain amount of what is made by the creators in our society is either not to our taste or, frankly, pretty meretricious. If you do not have all that, you will not get the gems either.

The noble Lord, Lord Berkeley, touched on the fact that it is important that those who achieve something get the rewards to which they are entitled. I should comment in parenthesis that my wife is a retired photographer, so I have a slight first-hand experience of this. It is important that the rules on intellectual property should reward properly those who have made a contribution.

In a completely different way, I should declare that I am involved in hill farming, I am the chairman of the Cumbria Local Nature Partnership and president of the Uplands Alliance. My home area, like that of the noble Lord, Lord Bragg, has been nominated by this country to UNESCO to be recognised as a world heritage site because of its importance as a cultural landscape. That is self-evident because it is difficult to conceive of the Romantic poets without the Lake District. As we speak, some farms in the heads of the dales are closing down and going out of business because the returns are simply such that people are not prepared to go on. If we want a creative industry, we

[LORD INGLEWOOD]

have to make sure that the people who are doing things that matter and make a contribution can make a livelihood from so doing.

In a world where the underlying economic approach to government seems to be dominated by 19th century concepts of political economy, I have always been slightly amused—I was a junior Minister in the Department of National Heritage some 20 years ago—by the relationship between politicians and artists. It is a rather uncomfortable one and it has always brought up a wry smile in me because they are not natural bedfellows. Nevertheless, it is important to recognise that wealth in this country and in the contemporary world is not calibrated simply in pounds and pence, rather it is that if you approach these matters in a slightly more relaxed way, you end up creating a lot more money than otherwise you would have done, for the benefit of everyone.

3.09 pm

The Earl of Clancarty (CB): My Lords, I want to focus on the arts, education and the BBC. As many have already pointed out, the creative industries as a whole are becoming increasingly successful. Yet because the current definition of this group is wide, these industries are also dizzyingly various in character. The successes of some are not necessarily the successes of others, and the problems of some are not necessarily the problems of others, although—as I will come to—there are significant overlaps. It is becoming all too easy for some of the so-described creative industries to get lost in the mix. I cite in particular the arts and cultural sector as an area which, in contrast to some others, has been neglected of late.

The arts and cultural sector is of course important in its own right for its intrinsic value, for its contribution to what we might term an all-important cultural economy. I will return to this, but the arts and arts education also have another value within the context of this debate as part of the engine which drives many of the creative industries. We neglect that engine at our peril. For example, Jo Twist, the chief executive officer of UKIE—the UK Interactive Entertainment Association, the trade body of the UK’s games industry—has said that what the games industry is crying out for most is people from the arts: fine artists, musicians and filmmakers. The industry has to go abroad to find these people, which is a crazy situation. As Jo Twist says, the reason for this is that:

“In all parts of creative industries there is not often as much crossover as you’d like to see”.

The Arts and Humanities Research Council analysis called the Brighton Fuse project, which was carried out in the Brighton and Hove area, looked at 500 new digital businesses. It discovered that those businesses containing a good balance between employees with backgrounds in arts and backgrounds in technology were growing three times faster than those without this balance. All the evidence points to the importance of the arts to the new digital and tech industries, but our arts education in schools and universities does not reflect this reality. Instead it is suffering from the cuts in general, which in schools have particularly affected

arts departments. Moreover, too many arts departments, despite the dedication of arts teachers, are treated as isolated outposts within schools.

Ofsted needs to report on the quality and presence of the arts within schools. It is crucial that STEM becomes STEAM, so that we will grow an education culture which protects the integrity of science and art subjects but also allows them to talk closely to each other. Each must understand the relevance of the other in order to allow that cross-over to take place which Jo Twist advocates. This imbalance has also dragged down design and technology, which should be a bridge between sciences and the arts, and which is another significant subject of relevance to the digital industries. However, in the past 10 years there has been a 50% fall in the number of students studying it at GCSE level.

Sciences and the arts must have parity as subjects within schools, and all performance measures must be reformed to reflect this. The Education Secretary is wrong—yet again—when she said this week that the EBacc, whose core subjects exclude arts but include a science,

“sets every child up for life”.

If any kind of education is to set up a child for life, if indeed one believes in such a thing, then it ought at the very least to be a rounded education.

Rohan Silva, who was involved in the early stages of the development of Tech City, made the case in the *Evening Standard* this week for a new campus in east London to service the new tech companies, like the one that is planned for New York. This is an interesting idea, but a trick is missed if it is only about computer science and engineering. If it were to happen, it should be a campus for computer science, engineering, art and design, with each getting equal billing. Then we really would have the edge. In some ways this would be no different to what I understand is now happening in China, where new art and design colleges are being located near to a town’s manufacturing centre.

The arts and culture sector of the creative industries is important in its own right, both for its commercial return but also, I think more importantly, for its inherent value and its contribution to the cultural economy. Because of their particular character the tech industries have needed tax breaks to get going, while the arts, through their very different character, often need public subsidies or public investment. I do not mind which term is used, but they need most particularly that core funding which enables day-to-day maintenance. That is the very money that is being denied to them, although the influx of additional Lottery money is of course welcome.

I have never understood the argument that the DCMS has had to do its share of cutting, perhaps because it is quite simply wrong. The Arts Council has said that £1 of public money invested in the arts will give a return of at least double that, because the multiplier effect is greater than for any other industry. The more the arts are funded, the more will be given back to the country. I am whole-heartedly anti-austerity, not just for the arts, and I believe that cuts to the arts should be reversed. It is curious that in Germany, which is the arch-architect of austerity, subsidies to

the arts have continued to increase year by year. There has been none of this false heroism or this idea of the department doing its bit by cutting. This has happened in Germany for two reasons. First, Germany has a strong belief—it seems to be much stronger than we currently have here—in the democratic value of the arts, or in other words in its cultural economy. Secondly, people in Germany are aware of the degree to which the arts help their financial economy.

In the UK those who are suffering most are those on the front line: those artists, writers, musicians and theatre companies, for example, who now struggle to survive. They can less easily afford to produce new and innovative work which, within what should be a balanced ecology, feeds into the established commercial arts. Individual artists, writers and musicians, while themselves on decreasing incomes, are now more and more being asked to work for free. This is an unacceptable pressure.

In terms of the regions, we desperately need cuts to local authorities as well as to the Arts Council to be reversed. In the longer term, if real power is given to the regions—the idea of the northern powerhouse is a step in the right direction—and cities gain tax-raising powers, this would tremendously boost our creative industries. However, what worries me in the longer term are not just the cuts themselves—which are bad enough, and any further cuts of whatever size will be bad news—but the more deep-seated and possibly less easily reversible changes that are taking place.

I have always been a supporter of our museums, and I am glad that we have free admission to national museums in this country. They are great institutions with marvellous collections—which we own—which also put on exhibitions which are often wonderful. However, it is in the interests of our cultural economy that the dedicated staff of the National Gallery should be supported in their strikes against the privatisation of gallery staff. I support the reinstatement of Candy Udwin. Gabriele Finaldi should step in to ensure that staff are not privatised. Such privatisation would diminish the National Gallery as a public space, notwithstanding that this has already happened elsewhere, as the noble Baroness, Lady Wheatcroft, has pointed out previously. It is still a creeping privatisation of our national museums.

The other thing I want to say about the national museums is that the kind of issues that partnerships with Shell and BP have thrown up are not going to go away. That is the reality, whatever one may think, and there are respected artists among others who defend these sponsorships. I think it is worth future Governments bearing in mind that public funding is neutral and not tainted.

Yesterday morning, while sitting down to breakfast and listening to the “Today” programme, as quite a few of us do, I heard a discussion about the planned memorial for Philip Larkin in Poets’ Corner. “Who is Philip Larkin?” asked my 10 year-old daughter, which set off a discussion about whether Larkin would in fact have approved of such a thing as a memorial in Poets’ Corner. This is just one moment among millions across the country that the BBC enables. If there is one single entity which has had a massive influence or even the greatest influence throughout its existence on the creative economy, on the culture of this country,

on literature, drama, poetry and music of all kinds and on the visual arts, then that entity is the BBC. It continues to have that influence to the good of the whole country in big and seemingly little ways. It has done so because of its unique structure, its set of ethics and its particular commitment to quality through its internal production teams. I hope very much that there is not a significant hollowing out of the corporation in that respect.

It is because of this ongoing contribution to our cultural economy in the broadest terms, for the good of all, that I think that the introduction of a German-style household broadcast levy is a good idea. A subscription fee would be the end of the BBC because it would destroy its essential universality. If, heaven forbid, we lost the BBC, we would have a much less diverse and significantly poorer broadcasting culture. I would also add that I suspect that television in its traditional format—in the home, as a big screen in the corner of the sitting room, however the programmes get to it—will be around longer than perhaps some people think. Watching television will remain for some—indeed, on certain occasions, for all—a communal experience. That is precisely why cinemas and concert-going have survived, in the face of earlier doubts about both.

Whereas one can have optimism for the creative industries in general, I fear for the arts, which are in danger of being subsumed into a wider grouping that is now being treated as essentially, if not wholly, commercial in character and which seem to be travelling in a BIS direction. I fear also for the existence of an arts or culture department that has traditionally and rightly been there to protect and develop a necessary cultural economy. If the arts are to survive and thrive, these trends must be reversed. That would be good for the rest of the creative industries, too.

3.21 pm

Lord Burns (CB): My Lords, I also express my thanks to the noble Baroness, Lady Wheatcroft, for introducing this well-timed debate. It is not at all surprising that we have heard a great deal today about the extraordinary growth of the creative industries and their impact around the world, but it is by any standard a hugely impressive performance and it deserves our recognition. As we have heard, not only is it one of the most rapidly growing parts of the economy, it is also a global success story. It provides an enormous number of jobs and inspires and entertains millions of people.

Of course, it is a huge and varied sector that covers a wide variety of activities. My main contact with the creative industries has been in music and broadcasting. I was chairman of the Royal Academy of Music for more than 10 years and saw the extraordinary flow of talented students engaged in all types of music, almost all of whom go on to be employed in music or in the creative industries more widely. I was also chairman of the Monteverdi Trust, the funding arm of Sir John Eliot Gardiner’s world-class Monteverdi Choir and Orchestras, whose performances are wonderful. They will be on at Aldeburgh next weekend, I think, with two or three concerts. Sadly, their activity is disproportionately overseas because of financial necessity.

[LORD BURNS]

In broadcasting, I was an adviser to the Secretary of State for Culture, Media and Sport for the BBC charter review 10 years ago. As the noble Lord, Lord Bragg, reminded us, the BBC is one of the most cultural and creative organisations in the world. I have also been chairman of Channel 4 for more than five years. I declare that interest, although I do not intend to address it in much detail.

I begin by saying that in none of these activities was I involved with the creative output. Unlike the noble Lord, Lord Berkeley, I neither played nor composed any music and unlike the noble Lord, Lord Bragg, I did not make or commission any television programmes. My role has been rather different. In the creative industries there is usually a need to balance at least two objectives: one is to produce great creative quality; the other is to ensure that the relevant creative organisation is financially stable. In my relationship with these organisations, I learnt at an early point that creative organisations that become overinfluenced by their financial objectives find the creative spirit being squeezed and success difficult to maintain. On the other hand, when those involved with the creative side try to escape the financial realities of life, problems emerge through a different and often more immediate route. With these organisations I have, by and large, played the role of trying to balance the objectives of creative success and financial stability in an uncertain and risky world. I would argue that one of the important aspects of the success of the creative industries in the United Kingdom is that they have managed this balancing act extremely well. Today, my focus is on what we can do to protect and sustain this success.

First, I think everyone who has spoken today has agreed that we must focus on how we nurture creative skills and performance among young people. I am in little doubt that that is achieved by giving the widest number of young people the opportunity to sample creative and cultural activities and to provide opportunities for those who demonstrate talent to take it on to the highest level. Talent inevitably lies in many unexpected places and we must give it the best opportunity to flourish. As many noble Lords have said, this has clear implications for schools and the opportunities that are made available outside school. The narrower the curriculum and the fewer the opportunities for young people to be exposed to these activities inside and outside school, the less chance there is of uncovering real talent. Certainly, as far as music is concerned, there are some worrying trends in that direction.

Secondly, one of the components of the UK's success has been having a varied and competitive environment. It is very good that we have many outstanding music conservatoires, several great drama and dance schools and many world-class orchestras. Similarly, we have been very fortunate in having a competitive broadcasting ecology with public service broadcasting at its core, which offers enormous opportunities for making the high-quality television programmes that have been spoken about and supports the British film industry. Clearly, organisations that have demonstrated success should be encouraged, but plurality of providers gives the best opportunity for

continuous innovation. We have been fortunate in this country in the way that the broadcasting industry has been organised.

I also stress the importance of the many talented people involved in the management, administration and technical tasks of all kinds of creative organisations, both large and small. The truly creative part of the creative industries is often merely the tip of the iceberg. None of it would get anywhere without the long chains of people who take these creative ideas to audiences and customers and present them in an attractive and enticing way. Above all they ensure that the creative organisations are managed efficiently. Creative organisations, like any other organisation, have to be efficient if they are to survive. When they need financial support they must be prepared to explain the basis on which that support is justified.

Clearly, there is a need to develop great performance skills, as well as the capacity to write new material and to curate new productions. That is true for both music and broadcasting. But by their nature many creative industries are risky and unpredictable. Success requires long time horizons, willingness to experiment and to innovate, and an ability to manage the risks involved. Above all, we must recognise that in the creative industries financial success is likely to be the result of creative success, rather than an ambition for financial success on its own.

As we have heard, because of those risks, there is a natural temptation for creative industries to look for security of finance. Often, this means turning to the Government. Of course, the Government must be an important player, as they are with many cultural and creative organisations. However—as a former Treasury official, noble Lords would expect me to say this—we should be cautious about asking them to do too much. In my experience, both music and broadcasting have been very fortunate to have multiple sources of revenue. The box office or its equivalent has to play its part and is often crucial to the long-term sustainability of an organisation. Often this is not enough, but we have been able to look to trusts, private benefactors and long-term private sector investors, as well as government support. That has been a very healthy part of the United Kingdom creative industries. It can be a great struggle, even for the most gifted of performers and even for those who excel on a worldwide stage, but I suspect that it will always be like that. The competing priorities for public money, and indeed for private money, are stark, as always.

Finally, we must never lose sight of the fact that our creative industries are competing in a global marketplace. This has huge advantages because, as in many other sectors, scale is very important in creative industries. The additional cost of multiple performances, DVDs or streaming of performances and programmes is very small relative to the initial investment. The opportunity to get back the R&D, including failures or rehearsal time, by playing to a worldwide audience is critical. At the same time, we must recognise that competing in a global marketplace also means that there are many overseas creative organisations standing ready to step into our domestic market and compete with domestic industries here. This is a ferociously competitive sector and we can

never be complacent about our success. I am optimistic but, as we have heard, there could be many obstacles in the future.

In short, I support other noble Lords in arguing that we must cultivate our creative talent, and encourage the outstanding managers, administrative staff and technical experts who bring us so many great experiences and those who are willing to bring financial support and long-term support to the creative industries. It is an industry that can succeed only if we take a long-term approach.

3.31 pm

Lord Clement-Jones (LD): My Lords, it is an exception that two hours seem to have flown by enormously quickly in this House today. This has been a very life-enhancing debate, and we have been blessed with compassionate speeches from a great number of noble Lords who are immersed in the worlds of the arts and creativity. I thank the noble Baroness, Lady Wheatcroft, for having instituted the debate and for her superb opening. I could emulate the noble Lord, Lord Bragg, by saying that I agree with everything that everybody has said during the course of the debate and sit down, but of course I have no intention of doing that and will put my own gloss on the proceedings. The only question, really, is how *Hansard* will report on the introduction from the noble Lord, Lord Berkeley. I do not know whether they will put something in square brackets that says “[*Opening bars of Beethoven’s Ninth*]” or something like that—it will be a challenge, I suspect, but one which *Hansard* will be well up to meeting.

This has been a celebration, as the noble Baroness, Lady Wheatcroft, described it. However, of course, one of the persistent themes of this debate has been the need not to rest on our laurels but to nurture all those different elements, whether they be intellectual property, skills, education, finance or broad creative impulse, across the board. I will go through some of those elements, but I think that one of the most important factors to come up in this debate is that we are united on the fact that this is not purely about economics; it is about the pleasure that the arts and creative industries deliver and the importance of creativity for its own sake.

I was very much taken by the quotation from the noble Baroness, Lady Kidron, when she talked about “the vast time in between”. I thought about filling in the gaps by talking about the vast time in between House of Lords debates on the creative industries. However, perhaps we are filling it with proper arts and culture ourselves.

During the last Government, significant policies benefiting the creative industries were developed. Just a few of these include the setting up of the Creative Industries Council—and the resulting Create UK action plan—established at the beginning of the last Parliament, which has the DCMS Secretary of State and the BIS Secretary of State sitting on it. We on these Benches think that the Secretary of State for Education should also be involved in that process, for reasons which many noble Lords have enunciated during the course of the debate. As the noble Lord, Lord Haskel, emphasised, we take a very broad view of the definition

of creativity. We believe that the nurturing of creativity should be taken in that spirit right across the tech and creative industries.

The noble Baroness, Lady Wheatcroft, mentioned the tax reliefs that have been so important for all the various sides of the industry—not just the film tax credit, but also high-end television, animation, orchestra, regional theatre and other tax reliefs.

A great many noble Lords talked about the linkages between sciences and the arts, starting with my noble friend Lady Bonham-Carter. So many of the creative industries are interconnected and have great economic impact on each other. The CEBR report for the Arts Council last year demonstrated that the creative talent in arts and culture plays an important role in supporting commercial creative industries. The Arts Council itself plays an important role in supporting apprenticeships.

The noble Baroness, Lady Kidron, and the noble Lord, Lord Bragg, talked about the importance of public financial support. I entirely agree that we should not regard this as subsidy; it is an investment in the future and in creativity. I agree with my noble friend that we should ensure that local authorities publish what they are spending on the arts in their areas. I was very much taken by what the noble Lord, Lord Lloyd-Webber, had to say about the successful productions in New York and the fact that five out of eight had received public funding because they were National or RSC productions. That is a very important point.

We heard from the noble Lord, Lord Haskel, the noble Earl, Lord Clancarty, and my noble friend Lady Bonham-Carter that in the digital economy there is increasing convergence—symbiosis, really—between platform and content, between the tech sector and the creative industries and the skills that are needed in those sectors.

There is cross-over with tourism, too. The noble Baroness, Lady Wheatcroft, talked about the galleries, museums and theatres that attract tourists: the Tate, the National Gallery, the British Museum and so on. The recent UK Music report *Wish You Were Here* reveals the fact that the number of music tourists in the UK has increased by 34% between 2011 and 2014. That is a very important sector as well. The noble Lord, Lord Haskel, described the importance of the Aldeburgh Festival. BALPPA members assert the increasing importance of UK creative content and licensing for attractions.

We want to see creative businesses continue to thrive across the country, not just in London, so that our economy can continue to reap the benefits. It is vital that we nurture that. Clustering is of great importance. We have seen how clusters have arisen over the last few years, often specialising in a number of discrete areas, such as Brighton’s Silicon Beach for video games or special effects in Dundee. I declare an interest as a Barbican trustee, and I have a particular interest in the City’s culture cluster. Like the noble Lord, Lord Berkeley, whom I am delighted to see is so supportive, I am very keen to see a world-class music centre in London and I very much hope that that feasibility study comes to a good conclusion. With my antecedents in Kendal, I was delighted by what the noble Lords, Lord Bragg and Lord Inglewood, had to say about the importance of the investment in Kendal.

[LORD CLEMENT-JONES]

There are so many sectors that we could cover today and many noble Lords have covered them, but by exception we have not mentioned publishing. That is another great international success. It is a £4 billion industry in a whole range of genres, including teaching materials. I am concerned about the future of some of our authors. The median income of our authors has been falling over the years, with the rise of the digital economy. One of the areas where I would like to see movement is the law of unfair contracts which currently is not able to govern their contracts because it does not cover intellectual property.

We have had a wonderful description of the power and value of music—and also a reference to Lionel Richie, although whether the two can be taken together I am not sure—from the noble Lord, Lord Berkeley. I was very inspired by that. The music sector is another sector of huge importance to us. We are the second largest exporter of music after the United States. We have heard about the setting up of music hubs, which is a very important development. Our live grass-roots music venues are under threat due to perverse planning consents. That is a matter of concern because they are the seedcorn of our music industry. I would like to see action taken on, and reform of, some of our planning legislation for that very reason. We heard from the noble Lord, Lord Lloyd-Webber, on the whole issue of the fabric of our theatres, which is a matter of considerable concern.

Many noble Lords talked about broadcasting—the noble Earl, Lord Clancarty, the noble Viscount, Lord Colville, the noble Lords, Lord Bragg and Lord Haskel, and my noble friend Lady Bonham-Carter—and particularly the role of the BBC, the coming charter and the importance of the BBC in the whole creative landscape. The BBC has a massive role in this area and we must make sure that any changes made to the charter, whether they involve freezing the licence fee or decriminalising its non-payment, protect the future of the BBC.

I entirely agree about the future of linear TV. It is by no means dead and our public service broadcasters have a continuing role to play. In that context the future of Channel 4 is extremely important. It has a unique and important role. It describes itself in its annual report as a “creative greenhouse”. In some respects that probably undersells its role. The success of Film4, for instance, is legendary. I need only mention “Mr Turner” and “12 Years a Slave”. That channel is engaging with younger audiences, increasingly via the internet, and plays a very important role in that respect. The multichannel sector should not be forgotten either. The scale of its investment is growing and is also extremely important. The noble Viscount, Lord Colville, mentioned the “must carry” aspects, which are very important. We need to get rid of some of the trammels on our public service broadcasters in that respect.

Many noble Lords talked about the overseas markets. I have a particular interest in China, and the film co-production treaty with China that the BFI has led. I was delighted to see that Amanda Nevill was awarded a CBE in the Birthday Honours List for all her work with the BFI, and Pinewood is not only investing in the UK but also entering into joint ventures with major Chinese companies, which is terrific.

Education is one of the themes that came through very powerfully in the debate. I entirely agree with the noble Baroness, Lady Kidron, when she said that the supply chain is only as good as the weakest link. Many of us are very concerned about the EBacc and the fact that we do not have STEAM but still have STEM. We really must get to grips with this over the coming years. There should be no disjunct between technical and creative skills and between the sciences and the arts. We need to make sure that the core subjects cover both; otherwise, we will not equip ourselves for the new age. As my noble friend said, we need to implement the findings of Darren Henley’s review.

There are many other areas of great concern. The noble Lord, Lord Lloyd-Webber, talked about access to stage school and the noble Baroness, Lady Kidron, talked about disincentives to study the arts and humanities at universities. However, we must keep the “steam” up on apprenticeships, which are extremely important.

I will not deal with incentives and finance. The noble Lord, Lord Burns, had it spot on when he talked about balancing creative success with financial stability. A number of initiatives were taken by the previous Government and I very much hope that we will build on them.

I will be uncharacteristically brief in talking about intellectual property, which involves many big issues. The biggest problem coming down the road concerns the EU’s digital European economy proposals to make it impossible to split licensing by territory. That could have a fundamental effect on the financing of creative properties and I hope that the Government have taken that on board. I have always felt that you should have a mixture of education and enforcement. That is very important. Education is important but I hope that the Government will continue their work on enforcement. I look forward to hearing what the Minister has to say.

3.44 pm

Baroness King of Bow (Lab): My Lords, I congratulate the noble Baroness, Lady Wheatcroft, on securing this debate and draw the attention of the House to the fact that I work for a public service broadcaster—Channel 4.

A generation ago, in 1998, the Labour Government defined the creative industries as comprising any business with the potential to generate,

“wealth and job creation through the generation and exploitation of intellectual property”.

It seems strange now that, in the fairly recent past, the Blair Government became the first in the world to recognise the creative industries as an industrial sector in their own right. The *Creative Industries Mapping Document* published by former Secretary of State, Chris Smith—now the noble Lord, Lord Smith—set out for the first time to measure and map the impact of the creative industries on the rest of the economy. He wrote in the foreword to the document:

“The most successful economies and societies in the twenty-first century will be creative ones. Creativity will make the difference—to businesses seeking a competitive edge, to societies looking for new ways to ... improve the quality of life. This offers the UK enormous opportunities. We have a well-deserved reputation for creativity; we can draw on both a strong historical base and vibrant contemporary developments”.

It is worth touching on the historical base that the noble Lord, Lord Smith, mentioned because it puts the future potential of our creative industries in context. It is incredible to recall that, at its height, the British Empire was the largest ever in history and held sway over one-fifth of the world's population. The BBC Empire Service began in 1932 and is today, of course, known as the BBC World Service. The global footprint of the World Service is the widest reaching of any broadcaster or country and it is the most trusted news source in the world. The BBC news reaches more than 230 million weekly users. If you add our news to our other intellectual property exports—music, film, TV, games, digital content, publishing, architecture and so on—it is clear that Britain has done something truly remarkable. We have lost an empire but won the battle for global cultural pre-eminence. That pre-eminence now showers us with revenue and is the real venture capital of our economy.

As John Woodward wrote in his excellent review of the creative industries, published recently in March,

“the UK has risen to become the pre-eminent global hub and talent magnet for investors seeking creativity, innovation, world-class skills and cutting-edge engagement with the new digitally-led creative economy”.

One of the purposes of this debate, and what noble Lords have done in it, is to ask: how did this happen and how we can ensure that it continues to happen? Tellingly, Mr Woodward's explanation of how it happened is:

“Over the past 40 years a combination of natural talent, education, training, and crucially, the provision of state-funded access to a broad range of cultural activity, have all contributed to the UK becoming a global powerhouse for the creative industries”, but that,

“the recent public spending cuts to arts bodies and to regional economic support structures now risk eroding the national DNA that originally propelled the UK to the top of the global creativity league”.

If we want to secure our future, we must secure our creative industries. As my noble friend Lord Bragg said, this calls for enlightenment from the centre. I liked his comments on repetition, such as:

“A horse! a horse! my kingdom for a horse!”.

A couple of us have requoted this. I like a bit of repetition as much as anyone else but there are too many arts organisations crying, “A grant! a grant! my kingdom for a grant!”. Our kingdom's cultural hegemony was built on state-funded access to a multiplicity of cultural goods but the scale of cuts to state-funded arts projects and institutions now risks critically undermining not just our collective creativity, our creative industries and our cultural heritage but the life-blood of Britain's economy. That is why this debate is so important, and why it is so important that we see clearly the risks ahead.

What are the risks? The first is that we do not protect our PSBs and the extraordinarily innovative yet fragile creative ecology that they have spawned. Virtually every Peer speaking today has referred to our creative infrastructure. Secondly, there is the risk that through excessive funding cuts, as I have said, we fatally undermine access to arts and culture for all British kids, not just a lucky few. This was articulated by the noble Earl, Lord Clancarty, the noble Baroness,

Lady Kidron, my noble friends Lord Haskel and Lord Bragg and many others. Third, there is an enormous risk that our education system does not do enough to promote creativity, as was outlined by the noble Baronesses, Lady Bonham-Carter, Lady Kidron and Lady Wheatcroft, and by the noble Lords, Lord Burns and Lord Clement-Jones, and others. Fourthly, there is the risk that we do not secure the digital economy or its infrastructure adequately, for example in broadband.

The fifth risk is that the creative economy is limited to London and the south-east, and that we fail to introduce the regional structures required to hardwire creativity throughout Britain. We have not touched on that enough in this debate but I am sure we would all agree that we need to pursue that incredibly important strategy. Sixthly, there is the risk that we fail to respond adequately to regulatory challenges as they emerge, particularly those that require a constructive relationship with the EU. Seventhly, and following on from that, we need our IP regime to promote innovation and not stifle it, as the noble Lord, Lord Clement-Jones, mentioned. I encourage the Government to think harder about how we effect that difficult balance between the incentive to innovate and ensuring that we have appropriate returns from copyright. There will be instances, and the digital world throws up many of them, where the current situation is not as we would wish it to be.

Eighthly, there is diversity, which I thank the noble Baroness, Lady Bonham-Carter, for raising. I should flag up that, as I mentioned at the beginning, I am a diversity executive for the broadcaster Channel 4. It was really instructive of the noble Baroness to have highlighted the role that Lenny Henry has played and the link with talent. Let us remember that this is about talent. Lenny Henry highlighted the fact that BAME talent has left, or been pushed out of, the television industry. Too often, people greet the diversity initiatives that are set up to deal with this sort of issue by whispering complaints—let me be blunt here—that they are just about getting black people jobs, that they lower the bar, that they undermine meritocracy and that they prevent the best person getting the job. So let me put the record straight and explain why intelligent diversity strategies grow our talent pool and our economy.

I will do this by way of an example that I never tire of repeating—please forgive me, those who have heard me say this before. It relates to the legendary former head of Film4, Tessa Ross, who was a great advocate for diversity. She was concerned that, despite Channel 4 having a remit to push diversity and find hidden talent, she could not find any black film directors. Tessa looked and looked. She asked her people to look. The cry went out across the land: “Black film directors—where are they?”. The response came, “Oh no, there aren't any. Well, there aren't any of note”. You know how it is: you want to employ black people and women and disabled people and working-class white boys from Scunthorpe, but you just cannot find any who have the right experience or the right qualifications. It is even a bit like this round here in the House of Lords, isn't it? How else do you explain that 77% of the Lords are men? Obviously we do not

[BARONESS KING OF BOW]

discriminate against women, and we are not in favour of men over women. It's just that women are not as experienced as men, or they have not risen up through the ranks, or they are not the experts in their field, or they cry in the lab. You know how it is. Honestly, what a load of nonsense.

Back to the head of Film4 searching for a black film director—she knew there must be black people out there who had the talent to be film directors but just had not had the opportunity. She decided to widen the recruitment field, to change the qualifications required. I say to any person in any industry, in any business: if you want to improve things, do that. Widen your recruitment base. She turned to somebody who had no experience as a film director. He was a visual artist. As we all know, Steve McQueen did not get the Oscar for best film due to political correctness. He got it because he is one of the most talented film directors in the world, because Channel 4 had an innovative approach to diversity and because Channel 4 had—and has—a strategy to go out and find the talent without qualifications, rather than let that talent be lost for ever.

The TV industry is currently working hard to promote diversity, and the Creative Diversity Network, which I work with, has done just that. I know that the Minister in the other place is well acquainted with the issues that the Creative Diversity Network is pursuing, so I ask the Minister: what will the Government do to spread the best practice identified by the Creative Diversity Network for the TV and film industries further afield to related creative fields such as radio, the music industry, publishing and theatre?

While I am on the subject of diversity, it is imperative to point out the huge diversity of the creative industries themselves. We have heard about fashion design, architecture, film, video, special effects, software, music, publishing, theatre, TV, tourism—the list goes on and on. Yes, these are disparate fields, but, as the *Creative Industries Mapping Document* pointed out all those years ago for the first time, these are the areas that make up the knowledge economy on which our future rests.

I end by turning to the BBC. As so many have pointed out, the BBC goes to the very heart of what it is to be British. I have already quoted my noble friend Lord Bragg, who said in this Chamber:

“The BBC is not so much the family silver as the family itself”.—[*Official Report*, 3/6/15; col. 432.]

I will be frank. Many are worried that the Government want, with ideological zeal, to cut the BBC down to size, to something far less than it is at the moment. I am sure many of us will urge the Government not to use the BBC's charter renewal as an inadvertent exercise in cultural vandalism. I quote an article that said:

“Proverbially, when the bombs rain down, the captain of the last nuclear submarine will judge Britain ended when Radio 4 ceases to sound”.

The cultural industries have given Britain a sense of itself, and none more so than the BBC. Those industries will protect our future and, as such, they could hardly make a greater contribution to the United Kingdom's economy.

3.57 pm

The Earl of Courtown (Con): My Lords, I join other noble Lords in thanking my noble friend for securing this debate, and I thank all noble Lords for their contributions in this very far-reaching debate on the creative industries.

The interest shown this afternoon is a testament to the essential role played by our creative industries in our national life. As my noble friend Lady Wheatcroft said in her opening remarks, and as many other noble Lords have said, the official figures published in January confirmed the leading role played by the creative industries in our economic recovery. The sector contributed £76.9 billion to the UK economy in 2013, 5% of the total UK economy. The year-on-year growth, from 2012 to 2013, was a staggering 9.9%, three times that of the economy as a whole, and higher than for any other Blue Book sector. In that year, the sector accounted for 171,000 more jobs, 5.6% of total UK jobs, and a 1.4% increase on the previous year. Over the longer term, there has been a 3.9% rise in the number of jobs in the creative industries each year between 1997 and 2013, compared with 0.6% in the UK economy as a whole.

Lord Haskel: Does the Minister's figures include the non-creative part of the work that went on in those industries?

The Earl of Courtown: The noble Lord, Lord Haskel, mentioned having to define the creative industries in his speech, and the noble Baroness, Lady King of Bow, also read out a long list of creative industries. It is very difficult to compare the creative industries as I understand it, and I shall have to write to the noble Lord, Lord Haskel, on that issue.

The sector is also leading the way on exports. The value of services exported by the creative industries in 2012 was £17.3 billion, which is 8.8% of total UK service exports, and an incredible increase of 11.3% over 2011, compared with 2.8% for total UK service exports. As with the sector's domestic performance, creative industries' exports are playing a key role in our export drive. While the sector is showing impressive growth here in the UK, however, we do not exist in isolation, and cannot be complacent. Our global competitors are working hard, too. The Government are fully committed to helping the sector as it implements its strategy to maintain its global competitiveness, including through allowing the use of the Treasury building for the filming of the latest Bond film, as my noble friend Lady Wheatcroft said.

Over the past five years, the Government have showed their commitment to the sector through setting up the Creative Industries Council, as the noble Lord, Lord Clement-Jones, said. It will provide a strategic focus for industry and government. We also put in place a range of generic and sector-specific financing and fiscal measures, such as the creative content tax reliefs, as noble Lords have said. The film tax relief alone has generated over £7.8 billion of production spend in the UK, supporting over 1,200 films. We have expanded the original scope of the tax reliefs to cover the high-end TV, animation, video games, children's TV and commercial theatre production sectors, with a

new relief for orchestras due to come into force next year. We provide funding for agencies such as Arts Council England, the British Film Institute, Creative England and Innovate UK to invest in and support the creative industries. Arts Council England invested £1.4 billion of public money in arts organisations and cultural programmes between 2011 and 2015, and the BFI is investing nearly £500 million between 2012 and 2017 to help the film industry grow, build audiences and stimulate a vibrant film culture in the UK. Through the British Business Bank established by the Government, creative businesses have received more than £80 million of equity finance since May 2010, and through UKTI, in the financial year 2014-15 the Government have helped provide export support to around 13,000 creative companies, one-quarter of all companies assisted by UKTI, and delivered £467 million-worth of business wins.

On the education and skills front, we have supported the sector with over £400 million in our music and cultural education programmes, with a further £109 million available in 2015-16; £20 million co-investment funding in Channel 4/Creative Skillset's industrial partnership; our co-investment in Creative Skillset's skills investment fund, including a further £2 million each year in 2015-16 and 2016-17; and a new curriculum for IT in schools. Our £1.7 billion public investment in broadband infrastructure, as mentioned by the noble Lord, Lord Haskel, will greatly help creative businesses to set up in the regions and enable them to reach new customers around the UK and the globe. We are also committed to a fair and robust IP enforcement regime, touched on by the noble Lord, Lord Clement-Jones, with funding for the Police Intellectual Property Crime Unit up to 2017, backed up by a strong programme of consumer education, including £3.5 million for an education campaign to run alongside Creative Content UK.

As my noble friend Lady Wheatcroft said, we intend to build on this solid programme of support over the next five years. Our manifesto gave commitments to continue the existing creative content tax reliefs and expand them when possible; to back plans for The Factory in Manchester and a modern world-class concert hall for London; to continue to require ISPs to block sites that carry large amounts of illegal content; to build on progress made under voluntary anti-piracy projects to warn internet users when they breach copyright; and, through our review of the BBC's royal charter, to recognise the important role played by the corporation in supporting our creative industries.

A number of noble Lords raised the issue of IP in relation to the digital single market. Last month, the European Commission published its strategy for developing the digital single market. This will involve some reform of the EU copyright framework with legislation expected at the end of the year. The Commission's strategy document is at a high level and, of course, the detail will be all important. It is proposing not a full rewrite of the entire framework but targeted harmonisation measures that will still be of significant impact. Among these are measures to make it easier for businesses to provide portable services that people can access when they are travelling or on holiday and for people to buy copyright content across borders; to harmonise rules on the use of copyright material for

specific purposes, such as research; and to clarify the rules on intermediaries using copyright content to ensure there is a level playing field. Proposals will also be made to modernise copyright enforcement focusing on commercial-scale infringement. In July last year, the European Commission announced a new action plan to tackle IP infringement. We fully support the plan. It provides a good mix of voluntary initiatives and awareness-raising activities and focuses on tackling commercial-scale infringement which causes the most harm to our economies. The digital single market package overall represents an important and timely opportunity to ensure that Europe is in the best possible position to take advantage of the digital revolution.

The noble Lord, Lord Berkeley, mentioned the importance of safeguarding IP. The Government recognise the challenges and importance of safeguarding intellectual property here and abroad. It is essential that rights can be enforced effectively, and we are taking a range of actions to address this. As I mentioned, in September 2013 we launched an online IP crime unit dedicated to tackling serious and organised online piracy and counterfeiting and protecting legitimate UK businesses. The unit has so far made 52 arrests and has also diverted more than 11 million views from copyright-infringing websites to an official police warning page since July last year.

Overseas IP regimes can be difficult for businesses to navigate and successfully enforce, so we provide specialist IP attachés to help UK businesses in some of the more important and challenging international markets: China, India, Brazil and south-east Asia. During a visit to China in 2014, the UK facilitated a landmark agreement between the China-Britain Business Council and Chinese e-commerce giant Alibaba that will help address the tens of millions of pounds lost to Chinese counterfeiting and piracy via the online platform each year. In June last year, the Government and the European Commission hosted the inaugural international IP enforcement summit in London, with great success. It was attended by experts from Governments, enforcement authorities and multinational businesses around the world. The summit discussions clearly demonstrated the unremitting desire of all those who attended to work together to overcome the challenges that we face around the world in tackling IP crime, whether by reducing the flow of funds to criminals, better customs enforcement at external borders or ensuring that IP rights work in the interest of employment and economic growth.

Several noble Lords mentioned issues relating to the status of the arts and education, and I will deal individually with as many of those as I can in the time that I have left. The Government have created a number of new programmes that give children the enriching experiences they need at a young age, such as music education hubs, a national youth dance company and the British Film Institute Film Academy. Such programmes develop the creative thinking that is powering the UK's world-beating creative industries and spark a love of the arts that can last a lifetime.

My noble friend Lady Wheatcroft mentioned the supplier recognition scheme in relation to the Olympic site. The SRS is a first for the Olympic movement; it is the first time that the IOC has allowed such a scheme.

[THE EARL OF COURTOWN]

More than 780 companies have benefited under the scheme. Some categories of companies, which my noble friend mentioned, were excluded from the scheme, but I am afraid that there is no scope for changing those categories. They are not dictated by the Government but relate to contracts between the IOC and the major international companies.

My noble friend also mentioned the difficulty for creative SMEs in the export environment. UKTI provides tremendous support for creative businesses. Some 13,000 creative companies were helped in 2014-15—a quarter of all companies helped—and some £467 million of business was secured. UKTI set up a sector advisory group to gather creative industries together to advise it on prioritising export markets and exploiting inward investment opportunities.

My noble friend also mentioned cultural education, which concerned a number of noble Lords. As part of the Government's plan for education, all pupils will experience a broad and balanced curriculum. The arts are a key part of this. Art and design and music are compulsory for five to 14 year-olds. In 2015-16, the Government will provide more than £109 million to support art and cultural education projects, an increase of £17 million from last year.

The noble Lord, Lord Bragg, mentioned his concern about the cuts in funding for the arts and creative industries, as did many other noble Lords. We absolutely recognise the intrinsic social and economic value of the arts to people of all backgrounds. Nevertheless, we all need to play our part in contributing to government savings—I know that the noble Earl, Lord Clancarty, and I will not have a meeting of minds on this issue. We are working with arts organisations to ensure that they have a broad funding base that incorporates public and private funding.

The noble Baroness, Lady Bonham-Carter, mentioned the need for more links between creative businesses and schools, and with careers advice, which I think the noble Viscount also mentioned. We agree that liaison between industry and education is important and welcome the recommendations in the Create UK strategy, which has been developed by industry members of the Creative Industries Council. This includes extending the role of the National Careers Service last year, which should help with the work. The new Careers and Enterprise Company will also strengthen links between employers and schools.

The noble Baroness also mentioned her diversity round table with the Minister in the department. The Minister for Culture, Media and Sport has taken an active interest in this issue, and I will speak to him about his plans to continue this group.

The noble Baroness also mentioned STEAM, not STEM. I realise that this area has concerned a number of noble Lords. The Government are strongly committed to arts and STEM subjects. Young people should have the opportunity to study arts subjects alongside an academic curriculum. Between 2012 and 2014, the number of pupils taking music and art and design GCSEs rose by 4% and 7.5% respectively.

The noble Lord, Lord Berkeley, mentioned the new London concert hall, which was also mentioned by the noble Lord, Lord Clement-Jones. The Government and the GLA are jointly funding a feasibility study into the case for a new concert hall for London. The study will examine how the hall might be funded.

My noble friend Lord Lloyd-Webber mentioned equality of opportunity in arts training. The organisations in the Arts Council's 2015 to 2018 portfolio have committed to ensuring that their workforces are diverse. The creative employment programme will continue to offer the opportunity for paid internships in cultural organisations so that young people have a fair chance at opportunities, regardless of background.

The noble Viscount asked whether Netflix and similar services should be covered by rules to ensure fair payment for creators. Services such as Netflix and Spotify are very popular and have done much to encourage the lawful use of creative content on the internet, but the way these firms pay creators and copyright owners is highly debated, as I am sure he is aware. The European Commission has said that it will consider fair remuneration for creators in its review of EU copyright. The Government look forward to hearing the Commission's proposals on the digital single market. The noble Viscount also mentioned the importance of SMEs and start-ups, and I could not agree more with what he said.

Time has caught up with me. I have not been able to answer a number of questions, for which I apologise, but I will write to noble Lords and place copies in the Library.

The Government are committed to continuing to support the UK's creative industries at home and abroad. The UK's creative industries are tremendous ambassadors for the wealth of creativity that exists on these islands. From One Direction to 007, from Sam Smith to Stella McCartney, "Game of Thrones" to Grayson Perry, these icons are known all over the world, and that is what makes Britain's creative talent known and loved around the world. The Government are committed to helping the creative industries to make sure that they continue to be the envy of the world.

4.17 pm

Baroness Wheatcroft: My Lords, I thank my noble friend the Minister for his response, which was detailed and positive. I also thank all noble Lords who have taken part in the debate this afternoon. It has been upbeat, with fascinating speeches from all sides of the House, and it has demonstrated that it is wrong to think that you have to be Labour to be a luvvie. It has been a positive debate. I had hoped for a celebration and it has very much been a celebration, with a few qualms as well. I thank noble Lords again and I beg to move.

Motion agreed.

House adjourned at 4.18 pm.

Grand Committee

Thursday, 18 June 2015.

Corruption

Question for Short Debate

1 pm

Asked by **Lord Rooker**

To ask Her Majesty's Government what assessment they have made of the level of corruption in the United Kingdom in the light of the recent report of Transparency International UK, *Corruption on your Doorstep—How corrupt capital is used to buy property in the UK*.

Lord Rooker (Lab): My Lords, I want to seek the Government's view on the contents of the report entitled, *Corruption on your Doorstep—How corrupt capital is being used to buy property in the UK*, published by Transparency International UK in mid-March. This quite remarkable report analysed data from the entire corporate holdings of property in England and Wales at the Land Registry and matched them with the files of the Metropolitan Police's Proceeds of Corruption Unit. It found that 75% of properties under criminal investigation use offshore corporate "secrecy jurisdictions". This is where the legal system has a deliberate veil of secrecy that obscures the identity of those arranging corporate structures.

More than £180 million-worth of property in the UK has been brought under criminal investigation as the suspected proceeds of crime since 2004. This is believed to be the tip of the iceberg. Some 40,725 London property titles are held by foreign companies, and they occupy, by the way, 70 million square feet, which is two and a half square miles. Moreover, 89.2% of these are incorporated in a secrecy jurisdiction—some 36,342 properties. Of these, 38% were registered in the Virgin Islands and 16% in Jersey. In 2011 alone, £3.8 billion-worth of UK property was bought by British Virgin Islands-registered companies.

It is crystal clear that UK Crown dependencies and British Overseas Territories are the preferred option for concealment for those under investigation. Indeed, by cross-checking the files, the report makes it clear that 100% of overseas trusts and companies that hold titles for UK property under investigation for grand corruption are registered in offshore financial jurisdictions, rather than in major economies. In three London boroughs, an astonishing number of properties are owned by companies in an offshore secrecy jurisdiction. In Westminster, the figure is 9.3%; in Kensington and Chelsea it is 7.3%; and in the City of London it is 4.5%.

The Prime Minister, to his credit, has done more than his predecessors in trying to get to grips with international money laundering. His moral compass is working somewhat better than others' in this respect. He requested in 2014 that all British Overseas Territories make changes so there is public transparency regarding who owns companies and trusts. None has taken up

the request to do this. Two considered it and then said no. We therefore need unilateral action to address the risks posed to the UK.

UK property is a safe haven in an unstable world, but it should not be a safe haven for corrupt capital stolen from around the world, much of it from poor countries, helped by laws that allow UK property to be owned by secret offshore companies. For example, it has been estimated that more than \$1 trillion has been taken out of developing countries—poor countries—through a web of corrupt activities, adding to global poverty. The Transparency International report made 10 recommendations, four to the Government direct, four to HMRC and two to the Land Registry. I would like a response to all these in due course, but today I will highlight just four. The first is indeed the key recommendation in the report: that, before completing a purchase on a property, overseas companies should be required to submit to the Land Registry the same details that UK-registered companies must submit to Companies House. This will establish transparency regarding who owns the companies that, in turn, own so much property in the UK.

The second recommendation is that estate agents' anti-money laundering responsibility should be extended to include due diligence checks on the purchaser, not just the seller. At present, the legal responsibility on estate agents is only to check one side of a property transaction. Of course, in theory purchasers should have been checked by their own legal representatives. However, under Section 330 of the Proceeds of Crime Act 2002, such representatives and advisers do not commit an offence if they fail to report suspicious activities that they learned about in "privileged circumstances". Of course, many court cases have extended the area of privileged activities. In the last decade there has been an 82% fall in suspicious activity reports from solicitors. This just shows the scale of the problem. I understand the reason for Section 330 but let us require the estate agents to vet both sides. That is the easy and practical solution.

Thirdly, there should be greater co-ordination between the 27 anti-money laundering supervisors in the UK. Some of these have responsibility for parties involved in money laundering through property and the suggestion is that the Treasury should regularly convene a property working group for all the anti-money laundering supervisors with responsibility for property transactions.

I had a brief discussion with Transparency International and these are the three top issues from its report to highlight today. There is a fourth. The Government should consider introducing unexplained wealth orders—UWOs—and explore the feasibility of using this mechanism in the UK. It was not in the original report but Transparency International launched a discussion paper on unexplained wealth orders on 10 June and it was extensively covered in, for example, the *Financial Times*. Suffice to say, there were 354,186 suspicious activity reports filed in 2014 with the National Crime Agency. These led to 14,155 consent requests effectively to cover the backsides of the companies involved so that if they got caught out later they could say they had consent. Of these, 94 went to the Proceeds of Corruption Unit and only seven got refused.

[LORD ROOKER]

If we had unexplained wealth orders, failure to respond to such an order or an inadequate response could then be used along with the initial grounds of suspicion in a recovery process against the asset by our law enforcement authorities. It is a serious issue because the director general of the National Crime Agency said in January that,

“the scale of money laundering is a strategic threat to the UK”.

It is clear that the prevalence of UK property holding by companies incorporated in secrecy jurisdictions is a major barrier to law enforcement. Of course, the percentage of properties purchased with illicit money is tiny compared to the market, but the values are huge. The £180 million I mentioned earlier referred to just 120 properties. We are talking about prime London property, not the mainstream property bought by those working here from overseas.

Further, our law enforcement agencies are not helped by the fact that the Land Registry does not record the value of all sales. That is a massive loophole that should be closed. According to KPMG, the United Kingdom attracts the highest foreign investment volumes in European markets. In the first half of 2014 it was £24 billion, ahead of Germany at £16 billion. This is big money. Added to this, the UK has 250 foreign banks—more than any other country in the world. International investment into prime London was more than £7 billion in 2012. Savills’ 2013 report stated that 90% of new-build luxury properties were bought by overseas buyers. After the 2013 G8 summit—where the Prime Minister made his commitments, by the way—the UK was the first national jurisdiction to put forward legislation to enable a public registry of beneficial ownership. The Prime Minister was trying to deliver it via the Small Business, Enterprise and Employment Act—but even that is being got around. While I was searching the files and reading the papers I saw a report in the *Financial Times* on 6 June headlined “Transparency rules leave loophole, law firm claims”. The first paragraph read:

“A leading law firm has told wealthy clients they can avoid ‘unwanted public scrutiny’ from the new transparency laws, in a sign of widely criticised loopholes in the legislation championed by David Cameron”.

So there is work to be done in this area. I want to know, as do Transparency International and its supporters, what the Government are going to do. They have moved incredibly well, as I have said. I have paid tribute to the work of the Prime Minister, but the Transparency International report quotes extensively from key, named UK law enforcement officers about the problems that they have in this area. It seems to me that accepting their modest, considered recommendations would be giving our own law enforcement people the tools to do the job. I look forward to hearing the Minister’s response in due course.

1.10 pm

Lord Graham of Edmonton (Lab): My Lords, I first congratulate my colleague for his initiative in bringing to our attention aspects which I think deserve to be better treated. I ask you to switch your minds to the other end of the spectrum: from talking about houses

that have been built deliberately and sell for many millions of pounds to the right-to-buy sector at the other end of the housing market. It was during the period when I was the Member of Parliament for Edmonton—now 40 years ago—that the idea of selling council houses to tenants emerged. I have no objection to that. The argument then was that people had been there for many years, their families were bedded in and they wanted to live there. That coincided with the then Government’s property-owning democracy, which is what they were telling people it was all about.

In my time in Edmonton, by the time things were sorted out you were offered the occupation and ownership of your house for perhaps £5,000 or £6,000. You had to keep it for five years but then you had the right to sell it, and many people did. The nexus that I want the House to record is what happened after that. The right to sell your own house is certainly, in the year of Magna Carta, a right you are entitled to have. But then what happens to the housing situation? People who were proud and grateful to have a house built by direct labour in Edmonton suddenly found that the house they looked forward to leaving to their children was no longer there because it had been sold. When it was sold it was sold and sold again. A house costing less than £10,000 in the early 1980s is now on the market for many hundreds of thousands of pounds, as are flats. You might say this is marvellous, and along the chain, the people who bought and sold made money. My direct question to the Government is: do they have a mechanism to trace what happens to the properties after they are sold?

A couple who operate in the Ashford area own 1,000 homes, which they rent out. The argument is that there are people who need housing and the people that they house, in the main, are immigrants, families who have difficulty getting on to a housing list and so on. They not only have in their portfolio 1,000 units, but they are preparing their portfolio for sale. In an article that I read—a copy of which I am glad to give to the Minister—they say they have already decided to sell their portfolio, and they have had estimates of £100 million for their property.

I simply say to the Minister that he and his colleagues should think very hard about the fact that these houses were built in order to accommodate poor people who were living in dreadful, overcrowded conditions. Twice in my time as the Member of Parliament for Edmonton, I left my surgery, sat in my car and cried because of the conditions—twice in 10 years. A home, a house, which you can call your own is priceless in that situation.

We need to understand that people are ruthless in lining their own pockets. It is now 30 years since I was the Member of Parliament for Edmonton, and in my time evidence was already growing in the Tottenham, Enfield and Southgate area that what I would call villains were at large and causing mayhem among people who were desperate. The Government should at least be able to tell me that they are monitoring the situation. At one time, there might have been one or two people with a portfolio of 10 or 12 houses, which they were entitled to, but the man from the couple I referred to earlier—I will not give a name—says that if tenants have more than two children, if they are on a

zero-hours contract, if granny moves in or if they are on housing benefit and at risk of not paying the rent, then they are going to evict them. Here you have a situation where people are evicted, under the law, from their home, for which they paid rent. We are not talking about a few pounds' rent: some people pay £200 a week and are assisted by all sorts of government agencies.

One end of this is now being looked at very closely thanks to my noble friend Lord Rooker—Jeff—and then there is the other end of it. One can ask what Labour did in the 13 years that we were in a position to do something about it. I am afraid that housing in this country is in a mess and has been for a very long time. If the Minister wants to make a name for himself, he ought to be telling me and other noble Lords that there is a solution. There is no solution, because it is so difficult, but I wanted to put on record the fact that housing is the greatest single cause of unhappiness in our communities. I rest my case.

1.18 pm

Baroness Stern (CB): My Lords, it is always a pleasure to follow the noble Lord, Lord Graham of Edmonton, who brings a wealth of experience from a lifetime trying to better the conditions of disadvantaged people in this country. I also thank the noble Lord, Lord Rooker, for initiating this very worthwhile debate and for introducing it so effectively.

In my view, corruption is one of the most damaging of the many current ills of the world. I come to this from what I know about the other end of events—those events that lead to corrupt money being used to buy luxury homes in London. I am thinking of a country I know where the people are very poor, and where in the winter, when it gets very cold, they have electricity for just five hours a day, if they are lucky. I am thinking of the woman who opens a little shop to sell embroidered products, and she discovers that 25% of what she makes has to go to someone connected to the President's family, otherwise—although she is not doing anything wrong—her shop will be closed by the tax authorities.

I was very privileged to be at the founding meeting of the All-Party Parliamentary Group on Anti-Corruption in 2011, when John Githongo from Kenya spoke about his experiences from 2002 to 2005 as the Permanent Secretary for Governance and Ethics in the Kibaki Government. He explained why he eventually resigned, death threats being one reason; they were presumed to have come from those whose corruption was in danger of being uncovered by his office. Eventually he had to leave his country in a great hurry. He had a very powerful impact on his audience and on me, and subsequently I was privileged to become an officer of that APPG.

This debate provides a very welcome opportunity to thank Transparency International for this excellent report, which was so ably introduced by the noble Lord, Lord Rooker. It also provides an opportunity to show appreciation of the excellent organisations that highlight corruption, particularly Global Witness. Last year, the all-party group organised a visit for Members to the City of London Corporation and the City of London Police, and then a tour around the banks in

the City led by Stuart McWilliam from Global Witness. We gathered at the entrance of a number of the big banks, one after the other, and he listed for us all the on-the-record actions of each bank that had assisted corruption in other parts of the world. It was an eye-opener.

Central Asia is a part of the world I know quite well, and one sees there all the time the effect of corruption on the people and their everyday lives. That brings me to the core issue of the Transparency International report: houses bought with laundered money, corruptly obtained. Kyrgyzstan became an independent country in 1991. I was very lucky to be there at the second anniversary of that independence, and I remember well the atmosphere of hope and excitement, and the huge enthusiasm for being able to live in a different way. It is therefore very sad to read that their democracy has not had an easy path, and corruption has become a large problem for them.

The case of Maxim Bakiyev, the son of the former Kyrgyz President Kurmanbek Bakiyev, is an illustration. Maxim Bakiyev came to the UK when his father was ousted from government by a popular uprising against the corruption practised by the Government. According to Global Witness in its report, *Blood Red Carpet*, Maxim Bakiyev arrived in a private jet in June 2010, and in August he took up residence in a new luxury property in Surrey, bought for £3.5 million by a company registered in Belize called Limium Partners Limited. At that time he was apparently under an Interpol red notice because of his role in the corruption case going through the courts in Kyrgyzstan. Apparently he has been living here ever since. Belize is one of the secrecy jurisdictions referred to in Transparency International's report, so we do not know for sure who, ultimately, owns the company Limium, but Global Witness claims that the evidence that Bakiyev is the beneficial owner is overwhelming and it is highly probable that the money with which the house was bought is linked to the large amounts that left Kyrgyzstan corruptly during the Bakiyev years.

The case of Maxim Bakiyev's house in Surrey has been exposed. This happens rarely. We know about the Hampstead home of James Ibori, a former state governor from Nigeria, and about Saif Gaddafi's property, also in Hampstead, which was recovered by the Libyan Transitional Government. We know that 80% of the 76 homes sold in 1 Hyde Park were bought through anonymous companies registered in tax havens. The director of operations of the Metropolitan Police Proceeds of Corruption Unit has said:

“Properties that are purchased with illicit money, which is often stolen from some of the poorest people in the world, are nearly always layered through offshore structures”.

The UK is 14th in Transparency International's corruption perception index. That is quite high—although we should note that there are 13 countries better than us—but we have to ask ourselves how far what we do in this country adds to the corruption in other countries. The Prime Minister said at the recent G7 meeting:

“Corruption is the cancer at the heart of so many of the problems we face around the world today. ... Our efforts to address global poverty are too often undermined by corrupt governments preventing people getting the revenues and benefits of growth that are rightfully theirs”.

[BARONESS STERN]

Corruption is also a contributor to the disillusion with politics that we now see; a disillusion that can have dangerous consequences. John Githongo, the Kenyan campaigner, talking recently in South Africa, said that it is decades of corruption in Kenya that has prevented Kenya establishing an effective security sector, thus leaving it vulnerable to terrorist attacks. We in this country should be doing everything we can to prevent corruption. We should be making it much more difficult for London to become the place of choice for those with ill-gotten gains to invest, or to come and live in houses bought with ill-gotten gains. As the noble Lord, Lord Rooker, has said, we should therefore look very carefully at the thoughtful and detailed recommendations set out in the Transparency International report. I endorse his welcome for what the Government have already done and I hope we shall hear from the Minister that they will do more.

Finally, it is most welcome that DfID funds the Metropolitan Police Proceeds of Corruption Unit, which is shortly to be incorporated into the National Crime Agency. I understand that there are concerns about that. Can the Minister offer reassurance that the reformed Proceeds of Corruption Unit will have enough investigators to pursue corruption cases adequately?

1.28 pm

Lord Watson of Invergowrie (Lab): My Lords, I declare an interest as a member of the All-Party Parliamentary Group on Anti-Corruption. We have two debts today that I would like to refer to. One is to Transparency International UK for compiling the report that is the basis of today's debate, and the second is to my noble friend Lord Rooker for enabling it to have this airing.

I begin with a quotation:

"Corruption is the cancer at the heart of so many of the problems we face around the world today. ... Our efforts to address global poverty are too often undermined by corrupt governments preventing people getting the revenues and benefits of growth that are rightfully theirs. Corruption undermines the wider global economy too. Cutting corruption by just 10% could benefit the global economy by \$380 billion every year—substantially more than was estimated for the Doha Trade Round".

Those words were taken from a blog that appeared in the name of David Cameron in the *Huffington Post* on 6 June. The Prime Minister, whose record of speaking out on this issue I have praised before and whose determination to make meaningful progress in tackling corruption I do not doubt, followed up by highlighting corruption in his speech to the G7 summit in Germany, calling for world leaders to take corruption more seriously, particularly in the wake of the FIFA scandal.

Corruption is a major contributor to global poverty. The opaque way in which companies are structured is more often than not at the heart of how illicit flows of capital are facilitated, either through tax evasion, money laundering or outright corruption. The cost to developing countries of this behaviour is quite staggering. It has been estimated that they may lose as much as \$150 billion annually in tax revenue, a figure greater than the entire global aid budget. A World Bank review of 200 big corruption cases from 1980 to 2010 found that more than 70% relied on anonymous shell entities. Company

service providers registered in the UK and its Crown dependencies and overseas territories were, to our shame, second on the list in providing these shell entities. The European Commission estimates a cost to EU member states of around €120 billion each year—that figure has some resonance this week because, as talks continue in Brussels to resolve the Greek debt crisis, it is pretty close to what the Greek Government are seeking in debt write-off in return for an agreement on whether their country remains within the euro.

In the UK, the Financial Services Authority estimated two years ago that more than £50 billion was being laundered within and through the UK every year. This figure, allied to the statistics contained in the TI report, illustrates that the Prime Minister needs to focus some of his attention on tackling corruption closer to home. As we have already heard, there is growing evidence that the UK property market has become a safe haven for corrupt money stolen from around the world, facilitated by laws that allow UK property to be owned by the secret offshore companies to which I referred. The Government need to act quickly to interrupt these flows of money and bring to an end the UK's growing—and surely unwanted—status as the destination of choice for global corruption.

As mentioned by my noble friend Lord Rooker, some relatively simple measures could be taken, such as the Land Registry requiring transparency over who owns companies that own so much UK property. Estate agents' anti-money laundering responsibility could be extended to include due diligence checks, ensuring that the purchasing company has declared its beneficial owners and that appropriate checks have been carried out on those individuals. I have no doubt that there would be resource issues should such measures be implemented and that estate agents would be keen to hear what the Government had to say about that, but I believe that the Government should be willing to underwrite any additional costs and see them as an investment for greater long-term gain in terms of the country's reputation.

Another recommendation also mentioned by my noble friend Lord Rooker that I believe ought to be considered concerns the introduction of unexplained wealth orders. I find it difficult to understand why there is no power in UK law to require owners of unexplained wealth involved in a suspicious transaction to prove that the source is legitimate. Such legislation would require the owner of unexplained wealth to prove its legitimacy when a questionable transaction was identified. Failure either to respond to such an order or to provide an adequate response, together with the initial grounds for suspicion, could then be used to facilitate a civil recovery process against the asset. If the Minister does not believe that this would assist in the Prime Minister's clear aim of challenging corruption, I would be interested to hear why. The scale of the problem of corruption and the breadth of the deficiencies in the current anti-money laundering system demand serious consideration of alternatives.

Finally, the Government must demand that the overseas territories and Crown dependencies adopt public registers of the true owners of companies registered in their jurisdictions. This needs to be done as a matter

of urgency. I was dismayed to read the response of the Minister earlier this week to a Question from the noble Lord, Lord Avebury, on this subject, in which he stated:

“The UK Government continues to engage actively with the OTs to encourage them to make improvements to their AML and CTF regimes in line with the international standards ... However, the OTs are separate jurisdictions with their own democratically elected governments and changes to their regimes will ultimately be a decision for the locally elected government of each Territory”.

That is not an adequate response. It is simply not in the economic interests of the overseas territories to comply with the demands made on them. I understand that but it does not mean that they can be allowed simply to carry on as they have done for many years. Noble Lords may have noticed that three of the overseas territories were named in the US Department of Justice FIFA indictment recently: the British Virgin Islands, the Cayman Islands and Turks and Caicos—all tax havens.

Many of the offshore jurisdictions are theoretically under the influence of the UK Government but no British Overseas Territory has yet accepted the Prime Minister’s call at the G8, two years ago, for public transparency about who owns companies and trusts. Indeed, many have yet to show a genuine attempt to resolve money-laundering risks presented by anonymous owners hiding behind companies registered in their territories. The Labour Party had a commitment in our election manifesto to compel the overseas territories and Crown dependencies to address wider money-laundering risks associated with anonymous companies in the UK. With determination, there are ways in which it can be brought about. I invite the Government to investigate that.

Commitments to take a stronger line on this were certainly given by the Government during debates earlier this year on what became the Small Business, Enterprise and Employment Act. That legislation requires a public register of the true owners of UK-registered companies and I very much look forward to the register becoming live. It was a welcome and significant step forward for corporate transparency but, as the Transparency International report shows, the UK property market remains vulnerable to the investment of corrupt capital due to the secrecy around the owners of offshore companies.

The Prime Minister has stated that he intends to put corruption at the heart of his agenda at the United Nations in September and at the G20 in Turkey, culminating in a major anti-corruption summit in London next year. The Government have just announced that Sir Eric Pickles will be their new Anti-Corruption Champion. It seems he will have a larger portfolio than his predecessor, especially with that anti-corruption summit in mind. I imagine that he will want to consider the recommendations of the Transparency International UK report in detail. I hope the Minister will confirm that he intends to meet Sir Eric as a matter of priority to consider the report and how he can contribute to the discussions on these crucial matters. The Prime Minister has raised consciousness of the issues surrounding corruption. The Government now need to follow through to bring about meaningful change.

1.36 pm

Lord Davidson of Glen Clova (Lab): My Lords, this is a timely and useful debate, prompted by my noble friend Lord Rooker, on the very useful work of Transparency International.

The impact on housing of houses being treated as a store of value—as my noble friend Lord Graham identified—is an important effect. The noble Baroness, Lady Stern, significantly refers to the source of corrupt funds, and how it can come down to individual lives, often in places far from the UK such as Kyrgyzstan. My noble friend Lord Watson of Invergowrie spoke eloquently on the scale of global corruption and its impact on the UK’s reputation. We on this side welcome the Prime Minister’s desire to,

“put fighting corruption at the heart of our international dialogue”,
and,

“do more to ... support the investigators and prosecutors who can help bring the perpetrators to justice”.

He is correct to build on the Bribery Act 2010, introduced by the previous Labour Government, which brought issues of bribery and corruption to the fore in the boardrooms of UK plc, and set a global standard in the fight against economic crime. Corruption, by its nature, is insidious, frequently leaving its victims unclear why they have suffered its consequences. Since the perpetrators have a direct interest in secrecy, society can be unaware of the extent of corruption in its midst. In the UK we tend to congratulate ourselves on being relatively free of domestic corruption, but we should recognise that this belief is not always justified.

The various reports of Transparency International identify a range of concerns about UK practices in areas such as prisons, politics and the arms trade. These are matters for concern. Over the last few years, a number of major UK companies have come under investigation by the US and Chinese authorities for practices that are—on any view—plainly corrupt. Corruption knows no borders and the international approach that the Prime Minister commends is correct. He doubtless embraces the anti-money laundering regime introduced by EU directive. The Government’s intention to strengthen, not gold-plate, our regime with a beneficial ownership register for UK companies is welcome.

Our money-laundering regime is subject to review by the Financial Action Task Force next year. The Transparency International report identifies real vulnerabilities in this regime, as I am sure that the Minister must agree. The UK’s own current review has, one trusts, already identified this and no doubt other areas of concern in our system—perhaps the widespread use of companies incorporated in British Overseas Territories. It would be encouraging if the Minister would share with the House what the review has exposed thus far and what action is being considered. I ask him to please do so. Plainly, the review is not yet complete but some indications of where it is going will be welcome. Anti-money laundering law is a central tool in the fight against corruption.

While no society is safe from corruption, no society finds the reduction, let alone the removal of corruption, an easy task. In the past, the UK rooted out corruption

[LORD DAVIDSON OF GLEN CLOVA]
in areas such as the Royal Navy, the judiciary and the Civil Service, but only after years of consistent effort. The task, however, is never finished. The principal tools for the task are political will and resources. There is, of course, no government leader who does not speak out against corruption, whether they are the embodiment of corruption themselves or its most stalwart opponent. Words alone do not suppress corruption. Therefore, action backed up by resources is the test of any Government's resolve.

Some positive indicators are available. The coalition Government's anti-corruption plan, which was published in December 2014, ambitiously set out 66 action points. Is the Committee to take it that Her Majesty's Government remain committed to executing this plan? Is, for example, the proposed offence of corporate failure to prevent economic crime to be implemented? Transparency International's innovative recommendation of unexplained wealth orders, as referred to by my noble friends Lord Rooker and Lord Watson, has many attractions. Does Her Majesty's Government agree the utility of such orders and will they introduce them?

Other questions are: will offshore companies be required to register the acquisition of at least some types of UK assets and their beneficial ownership? Will persons in the regulated sector conduct due diligence on customers? Will they require transactions to be reported to a central body? A reply in the affirmative to these proposals would encourage one to believe that political will is present. If that will is present, there could be no better signal than a commitment to increase substantially the resources for those investigators and prosecutors identified by the Prime Minister as bringing perpetrators to justice.

The Serious Fraud Office, a central agency in the fight against corruption, has seen a dramatic improvement in its effectiveness under David Green as director-general. But its budget in 2008 was £52 million: in 2015, its budget is £35.2 million, with the necessity of having to obtain ad hoc so-called "blockbuster funding" from Her Majesty's Treasury. Strong management and direction are to be applauded, but is this the best method of funding a principal agency? The National Crime Agency is also said to be lacking resources. Her Majesty's Treasury may have a view that contradicts this; perhaps the House may hear what it is. Has the notion of combining the Serious Fraud Office with the National Crime Agency been put to sleep or will the uncertainty of reorganisation, with its concomitant and inevitable disruption, continue to hang over these organisations?

In his international dialogue, it is significant that the Prime Minister can put the UK in the vanguard in the fight against corruption. While the UK's record is by no means spotless, its stance on the rule of law, both historically and to date, has international resonance. Leaving aside the Government's somewhat illogical antipathy to the Human Rights Act, the UK can be recognised as a real force for good in combating corrupt practices. Talk is cheap. To achieve this goal and to be taken seriously internationally, a well-resourced system of enforcement is essential. May the House have the undertaking from the Minister that his Government are truly committed to providing the necessary resources?

I would also welcome a response to inquiries that have been made by my noble friends Lady Smith and Lord Bach, as shadow Attorney-General, as to whether there is any UK investigation into British involvement in the allegations relating to FIFA. Is any response available, perhaps less gnostic than that provided hitherto, claiming awareness of the issue? I look forward to the responses.

1.45 pm

Lord Ashton of Hyde (Con): My Lords, I am delighted to answer this Question for Short Debate and I too thank the noble Lord, Lord Rooker, for securing it. I acknowledge the remarks made by him and other noble Lords about the Prime Minister's efforts in this area of corruption, both in the UK and worldwide.

Corruption, of course, is more than just about property and I would like to make some remarks about the Government's view on corruption generally. This Government recognise that corruption harms societies, undermines economic development and threatens democracy. As the Prime Minister made clear to the G7 last week, corruption is the cancer at the heart of so many problems we face around the world today, and again the noble Lords, Lord Rooker and Lord Watson, mentioned these remarks. The UK has robust anti-corruption structures and legislation in place and we know that the problem of corruption is relatively less serious in the UK than in most other countries, although the noble and learned Lord, Lord Davidson, did warn about becoming complacent in this regard. The impact of corruption in this country is disproportionate to the level and frequency at which it occurs, and often has serious ramifications in terms of public confidence across the public and private sectors.

Before I address the more specific issues raised in this report, I want to make it clear that the Government are absolutely committed to tackling corruption in all its forms. Our commitments in the Serious and Organised Crime Strategy to tackle criminal finances and improve our anti-corruption systems demonstrate our determination to make the UK a more hostile environment for those trying to launder their illicit money. As I am sure noble Lords are aware, this Government are doing more than ever before to tackle the blight of corruption here in the UK and around the world, the effects of which were elegantly highlighted by the noble Baroness, Lady Stern. In December last year, we published a cross-government UK Anti-Corruption Plan. It set out for the first time all the UK's activity against corruption: from preventing corruption in the first instance to taking effective enforcement action when it does occur, as well as increasing the protection of the public and private sectors. As has been mentioned, the Prime Minister recently appointed Sir Eric Pickles as the UK's Anti-Corruption Champion to lead and co-ordinate all anti-corruption efforts. He will be working across government to ensure that the commitments set out in our anti-corruption plan are fully implemented—an answer, I think, to the noble and learned Lord, Lord Davidson—and to make a real difference on some of the points raised today.

We already have some of the most comprehensive anti-bribery legislation in the world, and were recently judged by the OECD to be one of only four countries

globally which actively prevent bribery of foreign public officials. Where we have found gaps in the legislation, such as in relation to police corruption and participation in the activities of an organised crime group, we have brought forward new measures to address them.

As a centre of world trade and investment, we have a particular responsibility and incentive to ensure that our financial systems are not a safe haven for the criminal and the corrupt. In the UK's 2013 G8 action plan we committed to conducting the UK's first national assessment of money laundering and terrorist financing risk. This national risk assessment—mentioned by the noble and learned Lord, Lord Davidson—will be the first systematic assessment of threats and vulnerabilities in the UK. It will provide an evidence base to help the Government assess the effectiveness and proportionality of the current requirements, and we intend to make the findings available soon. We have already committed to producing an Anti-Money Laundering Action Plan to address the threats and vulnerabilities identified in the national risk assessment. We will carefully consider the evidence in Transparency International's recent reports as we formulate that action plan.

Turning to the specific issue of money laundering through the purchasing of property, we are also committed to ensuring that we maintain a proportionate and robust anti-money laundering regime. All estate agents must be registered under the Money Laundering Regulations 2007, and HMRC carries out compliance checks to ensure that estate agents are applying customer due diligence processes. HMRC is also working to educate the sector more and bolster businesses' understanding of their obligations under the Money Laundering Regulations. All banks, lawyers and estate agents are required by law to report suspicious activity to the National Crime Agency. We do have some concerns that the suspicious activity reports—SARs—regime does not work as well as it should, and think that information sharing between the private sector and law enforcement agencies could be improved. That is why the Government are reviewing the SARs regime in order to increase its effectiveness.

In the Serious Crime Act 2015, we have created a new offence of participating in the activities of an organised crime group, which came into force on 3 May 2015. This new offence targets those who help organised criminals with their criminal enterprises, and would include professional enablers such as estate agents, on whom organised criminals rely. From 2016 all UK companies will have to register their beneficial owners at Companies House. Where a property is owned by a UK company, information on that company's beneficial ownership will be immediately accessible, online and for free, once submitted in the register of people with significant control.

The Government are continuing proactively to lobby other jurisdictions, notably in the context of the G7 and G20 and through the Financial Action Task Force, to take equally ambitious action on transparency of company beneficial ownership. This applies also to the overseas territories and Crown dependencies. I will answer specific questions about those in more detail later. Following UK leadership in the G8 and G20, leaders committed in 2013 to implement fully the

international standards for beneficial ownership transparency and to submit action plans to this effect. The standard requires that information is available in a timely fashion for competent authorities. Central or public registries are one means of achieving this standard. The Government continue to encourage international partners to meet their commitments so that where UK property is owned by a non-UK company, information on that company's beneficial owners could also be quickly and easily obtained.

The noble Lord, Lord Rooker, asked specifically about overseas territories and Crown dependencies. The point was made that we could do more to make overseas territories and Crown dependencies have beneficial ownership records. We are working closely with the overseas territories and Crown dependencies. We believe that they have made significant progress on tax transparency. They have publicly committed to the transparency of company ownership. We believe that more has been achieved in the past year than over the past 10 years.

Lord Watson of Invergowrie: Perhaps the Minister can elaborate a little. He said that the overseas territories have committed to transparency on ownership of companies. I was not aware of that. I wonder if he could let me know—if not now, in writing—because if it is true, that would be welcome news and I am certainly not aware of it.

Lord Ashton of Hyde: I will let the noble Lord know in writing. I am relying on my brief on this—I am sure it is true, in that case. But I certainly will write to the noble Lord.

Bermuda already has a private central registry. Gibraltar will implement a central registry under the EU's fourth money-laundering directive. The Prime Minister has made it clear that he would like a publicly accessible central register of company beneficial ownership to be the new international standard. We would therefore like the overseas territories to match our policy. However, we respect the fact that the overseas territories and Crown dependencies are separate jurisdictions with their own elected governments who are responsible for fiscal matters. We want to continue to work in partnership with overseas territories and Crown dependencies on this important issue.

The noble Lords, Lord Rooker and Lord Watson, also mentioned unexplained wealth orders. We are always interested in proposals for new powers that will help law enforcement agencies and prosecutors to tackle money laundering, and will carefully consider Transparency International's proposals on unexplained wealth orders as part of the national risk assessment.

On the Government's response to recommendation 3, in Transparency International's report, for a supervisors' forum, supervisors already attend forums where cross-cutting issues are discussed. The next meeting of the supervisors' forum is on 5 November.

If customer due diligence cannot be completed as far as recommendation 2 is concerned, including identifying the beneficial owner, then the estate agent cannot do business with the prospective client.

[LORD ASHTON OF HYDE]

The noble Lord, Lord Graham of Edmonton, made some interesting points, mainly about housing policy rather than corruption per se. Buying and selling is legal and is registered with the Land Registry but, of course, if the behaviour breaks the law either corruptly or through intimidation then the full force of the law will be applied and the Government support that. Sir Eric Pickles will bear down heavily on any corrupt activity.

Lord Graham of Edmonton: Can the Minister tell me whether the phenomenon I mentioned of individuals buying up properties and misusing them is monitored by the Government? Can he indicate whether the Government intend to do something in the future?

Lord Ashton of Hyde: I will answer that in writing as I have only three minutes left. The noble Lord also talked about the mechanism to trace properties sold under the right to buy. We have a comprehensive anti-money laundering regime. Money laundering through property has been assessed in the UK's first national risk assessment, which will be published in due course.

Lastly, corruption in foreign countries was mentioned by the noble Baroness, Lady Stern. As noble Lords will know and as I think they have acknowledged, the Prime Minister has urged world leaders at the G7 meeting to tackle the cancer of corruption.

I hope noble Lords will accept that the Government are doing a lot despite the remaining problems. My time has nearly run out, so I am going to have to write to noble Lords in due course on the questions I have not answered.

1.58 pm

Sitting suspended.

Opinion Polling

Question for Short Debate

2 pm

Asked by Lord Lipsey

To ask Her Majesty's Government whether they plan to regulate the opinion-polling industry.

Lord Lipsey (Lab): My Lords, I start by welcoming the noble Lord, Lord Bridges, to his first debate in the Moses Room. It is a gruelling ordeal that he faces but I am sure he will come through with flying colours.

This is the first of two debates the House will be holding this week on opinion polls. Part two comes tomorrow on the Bill introduced by the noble Lord, Lord Foulkes, providing for the regulation of opinion polling. I understand that the noble Lord, Lord Foulkes, will be discussing in particular the polls and general election of 2015. That is a very hot topic and I look forward to contributing to the debate, which has attracted some distinguished and knowledgeable speakers. This afternoon I want to concentrate on something much

narrower: the increasing problem of polls conducted by pollsters that are designed to achieve only the results that those who commission them require.

Let me say straight away that many polls commissioned by bodies with an interest are scrupulously conducted. I am sure that that was true of everything done by the noble Lord, Lord Cooper, at Populus. As it happens, on the way in I was looking at a YouGov poll on immigration and it was scrupulous, with absolutely balanced questions. However, alas, other companies will stop at nothing to get the results the commissioner wants. I will concentrate today on one example, on which I wrote to all Peers on 27 March. The company concerned is ComRes and the poll was on mitochondrial transfer. It figured largely in the House's debate on the subject on 24 February. Replying to that debate, the noble Earl, Lord Howe—for whom the adjective "saintly" might have been invented—was uncharacteristically fierce. This is what he said:

"My noble friend also referred to the ComRes poll and suggested that we had somehow unfairly dismissed it. The ComRes poll was commissioned by the CARE organisation—Christian Action Research and Education—which I understand opposes the introduction of mitochondrial donation. An evaluation of the survey was conducted by Pier Logistics and Gene Rowe Evaluations. The evaluators considered the survey to be a deeply flawed piece of work. They criticised the intentional use of what they described as, 'sensationalist, inflammatory and misleading language to characterize the debate'. There was also considered to be, 'An unreasonable degree of selectivity within respondents' informational options'"—

that means what respondents were told—

"and the intimation of an exercise focused on the generation of self-ordained results'"—

in other words, what pollsters wanted.

"The evaluation summary commented that the survey was, 'a good example of poor public consultation'".—[*Official Report*, 24/2/15; col. 1621.]

I agree.

Now, I have some experience of polling. I advised Jim Callaghan on polls. Unfortunately, he did not take my advice to go to the country in 1978—otherwise who knows what might have happened to history since? I commissioned polls for the *Sunday Times*. I was a member of the advisory committee of NatCen, an academic pollster, and I am co-chair of the All-Party Group on Statistics. I believe in polling. Good polling can contribute to public policy-making in a democracy. But it has to be good polling and this ComRes poll is not good polling. It is polling ruthlessly designed by an organisation driven by faith—that is, CARE—and a polling company driven by greed to get the answers it wanted.

Moreover, ComRes has previous in this field. CARE again asked it to design a poll showing public opposition to the Dignity in Dying campaign and the Bill it was promoting. I remember being involved at the time and, again, twisted questions were shamelessly paraded in a bid to persuade policymakers that the public was opposed to legislative change. This kind of polling is not helpful to anyone. Classically, when I wrote to ComRes to say that I was approaching Peers about its poll, which I have already discussed, its reaction was to threaten me with legal action. That is not how debate should be conducted in a democracy.

So what should we do about this? One thing would be to leave it to the market. ComRes has been well and truly rumbled on this occasion, and its reputation will suffer as a result. I hope that I have had some success in persuading noble Lords not to agree to participate in future ComRes polling—I certainly will not myself after this experience. In any case, any organisation thinking of commissioning the company will think twice, because it will know that, again, it will be a twisted poll and will be the subject of ridicule by Peers, MPs, and even journalists. It is of some consolation to me that the mitochondrial poll, which was much quoted in our debate, received practically no national press publicity. I think that that was because the questions were so blatantly loaded that even without careful study it was obvious that it amounted to nothing. However, I do not think that relying on the market is good enough—not all such crooked polls will be as easily identified, other firms may be tempted down the ComRes route, and propaganda dressed as evidence may become endemic. Therefore, some form of regulation is required.

Unfortunately, existing regulation is inadequate. Faced with the ComRes poll, my first thought was to appeal to the British Polling Council—surely that is what it is for. But it is not. The British Polling Council is a perfectly good organisation—I am thrilled with the inquiry it has set up into the failings of the polls during the general election, so I do not criticise it—but its remit is incredibly tightly restricted. It makes sure that polls publish the questions that they ask—the size of their samples and the techniques they use, which is of course a very good thing—but it does not have any rules that dictate that the questions must be fair and not loaded, and so it is inadequate.

I turn next to the Market Research Society, whose slogan, with which I strongly agree, is “Evidence Matters”. The rules at the MRS are not very specific, but there is a general principle that:

“Researchers shall protect the reputation and integrity of the profession”,

on which I have hung my complaint. However, it must be said that by no means all polling companies are members of the MRS, so I have had to find an individual member within the company I am complaining about, Mr Andrew Hawkins, the chairman—who is a member—and that way I am able to pursue the complaint. I will see how I get on; I do not wish to prejudge that in any way. However, that does not amount to an adequate system of regulation.

One alternative would of course be direct state regulation—it would be easy for people reading the terms of my question to think that I am in favour of that—but despite the wording of the question, I rather hope that the Government are not contemplating statutory regulation, at least for now.

This is about what would be effective. If you put in statutory rules—I know this, having been on the Financial Services Authority, which has incredible powers; there are papers 12 miles thick—companies then set out to find ways to evade the regulations. Again, as we know, in the area of financial services they have been pretty effective at it. What is needed in the polling industry is a change of culture—or rather the culture that is

applied by the best should be applied to the whole industry and not be circumvented by Johnny-come-latelys, those on the make, and so on.

A change of culture is more likely to happen if it is done by self-regulation, where you are judged by a group of your peers, rather than by imposed external regulation. Ideally, therefore, I would like to see a self-regulator modelled on the Advertising Standards Authority, on whose council I was once privileged to sit. I know that my noble friend Lady Hayter has reservations about the ASA; that is because all my complaints are upheld and all hers are turned down, to summarise in shorthand. Seriously, however, it does have the respect of the advertising industry and the public, and I believe that most people have confidence in its rules.

Maybe goodwill will triumph in this, or maybe it will not, with companies such as ComRes willing to stoop low to make a quick buck and continuing to prosper. I do not know why the noble Lord, Lord McColl, says, “disgraceful”. He will get a chance to make his own speech; if he wishes to defend these practices, he can do so then. It would be a sad outcome if companies such as ComRes triumph, and this is where the Minister comes in. As I have said, I do not look to him to promise state regulation—I hope that he will not—but I look to him to express ministerial concern and to urge the industry to consider its own regulation. If the industry had the impression that if it did not act the Government might have to consider doing so, it would be a very good thing and would get the right kind of self-regulation in place.

2.10 pm

Lord McColl of Dulwich (Con): My Lords, I think it was generally accepted that the 2015 election was not the pollsters’ finest hour, although I have to admit that I, too, got it wrong: I predicted to my friends a Conservative majority of 20, so I was out by eight seats. The vast majority of companies in the industry predicted the vote shares of most of the parties correctly within the margin of error, and several were within the margin of error on all vote shares.

The British Polling Council and the Market Research Society were exceptionally fast in, first, recognising that things had not gone as well as they should have, and, secondly, in setting up a comprehensive review under the auspices of Professor Patrick Sturgis at Southampton University. That review has yet to hear evidence—its first session is actually tomorrow—so we should not prejudge its outcome.

That said, the vast majority of polls during the campaign pointed to a much closer result than we eventually saw and it is right to consider the implications of that variance. Establishing a regulatory authority to regularise question wording and sample design, far from increasing the accuracy of polling, has the potential to compound the problem further. All scientific inquiry relies on a cycle of experiment, evaluation and modulation. Polling firms ought to be encouraged to experiment with novel methods and trial their own question wording and sample design, rather than being prevented from doing so. It is also in their commercial interests to try to out-compete their rivals and develop more accurate methods, and we ought to cheer them on as they do so.

[LORD McCOLL OF DULWICH]

With regard to a ban on publication of opinion polls before elections, we should remember that it is voters, not polls, which change election outcomes. A ban would not prevent such polls from being conducted; rather, it would lead to a small number of wealthy individuals and organisations being the only ones with privileged information, leaving the wider public at a disadvantage. Even if we wished to deny voters access to this type of information, in the 21st century it would be impossible to do so. The internet makes a mockery of enforced censorship. We could try to emulate the practice of North Korea and prevent our own citizens having information which is so freely available throughout the rest of the world, but it simply would not work. Political bloggers such as Guido Fawkes use servers in countries such as Ireland and the United States which the Government could not block even if they wished to. British voters would therefore be left open to the unchecked rumours and misinformation that would result from such a ban.

The idea of a voluntary agreement not to publish is interesting, but I suspect that it would ultimately be doomed to fail. The question of who enters into the agreement is fundamental. Even if all the established members of the British Polling Council agreed not to publish polling in the final week before an election, it would not prevent new entrants and overseas pollsters doing so.

The polling industry may be licking its wounds but I do not doubt its integrity in seeking honest answers from the post-election inquiry. We must be able to hear the results of that and understand what went wrong before leaping for the statute book. We are privileged in this country to have a polling profession which, through the good offices of self-regulatory bodies such as the British Polling Council, is clearly committed to transparency. That is quite a rarity. In the United States, for example, voters have access to a far poorer quality and quantity of information about individual polls. The industry here ought to be commended for its transparency. Our role should be to recognise and encourage that and to find ways of enabling more and greater competition to encourage greater accuracy.

I am concerned about what has been said about the ComRes polling for the charity CARE in relation to the proposed three-parent, pronuclear and maternal spindle transfer techniques. In addressing this subject I should declare an interest: I have worked closely with CARE over the years. It has provided me with invaluable assistance, especially in relation to my human trafficking Bill. Criticism of this polling seems to hang very much on a report commissioned by the Wellcome Trust—one of the principal advocates for changing the law to permit the controversial procedures—to critique some of the polling in question. That report is deeply flawed in four respects.

First, and most importantly, the report criticises the polling against benchmarks that would be appropriate only if a deliberative public consultation was being discussed, in which lots of background information could be provided. Both more deliberative public consultation exercises and polling have their place and their respective strengths and weaknesses, but to critique

one against the standards of the other is to make a very basic blunder. While deliberative public consultations can contain lots of information and nuance, and can in turn receive lots of information and nuance, polls cannot do so. The questions have to be relatively short, and as long as they can provide a range of responses other than simple yes or no answers, the responses are predetermined.

The CARE poll questions were designed very obviously to measure public opinion on pronuclear and maternal spindle transfer as these were defined in common parlance by the media, which spoke almost universally about “three-parent embryos” and “three-parent children”. Far from it being inappropriate to design questions reflecting that terminology, it would have been illogical and poor research practice not to do so. Moreover, as a matter of scientific fact, the designations “three-parent children” or “three-parent embryos”, while disliked by some, were not inaccurate, in that the resulting children will have DNA from three rather than two parents.

The aim of the questions has also been misrepresented. Their aim was first to track basic attitudes in response to the information gleaned by the public through the media, and, secondly, to test responses to a range of arguments both in favour of and against permitting the procedure. This is basic standard practice in any campaign. The purpose of testing arguments in favour of the procedure is to understand which of one’s opponent’s arguments are the strongest and which are the weakest. The purpose of testing arguments against the procedure is to recognise which arguments are the strongest for CARE itself to deploy. Publishing all the results was not an attempt to distort public discourse but rather to ensure that CARE and ComRes were compliant with the British Polling Council requirement for full transparency.

Secondly, the report objected to the polling on the basis that it had been commissioned by an organisation opposed to the introduction of PNT and MST. I found that rather odd. Most polls are commissioned by organisations that want to test public opinion to see whether it fits with their own position. To suggest that this is somehow inappropriate is to misunderstand polling completely. Indeed, the point has been made that the report commissioned by the Wellcome Trust has been commissioned by a body with a very clear agenda. The irony of its position, however, does not seem to have occurred to it. None of us approaches these things from a position of value neutrality. For the record, as a doctor, I am very much opposed to the use of pronuclear transfer but am more open to the use of maternal spindle transfer. Thirdly, the report seeks to criticise the polling on the basis of an assessment of the press coverage secured, which is entirely irrelevant to the efficacy of the polling in question. Fourthly, the report lays great stress on stakeholder interviews but is entirely lacking in transparency. Parliament has looked at these matters and decided what it has to do.

In conclusion, I state that ComRes did not threaten to sue the noble Lord, Lord Lipsey, but the noble Lord, Lord Lipsey, pointed out to it that he intended to have a debate in your Lordships’ House, which would, of course, be privileged.

Lord Lipsey: May I just correct the noble Lord? He said that ComRes did not threaten to sue. It said that it was taking legal advice and would take what legal action was recommended to it. If that is not a threat to sue, I don't know what is.

Lord McColl of Dulwich: It said it would defend its position, which is not quite the same.

2.20 pm

The Lord Bishop of Derby: My Lords, I want to look at opinion poll industry regulation in a general way, rather than focusing on a particular case, as the noble Lords, Lord Lipsey and Lord McColl, have done.

In the spirit of the Motion I am going to offer an opinion. My first point is about opinion itself. Opinion is, by definition, fragile and changeable. It is lite—that is L-I-T-E, for *Hansard*—and that is very different from attitudes and prejudices, which are firm and more long-standing. We live in a time of opinion, when people just tweet things without much thought—bang, out goes the view. Very few people now are paid-up members of political parties, unions or churches because they want to live in a freer world of opinion, not of attitudes and prejudices. That means that politicians and churches, but also pollsters, have to work a lot harder at trying to capture what is in our minds, because we live in this world of opinion. It means that opinion polls are inherently inadequate in giving an objective view, because they are not dealing with objective elements in people's minds. We have to be very careful in trying to regulate something that we cannot control or weigh the expectations of very easily.

I want to look at the 2015 election, which seems to have raised a lot of questions about the polling industry. This illustrates my point about the nature of opinion and how fragile and shifting it always is. I invite noble Lords to think about the difference between being asked to answer a set series of questions and going into a particular context—a booth in a polling station—for a private moment of making a decision with a pencil and a piece of paper. They are very different moments of the mind, of engagement, of thoughtfulness. The attempt to correlate them by the opinion poll industry will therefore always be rough and inexact. We have to be careful about comparing and assuming a necessary correlation between the views expressed when there is a set series of questions and voting and acting privately in a particular moment.

Like religion, politics requires an extended conversation that helps opinion find its place in a bigger scenario. That is why good politics, like good religion, works through conversation. In theology, when we try to interpret the word or words, we practise what we call hermeneutics. Some of your Lordships will know that Hermes was the Greek messenger god—the god of travellers, because there is movement, and also the god of thieves, because there is sometimes destruction and disruption. Real meaning and values in human life come from conversation that is extended, set out and developed, and within which people have opinions. We are influenced by forces that are not easily measurable by one set of answers in any one moment, because we

are influenced by our intuitions, feelings, hopes and fears. Those things do not fit into a person's predetermined set of questions captured in a moment, which we have to answer in a way that is measurable alongside the answers of others. The material that the pollsters are dealing with is inherently unstable, developing and very difficult to capture.

Therefore, it was rather inaccurate when one of the commentators said that,

“the 2015 election was a collective failure for the British polling industry”.

It is enormously self-indulgent to think that. The 2015 national election and the difference from the polling industry was not a collective failure of the British polling industry. It was a victory for voters, free speech and free thinking, and for having the opportunity to be free and to make a decision in a moment that counts, and not being held to account by a predetermined set of questions that some pressure group or interested party has asked the voter to engage with—as the noble Lords, Lord Lipsey and Lord McColl, said—for their own advantage and benefit rather than for what the political process is all about. Sometimes we need to wait for freedom to be expressed and to emerge. We cannot capture it when it suits a particular group at a particular moment for a particular set of phone calls.

My opinion is that we should let the polling industry do its best. I would categorise it more in the realm of entertainment than science. It is helpful, people enjoy it and it is useful but we need a sense of proportion. I think it will always be a sideshow to how freedom operates and human beings coming to a mind and collectively expressing that.

2.26 pm

Baroness Hayter of Kentish Town (Lab): My Lords, like the right reverend Prelate, I will keep more to the May election. ComRes has been mentioned quite a lot and I read just after the election that it said that it had had been a,

“difficult few days for pollsters”.

They should have tried being in the Labour Party. The nub of the problem is that the pollsters got it wrong, as in 1992 when I experienced the same 10 o'clock shock. I was sitting alongside the then deputy leader of the Labour Party, Roy Hattersley, whose minder I was at the time. I had anticipated him being Home Secretary within a few hours. So I am a bit bitten by this.

While 1992 and 2015 may have been bad for business for the pollsters, it raises bigger issues for the country and for those seeking to run it, if the publication of misleading polls alters voting behaviour. Of course, in moments of loss such as I and my noble friend went through that night, we activists feel that blow, and we are reminded of course of Bertolt Brecht's “Die Lösung”:

“Nach dem Aufstand des 17 Juni”.

Yesterday, therefore, was the anniversary of when the country,

“Had forfeited the confidence of the government”,

making the solution,

“for the government to dissolve the people and elect another”.

The temptation to do that on 7 May was great.

[BARONESS HAYTER OF KENTISH TOWN]

However, the more serious question posed by my noble friend Lord Lipsey is serious, albeit that he has concentrated on a different variety of polling: namely, that commissioned by or for a particular campaign, often with loaded questions. He is, of course, one of the most experienced in the field, having studied, used, commissioned, interpreted and reported on polls since I first worked alongside him in 1970.

The problem we discuss today is an old one: whether our reliance on soothsayers and fortune tellers, or indeed bookies, can affect our actions or policies. Pollsters are not soothsayers, but because of the role that they play in how we as politicians frame our campaigning and even our policies, and in how voters choose to vote, there is a special responsibility on them to raise their game, as there is on the media that report them.

My noble friend brilliantly covered the traps and shortcomings of some polling. While we acknowledge that the polls have often been accurate, today's debate is about where the sampling, the methodology or the questions failed the industry and the body politic. I would worry about any pre-approving of sampling or other methods, as this could stifle innovation and lead to even more clustering or huddling. I also cannot see that there can be acceptable or, perhaps more importantly, unacceptable questions. However, there is some urgency to improving the industry, especially before we face the first recall ballot for an MP, where, in a single constituency, a vote to trigger a by-election could be heavily influenced by some local—and possibly shoddy or loaded—polling.

However, I wonder whether the industry has the appetite to do more itself. Has enough yet happened in the way of peer reviewing its academic approach in order to raise standards or to guard against the drive for cheap, headline-grabbing polling, undertaken for commercial rather than democratic gain? As my noble friend suggested, I do not perhaps share his faith in the ASA model, but I share with him the desire for improvement and for the industry to take a long, hard look at how it produced its figures.

However, that is only part of the story. As the right reverend Prelate suggested, we also have to look at how polls are reported, not only by newspapers but by radio and TV, which sadly too often take their agenda from the papers and can make the poll a lead story rather than background intelligence. We should also look at how this translates on the doorstep. Part of my own shock at the 10 pm exit poll came from the fact that I had mostly been campaigning in London, where my own experience pretty closely reflected that of the published polls and therefore gave me too much confidence that they were right elsewhere. I would be interested to hear from experienced campaigners outside London whether their feel was different from the published polls and whether voters' responses appeared influenced by their expectation of the outcome.

The opinion poll inquiry has, I think, been called comprehensive. Sadly, I do not find that. It is very UK-focused, as if we have nothing to learn from elsewhere, and also misses the input of candidates and campaigners; and indeed of journalists, who may have

tales to tell of how they were given the data—exactly when, how close to when they had to use it and with what spin. There is also the question of the degree to which news reporting and the polling were so intertwined that there was no independent review between one activity and the other. As the noble Lord, Lord McColl, noted, the inquiry will be holding a public meeting tomorrow afternoon, I think at the Royal Statistical Society. I hope that some of those wider questions can be posed there.

The issues raised today are important—perhaps too important to be left to pollsters. I congratulate my noble friend Lord Lipsey on initiating the debate and on sharing his considerable expertise. I look forward to the thoughts of the Minister, who—I told the House this last week but some noble Lords may not have been there to hear it—placed a bet 12 months ago on a Conservative majority of 12. Perhaps we should just replace the pollsters with the Minister.

2.33 pm

The Parliamentary Secretary, Cabinet Office (Lord Bridges of Headley) (Con): I am very grateful to the noble Baroness for that introduction. Sadly, no one has come to me asking for my services, although my son keeps asking me to partake in the National Lottery each week, as he is sure I can win. I also congratulate the noble Lord, Lord Lipsey, on securing this debate and am very grateful for the other contributions, which were very interesting. Indeed, this has been a very thoughtful debate, although a short one. I am delighted that we have risen above the sterile argument about regulation, good or bad, although I will touch on that.

The noble Lord, Lord Lipsey, has, as the noble Baroness said, extensive experience of polling and psephology, and I certainly cannot claim to rival that. However, he and I do share the honour—I think I am right on this—and probably the scars of having worked in the back rooms of Downing Street, only to be handed our P45s by the British people. My noble friend Lord McColl and I were there in 1997, so we all know what it is like—this could turn into a bit of a group therapy session—when you are desperately hoping that the polls are wrong but they turn out to be right; or, as in this case, not quite so right.

It strikes me that the noble Lord's speech in this debate has focused on one particular aspect of opinion polling—the methodology—and in particular those polls that are deliberately designed to get the answers wanted by those who commission them. I do not want to get too much into the details around the ComRes issue; if your Lordships do not mind I would rather rise above that and just talk about broad issues.

Let me start by putting the noble Lord's mind completely at rest by saying that this Government have indeed no plans to regulate opinion polls. I am delighted that there has been an outbreak of consensus on this point. Many of your Lordships would agree that statutory regulation is not the answer to the issue that we are concerned about: accurate opinion polling. There is widespread agreement that opinion polls lubricate political debate. They help to get that debate moving and to air views, and regulation of any form of opinion

polling would put us on a slippery slope towards an unwanted intervention in free debate, benefiting only those with deep pockets who could afford their own polls, as my noble friend Lord McColl so rightly said.

Touching on a few of the points that I think we will discuss in tomorrow's debate on the same issue, the power that a regulator would yield would be entirely disproportionate. It would end up sanctioning research which could then be portrayed as the official point of view. I have no idea how this would work during a general election. Would it be banned? Would the regulator be asked to adjudicate on which questions were permitted, the methodology and so on? Also, what is the scope of this regulator? While those of us within the bubble of Westminster are fixated on political polls, as I am sure your Lordships are aware the vast majority of pollsters' business is with commercial entities who want to test what consumers think. Just think about this—you would have a cat food television advertisement that would read, "Nine out of ten say their cats prefer it, as certified by the Consumer Research Authority Cracom", or words to that effect. That would be disastrous and a slippery slope. It would be unwanted regulation of business and bad for democracy. Is this necessary? I think not—but no doubt someone can produce an opinion poll to show whether it is.

As regards innovation, a number of your Lordships picked up on what I think is a key point. Regulation would threaten the debate and innovation on which polling depends. Polling is similar to that most dismal of sciences, economics. It was famously asked of the economics profession, why did they not see the crash coming? Yet despite this collective failure, no one has yet called for statutory regulation of economists—I do not want to put ideas in your Lordships' heads. This is because we understand that the technical problems inherent in economic forecasting cannot simply be regulated away. We know that improvement will only come through intensive research, open debate and rethinking of old assumptions. I would argue that it is just the same with the science of public opinion polling—a point that the right reverend Prelate the Bishop of Derby spoke eloquently about.

As the noble Lord, Lord Lipsey, well knows, this science is a far more complex business than simply phoning up random members of the public and asking what they think. Samples have to be weighted and there is no consensus about the best way to do this, obviously. Surveys have to take account of cognitive bias, and methodologies are constantly being tinkered with and adjusted. Indeed, there is a certain amount of competitive edge that companies have within that. I was particularly struck by the right reverend Prelate's saying that asking someone how will they would vote days before a general election can have some bearing on how they actually behave when they enter the polling booth—picking up that little stubby pencil, their hand hovering over the box and then saying, "Actually, I am going to put my cross here". To compare those two thoughts and those two reactions to the question is very difficult, and this is exactly what I hope the Sturgis inquiry into the last election is going to get to.

This brings me to the question of conflicting polls—one poll suggesting the public support something and another poll suggesting they oppose it. My response is, as a number of your Lordships have been saying, let us interrogate the methodology and debate the issue further, and then let the public decide. This, I would argue, is what freedom of speech and expression is all about. I strongly believe that the public—aided by a free press and vigorous debate in Parliament and elsewhere—can smell a dodgy poll. As the noble Lord, Lord Lipsey, said himself, the poll he is concerned about seemed to receive very scant coverage or mention in your Lordships' House during the debate.

If people discover that a poll is dodgy, there are means of making complaints, as the noble Lord, Lord Lipsey, is now following. However, I would further argue that just as frightening from the pollsters' perspective is the route that ends by being placed in the stocks of public opinion, and the shame of one's work being lampooned and castigated by the public. Having read the weighty analysis of the poll on the parent embryo survey and what has been said about it, my strong sense is that this remains perhaps the best route to address the noble Lord's concerns, despite what he says. It is not for me to say whether the self-regulatory bodies should do more, but if I were in their shoes I am sure that, in light of this debate and others about polling, I would want to take note of what the noble Lord is saying.

This brings me to self-regulation. I declare that in the private sector I did not just place bets, as the noble Baroness predicted, on what I thought a company might or might not do; I actually commissioned a number of opinion polls from reputable companies on issues that were of relevance to private companies. In my experience, great care was taken by pollsters to ensure that no question was seen to be leading or partial. Any suggestion from me or anyone else in the organisation I was representing that a question was, and it would be rejected and changed.

I endorse the comment of the noble Lord that the vast majority of opinion-polling companies abide by the rules and standards of the Market Research Society and the British Polling Council. One has to ask why these companies do so. It is clear that there is a simple reason: it is in their interests to ensure that their research observes the letter and, crucially, the spirit of the code of practice, and that they are seen to be asking balanced questions and presenting answers in an impartial way. Only then does their research command the respect of politicians, the media and, in turn, the public.

Furthermore, the industry fully understands that transparency and trust go hand in hand. Members of the British Polling Council must already publish their results in full, with the questions exactly as asked, a description of the sampling methodology, the raw unweighted data and, crucially, the name of the client commissioning the survey.

On the specific point the noble Lord, Lord Lipsey, has been addressing about the assembling of the questionnaires themselves, if he or anyone else who is interested cannot sleep at night they might turn to

[LORD BRIDGES OF HEADLEY]
the MRS's guidelines for questionnaire design. It is a nice, weighty document of about 28 pages, which states:

"Members must take reasonable steps to ensure ... that participants"—

that is, those who opinion pollsters are polling—

"are not led towards a particular point of view".

This applies to the objectives of the research, and to structuring and writing questionnaires. I am sure these guidelines will be taken into account in considering the issue the noble Lord raised; as he himself said, let us see what happens.

Moving on, all this shows that like any other business or service, the polling industry's prosperity is built on trust. If opinion polls are to be taken seriously, people—be they the public, journalists or your Lordships—must trust them. If opinion polls become a laughing stock, pollsters go out of business. Why would anyone commission research if they feel they cannot trust the results? This is why, as my noble friend Lord McColl and other noble Lords have mentioned, the polling industry is undertaking such a thorough investigation of what happened at the general election. It is in not just our interests but its own that it does this. It is just as concerned as everyone else to get to the nub of what went wrong. As has been mentioned, the inquiry's first evidence session is tomorrow.

To my mind this is the right response to a poll failure—a transparent review of what went wrong, followed by innovation and experimentation. The methodology has to be, and be seen to be, robust so we all await the result of this autopsy with interest. I trust that the noble Lord will make his voice heard in this inquiry, and that it will be heeded. Furthermore, the noble Baroness made a number of interesting points about the inquiry taking on board experience from other countries.

Government regulation certainly would not solve many of the issues relating to methodology that the noble Lord mentioned. Regulating the industry would simply centralise the debate and decision-making process, with no guarantee that the challenges surrounding sample size, questions and so on would be overcome. A statutory regulator would be too slow and unwieldy to respond to the innovation and change brought about by big data, cognitive psychology and the digital revolution. Indeed, it would be an analogue solution in a digital age. Crucially, such regulation could—and in my view definitely would—stifle the very debate that opinion polls seek to inform. That is why government regulation is the wrong answer to the right question—a question about conduct and methodology. It is a question that the noble Lord has every right to highlight, and the existing self-regulatory bodies have every reason to heed. The Government do not plan to regulate the opinion polling industry. As Walter Bagehot wrote, and I am sure the noble Lord will say:

"The place of nearly everybody depends on the opinion of everyone else".

Whether the decision not to regulate will have an impact on the place of government, I am not sure; I suspect we would need an opinion poll to find that out.

2.45 pm

Sitting suspended.

Environment: Gardens

Question for Short Debate

3 pm

Asked by Baroness Jones of Moulsecoomb

To ask Her Majesty's Government, in the light of the Royal Horticultural Society's report *Why we all need Greening Grey Britain*, how they will address the impact of the increase in paving over front gardens, and whether they plan to change the regulations and development rights relating to front gardens.

Baroness Jones of Moulsecoomb (GP): My Lords, this is one of those problems that individually, or each time it happens, seems almost inconsequential but which, cumulatively, can have the most enormous impact on cities, towns and suburbs. I hope that noble Lords have all read this report by the Royal Horticultural Society, which is—I think quite ungrammatically—entitled *Why We All Need Greening Grey Britain*. Each front garden that is paved over will increase the potential for disaster when it comes to flooding and various other problems that we already face. We have to ask ourselves whether we can afford the situation where 3 million front gardens in the UK are now paved over, three times more than 10 years ago. The report highlights that trend and explains some ways to put it right.

Yesterday, at mayor's question time at City Hall, Boris Johnson said that it was a sad phenomenon that so many front gardens are being concreted over. When I asked him to back my call for a comprehensive review of the planning laws relating to front gardens, he said that he was receptive to further discussions. I have no idea what that means but I will try to push it forward. Noble Lords engaged in this debate today will be lobbied, I imagine fairly seriously, by the Royal Horticultural Society, because we should all be concerned about this, particularly as most of us are resident in London at some point in our lives.

The paving over of front gardens has happened because people increasingly want to create a parking space or to cut garden maintenance, as everyone now is short of time and short of energy. However, while they are solving what they perceive to be one set of problems—lack of time or space to park their car—they are creating a multitude of new problems that we, as public servants, have to be aware of and take responsibility for.

It is inadequate planning laws that are allowing this to happen. After the 2007 floods, the Government quite rightly, in 2008, changed planning laws to encourage the use of permeable materials in front gardens to prevent surface water run-off. That was a good idea. However, given that since then half of London's front gardens have disappeared under paving or tarmac—a

36% increase in 10 years—it is obvious that planning laws are not working. I would argue that they are now increasing the risk of local flooding.

In addition, the general permitted development planning rules for front gardens do not put any value on protecting or supporting wildlife habitats, reducing the urban heat island effect or trapping pollution from roadside vehicles. Plants, particularly trees, hold a lot of the soot—especially that from diesel vehicles—which everyone knows is a real problem in most of our cities and which causes all sorts of concomitant health problems for the general population, particularly for children and adults with any sort of lung problem. This is a missed opportunity. If we do not use plants to improve the quality of our lives or of our urban environments, we are missing opportunities to do that.

We need to tip the balance of legislation to favour front gardens dominated by rain gardens, open deep flower beds, lawns and green open spaces, and to discourage paving of any kind. Any paving we do have ought to be permeable and kept to an absolute minimum, because even permeable paving does not allow for very heavy rainstorms. Having no paving is preferable.

Hard surfaces also contribute to an urban heat island effect. They soak up heat during the day, particularly at this time of year, and release it at night. Increasing the amount of paving means that we are exacerbating that heat island effect. It means that our nights are much warmer and that people do not sleep as well. It also increases heat stress for people and animals. London, for example, is already 10 degrees hotter than the surrounding green belt on summer nights. A lot of the things that I am describing do not seem that bad—we all like warmer temperatures—but it increases problems for people.

Paving over areas is accelerating the loss of wildlife and habitat. It is not only our health and well-being which suffer but animals. Many of us keep domestic pets, but it is also about the insects that we need, the bird life and even the foxes. It is every sort of animal that we care about. As much as 60% of UK wildlife species and natural habitats are already in decline, even before we take into account the impact that we are having. Losing 3 million front gardens to concrete or tarmac means that there are far fewer places for birds to nest and insects to feed. I think that there is a strong case and appetite for change but, until now, the cumulative effects have not been recognised in the way that the report describes.

It is an issue that we can adopt across parties. Every single party could sign up to this, because it is in essence common sense to protect ourselves from future problems. My political party tries to look ahead and solve problems before they happen; that is, not to allow them to happen at all. It is wonderful that an august body such as the Royal Horticultural Society has actually done that. It does not talk about changing the regulations but about practical solutions that people can adopt; for example, using gravel or permeable surfaces. It also suggests some planting ideas. Plants are particularly good at pushing down, so that when the rain hits the earth it can go much deeper.

However, quite honestly, these wonderful ideas for voluntary action are simply not enough, and it is now time the Government of the day took the initiative and simply stopped people using impermeable paving on their gardens.

3.07 pm

Baroness Fookes (Con): My Lords, I declare two non-financial interests: first, as co-chairman of the All-Party Parliamentary Gardening and Horticulture Group and, secondly, as a very long-standing member of the Royal Horticultural Society. It has been on this call for about 10 years to my knowledge, but it has stepped up the campaign in light of the increasing worries which have been so ably set out by the noble Baroness. We owe her a debt of gratitude for raising it at this point and bringing it to the attention of everybody who may read this debate but, above all, that of Ministers, from whom we look for some action.

I am all for planning controls, but we have those already. My worry is whether they are enforced and whether there are the staff to carry out all the detailed inspections that would be necessary. I am not sure what offence might be committed and therefore what penalty would be incurred and whether it would be sufficient.

I looked up one or two statistics and was horrified to discover that in London the loss of front gardens is equivalent to 22 Hyde Parks—Hyde Park is enormous. That gives an idea of the scale of what, as the noble Baroness rightly said, seems very small and inconsequential to the individual householder who thinks that he will do a little bit of concreting-over to place his car there. I gather that in the north-east of England, research carried out by the Horticultural Trades Association and the RHS found that nearly a quarter of gardens had been completely paved over, with the inference that many more were largely paved over. So we certainly have a problem.

I will not rehearse the very fine points made by the noble Baroness in her opening speech, save to say that there are some other worries. One of those, particularly in places such as London where there is a lot of clay soil, is that the temperature-enhancing effect she described causes a problem with subsidence. This was pointed out by the manager of Halifax insurance services, a person who should know that this can cause serious problems. It is a very real worry for householders if anything goes wrong with the stability on which their homes are built. That is yet another reason for being concerned about this.

My own feeling, as a very keen gardener, is that we should be encouraging people to take steps to work in another way so that they have room both for their car—that is the predominant reason for this happening—and for a little bit of garden as well. The Royal Horticultural Society has been very good about describing the various ways in which this could happen. It starts, very sensibly, by suggesting that a person who wants to make hardstanding for a car should look at their garden, decide where the car needs to be and work from there in order to put the hardstanding—ideally with a permeable membrane or surface—where the car's wheels are actually going to go. This is particularly

[BARONESS FOOKES]

relevant in very small front gardens. Then they can have ground between and beyond the wheels that will take small plants and make it very much more attractive.

There was a wonderful example of what can be done at this year's Chelsea Flower Show, where great attention was given to a delightful front garden, complete with space for the car. It used quite a lot of Welsh slate—which allowed water to sink through, which is so important—but with very attractive plantings put here and there where the car was never going to go. It takes some imagination and some thought but if the Royal Horticultural Society and the Government were to approach it from this angle, we would be far more likely to get results than from a simple crackdown, which people may well resent and which may well not be enforced. I hope that anyone in government listening to this will try to suggest this as a co-operative way forward—I sum it up as more carrot than stick.

It is also true that we need to preserve wildlife, particularly the bee population. Those who are interested in agricultural matters will be aware that there are some real problems with declining bee populations, which has a massive impact on crop growing. Gardens, including back gardens, are a massive resource for bees and other pollinating insects. Again, gardeners could be encouraged, by choosing plants carefully, to grow flowers that will last a long period of time so that insects are able to pollinate over a much longer period. They could also choose plants that are simpler in their structure so that it is easy for bees to pollinate. I am not sure my noble friend sitting next to me would agree, because it is always exciting for breeders to develop more and more exotic flowers that are more complicated in their structure, but we know that very simple flowers make it very much easier for the bees to pollinate.

That would be an added bonus. There is also a bonus for householders. There seems to be plenty of evidence that houses with front as well as back gardens, and that look attractive and are in tree-lined streets, are very much more likely to sell at a good price than those that are completely concreted, grey, dreary and altogether miserable. It would certainly influence me, and I think that it influences a lot of people. So I believe that we can sell this to the general public by saying, "You will, in all probability, enhance the value of your property if it is nicely presented".

I am sure, too, that local authorities, as well as central government, can be of great assistance in this. I looked up on the internet—via the wonderful Google—and saw that Richmond upon Thames Council has some very good advice on how to enhance properties and on what it would look for, in which it sets out good standards rather than just a series of prohibitions. If more town councils were minded to take that attitude, I am sure that it would be for the better. I agree that Richmond is a very salubrious and attractive area, but if that council sees fit to do it, how much more important it is for perhaps less well-endowed towns and cities to do the same.

Last year I went with the All-Party Gardening and Horticulture Group to see how the City of London is dealing with all sorts of odd spaces, as well as the

more major ones. It was quite surprising how it had used all sorts of strange little bits of land to put down trees, shrubs, flowers and so forth, making it much more attractive. It had even made a most attractive little park at the side of St Paul's Cathedral, where there had been a rather gloomy old car park. So it is possible for local councils and city councils of all kinds to set a good example. People tend to follow suit. Just as we find that where people are allowed to litter, more litter goes down, so it works in reverse: if you have good examples all around you and the neighbour down the road is doing very well, it is far more likely that we will get a far better landscape in which people will be far happier living and working.

There is good medical evidence that people's health and well-being are greatly improved when they are in happy, green surroundings. If that is not enough to convince people that this campaign is well worth pursuing, I shall be very disappointed.

3.17 pm

Lord Skelmersdale (Con): My Lords, follow that, as they say. I, too, congratulate the noble Baroness, Lady Jones of Moulsecob, on bringing this report from the Royal Horticultural Society, *Why We All Need Greening Grey Britain*—the website says simply "GGB"—to our attention so quickly, only a month after its publication; would that everything in politics happened so quickly.

First, I should declare a sort of interest. The first and probably the best investment I ever made was to give myself a present on my 21st birthday. I was already well into my horticultural training by then so I spent £120 on a life membership of the Royal Horticultural Society. When I say that today's annual subscription is £41.25, I think that your Lordships will agree that that was, and still is, enormous value for money. I also admit that my wife was a trustee for 11 years and is still a member of one of its committees.

That said, I have two regrets today. I mean no disrespect to the Minister, but to me the whole foundation of this report is environmental, not the built environment, for which she is probably partly responsible—certainly today she is. Whether my noble friends Lord Lawson and Lord Ridley are right or wrong when they say that global warming is happening much more slowly than we are told by some—probably most—scientists, there is no doubt in my mind that climate change is very much with us. You need to look only at the precipitous rainfall we have had—and the flooding that has resulted—over the past few years. This brings me to my second regret. At least in part, the report is shutting the stable door after the horse has bolted in regard to the impermeable paving of front gardens in our towns, cities and, as the noble Baroness said, suburbs to provide off-street parking for thousands of cars. This is increasing every year, as the extensive Library brief shows.

In the past two days I have seen two very different types of these paved areas. Last night I was in a house in Chelsea Harbour, which, although it had no front garden, had a back yard. This was closely paved with cement between the concrete slabs. Mercifully, at the back, there was a three-foot wide bed, marked with

what looked very like coal, through which were growing two cyclads and what appeared to be a phormium. At the back of the bed was a fence, beyond which was a line of horse chestnuts—planted some 20 years or so ago, I would guess from their girth—on the edge of a deep ditch running down to the river. I do not think that the developer thought much about all this but, although not ideal, we can hardly complain.

The evening before, I was entertained at Kew Gardens. Having just been in Copenhagen—visiting, among other things, the longest herbaceous border in Europe—I was interested to see the Broad Walk, as it is known, with its borders on either side. I was told that, when completed, it will be two metres longer than the one in Copenhagen—a sort of horticultural one-upmanship, or perhaps today I might say keeping up with the Joneses. The point of this description is that the very wide and long Broad Walk has just been resurfaced, not with concrete or even tarmac, as it would have been in years gone by, but with the kind of bonded gravel that you see around street trees in London. It is a hard-wearing surface—and, most importantly, permeable—so the run-off will be practically non-existent; it will not wash away the light topsoil of the beds on either side.

As both noble Baronesses have pointed out, it can be done. As I have said, the problem is that far too many front gardens have been concreted over. The report indicates that this practice has escalated dramatically over the past few years—would that we had this report 10, or even five, years ago. It is all very well that permeable covering of front gardens does not need planning permission any more, but does anyone ever check? Perhaps my noble friend the Minister will respond to that point.

I am not critical of the whole report. The title is very apt because many of our towns and cities are indeed grey and the RHS is right to say that there are many things homeowners can do to correct this. A plant or a pot containing plants in the corners where cars cannot reach, or a wall shrub climbing up the house or along the fence, would have two effects: it would not only beautify the site—perhaps even making the house more valuable when it comes to be sold, as my noble friend Lady Fookes said—but, more importantly for all of us, it would lock in the carbon dioxide that we are all so afraid of.

The problem is that there is little the Government can now do. They could continue with their policy of making it the norm to have permeable paving by means of sticking to the current planning regulations but, again, it is all very well to be allowed to do these things but does anyone bother to check when the homeowner does not? I am afraid that this would be too little, too late, although not for the thousands of new gardens that I am sure have been concreted over.

Again in the excellent brief from the Library, I saw that the RAC Foundation has pointed out that almost 7 million front gardens have been concreted over. My noble friend the Minister will talk about all sorts of things—not least, perhaps, the conurbation of Bolton, which is included in the criticism that we have made of concreted-over front gardens—but can she tell the Committee how many of the 7 million will have

“concreted”, for want of a better expression, front gardens? Will the Government insist on a planning regime which continues to mandate permeable surfaces? For now, though, I am afraid that the horse has bolted.

3.25 pm

Lord McKenzie of Luton (Lab): My Lords, I, too, thank the noble Baroness, Lady Jones, for the opportunity to debate this important issue. It has brought a focus to a growing problem which, frankly, might otherwise have passed us by. It may well have passed me by without the opportunity to concentrate on it and understand some of the issues. It reminds us of why such issues matter.

The scale of the problem is covered in the report of the Royal Horticultural Society and has been outlined by the noble Baroness, Lady Jones, and others. We share those concerns. As we have heard, three times as many front gardens are now 100% paved over compared with 10 years ago—a staggering increase; over half the total surface of front gardens is hard surfacing; and one in three front gardens have no plants.

I gently make the point at this juncture that the concept of a decent house with a front and back garden is still not the experience of many in our country. Too many still live in grotty accommodation or languish on waiting lists, with the prospect of a decent home but a dream.

We know that this increase in paving comes with environmental risks, especially increased flash flooding, because there is no grass or soil to soak up the moisture. This means that the moisture and the pollutants it has collected runs off the paving into the drainage system, putting pressure on that system and toxins into the water supply.

We have heard that this is not only an environmental issue but a life issue. Plants and trees not only provide a place for birds to nest and insects to feed but supply oxygen while absorbing carbon dioxide. Grass will absorb noise pollution. There is also the aesthetic aspect.

If we put this in context, a publication from the Committee on Climate Change, included in our Library briefing, reminds us that increased flood risk is the greatest threat to the UK from climate change, a point acknowledged by the noble Lord, Lord Skelmersdale. Flooding on the scale experienced recently has become more likely as a result of the concentration of greenhouse gases in the atmosphere. This raises macro issues of flood management which are largely beyond the scope of this debate. However, it adds to the urgency to seek to reverse the trend we are considering today. We should be mindful of the fact that the serious flooding in 2007 caused an estimated £3 billion-worth of damage.

Whatever the issues, we know that paving over of front gardens is putting pressure on our drainage systems and contributing to the risk of flooding. It is not only flooding: hard surfaces collect vehicle pollution such as oil, petrol and brake dust, which is washed into the drains and hence into our rivers and streams. We know that this is a particular issue for London because of the flash flooding washing sewage into the

[LORD MCKENZIE OF LUTON]

Thames and the associated health risks. The Thames Tideway Tunnel project seeks to ameliorate the effects of that.

If we are to change the situation, we need to be cognisant of what is causing this trend. It is not rocket science. The causes include an increase in the number of cars on the road—I think there are now more than 38 million vehicles—with the congruent ensuing pressure on parking; the decline of rural bus services, which means that, for some, ownership of a car is essential; multiple car ownership in households, some in neighbourhoods which were built before there was any realisation of the scale of the growth in car ownership; difficulty in parking close to one's home; and concerns over safety when walking back home late at night. For disabled people, these problems can be compounded, particularly where there is inadequate on-street parking provision for them.

The problems are further compounded by garages attached to houses being converted to living space as a cheaper alternative to moving or trading up—another manifestation of our housing crisis. Of course, then there are the changes to home ownership and the break-up of council estates where failure to manage gardens could have been a tenancy issue. We also have the rise of “generation rent”, with its short-term horizons, which does not inherently encourage the enlightened tending of what gardens may be available.

It is suggested there are other factors as well, such as TV programmes encouraging patios. Perhaps the Minister will let us have the Government's view on whether they see this is an issue. We would suggest that the reduction in funding for local authorities is also a factor, leading to fewer resources to maintain the cultivation of roundabouts and pockets of public land, as was mentioned earlier; the loss of floral displays, which brighten and encourage communities; and the demise, certainly in some areas, of the “In Bloom” competitions, which were an encouragement to neighbourhoods to plant their front gardens. Not all, of course, have been replaced by community and voluntary effort.

Lack of resources also impacts on the capacity of planning departments to advise on and enforce the planning regime—in particular, the changes to the 2008 permitted development rights, as discussed, under a Labour government, which were a tightening of the regime. This allows new or replacement driveways of any size if permeable surfacing is used; otherwise, the covering of a surface of more than 5 square metres where there is no run-off to a permeable area requires planning permission. Can the Minister help us with any data about compliance with these regulations and, crucially, say whether there are any data on their enforcement?

At a macro level, we hear concerns about underinvestment in flood prevention and the increased risks of avoidable flood damage, and concerns that financial pressures have led to funding provided by Defra to lead local flood authorities being diverted to other council services. Does the Minister have any information for us on this matter and the extent to which it might be happening?

The report of the Committee on Climate Change reminds us that the Environment Agency has 40% fewer staff than in 2010 to advise local authorities and developers on planning applications. For example, 12,000 minor applications in the flood plain did not receive site-specific advice in 2013. The 2014 progress report reminds us that traditional piped-sewer systems cannot readily be adapted to deal with increased rainfall and that sustainable drainage systems can reduce the quantity or speed of the run-off flowing into the sewer systems. Provisions in the Flood and Water Management Act encouraged sustainable drainage systems to be the default option in new developments and redevelopments, but aspects of the Act, particularly on national SuDS, as they are referred to, and connection to public sewers, have been delayed. Can the Minister tell us whether these have now been implemented, and if not, when this will happen?

The briefing material provided for this debate makes it clear that there is not an inevitable contradiction between getting a parking space into the front garden and keeping some greenery. The report to which the noble Baroness referred sets out the variety of ways in which these requirements can be met, including the types of permeable materials which are least harmful. The planning portal also provides helpful guidance. This does not seem to suggest that the legislation needs to change; instead the current planning and building regulations perhaps need to be followed and enforced. However, we are certainly open to suggestions as to how these things might be amended and improved.

Much of this is a matter of individual responsibility, and it seems to me that there is a need for a public information programme which draws attention to what is happening and what might be done about it. There are some natural channels for this communication. For example, it could be done by local authorities when dealing with applications for dropped kerbs and crossovers. Perhaps more could be done via landlords' associations to raise the profile of the issue. We know that working with contractors can be difficult, given that they tend to be micro-businesses, which come and go, but there are trade associations that may help. There are things we can do that are not being done at the moment, but the noble Baroness, Lady Jones, has provided us with food for thought today and we should thank her for that.

3.35 pm

The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Williams of Trafford) (Con): My Lords, I thank all noble Lords who have taken part in this debate, but particularly the noble Baroness, Lady Jones. As we all know, she is the fully committed Green voice in the House of Lords, and we thank her for it.

I will go through the various questions and points that noble Lords made. The noble Baroness, Lady Jones, started off by talking about the cumulative effects of paving over front gardens—not just the odd one here or there. In fact, in bringing forward local plans now, local authorities should work with water and sewerage companies and other infrastructure providers to assess the quality and capacity of the infrastructure in question to meet the forecast demands.

The Environment Agency produces maps of areas susceptible to flooding—certainly I know a few near myself, for example, in Salford. These maps provide the basis for the strategic flood risk assessment, which local authorities should use in preparing their local plans. Even small development applications in flood risk areas should prepare a flood risk assessment and set out how risks will be managed. It is important that new homes are not brought forward where they would be at risk of flooding, unless they can be made safe and resilient—and without increasing flood risk elsewhere, of course.

Most noble Lords mentioned the balance between the off-street parking demand and the impacts it will have on the local environment; the noble Lord, Lord McKenzie, concluded by saying that there does not have to be a conflict between the two. However, on-street parking or parking on pavements can cause congestion, and, as the noble Lord also said, can be a hazard to disabled pavement users, pedestrians and other road users. The permitted development rights allow a householder to make use of their front garden, while at the same time ensuring there is a provision for surface water drainage; that is crucial as regards the flash-flooding events that we have seen so many times over the last few years.

The RHS report complements the permitted development right by offering ways in which the householder can maintain some planting while meeting their parking need. Its advice on paving front gardens supports the requirements of the householder's permitted development rights for hard surfaces. The RHS suggests that hard surfaces should be made of porous material, which many noble Lords mentioned today, and it gives several pieces of advice on what material might be appropriate. I heard the other day about a moss-type substance, which you can put in place of a hard surface on the drive; after you drive out in the morning it springs back to life again and is not affected too badly by reparking your car on it. So there are some very good suggestions; my noble friend mentioned Welsh slate, as well. However, if the surface is not porous, there should be a run-off to a porous or permeable surface in the garden, which could be a flowerbed, grass, or another greened area.

The Government take the issue of flood risk—which as we all know has been an issue over the last few years—and the idea of sustainable drainage, very seriously. There is strong planning policy and guidance on assessing, avoiding and managing flood risk for new development, as I mentioned earlier.

The noble Baroness challenged us on whether we had read the report. We have all read it, I hope. It is a very practical guide that we could all use. These things are applicable not only to government policy but also to the individual and how we all play our part in helping the environment and mitigating flood risk.

On permitted development rights and the permeable hard surface, if an area is more than five metres square, that hard surface is required to be permeable. The noble Baroness also talked about the heat island effect. Planning guidance on climate change advises local planning authorities, when preparing local plans

and taking planning decisions, to pay particular attention to integrating adaptation and mitigation approaches that will support sustainable development: for example, maximising summer cooling through the ventilation of buildings and avoiding solar gain, and by providing multifunctional green infrastructure which can reduce urban heat islands.

My noble friends Lady Fookes and Lord Skelmersdale and the noble Baroness, Lady Jones, talked about enforcement by local authorities. Local authorities, of course, are responsible for enforcement and can make householders take up paving and replace it with a permeable surface. I think that it was my noble friend Lord Skelmersdale who asked how effective enforcement is. I do not have figures to hand but if I can get them I will and I will place a copy of the response in the Library as well.

My noble friend Lady Fookes talked about the value of tree-lined streets and the idea of green infrastructure. I could not agree more. There is nothing more off-putting than a grey house without any planting at all. Trees really enhance the economic value of property, both domestic and commercial. You only need to look at places such as New York, which I think is one of the finest green cities—

Lord Framlingham (Con): My particular interest is trees but I have found this whole debate fascinating. I was once a Member of Parliament for part of Ipswich and most of it has been covered like this. It is very serious. It needs to be stopped somehow and my suggestion might be that we cannot ask local authorities to do too much. We heard from my noble friend Lady Fookes about the Chelsea exhibit, where you can park a car and have the porous surface and cars. Might it be an idea to encourage local authorities just to do one of these—one or two in specific areas—to show what can be done? People love to copy things and if they think it is all happening, they might well do it. That might just be a way forward.

Baroness Williams of Trafford: It is funny, because the next point I was coming on to make was that my noble friend also said that where there are good examples of what people do, others will follow. Certain local authorities see great value in planting trees and keeping the green environment in a fine state. I think local authorities can lead by example. Coming back to New York, it is one of the finest examples of a green city in the world and yet it is very built up as well—so you can do both. I do not think that we will introduce legislation to force councils to plant trees, but there is no doubt that where trees are planted you enhance the environment and people's well-being in every way. My noble friend Lady Fookes mentioned the health benefits. They are undeniable.

My noble friend Lady Fookes also mentioned clay soil drying and leading to subsidence. Building regulations now ensure that the design of foundations avoids subsidence problems in clay soil areas and building control bodies often have additional local requirements in this regard. But we need to use these permeable surfaces as run-offs in permitted development rights to help minimise those problems.

[BARONESS WILLIAMS OF TRAFFORD]

My noble friend Lady Fookes talked about biodiversity, which is absolutely right. It goes hand in glove with the health benefits and the whole appeal of an area. Our bee population will not survive in concreted areas. The noble Lord, Lord McKenzie, talked about the housing crisis. In fact, we have exceeded the target of 260,000 affordable homes and there will be £38 billion of public and private investment to help ensure that 275,000 new affordable homes are build during this Parliament.

My noble friend Lord Skelmersdale questioned whether this was an environmental debate or a built environment debate. It is probably more of the latter. I am happy to have responded in this debate and if I have left out any questions asked by noble Lords, I shall answer them in due course. I thank all noble Lords who have taken part.

3.45 pm

Sitting suspended.

EU: Asylum Seekers

Question for Short Debate

4 pm

Asked by Lord Dykes

To ask Her Majesty's Government what is their policy regarding possible proposals for co-ordination from other European Union member states regarding the rescue of Middle East and African asylum seekers in Europe.

Lord Dykes (LD): My Lords, I am very grateful for the opportunity to raise this important subject at this particular juncture, notwithstanding the fact that the Interior Ministers' meeting in Luxembourg yesterday finished without a definitive conclusion about what is to be done about this highly complex matter. I imagine, therefore, that the European Council will be following this up next week and the week after. I am particularly grateful that the noble Lord, Lord Bates—the Minister in charge of this debate today—has come to address us at the end. I welcome anything he can say that will give us guidance on what happened in Luxembourg yesterday and what looks likely to be the position in the future. This is an extremely worrying and very important matter.

I am equally glad that the noble Lord, Lord Bach, is the Opposition spokesman. He is the well-known chairman of the British Council All-Party Parliamentary Group and very knowledgeable on this subject. It is a very important subject because there is a drastic danger of a lack of a proper humanitarian response now because of the pressures, which are understandable. It is easy for people to dismiss those pressures—the fears of people in recession and austerity in different countries about their own jobs, families and livelihoods when they think that people are going to come into a country too easily without going through the proper immigration process—but they are entirely understandable.

I was very pleased indeed at Prime Minister's Questions yesterday when the Chancellor George Osborne—answering because the Prime Minister was abroad dealing with the other negotiations on Europe—and the right honourable gentleman Hilary Benn exchanged views. Mr Benn said,

“as more and more people gather in Libya to try to cross the Mediterranean, HMS Bulwark is doing an extraordinary job in rescuing frightened people. But we learned yesterday that its deployment is under active review”.

In response, Mr Osborne gave an assurance to Mr Benn that despite the fact that we have withdrawn support from Mare Nostrum—a very controversial and unwelcome decision, in my view—a continuing priority would be given to this. I was particularly glad that he said that,

“I can give the right hon. Gentleman the assurance that we will continue to play our full part in the search and rescue operation in the Mediterranean ... Taking people out of the water and rescuing them is essential—we are a humanitarian nation and we need to deal with those issues”.—[*Official Report, Commons, 17/6/15; col. 312.*]

But it seems worrying that HMS “Bulwark”, which came home only recently and has done a marvellous job rescuing quite a large number of people in a short time, is suddenly now to be taken off for some kind of maintenance. I would like an explanation of that.

Be that as it may, it remains very heartening that in this country a majority of the population questioned in polls and private polls say that they are in favour of us rescuing some of these very unfortunate people, according to a fair share to be worked out in the European Union. It did not help at all that the British Government gave the impression, before and after the election, that they did not want any of these people to come here—any at all. That then made it impossible for the other member states to do anything other than respond to their hard-line, right-wing, anti-immigrant and sometimes racist parties which were saying that they were also going to be difficult about it.

By the way, I happen to know the Italian ambassador in London, Signor Terracciano—an outstanding ambassador. I deliberately embarrassed him when I met him the week before last by saying that I would very eccentrically be tempted, with other colleagues in this place, to propose that the Italian navy and the Guardia Costiera—the coastguard—should be given the Nobel Peace Prize. I believe that since early 2014 the Italians alone have rescued 190,000 people, which is a fantastic achievement. That needs to be in the background when discussing this miserable matter. If the European Union, one of the wealthiest parts of the world, with 500 million people, cannot take in a relatively small number of genuine refugees—they must be genuine and they are, as far as I can tell, coming out of misery and some dying in the process—that is a very sad state of affairs. There is a danger—which I do not want—of Britain being a bad member of the EU club on this as on other matters. We have far too many opt-outs already, and we should be playing our full part in this and dealing with the other states.

In the mean time, the northern Italian states, bearing in mind their political complexions, are being very difficult about having too many migrants, as they put it. Greece is dealing with its own problem of survival

and staying in the eurozone, if it can. If the mighty European Union cannot help a small country such as Greece, that is a matter of shame, in my view. However, that is a different subject. Greece is now having to cope with people arriving on its islands. The numbers are not too large at the moment; none the less, they need help. I pay tribute to the Red Cross for its work both on the Greek islands and in the Italian rescue effort. Since then, there has been an attempt to bring about an agreed European Union solution, but we need to make sure that this is done properly and with great care.

This is a change of subject as it is a reference to immigrants in general. I was very impressed by my good friend Ken Clarke. Before Christmas, when there was a furore about there being too many immigrants and so on in this country, which I think is totally exaggerated and based on fantasy rather than fact, he said, “What’s all this fuss about immigrants? They make British society more exciting”. That is a pretty provocative remark to make when there is so much tension and there are so many reactionary views on this subject, but I entirely agree with him and understand what he means.

Coming back to the refugees, it was very interesting that a German spokesman specifically in charge of the whole crisis said in Berlin the other day, “We actually welcome a lot of the genuine refugees from Syria coming to us because of their skills and qualifications”. Germany’s generosity on numbers, followed by Sweden—a small country and also very generous—makes the numbers that we are proposing to accept a matter of shame for us. Once again, the Government need to apologise for having left the Mare Nostrum set-up, and I ask them to give us a proper answer about what they are going to do in the future to get back on track with the collective European Union effort.

That is the key point. Once member states start taking their own individual lines, refusing to deal with the others and saying, “We’re going to be the bad member of the club. We disagree with this”, the European Union comes under the usual pressures from its members’ own electorates—understandably—and the situation slides down into chaos, with nationalism, chauvinism and all the things that we do not want to see in this country and elsewhere in the European Union. The whole purpose of the European Union is that it is not only humanitarian but inter-national, inter-nation and inter-all the communities of the national, sovereign member states working together. We must get back to that. The United Kingdom has a lot of ground to make up to get back to that position, having trailed behind on so many issues recently, not least the rather bizarre negotiations that are now taking place on changing some of the terms of our membership. It remains to be seen what will be done about that.

The *Guardian* of 16 June contained the disturbing headline:

“EU states bicker over migrant quotas as thousands keep crossing Mediterranean”.

Of course, it is very difficult for them to get an agreement. Paragraph two of the article says:

“Brussels is struggling to effect a new quota system for sharing refugees, with EU interior ministers due to meet today—

as I said, that was yesterday—

“in Luxembourg ... But with tens of thousands pouring across the Mediterranean mainly into Italy, Rome appears outraged at the European infighting and is threatening to retaliate”.

This puts Signor Renzi and his Government in an impossible position. Britain started that process, I am sad to say. It was the first country to say that it did not want to take anybody, and has taken just a small number. That led to the rot setting in regarding the co-operation in this field that is necessary.

The article goes on to say:

“East European states reject the commission proposals, Britain and Denmark are opting out of them, the Germans support them, France and Spain are lukewarm, and Italy is furious that it may be left to deal with the tens of thousands arriving on its southern shores. If no equitable deal is struck to share the refugee burden, warned Matteo Renzi, the Italian prime minister, Rome would start issuing the migrants with temporary visas allowing them to travel elsewhere in Europe and would stop receiving the hundreds of boats arriving from Libya”.

Issuing those visas would be contrary to the Schengen rules and procedures, and that, too, would be a bad mistake for Italy to make. We need to make sure that this is all done in concert, with people working together and restoring the solidarity of the European Union when it deals with crises, and we need to make sure that the United Kingdom reverts to being a good and positive member of the European Union once more.

4.09 pm

Lord Marlesford (Con): My Lords, I thank the noble Lord, Lord Dykes, for securing this debate.

The key phrase he used was “small number”. That is simply not true: we are not talking about small numbers; we are talking about 3 million or 4 million refugees from the present conflict in the Middle East, and potentially millions more—probably half a million—waiting on the Libyan coast to be removed. The situation is wholly unsustainable as it is. It is not surprising that the members of the EU have rejected the EU quota proposals, because they are pure tokenism, pure gesture politics. If we talk about tens of thousands, or 100,000 or 200,000 in total, we are not beginning to scratch the surface. Let us look a little wider and a little more realistically at what has really happened.

The problem is that we have set up a system—absolutely rightly, as we have a moral and international obligation—to rescue people in peril at sea. People are put into small dinghies with outboard motors and enough petrol to get out to sea, and then, following a mobile phone call, HMS “Bulwark” or somebody rescues them. It would be more logical to send HMS “Bulwark” to Tripoli to transfer them. That is not the solution. The Prime Minister has made it clear that we have to break the link between getting on a boat and getting residence in Europe.

I strongly propose that we set up a new holding area somewhere in north Africa. Various countries have been mentioned, including Tunisia and Egypt. I favour Libya, which is already a failing state. We should not just set up a holding area but think a bit more widely and set up something that could one day itself become a state. I would call it Refugia, for want of a better name. It is not an EU problem; it is a UN problem, a world problem. We would need a UN mandate in the

[LORD MARLESFORD]

form of a Security Council resolution. The Security Council is the fastest legislature in the world; its resolutions have the force of international law. It would have to be negotiated with the appropriate country in north Africa. We would set it up and then it would need military help for its establishment, protection and guarding. That would probably best be done by NATO, again under UN auspices.

There have been many examples in history of democratic states emerging from temporary arrangements where other countries have a mandate to run some territory. This happened after the First World War with the dissolution of the Ottoman Empire and the creation of Syria, Iraq, Palestine and the rest. After the Second World War, Germany and Japan were run by other countries and eventually emerged as fully democratic states.

I suggest, therefore, that we have a holding area which people could be returned to or take refuge in and be properly assessed. Some may well be admitted to countries as economic migrants, refugees or asylum seekers. The main challenge, however, is to do it on a scale that meets the problem, which is enormous. The problem is caused largely by the growth of political Islam, a basically fascist organisation that is having a profoundly destabilising effect on the world. We must have a solution that is relative and relevant to the size of the problem.

4.13 pm

Lord Anderson of Swansea (Lab): My Lords, this is a human problem. The huddled masses are desperate individuals striving to escape civil war or to improve their own lives and those of their families. Some camps in north Africa will not solve that aspiration. We should not demonise migrants as if they were like a plague of locusts seeking to reach our shores. There is limited mutual trust and co-operation in the EU as the scale of migration increases, and co-ordination is clearly necessary. The Italian Prime Minister must have told Mr Cameron that it is hardly moral for us to rescue migrants, transfer responsibility for them to Italy and then perhaps in the same breath ask for Italian help on EU reform.

The questions include: can we distinguish those fleeing civil war from those whose sole or main reason is economic? What about those fleeing the environmental pressure of desertification or tyrannical government? How do we deter people setting out in the first place and deal humanely with those within our borders, including unaccompanied minors? It is difficult enough to deal with the symptoms and more difficult to deal with the causes.

On the causes, we can consider what can we do by aid or capacity-building or even, dare I say, by providing markets in Europe for agricultural products, but a comprehensive solution can never be found, as the US has found on its border with Mexico with the aspirations of those who see the good life in el Norte. Many wealth disparities will remain. Poverty will remain. The population explosion, particularly in the Sahel, will drive more migrants, and the Syrian tragedy will be with us for some time.

So far as the symptoms are concerned, dealing with downstream symptoms is marginally less difficult. We can hit the traffickers and their networks in source and transit countries and in the EU, but the trade is lucrative and there are many vested interests in north Africa. We can identify, capture and destroy vehicles, but there are formidable legal problems, and Russia will veto any Security Council resolution. Tackling piracy in the Gulf of Aden shows the versatility of traffickers. We can seek to deter migrants and perhaps establish camps, as the noble Lord, Lord Marlesford, said, but who can deliver? Libya is now in total chaos, with key parts of the coast in the hands of ISIL. Will we have to provide military personnel to guard the camps? Will permission be given?

I make my final reflection with some hesitation as it can easily be misused. There is a security dimension. At a NATO conference in Rome in April, a new concept was discussed: a new form of hybrid warfare labelled “refugee warfare”. An example is the tactic of infiltration into target cities in Iraq and Syria practised by ISIL. Nine French people have been suicide bombers in Syria and Iraq and that phenomenon could be imported, so I shall ask three questions. Is this new risk factor taken seriously by the European Union? If so, what steps is the European Union taking to co-ordinate a response? What liaison is there with NATO on the subject? We must remember that these are people in need, but we must also recognise that the endeavours of the European Union are likely to lead at best only to a partial reduction in the number migrants.

4.17 pm

Baroness Ludford (LD): My Lords, I thank my noble friend Lord Dykes for this debate. A commentator at Carnegie Europe recently said:

“The refugee crisis is just a part of a complex and massive public policy failure by the EU and its member states in the field of migration”.

It is hard to disagree. The symptoms are highly visible. The most obvious are the tragic deaths at sea, Hungary’s plan to erect a barbed-wire fence on its border with Serbia and migrants breaking into lorries at Calais. On that point, will the Minister say why those lorries are still not in secure lorry parks? We also see that the so-called European common asylum system is dysfunctional. It is not working. Can the record be improved in the short term through ideas such as the hot-spot approach of having EASO—the European Asylum Support Office—FRONTEX and Europol working on the ground with front-line states, or any other ideas for increasing reception-processing capacity?

In any case, the problem needs to be tackled much farther back in the chain. I am glad that efforts, not least in this House, to keep the UK a participant in Europol, Eurojust and a range of policing and criminal justice measures, succeeded. Will the Minister tell us what EU action is being taken, and what law enforcement action the UK is involved in against criminal gangs and smuggling networks? I think we all agree that action needs to be taken at source on the root causes. In the long term, tackling the sources of conflict, poverty and war will bear fruit. The UNHCR has today said that 60 million people are currently displaced

by war. I am very glad that Parliament committed to a 0.7% target for international aid. That is not only altruistic, it is also self-interest. But this is a longer-term strategy and does not deal with the immediate crisis.

I believe that we cannot see trapping people in Libya as a viable plan. They would be subject to all sorts of human rights abuses. We need safe and legal alternative routes for displaced and vulnerable people in need of protection to reach Europe. The UNHCR target is to ask the EU to have 20,000 people a year settled through resettlement by 2020. The alternative is to issue humanitarian or asylum visas in the home country. The UK is resettling only 750 refugees a year through the gateway protection programme and has resettled only 187 Syrian refugees. I cannot believe that the public would object to these people being directly resettled. Will the Government give more support to an EU resettlement scheme than they are able or willing to give to an EU relocation scheme for people who have already arrived in the EU? Will they at least give intellectual support, even as a non-participant, to the development of a rational, coherent EU policy on legal migration, given that the EU as a whole—if not this country—is in demographic decline?

4.21 pm

Lord Alton of Liverpool (CB): My Lords, like other noble Lords I shall speak briefly about the long-term and the short-term questions. Surely, the gravity of the situation is underlined by the speeches we have already heard during the debate, but by the statistics as well. Some 3,500 people have already been fished from the sea dead, with 1,800 corpses reclaimed in this year alone.

On Monday, I raised the situation in Eritrea. Last year, Eritrea and Syria accounted for 46% of all those fleeing over the Mediterranean. As the noble Baroness said, we have to tackle this problem at source but that is a long-term issue. What do we do in the mean time? I find it impossible to justify the 187 places for resettlement in the UK, as was just referred to, against Germany's 30,000, the Lebanon's 1.2 million, Turkey's 1.8 million and Jordan's 600,000. When the Minister replies, I hope that he will respond to the comments made by Sir Peter Sutherland, the United Nations special representative of the Secretary-General, who at the weekend rebuked us for not taking our "fair share" of refugees. I hope he will say whether he has considered the requests of the Refugee Council to consider legal avenues for refugees, such as humanitarian or asylum visas, and to look at ways to reunite families. I also wonder whether we have consulted with other Commonwealth countries about a more coherent international response. So yes, the European Union should be involved but the Commonwealth and the international community of the United Nations clearly should be involved as well.

At Prime Minister's Questions on 3 June, the Government said that "the vast majority" of Mediterranean migrants "are not asylum seekers" to give some justification for our not taking part in the EU quota system, but that is simply not so. Are we seriously saying that the UNHCR is wrong in insisting that those escaping from Eritrea or Syria are not

internationally recognised refugees? Those escaping from Eritrea are leaving a country which was designated by a United Nations commission of inquiry only a week ago as a country likely to be susceptible to crimes against humanity. Let us contemplate the fate of the Yazidis, the Assyrian Christians and those who have been abducted by ISIS in Libya as they have tried to escape and were beheaded, with another group having been abducted in the last few days alone.

In April, along with 12 other Peers drawn from across the divide, I signed a letter to the *Daily Telegraph*. We argued that creating internationally policed safe havens—a point made by the noble Lord, Lord Marlesford, in north Africa and the Middle East—would reduce dangerous sailings. Asylum applications could be assessed and repatriation organised where appropriate. We said that it was an urgent priority. It still is. The Government said that such safe havens would create magnets to encourage more people to flee from war, persecution or grinding poverty. But what is the alternative strategy? What exactly is our policy? Should we tell them to stay and be killed, raped, or persecuted; tell them that they can illegally board boats that will be blown out of the sea; tell them that if they reach Italy or Greece we will then slam our doors on them; or tell them we have no internationally agreed strategy for dealing with the immediate crisis or for resolving the conflicts which have driven them from their homes in the first place? That is not moral or legal and it is not worthy of our nation.

4.24 pm

Lord Desai (Lab): My Lords, let me move on from what people have said. I do not think that it matters very much whether we call them refugees, asylum seekers, or whatever. A lot of people want to migrate from where they are to where the economic prosperity is. That is not just a problem of Europe, where people are coming across from Africa or the Middle East; it is a global problem. There is the Rohingya problem; they are leaving Myanmar and ending up in Indonesia and Malaysia without any guarantee that they will be settled. If this is a global problem, it needs a global solution. It has to be tackled by the UN Security Council and the G20, because this flow of migrants will not cease. Even if we now share them equally and fairly, there will be the next share of a next wave of migrants because the world is very unstable, in both Africa and the Middle East, and people want to better their lives. They want to go where the prosperity is. The European Union should use its powers, especially the UK and France as Security Council members, to ask the United Nations to help us reach a global solution. There are countries that are sparsely populated—for example, Mongolia has only 2 million people. It could take 8 million and go up to 10 million. We should give them an economic incentive to accept refugees, because they are relatively less crowded countries. We have the problem that many people want to come here. It is a global and long-term problem that needs a global and long-term solution. The way we should do it is to make arrangements for people to be safely moved to countries that have agreed to accept them, and the countries that have agreed to accept them will get suitable aid. We can work on the short-term problems

[LORD DESAI]

of adjustment, because these people are going to cost us a lot of money anyway, so we may as well transfer that money to Turkmenistan and Kazakhstan, Outer Mongolia and Mongolia and so on. We can look at the map of horrendously sparsely populated regions. Even Australia has only about 20 million people—less than Mumbai—so you can imagine how sparsely populated Australia is. I know that Australia makes a lot of trouble about this issue. But we need to sit down and think of solutions in which the entire world takes part in solving this problem. It is not just a European problem, although it happens to be European because Europe is nearer to North Africa. But that is no reason why Europe should bear the burden of all these problems. I suggest that the Minister goes off and proposes this scheme, and maybe the Prime Minister can take a lead and we can get a global solution.

4.27 pm

Lord Higgins (Con): My Lords, Britain generally has a very good record on helping asylum seekers. I suddenly realised this morning that I am the only survivor of a three-man Cabinet committee which eventually persuaded the Government to accept the entry of Kenyan Asians who were being persecuted under Mr Amin. I must say that it was an extremely successful exercise because they have integrated in an extraordinary way. However, our record is not without some flaws. It was quite late that I discovered that, when war broke out in 1939, not only were Jewish refugees arrested and interned but the Treasury confiscated any assets that they had. It was decades later before I managed to persuade Margaret Beckett, who was very good on this, to get the Treasury to do something to try to repay the heirs and successors of those who had suffered in this way.

It is very important indeed that we maintain our good record on asylum seekers, but we have to face the fact that we now have an enormous problem compared with any previous situation that one can recall. It is not simply individual asylum seekers who are being persecuted, or identifiable groups, but a whole tranche of people who are being persecuted because war is taking place on their territory, and they are nowadays better able to move than they were before.

I am a little puzzled as to why this is a Home Office matter and why my noble friend is replying, since many aspects of it are clearly international. I am sure that he can assure us that there is adequate co-operation between departments. Essentially, the Home Secretary sought to set out a programme. The question I have is: are we making any progress whatsoever on the various proposals that she made? She said first that,

“separating the current essential search and rescue work from the process of gaining permission to stay”,

in the UK is essential. We should then seek to establish a safe landing area where we can separate economic migrants from genuine refugees. Have we made any progress in international negotiations in getting that done?

The crucial problem that we face is that the more we do to try to help the desperate people in danger in the Mediterranean, the more we are likely to encourage

them to come. We have to face this crucial problem. If they thought that, although they would be rescued, that does not mean that they then have free access to achieve the travel that they were trying to carry out; that is another matter. The two things are very much linked. It has to be: what do we do with those who are not genuine refugees and what do we do as far as that is concerned?

I have to say to my noble friend that I am not the least bit clear, given the Home Office’s policy, what orders are given to our naval ships and so on as to where they should disembark the people who they rescue. There seems to be some contradiction as far as that is concerned.

Overall, the policy that the Government are putting forward is right. We must try to support it. There are a number of other ways that we can help. In particular, we need to take stronger action against traffickers. Have we managed to arrest any traffickers? Have any of them been prosecuted? What penalties have been imposed on them? One’s impression is that that this has been a totally futile exercise and that there does not seem to have been any attempt whatever, when traffickers accompany or begin to accompany and then desert those who seek to travel, to segregate traffickers from the remaining people in the boats.

These are immensely difficult problems. We are grateful to the noble Lord, Lord Dykes, for initiating the debate, but it is clearly so important that we ought to have a debate on the Floor of the House at a very early date.

4.32 pm

Lord Judd (Lab): My Lords, in thanking the noble Lord, Lord Dykes, for giving us the opportunity to debate this vital subject, I join with him unreservedly in saying that the Italians should have the widest possible and most strongly expressed tribute from us all for the magnificent part that they have played on behalf of Europe and us all in the situation that confronts us.

Similarly—I say this with some joy, as a former Navy Minister—the Navy has behaved with outstanding sensitivity. In watching the interviews the humanity of the people doing the rescuing shines through; it just cannot be suppressed. That is Britain at its best. However, the noble Lord, Lord Marlesford, was right to remind us to have a global perspective on the response to refugee problems. When we look at the burden being carried by Jordan and by Lebanon and see what this is doing to the economy and the pressure that this is putting on local people in their situation, our record, which we love to talk about in terms of our humanity and outward-looking attitude in our past towards refugees, is in danger of being totally eclipsed by the generosity of countries such as those. We had better remind ourselves that we have to live up to our traditions if we are not to be eclipsed by those countries.

What do we do about it? The noble Lord, Lord Marlesford, was absolutely right: this is just a symptom of an accumulating global problem. What we are faced with now is likely to become child’s play by comparison with what is going to develop. So far as I

recollect, we have not yet mentioned this afternoon that climate change is going to accentuate the movement of people. We will have not just conflict and economic pressures but climatic pressures leading to same thing. All this makes it obvious that we have to find international global solutions; we cannot find solutions on our own. By constantly trying to put a finger in the dyke, we are just destroying our chance for influence and leadership in finding international solutions. We are increasingly seen—I do not like saying this, but it is true for any of us who are involved in international affairs—as a mean, defensive, neurotic little country that is concerned only with keeping people out and is not positively engaged and playing a part in finding the solutions that are necessary. That is a tremendous challenge to us all.

I was glad that the noble Lord, Lord Dykes, allowed himself to digress, as he put it, because whenever we debate subjects such as this we should always have a refrain which we repeat: that if we look at our medicine, our science, our literature, our technology, our industry, our public services and our cultural life, we see that refugees have been a rich investment in the quality, the character and the standing of Britain in our history.

4.36 pm

Lord Kerr of Kinlochard (CB): I agree with virtually everything said in this debate. The one thing that worries me is the argument that a pull factor could, undesirably, encourage further people to cross the sea. It seems to me that the overriding responsibility is to pull out of the sea the people who are out there. I do not believe that more people go out because they think there is a chance of being rescued.

This debate does the House great credit, and I am grateful to the noble Lord, Lord Dykes, for introducing it. When the Minister comes to respond to it, I would like him to reflect on Lord Mansfield's judgment in the Somerset case of 1772, where it was established in the law of this country that a runaway slave facing persecution or death was free the moment he was on board a British ship. It is wonderful that "Bulwark" is there and I am sure that it is doing wonderful work. Although I am worried to read in the press that it may be about to be withdrawn, I am sure that it will be replaced. But if it is the case that we would not replace "Bulwark" unless the Italians agreed to take entire responsibility for anybody whom the Royal Navy rescued from the sea, it would be completely inconsistent with the spirit of the Mansfield judgment, which is the spirit of this country.

4.38 pm

Lord Bach (Lab): My Lords, I congratulate the noble Lord, Lord Dykes, on his debate—we always say that such debates are timely; this time, we really mean it—and I thank all others who have spoken in this too short discussion. It is an extremely difficult issue for the world and in particular for EU countries. It is then made more difficult, as any answer to it is bound up with developments in the Middle East and Africa that we have at present little or no control over.

The Opposition want to support Her Majesty's Government, working with the EU, to find solutions that both are practical and do not result in more deaths but which are also in line with the British traditions that have been talked about in this debate of generosity and humanity. However, it has to be said, and I am afraid said clearly, that along with the other EU countries the then British coalition Government share the blame for what we, among many others, said in the autumn of last year was the appalling decision to replace the Italian Mare Nostrum search and rescue operation with the EU Triton operation, with vessels no longer searching the wider Mediterranean but confined to 30 miles off the Italian shore. Has there ever been a more catastrophic odyssey, based on the totally mistaken proposition that making rescue much less likely and drowning much more likely would lessen the pull factor as far as desperate people are concerned? Only the terrible losses and deaths in an incident in April made Europe and the United Kingdom Government think again. Now, of course, with HMS "Bulwark" and other vessels and helicopters doing brilliant work as always, and the Triton operation abandoned, thank goodness, more lives are being saved.

Triton spent one-third of the amount that the Italians, who I agree deserve praise, spent on Mare Nostrum. The International Organization for Migration estimates that deaths at sea have risen ninefold since the end of Mare Nostrum. It was a tragic error by us and the EU, and as a Government we should not have supported it. It is deeply ironic to read the language of the Minister in another place, repeated in this House by the Minister on 30 October last, in respect of Mare Nostrum:

"It is of course vital that this phasing out is well managed and well publicised to mitigate the risk of further deaths".

Those further deaths were well foreseen by noble Lords in this House. My noble friend Lady Smith of Basildon said:

"Leaving them to drown instead is shocking and inhumane. It is not the British way of doing things. Does the Minister really believe that this needless loss of life will ever act as a deterrent to criminals and desperate people? How many will drown before the Government reconsider this policy?"—[*Official Report*, 30/10/14; cols. 1310-11.]

To his credit, the noble Lord, Lord Ashdown, asked why the Government's policy seemed to support measures that could have only one result, which would be that more refugees would drown in the Mediterranean, rather than a policy whose aim was to lock up more people traffickers. Can we have an assurance from the Minister today that we will not make that mistake again?

The situation today is very grave. We believe that the Government are to some extent selling our country's humanitarian tradition and spirit of generosity short by not taking in more Syrian refugees. The figure of 187 is disgracefully small on its own, let alone when compared to our European partners. What are Her Majesty's Government's intentions? We appreciate just how sensitive and difficult this issue is and as the Opposition we will support the Government in their new stance whenever we can, but not—I repeat, not—if they sign up to the naive and unthinking proposals that they did last year.

4.43 pm

The Minister of State, Home Office (Lord Bates) (Con): My Lords, this has been a powerful debate and a difficult one to listen to for any Minister with a degree of responsibility for the situation that we find ourselves in. In response to the point made by my noble friend Lord Higgins about why the Home Office is responding to the debate, essentially three departments look after the area. Had the Question been phrased in a slightly different way so that it talked about just the crisis itself, clearly my noble friend Lady Anelay would have responded on behalf of the Foreign Office. Had it been about the situations in the countries which are driving the refugees, my noble friend Lady Verma would have responded on behalf of the Department for International Development. However, it refers to the proposals on asylum currently before the EU, which is a matter that rests with the Home Office. It is also one that the Prime Minister is taking a deep personal interest in as he prepares for the European Council next week.

I undertake to meet with my noble friends Lady Anelay and Lady Verma to share with them the contributions which have been made to this debate, so that we can discuss what more can be done and how we can best serve the House in ensuring that colleagues are kept up to date. The best thing I can probably do with my contribution now, given that time is limited, is to update the Committee on the current situation as we see it and on what is happening. As I go through, I will seek to address some of the points made by noble Lords, although obviously, I may not be able to address all of them.

The noble Lord, Lord Bach, said that when you hear your words repeated back to you, it is a real challenge to reflect on what we were saying then and what we are saying now. Clearly, the position has changed. However, the UK Government have a proud record, which we have to build upon. We have resettled more refugees since 2008 than any other EU member state other than Sweden. We contribute more in overseas aid than any of the other major economies of the EU, certainly to Syria in particular, as I will come to later. Of course, the decision that was taken last year to stop *Mare Nostrum* was taken by EU member states as a whole. We were not the ones pushing or calling for it—it was taken through EU Council meetings and was a unanimous decision.

I agree with the noble Lord, Lord Dykes, that this situation is highly complex. The noble Lord, Lord Bach, referred to it as “grave”, and they are both correct. First, we want to continue to do all that we can to save lives. Everything that Britain can do as a moral and upstanding nation to save lives, we will do, and we should be proud of what we are doing.

The Royal Navy’s flagship, HMS “Bulwark”, has directly saved over 3,000 lives since deployment in early May. It is correct that HMS “Bulwark” is being withdrawn for essential maintenance, which I understand is quite normal in a naval context. However, I reiterate what the Chancellor of the Exchequer said yesterday, as the noble Lord, Lord Dykes, did at the beginning: we will continue to play our full part in search and rescue operations. I also underscore the words of the

noble Lord, Lord Judd, who talked about sensitivity. When the captain of HMS “Bulwark” was being interviewed, I thought his sensitivity, along with the compassion displayed by naval officers deployed there, was quite outstanding and in the best traditions of our country.

Three Merlin helicopters and two Border Force cutters are also contributing to our efforts, and a number of specialist police officers are at work with their EU counterparts. The noble Lord, Lord Alton, referred to some figures. The latest figures we have are from January this year. There are two crossing areas: the central Mediterranean—

Lord Anderson of Swansea: Can the noble Lord say what will replace HMS “Bulwark”?

Lord Bates: It will be for the Navy to decide the precise vessel and how it will be deployed, and I understand that that decision has not yet been taken. However, the commitment Her Majesty’s Government have made will continue. The mission will continue and will not be disrupted. We will deliver on it. Announcements on that will come forward shortly.

Some 47,000 took the central Mediterranean crossing; of those, 10,000 were from Eritrea, 8,000 from sub-Saharan Africa and 5,000 from Somalia. So far this year, the eastern Mediterranean route was taken by 48,000; 27,000 of those were from Syria, 11,000 from Afghanistan and 3,000 from Pakistan.

We acknowledge that these operations only address the symptoms of a far greater problem. The causes of migration do not start on the Mediterranean; for some it begins when they are forced to leave their home countries because of war or persecution. However, others are economic migrants who have no right to evade the legitimate immigration controls of this country and of the European Union. That is why the Government have always said that the search and rescue operations must only ever be part of a much wider, comprehensive and long-term solution. In recognition of the importance and seriousness of this issue, and the need to address the causes of this extraordinary migration, the Government have been working closely with international partners, both bilaterally and through the EU.

At the G6 meeting on 1 and 2 June, the Home Secretary sought agreement from her European counterparts that we need to tackle the smugglers and traffickers and to address the reasons why people get on boats in the first place. I take on board the reprimand from several noble Lords that so far there seems to be little evidence that we are managing to capture the people who are desperately exploiting these people’s suffering and placing them in such dire harm.

The Home Secretary was also clear that there was an awful lot we agreed on but that the UK cannot support mandatory relocation proposals because these do not, we believe, tackle the underlying issues. We must, instead, break the link between getting on a boat and achieving residence in Europe. That link continues to play into the hands of the criminal gangs which the noble Lord, Lord Higgins, referred to, so it is vital that those not requiring protection are stopped at the EU’s external border and returned. They cannot

be allowed to continue to enter illegally and then move with impunity across Europe. One area of contention here is that we would like to see that when migrants are landed in Italy they are properly registered, fingerprinted and identified so that they can be properly processed and that information can be shared across the EU. We need Governments in the region who we can work with to intercept illegal economic migrants before they reach the EU and to return them to their country of origin.

The Foreign Affairs Council will meet on Monday next week. Just this week, on Monday and Tuesday at the Justice and Home Affairs Council, the Home Secretary continued to press European partners for a sustainable response to the crisis. It was clear that longer-term efforts are essential. We need to do more to help the countries where these people come from to reduce push factors, as the noble Lord, Lord Kerr, said. We need to build stability in the region and enable people to have creative livelihoods so they can live secure and fulfilling lives in their home countries. We must also do more at source and in transit countries to pursue the criminal gangs and shut down the trafficking networks that callously trade in human suffering. This was something that we covered in the Serious Crime Act and the Modern Slavery Act, which we passed in the last Session. Increased intelligence gathering is a critical part of what we need to do to destroy their vessels before they are used.

The noble Baroness, Lady Ludford, and the noble Lord, Lord Anderson, asked what we are doing to work with our European partners. The UK is supporting Europol's joint operation to tackle these gangs, focusing on vessels and subsequent secondary movements. The UK is a long-term supporter of solidarity across the EU in asylum matters, but we are also clear that solidarity is best demonstrated through practical co-operation with those front-line member states whose borders and asylum systems are under pressure. As the Committee will be aware, the Prime Minister yesterday met the Prime Minister of Italy. To underline our commitment to providing real, practical support to EU countries facing real pressures, the Prime Minister has offered to deploy six British officers from the National Crime Agency to Europol's intelligence cell which aims to disrupt trafficking.

The UK also fully supports the European Asylum Support Office in co-ordinating practical, operational co-operation to address emerging migration pressures. The EU aims to build longer-term capacity in the member states most affected. To make clear our level of commitment, in the last three years the UK has contributed more resource to EASO than any other member state, contributing more than 1,000 expert working days to missions in Greece, Italy, Bulgaria and Cyprus. My noble friend Lord Marlesford and the noble Lord, Lord Desai, talked about this being a UN problem. It is. We recognise that and are working with the UNHCR on this and are seeking to address wider concerns. The situation in Syria is particularly concerning.

The noble Lord, Lord Alton, raised the words of chastisement from Sir Peter Sutherland. Given that he is such a senior international statesman, we will look very carefully at what he said and reflect on it. The fact

is that 187 refugees have been resettled in the UK under the vulnerable persons programme in just over a year, and more arrive each month. In addition, we need to remember that more than 4,200 Syrians have been granted protection in the UK under our normal asylum rules since the crisis began, and that there has been additional foreign aid.

The situation is rapidly changing and our engagement with international partners continues apace. The Foreign Secretary is expected to discuss the crisis at the Foreign Affairs Council on Monday, and the Prime Minister will continue to push hard for a sustainable solution at the European Council on 24 and 25 June. I will, of course, be glad to write to update colleagues on the latest developments. I will also, as I have said, discuss this with my colleagues.

There are no easy answers to the tragic situation in the Mediterranean, but the Government remain firm in their belief that the only sustainable response to the scale of the situation is to tackle the root causes of these dangerous journeys and the organised criminal gangs behind them. The UK contribution stands comparison, we believe, to any in the world in that regard.

4.56 pm

Sitting suspended.

Devolution: Wales and Scotland

Question for Short Debate

5 pm

Asked by Lord Wigley

To ask Her Majesty's Government how the powers promised to Wales and Scotland will operate within new, balanced United Kingdom governmental structures.

Lord Wigley (PC): My Lords, I am very grateful for being afforded this Question for Short Debate and to the Minister and other colleagues for being here to consider what will surely be a dominating issue in this Parliament: namely, how the powers already promised to Wales and Scotland, together with the further powers being broached, will operate in a balanced governmental structure. That includes powers needed for England to take its own decisions on English matters. We are standing at an important crossroads but with a Government appearing unable to respond to the urgency of the moment or give any meaningful coherent lead. There is an urgent need to decide on the direction of travel, otherwise events—the piecemeal unfolding of legislation in the two Chambers at Westminster; the EU referendum; the outcome of the elections next May to the devolved legislatures; and the fleshing out of the cities Bill—will lead to a situation in which Westminster seems like a boat with no tiller or engine, and whose captain has no charts to see the way forward.

I shall make clear from where I come on these matters. I want to see my native Wales—my nation—have the greatest possible degree of independence but that

[LORD WIGLEY]

does not mean absolute independence, as UKIP defines the term. We live as part of a community of nations, in European and British terms. Plaid Cymru does not want Wales to cut itself off from such relationships; rather, it wants Wales to be a full partner in its own right within such structures. We believe that Wales, like Scotland or Northern Ireland—or indeed England—has the right to independence, something which was accepted in the recent Scottish referendum. It was immensely to the UK's credit that this was recognised. The principle has already been accepted long ago for Northern Ireland, as it underpinned the peace process, and more than one Prime Minister has accepted that Wales, too, has that basic right.

We are de facto living in a confederal union, in which the constituent parts have the right to go their own ways. There is therefore a question as to whether the citizens of each nation wish to exercise that right. My party, Plaid Cymru, fought the recent election on a manifesto calling for home rule for our constitutional objectives in this Parliament. Home rule is not a new term: 130 years ago, the Irish parliamentary party won 85 out of 103 Irish seats on a home rule manifesto. Had that been delivered, we probably would not have witnessed the Easter Rising of 1916 but despite Gladstone's efforts it was denied and the UK, as then constituted, broke up in acrimony.

Are we any wiser today? Are the parties at Westminster going to respond to the Scottish situation in a positive, inclusive manner or are we going to see intransigence, with all that that implies? Let us remember how we got here. Gordon Brown, apparently speaking on behalf of all three of the then UK party leaders a week before the referendum, launched his famous vow. He referred to it as home rule—a devo-max type settlement which the Scots could secure if they voted no to independence. Scotland voted no and some who would have voted yes to devo-max, had that been on the ballot paper, were undoubtedly influenced to vote no because of that pledge. So what happened?

On 19 September, we had the Prime Minister unwisely trying to jump the gun at 7 am, linking in the same breath the Smith commission and English votes for English laws. Yes, we had the Smith commission and while many of its proposals were, and are, worthwhile steps forward they certainly did not add up to home rule. The three UK parties fought the general election on implementing Smith. The SNP, accepting that the referendum had ruled out independence in the immediate future, advocated home rule as a practical next step, deliverable in this Parliament. The outcome of the election in Scotland was unmistakable. The three UK parties, placing their trust in the Smith proposals, got three MPs between them; the SNP, advocating home rule, got 56 seats. There is no mistaking an elephant when it sits on your doorstep. It is high time that the three UK parties accepted that it is home rule that the Scots endorsed on 7 May.

The noble Lord, Lord Forsyth, summed it up last week when he said that,

“the Smith commission proposals are clearly not going to meet the aspirations of the Scottish people”.—[*Official Report*, 8/6/15; col. 626.]

I also draw the Minister's attention to the words of the Conservative MP, Bernard Jenkin. Speaking at Second Reading of the Scotland Bill, he said:

“I am bound to ask ... whether this Bill is really ‘it’ for the future of Scotland. Is this the full and final settlement that will stabilise the Union of the United Kingdom? I hae ma doots”,

if I interpret the accent correctly. He added:

“We need ... to start building up a consensus on what a full and final settlement for the whole United Kingdom might look like ... we need a new, 21st-century Act of Union”,

which,

“would aim to provide a balanced and equal settlement of powers across the four parts of the United Kingdom ... and a mechanism such as a new council for the Union for distributing UK tax resources on the basis of need and unanimous agreement”.—[*Official Report*, Commons, 8/6/15; cols. 941-43.]

In the same debate, the SNP leader Angus Robertson MP stated:

“There is no doubt whatever that this Bill does not match the pledges of the campaign or the spirit and letter of the Smith deal”.—[*Official Report*, Commons, 8/6/15; col. 946.]

Labour's shadow Scottish Secretary, Ian Murray MP, stated:

“This might be a Scotland Bill, but it has implications for other parts of the UK”.—[*Official Report*, Commons, 8/6/15; col. 938.]

However, he did not commit to home rule all round, which I hoped would be forthcoming.

What do we mean by home rule? Putting it crudely, it means Westminster retaining sovereignty over defence, foreign affairs, the monarch and the pound with the Scottish Parliament having sovereignty over everything else in Scotland, and likewise in Wales, Northern Ireland and England. Of course, it is not that simple. It implies a quasifederal or confederal constitution. It implies some federal taxes and some non-federal taxes, which is a model towards which we are already moving. It implies, one way or another, an English Chamber dealing with non-federal matters.

Here I come to the heart of the matter as far as we in Wales are concerned. The key question for us is whether Scotland is to have a Scotland-only solution, a separatist constitutional settlement separate from the rest of the UK, or whether we are to have a balanced UK-wide settlement in which new constitutional provision is made not just for Scotland but for Wales, Northern Ireland and, indeed, England. In other words, are we going to get a coherent, thought-out structure of government which has a reasonable chance of standing the test of time or are we going to have a knee-jerk, ad hoc settlement responding to the most recent kicking suffered by the Government, which certainly will not endure?

In my final remarks, I shall put forward some positive ideas by drawing attention to a keynote speech made on 20 May by Plaid Cymru leader Leanne Wood AM, a name, face and voice familiar to many colleagues from the election television debates. She proposed that,

“all responsibilities except for those over defence, foreign affairs, the Crown and the currency, should be transferable to any one or all devolved governments, provided a majority vote in favour of such a transfer in the respective national legislatures”.

She added:

“This flexible approach allows for each nation to build a constitutional framework that is in the specific interest of the nation, but guarantees ... the consent of the people at all times”.

She also called for a strong council of Ministers at UK level to replace the present joint ministerial committee, a principle which the Smith commission has also endorsed. Those three elements—a council of Ministers, a clear devolution process and a mandate from the national legislatures—would, in her words,

“serve all the nations and peoples in these islands far better than the current web of complexities”.

She described this model as,

“a proposal for a Confederal UK”,

and I strongly endorse this approach. I appeal to the Minister to give an assurance that such a new constitutional model has not been ruled out. Much work would need to be done on the detail, perhaps by a convention, provided that it had a strict 12-month working time limit to deliver its recommendations, which could then be legislated upon within two years and brought into effect prior to the 2020 election. As such, this proposal has the seeds of a way forward which respects the aspirations of all four nations within a framework of co-operation.

The United Kingdom as currently constituted is drinking in its last chance saloon. A new constructive partnership between the nations of these islands is still possible if leadership and vision is forthcoming, but it will not happen unless there is a new realisation in this Chamber and the other place of the urgency of the situation. Will the Minister please ponder on these matters and keep the House informed as ideas progress, giving us every opportunity to debate the unfolding Scottish settlement in the context of a new deal for all the nations of these islands and, in particular, for Wales?

5.09 pm

Baroness Randerson (LD): My Lords, I thank the noble Lord for providing us with the opportunity to debate this important topic. I find myself in agreement with a number of the points that he made, although our political philosophies are very different.

Those of us who are campaigners for constitutional reform have experienced a lifetime of frustration at the glacial pace of change and the fact that it seems to come only grudgingly, with the offer of only the minimum of what is acceptable, and that all too often it is a response to a crisis rather than a logical, well-thought-out programme of reform. This principle has applied to our devolution efforts as well as to cross-constitutional reform in general.

The Labour Party—not the most devolutionary of parties—was brought back to devolution in 1997 by the determination not to be shut out of government again throughout the whole of the UK for another 18 years. Even if the Tories won at Westminster—so the thinking went—the Labour Party was at least assured of Labour Governments in Scotland and Wales. That did not quite work to plan, but the rise of the SNP is one of a series of political changes that was not then foreseen. However, the model of devolution designed for Wales was at that time underpowered and unworkable. It was quite literally the minimum—a minnow—and

was designed to leave as much power as possible with Westminster and Whitehall. Of course, as soon as AMs got their feet under the table in Cardiff Bay, they realised this and started asking for more and, grudgingly, more was given. Some noble Lords may remember legislative competence orders, where MPs sort of double-checked the homework of Assembly Members and decided whether it was good enough to go forward as legislation.

We are in a very different world now. The pace of change has quickened considerably. Thanks to the coalition Government, who enabled the referendum in 2011, the Assembly now has primary legislative powers. It has more and wider powers. In fact, the pace of change has become so brisk that Wales Bills have been effectively queueing up on the runway. The Silk 1 report was not finally embedded in legislation before the Silk 2 recommendations were drafted into a new Bill, which, crucially, will deal with the uncertainties of the conferred powers model as well as giving the Assembly more powers, some of which were not even within the remit of the Silk commission to consider when it was established. I was delighted to see that the Wales Bill was mentioned in the gracious Speech. Will the Minister confirm that the scope of the Bill remains much as was envisaged in the St David's Day agreement, in which I know he was very much involved?

The coalition Government were admirably responsive to pressure for more devolution in both Wales and Scotland, but—this is where I differ from the noble Lord, Lord Wigley—sometimes responsiveness is not enough and rapid responses can be contradictory and inconsistent. There were many differences between the devolution settlements of Wales, Scotland and Northern Ireland, and many of these exist for good reasons of history and geography, although there needs to be consistency. However, other differences were included by chance or for reasons of political pragmatism, neither of which is a good basis for constitutional development.

My party has long argued that we need a constitutional convention to take a comprehensive look at the constitution throughout the UK. That does not mean that in the mean time all change must stop and that we should be frozen in time until the constitutional convention reports. However, it does mean that the constitutional convention should look thoroughly at the situation from all angles. The title of the noble Lord's debate suggests that there needs to be balance in this area, not slavish duplication. One devolved body should not simply be the clone of others. I and my party believe that the sensible answer lies in federalism, which would allow for balanced differences between the constitutional settlements in each country. The noble Lord quoted from a speech made in May by the leader of Plaid Cymru. I will forbear to quote from a speech made by Lloyd George on much the same lines.

Any convention must reflect well beyond the narrow interests of the political classes. It must be a people's convention, not a politician's convention. It was suggested in the news today that the Welsh First Minister would be an ideal chair of that convention. That suggestion illustrates that the Labour Party has failed to grasp even the shadow of the dangerous and unstable

[BARONESS RANDERSON]

constitutional position that we are in as a United Kingdom. Any leader of a convention must command confidence across Britain and across political parties.

Our dangerous position is made worse by the highly divisive EU referendum now appearing over the horizon and by the distortions of our electoral system, which have magnified the political differences between the four nations to the point where the political balance is dramatically different from one nation to another. The noble Lord cited the SNP's success in the election. It is important to remember that the SNP got 95% of the seats on just over 50% of the vote. That is one of the problems with our electoral system.

I now want to return to the title of the noble Lord's debate and the issue of balance. A crucial factor in that balance is the funding formula—the Barnett formula. Of course, it is not a proper formula; it simply takes what Ministers decide to spend in England and applies it to the other three nations in percentage terms, based on historical spending decisions made way back in the 1970s. I recognise the pledge made to Scotland in the referendum campaign, which means that whatever its limitations the Barnett formula will stay for some time. However, the situation in relation to Wales is quite simply unsustainable. In the early years of devolution—Labour's high spending years—the formula led to a massive gap developing between funding for Wales and funding for Scotland. The Holtham commission calculated that Wales was underfunded by £300 million a year. Wales was, and remains, the poorest part of the UK. Indeed, figures out today show that 15 years of devolution have not made even a dent on poverty levels in Wales.

One of the foibles of the Barnett formula has been that, as the coalition Government cut back on public spending, the relative underfunding in Wales became much smaller. Indeed, it seems likely that Wales is not actually underfunded relative to the rest of the UK at this time. However, when and if public spending rises again, the problem will return and we need to prepare for it now. I am pleased that the Government have agreed to introduce a funding floor, but we need more than that and we need it very soon. I am disappointed that the Government do not agree to an update to Holtham's calculations. I refer here to an Answer given by the Secretary of State for Wales yesterday in Welsh Questions, in which he said in relation to the Holtham calculations:

“The work has been done and we need to crack on with introducing the fair funding floor”.—[*Official Report, Commons, 17/6/15; col. 303.*]

I should like some clarity on what the Secretary of State was referring to. Has Holtham updated his work? If not, how can the funding floor be embedded at a fair level without further calculations? Does the Minister accept that the perceived funding unfairness, which may or may not exist, simply magnifies a sense of grievance? Does he agree that the issue should be prioritised? He will be aware of Plaid Cymru's call for Wales to be funded at the same level as Scotland. We all know why Scotland's funding will remain; we are also aware that it is extremely generous. Maybe the Minister would like to comment on the realities of this situation. Is this fantasy economics? If so, I suggest to

him that the Government need to get a grip on the funding issue before the sense of grievance in Wales escalates further.

Finally, I recommend to noble Lords an excellent book written about a decade ago by a Conservative Assembly Member, David Melding, now the Deputy Presiding Officer of the Assembly. It posed the question: will Britain survive beyond 2020? It seemed an astonishing question then. Now, it is not astonishing at all. Funding powers, voting patterns and political power—all these are pulling our union apart. England has at last found its voice in this debate and the fear is that it will simply be the loudest. I am sorry to use another metaphor—the noble Lord talked about the last chance saloon, whereas mine concerns a ship. The ship is being steered by a motley crew and if the Government are sensible they will take the helm before it hits the rocks. The Government should establish a convention that will bring order, restore confidence and, I hope, encourage further change.

5.21 pm

Lord Thomas of Gresford (LD): My Lords, when my noble friend Lady Randerson referred to the glacial pace of reform, I was taken back to an evening at Rhyl Town Hall in 1964, when I addressed for the first time, in my first election, the voters of the West Flintshire constituency. I called for a parliament for Wales, with proportional representation. I also called for the abolition of the hereditary principle in the House of Lords, if the noble Earls will forgive me. I was very young then.

I was starting off on a long road towards devolution. I cherished a belief then that, given significant power over the decisions that affect their lives, the people of Wales would make innovative, better-informed and targeted decisions. The question was what structure of devolution would provide that result. I led for my party on the 1998 Bill and on the subsequent Wales Bill. It is quite apparent, however, that the structure is not working. A motley crew is indeed in charge, as my noble friend said.

Today—my noble friend referred to the report out today—the Welsh Assembly's Communities, Equality and Local Government Committee's inquiry into tackling poverty in Wales has been scathing about the Welsh Labour Government's ineffective efforts to get to grips with the issue. The committee says that it is,

“deeply concerned by the Welsh Government's lack of progress in reducing poverty, particularly given its long-term commitment and investment in the issue”.

Poverty rates in Wales have barely changed since the beginning of this century. The number of people who rely on food banks has doubled within a year; 23% of the Welsh population live in poverty, compared to 17% of the United Kingdom population as a whole. The position has remained static despite the fact that the Welsh Government has a Minister specifically responsible for targeting poverty. It happens to be the Assembly Member for my home town of Wrexham. Today she helplessly held up her hands and said that,

“we have to be very honest about what we can achieve. I think that we have to recognise that there are a lot of factors that are outside our control. I do believe that our policies and programmes are making a difference”.

It is very interesting that the excuse is that, “there are a lot of factors that are outside our control”.

That brings the framework of devolution into question.

It is quite apparent, however, that the policies and programmes are not making a difference. On unemployment, Wales stagnates, with 99,000 people out of work. While the United Kingdom rate of joblessness steadily declines, the Welsh figures remain completely static. There was a year-on-year decline of 0.01% last year, compared to Scotland’s 0.5% and England’s 1.4%, according to the Office for National Statistics.

In the Welsh Government’s annual report, it is claimed that 48 of its 49 commitments relating to education either have been delivered or are on target. That is too much guff. The claim to achievement contrasts sharply with the PISA international rankings and the Estyn annual report, which both point to serious concerns about schools. The Welsh school inspectorate says that standards in our primary schools are slipping; PISA results show that Wales is behind every other part of the United Kingdom; compared with the top-performing countries in the world, we have very few high achievers; and children in every corner of Wales are not being helped to achieve their full potential. The only bright side is the introduction of the pupil deprivation grant—pupil premium—which was achieved by Welsh Liberal Democrats in return for agreeing to allow the Labour Government’s overall Budget through, which is helping to close the attainment gap.

The Wales Audit Office reported earlier this month on the four regional education consortia which are responsible for school improvement. It said:

“The governance of regional consortia is developing but we found progress was hindered by limited capacity, incomplete management structures, inadequate scrutiny of overall consortia arrangements, weaknesses in financial and performance management and insufficient openness and transparency”.

Estyn said that all regional consortia had struggled to fill senior posts, which,

“adversely affected their capacity to direct and manage work and highlights the lack of a national strategic approach to develop senior leaders.”

In my part of the world, many bright pupils, including my own grandson, are voting with their feet and going over the border for their sixth-form studies after they have completed their GCSE examinations.

The record on health is dire. The hospital which serves Wrexham, where I live, is part of the Betsi Cadwaladr group, which last week was put into special measures. I understand that the police are investigating. It has been given Welsh Government cash of £20.6 million to help pay its bills. The chief executive has been suspended. This week, Cardiff and Vale University Health Board is reported to have overspent by £21.4 million and Hywel Dda University Health Board by £7.5 million. On 5 June, the Royal College of Physicians, representing 1,100 doctors in Wales, said that there could be an “unprecedented” funding gap of £2.5 billion within the NHS in Wales by 2025-26. It has launched an action plan calling for more investment,

a patient-centred and clinically led approach to change, a national medical workforce and training plan, and leadership on improving public health.

I am still an optimist and do not believe that the principle of devolution has failed, but for the last 15 years we have been landed with a Labour Government of one sort or another—sometimes in coalition but now on their own. In my view, they are by now an exhausted animal, totally devoid of energy and ideas, and utterly incapable of tackling the problems which they are facing.

I applaud the noble Lord, Lord Wigley, for securing this debate and I am very happy to discuss with him comparisons with Scotland, the extent of powers and funding, the Barnett formula, the d’Hondt system of proportional representation, the ideal number of AMs and scrutiny committees. Indeed, federal constitutions are my bread and butter. As chairman of the Lloyd George Society, I was very disappointed that my noble friend did not read out a quotation from that great man, who demanded home rule all round in the 1910s. I would prefer to join the noble Lord, Lord Wigley, in a movement to sweep the Labour incumbents out of power. We missed our chance with the rainbow coalition. Two of the three are here—the noble Lord, Lord Bourne, is not at the Dispatch Box, unhappily—but we have to get rid of them. Labour lost in Scotland and it is time it lost in Wales.

5.29 pm

Baroness Morgan of Ely (Lab): That is a pretty good challenge. We can always rely on the noble Lord to talk down Wales, but I think that there is a point: we need to do better in Wales. We have to remember that we have a long and difficult tradition of deindustrialisation that we need to compensate for. We start from a very low base, but there are some good news stories in Wales as well. We have to remember that inward investment has improved dramatically in recent years. Export levels have improved. Educational attainment is getting better. There are issues with the health service, but that is at least partly because of the massive cuts that we have had to endure from—if the noble Lord does not mind me saying—the coalition Government, of which his party was a part. He has paid the price for that, but it is important that we understand that there is work to be done. The Welsh Government are getting on with that work.

I now go back to the point that I wanted to make, which is to thank the noble Lord, Lord Wigley, for putting this issue on the agenda and to welcome the new Minister to his post. We know that the dust is beginning to settle after the Scottish referendum and the general election, but we have to be in no doubt whatever that the structure of governance in the UK is on the march. This hotchpotch, ad hoc, knee-jerk reaction to the making of a new constitution and to building political systems is no way to plan a country as complicated as ours. That is what is happening at the moment. We should be looking at the devolved organisation of this country as a whole, not responding to crisis after crisis, which, if we are not careful, will lead to the break-up of the union. It is only when we have a settled position that we will have settled people and a settled country.

[BARONESS MORGAN OF ELY]

The Scotland Bill was guaranteed by all parties in the run-up to the referendum. It guaranteed that, no matter the outcome of the referendum, all parties were agreed that a fundamental change had taken place in Scottish society. All parties were committed to bringing forward legislation that reflected that. A no vote was not a vote for no change. Unlike the noble Baroness, Lady Randerson, I argue that the Labour Party has always been a party of devolution. There have been shades within the party—that is true—but there has always been a strong contingent of people in the Labour Party who are pro-devolution. We have delivered on that time and time again in recent years. We recognise that devolution is a journey, but that the journey must not lead to disaster and the break-up of Britain.

The Scotland Bill will make the Scottish Parliament one of the strongest devolved administrations in the world, being able to raise more than 40% of its own tax revenues, while being responsible for more than 60% of spending decisions. It shows the real steps that the Scottish Parliament is taking to be a fully responsible Parliament, so that the debate in Scotland can move on from “who holds power” to “how can Scotland best use that power”. I hope that this will see the Scottish Government take real steps to address the current crisis in schools and hospitals across Scotland.

However, these issues do not affect only Scotland. It is worth making clear that where Scotland leads, Wales will not and should not always follow. It is true that enthusiasm for the devolution project has increased significantly in Wales in recent years, but there is no groundswell of support for nationalism in Wales. There does not seem to be any significant demand in Wales for further powers beyond those recommended by Silk. The First Minister of Wales has talked about the need to follow a path in the UK set out by the Swiss socialist Andreas Gross: a path that enables, “unity while guaranteeing diversity”. That is probably something that we should all take into account.

More needs to be done to strengthen and to raise awareness of the ties that bind us. We need to turn the debate on its head and ask: what is the union for? What are the essential elements that we need to retain at the UK government level, without which the constant nagging attempt by Scottish Nationalists to demand more and more will inevitably lead to the break-up of Britain? That debate has to involve all parts of the UK: Scotland, Northern Ireland, Wales and England.

There are some obvious starting points such as defence and foreign affairs, but I would go much further than the noble Lord, Lord Wigley, and go beyond them. A lot of these are listed in annexe B of the St David’s Day agreement and whether we agree with them all is something that is worth discussing. We need to discuss how much money needs to be collected at the centre to pay for an NHS free at the point of delivery, and for free schooling for all across the whole of the UK. At what point does the NHS stop being a truly national health service? We should have a hard-headed discussion on these issues and we need to ask what else needs to be added to that list of powers held in the centre.

That exercise to develop the reserved powers model of governance is currently being undertaken by the Welsh Office, but again it is being done in isolation without thinking what else is going on. It is essential that the Governments at both the UK level and the Welsh level are involved in agreeing what should be included in that list of reserved powers. Can the Minister clarify exactly what level of discussion has so far taken place between the UK and Welsh Governments on the proposed list of reserved powers? What will be the criteria on which Whitehall departments will be able to argue that they can retain responsibilities?

I also ask the Minister for a categorical assurance that there will be no attempt to limit the National Assembly’s existing legislative competence. I want to give an example of my concerns here. There are aspects of equality legislation that are currently devolved under the conferred model of government, but others are not. In annexe B of the St David’s Day agreement, civil law and procedure is a subject that has been listed as a reserved matter—but the Human Transplantation Act is a piece of legislation which has amended civil law, so what is being suggested here? Is the suggestion that the Government intend to repeal this Welsh law and take it back to the centre? What is meant by that? Where are these lines going to be drawn? Can we have a categorical assurance that there will be no attempt to claw back power from the Assembly on this or other areas already devolved under the conferred model?

The St David’s Day agreement lists several areas that should be reserved at the UK level but we should remember, as the document states, that it is only an illustrative list. So we have got to be very vigilant here. If the reserved powers model were to be based on the example given in annexe C of the agreement, there would be page after page of things that the Assembly could not do. Can the Minister clarify how many issues so far, and covering how many pages, have been suggested as areas that should be retained? Can the Minister also say whether the principle of subsidiarity will be respected when considering what should be retained at the UK level?

The Scottish First Minister has argued for full fiscal autonomy. Let me be clear—this is not a position which is supported by the Labour Party. As the Institute for Fiscal Studies has outlined, these plans would leave Scotland with a £7.6 billion black hole in its finances which could only possibly be filled by further spending cuts or tax rises over and above the current Conservative plans. Full fiscal autonomy holds no interest for the Welsh people. We are anxious to share the burden and responsibility across the whole of the UK. We all need to contribute and to restore benefits, ideally in a way that is based on need, in particular in terms of provision of services and benefits. We should be aware of an attempt by an ideologically driven Conservative party, intent on reducing the size of the state, to devolve responsibility for raising taxes to a devolved level, and with it to devolve blame and wash their hands of the poorest parts of the union.

There is a danger, however, that we will get hung up on these constitutional discussions. It is the bread and butter issues that people are really concerned with. We

need not just a rebalancing of powers but economic rebalancing across the UK, and that needs a proper industrial and regional strategy and improvements in productivity. It needs the UK Government to work constructively with the Welsh Government to generate investment and jobs. Devolution should not just lead in one direction; it must be shared outwards across the country and downwards into the hands of local communities.

Let me conclude by coming back to the constitutional issue. The failure of the coalition Government to respond to Carwyn Jones's long and timely request to establish a constitution convention is one reason why we are in such a mess today. It makes sense for us all to collectively and democratically work out the right balance of powers and responsibilities throughout this United Kingdom—and let us not forget that the United Kingdom includes Northern Ireland, which has not had much attention in this debate. We need to see a pooling and sharing of resources and the social solidarity that makes this country what it is—a great place to be.

When the Prime Minister in the aftermath of the Scottish referendum linked what was a nationalist battle to the campaign for English votes for English laws he created the potential for serious divisions within our country—where every nation and region would concern itself only with its interest rather than the interests of collective society. We must once again refocus our constitutional agenda on our ability to co-operate as a family of nations, rather than add to the chorus of divisive grudge and grievance policies that we have today.

5.41 pm

The Parliamentary Under-Secretary of State, Scotland Office (Lord Dunlop) (Con): My Lords, I am grateful to the noble Lord, Lord Wigley, for bringing this Question to the House. I know that he brings considerable knowledge and experience to this important subject. The debate on how powers promised to Wales and Scotland will operate within new, balanced United Kingdom governmental structures has covered a wide range of issues. Although the Question mentions Wales and Scotland, I cannot help but notice that the speakers list has a distinctly Welsh flavour. I hope that, as a Scotland Office Minister, I can do justice to the Welsh aspects of the Question. I congratulate all noble Lords who have spoken so well and demonstrated their considerable expertise in the issues before us. I am grateful for the opportunity to close the debate and will endeavour to respond to as many of the substantive points raised as possible. If there is a specific point to which I am unable to respond, I will happily write to noble Lords.

Since 1998, the devolution of powers and responsibilities to the National Assembly for Wales, the Scottish Parliament and the Northern Ireland Assembly has fundamentally changed the constitutional make-up of the UK. Today's debate is timely as the Government have made a commitment to implement the St David's Day agreement for Wales and have introduced the Scotland Bill to implement the Smith commission agreement for Scotland.

The Government have announced a programme founded on the idea of one nation—bringing fairness to all parts of our United Kingdom—where the people and institutions across this country are treated with respect. Governing with respect means recognising that the different nations of our United Kingdom have their own Governments, as well as the United Kingdom Government. Both are important and with our plans, the Parliaments and Governments of these nations will become more powerful, with wider responsibilities. No constitutional settlement could be complete if it did not also offer fairness for England.

The Government's plans for constitutional reform set out in this Parliament build on the record of the last Government, who delivered one of the most extensive programmes of devolution of any government, including the largest devolution of fiscal powers to Scotland in over 300 years, a referendum to give the Welsh Assembly for the first time primary law-making powers, and legislation to give the Welsh Assembly for the first time tax and borrowing powers. I pay tribute to the noble Baroness, Lady Randerson, who played such a distinguished part in helping to deliver that programme.

The Government's constitutional proposals for this Parliament also build on a substantial body of detailed work undertaken by constitutional experts in a range of forums. The Smith agreement was informed by the significant analysis undertaken by the Calman commission and the individual commissions established by Scotland's political parties, such as the Strathclyde commission. The St David's Day agreement takes forward the work of the Silk commission. Similarly, the English proposals are an evolution of the work of the McKay commission, among others.

The Government are taking forward these proposals because it is the right thing to do. There is consistency in our approach. We believe in devolving decision-making closer to the people who are affected by those decisions, and in increasing the responsibility of the devolved Administrations to the people who elect them. One of the weaknesses of the original devolution settlements was that, while the devolved Administrations had significant powers to spend money, they had little or no responsibility for raising it. The Government are rectifying that imbalance.

The Scotland Bill will increase the financial accountability of the Scottish Parliament. To respond to one of the points raised earlier, it meets both the spirit and the letter of the Smith agreement. For similar reasons, we look forward to the Welsh Government holding a referendum on devolving income tax powers. The noble Lord, Lord Wigley, spoke of the need for Wales to have the greatest degree of independence. However, the Government believe that it is important to strike a balance between giving the Scottish Parliament and the Welsh Assembly more control over domestic affairs, and preserving the strengths of being part of the larger UK family. The noble Lord also questioned whether the proposals for Scotland go far enough or are ambitious enough. I think that, as was rightly pointed out by the noble Baroness, Lady Morgan, after these powers are delivered the Scottish Parliament will be one of the most powerful devolved parliaments in the world.

[LORD DUNLOP]

In taking forward this programme, the Government recognise that there is no one-size-fits-all solution. The noble Baroness, Lady Randerson, mentioned federalism. I can think of no examples of a successful federal state in which one of the constituent parts represents 85% the whole. The individual devolution settlements reflect the distinct histories, circumstances and geographies of the different parts of the United Kingdom. The appetite for devolution in Wales is different from that in Scotland. What the First Minister of Wales said in a recent speech was echoed here today by the noble Baroness, Lady Morgan. He said:

“I have said in the past that whatever proposals for further devolution to Scotland should be offered also to Wales. But I do not subscribe to the notion that whatever Scotland has, Wales must have too, without properly considering the implications. The devolution of welfare programmes to Wales, for example, is not something that we consider to be in the best interests of Wales”.

The noble Lord, Lord Wigley, suggests that it should be for the legislatures of the UK nations to decide which areas of responsibility they wish to have transferred from Westminster. Let me emphasise that devolution across the UK has been taken forward to suit the particular needs of each nation, and on the basis of cross-party consensus. Both the Smith agreement and the St David’s Day agreement reflect those aspects on which there is cross-party consensus in both Scotland and Wales. This is the foundation on which our legislative proposals are and will be based.

Let me say a little more about Wales. I can confirm to the noble Baroness, Lady Randerson, that the scope of the new Wales Bill will be as envisaged in the St David’s Day agreement. The Wales Bill will provide a robust package that will make the Welsh devolution settlement clear, sustainable and stable for the future. The noble Baroness, Lady Morgan, asked about the reserved powers model. The Government intend to discuss an early draft of the reserved powers model we are preparing with the Welsh Government in the coming months, and we want to engage the Welsh Government and hear the views of Welsh Ministers before publishing a draft Wales Bill for pre-legislative scrutiny in the autumn. I do not want to pre-empt the outcome of those discussions.

The St David’s Day agreement also said that we will consider other non-fiscal elements of the Smith agreement to decide whether they should be implemented in Wales. That is being done right now, although, as I previously noted, what is right for Scotland is not necessarily right for Wales.

The issue of intergovernmental working was raised by the noble Lord, Lord Wigley, who spoke of his desire to see the joint ministerial committee replaced by a UK council of Ministers. While I recognise that existing joint ministerial committee structures can be improved, it is a forum that has long supported the changing devolution settlements and it would not be appropriate to replace it altogether. A process is in place across the four Administrations to review the memorandum of understanding that establishes the joint ministerial committee. Any changes will need to be agreed between the four Administrations and will consider the interests of the whole of the UK.

The noble Baronesses, Lady Randerson and Lady Morgan, raised the issue of a constitutional convention to deliberate on the broad shape and nature of the United Kingdom. I respectfully suggest that this should not be our priority. Our priority is to deliver on the constitutional commitments we have made. All our constitutional proposals draw on the values and traditions of our United Kingdom. The British constitution is characterised by pragmatism and an ability to evolve and adapt to changing circumstances. Our unique constitutional arrangements enable agility and responsiveness to the needs and wishes of our citizens. Those wishes are surely clear: a desire to be part of a strong and successful union, but one that recognises and values the unique nature of and arrangements in each of our nations.

On the issue of funding, which has already been mentioned, the Government have made it clear that Barnett formula will continue to be used as the basis for calculating the block grant. By moving to greater self-funding, and thus greater accountability, we are delivering mature and enduring settlements that provide strong incentives for economic growth, which will help to address the concerns raised by the noble Lord, Lord Thomas. The Barnett formula will therefore become less important as the Scottish Government become responsible for raising more of their own funding following the devolution of further tax powers.

Lord Wigley: I grant that those changes may happen in Scotland. However, does the Minister accept that unless there is a radical change to the funding in Wales, putting in a floor does not make up for the 15 years of underfunding and the position we are in? What specific proposals will the Government bring forward to put this right, for the sake of whoever is governing in Cardiff?

Lord Dunlop: It is important that any settlement is fair to Wales. The Government are very conscious of the need to address the issue of fair funding for Wales. I note—I think it has already been mentioned—that according to the Holtham criteria Wales is not currently underfunded, and it is also important that the Welsh Government become responsible for raising more of the money they spend. That is why we will introduce a floor in the level of funding provided to the Welsh Government, and the details will be agreed at the next spending review, in the expectation that the Welsh Government will call a referendum on income tax powers in this Parliament.

The noble Baroness, Lady Randerson, raised the issue of Holtham. It is worth saying that the Secretary of State for Wales has held discussions with Professor Holtham and others with regard to a floor, and the Government consider that the work of the Holtham commission still has resonance today. There are no plans to recommission Professor Holtham to undertake any further analysis.

Before we conclude our deliberations for the day, I thank your Lordships once again for the insight and knowledge demonstrated during today’s debate. We have ranged over a wide area of subject matter, and as I said at the outset, the Government will govern with

respect and honour our promises to improve governance for all parts of our United Kingdom. We have begun to bring forward legislation to secure a strong, fair and enduring constitutional settlement. Bringing together the four nations of our United Kingdom is an important

task and a chief priority of this Government, and I know that your Lordships will play a full part in that task.

Committee adjourned at 5.56 pm.

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