

Vol. 764  
No. 36



Tuesday  
21 July 2015

PARLIAMENTARY DEBATES  
(HANSARD)

**HOUSE OF LORDS**  
**OFFICIAL REPORT**

*ORDER OF BUSINESS*

Royal Assent.....	997
Questions	
Payday Loan Advertisements.....	997
House of Lords: Membership.....	999
EU Budget: UK Contribution .....	1002
Syria: UK Military Involvement.....	1004
Proposed Changes to the Standing Orders of the House of Commons	
<i>Motion</i> .....	1007
Cities and Local Government Devolution Bill [HL]	
<i>Third Reading</i> .....	1032
Budget Statement	
<i>Motion to Take Note</i> .....	1058

Lords wishing to be supplied with these Daily Reports should give notice to this effect to the Printed Paper Office.

No proofs of Daily Reports are provided. Corrections for the bound volume which Lords wish to suggest to the report of their speeches should be clearly indicated in a copy of the Daily Report, which, with the column numbers concerned shown on the front cover, should be sent to the Editor of Debates, House of Lords, within 14 days of the date of the Daily Report.

*This issue of the Official Report is also available on the Internet at  
[www.publications.parliament.uk/pa/ld201516/ldhansrd/index/150721.html](http://www.publications.parliament.uk/pa/ld201516/ldhansrd/index/150721.html)*

PRICES AND SUBSCRIPTION RATES	
DAILY PARTS	
<i>Single copies:</i>	
Commons, £5; Lords £4	
<i>Annual subscriptions:</i>	
Commons, £865; Lords £600	
LORDS VOLUME INDEX obtainable on standing order only. Details available on request.	
BOUND VOLUMES OF DEBATES are issued periodically during the session.	
<i>Single copies:</i>	
Commons, £65 (£105 for a two-volume edition); Lords, £60 (£100 for a two-volume edition).	
Standing orders will be accepted.	
THE INDEX to each Bound Volume of House of Commons Debates is published separately at £9.00 and can be supplied to standing order.	
<i>All prices are inclusive of postage.</i>	

The first time a Member speaks to a new piece of parliamentary business, the following abbreviations are used to show their party affiliation:

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

No party affiliation is given for Members serving the House in a formal capacity, the Lords spiritual, Members on leave of absence or Members who are otherwise disqualified from sitting in the House.

© Parliamentary Copyright House of Lords 2015,  
*this publication may be reproduced under the terms of the Open Parliament licence,  
which is published at [www.parliament.uk/site-information/copyright/](http://www.parliament.uk/site-information/copyright/).*

## House of Lords

Tuesday, 21 July 2015.

2.30 pm

Prayers—read by the Lord Bishop of Peterborough.

### Royal Assent

2.37 pm

The following Acts were given Royal Assent:

Supply and Appropriation (Main Estimates) Act 2015,  
European Union (Finance) Act 2015.

### Payday Loan Advertisements

#### Question

2.37 pm

Asked by **Lord Lennie**

To ask Her Majesty's Government what steps they are taking to protect children from payday loan advertisements in the light of the review conducted by the Broadcast Committee of Advertising Practice.

**The Parliamentary Under-Secretary of State, Department for Culture, Media and Sport (Baroness Shields) (Con):** My Lords, the Government are determined to ensure that children are protected from inappropriate advertising by payday lenders. We support the recent review and revised guidance from the Broadcast Committee of Advertising Practice warning advertisers against trivialising or distorting the serious nature of payday loan products. This advice strengthens protection for both children and adults, and we look forward to BCAP's forthcoming public consultation on scheduling.

**Lord Lennie (Lab):** I am grateful to the Minister for that reply. Perhaps I may ask her two things. First, can she enlighten the House about the members of BCAP who conducted the review into the effectiveness of rules protecting children? Secondly, does she agree with the committee's rather perverse conclusion regarding one particular advertisement, which featured children in the lead-up to Christmas sitting under a Christmas tree unwrapping presents, that it did not have an "undue appeal to children"?

**Baroness Shields:** Addressing the noble Lord's second question first, the BCAP review actually said that it appealed to children but also to vulnerable adults, and the new rules are aimed at addressing that matter on behalf of both groups. The ASA Council governs BCAP and it must seek advice from the Advertising Advisory Committee on the consumer perspective in all broadcast issues. Two-thirds of the members of the ASA Council come from outside the media industry, while BCAP is made up of media representatives, although it is subject to the oversight of the ASA, so we believe that it is an impartial body.

**Baroness Benjamin (LD):** My Lords, research by the Children's Society shows that many children think that payday loans adverts are tempting and exciting, and 61% of parents think that payday loan adverts make children believe that they are a normal, everyday way of managing money. This, in a way, is a subtle form of grooming. Seeing bailiffs removing property when parents cannot repay loans is traumatic for children. What are the Government doing to make sure that everyone understands the damaging effects that payday loan advertisements have on children and their families?

**Baroness Shields:** The Government are concerned about consumer detriment from the payday loan market. The introduction of mandatory risk warnings and signposting to debt advice is part of this new regulation. Since April 2014, when the FCA took over responsibility for regulating consumer finance from the Office of Fair Trading, there has been a 35% drop in the number of payday loans, and Citizens Advice has today announced a 53% drop in reported problems with payday loan companies.

**The Lord Bishop of St Albans:** My Lords, research by MoneySavingExpert found that one-third of parents with children under the age of 10 have heard their children repeating slogans from payday loan adverts. We have already heard from the noble Baroness about research from the Children's Society entitled *Playday not Payday*. It also found that 34% of adults believe that these adverts are specifically focused at children, and 27% said that they believed that they were pressurising children to ask their parents to take out loans, so the evidence from parents is fairly clear. In the light of the Government's welcome emphasis on personal responsibility and financial prudence, does the Minister think that it is more important that we listen to people who are associated with the advertising industry or to the voices of the parents, who are pretty clear what these adverts are actually doing?

**Baroness Shields:** The ASA has taken action in the past two years on 25 advertising campaigns created by the payday loans industry and banned them from broadcast. We as a Government take this very seriously; hence we support the recommendations in the BCAP review which take note of it. We believe that the advertisements that the Children's Society flagged in the study that it released would be banned under the new rules.

**Lord Harrison (Lab):** Will the Minister answer the question posed by my noble friend Lord Lennie about the make-up of the BCAP committee?

**Baroness Shields:** As I said, the BCAP committee is an industry body, but it reports to the ASA, which has oversight of it. I do not have the names of the individuals responsible for this particular review and I will have to write to the noble Lord with them, but they are industry executives with the oversight of the ASA, which is an independent body led by the noble Lord, Lord Smith of Finsbury. Its members are impartial and are recruited openly.

**Lord Stevenson of Balmacara (Lab):** I congratulate the noble Baroness on her first appearance at Question Time, following her star appearance—not seen by many in your Lordships’ House, but still very good—last Friday.

Your Lordships’ House will be aware that, led by the Bishops’ Benches—and by the most reverend Primate the Archbishop of Canterbury, no less—we spent a lot of time in the previous Parliament considering what payday lending represented in society today. The general view around the House and a very strong recommendation to those responsible for the Bill at the time was that we should treat payday lending as seriously as we treat alcohol and gambling. It is interesting that, under the BCAP regulations, alcohol and gambling are not allowed to be advertised before the watershed. Why is that not the case for payday lending?

**Baroness Shields:** I am delighted to say that that is the subject of the forthcoming BCAP consultation. It will be specifically about scheduling and when it is appropriate for those adverts to appear.

**Baroness Howarth of Breckland (CB):** My Lords, does not the noble Baroness agree that it is a great pity that we live in a society where payday loans are necessary at all and where children are living in poverty when their parents are actually working? Will not the removal of tax credits from working parents make the situation a great deal more difficult, making them turn again to payday loans and leading them into a spiral of debt?

**Baroness Shields:** I appreciate the concern expressed by the noble Baroness. As your Lordships know, payday loans have been a subject of much scrutiny. As I mentioned, the regulations are such that you cannot charge more than 100% interest, which sounds like a lot, but these are meant to be short-term financial instruments; if you pay them back in 30 days there is no charge or a very small charge. The guidance and advice are about ensuring that advertisers do not mislead people, but we need to educate consumers about the fact that these are not long-term financial instruments and that they should be treated as such.

## House of Lords: Membership *Question*

2.45 pm

*Asked by The Earl of Sandwich*

To ask Her Majesty’s Government what steps they are taking to reduce the number of Peers eligible to sit in the House of Lords.

**The Lord Privy Seal (Baroness Stowell of Beeston) (Con):** My Lords, our manifesto recognised the importance of addressing the size of the House. While we cannot continue to grow indefinitely, the measure most relevant in my view is the average rate of attendance. My first concern as Leader is making sure that Members attend and contribute when their expertise is needed and relevant, so that, as a House, we fulfil our purpose of giving the public confidence in what Parliament decides.

**The Earl of Sandwich (CB):** My Lords, I thank the Leader for those remarks. She knows that there is strong feeling on this issue in and outside the House. If a cross-party group such as the one convened by the noble Lord, Lord Norton, were to come up with workable proposals, and maybe a consensus on the balance of the parties and a gradual reduction in the number of Peers in this House, would the Government give it their fullest consideration?

**Baroness Stowell of Beeston:** Because we have made it clear in our manifesto that we do not intend to pursue comprehensive reform of the House of Lords, this provides a period of stability when, alongside the priority that I have outlined which is to assist Peers in their decisions about when to attend and when to contribute, if there are other proposals that noble Lords want to put forward that are workable and where a consensus can be reached, clearly I am very interested to hear them.

**Lord Campbell-Savours (Lab):** My Lords, the noble Lord, Lord Jopling, produced a perfectly acceptable solution. Will the Leader of the House consider that proposal? In the interim, why do we not avoid public ridicule, bite the bullet and ask the Prime Minister to freeze the size of the House by adopting a new formula: one retirement or one death equals one new appointment?

**Baroness Stowell of Beeston:** The noble Lord refers to my noble friend Lord Jopling’s proposal, which was among those debated when we debated the Motion in the name of the noble Lord, Lord Williams of Elvel, earlier this year. Many different proposals are out there. As I have said, what is important is that any of them needs to be both workable and attract a consensus. The Prime Minister, as all Prime Ministers do, has at his disposal the facility to create Peers. We ourselves need to reflect on our role here and on what measures we can take to ensure that we continue to be effective. It clearly sounds as though that is what all noble Lords want to do.

**Lord Pearson of Rannoch (UKIP):** My Lords—

**Lord Cormack (Con):** My Lords—

**Lord Tyler (LD):** My Lords—

**Baroness Stowell of Beeston:** My Lords, do you want me to take control of this and answer the questions? It sounds like the House is calling for the noble Lord, Lord Pearson, first and then I am sure we will want to hear from the noble Lord, Lord Tyler.

**Lord Pearson of Rannoch:** My Lords, I am most grateful. Since the Liberal Democrats have 59 more Peers than they should have under their policy of appointing Peers in proportion with the votes cast in the previous general election, would a solution not be for, let us say, 40 of them to stand down? Instead, is there any truth in the rumour that another 11 Liberal Democrats are about to join us and would that be helpful?

**Baroness Stowell of Beeston:** The noble Lord is persistent in pursuing his point about what action noble Lords from the Liberal Democrat Benches might take in light of the recent election result, but I am certainly not going to respond on their behalf to his request. What is really important is that we are all mindful of the result of the last election in the way we do our work in this House.

**Lord Tyler (LD):** My Lords, does the Leader recall that the coalition Government of which she was a very distinguished member introduced a Bill to sort out this little problem back in July 2012? It had a majority in the other House of 338 at Second Reading and the support of a majority in each of the three main parties. Indeed, it would have progressed to the statute book had it not been for some silly party games of the Labour leadership with Conservative Back-Benchers. This problem would have been resolved by now.

**Baroness Stowell of Beeston:** But the Bill did not succeed in making its way out of the House of Commons. The manifesto that we stood on at the last election said that we would not seek to introduce comprehensive reform at this time, and it was on that manifesto that we won the general election.

**Lord Cormack (Con):** My Lords—

**Lord Maginnis of Drumglass (Ind UU):** My Lords—

**Lord Elystan-Morgan (CB):** My Lords—

**Noble Lords:** Cross Bench!

**Lord Cormack:** The Question came from the Cross Benches.

I am sure we appreciate the thoughtful way in which my noble friend has sought to answer these questions. I have the honour of chairing the group to which the noble Earl referred. We hope to produce a report that the House can consider later in the year. Will the Leader give an assurance that that will be taken seriously into account by the Government if it makes constructive proposals?

**Baroness Stowell of Beeston:** I say to my noble friend and the House as a whole what I have already said: we should take advantage of this period of stability. If proposals come forward that are workable and attract consensus, I am all ears and will listen very carefully to what noble Lords put forward.

**Baroness Smith of Basildon (Lab):** The Leader will be aware of the speculation about the size of the list of new Peers. Unfair it may be, but the size of your Lordships' House is often used to attack its effectiveness. If we continue to grow at the same rate in this Parliament as we did in the previous Parliament, by the time of the next election we could have more than 1,000 Peers.

The Leader has rejected a constitutional convention so may I seek common ground with her on two points? How do we promote the role of your Lordships' House as an essential revising and scrutinising Chamber, and what is the impact of the ever-increasing numbers on our effectiveness? Will she agree to some honest, thoughtful

consideration over the Summer Recess and come back in September with some thoughts on how to progress, and perhaps even look at having a Leader's Group to look into this issue?

**Baroness Stowell of Beeston:** I do continue to consider these matters. However, while there was an increase in the number of Peers during the last Parliament, there was also a reduction. People have retired. When I was last in front of your Lordships answering questions on the topic, I said that 27 Peers had opted for retirement. Now we are up to 30 and I believe that, with those who are already committed to retirement, that will increase to 32. I will reflect very hard over the summer on a range of different things and will continue to listen very carefully to what proposals might come forward.

## EU Budget: UK Contribution *Question*

2.54 pm

*Asked by Lord Vinson*

To ask Her Majesty's Government, in the light of the United Kingdom's net contribution to the European Union budget of £43 billion between 2010 and 2014, according to their December 2014 statement *European Union Finances 2014 (Cm 8974)*, whether they plan to include a reduction in the United Kingdom's net contribution in their renegotiation of the United Kingdom's membership of the European Union.

**Lord Ashton of Hyde (Con):** My Lords, the Prime Minister has been clear on the areas where we seek reform, including welfare, competitiveness and protecting Britain's interests outside the euro. The EU budget mechanism, which determines the UK's net contribution to the EU from 2014 to 2020, was agreed in 2013 when the Prime Minister scored a historic real-terms cut to expenditure and protected the rebate. This House ratified that deal on 8 July.

**Lord Vinson (Con):** I thank the Minister for his erudite reply. Does he agree that every penny we remit to the EU to meet its ever-growing demands has to be borrowed overseas due to our huge trading imbalances? So should we not seize the opportunity of renegotiation to repatriate those sums that are used by the EU largely for capital investments, cut our borrowings and spend that money on our own decaying infrastructure?

**Lord Ashton of Hyde:** My Lords, it is kind of my noble friend to say that my Answer was erudite. Of course, what he spotted is that the first response is usually written by erudite officials, not the Minister. On the substantive point, of course it is the case that the UK is an overall net contributor to the EU budget, but it should be noted that the EU does not contribute to specific EU budget programmes such as infrastructure. Indeed, to put it into perspective, the net contribution over the next seven-year MFF will average 0.47% of national income. In addition, as my noble friend will be aware, the UK derives considerable economic benefits from being in the single market and from the deals that the EU collectively negotiates with countries outside the Union.

**Baroness Ludford (LD):** My Lords, does the Minister agree that a very good job was done in cutting the current seven-year EU budget over the last one, and that those who did the good job included Liberal Democrat MEPs, of whom I was one? The UK contribution in 2019-20 will be 7% lower in real terms than last year. A good job was also done in reorienting the budget towards research, investment and innovation for growth and competitiveness. It is not an ever-growing EU budget; it is a diminishing EU budget.

**Lord Ashton of Hyde:** The noble Baroness is right to say that the overall EU budget was cut in real terms as compared with the last one. I am not 100% sure what role the noble Baroness played in that, but I note that we did not agree the last two annual budgets.

**Lord Hannay of Chiswick (CB):** My Lords, would the Minister stretch his erudition a little further and tell the House what the British rebated contribution is per capita of our population and how that compares with other member states of a similar level of prosperity to us? Could he then perhaps add to that by giving us the cumulative figure for the rebate since 1984?

**Lord Ashton of Hyde:** No, my Lords, but I will write to the noble Lord.

**Lord Davies of Oldham (Lab):** My Lords, we on this side of the House had assumed that the Minister was displaying his own erudition as there is no official in the Box to check on this, so he is on his own. What steps are the Government taking to keep Parliament and the British people informed on the progress of negotiations? The Labour Party of course voted for a reduction in real terms to the current 2014 to 2020 budget, but ahead of the referendum it is quite clear that we need to discuss fully both in Parliament and with the British people directly how the EU budget is constructed and how the money is spent.

**Lord Ashton of Hyde:** My Lords, I acknowledge that the party opposite did support the new MFF, and I acknowledge the support given by the noble Lord personally to that well-attended debate on 8 July with one speaker. In terms of how we will keep Parliament informed, the Prime Minister made a Statement that was repeated in this House about his renegotiations and the outcome of the Council, and he did say that the issue would be addressed at the Council in December. I would expect the Prime Minister to make a further Statement following that EU Council, which is what he normally does. In addition, not only the European Scrutiny Committee of the House of Commons but the Select Committee of this House will scrutinise the budget, as they always do.

**Lord Tugendhat (Con):** My Lords, I congratulate the Minister on his modesty as well as on his erudition. Would he not agree with me that the Prime Minister has set out his negotiating path and that it is always very unwise to deviate from a path almost immediately after one has set it out in public? Would it not be far better to seek changes that will benefit the whole of the European Union and not just the United Kingdom,

and is not the best way to do that by seeking to control the budget and looking for ways of repatriating those functions that are suitable for that purpose?

**Lord Ashton of Hyde:** I completely agree with my noble friend. In fact, the Prime Minister has been consistent. In the election he said that we would reform the EU: we would have renegotiation, reform and a referendum. That is what he promised and that is what we will deliver.

**Lord Grocott (Lab):** When the Prime Minister returns from his negotiations in Europe and recommends to the British public to vote yes in the referendum, as we all know he will, how will we be able to judge whether or not he has achieved his objectives?

**Lord Ashton of Hyde:** He will set out what he believes is his view, and it will be left to the British people to judge whether we should stay in or leave the EU.

## Syria: UK Military Involvement

### Question

3 pm

Asked by **Lord Green of Deddington**

To ask Her Majesty's Government whether they specifically authorised the involvement of British military personnel in allied offensive action over Syria, and if so, why.

**The Minister of State, Ministry of Defence (Earl Howe) (Con):** My Lords, the Secretary of State for Defence gave approval for UK personnel embedded with US and Canadian forces to strike in Syria. Embedded UK personnel operate as if they were the host nation's personnel under that nation's command chain, but are still subject to UK domestic and international law and to the host nation's law. Embed posts allow personnel to gain experience of key capabilities and equipment and to make a positive contribution to our defence relationships.

**Lord Green of Deddington (CB):** I thank the noble Earl for his very full reply. Does it mean that the Government now accept that ISIL poses a very serious threat to British interests at home and abroad and that the regime in Damascus most certainly does not? Secondly, do the Government recognise that the collapse of the regime in Damascus would lead to a situation of total chaos from which the main beneficiary would indeed be ISIL?

**Earl Howe:** My Lords, I certainly agree, as do Her Majesty's Government, that ISIL is a serious threat to us as well as many other western countries. That is why we are engaged as fully as we can be in the fight against ISIL over Iraq, and we are conducting surveillance operations with our coalition partners over Syria. As well as that, we are training moderate Syrian opposition forces and forces in Iraq, as the noble Lord will be aware. His analysis of the position relating to the

Damascus regime is, I am sure, one that the House will note, but we are clear that we should do nothing to prolong unduly that regime which, as noble Lords will be aware, has conducted appalling atrocities on its own people.

**Lord West of Spithead (Lab):** My Lords, in September this year I will have been on the active list in the Navy for 50 years. All my experience seems to indicate that the handling of this situation of the embeds has been a total cock-up. When one makes a cock-up one should just admit it, learn and move on. My question relates to a clarification. Are we now saying that UK personnel embedded in other nations will be allowed to be engaged on the ground and in the air over Syria? How many naval pilots are in the air wing of the next carrier which is moving out to replace the carrier in the Gulf, and will be flying operations in Syria?

**Earl Howe:** My Lords, it will not surprise the noble Lord to know that I do not share his analysis of the handling of this matter. I can tell him that UK pilots embedded with the Royal Canadian Air Force and USAF have permission to strike ISIL targets in Syria should their mission require them to do so. The US unit that UK pilots are currently embedded with has conducted strikes in Syria, but it is important to emphasise that neither the US nor Canada is authorised to attack Syrian regime military forces.

**Lord Glenarthur (Con):** My Lords, is it not the case that secondment or exchange has been part of the services' policy, rightly, for very many years and provides very valuable experience and expertise in both directions, and that, once seconded, our servicemen fill a vital role as part of the services that they are seconded to? Does the noble Earl further agree that, should our servicemen not be able to play a full operational part on deployment, secondment would be worthless and disruptive to the other nations, who are often our allies—probably all our allies—to whom the individuals are on exchange?

**Earl Howe:** I fully agree with my noble friend. In a nutshell, one could say that service personnel are either embedded or they are not. The value to our people from being embedded with the United States Navy is the key skills that they are acquiring to operate the Queen Elizabeth class carriers when those come into service later in the decade. The experience gained by flying and supporting US fixed-wing aircraft will allow the pilots to retain the suitably qualified and experienced person status needed to operate the F35B.

**Lord Reid of Cardowan (Lab):** My Lords—

**Baroness Jolly (LD):** My Lords—

**The Lord Privy Seal (Baroness Stowell of Beeston) (Con):** My Lords, I am so sorry, but the House is calling for the noble Lord, Lord Reid. I suggest that, if we can be brief, we will be able to hear from the Lib Dem Benches as well.

**Lord Reid of Cardowan:** Thank you. I will be very brief. In order that the House can understand the strategy, which do the Government consider the greatest threat to this country and its interests—Assad or ISIL?

**Earl Howe:** My Lords, currently there is no doubt that ISIL represents the greater threat.

**Baroness Jolly:** My Lords, in the Syria Statement yesterday, the Secretary of State's words were carefully chosen. At the moment, our actions could be construed as the West versus Islam, so could the Minister see any likelihood of future pilots being embedded in Middle Eastern partners' forces? Would any ministerial permission therefore need to be sought?

**Earl Howe:** My Lords, exchange of personnel is a regular feature of our Armed Forces, as the noble Baroness will be aware, and this has been the case for many years. I asked for figures relating to our personnel embedded with the forces of other nations, but that statistic is more difficult to come by than might be initially supposed. However, if I can enlighten the noble Baroness, and indeed the House, I would be happy to do so once the information has been gathered.

**Lord Elystan-Morgan (CB):** My Lords—

**Lord Anderson of Swansea (Lab):** My Lords—

**Baroness Stowell of Beeston:** My Lords, it is the Cross Benches next.

**Lord Elystan-Morgan:** My Lords, I am grateful. I wonder if the noble Earl can kindly tell the House what in public international law is the status that Her Majesty's Government regard President Assad as occupying, bearing in mind that some two years ago, in respect of all the belligerents that were opposed to President Assad, we accepted a status for each and every one of them—including, as it so happened, ISIL.

**Earl Howe:** My Lords, the Government regard the Assad regime as a pariah regime, in short. It will be very important, if we are to seek a lasting settlement in Syria, that Assad and those supporting him are not part of that future regime.

## Arrangement of Business

### *Announcement of Recess Dates*

3.08 pm

**Lord Taylor of Holbeach (Con):** My Lords, it may be for the convenience of the House if I make a short statement about recess dates into the new year. To save noble Lords from reaching for their diaries, the dates that I announce will be available, as is the custom, this afternoon in the Printed Paper Office. I stress that I make this statement with the usual caveat that each of these dates is subject to the progress of business and, on that basis, they have therefore to be considered provisional.

We will adjourn for a short autumn break at the end of business on Wednesday 11 November and return on Tuesday 17 November. We will rise for the Christmas Recess at the end of business on Tuesday 22 December

[LORD TAYLOR OF HOLBEACH]  
and return on Monday 11 January. Later today, we will also be publishing a new edition of *Forthcoming Business*, which will also include dates for sitting Fridays in the autumn.

## Proposed Changes to the Standing Orders of the House of Commons

*Motion*

3.09 pm

*Moved by Lord Butler of Brockwell*

That it is expedient that a Joint Committee of Lords and Commons be appointed to consider and report on the constitutional implications of the Government's 14 July revised proposals to change the Standing Orders of the House of Commons in order to give effect to English Votes for English Laws, and that the committee should report on the proposals by 30 March 2016.

**Lord Butler of Brockwell (CB):** My Lords, I beg to move the Motion standing in my name on the Order Paper, and I shall do so briefly.

The purpose of this Motion is to enable the House to ask for a Joint Committee of both Houses on the Government's proposals on English votes for English laws. I should first repeat that I welcome the fact that the Government are grasping the nettle of English votes for English laws. At the same time, it seems to me undeniable that their proposals are not just procedural but raise serious constitutional issues. They give a subset of Members of the House of Commons—English or English and Welsh Members—a right of veto on legislation which Parliament would otherwise pass. It seems to me right that Scottish MPs should not have the power to determine legislation affecting only England, or England and Wales, but the Government's proposals are not the only way of achieving that. The McKay commission and the Democracy Task Force, chaired by the right honourable Kenneth Clarke MP, both suggested simpler and, in my view, less objectionable alternatives which ought to be seriously considered by Parliament.

There are many other problems with the Government's proposals. The noble Baroness, Lady Boothroyd, has raised her concern that they require the Speaker in another place to make determinations which will be politically controversial and, as the noble and learned Lord, Lord Judge, has said, could cause the privileges of Parliament to be challenged in the courts. Others have argued that the right way to deal with matters of this constitutional importance is by legislation, not by changes to Standing Orders in the House of Commons. That is a view which I share.

When people with experience and expertise from such a different range of perspectives as the noble Baroness, Lady Boothroyd, the noble and learned Lord, Lord Judge, and the noble Lords, Lord Norton of Louth, Lord Forsyth, Lord Lisvane and Lord Reid, all express concern about the Government's proposals, these concerns demand serious examination. It would not be sufficient to have a debate in which concerns can be expressed but not resolved before the Government

rush the proposals through in September by a vote of the majority in another place. At present, when there is both a Conservative majority in the House of Commons and a Conservative majority in England and Wales, the problem is not urgent. Surely it is more important to get the proposals right than to rush them through.

This House has great experience and expertise to contribute on this matter. The proposal for a Joint Committee of both Houses did not originate in this House. It was made by the opposition spokesman in another place. The purpose of this Motion is to enable our House to support it and to indicate our willingness to take part. I beg to move.

**Baroness Smith of Basildon (Lab):** My Lords, I rise briefly in support of the Motion of the noble Lord, Lord Butler of Brockwell. He helpfully raised this issue last week in a QSD that he introduced, so the noble Baroness and the Government have had an opportunity to consider it.

I should be clear: we do not see this Motion as challenging the principle of what the Government are seeking to achieve—I am sure that that is not its intention. That is not our role or, as a House, our responsibility. However, it is our role as a revising and scrutinising Chamber to consider the implications of proposed changes for how we as a Parliament operate, and whether changes being proposed have any implications not just for how we do business but whether they impact negatively on our work.

3.15 pm

As has previously been noted in your Lordships' House, these proposals go way beyond those considered in both the McKay and the Hague reports. I know that the noble Baroness does not accept that point, and she will of course have heard the views on it expressed by Members from across the House in our earlier debate. However, these specific proposals have not been fully considered or examined. We in your Lordships' House have the obligation and the constitutional duty to scrutinise the detail of legislative proposals. We fulfil that responsibility very well, and it is usually seen as an asset to the Government, as evidenced by how often Ministers accept amendments proposed in your Lordships' House, or introduce their own amendments following debate here. There is always interest in votes that Governments win or lose, but the overwhelming majority of changes made to legislation in your Lordships' House are through discussion, advocacy and agreement. That is the way that we do business, and that is why we are effective. Indeed, the Joint Committee proposed by the noble Lord, Lord Butler, would use the very best of your Lordships' House—its expertise, its wise heads and its consensual, cross-party style, working with the Commons to carefully examine the proposals and any possible effects.

Although it is not by legislation, these proposals would fundamentally change the way in which Parliament works. They are far reaching and, as such, deserve proper consideration by both Houses of Parliament. I find it incredible that there would not be proper analysis or consultation with your Lordships' House about any possible issues that might affect our constitutional role. This House is not an add-on to Parliament or just

an afterthought—it is an integral part of the legislative process. As I said to the noble Baroness in our debate last week, we will be failing in our duty as a scrutinising Chamber which seeks to assist in ensuring good government if we fail fully to investigate the implications of this proposal on the governance of our country. We have to interrogate this issue now and fully understand any and all implications. Such an investigation through a Joint Committee as proposed by the noble Lord, Lord Butler of Brockwell, could either reassure your Lordships' House that there are no implications or identify any possible difficulties so that they can be addressed. If the noble Baroness's assessment that there are no implications for your Lordships' House is correct, that will be confirmed by a Joint Committee. Although she has asserted that as a belief—which I know is genuinely and sincerely held—she has not, so far, provided the evidence to substantiate it.

Surely it would be a gross dereliction of our duty as a House if, in a few months or a year or even later, we were presented with a constitutional difficulty that, because of the failure to properly examine the issues now, we were at a loss on how to resolve it. That would be irresponsible and a recipe for constitutional chaos. I have made clear on more than one occasion from this Dispatch Box that we are and will continue to be a responsible Opposition. I ask the noble Baroness to ensure that we also have a responsible Government and to accept the wise and moderate proposal of the noble Lord, Lord Butler.

**Lord Wakeham (Con):** My Lords, I have spent a great deal of my political life in government, receiving—and normally taking—the advice of the noble Lord, Lord Butler. He knows, because I have told him, that on this occasion I am not going to agree with him.

I agree that this is a very important issue. The West Lothian question has been around for a long time, and if there were an easy answer or an answer that satisfied everybody it would have been settled years ago. The Government's proposals should be given a try, but the Government are absolutely right in saying that their proposals should be reviewed after 12 months. These proposals do not alter the rights and responsibilities of the House of Lords in any way; they alter the Standing Orders of the House of Commons. These proposals are a manifesto commitment of the Conservative Party which recently won a general election. That must be treated with respect by the House of Lords, which also ought to be cautious in seeking to interfere with the workings of the House of Commons.

I accept that there are strongly held views on these issues. My advice would be for the House to accept the offer of the Leader of the House for a full debate on the matter in September, or as soon as it can be arranged, assuming that that offer is still open should the House seek to resolve the matter this afternoon, which in my view would be a mistake. It is at the time of that debate that we should decide whether the House of Lords should offer to take part in a Joint Committee of both Houses, but I have to say that I am doubtful. As I understand it, the House of Commons is yet to make a decision to change its Standing Orders and it would be premature for us to seek to tell it what to do or to interfere in the middle of its deliberations.

**Lord Wallace of Tankerness (LD):** My Lords, I very much welcome this debate and congratulate the noble Lord, Lord Butler, on coming forward with this Motion. It is not because we on these Benches do not think there is an issue to be addressed; rather, we think that the Government have gone about it in a somewhat rushed way, with little or no consideration of the possible constitutional consequences.

I heed the remarks of the noble Lord, Lord Wakeham, who has considerable experience in these matters, that the House of Lords ought to be cautious when we are dealing with matters that relate to the internal workings of the other place. But if these internal workings, and the manner in which the Government are going about it, have important constitutional consequences, then it is a matter for this House to have regard to as well. This is perhaps a classic example of a measure that flashes the warning sign: "Beware the law of unintended consequences".

Many of these points have been rehearsed, but we know it will be very difficult to determine whether a clause or a schedule, to quote the draft Standing Orders, would be,

"within the legislative competence of the Scottish Parliament to make any corresponding provision for Scotland in an Act of that Parliament"—

that being the test for whether or not it was a matter that the Speaker could certify. It is not an easy matter to determine, as I indicated last week. When I was Advocate-General for Scotland, much of my office was looking at these matters and trying to determine where the boundaries of competence were. Indeed, I had the privilege of appearing before the Supreme Court, presided over by the noble and learned Lord, Lord Hope of Craighead, on a matter relating to the sale of tobacco products to children. Ultimately it was the Supreme Court that determined whether the matter was within or outwith the competence of the Scottish Parliament.

As the noble Baroness, Lady Boothroyd, said in our deliberations last week, these issues could bring the Speaker into some legal and political controversy. What if, for example, the Speaker certifies a measure as satisfying the test but subsequently the Scottish Parliament seeks to bring forward exactly the same legislation and the Supreme Court determines that in fact it was not within the competence of the Scottish Parliament? No doubt the Speaker's certificate would be final but you would have a very difficult situation where the Supreme Court decided something that the Speaker or the Speaker's Counsel had got wrong. As has also been said, we are treading on ground that could raise issues about Article 9 of the Bill of Rights. Even if it is not justiciable, it will not necessarily stop someone trying to make it justiciable, and all sorts of issues could arise there.

I also note that the draft Standing Orders say:

"Where either the whole House or the English, or English and Welsh, MPs do not agree to a motion relating to the Lords amendments, the amendments are not agreed and a message to this effect is sent to the House of Lords".

We would be dealing with a situation where an amendment has been passed by your Lordships' House—indeed, it could have been passed by the House of Commons—which, in the past, anyone would have thought had been

[LORD WALLACE OF TANKERNESS]

passed by both Houses and should then go to Her Majesty for Royal Assent, but we are being told that in fact that would not necessarily lead to a measure being put forward for Royal Assent. That is an important constitutional issue. It may not affect the Standing Orders of your Lordships' House but it has implications for your Lordships' House.

Finally, the noble Lord, Lord Forsyth, may wish to intervene and articulate this more, but he made an important point last week about the provisions that were added in relation to finance—that it could well be the case that the substantial part of the Government's supply from income tax would be deemed to be a matter only for English MPs or English and Welsh MPs to determine. So you could have a situation where English and Welsh MPs could veto the supply of the majority party in the House of Commons. I am not saying that it could not be done—under these provisions it would be done—but it has important constitutional consequences. Therefore, I do not believe it is sensible to proceed piecemeal by way of Standing Orders of the other place, and that is why the proposal that has come from the noble Lord, Lord Butler, is one that I hope this House will pass and which I hope the other place will take seriously.

**Lord Cormack (Con):** My Lords, I have great sympathy with the noble Lord, Lord Butler. The solution that the Government have come up with in the other place is, to put it mildly, far from perfect. But we have one problem in this House this afternoon: we cannot establish a Joint Committee. We can express a view and say that we think that there should be a Joint Committee—personally, I would welcome that—but we can also try to ensure that the matter is referred to our Constitution Committee. I believe that there are repercussions for this House and that we have to take the issue extremely seriously.

Altering the constitution in this way, almost by sleight of hand, does no service to any of us who care about the stature of Parliament, the relationship between the two Houses and the responsibility of this House in particular. My noble friend Lady Stowell has already indicated that there will be a full day's debate in September, which is good and welcome. But I hope that when she comes to reply from the Front Bench she will be able to go further and say that she, as Leader of the House, will personally ask the Constitution Committee of this House, which has an enviable reputation for working thoroughly and fairly expeditiously, to try to report in time for that debate—but, if not, very shortly afterwards. We are entering a legislative quagmire here and it is far more important that we get it right—here, I totally agree with the noble Lord, Lord Butler—than that we achieve it quickly.

We have had too much government by gimmick and deadline over the last year. I have quoted this before in the House: something must be done by St Andrew's Day and something else by St David's Day. We are playing with the constitution of the United Kingdom, in which I hope that most of us truly believe, and if we are to safeguard the United Kingdom in this new era of extra devolution, we have to safeguard the position of the United Kingdom Parliament—a Parliament in which all Members are equal.

It may well be, as I believe, that there is a very good case for reducing the number of Members from Scotland when current legislation is on the statute book, and in time for the next general election. There is precedent for that both in Scotland and Northern Ireland, but the extremely convoluted arrangement that is currently proposed is likely to create far more problems than it solves. Of course I welcome the idea of a review after one year, but I would rather that we did not go there. I urge my noble friend to give serious consideration to making a personal request to the Constitution Committee of your Lordships' House to look at this matter very quickly.

**Lord Reid of Cardowan (Lab):** My Lords, I support the Motion from the noble Lord, Lord Butler, not because I want to impede the addressing of this issue by the Government, because we should not. As the noble Lord, Lord Wakeham, pointed out, the issue was in the Conservative Party manifesto—but these proposals were not, to the best of my knowledge. What I fear greatly is that the nature of these proposals, far from resolving the issue, will create so much confusion and potential conflict not only within this Parliament but between it and the devolved Parliaments—that of Scotland in particular but the others as well—that we will end up with a solution that is far from desirable from anyone's point of view.

In deference to the House, I will not go through any of the details, because we want brief speeches. But I would just say, for anyone who does not understand them, that the definitions included in the Standing Orders are deceptively simple. These issues are not at all simple, not the territorial issues or even the second test of the content—not to mention the third test, which is not mentioned at all in the Standing Orders but which, as the noble and learned Lord, Lord Wallace, mentioned, is the purpose. If we do not have this done correctly, this is a recipe not for resolving the issue but for having continuous recourse to the courts, to conflict and to confusion of a profound nature in our constitution.

3.30 pm

We cannot of course impose this Joint Committee on Members of the House of Commons—these are their Standing Orders—but we can try to persuade them, with a great deal of sincerity, that the mechanism we are proposing will not impede their addressing of this question but will assist them in addressing the intentions of the Government in a way that does not end up with terrible unintended consequences that will further erode the potential for unity inside the United Kingdom. That is my great fear with these proposals.

I hope that the Leader of the House, when she discusses these matters with her colleagues in the other place, will assure them that the speeches that have been made today do not attempt to deny the right of the Government to address this issue, as it was in the manifesto, but to plead with them to do it by using not only the political expertise at the other end of this Parliament but the deep reservoir of expertise, professionalism, advice, maturity and experience available in this Chamber, through the idea proposed by the noble Lord, Lord Butler, of a Joint Committee. I sincerely hope that that is the spirit in which this debate will be conveyed to the Government by the Leader of the House.

**Lord Forsyth of Drumlean (Con):** My Lords, I do not wish to repeat the arguments that were put in the debate last Thursday which was initiated by the noble Lord, Lord Butler, or indeed in the debate on Friday when we discussed the Private Member's Bill of the noble Lord, Lord Purvis. However, the Motion proposed by the noble Lord, Lord Butler, is a very sensible one. It is of course a matter for the House of Commons whether it wants to have a Joint Committee but it is also a matter for the Government to provide a lead on what is becoming a highly complex series of interconnected issues.

If, for example, we are to keep the Barnett formula and have English votes for English laws, as it is dubbed, that will have an impact when we come to discuss the Scotland Bill which is before the House of Commons. I wonder what the problem is here that EVEL is trying to solve. I have had a look at the Bills promised in the Queen's Speech, and only one of them could conceivably be affected by EVEL. That is a buses Bill which gives local mayors—in Manchester, Birmingham or wherever else—the power to run the buses. If I amend that Bill when it comes to this House to include provosts in Scotland, despite it having already been certified as an English Bill, it will go back to the House of Commons as a United Kingdom Bill. There will be no opportunity for the House of Commons to consider the amended Bill in Committee; instead it will be subject to a double vote: one of English MPs and one of the House as a whole.

On Thursday, in response to the noble Lord, Lord Butler, my noble friend the Leader of the House said:

“English MPs cannot overrule the whole House and the whole House cannot overrule English MPs; neither side can force something through without the consent of the other”.—[*Official Report*, 16/7/15; col. 764.]

That is not the case here. What is happening is that English MPs are being given a veto, which is not what my noble friend described. This is the concern that is being created.

I was talking to a colleague from the other end of the building the other day who said, “We have to have EVEL—look what they have done to us on foxes”. EVEL would make no difference whatever to any vote on foxes, whereas, as my noble friend and others have suggested, reducing the number of Scottish MPs would have an impact on such a vote.

The noble and learned Lord, Lord Wallace of Tankerness, referred to one thing which really exercises me: at the very last moment, on the revised version, it was made clear that EVEL would apply to finance Bills. Income tax must be about 20% of a Government's revenue, and that change would mean that a Labour Government, who would perhaps have a majority in the country, would have to have a majority in England in order to get their supply through.

When I was a little boy at school, I was told that the House of Commons was there because it enabled Government to get supply and the consent of the people, and that if a Government could not get supply then it folded. We already have five-year Parliaments and bigger majorities than simple majorities. Now we are adding to that. The noble Lord, Lord Butler, is absolutely

right that all these issues must be looked at together so that we have a long-term, stable basis on which to go forward.

On the question of stability, the noble Lord, Lord Butler, also pointed out that the commitment made by William Hague in the last Parliament was that this would be put on a statutory and therefore permanent basis. Amending Standing Orders means that the moment you lose a majority in the House of Commons somebody else can go along and add their version of it. It is not a permanent solution to the problem with which our manifesto was concerned: that we must do something about the fact that we have devolved power to Scotland and English MPs are not able to vote on those issues while Scottish MPs are able to vote on the others.

I hesitate to disagree with my noble friend Lord Wakeham, particularly as it is his 30th wedding anniversary today and he was my former Whip. I have always shown great deference to Whips. On the other hand, the noble Lord, Lord Butler, as Cabinet Secretary was, as I said on Friday, the next thing to God as far as I was concerned when a Minister. Yet Gladstone wrestled with this issue: the whole debate was about “in” and “out”. In the end, they tried all this with Irish votes for Irish laws, British votes for British laws and the rest—and they gave it up. They concluded that the right thing to do was to keep a United Kingdom Parliament and reduce the number of MPs commensurate with the amount being devolved. We have done this for years—we did it with Ulster. When there was more power here, when we had direct rule, they had more Members in the House of Commons Chamber. That works. It has even worked with Scotland. Even Alex Salmond in the last Parliament accepted that there would have to be a reduction in the number of Scottish MPs if there were to be more powers. That is what this very building will discuss over the next period.

The other thing I was taught as a little boy was that constitutional changes to the golf club or anywhere else should be done by consensus. You should not do something that gets one group against you as they will then do that to you when they get the chance. That is why a Joint Committee would be a good opportunity to get consensus. To be fair to the Labour Party, I nearly fell off my chair the other day when listening to the spokesman for the Labour Party in Scotland—their sole MP in Scotland; like us, the party is now outnumbered in Scotland. He said that Labour accepted in principle the question of English votes for English laws. If we agree the principle, then a Joint Committee might be able to get something permanent which will not damage Parliament or help the nationalists—who are making hay. A recent poll in Scotland found that a majority of people had no idea what the Smith commission was about or what the new powers being given to Scotland were but at the same time a big majority felt that those powers did not go far enough. This is what happens if you proceed in a piecemeal manner and move forward on the basis of pressure rather than a coherent, constructive approach.

I am attracted to this idea because the Government have set their face against a constitutional convention. That is unfortunate but when I listened to the Private Member's Bill of the noble Lord, Lord Purvis, and all

[LORD FORSYTH OF DRUMLEAN]

the things he would have put into his constitutional convention—it was all to be decided within a year—I began to see the Government’s point of view. If you are to have a constitutional convention, the terms of reference should be narrow and the timescale set. The Government set their face against that. A Joint Committee is an alternative that would enable them to keep control.

In the debate on Thursday, the noble Lord, Lord Foulkes, pretty well said that if the Government do not set up the constitutional convention others will and they will have the resources. We made a big mistake in Scotland not in opposing devolution—we said it would lead to this mess—but in refusing to participate in the constitutional convention. We were not there to make the arguments about the asymmetry that led to this difficulty. We should not repeat that mistake.

When I was a youngster, I used to work in my father’s garage. He once asked me to strip down an engine and put it back together again. I did that but I was left with one bolt at the end, so I had to do it all over again. The Government are in danger of being left with more than one bolt. We need an engine that will take our country forward. I strongly support the noble Lord’s Motion.

**Lord Wigley (PC):** My Lords, it would be perverse of me not to say that I have every sympathy with English votes for English laws. After all, I want Welsh votes for Welsh laws, and on that basis quite clearly the same should apply for England. However, with regard to the provisions being put forward by the Government, there are questions relating to Wales that have just not been answered. The most fundamental question has to do with the financial implications of the Barnett formula. We had Acts in the last Parliament that were supposed to be England-only, such as the Health and Social Care Act 2012. We are told that 99% of health is totally devolved, yet that Act had a negative effect of £11 million on my local health authority. Because of the way the Barnett formula works, issues arise with regard to cross-border communications between Wales and England.

Quite frankly, these proposals do not start to answer the fundamental questions. If we accept that there will not be independence for Scotland or Wales, certainly within this Parliament, what stable, ongoing constitutional settlement will be able to meet the reasonable aspirations of people in Wales, Scotland and Northern Ireland but also deliver the English votes for English laws proposal that the Government have in their manifesto? One needs to get the answer right in the long term, not just apply bits of sticking plaster. I am quite prepared to look at any proposals that the Government put forward to move in the right direction on this, but I beg that the Government, and indeed all parties, try to find that long-term stable solution, rather than short-term expediency.

**Lord Lisvane (CB):** I support the Motion in the name of my noble friend. Comity—a relationship of mutual respect between the two Houses—is extremely important, as the noble Lord, Lord Wakeham, has pointed out with his customary wisdom. It is therefore equally important that this Motion is seen not as an attempt to interfere with the Standing Orders of the

House of Commons but as a means of examining a constitutional problem, to which what has been proposed is only one possible solution. It is a very complex solution—a complexity to which I have fallen victim—for which I must apologise to your Lordships.

When I spoke during the QSD last week, I said that, were this House to change an English-only certified provision into a UK-wide provision, it would go back to the Commons, escape certification and be subject to a different procedure, which might produce a different outcome. However, I hope your Lordships will forgive my error on just a minor point of detail. I had reckoned without proposed Standing Order No. 83O(4), which says that if this House turns an England-only or England and Wales-only provision into a UK-wide one, the Speaker must still certify it as being an England-only or England and Wales-only provision. To take an extreme example, if your Lordships inserted acres of Scottish provisions into a certified England-only clause, that amendment would be subject to the England-only procedure when it reached the Commons and a majority of English MPs would be required in order to approve it. That seems a little counterintuitive and it may come as a surprise to some. However, it does seem to me an example of the sort of thing that a Joint Committee could tease out in its implications.

Finally, if the Standing Orders route is chosen, it is possible that the courts may become involved, because although Article 9 should be a protection, if the Speaker is to be invited for the first time to rule on an objective matter of law, as the noble and learned Lord, Lord Wallace of Tankerness, pointed out, that is a hazard. If the legislative route is chosen, it would be possible to put in an ouster clause to say that the Speaker’s actions were not justiciable in any court, but that might not be a foolproof device. On the Anisminic precedent, which noble and learned Lords know much more about than I do, a court might still have a locus. Either outcome would still be of concern to this House just as much as to the House of Commons—so that aspect of jointery becomes very important. But careful analysis and firm conclusions by a Joint Committee might well discourage a court from going down a highly experimental route.

I understand the Government’s wish to press ahead with speed. However, I suspect that they may find a Joint Committee with the early out-date suggested by my noble friend useful insurance and, perhaps, in the outcome, not altogether inconvenient.

3.45 pm

**Lord Tyler (LD):** My Lords, I am very glad to follow the noble Lord, Lord Lisvane, for reasons that will become apparent in a moment. I have three issues to which I want to refer briefly.

First, as others said last week and have said today, the idea that these proposals affect the other place alone has been blown to smithereens. It is clearly extremely relevant to the powers and responsibilities of your Lordships’ House that these proposals are examined very carefully. The noble Lord, Lord Lisvane, has referred to the proposed changes to Standing Orders and, in particular, Standing Order 83O. I do not know quite why the zero is there—oh, it is an “O”, and obviously very important. For brevity’s sake, I am not

going to read them, as there is a whole page of them, but they are headed, “Consideration of certified motions or amendments relating to Lords Amendments or other messages”.

What is here is clearly an opportunity for a subset of the House of Commons to veto what the House of Lords has said, which goes to the very heart of this issue. It is taking a part of the Westminster Parliament and saying that it has a veto over the whole of that Parliament. The relationship between our two Houses is clearly of supreme importance, as others have said, and this alters the supremacy of the Westminster Parliament. It is as important as that. Even more topically, if one devolved subset of our system of governance is given that opportunity, what are Holyrood, Cardiff and Stormont going to say? They will want it too—and why should they not? It alters the whole delicate balance of power and responsibility within the United Kingdom.

The case for a Joint Committee is absolutely clear. If I may say so to the noble Lord, Lord Cormack, the other place can take absolutely no notice whatever of our Constitution Committee—it does not have a comparable Constitution Committee, as he well knows. Perhaps it should have one. By the time that our Constitution Committee has come up with some recommendations, the danger is that the changes to the Standing Orders in the other place will already have been passed.

That brings me to my second point. This is a classic case of the dangers of piecemeal and ad hoc attempts to deal with apparent anomalies in our constitution. Removing one anomaly produces another. Any Member who still thinks, after listening today, that this can be resolved in isolation would do well to read the *Hansard* report of our brief debate last Thursday and the debate in the other place last Wednesday. I particularly draw the attention of noble Lords to the comments of the former Attorney-General, Dominic Grieve, who said:

“Ultimately, every decision that is taken by an Assembly or Parliament in the United Kingdom has a knock-on effect elsewhere, outside the area of its jurisdiction”.—[*Official Report*, Commons, 15/7/15; col. 1002.]

Surely, such a wealth of practical experience exceeds what is available to the Leader of the Commons on his own—hence, I believe that a Joint Committee would be entirely appropriate.

There is a head of steam now to go beyond this immediate problem and think about the wider context, so I hope the Leader of the House will persuade her colleagues to look again at the case for a comprehensive constitutional convention, supported now on all sides of your Lordships’ House and widely supported in the other place, as well as being the subject of a Private Member’s Bill in the name of my noble friend Lord Purvis of Tweed.

The noble Lord, Lord Forsyth, is right: just having a constitutional convention is not in itself going to solve this problem, as was clear from the convention in Scotland, which is occasionally quoted as if that were the model. We should be clear that you have to start out with a remit that is agreed, so that all those involved know where they are trying to go. That was

not the case in Scotland, as evidenced by the fact that two parties did not want to be involved in the constitutional convention precisely because at that stage, they could not agree to the common remit.

There is clearly a major opportunity, as well as a problem, arising from these proposals. I hope that in the short term there is a Joint Committee of the two Houses—such committees have an enviable reputation for getting to the bottom of things and sorting them out in a way that individually, the two Houses have found difficult—but I believe that in the longer term, this now leads to the need for a constitutional convention.

**Lord King of Bridgwater (Con):** My Lords, when I sought to intervene, a little too late, on the prompt conclusion of the proposal to the House from the noble Lord, Lord Butler, I wanted to ask him one question. He is proposing a Joint Committee. Recently, we have had an election and seen the arrival of a substantial number of Scottish National Party MPs who previously observed the principle of a self-denying ordinance, but have made it clear that they do not think this quite applies in the same way any more. I wanted to intervene in order to ask: while this Standing Joint Committee is taking place, what will cover any problems arising from legislation in the mean time? We have had some very interesting—

**The Countess of Mar (CB):** I am sorry to interrupt the noble Lord, but would he please turn around and address the House?

**Lord King of Bridgwater:** The noble Countess is the first Member of this House ever to have criticised me for addressing her. I do apologise.

I raise that point because there are very difficult issues that need to be addressed, and the noble Baroness the Leader of the Opposition has made it clear that the Labour Party also recognises that. These issues have tested Governments over many years, as my noble friend Lord Wakeham said; we all remember Tam Dalyell and his problems with the West Lothian question.

The Government have put forward some proposals. If noble Lords study Mr Grayling’s speech and the interventions he took when the Commons debated this issue recently, they will see that the Government have recognised that these proposals are subject to further revision; however, they do ensure that something is in place for the forthcoming year. If we have a Standing Joint Committee that, as the noble Lord, Lord Butler, said, has to report by March 2016, that report will then have to be considered. One can therefore write off the next Session of Parliament—nothing will change until the next Summer Recess. It would be sensible to see what problems emerge from the Government’s proposals.

As the Leader of the Commons has made clear, what we are proposing is likely to come forward for approval there in September, and he has asked the Chairmen of the Commons Procedure Committee, and the Public Administration and Constitutional Affairs Committee, to start monitoring the situation now, rather than waiting until May 2016, as my noble friend suggested, to see where the problems arise.

[LORD KING OF BRIDGWATER]

The advantage with Standing Order changes, as opposed to going down the statutory route at this stage, is that if issues arise they can be tackled much more quickly. I do not rule out that at the end of this very difficult process, when perhaps by trial and error we have found the right basis on which to proceed, things could then be put on a statutory basis. That would meet the point that my noble friend Lord Forsyth made about the difficulties arising from a different Government coming in and changing everything. That is one approach that could be adopted.

**Lord Forsyth of Drumlean:** Can my noble friend give an example of legislation that would be altered in any way if EVEL were not in place in the next Session, or if it were in place? Of course, if this is put on a statutory basis, it is then challengeable through the courts.

**Lord King of Bridgwater:** My noble friend has done the same homework, in a sense, as Mr Grayling, who made this point. He said that the only Bill that anyone could find at the moment that might be affected would be the one giving mayors powers over buses. I think that it would be something short of a constitutional crisis if someone suggested that one more provost should have a bus pass. Therefore, problems will arise, as I think everybody recognises.

My noble friend Lord Cormack asked why the Constitution Committee of this House should not do something about this so that this House is seen to act now. I made some inquiries about that and the answer I got was that it has been the long-established practice of the Constitution Committee of this House not to interfere with the procedural arrangements of the House of Commons—it has regarded that as being outside its remit.

The noble Lord, Lord Butler, has avoided part of the problem by talking about a Joint Committee. However, we have to be careful how we exercise the undoubted power that we have in this House. There is an obvious sensitivity around this issue which, as we know, is felt strongly in English constituencies. The Government's approach has been to say that we will probably carry the Standing Orders through in September. We will then take the opportunity that the Leader of the House has given us for a debate, and watch the issue very carefully. I hope that the noble Lords who have strong feelings on this matter will give evidence to the Procedure Committee and to the Public Administration and Constitutional Affairs Committee of the House of Commons when it considers the procedure.

The problem is in aligning the reluctance to interfere with the procedures of another place, which are its prerogative, with an acknowledgement of the experience of your Lordships' House that can be brought to bear in a number of fields. I hope very much that this can be resolved. We all know that this is a difficult issue, but I hope that it can be approached sensibly and without producing conflict between this House and another place.

**Baroness Butler-Sloss (CB):** Perhaps I may ask the noble Lord a very naive question. Is there anything wrong in principle in having the Joint Committee as well as allowing the Standing Orders to go forward?

**Lord King of Bridgwater:** One does wonder how many committees we are going to have. There will be the Procedure Committee of the House of Commons and the Public Administration and Constitutional Affairs Committee, which are already signed up to undertake this exercise, and now we are coming along with a Joint Committee involving the House of Lords which will be doing the same thing. I think that we need a bit of balance in this. Unless one completely distrusts those Commons committees—and I hope one does not—I think that they should have a chance to monitor the issue and then recommend changes as we go along, if necessary, and as we learn the best way to tackle this very difficult issue.

**Lord Grocott (Lab):** My Lords, we are in danger of complicating what is surely a very simple proposition from the noble Lord, Lord Butler, to deal with the problem of changes in the Standing Orders of the House of Commons having implications for the way in which we operate in this House. If we think in any respect that they might have implications, the case for a Joint Committee is in my view overwhelming. I find it very difficult to understand the argument that the decision is a completely unilateral one with no implications whatever for this House when one House of a bicameral Parliament makes changes to the way in which it considers legislation. Frankly, the case has been made conclusively—not least by the noble Lord, Lord Lisvane—that there are clear implications for the way in which we operate in this House.

However, even if Members do not accept the constitutional or procedural arguments, because I am an old-fashioned politician, I want to set out the very simple political consequence that such a decision would have for this House. Very helpfully for my argument, three contributions have been made by Scots—the noble Lord, Lord Forsyth, the noble and learned Lord, Lord Wallace, and my noble friend Lord Reid—who are all former Members of the House of Commons.

4 pm

If the House of Commons goes ahead as planned, unilaterally, the following political anomaly occurs. Had those noble Lords all remained in the House of Commons, they would have had fewer rights and responsibilities in respect of legislation passing through these two Houses than they do as a result of having been translated to the second Chamber, the House of Lords. That is incontrovertible. What effect that might have had on their judgment as to their career patterns I do not know, but even if this is only an experiment for a year, if we have a year in which Scots in the House of Commons are not allowed to vote on substantial measures but Bills come here and Scots here are allowed to vote, it is only a matter of time—I am making a political point, not a heavy constitutional point—before someone says, “This is a ridiculous state of affairs. We must stop Lord Forsyth, Lord Wallace and Lord Reid from voting on substantial parts of legislation that go through this House”.

I, for one, have had my differences with all three noble Lords at different stages of their political careers, but I want them to be able to play the full part that they always have in the legislative processes of this

House, and unless we allow a Joint Committee to be established to consider these matters, such considerations will simply go by the board. They simply will not be considered, and the law of unintended consequences will follow. So I think that the case for the Joint Committee is overwhelming.

**Lord Cunningham of Felling (Lab):** My Lords, briefly, I support the Motion in the name of the noble Lord, Lord Butler. I have had the honour to chair two Joint Committees of Parliament. The report of the first was unanimously rejected by both Houses. However, the second report, *Conventions of the UK Parliament*, was unanimously adopted by both Houses of Parliament. It contained a number of matters of relevance to this issue—not least the fact that electing your Lordships' House would inevitably lead to a constitutional confrontation between an elected House of Commons and an elected House of Lords.

However, that is not the point that I want to make in support of the noble Lord, Lord Butler. A change in the Standing Orders is a cleverly thought-up device—whether by a politician, an adviser or a lawyer advising the Government, I do not know—to enable this matter to proceed. But it does two things. First, it has as yet unknown and perhaps profound implications for the constitution and the governance of our country. Secondly, de facto it prevents this House having any say in the matter. We can debate it, of course, as we are doing now, but we cannot have any impact on it.

A Joint Committee of both Houses is the best and most sensible way forward, rather than rushing into decisions which change the constitutional relationships between the two Houses. As my noble friend has just pointed out: who knows where they will lead? We have just had some examples of where they could lead. My strong belief is based on my personal experience in both Houses. Many Members present served on the committees that I had the honour to chair—not least the noble Lord, Lord Forsyth, but many others, too. We reached our conclusions in the committee unanimously and without a vote—no divisions of any kind took place. That report, *Conventions of the UK Parliament*, has some lessons to teach us about what is now proposed.

**Lord True (Con):** My Lords, we are one Parliament but two Houses. That is symbolised in the Messages that go forth between green and red ribbon. As the noble Lord, Lord Lisvane, said, comity between the two Houses may sound arcane but it is actually an extremely important principle of the way in which we conduct ourselves.

I believe that we should confine ourselves to looking at the Motion that is before us. I may agree with some of the things that are said about the underlying policy, but the Motion before us is that we should seek to set up a Joint Committee that would presume to report on what the House of Commons should do in its Standing Orders.

It would be a move which was not invited by the House of Commons nor sought by the Joint Committee on Conventions for your Lordships to say that we in this House presume to say to the House of Commons how it should conduct its internal affairs. Questions on House of Commons matters are by convention not

permitted in this Chamber; we do not ask them. It is a principle that we do not seek to construe the internal matters of the House of Commons.

Standing Orders are quite important. A very important principle in parliamentary law is the provision that prevents tacking. Tacking was the abuse by the House of Commons of financial measures to add things to them that the House of Lords could not amend because of financial privilege. It is not in any statute; it started as a Motion passed by your Lordships' House and it now sits as a Standing Order in this House that the House of Commons should not do that. The House of Commons has respected that for 300 years—it is just a Standing Order in this House. It is an example of the importance of preserving. We may have a wider interest in preserving the principle that one House does not presume to construe the internal proceedings of another. We can have all the consideration in the Constitution Committee; we can have debates; we can have discussions. But for us to vote to set up a committee which presumes to tell the House of Commons what its Standing Orders should be—

**Lord Gordon of Strathblane (Lab):** When the noble Lord makes that statement, I think he fails to take account of the wording of the Motion and the opening remarks of the noble Lord, Lord Butler, which are expressly that it is expedient that a Joint Committee be set up—not that this House sets one up, simply that it is expedient that it be set up. That is surely rather important.

**Lord True:** My Lords, if it is simply a question of expediency, one can make a declaratory statement in a debate. This Motion is intended to send a message to the House of Commons and there is no question about it. The committee is invited in the Motion to report specifically on the proposals for changes in the Standing Orders of another place.

We would not care for it very much if we heard from the House of Commons that they had had a debate and were sending us some suggestions as to how we should change the internal proceedings of your Lordships' House, or if we should be told by people from the House of Commons who might vote on a particular measure.

**Lord Reid of Cardowan:** May I ask the noble Lord to read the Motion again? It is not to inquire into the Standing Orders; it is to inquire into the constitutional implications of the change. In that sense, in what way would it be improper for this House to consider the implications for the constitution of this country?

**Lord True:** My Lords, I have the greatest respect for the noble Lord, Lord Reid, but I have read the Motion, which proposes that the committee should,

“consider and report on the constitutional implications of the Government's ... revised proposals to change the Standing Orders of the House of Commons ... and that the committee should report on the proposals”,

not on the constitutional implications. It is a specific invitation to report on the Standing Orders of another place. I do not think that is wise; I do not think that we should invite the House of Commons to interfere in our affairs and our Standing Orders. We can make clear the concerns and feelings that we may have about

[LORD TRUE]

these proposals in many other ways, but I urge your Lordships not to trench into the privilege of the Commons and to hold back. Whatever we may think, if the noble Lord, Lord Butler, were to put this Motion to a Division—I hope he will not—it would be construed as a challenge not just to the policy but to the right of the House of Commons to direct its own affairs. I do not think that would be a sensible procedure for this House.

**Lord Wills (Lab):** My Lords, the noble Lord, Lord Butler, has done Parliament a great service by bringing forward this Motion. As he and many others have said, the Government's proposals are of profound constitutional significance and, as such, they deserve the kind of deliberative scrutiny that this Motion envisages and which the Government are so far refusing to allow.

The arguments in favour of the Motion have been made so extensively and so well that I do not intend to repeat them except to say that I agree with all of them. But several noble Lords, including the noble Lord, Lord True, who has just spoken, have rightly been wary about intervening in the proper concerns of the House of Commons. As a former Member of the other place, I understand that and I think they are right to be wary. But in pursuing his proposal, the noble Lord, Lord Butler, is doing no more than seeking to implement the recommendations of the Royal Commission on the Reform of the House of Lords so ably presided over by the noble Lord, Lord Wakeham. That said that one of the key functions of your Lordships' House is to act as a constitutional longstop. The noble Lord, Lord Wakeham, may recall the words of his royal commission, which stated that the key purpose of your Lordships' House is to act as a constitutional longstop to ensure that,

“changes are not made to the Constitution without full and open debate and an awareness of the consequences”.

That seems, purely and simply, what the noble Lord, Lord Butler, seeks to do with this proposal. I hope this House will support him in pursuing it.

**Baroness Boothroyd (CB):** My Lords, I do not wish to trouble the House with the comments that I made last Thursday: they stand in *Hansard* for all to see. However, my name has been mentioned very kindly by two noble Lords here this afternoon. This Motion is very practical and constructive in proposing a joint approach with the Commons on an issue of fundamental importance to a bicameral Parliament, which is what we are. It is also of fundamental importance to our entire country, and I hope it very soon receives the blessing of this House.

**Lord Lawson of Blaby (Con):** My Lords, I know that the House wishes to reach a conclusion, so I will speak briefly. The question is: what are we debating? According to my noble friend Lord True, it is merely the internal arrangements of the House of Commons. According to most noble Lords, it is a major constitutional issue. I believe without any doubt that the second interpretation is correct and my noble friend is completely wrong.

We do not have a written constitution in this country. There are advantages and disadvantages to that. But, given that we do not have a written constitution, it has been held throughout the ages by all constitutional historians in this country that one of the most important responsibilities of this House is to be the watchdog of the constitution. That is what we need to do today and why we need to support the resolution of the noble Lord, Lord Butler.

**The Lord Privy Seal (Baroness Stowell of Beeston):** My Lords, in responding I will address two main issues. The first is whether noble Lords should have an opportunity to debate the implications of English votes for English laws; the second is whether a Joint Committee is the right way forward. My response to the first of those is a very clear yes. As I said in responding to the Question for Short Debate of the noble Lord, Lord Butler, last Thursday, following the repeating of a Statement in your Lordships' House and once the House of Commons itself had delayed the process it was following in considering changes to its Standing Orders, it seemed proper to offer significant government time for an non-time-limited debate on this matter.

As has been demonstrated in this afternoon's debate, there is real expertise in this House, which would make a powerful contribution to this process. Indeed, that has always been the Government's view on this matter. To illustrate the point, on the day my right honourable friend Chris Grayling, the Leader of the House of Commons, made his Statement to the other place, he wrote to the chairmen of the Constitution Committee and the Secondary Legislation Scrutiny Committee of this House, acknowledging the expertise that resides here. When William Hague was Leader of the House of Commons and in charge of this process, he put forward a range of options and carried out a consultation on them. He then gave quite a bit of time to meeting many Members of your Lordships' House on a one-to-one basis because he, like me and others in my Government, recognised the important expertise that is available to us here.

4.15 pm

However, there comes a point when we need to stop talking and make way for some action. To address the West Lothian question, we are making one proposal. It may not be perfect—as I said last Thursday, I do not believe that there is a perfect answer to this question—but what we are bringing forward right now is the result of many discussions over the past few months, since the Prime Minister first said that this is now urgent, and has had the benefit of building on the many different forums and groups of parliamentarians who have looked at the issue over many years. It is modest and pragmatic, and we propose to introduce the change by amending the Standing Orders of the other place—although, as I said last Thursday, we have not ruled out introducing legislation in the future. By bringing forward this change via Standing Orders, next year, in 2016, the Procedure Committee of the House of Commons has said that it will review the new procedures once they have been tested against legislation going through Parliament, and so will the Government at that time.

It is also notable that, in addition to reviewing the proposal in a year's time, when we have seen something in practice for the first time, the House of Commons Procedure Committee has already launched what it describes as an initial review. The committee started that review last Thursday. It has said today that it intends to cover the arrangements for certification of Bills as part of the initial review and will consider written submissions on the issues, which have been outlined and are available on the committee's website, that are delivered to the committee before the end of August. This is not about any issues being overlooked or noble Lords being unable to feed into the process. As I say, I am proposing that we should provide for a debate in your Lordships' House when we return in September to give noble Lords a substantial opportunity to contribute to this process.

Of course I understand the argument made by some that a Joint Committee might offer something that has so far evaded us all over the years—indeed, decades—that we have been looking at this issue, but I am not sure that I share that optimism. I think it highly unlikely that a Joint Committee would produce the consensus that has so far failed to materialise over the past 30-odd years. That is because it is not for lack of scrutiny or analysis that the West Lothian question has not been tackled so far; it is because there has not been the political will to come up with an answer. Moreover, it is because it is a difficult issue and because any proposed solution carries risk that the West Lothian question has been ducked for so long. This Government have decided that we will grapple with it and do something about it. We also made it clear in our manifesto that the time is now right to move on this and bring forward a proposal that should be implemented and properly tested.

Some noble Lords have indicated that they would favour alternative approaches to tackling this, but we have a mandate for this in our manifesto. Of course, it is open to those who advocate alternatives to amend our proposals when they are put to the House of Commons for decision. We are not wary of scrutiny but we want to see proposals tested in action, not in the abstract. That is why we are proposing a review when the first Bills subject to the new procedures reach Royal Assent.

**Lord Wills:** If anyone tables an amendment in the House of Commons to the Government's proposals, would the Minister expect SNP Members of Parliament to vote on that proposed amendment?

**Baroness Stowell of Beeston:** Is the noble Lord talking about amendments to the Standing Orders or amendments to legislation?

**Lord Wills:** On any proposed changes to the Standing Orders, or indeed to legislation that anyone brings forward, would the Minister expect Members of the Scottish National Party to abstain voluntarily from voting on such measures, or to take part in them?

**Baroness Stowell of Beeston:** The whole House of Commons will consider amendments to its Standing Orders, and all Members of that place will contribute to that decision at that time. On the impact of what we

are proposing and how legislation is considered in the other place, I would rather not get into a detailed debate now because I have offered time for that kind of discussion in September.

We want to hear noble Lords' concerns on the risks they consider are attached to our proposals. As I say, I am not suggesting that none exist.

**Lord Wallace of Tankerness:** The Minister has talked about the review that will take place after one year. She has no doubt heard a range of concerns of some constitutional importance. Does she think that a review of the proposals in relation to the buses Bill will give sufficient exposure to some of the concerns if we can draw any conclusions?

**Baroness Stowell of Beeston:** The noble and learned Lord touches on the exchange that took place between other noble Lords about what Bills might be affected if we were to introduce this change right now. It is fair to say that there are not that many Bills that are England-only, but there are many Bills—indeed, we are about to debate one next—that contain measures that affect only England or only England and Wales. To try to suggest that there is nothing in the Government's programme that would not benefit from the introduction of a new regime to deliver English votes for English laws is incorrect.

As I said, we are very happy to hear about concerns that anyone may have about what is being proposed, but I put it to this House that the best way for us to do it is not through a Joint Committee of this House and another House but through the debate that I have proposed. We want Select Committees of both Houses to have an opportunity to examine our proposals. It is entirely a matter for the Constitution Committee whether it wants to look at the constitutional implications of English votes for English laws. I would not want in any way to get involved in the decisions of that committee, as it is for any committee of the other House to decide what it may want to consider.

There is an initial review by the House of Commons Procedure Committee that will feed into that first stage, when the House of Commons will consider its amendments to Standing Orders. There will be a substantial review in a year's time. I do not think that it is right to commission yet a further piece of work from yet another Joint Committee, duplicating that work that is already under way, and which could also be used as a tool to delay what is a clear manifesto commitment from us to deliver this.

We can continue to debate and deliberate on the best way to address the West Lothian question while at the same time devolving more and more powers to Scotland, Wales and Northern Ireland, or we can get on with testing the Government's proposals after that initial review by the House of Commons Procedure Committee and once the House of Commons itself has decided on how it wishes to amend its Standing Orders. But I really do believe that the time has now come for us to make real progress on a matter that has gone unaddressed for so long. Therefore, I do not support the Motion of the noble Lord, Lord Butler, and indeed the Government will not be able to support it either.

**Lord Butler of Brockwell:** My Lords, I am very grateful to the noble Baroness and to the other noble Lords who have spoken in this debate. I am particularly sorry to have to disagree with the noble Lord, Lord Wakeham, on the 30th anniversary of his wedding, because on that day 30 years ago I was his best man. He showed, if I may say so, very good judgment on that day, and I am very sorry to have to disagree with him today.

If I may, I will first of all answer the question that the noble Lord, Lord King, meant to ask me but did not manage to ask in my opening speech. He asked, if there is a Joint Committee that takes till March next year to look at this issue, what will happen in the mean time. Some have said that there are not many Bills that will be affected, but I have a different answer. My answer is that, at the moment, there is both a government majority in the House of Commons and a government majority in England and Wales, so the problem does not arise—there will be no Bills between now and then for which this will cause a difficulty.

**Lord King of Bridgwater:** My Lords, with great respect to the noble Lord, Lord Butler, his conviction that everyone in the Conservative Party always votes identically to the party Whip has not always been borne out.

**Lord Butler of Brockwell:** My Lords, I do not think that the problems of the Conservative Party ought to be dealt with by this constitutional change, if I may say so.

What is clear from all the speakers in this debate, with the exception of the noble Lord, Lord True, is that these proposals raise serious constitutional issues and that there are many difficult questions which have yet to be answered. The noble Baroness has said that it is a Conservative manifesto commitment to solve this problem, and that is true. Of course I respect that, and that is why I say that I welcome the fact that the Government are tackling the issue, but the means by which it is being tackled were not in the Conservative manifesto. There are different ways of doing it, and I happen to think that some are better than the proposals that the Government have put forward, which the House had no previous knowledge of before they were contained in the Statement. I believe that those issues deserve to, and can legitimately, be looked at without breaching the convention that the Government are supported in their manifesto.

The Government have shifted their position significantly since their original Statement. They have encountered very much more political controversy than they expected to, and the very fact that they have done so indicates that, either knowingly or otherwise, they underestimated the constitutional significance of their proposals. Noble Lords will recall that the Government's original approach was that their proposals would simply be voted through by the House of Commons by changes to Standing Orders before the recess, and that there should be no debate at all in this House, on the grounds that our procedures are not affected. The Government were forced to retreat in another place to allow time for consideration. The noble Baroness has said that, after reflecting, she recognises that there are indeed constitutional issues which this House should have an opportunity for debating.

4.30 pm

**Baroness Stowell of Beeston:** My Lords, it is important to clarify what I said. When I repeated the Statement, I made the point, which I stand by now because it is still the case, that, procedurally, this House is not affected by the changes being proposed by the Government to amend Standing Orders in the other place. When I said at the time of repeating the Statement that I did not feel it was necessary to provide time for further debate, I did so because at that time the House of Commons was planning to proceed quite quickly to debate and decide the amendments to its Standing Orders. However, given that the House of Commons has decided to take a bit more time over this, I felt that there was therefore an opportunity for us to debate it. However, if it had stuck with its original timetable, my original position would have remained the same.

**Lord Butler of Brockwell:** My Lords, the noble Baroness appears to be saying that she does not recognise that there are constitutional implications on which this House should have a debate, but I thought that she had accepted that.

**Baroness Stowell of Beeston:** I am so sorry. The Government are proposing to introduce changes now and to review the implementation of these changes in a year's time, so of course there will be an opportunity for us to contribute to that process and consider the implications of the implementation of these changes. That is what I said at the time of repeating the Statement, and that is what I say now. My main point now is that there is no way of finding a perfect solution through continuing to debate the issue. What we have now is a good way forward that should be implemented, tested, debated and reviewed in a year's time.

**Lord Butler of Brockwell:** My Lords, I will not detain the House longer. As the noble Lords, Lord Cormack and Lord Reid, said, we cannot, of course, compel another place to set up a Joint Committee. However, what we can do today is to say that we believe that this is a matter for Parliament as a whole, not just for the House of Commons, and that it is best approached by Parliament as a whole through a Joint Committee of both Houses. I wish to seek the opinion of the House.

4.32 pm

*Division on Motion*

*Contents 320; Not-Contents 139.*

*Motion agreed.*

#### Division No. 1

##### CONTENTS

Aberdare, L.	Armstrong of Ilminster, L.
Addington, L.	Ashdown of Norton-sub-
Ahmed, L.	Hamdon, L.
Alton of Liverpool, L.	Avebury, L.
Anderson of Swansea, L.	Bach, L.
Andrews, B.	Bakewell, B.
Armstrong of Hill Top, B.	

Bakewell of Hardington Mandeville, B.	Finlay of Llandaff, B.	Lee of Trafford, L.	Rowe-Beddoe, L.
Barker, B.	Forsyth of Drumlean, L.	Lennie, L.	Rowlands, L.
Bassam of Brighton, L.	Foster of Bishop Auckland, L.	Lester of Herne Hill, L.	Royall of Blaisdon, B.
Beecham, L.	Foulkes of Cumnock, L.	Levy, L.	St John of Bletso, L.
Benjamin, B.	Gale, B.	Liddell of Coatdyke, B.	Sandwich, E.
Best, L.	Garden of Frognal, B.	Liddle, L.	Sawyer, L.
Bhattacharyya, L.	German, L.	Lipsey, L.	Scotland of Asthal, B.
Bichard, L.	Giddens, L.	Lister of Burterset, B.	Scott of Foscote, L.
Billingham, B.	Glasgow, E.	Listowel, E.	Scott of Needham Market, B.
Blackstone, B.	Glasman, L.	Lisvane, L. [Teller]	Scriven, L.
Blair of Boughton, L.	Glenarthur, L.	Loomba, L.	Sharkey, L.
Bonham-Carter of Yarnbury, B.	Goddard of Stockport, L.	Low of Dalston, L.	Sharp of Guildford, B.
Boothroyd, B.	Golding, B.	Luce, L.	Sherlock, B.
Bradley, L.	Gordon of Strathblane, L.	Ludford, B.	Shipley, L.
Bradshaw, L.	Gould of Potternewton, B.	Lytton, E.	Shutt of Greetland, L.
Brinton, B.	Graham of Edmonton, L.	McAvoy, L.	Simon, V.
Brooke of Alverthorpe, L.	Grantchester, L.	Macdonald of Tradeston, L.	Singh of Wimbledon, L.
Brookeborough, V.	Greaves, L.	McFall of Alcluth, L.	Slim, V.
Brookman, L.	Greenway, L.	MacKenzie of Culkein, L.	Smith of Basildon, B.
Brown of Eaton-under-Heywood, L.	Grender, B.	Mackenzie of Framwellgate, L.	Smith of Leigh, L.
Browne of Belmont, L.	Grocott, L.	McKenzie of Luton, L.	Smith of Newnham, B.
Burnett, L.	Hamilton of Epsom, L.	MacLennan of Rogart, L.	Soley, L.
Burns, L.	Hamwee, B.	Maddock, B.	Steel of Aikwood, L.
Butler of Brockwell, L. [Teller]	Hannay of Chiswick, L.	Maginnis of Drumglass, L.	Stern, B.
Butler-Sloss, B.	Hanworth, V.	Mallalieu, B.	Stevenson of Balmacara, L.
Cameron of Dillington, L.	Harris of Haringey, L.	Manzoor, B.	Stoddart of Swindon, L.
Campbell of Surbiton, B.	Harris of Richmond, B.	Mar, C.	Stone of Blackheath, L.
Campbell-Savours, L.	Harrison, L.	Masham of Ilton, B.	Stoneham of Droxford, L.
Cashman, L.	Hart of Chilton, L.	Massey of Darwen, B.	Strasburger, L.
Chidgey, L.	Haskel, L.	Maxton, L.	Sutherland of Houndwood, L.
Christopher, L.	Hastings of Scarisbrick, L.	Mendelsohn, L.	Suttie, B.
Clancarty, E.	Haworth, L.	Monks, L.	Symons of Vernham Dean, B.
Clark of Windermere, L.	Hayter of Kentish Town, B.	Morgan, L.	Taverne, L.
Clarke of Hampstead, L.	Healy of Primrose Hill, B.	Morgan of Huyton, B.	Taylor of Blackburn, L.
Clement-Jones, L.	Henig, B.	Morris of Handsworth, L.	Taylor of Bolton, B.
Clinton-Davis, L.	Hennessy of Nympsfield, L.	Morris of Yardley, B.	Taylor of Goss Moor, L.
Collins of Highbury, L.	Higgins, L.	Newby, L.	Teverson, L.
Condon, L.	Hilton of Eggardon, B.	Nicholson of Winterbourne, B.	Thomas of Gresford, L.
Cormack, L.	Hollick, L.	Northover, B.	Thomas of Swynnerton, L.
Corston, B.	Hollins, B.	Norton of Louth, L.	Thomas of Winchester, B.
Cotter, L.	Hollis of Heigham, B.	Nye, B.	Tomlinson, L.
Cousins, B.	Hope of Craighead, L.	O'Loan, B.	Tonge, B.
Cox, B.	Howard of Rising, L.	O'Neill of Bengarve, B.	Tope, L.
Craigavon, V.	Howarth of Breckland, B.	O'Neill of Clackmannan, L.	Touhig, L.
Crickhowell, L.	Howarth of Newport, L.	Paddick, L.	Trees, L.
Cromwell, L.	Howells of St Davids, B.	Palmer of Childs Hill, L.	Trimble, L.
Cunningham of Felling, L.	Hoyle, L.	Palumbo of Southwark, L.	Truscott, L.
Dannatt, L.	Humphreys, B.	Parminter, B.	Tugendhat, L.
Davies of Coity, L.	Hunt of Chesterton, L.	Patel, L.	Tunncliffe, L.
Davies of Oldham, L.	Hunt of Kings Heath, L.	Patel of Bradford, L.	Turnberg, L.
Dean of Thornton-le-Fylde, B.	Hussain, L.	Paul, L.	Turnbull, L.
Dear, L.	Hussein-Ece, B.	Pendry, L.	Turner of Camden, B.
Deech, B.	Hutton of Furness, L.	Peterborough, Bp.	Tyler, L.
Desai, L.	Hylton, L.	Phillips of Worth Matravers, L.	Tyler of Enfield, B.
Dholakia, L.	Irvine of Lairg, L.	Pitkeathley, B.	Uddin, B.
Donaghy, B.	Janke, B.	Plant of Highfield, L.	Wall of New Barnet, B.
Donoghue, L.	Janvrin, L.	Prashar, B.	Wallace of Saltaire, L.
Doocey, B.	Jolly, B.	Prescott, L.	Wallace of Tankerness, L.
Drake, B.	Jones, L.	Purvis of Tweed, L.	Walmsley, B.
Dubs, L.	Jones of Whitchurch, B.	Quin, B.	Walpole, L.
Dykes, L.	Judd, L.	Quirk, L.	Walton of Detchant, L.
Eames, L.	Judge, L.	Ramsay of Cartvale, B.	Warner, L.
Elder, L.	Kennedy of Cradley, B.	Ramsbotham, L.	Watson of Invergowrie, L.
Emerton, B.	Kennedy of Southwark, L.	Randerson, B.	West of Spithead, L.
Erroll, E.	Kennedy of The Shaws, B.	Rebuck, B.	Wheeler, B.
Falkland, V.	Kerr of Kinlochard, L.	Redesdale, L.	Whitaker, B.
Falkner of Margravine, B.	Kidron, B.	Rees of Ludlow, L.	Whitty, L.
Farrington of Ribbleton, B.	Kilclooney, L.	Reid of Cardowan, L.	Wigley, L.
Faulkner of Worcester, L.	King of Bow, B.	Rennard, L.	Wilkins, B.
Fearn, L.	Kinnock, L.	Richard, L.	Williams of Baglan, L.
Fellowes, L.	Kinnock of Holyhead, B.	Robertson of Port Ellen, L.	Williams of Crosby, B.
Filkin, L.	Kirkwood of Kirkhope, L.	Rodgers of Quarry Bank, L.	Williams of Elvel, L.
	Kramer, B.	Rooker, L.	Willis of Knaresborough, L.
	Laird, L.	Rosser, L.	Wills, L.
	Lawrence of Clarendon, B.		Wilson of Dinton, L.
	Lawson of Blaby, L.		Wilson of Tillyorn, L.
	Layard, L.		Winston, L.
	Lea of Crondall, L.		Wood of Anfield, L.

Woolf, L.  
Woolmer of Leeds, L.  
Worthington, B.

Wigglesworth, L.  
Wright of Richmond, L.

#### NOT CONTENTS

Ahmad of Wimbledon, L.  
Altmann, B.  
Ashton of Hyde, L.  
Astor of Hever, L.  
Attlee, E.  
Baker of Dorking, L.  
Balfe, L.  
Bates, L.  
Bell, L.  
Berridge, B.  
Black of Brentwood, L.  
Blackwell, L.  
Blencathra, L.  
Bourne of Aberystwyth, L.  
Brabazon of Tara, L.  
Brady, B.  
Bridgeman, V.  
Bridges of Headley, L.  
Brooke of Sutton Mandeville, L.  
Brougham and Vaux, L.  
Browning, B.  
Buscombe, B.  
Byford, B.  
Caithness, E.  
Carrington of Fulham, L.  
Cavendish of Furness, L.  
Chadlington, L.  
Chester, Bp.  
Chisholm of Owlpen, B.  
Colwyn, L.  
Cope of Berkeley, L.  
Courtown, E.  
Crathorne, L.  
De Mauley, L.  
Denham, L.  
Dixon-Smith, L.  
Dundee, E.  
Dunlop, L.  
Eaton, B.  
Eccles, V.  
Eccles of Moulton, B.  
Evans of Bowes Park, B.  
Farmer, L.  
Faulks, L.  
Finkelstein, L.  
Fookes, B.  
Fowler, L.  
Framlingham, L.  
Freeman, L.  
Freud, L.  
Gardiner of Kimble, L.  
[Teller]  
Gardner of Parkes, B.  
Geddes, L.  
Glendonbrook, L.  
Gold, L.  
Goldie, B.  
Goodlad, L.  
Goschen, V.  
Grade of Yarmouth, L.  
Green of Hurstpierpoint, L.  
Harris of Peckham, L.  
Helic, B.  
Henley, L.  
Heseltine, L.  
Hodgson of Abinger, B.  
Hodgson of Astley Abbots, L.  
Holmes of Richmond, L.  
Horam, L.  
Howe, E.

Hunt of Wirral, L.  
James of Blackheath, L.  
Jenkin of Kennington, B.  
Jopling, L.  
Keen of Elie, L.  
King of Bridgwater, L.  
Knight of Collingtree, B.  
Laming, L.  
Lamont of Lerwick, L.  
Leach of Fairford, L.  
Lingfield, L.  
Liverpool, E.  
Livingston of Parkhead, L.  
Lucas, L.  
McCull of Dulwich, L.  
Mackay of Clashfern, L.  
Marlesford, L.  
Mawhinney, L.  
Mobarik, B.  
Montrose, D.  
Morris of Bolton, B.  
Moynihan, L.  
Naseby, L.  
Nash, L.  
Neville-Jones, B.  
Neville-Rolfe, B.  
Newlove, B.  
Noakes, B.  
Northbrook, L.  
O’Cathain, B.  
O’Neill of Gatley, L.  
Oppenheim-Barnes, B.  
Palmer, L.  
Patten, L.  
Perry of Southwark, B.  
Popat, L.  
Prior of Brampton, L.  
Ribeiro, L.  
Risby, L.  
Rose of Monewden, L.  
Ryder of Wensum, L.  
Sassoon, L.  
Secombe, B.  
Selborne, E.  
Selkirk of Douglas, L.  
Selsdon, L.  
Shackleton of Belgravia, B.  
Sharples, B.  
Sheikh, L.  
Shephard of Northwold, B.  
Sherbourne of Didsbury, L.  
Shields, B.  
Shrewsbury, E.  
Stedman-Scott, B.  
Sterling of Plaistow, L.  
Stowell of Beeston, B.  
Suri, L.  
Swinfen, L.  
Taylor of Holbeach, L.  
[Teller]  
Trefgarne, L.  
True, L.  
Trumpington, B.  
Ullswater, V.  
Verma, B.  
Vinson, L.  
Wakeham, L.  
Warsi, B.  
Whitby, L.  
Williams of Trafford, B.  
Younger of Leckie, V.

## Cities and Local Government Devolution Bill [HL] Third Reading

4.54 pm

### Clause 5: Functions

#### Amendment 1

Moved by **Baroness Williams of Trafford**

1: Clause 5, page 5, line 15, at end insert—

“(8) An order under this section may be made only with the consent of the appropriate authorities (as defined by section 107B(6)).

(9) Where an order under this section is contained in the same instrument as an order made by virtue of section 107B(3)(b), the non-consenting constituent council is not to be treated as an appropriate authority for the purposes of subsection (8) above.”

**Baroness Williams of Trafford (Con):** My Lords, on Report, I promised to return to this issue of consent. Accordingly, this amendment will ensure that any order to provide that a function of the combined authority can be exercised only by the mayor may be made only with the consent of the combined authority and constituent councils. There are a number of situations in which an order may be made to make a function of the combined authority a function exercisable only by the mayor. Our intention is that in all circumstances the authorities involved need to give consent.

There are essentially three circumstances for this: first, where new functions are given to a new combined authority and where these are to be mayoral functions; secondly, where new functions are given to an existing authority and these are to be mayoral functions; and thirdly, where existing functions of a combined authority are being made to be mayoral functions. This amendment will ensure that in all these circumstances consent from the combined authority and constituent councils is required. I thank the noble Lords opposite for raising this issue. I beg to move.

**Lord McKenzie of Luton (Lab):** My Lords, we are pleased to see this government amendment, which requires an order where functions of a mayoral combined authority are exercisable only by the mayor—subject to delegation to the deputy mayor or another member or officer of the combined authority—to obtain the consent of appropriate authorities.

So far as delegation to the deputy mayor and others is concerned, this would appear to be undertaken by arrangement with the mayor although restrictions can be put on this by the Secretary of State by order. These restrictions would preclude certain general functions being exercisable by the deputy or may specifically enable a limited list of functions. It appears to be the case that, to the extent that the Secretary of State is taking the opportunity to fetter the delegation by order, consent of the appropriate authorities would be required. However, to the extent that the mayor is allowed free rein to arrange for others to exercise his or her functions, the consent of the appropriate authorities would not appear to be required. Is that correct and is it intended?

As I hope we demonstrated throughout the passage of the Bill, there has been substantial support and agreement on these Benches but some have expressed concerns over the position and role of a directly elected mayor. That the functions to be exercisable by the mayor will now require agreement of the relevant authorities, taken together with the prospect of some control over the budget, will provide some comfort to those concerned about the potential accumulation of power in the hands of one individual. We are happy to support the amendment.

**Baroness Williams of Trafford:** I thank the noble Lord and beg to move.

*Amendment 1 agreed.*

### **Clause 8: Other public authority functions**

#### *Amendment 2*

*Moved by Baroness Hollis of Heigham*

2: Clause 8, page 8, line 36, at end insert—

“( ) Notwithstanding the above, nothing in this Act or the Cities and Local Government Devolution Act 2015 shall preclude provision for some or all of the functions to be exercised in partnership or on a pooled basis with other combined authorities.”

**Baroness Hollis of Heigham (Lab):** My Lords, I will also speak to Amendments 6 and 8. This is a very welcome but rather complicated Bill. As we are at Third Reading, I congratulate—genuinely—the Minister on her efforts in getting us up to speed on it and the helpful and constructive way that she has responded. I know I speak for the House when I say that I am grateful.

The Bill is complicated because it was originally designed to make possible replications, especially in the north and Midlands, of the Greater Manchester powerhouse model with its mayoralities: cities that together form a natural metro area, unitary cities sharing common histories and usually common political values and views, powering economic growth—they are indeed great cities. However, research shows that medium-sized cities, here and on the continent, contribute proportionately more to economic growth than the great cities. If the Government want to fulfil their objective of powering economic prosperity, which we all share, it is essential that we—the 30 or 50 medium-sized cities—are counted in. We form a key cities group; many of our members are stand-alone cities, whose adjacent local authorities are rural. We power, rightly, our local economies and most of us do not have contiguous urban neighbours.

5 pm

The concept of northern, geographically coherent combined authorities—CAs—is therefore not easily transposed. In the great urban conglomerations of the north, all the functions that they seek can be devolved to one geographically bounded and defined horizontal authority, sufficiently large to be capable of exercising all the functions that underpin economic growth. That is not possible for us; we are not large enough. Instead, we need different-sized bodies for different functions. This is already recognised in the economic prosperity boards and the local enterprise bodies to which we belong.

To add to this complexity, we also have varying structures, finances and duties. Most of us are unitary; others are still trapped in a two-tier structure following the disastrous reorganisation of 1974. Some have artificially tight boundaries, so their wealth and energy creation leaks outwards. Many of us are university cities with research parks and high levels of skill, where the new industries and technologies of the future are being devised and developed now. Many—perhaps most—are located in the southern half of England, below the Severn-Wash line. We are untidy and Whitehall always wants to tidy us up. However, you need us if we are all to achieve our common goal of economic prosperity that is focused but is also diffused across the country to the south-west, the south coast and East Anglia, as well as to the Midlands and the north.

Finally, this Bill is complicated. It is good that it is a bottom-up Bill with bespoke arrangements, but it is not so good that the Bill is starting in this House well in advance of our ability to see any draft regulations. Inevitably, the Secretary of State does not know what proposals he will finally want or may find to be forthcoming, and we do not know what proposals he might find acceptable. To that extent, we are both finding our way. These amendments are probing, I hope; they are a hook for the Minister to explain as fully as she can how this Bill affects medium-sized cities such as ours and what flexibility and headspace the Bill offers us, because—with very good reason, and to our pleasure—those concerns have been added on to the original push for metro authorities with metro mayors.

I have authority to say that my concerns are shared by—and therefore that, in broad terms, I am speaking for—Plymouth and Exeter; Portsmouth and Southampton; Bournemouth and Southend; Norwich, Cambridge and Peterborough; Wakefield, Sunderland and Preston. I believe that there are many other medium-sized cities, with the short time between Report and Third Reading, that have not had time to authorise me to quote them; the others have.

As the leader of Southampton, Councillor Simon Letts, put it in an email:

“the issue for us is that we wish to establish governance for a separate economic geography (Southampton and Portsmouth) within a wider CA. This will allow us to take powers and responsibilities which can be applied to improve economic development for our urban coastal geography. That may not be necessary for the London-leaning areas around Basingstoke or the rural areas around the national parks”.

Councillor Woodley, leader of Southend-on-Sea, would like,

“the possibility to create different CAs which are not co-terminous (such as Southend and Thurrock)”.

I may know the answers to some of these questions now, thanks to the meeting yesterday with the Minister, for which I am most grateful—but for the record I shall ask some questions, as many local authorities, as my emails have shown, are still very unsure what the offer is, which is none the less going to be essential if we are going to promote, extend and diffuse economic prosperity.

Will it be possible to devolve powers directly to cities within CAs, or will the powers be available only if devolved from CAs? Will the groups of cities be able to form a combined authority within a much larger

[BARONESS HOLLIS OF HEIGHAM]

geographical area that might itself be made up of one or more CAs—for example, Norwich and Cambridge, within two or three counties? Will it be possible to have a CA for economic development, skills, transport and so on, and form another and larger CA for the purposes of pooling health and social care budgets? Would it be possible for geographically separate cities to form CAs around the development of key economic sectors, such as engineering in Sunderland and Coventry, health and life sciences in Norwich and Cambridge, and marine services and marine research in Plymouth, Portsmouth and Southampton? What relationship is expected between LEPs and CAs? Must they be on the same geography, or can they be different? How are the governance arrangements to fit together?

To give a concrete example, would it be possible to have a combined authority of Norfolk and Suffolk, along the lines of our Anglia LEP plus, together with a combined authority of Cambridge and Peterborough, along the lines of their LEP plus, and a joint committee with powers devolved directly or indirectly through the CA, aligning greater Norwich, greater Cambridge and Peterborough around skills and back-to-work schemes? Could we combine that role? This would create opportunities for strategic planning—for example, on rail transport between Norwich and Cambridge; the opportunity to build on city deals between greater Norwich and greater Cambridge; and strong collaboration between the universities at Norwich and at Cambridge. Given the briefing that I had yesterday, I suspect that Norwich could be in only one combined authority, that of greater Norwich, and that Cambridge could be in only one, that of greater Cambridge, but that both CAs and any local authorities within them, or indeed outside them, such as Ipswich, could collaborate and form joint committees for any purpose that contributes to economic prosperity, and that each constituent member would bring its own funding to the table—and to do so would not need the Secretary of State's approval. That is my understanding of where we are, and I would be grateful if the Minister could confirm that I am reading it correctly.

Perhaps the Minister could address the questions and confirm my understanding. Essentially, how best do we devise appropriate structures—smaller for some functions, larger for others, and non-coterminous for yet others still—for those medium-sized cities, which they need if they are to play their essential part in growing the prosperity of this country, which we all want? I beg to move.

**Lord Shipley (LD):** My Lords, I thank the noble Baroness for raising this issue at each stage of our consideration of this Bill. It has been very helpful in identifying the need to maximise geographical flexibility and reflect the needs of the key cities network, those towns and cities that have lower populations than major urban areas. The point has been made very well over the passage of the Bill. I hope that, in a response to these Amendments 2, 6 and 8, we will be able to find our way to structures that will understand the needs of areas with less concentrated populations. I dare say that it will be the subject of negotiations, proposal by proposal. But it does matter that the needs of the rural areas, which are contiguous to the large urban cities in particular, are considered as part of the passage of the Bill.

**Lord Mackay of Clashfern (Con):** My Lords, one of the advantages of the Bill—as I have read it and, I hope, understood it—is that it is a receptacle in central government for the proposals coming from local government. There are not really any severe restrictions on that. There was one, on which we had a Division, that may well have resulted in an even more rigid arrangement than was in place or, indeed, than the noble Lord, Lord McKenzie, thought when he moved it. Anyway, I shall not go into that now.

Originally the Bill was intended to be extremely flexible on this question, with suggestions from any size of authority and any combination of authority. I entirely accept what the noble Baroness, Lady Hollis of Heigham, has said, with her great experience of local government. I am sure that there is scope for a great number of different types of co-operation that will have the effect of bringing forward the sort of proposals made by the noble Lord opposite when he was Deputy Prime Minister—at that time it was the north in particular, but this is about the possibility of co-operation throughout the country—that can give life to the economic aspirations of the people of an area.

**Lord McKenzie of Luton:** My Lords, as we have heard, my noble friend Lady Hollis has tabled two types of amendment to enhance the flexibility of the Bill. The first type of amendment, Amendments 2 and 8, seeks to enable combined authorities or individual authorities to which functions have been transferred to pool some or all of these functions with other combined authorities or local authorities. We hope that in particular will find favour with the Minister, who might not even need these amendments to do that.

The second type, Amendment 6, would give a wide discretion to the Secretary of State to establish combined authorities or economic prosperity boards—we have not debated them much during the course of the Bill—by combining different functions in different areas. That would require the consent of appropriate authorities, and would have to demonstrate the improvement of statutory functions. This amendment in particular would enable local authorities to be part of one combined authority for some functions and part of another combined authority for others.

My noble friend has argued a strong case about the needs of medium-sized cities, particularly those in county settings. As we know now, this is not just a theoretical issue; it has been driven by her own experience in Norwich and by her wide contacts in other areas, which she spoke about today, who have identified with her analysis. As my noble friend has said, we are grateful for the opportunity yesterday to discuss these issues, and we anticipate an encouraging response in relation to Amendments 2 and 8, even if Amendment 6, about the opportunity for someone to be part of one combined authority for some functions and another combined authority for others, may be a step too far at this stage. We look forward to the Minister's comments on that.

This is about ensuring that all areas have the opportunity to engage effectively with devolution opportunities. I conclude with a suggestion for the Minister about possibly convening a conference for

the type of authority that my noble friend has identified to flesh out some of the very important issues that she has raised.

**Baroness Williams of Trafford:** I thank the noble Baroness, Lady Hollis, for her comments and for what was quite a productive meeting yesterday, together with the noble Lords, Lord McKenzie and Lord Beecham. I also thank my noble and learned friend Lord Mackay for clarifying the whole situation in a few sentences although, for absolute completeness, I shall go through the whole thing.

Amendment 2 would enable combined authorities to work in partnership with other combined authorities, and Amendment 8 would enable local authorities to work in such partnerships. Amendment 6 would provide greater flexibility for the Secretary of State to establish a combined authority even if the required geographical conditions were not all met. Following our discussion yesterday, I hope that I can provide clarity and reassure the noble Baroness that the amendments are not necessary.

As my noble and learned friend Lord Mackay said, there are no impediments to local authorities and combined authorities collaborating and working in partnerships, including through establishing joint committees. A joint committee could comprise a number of local authorities, some local authorities and a combined authority, or several combined authorities with or without some local authorities. The power to form joint committees is in the Local Government Act 1972. It is exercisable simply by the authorities concerned deciding to form a joint committee. A joint committee can be responsible for exercising such functions of its members as those members decide they wish to exercise in partnership with others through that joint committee.

5.15 pm

On Amendment 6, the Local Democracy, Economic Development and Construction Act 2009 provides that a combined authority can be established across an area covering two or more whole local authority areas, and that a single local authority can be only within the area of one combined authority. In this context, local authority means a district council or a county council, which includes unitaries. The amendment seeks to change that to enable the Secretary of State to establish a combined authority if those conditions are not met and if the authorities consent and the Secretary of State considers it appropriate to enable different functions to be carried out in different areas. That could, for example, enable the area of a local authority to be included within the area of more than one combined authority—in other words, for there to be overlapping combined authority areas. Such overlapping areas would not be appropriate as that would make no sense in terms of our local government law and structures. A combined authority area is a local government area, as we discussed yesterday. Therefore, having overlapping combined authority areas would make no more sense than having overlapping county areas.

However, that is not to say that there is not the flexibility for a council to be involved, if it makes economic sense, with, say, two combined authorities. For example, five districts in Derbyshire and Nottinghamshire are non-constituent councils in the Sheffield City Region

combined authority. Those same councils are proposing that they, together with the relevant county councils and unitary councils, form combined authorities. Furthermore, the provisions in the Bill enable non-contiguous authorities—to which the noble Baroness referred at length—to come together and form a combined authority, parts of which area are not contiguous. Yesterday we discussed some ridiculous theoretical examples of that. This flexibility for involvement in combined authorities, when linked with the long-standing flexibilities for forming joint committees, provides, I believe, for an extremely wide range of options for joint working and for councils to collaborate together both on delivering public services and on promoting economic growth, including in the context of devolution-type deals.

We also agree with the noble Baroness that it can be effective and efficient for local areas to work together across different geographies on different issues. For example, a functional economic area over which local bodies should collaborate and work jointly to promote economic growth may not be an appropriate area over which to provide health and social services.

The noble Baroness also mentioned, as did the noble Lord, Lord Shipley, discussions with areas, some of them quite small. I can confirm that there are ongoing discussions with such areas. In fact, last week I met representatives from South West Councils, which includes Plymouth and Exeter, to discuss such matters.

I turn to some specific questions. The noble Baroness talked about the relationship between the combined authority and the local enterprise partnership. It is a partnership between business and local authorities and there should be a very logical relationship between the LEP and the combined authority. She also talked about powers devolved to local authorities. Clause 16 gives powers to devolve powers to county and district councils. That is irrespective of whether the council to which the powers are being devolved is a constituent or a non-constituent council of a combined authority.

I hope that I have explained the flexibility for areas to work jointly with different partners in different geographies according to different needs. With those explanations, I hope that the noble Baroness will feel able to withdraw her amendment.

**Baroness Hollis of Heigham:** My Lords, this has been a short but helpful debate. I am grateful to the noble Lord, Lord Shipley. There is recognition that we need the flexibility that the Minister is offering us to make best sense of the geographical diversity and local government diversity that we have in this country and to build on the our strengths. That is important. The noble Lord is also right to remind us about rural areas. Most of the cities that I have mentioned as seeking additional powers and, alongside them, clarification about the use of them from the Minister, are indeed the powerhouses of their local rural economies. That is rightly so; that is a perfectly appropriate relationship between the one and the other. The noble Lord is right to remind us of that and I take his point.

The noble and learned Lord, Lord Mackay, said—in a slightly downbeat way, if I may say so—that the Bill is a receptacle for proposals coming from local government and that the emphasis was on bespoke arrangements.

[BARONESS HOLLIS OF HEIGHAM]

Of course he is right. My worry is that, at the moment, the receptacle is too much of a lucky dip. I am trying to get greater clarity so that we do not send authorities chasing wild horses and coming forward with proposals that will not be acceptable in the light of the Government's intentions under the Bill.

We would like as much clarity and development as possible from the Minister as we proceed. That loops us back to a point that my noble friend Lord McKenzie made much earlier in our debates about the need for annual reports to show what has been acceptable, what has been agreed and what is the way forward, so that we can learn from each other in a healthy and pluralistic way. I am sure that the Minister has taken that on board.

My noble friend has handled the Bill with his usual skill and support. I welcome his suggestion for a conference of medium-sized local authority leaders so that around a table, together with appropriate support for the Ministers through civil servants and the rest, they can tease out in detail what may or may not be a runner before they devote quite a large chunk of what are fairly modest home resources to putting forward their bid. It is sometimes hard for large unitaries to understand just how limited are the resources of some district authorities. If we were a large unitary authority, we might have resources of about £200 million; as it is, we have resources of about £20 million a year. It is then hard to appoint staff and devote resources to work where we are essentially duplicating what other authorities have already achieved and established, so we want that to be a continuing dialogue.

Finally, the Minister has indeed clarified the position to be as I understood it: you cannot have overlapping combined authorities. The emphasis will clearly be on joint arrangements between combined authorities established by area. My only concern is whether joint committees will be robust enough in their differential contributions for finance and human resources—staff—to develop their shared goals in a way that can take the test of time. I have been involved over the decades in joint committees between various levels of local authorities. They depend too often on the energy of one or two people. Unless they leave structures behind, although the need continues, the ability to meet it recedes.

We will see whether the joint structures or joint committees which the Minister envisages, as opposed to a joint authority, will be strong enough bodies to power through major transport connectivity and economic development issues and perhaps issues around the integration of health and social care. We will see. In which case, I do not doubt that, if the Minister is then in her current post, she will respond to that as sympathetically as so far she has responded to our amendments. Therefore, I beg leave to withdraw the amendment.

*Amendment 2 withdrawn.*

### *Amendment 3*

*Moved by Baroness Williams of Trafford*

3: Clause 8, page 9, line 10, at end insert—

“( ) An order under this section may not provide for a regulatory function that is exercisable by a public authority in

relation to the whole of England to be exercisable by a combined authority in relation to its area if the regulated function is itself exercisable by the combined authority by virtue of an order under this section.”

**Baroness Williams of Trafford:** My Lords, I shall speak also to government Amendment 4, which will prevent regulatory functions exercisable by a public authority across the whole of England being conferred on a combined authority or local authority which itself can exercise the functions regulated by the public authority; and to Amendments 9 and 10, which make exactly the same exclusion to functions being conferred on a local authority.

The noble Lord, Lord Hunt, spoke to an amendment tabled on Report to amend the provisions in the Bill to exclude the possibility of transferring regulatory and supervisory functions to a combined authority. He outlined some of the regulatory bodies to which he could see such exclusion applying; for example, the Nuclear Decommissioning Authority in Cumbria, the Environment Agency or NHS regulators. As I said on Report, I can see a case for excluding from the scope of what is now Clause 8 the functions of any national regulatory body overseeing the exercise of public functions.

Amendments 3 and 4 do just that. As I have said, Amendments 9 and 10 to Clause 16 do likewise in relation to the conferral of functions on county or district councils. I beg to move.

**Lord Hunt of Kings Heath (Lab):** I welcome the amendments in this group, which, as the Minister said, follows our earlier debate and concerns expressed that services could be transferred to a combined authority plus the regulatory functions which oversaw those services. So I am grateful to the Minister for bringing forward these amendments.

I wanted to clarify with the Minister just one point. We talked about the NHS but we then went wider, and this is a very wide amendment. I want to ensure that the provision would not have a negative impact where there are currently shared responsibilities for regulation. I am thinking of health and safety in particular, where both the Health and Safety Executive and a local authority share responsibilities. I would not want the amendment to get in the way of the flexibility that exists in those arrangements.

I would extend that to the practice of designation of one local authority as a primary authority. Let us take the example of a company such as Tesco, with stores in many parts of the country. One local authority can take a lead responsibility to deal with Tesco under health and safety legislation to avoid duplication and to ensure that there is a pretty standard approach. I take it that the amendment would not get in the way of sensible arrangements like that, where it is clear that the local authority has some regulatory functions. If the Minister is not able to respond now, I would quite understand if she wished to write to me on it.

**Baroness Williams of Trafford:** My Lords, the amendment has no effect on local authorities' existing regulatory functions. I hope that clarifies things for the noble Lord.

*Amendment 3 agreed.*

#### Amendment 4

Moved by **Baroness Williams of Trafford**

4: Clause 8, page 9, line 20, at end insert—

““regulated function” means the function of carrying out an activity to which a regulatory function relates;

“regulatory function” has the meaning given by section 32 of the Legislative and Regulatory Reform Act 2006.”

*Amendment 4 agreed.*

#### Clause 9: Overview and scrutiny committees

#### Amendment 5

Moved by **Baroness Williams of Trafford**

5: Clause 9, page 10, line 11, after “committees” insert “and audit committees”

**Baroness Williams of Trafford:** My Lords, I shall speak also to government Amendments 12 and 13. I said on Report that I would have discussions with noble Lords about audit committees for combined authorities and, if appropriate, return at Third Reading. The noble Lord, Lord McKenzie, has had early sight of these amendments, which fulfil that commitment and require that a combined authority has an audit committee. I am grateful to noble Lords opposite for having brought this issue to light.

The audit committee will have an important role in providing independent and high-level assurance on the adequacy of internal controls and the integrity of financial management. While audit committees are not required by law in other local authorities, they are widely adopted and, given the particular structure of a combined authority, we can agree that it is appropriate for audit committees to be mandated in these cases.

The amendments also require a committee to have at least one independent person. The definition of “independent person” is to be specified by order. Effective audit committees are characterised by a membership that is objective and knowledgeable. The inclusion of at least one independent member will help ensure objectivity and the authority may also appoint independent members who will bring additional skills or expertise to the committee. I beg to move.

5.30 pm

**Lord Shipley:** My Lords, this may prove the last time that I speak on the Bill in your Lordships’ House so I thank the Minister for her work on it, although we have not always agreed. I hope all the amendments that we have passed in your Lordships’ House will be approved in the other place. I am looking forward to the affirmative procedure being followed many times as proposals come forward because the Bill has set a direction and is defining a vision for devolution within England. It will empower local areas and for that it is hugely welcome.

I am particularly glad, too, that we have this final amendment on audit committees. It is the consequence of much discussion, both in debates in your Lordships’ Chamber and in meetings with the Minister. I am grateful that we will have audit committees because they are important for the reasons set out in new subsections (2)(a), (b) and (c) in Amendment 13. It is of crucial importance that there is a committee that is

seen by the outside world to be assessing the outcomes of delivering total place spending; that is, public sector reform will be driven so that the different departments of state in Whitehall are joined up at a local level and, as a consequence of being joined up, thereby drive efficiencies and more effective services. I am fully supportive of the ambition and detail of the Bill.

I am particularly pleased about the words in new subsection (4) of Amendment 13 that ensure that, “at least one member of an audit committee is an independent person”.

That is crucially important for external bodies’ understanding that the audit committee is indeed an independent body. In terms of assessing risk, for example, it is very important that that confidence is available. The appointment of those independent persons—I hope that there would be three on an audit committee—is very important and very welcome.

**Lord Beecham (Lab):** My Lords, I refer to my local government interests, one of which is being a member of Newcastle City Council’s audit committee. I am particularly grateful to the Minister for accepting the thrust of my amendment that there should be such an independent committee. I join the noble Lord, Lord Shipley, in expressing thanks to the Minister, who is, like me and, I think, seven other Members present in your Lordships’ House today, a member of the distinguished union of ex-council leaders—in my case, very ex.

The Minister has been very helpful and patient as we have gone through the Bill, but I should like to make a couple of points. First, while I welcome the inclusion of a reference to an independent person as a member of the audit committee, which was mentioned by the noble Lord, Lord Shipley, my original amendment referred to having the chair as an independent member. Perhaps that is something that the Government could look at when the Bill goes to the House of Commons. It would seem right for that provision to be made. We will obviously not press that point today, but perhaps the Minister will take it back to colleagues.

The other point is a question that the noble Lord, Lord Shipley, touched on when he mentioned the need to effectively scrutinise the performance of government departments and other public agencies. I think I understand the position but it would be helpful if the Minister could confirm it for the record. The powers of the scrutiny committee to call before it any public body would apply, as it does in local government at present, to the overview and scrutiny committee constituted by a combined authority because there would be government agencies—we have referred several times to Highways England in that context but there may be others and I am thinking of health and social care, the role of NHS England and so on—which at the level of the combined authority may need that degree of scrutiny. I take it that that is the case, but it would be helpful if the Minister could confirm that for the record. I repeat my grateful thanks for all her help, and I am happy to support these amendments.

**Baroness Williams of Trafford:** I thank the noble Lord for those points. Many of the arrangements for combined authorities are simply multiplications of the

[BARONESS WILLIAMS OF TRAFFORD]  
powers specified for local authorities, so I can confirm that the powers of calling for a combined authority would therefore replicate those in local authorities.

The noble Lord also made a point about an independent chairman. It may well be that the House of Commons looks at this and takes a different view, but we did not think it was right to mandate that the chairman should be independent because in local circumstances there may be an obvious person who could act as that independent chairman.

*Amendment 5 agreed.*

***Clause 13: Removal of geographical restrictions in relation to combined authorities***

*Amendment 6 not moved.*

***Amendment 7***

***Moved by Baroness Williams of Trafford***

7: After Clause 14, insert the following new Clause—

“Requirements in connection with establishment etc. of combined authority

(1) The Local Democracy, Economic Development and Construction Act 2009 is amended as follows.

(2) In section 103, omit subsection (6) (combined authorities: area must have been included in a scheme under section 109).

(3) In section 110 (requirements in connection with establishment of combined authority), for subsections (1) to (3) substitute—

“(1) The Secretary of State may make an order establishing a combined authority for an area only if—

- (a) the Secretary of State considers that to do so is likely to improve the exercise of statutory functions in the area or areas to which the order relates,
- (b) the constituent councils consent, and
- (c) any consultation required by subsection (2) has been carried out.

(1A) If a scheme for the establishment of the combined authority has been prepared and published under section 109 the Secretary of State must have regard to that scheme in making the order.

(2) The Secretary of State must carry out a public consultation unless—

- (a) a scheme has been prepared and published under section 109,
- (b) the constituent councils carried out a public consultation in connection with the proposals contained in the scheme and provided the Secretary of State with a summary of the consultation responses, and
- (c) the Secretary of State considers that no further consultation is necessary.

(3) In this section “constituent council” means—

- (a) a county council the whole or any part of whose area is within the area for which the combined authority is to be established, or
- (b) a district council whose area is within the area for which the combined authority is to be established.”

(4) In section 113 (requirements in connection with changes to existing combined arrangements), for subsections (1) and (2) substitute—

“(1) The Secretary of State may make an order under section 104, 105, 106 or 107 in relation to an existing combined authority only if—

- (a) the Secretary of State considers that to do so is likely to improve the exercise of statutory functions in the area or areas to which the order relates,
- (b) the constituent councils consent, and

(c) any consultation required by subsection (2) has been carried out.

(1A) If a scheme has been prepared and published under section 112 the Secretary of State must have regard to that scheme in making the order.

(2) The Secretary of State must carry out a public consultation unless—

- (a) a scheme has been prepared and published under section 112,
- (b) the authorities that prepared and published the scheme carried out a public consultation in connection with the proposals contained in the scheme and provided the Secretary of State with a summary of the consultation responses, and
- (c) the Secretary of State considers that no further consultation is necessary.

(2A) In this section “constituent council” means—

- (a) a county council the whole or any part of whose area is within the area or proposed area of the combined authority, or
- (b) a district council whose area is within the area or proposed area of the combined authority.”

**Baroness Williams of Trafford:** My Lords, Amendment 7 modifies the processes for establishing a combined authority to provide, where the circumstances warrant it, a fast-track process that maintains all the necessary safeguards. We discussed a similar amendment on the first day of Report, and explained the Government’s rationale for streamlining the process for establishing a combined authority. We returned to that amendment on the final day of Report, particularly to consider it in the context of the Delegated Powers and Regulatory Reform Committee’s report of 14 July. I explained in depth the background to the amendment, the need for it, and the safeguards that we were providing.

Noble Lords will recall that the noble Lord, Lord Tyler, sought further time both to consider my detailed explanation and for the House to consider the Delegated Powers Committee’s report. I withdrew the amendment and promised to return to it at Third Reading. In moving Amendment 7, I have considered the Delegated Powers and Regulatory Reform Committee’s report and I have had discussions with the noble Lord, Lord Tyler, and considered his concerns. I have retabled the amendment with certain modifications, which I consider address those concerns.

The amendments that I tabled on Report provided for a fast-track process, which removed the requirement for councils to undertake the lengthy process of preparing a governance review and scheme, where the substance of these had been undertaken in a different way—for example, through agreeing a devolution deal. In this case, the requirements on the Secretary of State to apply the statutory tests and consult would remain. The amendments tabled on Report also enabled an alternative streamlined approach where the councils develop a governance review and scheme, while the requirement for the Secretary of State to consult the councils that have prepared the scheme would be replaced by requirements that the Secretary of State must have regard to the scheme and the councils must consent to the establishment of the combined authority.

I have now tabled a modified amendment, Amendment 7, which removes the unnecessary duplication within the statutory process for establishing a combined authority, while ensuring that there is always a public

consultation before a combined authority can be established. If the councils have prepared and published a governance review and scheme, including carrying out a public consultation, and if the Secretary of State considers that no further consultation is necessary, the Secretary of State can proceed without undertaking a further consultation. However, if councils have not prepared and published a governance review, including a consultation, or if the Secretary of State considers that the local consultation is not sufficient, the Secretary of State must undertake a public consultation. We consider that this streamlines the process for establishing a combined authority by removing the duplication of requiring both a local and a Secretary of State consultation without losing any of the safeguards inherent in the process. I beg to move.

**Lord Tyler (LD):** My Lords, I am extremely grateful to the Minister. Not only did she make it possible for me to meet her and her officials when she was looking at the detail behind her new amendment; she has also admirably explained its purpose. It is a huge improvement. All Members of your Lordships' House who have been involved in the discussions on this Bill will agree that one of the central issues we have been looking at all along is to ensure that there is not just public consent, but genuine enthusiasm for these new structures. By ensuring that there will be adequate consultation at the local level, and that if there is not, the Secretary of State will make sure that there will be before any new scheme or arrangements are put in place, she has done the House and local government a very considerable service.

I think that other Members of the House felt that there was an underlying suggestion that streamlining and fast-tracking could be taken by a small group as a short-cut to avoid public consultation, and in that way, a small and relatively exclusive group could find itself taking decisions without that degree of public consent. We now recognise that the amendment is a great improvement. But it lays a responsibility, if I may put it like this, on the constituent authorities which come together to try to form a combined authority to deal with this issue expeditiously. I think that the noble Lord, Lord Heseltine, whom I regard as the godfather of this Bill—in the nicest possible sense; in the ecclesiastical manner rather than in the sense of a Sicilian godfather—will agree that while we want to try to make sure that people respond to these opportunities with enthusiasm, they should not hang about unnecessarily. As I say, the amendment is therefore a great improvement.

Perhaps I may remind your Lordships of the original recommendation made by the Delegated Powers and Regulatory Reform Committee because it goes to the heart of this issue:

“We see the scheme process, which involves local engagement and consultation, as being wholly different from the process of discussion and negotiation which takes place only between the local authorities and the Secretary of State. One engages wider local interests; the other does not. The House may therefore wish to press the Minister to provide a fuller explanation for the amendments, and, in particular, to explain how wider local engagement will be ensured, if the existing statutory processes for review and publication of a scheme are no longer a pre-condition to the making of an order by the Secretary of State”.

The Minister has gone further. She has not just explained, she has responded to the recommendation, and we should be extremely grateful that she has done so.

Since this will be my last opportunity to contribute to the debates on the Bill, I congratulate the noble Baroness and thank her very much indeed for the way in which she has carried out her great responsibility for the Bill; indeed, I must express my huge admiration for the way in which she has done so. I have also been enormously impressed by the hard work of Members on all sides of the House, not least the noble Lords, Lord McKenzie and Lord Beecham, on the Labour Front Bench, and especially my noble friend Lord Shipley along with his team. I repeat what I said earlier: I still regard the noble Lord, Lord Heseltine, as the godfather of the Bill.

5.45 pm

**Lord McKenzie of Luton:** My Lords, this amendment is the promised revisit of what was originally Amendment 62—a fast-track process for establishing a combined authority or changing matters affecting an existing authority. We are grateful to the Government for facilitating this revisit, prompted by the noble Lord, Lord Tyler.

Consternation was caused by the fourth report of the Delegated Powers and Regulatory Reform Committee, which of course reported just the day before we last considered this matter on Report. The committee commented on the removal from the process hitherto of local engagement and consultation. As the noble Lord, Lord Tyler, has just pointed out, it differentiated the process of discussion and negotiation between just the local authorities and the Secretary of State from the need to engage wider local interests. So we welcome the fact that the Government have brought forward revised arrangements for a fast-track process, but one which requires a public consultation where the constituent councils have not produced evidence of a satisfactory one either by virtue of the Section 109 or Section 112 schemes, or otherwise. This is a welcome acceptance of the fact that a fast-track process does not need to be in conflict with proper community engagement and consultation.

Perhaps I may say a brief word here about the other amendments which were the subject of criticism by the Delegated Powers and Regulatory Reform Committee in the same report. They related to the opportunity for the Secretary of State to confer public authority functions on individual local authorities. As for what is now Clause 8, the committee concluded, and we agree, that there is no reason why legislation giving wide discretion as to the conferring of functions should not at the same time give a clear indication of what those functions might be.

We contemplated an amendment to this effect, but frankly, we discussed the issue on several occasions and brought forward amendments which were rebuffed. At this juncture we see no point in marching through each other's ranks again, so we will leave it for further debate in another place. But I think we recognise that over time, with an annual report and the robust individual reports which have been offered when orders are progressed, a picture will emerge of the broad parameters of what is possible.

*Amendment 7 agreed.*

**Clause 16: Power to transfer etc. public authority functions to certain local authorities**

*Amendment 8 not moved.*

*Amendments 9 and 10*

Moved by **Baroness Williams of Trafford**

9\*: Clause 16, page 16, line 4, at end insert—

“( ) Regulations under this section may not provide for a regulatory function that is exercisable by a public authority in relation to the whole of England to be exercisable by a relevant local authority in relation to its area if the regulated function is itself exercisable by the relevant local authority by virtue of regulations under this section.”

10\*: Clause 16, page 16, line 13, at end insert—

““regulated function” means the function of carrying out an activity to which a regulatory function relates;

“regulatory function” has the meaning given by section 32 of the Legislative and Regulatory Reform Act 2006.”

*Amendments 9 and 10 agreed.*

*Amendment 11*

Moved by **Lord Warner**

11: After Clause 17, insert the following new Clause—

“Devolving health service functions

Notwithstanding the provisions in sections 8, 16 and 17 enabling the Secretary of State to transfer health service functions to combined authorities or other public bodies, the Secretary of State responsible for the health service—

- (a) must remain able to fulfil all statutory duties placed on him under health service legislation in force at the time of transfer;
- (b) must not transfer health service regulatory or supervisory functions vested in national bodies responsible for such functions; and
- (c) must ensure that authorities or bodies to whom health service functions are transferred adhere to the national service standards and the national information and accountability obligations placed on all health service bodies responsible for functions of the kind being transferred.”

**Lord Warner (Lab):** My Lords, before speaking to this amendment tabled in my name and those of the noble Baroness, Lady Walmsley, and the noble Lord, Lord Patel, let me declare my interest as an adviser on health and care to Capsticks Solicitors.

This is the last time that the Minister will have to listen to me banging on about the NHS, which is no doubt a cause for celebration in DCLG. The amendment brings us back to the issue of safeguards for the devolution of NHS functions. Our earlier discussions on this issue have tended to generate more heat than light, and I think the problem lies in the fact that the Bill was never designed for the devolution of NHS functions. It is a Bill for devolving essentially local government functions away from central government. It is not designed for devolving functions from a 67 year-old iconic National Health Service, with a large number of statutory duties placed on a Minister, supported by a bevy of national bodies and requirements, and strong public expectations of adherence to national standards and rules. So far, the Government have struggled

to come up with a formula that reconciles the centralised characteristics of the NHS, which is held in great public affection, with a move towards the greater devolution of the delivery of health services and health service functions that many of us would like to see.

Let me reiterate that I am not opposed to using the Bill for devolving NHS functions to properly accountable combined authorities or new public bodies. I just want the Bill to contain clear safeguards which recognise that some essential national characteristics of the NHS should continue to function. I do not think it sufficient, as many of us have tried to explain to the Minister, to use individual transfer of function orders to reserve certain functions to the Secretary of State. That pays insufficient attention to the statutory NHS duties placed on the Secretary of State for Health that he simply cannot offload on to other bodies. At the same time, as we have said before, it is an approach that is likely to fragment the national, cohesive nature of the NHS, leading to a ragbag of local devolution arrangements.

I have tried to distil from our earlier discussions a short clause setting out the three health service issues that have to retain national characteristics. First, the Health Secretary,

“must remain able to fulfil all the statutory duties placed on him under health service legislation”.

That has simply not been clear from the Government’s explanations. In framing this provision, I have been much helped by the contribution of the noble and learned Lord, Lord Mackay of Clashfern, in our previous discussions.

The second issue is to stop the transfer of,

“regulatory or supervisory functions vested in national bodies”.

This goes wider than the prohibition of transferring regulatory functions in Amendments 3 and 4 that the Government have now introduced. The natural character of the NHS means that there are bodies that can be both regulatory and supervisory. For example, Monitor is not just a regulator but a supervisor of failing trusts. CQC is both a regulator and, I would suggest, a service improvement agency. There are other national bodies that make NHS services safer for patients without being full-blown regulators within the terms of Amendments 3 and 4. If anyone thinks the NHS does not need national supervisory bodies, they should read yesterday’s *Healthwatch* report on hospital discharges.

The third prong of my amendment requires the Health Secretary to,

“ensure that ... bodies to whom health service functions are transferred adhere to the national service standards and the national information and accountability obligations placed on all health service bodies”.

That is particularly important for patient access to information and exercising their freedom of choice over service access outside the area of a combined authority.

I am grateful to the clerks in the Public Bill Office for their technical help in framing this amendment, and to colleagues for their assistance in drafting it. I have also been assisted in pursuing this matter by briefings from the BMA—I often do not take credit for advice from the BMA—NHS providers and the specialist services commissioning group.

The Bill needs an override provision such as this if the essentially national character of the NHS is not to be lost. I hope the Minister agrees that it needs to be in the Bill as part of this House's scrutiny of the Bill. I beg to move.

**Baroness Walmsley (LD):** My Lords, I do not think that I need to say very much because this amendment has been very ably introduced by the noble Lord, Lord Warner, but I do support it. I thank the Minister for introducing Amendments 3 and 4 today because they address part of the concerns we have had. However, many concerns remain, regarding accountability, information service standards and, of course, supervision. There are many functions that would never be appropriate to devolve to a local authority, such as the duty to ensure a supply of appropriately trained personnel in the health service, a matter for which Public Health England—which is answerable to the Secretary of State—has responsibility. It would never be appropriate to devolve those functions, and there are many of them. The noble Lord, Lord Warner, has crafted a very clear statement of what is required. Although the noble Baroness did her very best on Report to assure us that the Government share this amendment's intentions, we need the amendment on the face of the Bill. Legislation needs to be clear, and that is what this is.

**Lord Patel (CB):** My Lords, I shall be brief. I said on Report, and say again today, that I support the Government's intention to devolve NHS functions. I think that a lot of good will come out of it. For a start, we might explore a possible model of integrating primary, secondary and social care, which may lead to useful innovations elsewhere in the NHS. However, what is important, and as the noble Lord, Lord Warner, said, is that certain key characteristics of the National Health Service have to be maintained, particularly when it comes to regulatory and supervisory functions. I agree with the noble Lord that the proposals should not inadvertently lead to fragmentation and variation in healthcare. The risk is that individual transfers of functions will do exactly that.

The noble Baroness, Lady Walmsley, and I appear on the Marshalled List as supporters of Amendment 11, which was tabled by the noble Lord, Lord Warner. I shall not comment on paragraph (a) of the proposed new clause because it has been adequately referred to, particularly in the intervention by the noble and learned Lord, Lord Mackay of Clashfern, on Report, which was very helpful. Paragraph (b) states that the Secretary of State,

"must not transfer health service regulatory or supervisory functions". The noble Lord has mentioned NICE, the CQC and Monitor, but there are many other bodies, including the key one, Health Education England, in terms of training all healthcare workers.

Paragraph (c) of the proposed new clause refers to national service standards. I would mention patient safety issues in particular, as those have become paramount in our National Health Service following the Mid Staffs fiasco. I would also mention the requirement to report on mortality ratios in all hospitals and health authorities, to report on unexplained deaths and the need to reduce the excessive number of deaths that are occurring from cancer, diabetes and other diseases.

I had hoped, as I have said, that government Amendment 3 would cover all those issues, but it does not. The amendment does not in any way stop devolving NHS functions, as proposed in the Bill; it just clarifies the functions that a devolved authority itself cannot change because they are national, regulatory and supervisory. It is for those reasons—to protect those functions—that I support the amendment.

**Lord Mackay of Clashfern:** My Lords, as the noble Lord said, we have discussed this amendment since Report, and I think that it is an excellent amendment that puts in a nutshell what we think is necessary as a way of controlling the operation of devolution so that it does not break up the health service.

Local issues in relation to the health service require very careful handling, as noble Lords know. For example, in order to get sufficient expertise in a particular technique there have to be enough operations—if it is an operation technique—to give the people doing it experience and confidence. If there have to be operations in every locality, you cannot do that. There is a tension between localism and a degree of centralisation in running the health service which is absolutely essential. I agree with the noble Lords, Lord Patel and Lord Warner, and the noble Baroness, Lady Walmsley, that it is entirely right for the operations of the health service in a locality to be under the supervision of the local authority. It manages that in the particular locality rather along the lines of the Greater Manchester proposals that we have seen. I do not think that there is any question that the Secretary of State was intending to do more than transfer these particular functions that are in the local area to the control of the local authority or combined authority—the authorities relevant to localism—rather than have separate health authorities as we have seen in the past. As has been said by the noble Lord, Lord Patel, who has very much more experience than I do in this area, that has a very good potential for improvement and innovation, and therefore I sincerely hope that this can be agreed.

6 pm

It has been extraordinary to see this Bill come forward with so much agreement. The noble Lord, Lord Prescott, originally had the idea of a powerhouse in the north—although I think he called it something different—and that idea has been championed by my noble friend Lord Heseltine in the report that he wrote for the Government some time ago. I am delighted to see this Bill come out of all that, with a degree of co-operation and origination from different parts of the political system. I find it extremely good that all the parties are able to agree about this sort of thing, and it strikes me as a good way forward for our country that experts such as the noble Lords, Lord Warner and Lord Patel—I think that the noble Baroness, Lady Walmsley, is also an expert in this area—should contribute immensely to that happening.

As your Lordships will have noticed, this Bill is promoted not by the Department of Health but by a different department, so it would not surprise me if my noble friend is not able to accept this amendment today, but I am sure that there is good will towards it—certainly, I undertake to do all that I can to ensure

[LORD MACKAY OF CLASHFERN]

that an amendment or something very like this will go into the Bill at some stage. I certainly strongly support it, but I think that an element of agreement may be required—this was discussed at Report stage after all, and in a way it is quite a privilege to have this amendment following Report, as we have only been able to formulate it clearly following Report—and I hope that we will be able to deal with it on that basis.

**The Earl of Listowel (CB):** My Lords, may I just remind your Lordships with this particular concern that health visitors have recently been put under the responsibility of local authorities, so this may be an opportunity to have a little test of how well local authorities manage health provision? I am sure that health visitors would be very grateful if your Lordships would keep a close eye on their development in the new circumstances, because we do not want to see a falling off, as we have seen in the past, in health visitor provision.

**Lord Hunt of Kings Heath:** My Lords, I start by echoing the noble and learned Lord's comments about the co-operation that has clearly been evident during the passage of this Bill, and I hope that the noble Baroness might be prepared to accept the amendment. It may not be absolutely perfect, but of course the Government would have the opportunity of bringing amendments in the other place. I think that it is clear that the House would like the noble Baroness to do that.

It is clearly important that the NHS remains a national service, comprehensive and free at the point of use, where broadly we can get the same quality of service wherever we live in England. Equally, I think that most of us want the NHS to contribute to this new devolution world, and clearly the integration of health and local authority services offers much in itself.

Often, the NHS is the largest local employer in any local authority area, so it has an important contribution to make to the local economy. In my own city of Birmingham, the NHS is responsible for huge inward investment in R&D, and it will be the same in Greater Manchester and in other parts of the country—particularly where you combine medical schools, teaching hospitals, academic health science networks and the encouragement of local industry. One of the things that we all want to see is the NHS being prepared to invest in innovative new products and medicines that have been developed in the UK, which we have been slow to adopt generally.

What we are trying to do here is to take both the huge advantage that devolution gives us and the integration of health and local government but without undermining the essential, national nature of the NHS. Noble Lords have mentioned four areas where that is important. First, in the reconfiguration of services, we cannot have combined authorities getting in the way of the necessary centralisation of specialist and tertiary referral services. Secondly, when it comes to training doctors and nurses, the reason that we have seen a crisis in recruitment and high costs from agency nurses is that a decision was taken in 2010 to reduce training commissions; we have to have national planning and

decisions about the number of doctors and nurses that we train. We cannot have local authorities opting out of their responsibilities in that regard.

The noble Earl mentioned health visitors, which is an excellent example of where there has been a transfer of responsibility of public health duties to local authorities. Those health visitors were given a guarantee that they would be employed when they went on their training courses, so we cannot have local authorities now saying, as some are doing, "We can no longer afford to employ you". Those health visitors were given a guarantee, and as a national service we have to ensure that they are found a job.

What we need to do is ensure that the national characteristic and nature of the NHS—the national rules, the standards and, particularly important, the Secretary of State's accountability to Parliament for the NHS—are retained in this new devolution package. That is what my noble friend Lord Warner is seeking to enshrine in statute: some clear safeguards that reflect those national characteristics. I hope that the Government will be prepared to accept his amendment.

**Baroness Williams of Trafford:** My Lords, Amendment 11 makes specific provisions in relation to a transfer of health functions from a public authority to a combined authority or other public body. It requires that the Secretary of State responsible for such services must continue to be able to fulfil his statutory duties conferred by existing legislation. It also requires that the combined authority or other public body to which the functions are transferred should adhere to national standards and accountabilities which are attached to those functions under existing legislation.

As I have said in previous debates, and as is set out in the Greater Manchester memorandum of understanding for devolution of health and social care, there is absolutely no intention through this Bill to remove or undermine the core duties on the Secretary of State, or to dismantle accountabilities for health services as enshrined in existing legislation. Whatever bespoke devolution arrangements are agreed with a particular local area, that principle will remain.

I state this as a clear commitment to this House. Thus, nothing in the Bill changes the position of the Secretary of State under Section 1 of the NHS Act 2006, which provides that,

"The Secretary of State must continue the promotion in England of a comprehensive health service".

The Secretary of State retains in all circumstances ministerial responsibility to Parliament for the provision of that health service.

Likewise, the Secretary of State must always adhere to the core NHS duties. These duties include, when exercising functions in relation to the health service: a duty to secure continuous improvement in quality of services; a duty to have regard to the NHS constitution; a duty to have regard to the need to reduce inequalities; and a duty to promote autonomy. These duties are set out in Sections 1A to 1F of the National Health Service Act 2006.

As I have made clear, there is no intention or possibility of the Bill changing these duties of the Secretary of State. Further, as I have said in previous

debates, any decision the Secretary of State takes about using the order-making powers in this Bill to confer health functions must be taken in conformity with these duties. Without in any way affecting these duties of the Secretary of State, if a combined authority were, for example, to have conferred upon it a function to commission certain health services, the provision in Clause 8—which the House agreed on Report about conditions and limitations when conferring functions—would allow us to require that the combined authority, when exercising its commissioning functions, must likewise be subject to these core NHS duties, such as to promote the NHS constitution.

On Report, the noble Lord, Lord Hunt, commented that the issue we are discussing is more about symbolism, but he also recognised that one should avoid unnecessary legislation. I agree that this issue is one of symbolism. I am also very clear that symbolism is important and tempting. However, legislation is not the place for symbolism. The place for symbolism is in the discussions we are having and the commitments given to this House. For this reason, while I understand and strongly support the intention behind this amendment—that is, to make clear to all that the vital principles for the NHS will be upheld—I do not believe that it is necessary, nor do I consider that it is appropriate. As I have said a number of times, this Bill is an enabling Bill which includes general rather than service-specific powers. If this amendment were to be accepted, health functions would be specified on the face of the Bill, which would change the whole approach we have taken.

Noble Lords asked some specific questions—for example, on how to retain national standards where health powers are devolved. It is important to note that, when transferring functions to a combined authority or conferring functions on it, the Bill allows us to additionally place on a combined authority duties such as those held by the Secretary of State under new Sections 1A to 1F of the relevant legislation, as I have mentioned previously, or other duties held by NHS England or CCGs.

The noble Lord, Lord Warner, talked about the purpose and design of the Bill. We see it as a broadly enabling Bill, as I have just said. We have always said that we will devolve powers only where there is a clear accountable body. This applies equally to any health powers as to other powers that are devolved.

My noble and learned friend Lord Mackay and the noble Lord, Lord Patel, asked specifically about Amendments 3 and 4 as applying to regulatory functions such as those of the Care Quality Commission. Amendments 3 and 4, which we have just approved, mean that the regulatory functions of a national regulator such as the CQC cannot be devolved to, say, a combined authority exercising functions that the Care Quality Commission would have regulated.

The noble Lord, Lord Hunt, mentioned the importance of health in devolution. Health is absolutely an important element of devolution. As the Chancellor has said:

“We will hand power from the centre to cities to give you greater control over your local transport, housing, skills and healthcare”.

That is our aim and we will do that within a strong NHS. A strong NHS relies on a strong local economy

and devolution will enable strong local economies with strong local governance. In areas with such accountabilities in place, such as Manchester, health devolution is something we support.

Given that I have placed those comments on the record, I hope that the noble Lord will feel able to withdraw the amendment.

**Lord Warner:** My Lords, the Minister’s response is deeply disappointing. There is a simple problem with this Bill and the way in which the Minister and her department have approached it: they simply do not understand the National Health Service’s national characteristics. It is not uncommon for Bills to contain statements of principle. That is not an unusual phenomenon. I have been in this House 15 years and I have sat through debates in which statements of principle have been put into Bills, so the idea that that is something we never put in legislation is simply untrue. We have to put this on the face of the Bill. It is what the NHS expects and what many of us think is essential if we are to successfully pursue the Government’s admirable policy of devolving more functions down to the local level. If the Government want to do that successfully and to take the NHS with them, I suggest to the Minister that they need to think again about this issue.

Throughout our deliberations on the Bill I have worked on the assumption that the Government did want to take the NHS with them. Certainly, the briefings I have received strongly suggest that the NHS is confused and baffled about precisely what the Government are up to. Simply relying on assurances from the Front Bench and a memorandum of understanding in Manchester is not good enough. I do not want to go banging on about this but I am unconvinced by what the Government are saying. There needs to be on the face of the Bill a provision of the kind included in this amendment. I wish to test the opinion of the House.

6.16 pm

*Division on Amendment 11*

*Contents 217; Not-Contents 152.*

*Amendment 11 agreed.*

## Division No. 2

### CONTENTS

Aberdare, L.	Bhattacharyya, L.
Adams of Craigielea, B.	Blackstone, B.
Addington, L.	Boateng, L.
Ahmed, L.	Bonham-Carter of Yarnbury, B.
Alton of Liverpool, L.	Bradley, L.
Anderson of Swansea, L.	Brinton, B.
Andrews, B.	Brooke of Alverthorpe, L.
Armstrong of Hill Top, B.	Brookman, L.
Bakewell of Hardington Mandeville, B.	Browne of Belmont, L.
Barker, B.	Cameron of Dillington, L.
Bassam of Brighton, L. [Teller]	Campbell-Savours, L.
Beecham, L.	Cashman, L.
Benjamin, B.	Chester, Bp.
Berkeley, L.	Clancarty, E.
	Clark of Windermere, L.

Clement-Jones, L.  
 Clinton-Davis, L.  
 Collins of Highbury, L.  
 Corston, B.  
 Cotter, L.  
 Craigavon, V.  
 Curry of Kirkharle, L.  
 Davies of Coity, L.  
 Davies of Oldham, L.  
 Dean of Thornton-le-Fylde,  
 B.  
 Desai, L.  
 Dholakia, L.  
 Donaghy, B.  
 Donoghue, L.  
 Doocey, B.  
 Dubs, L.  
 Elder, L.  
 Erroll, E.  
 Falkland, V.  
 Falkner of Margravine, B.  
 Farrington of Ribbleton, B.  
 Faulkner of Worcester, L.  
 Fearn, L.  
 Foulkes of Cumnock, L.  
 Gale, B.  
 Garden of Frogna, B.  
 German, L.  
 Giddens, L.  
 Glasgow, E.  
 Gordon of Strathblane, L.  
 Goudie, B.  
 Gould of Potternewton, B.  
 Grantchester, L.  
 Greaves, L.  
 Grender, B.  
 Grocott, L.  
 Hamwee, B.  
 Hannay of Chiswick, L.  
 Hanworth, V.  
 Harris of Haringey, L.  
 Harris of Richmond, B.  
 Harrison, L.  
 Hart of Chilton, L.  
 Haskel, L.  
 Haworth, L.  
 Hayman, B.  
 Hayter of Kentish Town, B.  
 Healy of Primrose Hill, B.  
 Henig, B.  
 Hilton of Eggardon, B.  
 Hollick, L.  
 Hollis of Heigham, B.  
 Howarth of Breckland, B.  
 Howarth of Newport, L.  
 Howells of St Davids, B.  
 Howie of Troon, L.  
 Hoyle, L.  
 Humphreys, B.  
 Hunt of Kings Heath, L.  
 Hussain, L.  
 Hussein-Ece, B.  
 Janke, B.  
 Jolly, B.  
 Jones, L.  
 Jones of Cheltenham, L.  
 Jones of Whitchurch, B.  
 Judd, L.  
 Kennedy of Southwark, L.  
 King of Bow, B.  
 Kinnock, L.  
 Kinnock of Holyhead, B.  
 Kirkwood of Kirkhope, L.  
 Knight of Weymouth, L.  
 Kramer, B.  
 Lea of Crondall, L.  
 Lee of Trafford, L.  
 Lennie, L.

Lester of Herne Hill, L.  
 Levy, L.  
 Liddle, L.  
 Linklater of Butterstone, B.  
 Lipsey, L.  
 Lister of Burtsett, B.  
 Listowel, E.  
 Loomba, L.  
 Low of Dalston, L.  
 Ludford, B.  
 Lytton, E.  
 McAvoy, L.  
 Macdonald of Tradeston, L.  
 McFall of Alcluith, L.  
 MacKenzie of Culkein, L.  
 Mackenzie of Framwellgate,  
 L.  
 McKenzie of Luton, L.  
 Maddock, B.  
 Manzoor, B.  
 Mar, C.  
 Marks of Henley-on-Thames,  
 L.  
 Masham of Ilton, B.  
 Massey of Darwen, B.  
 Maxton, L.  
 Mendelsohn, L.  
 Monks, L.  
 Morgan, L.  
 Morgan of Huyton, B.  
 Morris of Yardley, B.  
 Newby, L.  
 Nicholson of Winterbourne,  
 B.  
 Nye, B.  
 O'Loan, B.  
 O'Neill of Bengarve, B.  
 O'Neill of Clackmannan, L.  
 Palmer of Childs Hill, L.  
 Palumbo of Southwark, L.  
 Parminter, B.  
 Patel, L.  
 Patel of Bradford, L.  
 Pendry, L.  
 Pinnock, B.  
 Pitkeathley, B.  
 Prescott, L.  
 Prosser, B.  
 Purvis of Tweed, L.  
 Quin, B.  
 Ramsay of Cartvale, B.  
 Randerson, B.  
 Rebuck, B.  
 Redesdale, L.  
 Reid of Cardowan, L.  
 Rennard, L.  
 Rodgers of Quarry Bank, L.  
 Rooker, L.  
 Rosser, L.  
 Rowe-Beddoe, L.  
 Rowlands, L.  
 Royall of Blaisdon, B.  
 Sawyer, L.  
 Scotland of Asthal, B.  
 Scott of Needham Market, B.  
 Scriven, L.  
 Sharkey, L.  
 Sharp of Guildford, B.  
 Sherlock, B.  
 Shipley, L.  
 Shutt of Greetland, L.  
 Simon, V.  
 Smith of Basildon, B.  
 Smith of Gilmorehill, B.  
 Snape, L.  
 Soley, L.  
 Steel of Aikwood, L.  
 Stephen, L.

Stoddart of Swindon, L.  
 Stoneham of Droxford, L.  
 Strasburger, L.  
 Suttie, B.  
 Symons of Vernham Dean, B.  
 Taverne, L.  
 Taylor of Blackburn, L.  
 Taylor of Bolton, B.  
 Taylor of Goss Moor, L.  
 Teverson, L.  
 Thomas of Gresford, L.  
 Thomas of Winchester, B.  
 Thornton, B.  
 Tonge, B.  
 Tope, L.  
 Touhig, L.  
 Truscott, L.  
 Tunncliffe, L. [Teller]

Turnberg, L.  
 Turner of Camden, B.  
 Tyler, L.  
 Tyler of Enfield, B.  
 Uddin, B.  
 Wallace of Saltaire, L.  
 Wallace of Tankerness, L.  
 Walmsley, B.  
 Walpole, L.  
 Warner, L.  
 West of Spithead, L.  
 Wheeler, B.  
 Whitaker, B.  
 Whitty, L.  
 Wigley, L.  
 Wilkins, B.  
 Woolmer of Leeds, L.  
 Young of Norwood Green, L.

## NOT CONTENTS

Ahmad of Wimbledon, L.  
 Armstrong of Ilminster, L.  
 Ashton of Hyde, L.  
 Astor of Hever, L.  
 Attlee, E.  
 Balfe, L.  
 Bates, L.  
 Berridge, B.  
 Bew, L.  
 Blencathra, L.  
 Bourne of Aberystwyth, L.  
 Bowness, L.  
 Brabazon of Tara, L.  
 Brady, B.  
 Bridgeman, V.  
 Bridges of Headley, L.  
 Brooke of Sutton Mandeville,  
 L.  
 Brougham and Vaux, L.  
 Browning, B.  
 Byford, B.  
 Caithness, E.  
 Callanan, L.  
 Cathcart, E.  
 Cavendish of Furness, L.  
 Chisholm of Owlpen, B.  
 Colville of Culross, V.  
 Colwyn, L.  
 Cope of Berkeley, L.  
 Cormack, L.  
 Courtown, E.  
 Crathorne, L.  
 Crickhowell, L.  
 Cumberlege, B.  
 De Mauley, L.  
 Deben, L.  
 Denham, L.  
 Dixon-Smith, L.  
 Dunlop, L.  
 Eaton, B.  
 Eccles, V.  
 Eccles of Moulton, B.  
 Elton, L.  
 Empey, L.  
 Evans of Bowes Park, B.  
 Farmer, L.  
 Faulks, L.  
 Finkelstein, L.  
 Fookes, B.  
 Forsyth of Drumlean, L.  
 Fowler, L.  
 Framlingham, L.  
 Freeman, L.  
 Freud, L.  
 Gardiner of Kimble, L.  
 [Teller]  
 Glenarthur, L.

Glendonbrook, L.  
 Gold, L.  
 Goldie, B.  
 Goodlad, L.  
 Grade of Yarmouth, L.  
 Greenway, L.  
 Griffiths of Fforestfach, L.  
 Hameed, L.  
 Hamilton of Epsom, L.  
 Harris of Peckham, L.  
 Helic, B.  
 Henley, L.  
 Heseltine, L.  
 Higgins, L.  
 Hodgson of Astley Abbots,  
 L.  
 Holmes of Richmond, L.  
 Hooper, B.  
 Howard of Rising, L.  
 Howe, E.  
 Hunt of Wirral, L.  
 Inglewood, L.  
 James of Blackheath, L.  
 Jopling, L.  
 King of Bridgwater, L.  
 Knight of Collingtree, B.  
 Lamont of Lerwick, L.  
 Lawson of Blaby, L.  
 Lexden, L.  
 Lindsay, E.  
 Lingfield, L.  
 Liverpool, E.  
 Livingston of Parkhead, L.  
 Lothian, M.  
 Lyell, L.  
 McColl of Dulwich, L.  
 Mackay of Clashfern, L.  
 Magan of Castletown, L.  
 Maginnis of Drumglass, L.  
 Marlesford, L.  
 Mawson, L.  
 Mobarik, B.  
 Montrose, D.  
 Moore of Lower Marsh, L.  
 Morris of Bolton, B.  
 Moynihan, L.  
 Naseby, L.  
 Nash, L.  
 Neville-Jones, B.  
 Neville-Rolfe, B.  
 Newlove, B.  
 Northbrook, L.  
 Norton of Louth, L.  
 O' Cathain, B.  
 O'Neill of Gatley, L.  
 Oppenheim-Barnes, B.  
 Perry of Southwark, B.

Plumb, L.  
 Popat, L.  
 Prior of Brampton, L.  
 Rana, L.  
 Rawlings, B.  
 Ribeiro, L.  
 Ridley, V.  
 Risby, L.  
 Rogan, L.  
 Ryder of Wensum, L.  
 St John of Bletso, L.  
 Sassoon, L.  
 Seccombe, B.  
 Selborne, E.  
 Selkirk of Douglas, L.  
 Selsdon, L.  
 Shackleton of Belgravia, B.  
 Sharples, B.  
 Sheikh, L.  
 Shephard of Northwold, B.  
 Sherbourne of Didsbury, L.

Shields, B.  
 Shrewsbury, E.  
 Spicer, L.  
 Stedman-Scott, B.  
 Stirrup, L.  
 Stowell of Beeston, B.  
 Suri, L.  
 Taylor of Holbeach, L.  
 [Teller]  
 Taylor of Warwick, L.  
 Trees, L.  
 Trefgarne, L.  
 True, L.  
 Tugendhat, L.  
 Ullswater, V.  
 Verma, B.  
 Warsi, B.  
 Wei, L.  
 Whitby, L.  
 Williams of Trafford, B.  
 Younger of Leckie, V.

6.30 pm

### **Schedule 3: Overview and scrutiny committees**

#### *Amendments 12 and 13*

Moved by **Baroness Williams of Trafford**

**12:** Schedule 3, page 28, line 22, after “COMMITTEES” insert “AND AUDIT COMMITTEES”

**13:** Schedule 3, page 31, line 48, at end insert—

*“Audit committees*

4 (1) A combined authority must arrange for the appointment by the authority of an audit committee.

(2) The functions of the audit committee are to include—

- (a) reviewing and scrutinising the authority’s financial affairs,
- (b) reviewing and assessing the authority’s risk management, internal control and corporate governance arrangements,
- (c) reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority’s functions, and
- (d) making reports and recommendations to the combined authority in relation to reviews conducted under paragraphs (a), (b) and (c).

(3) The Secretary of State may by order make provision about—

- (a) the membership of a combined authority’s audit committee;
- (b) the appointment of the members.

(4) Provision must be made under sub-paragraph (3) so as to ensure that at least one member of an audit committee is an independent person (as defined by the order).”

*Amendments 12 and 13 agreed.*

*A privilege amendment was made.*

6.31 pm

#### *Motion*

Moved by **Baroness Williams of Trafford**

That the Bill do now pass.

**Baroness Williams of Trafford:** My Lords, I thank all noble Lords, even the noble Lord, Lord Warner, for the part they have played during the passage of this Bill and for being so patient with me, this being my first Bill. Thank you.

**Lord McKenzie of Luton:** My Lords, as we have come to our “Auld Lang Syne” moment, I thank the Minister and her team for their engagement with this Bill. We should congratulate the noble Baroness; this is her first Bill and she has approached it with humour, patience and a willingness to engage. I also thank the noble Lord, Lord Shipley, as our deliberations have been particularly advantaged by him and his team; the Bill team for its willingness to engage; my Labour colleagues; my noble friend Lord Beecham and his continuing infectious humour; the noble Lord, Lord Kennedy; and the vital input from my health colleagues, my noble friends Lord Hunt, Lord Warner and Lord Bradley. I believe that we have collectively done our job in scrutinising this Bill and we wish it safe passage in another place. It is a worthy Bill which could herald great change.

**Lord Shipley:** My Lords, from these Benches, I thank the Minister for—as the noble Lord, Lord McKenzie, said—her good humour in the passage of the Bill, despite the several defeats the Government have had. As I said, I hope that there may be an opportunity for the things on which we have a different opinion from the Government to be looked at very closely in the House of Commons, because there is a lot of merit in the amendments that your Lordships’ House has decided to pass. I also thank the noble Lord, Lord Heseltine, who the noble Lord, Lord Tyler, referred to as the godfather of the Bill. He is certainly its architect, and the vision that the noble Lord has shown over the years in driving this agenda forward has been hugely important. Finally, I thank the Members of the Labour Front Bench and the Bill team for a very happy process, which has addressed all the issues that have been of concern to us—many thanks to the Minister for that collaborative approach. I very much hope that we see many affirmative procedures as new proposals come forward in the months ahead.

6.33 pm

*Bill passed and sent to the Commons.*

### **Budget Statement**

*Motion to Take Note*

6.34 pm

Moved by **Lord O’Neill of Gatley**

That this House takes note of the economy of the United Kingdom in the light of the Budget Statement.

**Baroness Chisholm of Owlpen (Con):** My Lords, there are 24 speakers for the debate on the Budget Statement. If Back-Bench contributions are kept to around seven minutes, the House should be able to rise at approximately 10 pm.

**The Commercial Secretary to the Treasury (Lord O'Neill of Gatley) (Con):** My Lords, the British economy is now fundamentally stronger than it was some years ago. We have recovered significantly from the financial crash of 2008. We have seen real GDP growth higher than that of any major advanced economy in 2014, and that is the current consensus expectation for this year as well. We have started to see rising wages and, until very recently, particularly strong increases in the rate of employment. We have also seen business investment 31.9% higher than it was in 2010. Although this all puts us in a relatively strong position, if we want to make this recovery truly secure, and truly national, there is still a lot that we need to do. We need to increase our growth; step up our productivity a gear or two; and continue reducing the budget deficit—because in normal economic times, that is the right thing to do. Of course, we also need to see our external current account deficit improve.

This Budget will continue Britain's journey towards economic security and prosperity. The first way we achieve this relates to a continued course of deficit reduction in line with the pace set in the previous Parliament. As I have just said, in normal economic times, it is right that Governments run an overall budget surplus. That gives a Government much more room for manoeuvre in the event of an economic downturn. This is sensible fiscal policy. The fiscal path laid out in this Budget is set to take us eventually into surplus. Importantly, it takes a smoother path than had previously been set out because we can get to the same destination while keeping a steadier pace.

The budget deficit is now less than half of the 10.2% it was in 2010 and this year it is forecast to fall to 3.7% of GDP. Our fiscal plans forecast this deficit to fall further to 2.2% in 2016-17; down to 1.2% the following year; down to 0.3% the year after that; and then to a budget surplus of 0.4% in 2019-20. At the same time, our national debt share is forecast to continue falling in every single year, down from around 80.3% of GDP this year to 68.5% by 2020-21.

The spending decisions we need to make to get there are indeed tough but they are necessary. Without sound, sustainable public finances, there can be no real economic security for working people. The fiscal charter published earlier this month commits the UK to sticking to this path: achieving a budget surplus by 2019-20 and then maintaining a surplus thereafter. The only exception to the rule would be if there is a recession or a marked slowdown; that is, if the Office for Budget Responsibility judges that we have real GDP growth of less than 1% a year, as measured on a rolling four-quarter basis. There is still a view in some quarters that we are in an age of austerity but from an overall fiscal policy perspective, with strong employment and recent above-trend growth, this is surely no longer the case. The charter will bind the country to living within our means.

Under this Budget's fiscal plan, we require some £37 billion of further consolidation over this Parliament. Some £17 billion of this comes from measures set out by the Chancellor in the other place; namely, £12 billion from welfare and £5 billion from tackling tax evasion, avoidance, non-compliance and planning, and imbalances

in the tax system. The other half will be set out following this autumn's spending review. As a point of principle, no year will see overall cuts as deep as those required in 2011-12 and 2012-13. As a second point of principle, we will make our spending decisions in a fair and balanced way.

The second way in which we can secure this country's recovery is through improving our growth and productivity. In my maiden speech in this House I said that our productivity challenge is well known, that we can try to do a lot better and that we should see the so-called productivity gap as an exciting opportunity, as well as a challenge. The productivity plan that we recently published—all 82 pages of it—shows we are rising to that challenge. It is based on a two-pronged approach: first, encouraging long-term investment in economic capital, including infrastructure, skills and knowledge; and secondly, promoting a dynamic economy, one that encourages innovation and helps resources to flow to their most productive use. The policies introduced in this Budget will help to make that plan a reality, so I would like to outline the highlights again.

First, overhauling the vehicle excise duty system and hypothecating the money that this duty raises into a new roads fund will pay for the sustained investment in roads that this country needs over the long term. We remain committed to the £15 billion that we have already allocated for new roads for the rest of this decade.

Secondly, we will give people the skills that they need to secure a better job. Apprenticeships have been a significant success story but the rate and quality of training has been uneven, to say the least. To tackle that, the Budget will introduce an apprenticeships levy on large firms. Firms that offer apprenticeships can get back more than they put in and that money will be directly controlled by employers. This stands not only to deliver 3 million more apprenticeships but, crucially, to enable an increase in the quality of apprenticeships, paving the way for a new generation of higher-skilled workers. Our productivity plan also contains measures to improve schools education by creating more free schools, ensuring that there is a university technical college within reach of every city and training up an additional 17,500 teachers in science, technology, engineering and mathematics. The Budget will also increase the cash available to enable English students from low and middle-income backgrounds to study at university, while putting funding on a long-term sustainable position—including asking those who benefit from a university education to contribute more of the costs of their degrees once they are earning.

Thirdly, we will be building up strong, interconnected cities beyond our capital. Research that I carried out before I entered government shows that this is central to driving growth and productivity, and revitalising many areas of Britain. Indeed, what I inelegantly called "ManSheffLeedsPool" was the spiritual precursor to the northern powerhouse. We will roll out further powers to Greater Manchester and work to have devolution deals with the Sheffield city region, the Liverpool city region, Leeds, West Yorkshire and its partner authorities and, as of very recent events, the north-east, as well as delivering a new round of enterprise zones for smaller towns and extending the coastal

communities fund. To bring the towns and cities of the northern powerhouse closer together, the Budget will create a new statutory body, Transport for the North, whose remit will include an Oyster-style ticketing system across the north. While we are of course heavily focused on the northern powerhouse, we are also very focused on other engines of growth such as the West Midlands. Why not perhaps have powerhouses, too, in the east Midlands, as well as on the south and south-west coasts?

The third way in which we will give this country economic security is by helping our businesses to prosper and securing long-term investment in it. This Budget cuts the rate of corporation tax to 19% and then to 18%—the lowest in the G20, saving businesses around £6.6 billion by 2021. The employment allowance will be increased from £2,000 to £3,000, taking up to 90,000 firms out of employer NICs completely, while the annual investment allowance will be set at £200,000, eight times higher than the previous permanent rate, helping to increase investment by around 0.6% by 2020-21.

Furthermore, while we still believe that banks should make an additional contribution to the public finances, we have set out the path to a more competitive and sustainable basis of taxation: a 26% rate of corporation tax and a 0.1% levy on banks' UK balance-sheet liabilities. The productivity plan sets out further measures to meet our ambitious export target of £1 trillion by 2020 and build stronger links with the world's emerging markets. As a priority, the Government will remodel how they try to deliver on trade, exports, investment and prosperity, so as to have a step-change in the quantity of our exports and investments. We will focus on diversifying into more markets, increasing the integration of international service sector markets, supporting trade sector agreements beyond the EU and reviewing how SMEs finance their exports.

The fourth way in which we are securing this country's economic recovery is by putting the welfare system on to a more sustainable footing and giving the country a pay rise. For a long time, we have been a low-wage, high-tax, high-welfare society—one which took money away from the poorest in taxes then gave it back to them in the form of tax credits and welfare. Far too many people have been trapped in a lifestyle of benefits dependency. Where we ought to be is the opposite: a high-wage, low-tax, low-welfare society—one in which it pays to work and where our benefits system targets its support towards the most vulnerable. Through the changes we are announcing in this Budget, that is where we are moving.

The Budget sets out £12 billion of welfare savings, which is what we need if we are to live within our means as a country. The cost of tax credits more than trebled in real terms over the 2000s—the so-called noughties. It is now £30 billion, so the Budget will reduce the level of earnings at which a household's tax credits and universal credits start to be withdrawn and from April 2017, in all but the most exceptional cases, families who have a third or subsequent child will not be eligible for additional tax credit or universal credit support. All in all, these changes to tax credits will return real-terms tax credit spending to the level that it

was in 2007-08. The number of families with children eligible for tax credits will fall to five out of 10 in the next financial year, down from six out of 10 currently and from nine out of 10 back in 2010. The Budget will also freeze working-age benefits, excluding statutory payments such as maternity pay and disability benefits, and reduce rents paid in the social housing sector by 1% a year for the next four years.

At the same time, we will honour our commitments to support the elderly, the vulnerable and disabled people. The Budget will roll out free childcare of up to 30 hours a week to all—all—working parents of three and four year-olds and put more money into the pockets of our working families. Next year, we will raise the tax-free personal allowance higher than previously forecast to £11,000 a year, which will mean less tax for 29 million people, and—in one of the flagship policies of this Budget—from next April we will introduce a national living wage, which will start at the rate of £7.20 an hour and rise to £9 an hour by 2020. As a result of these changes, a typical renting household with two full-time earners on minimum wage and two children will see its income rise by 12% in real terms over this Parliament, and by 2017-18 eight out of 10 working households will be better off by an estimated average of £130 a year.

The figures I have set out today make a real difference to people's lives. They represent the security of finding employment, of having a decent living wage and of living in a strong and stable economy. The Budget includes measures to increase spending on our National Health Service and to meet our NATO defence spending commitment of 2%. It introduces important changes to inheritance tax, to the non-dom taxation system and to dividend taxes. It rebalances our welfare system, putting it on a more sustainable footing. It helps make our country and our businesses more productive. It paves the way for further significant employment increases. It cuts taxes for 29 million people and gives up to 6 million people a pay rise. The Budget sets the United Kingdom up for a stronger, more prosperous future. I am delighted to be introducing it to your Lordships.

6.50 pm

**Lord McFall of Alcluith (Lab):** My Lords, it is a pleasure to participate in this debate. I did not think I would see the day when Tory Back-Benchers cheered a Budget which introduced higher taxes, a Chancellor ordered wages in the country to go up by unilateral government fiat and a party ordered other people who owned homes—namely housing associations—to sell those homes. Perhaps next year the Chancellor will talk about getting the trains running on time.

The Chancellor said that this is a smaller-welfare, lower-tax economy—but it is absolutely not. This was a tax-raising Budget, not one of a tax-reforming Chancellor. There are £14 billion of tax increases, partly offset by £8 billion of tax cuts. We have perverse tax changes. The Minister mentioned the bank levy, which was introduced on 1 January 2011 and was intended to encourage banks to move to less risky funding profiles. The Parliamentary Commission on Banking Standards, on which I served, identified a bias in the tax system that encouraged banks to increase leverage and use debt rather than equity. We concluded

[LORD McFALL OF ALCLUTH]  
that the tax system was “misaligned with regulatory objectives”. The commission recommended that the Government consult on introducing an allowance for corporate equity. Instead, in the summer Budget, the Government announced a reduction in the bank levy, offset by a supplementary corporation tax charge of 8% of bank profits. This change penalises the smaller, safer challenger banks which we all wish to see improve competition in the market. The winners are the larger, too-big-to-fail international banks. Instead of the Government following the recommendations of the parliamentary commission, the tax system is becoming less aligned to the objective of a safer and lower-leveraged banking system.

The first headline conclusion from the Budget is that its changes are regressive: the IFS has made it very clear that the Government take from the poorer rather than the richer households. Secondly, the Budget penalises hard-working people. George Osborne has talked about strivers and shirkers, but it is the strivers being penalised in this Budget. Thirdly, the Budget will do nothing for skills, work incentives or the productivity agenda. This Government have had the worst possible record on productivity for the past six years. The Governor of the Bank of England at the time, Mervyn King—now the noble Lord, Lord King of Lothbury—came before the Treasury Committee and said that productivity was the urgent issue for government, but nothing has been done to date. Lastly, there has been no attempt, as I mentioned, to simplify or reform a creaking tax system. The key fact is that the increase in the minimum wage cannot fully compensate for the major losses experienced by tax credit recipients.

We have seen one language for the campaign trail but another for legislating for regressive change. Already, one manifesto commitment—the £72,000 limit on an individual’s liability for care—has been abandoned. When it comes to strivers, 3 million receive working tax credits, which are there to supplement income, but they will all lose a minimum of £1,000 a year. Two out of three children growing up in poverty are from working households. What will this do for aspiration and social mobility? The Government have also abandoned the child poverty targets which they signed up to in the Child Poverty Act 2010. The Welfare Reform and Work Bill currently going through Parliament removes the four child poverty targets set out in the 2010 Act and the Government’s duty to meet those targets. The remit and the name of the Social Mobility and Child Poverty Commission have now been changed so that it will become the Social Mobility Commission. The term “child poverty” has been expunged from the language of government.

However, sadly, a dominant feature of the Government’s language is the pejorative use of the term “welfare”. Let us remind ourselves what welfare is. The welfare budget is £220 billion, £90 billion of which—41%—is the state pension. That will be untouched. We have housing benefit of £24 billion, or 11%, and we have tax credits of £30 billion. So when we talk about tax credits, let us get them into perspective in terms of the welfare budget and welfare provision. The Government have decided to protect the majority of the welfare budget, but that will produce intergenerational barriers. For example, under-25s are excluded from the minimum

wage, penalised on housing benefit and discriminated against in terms of student grants. That is the experience being felt on the ground today.

A Caritas Social Action Network report dropped into my postbox this morning. Its overview says that it, “has found that the welfare changes of the past five years and the delivery of those changes in the UK are pushing claimants and support staff to the edge of their capacity”.

It adds:

“Staff of CSAN charities are under increased pressure to provide support in the face of a rigid welfare system, which they see as a return to ‘Victorian’ poverty, and which prevents them from addressing the underlying, long-term issues in their clients’ lives”.

For short-term gain, the long-term issues have been ignored. That is Caritas saying that, not anyone else.

The *FT* has also stepped into the argument. I am not talking about the *Morning Star* here, but the *FT*, which I have been looking at over the past few days. It has said that because of the abolition of local government watchdogs, the changing and diminishing role of local government in England has been starkly exposed. There have been £18 billion of cuts in real terms since 2010, with another £10 billion due by 2020—twice the rate of cuts to UK public spending as a whole. What does that mean? The *FT* is very clear what it means. That £18 billion budget cut affects the elderly: 65 out of every 1,000 people aged over 65 were receiving care in their own home in 2009-10; the equivalent figure for 2013-14 was 46. There were 694,000 children on the Children in Need register in 2009-10; the equivalent figure now is 781,200—a 12.5% increase.

This is against the background of a severely weakened international system—one that, not least, has not been assisted by the debacle in Greece. We have seen one-third wiped off the value of the Chinese economy in the past month, equivalent to €1.5 trillion being destroyed, enough to write off Greece’s debt five times over. We have seen a political Chancellor directly intervening in the market, but without explanation, consultation or a measured approach. Maybe the Chancellor is master of the Treasury and the Government, but as time passes, perhaps he will be a servant of the economy.

6.59 pm

**Baroness Kramer (LD):** My Lords, my sadness in responding to this Budget is that it begins to unravel the key achievement of the coalition years, which was to restore the economy and fiscal responsibility in a way that is fair and lets the greatest burden fall on the broadest shoulders. The Minister said that no one could any longer call this an age of austerity. But the centrepiece of the Budget is £12 billion in welfare cuts, when no more than £3 billion to £4 billion was necessary to achieve the long-term goals. It hits hardest the working poor, public sector workers such as nurses and teachers, the young and the mentally ill. It strongly favours big corporations over small businesses and it heavily advantages homeowners at the expense of renters. Frankly, if you are earning £100,000 and own a £1 million home, you love this Budget. If you earn a modest wage and have children, you need to start tightening your belt hard.

Perhaps the most cynical step in the Budget has been to hide the impact. The Treasury has for years issued a detailed distributional analysis to show honestly and transparently where the blows and the benefits fall. This year, that has been curtailed. Key years and key income groups have been excluded. The Government have that data. Will the Minister publish them or will he continue the sleight of hand?

I am particularly concerned about the impact of this Budget on the young. They lose in every way. Children with working parents on modest wages will really feel the crunch as any tax and wage benefits are more than off-set by cuts in tax credits and the changes to universal credit, especially the change in income thresholds and work allowances. Children in future large families—and such families are always few—will seriously suffer from the benefits cap. We say that we are concerned about children's nutrition and well-being, so how does this make sense?

Young people who have grown up in areas of unemployment and who get on their bike to find an apprenticeship or job in another part of the country can no longer get housing benefit. Whose floor should they sleep on? When in work, the under-25s are excluded from the new minimum wage. We have all lauded the number of youngsters from poor homes now going to university. However, the key to this—the maintenance grant scheme—has been abolished. What is BIS's estimate of the impact on student numbers from poor homes?

The Government talk about parity for mental health, but they have eliminated the employment and support allowance, a scheme largely populated by people with depression, bipolar disorder or schizophrenia—people with episodic illnesses who will now be given no additional support. How do the Government even attempt to justify this?

What of public sector workers, the nurses, teachers and police who carried on despite severe pay constraint through the recession? How can they possibly cope with severe pay restraint for another Parliament? When I hear the Minister say that this is not an age of austerity, is he saying it to them?

With this Budget, the Government have confirmed their bias towards big corporations rather than small businesses. We are pleased to see the increase in the minimum wage, although it is another sleight of hand to call it a living wage. However, the tax breaks to off-set this through reduced corporation tax benefit big companies, which frankly can already manage the change, and not the small and medium-sized businesses that tend to pay little corporation tax anyway. SMEs are the backbone of our future; surely the benefits could have been targeted at them, whether through NI or another mechanism—not at the big companies but at the small businesses.

The Minister has talked a great deal about productivity, which is a vital subject and on which I hope we will have a proper future debate. His paper *Fixing the Foundations* is in large part a reaffirmation of existing programmes and policies that we support, although in notable cases, such as the level of capital investment and devolution, it is far less daring than the measures we pushed for. However, let me just put down a marker on two issues on which we will fight what are outrageously retrograde steps.

The first is the right to buy from housing associations, aggravated by rent reductions. It is just wicked, at a time when we have a severe shortage of homes with affordable rents. It disrespects generations of work by dedicated charities, but it also destroys our cities. I have talked to estate agents, who of course will not go on the record, but who are rubbing their hands and telling me with great confidence that iconic properties—currently owned by charities such as Peabody in city centres, especially in London—will be available in five years to market to foreign buyers. Our great urban centres are already losing their mixed communities. How is productivity enhanced by diminishing them even more?

The second is the decision not to proceed with the zero-carbon homes scheme. We struggle to retrofit our historic stock of homes, which consume too much energy and leave thousands of people in fuel poverty, and now the Government ensure that even more homes are built below modern standards. Zero-carbon homes may cost marginally more to build—though that is arguable, because under the pressure of this coming regulation, construction companies have found new ways to be able to achieve that target—but homes built below those standards are certainly far more expensive to run for the homeowner or tenant than a zero-carbon home would be. I recognise that the Government pride themselves on using phrases such as “green crap”, but now they show themselves to be completely uninterested even in energy conservation.

If we talk of productivity and economic growth, why does this Budget choose to gut key support for renewable energy, an area in which British companies were just beginning to reach world competitive standards? Green industries are the future and our foreign competitors are glowing with this Government's ideological destruction of rising key UK firms—how backward-looking and, now I must understand, how typically Conservative.

There are, obviously, measures that we support in this Budget: the increase in the tax-free personal allowance, a keystone Liberal Democrat policy, initially resisted by the Tories; devolution; increased childcare; apprenticeships; and other key Lib Dem policies. We support the move towards a better minimum wage. We support the tightening of tax rules for non-doms, though it is sadly slight and we would like more. There has been some action on pension relief and tax evasion, encouragement for R&D and investment in infrastructure. However, the truth is that the *Financial Times* got it right: on the basis of this budget the Tory party can, “be seen as a lobby group for the already prosperous and propertied”. What an opportunity lost.

7.07 pm

**The Lord Bishop of Birmingham:** My Lords, I am grateful for the Minister's reprise of the recent Budget Statement and for the opportunity to join this debate. I welcome the expectation of a strengthened economy. I also welcome the aspiration for the common sense of living within our means and the wisdom of reducing both the deficit and national debt as a proportion of GDP.

The Minister is more aware than most of the difficulties and costs of such ambitions, as the Government seek to address the weaknesses of our economy, identified

[THE LORD BISHOP OF BIRMINGHAM]  
 in the Budget as low investment, low skills, low wages and low productivity. Will he agree that in a Budget for a one-nation economy, the effects of resolving these difficulties and the costs they incur should be spread justly and proportionately across society, and that a transition to an economy where, as the Chancellor said, “all can prosper” will require all the rigour and vigour of an inclusive capitalism?

The aim of adjusting benefits, as the Minister has already mentioned today, to a proper level of support—indeed, the sort of support envisaged by the founders of the welfare state—and away from the drudgery of false dependency will be achieved only if there are affordable jobs providing the foundation for households that are not only self-sustaining but wealth-building. Meanwhile, as these jobs are emerging in a strengthening economy, and with our increasing ability to compete in a global market, will the Minister give details of whether the working-age benefits freeze and the changes in tax credits that have been outlined—highlighted in the calculations of the Institute for Fiscal Studies—will result in more young people being better off or worse off, even with the new living wage?

I am grateful that the Minister again waved the *Fixing the Foundations* document, which he encouraged us to read at Questions a few days ago. I have been pleased to do so, and found it inspiring and encouraging, as someone who formerly ran businesses and was part of the economy. There are more details in that than can be dealt with today—and I was grateful that the noble Baroness, Lady Kramer, mentioned that we might debate these in more detail at future opportunities.

Today I want to emphasise two interlinked elements of productivity: skills and the regions. The Minister knows that improved productivity, resulting in well-resourced jobs, requires a complex range of measures, including investment capital and research and development, to put into practice enterprising and risky ideas in the local economies, and ideas producing popular goods and services that people want to buy, meaning that the company and workers are rewarded for its enterprise with affordable wages. Then there are the wider issues of good infrastructure that he mentioned, such as transport, housing, healthcare and policing—but also, of course, a practical planning framework. In all this, I ask that the immediate focus in this wide menu of policies should be on the development of skills that connect directly with the opportunities of business, manufacturing, science, technology and administration.

The emphasis on universities is most welcome at that high level, and we know that we should develop more highly skilled adventurers in developing our economy, not just have to import them from overseas. But will the Minister affirm that with apprenticeships—the target of 3 million has been mentioned—there is an intentional link with education, which has been mentioned in passing, and the aspiration of independent living with this desire for enterprise and profitability? There is a joining up that needs to be done if we are to make a real difference in the lives of this generation in the life of this Parliament.

Furthermore, will the Minister encourage the streamlining not just of universities but of further education in the regions, and the provision of particular

support for talented teenagers from poorly resourced backgrounds for these apprenticeships? I am thinking not only of incentives for businesses, which have been outlined in the arrangements, but for those individual, aspiring young people for whom access to travel-to-work costs and the dream of independent housing is still far out of reach. These and other measures are in my view—and, I believe, in the Government’s—best achieved with a very strong commitment to regional responsibility and autonomy. Your Lordships touched on this at the end of the previous debate.

Investment in infrastructure and public services has already been mentioned as a regional good, not least in the same breath as the northern powerhouse. But will the Government now give similar public attention to fuelling the Midlands engine? In the Midlands there is 24% of manufacturing; it is the strongest exporter, with an increase of more than 70% in the past six years, and the only region with a trade surplus with China. I urge the Government not to wait for a perfect political Midlands settlement or restructuring but to support current initiatives towards increased productivity—for example, with Midlands Connect, which is making a marvellous vision for transport infrastructure. Then there is Drive West Midlands, which is about the automotive supply chain—and, of course, returning to the skills agenda, there is the ambition for Birmingham to be a CSR city, joining professions, commerce and businesses to the most deprived schools in the most deprived wards in Birmingham.

The invaluable one-to-one mentoring that is behind the high-level macro and microeconomic policies that we are debating today, and the generous person-to-person relationships and resourcing needed to bring these new participants, who otherwise will not join in the benefits of all that we are planning today, is one of the most remarkable opportunities for what might be called a remodelled regional civic virtue, as those who have are able to bring into this wonderful country of ours the opportunities for those who have not. The test of the success of this and future Budgets for a country living within its means will be the growing number of households that are equipped and completely free to earn the means to live. I trust that the Government and the Minister, with all his expertise, will be able to provide us with measurable evidence of those new households in the months and years to come.

7.14 pm

**Lord Higgins (Con):** My Lords, in general over the past 50 years, it has been true that incoming Labour Governments have had a good economic inheritance and Conservative Governments have had a bad economic inheritance. Certainly, the incoming coalition Government had a quite appalling economic inheritance—so it is something of a relief to find ourselves now in a situation where we have an incoming Conservative Government and a reasonable inheritance. Of course, it is true that there is an enormous amount still to be done. None the less, employment is at record levels, and we are in a situation where there are higher wage settlements, but they are not yet inflationary. As my noble friend pointed out, business investment is rising, and so on. So we still have a very big job to do.

As has been pointed out repeatedly, this is the first Budget from a Conservative Government for a long while. In some respects, it is not entirely a Conservative Government, which was reflected in the remarks of the noble Lord, Lord McFall, who succeeded me as chairman of the Treasury Committee in another place. If there is one piece of Conservative economic dogma that has been as clear as anything it is that there is a danger that setting a minimum wage is likely to reduce employment. Therefore, it is a bit of a surprise suddenly to find that we are not in favour of a minimum wage but we are now in favour of a living wage, and so on—and that is the centrepiece of the Chancellor's proposals. None the less, we must recognise that, given the problem on the other side of the equation with welfare cuts, this was probably necessary for balance. We must hope that it works out; there are clearly some timing problems, but it is an interesting development.

The thing that is clearly Conservative is to say that we must live within our means and we must go on reducing the deficit. It is of course the case that the date by which we are supposed to be back in the black has moved back a year from 2018-19 to 2019-20. But there is still a massive amount to do. If one looks at the publication by the Treasury today on public expenditure and so on, we are going to borrow this year an extra £50 billion. We talk too readily about billions or even trillions. If we are talking of billions, it is in this case 75 followed by nine zeros. It is a very big increase in borrowing. None the less, it is hoped that we will reduce the borrowing over this Parliament, which is tremendously important for two reasons. First, we really cannot go on lumbering future generations with the kind of level of debt reflected by the trillions of pounds that we now have. Secondly, ever since we ran into the deficit problem as a result of overspending by the previous Government, we have been in the situation whereby the normal basis of economic management—if you are in a boom you increase the surplus and if you are in a recession you run a deficit—has simply not been possible. We have been concentrating on reducing the deficit, so the normal balance has not been a feasible means of managing fiscal policy. Consequently, a huge weight has been put on monetary policy. On the whole, while initially the MPC tended to concentrate on interest rates rather than on the quantity of money, the subsequent increase in quantitative easing and so on has saved us from the disaster that would otherwise have resulted, given that we could not use fiscal policy to balance the economy.

I say in passing that I hope the Governor of the Bank of England will be a bit more restrained in his forward guidance. The first two or three examples had to be changed in a very short period. Surely we would do better to leave it to the analysis across the board by all the experts in the matter so that we can take a balanced view.

Interest rates are going to go up and in my view, though the Bank of England apparently disputes this, there is a very real danger that people have taken on mortgages that they are not going to be able to finance once interest rates go up significantly. As a Member of Parliament I lived through a period when people would come in on a Friday night saying they were in negative equity. I dare say that the right reverend Prelates may

also have experienced this, and it is not something that we want to see again. None the less, the approach that we are adopting at the moment is the right one.

I had the privilege of serving on an ad hoc Select Committee on Personal Service Companies. There was some dispute because the Treasury refused to send as a witness either the Treasury Minister or any officials. None the less we produced a report, and it is somewhat gratifying to find that in this Budget the proposals we made, without Treasury advice, seem almost entirely to have been accepted.

The other aspect that is somewhat worrying is the way in which so many areas are being ring-fenced with regard to future economic management. Saying that we are not going to change income tax, value added tax or national insurance and so on is probably going to be a serious problem by the end of the Parliament, and I think that in the event it will be recognised that it is not a realistic way of proceeding. It may be a reasonable way of going into an election, but when we come to the end of the Parliament it may well have to be changed.

Generally speaking, though, the outlook is good. My noble friend has rightly stressed that we have more to do, but we have more opportunities ahead of us than we have had for some time.

7.22 pm

**Lord Bhattacharyya (Lab):** My Lords, I declare my interest as chairman of the Warwick Manufacturing Group, an academic department of the University of Warwick. It is a pleasure to debate our economic situation in such distinguished company.

The summer Budget may have been a mere sequel to the spring Budget, but it had a very different plot. I welcome the Chancellor's decisions that the pace of deficit reduction should slow, wages must rise, non-doms need to pay more tax and departmental spending cuts should be smaller. I only wish that he had recognised these needs before the election.

However, there are several poor choices in the Budget. Take the excise duty surcharge on vehicles. The vehicle sector is one of the largest exporting sectors in this country but the Chancellor has put a duty surcharge on it. The premium automotive sector is one of our few manufacturing success stories. I do not see why the Government want to levy a punitive charge that will discourage innovation in low-emission cars and exports.

That said, it is always better to seek consensus than conflict, so I wish to focus on a problem that all parties agreed the Budget must address: our low productivity growth. The Chancellor calls it the challenge of our lifetime, and it is not hard to see why. On page 180 of the Office for Budget Responsibility forecast we see what will happen if productivity stalls: economic growth falls by one-third, we miss all our current and proposed fiscal targets and the welfare cap is breached. Economic success therefore requires an improvement in productivity.

Productivity has many components. It cannot be transformed with a glib announcement; it requires sustained focus over many years on a broad range of measures. Business investment in this country has been historically low, whether in capital or in innovation,

[LORD BHATTACHARYYA]

and I welcome all measures that will help change Britain's historic short-term mindset, which has removed most of our manufacturing industry and brought it down to 10% of GDP. Without strong support for industry, especially for inward investors, they will eventually look elsewhere. We were responsible for the biggest inward investment in this country, and those investors are also surprised by what is happening here. I deal with many such investors, and they all say that there is a lack of support for long-termism, expansion and innovation in Britain.

I am pleased that the science capital budget is protected, and I welcome the removal of the cap on student places. Equally, the reduction in corporation tax and the permanent investment allowance are positive steps. Another key to encouraging investment is a highly-skilled, productive workforce. The British skills deficit is nothing new. The solution has eluded Governments since the abolition of the industrial training boards over 30 years ago.

We have had many quangos, from TECs to the Learning and Skills Council, but the skills gap has remained the same. This is because until skills training is driven and funded by industry, it will be poorly targeted. That is why I strongly support the Budget announcement of a statutory apprenticeship levy. When I was a graduate apprentice there was a levy on my company, and that was the reason why some of the training that occurred there was wonderful. I first called for a graduate levy in this House eight years ago. If set at half of 1% of payroll, the levy would provide £2 billion for skills training each year. As a good Labour man, I note this is more than business will get from the proposed corporation tax cut.

The Government should not fudge this. If businesses benefit from reduced corporation tax, they should contribute to improving productivity. Industry should help to design the levy but it must not be delayed or watered down. A target of 3 million apprenticeships has been set. Without the levy, only cheap, low-skill apprenticeships would be offered, as is happening now. This means that the funding from the apprenticeship levy is essential to transforming technical education in Britain. The Government should set out the detail of their plans and how they will be delivered. This is a question not only of apprenticeships but of using them to reshape technical education. Many businesses sponsor the university technical colleges of the noble Lord, Lord Baker. A similar partnership is essential throughout post-16 education.

I mentioned the automotive sector earlier, so let me give a practical example. The British car industry is competing against one of the best-trained and most innovative workforces in the world in Germany. So alongside a multibillion-pound R&D budget, invested largely in British engineering, Jaguar Land Rover is forming for the first time its own learning academy, offering integrated training from apprentice to postgraduate level. JLR has 3,000 craft apprentices and 1,100 higher apprentices. This year alone it is taking 450 graduates and over 300 apprentices. These need training and skills in many different disciplines and specialities. Companies like Dyson, Rolls-Royce, JCB and BAE Systems also use a range of the best

FE colleges and universities to provide technical education for all employees. The apprenticeship levy will create demand for quality technical education from firms that cannot invest on the scale of these manufacturers, especially those down the supply chain.

That will require a transformation in skills supply. So, ahead of the levy, we should be challenging universities, colleges and business to design technical education programmes together. We have many outstanding science and engineering departments in Britain. These should be beacons of quality technical education. As we at Warwick do for JLR, universities should accredit quality and ensure multidisciplinary capability. FE colleges can ensure that technical education is accessible to all, and industry must demand that these programmes are built on real business need—and pay.

The Government should not waste money creating new institutes of technology or national colleges for apprenticeships. Instead, under the levy, industry should choose which programmes to support, from GCSE to PhD. The best would then expand organically. This bottom-up system would ensure that every worker could expect their employer to give them worthwhile skills and qualifications, and that would be a major boost for future productivity.

The Budget had many flaws but I am glad of the focus on productivity. For that, the Chancellor and the Business Secretary deserve praise. Now, the question is whether their plans will match their rhetoric. They have set themselves the right test and it is one we must hope they pass.

7.30 pm

**Lord Taverne (LD):** My Lords, there were good bits in the Budget, such as measures against tax avoidance and the policy of increasing real wages. The latter is particularly welcome because it will increase demand after years of severe austerity, which caused real wages to decline, reduced demand, prolonged the recession, substantially shrank our GDP and lowered productivity. It was in fact only after some relaxation of austerity, through some loosening of tight fiscal policy in 2012, that the economy began to grow again. However, this growth happened mainly because after a slump all economies rebound in time, but how far and how fast the economy rebounds depends on government policy.

In the election campaign, the Conservatives scored a major triumph, and I do not just mean their election victory. Through brilliant propaganda, they persuaded the public that they were the party of economic competence, that Labour had caused the crisis by borrowing and that the key to recovery from deep recession is a return to balancing the books. Time after time Mr Cameron taunted Mr Miliband, "You caused the crisis by borrowing. How can you propose policies that mean more borrowing, or oppose our policies, which will reduce borrowing?"

This successful campaign—putting all the blame on borrowing—was based on a number of fallacies. Reckless borrowing was not the cause of the crash in 2008; it was the failure of the financial institutions and reckless deregulation, based on the blind belief in the efficiency of markets and the doctrine of rational expectations. The crash was caused by the bubble in the mortgage

market, securitisation, gambling with derivatives and the banks ignoring risks in the drive for ever bigger and faster profits.

Furthermore, the doctrine that we must eliminate deficits and balance the books, with the substantial deep cuts in public spending that that entails, is not the basic cure for economic decline. That is going back to the 1930s and the pre-Keynesian conventional wisdom preached by Montagu Norman, the all-powerful Governor of the Bank of England at the time.

Unfortunately, the obsession with balanced budgets has spread far and wide in the European Union. I have always admired Germany, which has been one of the best-governed and best-managed countries and the least nationalistic in the European Union. It has been much more compassionate towards the Syrian refugees than we have. However, at this time its belief that borrowing is a sin and its insistence on deficit reduction by ferocious austerity threaten the survival of the eurozone and possibly even the future of the European Union itself. The reforms that countries such as Greece need cannot possibly be achieved by ruinous austerity. Indeed, we seem to have forgotten the lessons from history. The extreme, ruinous regime of austerity imposed on Germany by the Versailles Treaty led to the rise of Hitler. Keynes predicted disaster in his famous book, *The Economic Consequences of the Peace*.

The post-Second World War picture, by contrast, was very different. Germany's recovery after 1953 would not have been possible without massive debt relief and other measures to revive the German economy. In Britain, reducing debt by cutting public spending was not a priority for the Attlee Government. That Government launched the welfare state and the National Health Service at a time when the ratio of debt to GDP was over 200%, and they achieved a growth rate of over 3%. Indeed, after 25 years of economic growth between 1945 and 1970, the national debt shrank from 240% of GDP to 64%. History shows that the best way to reduce deficits and achieve structural reform at the same time is through growth, not austerity.

I find it deeply depressing that the Labour leadership has swallowed the mantra about balancing the books. That is why they dare not challenge head-on the Osborne doctrine of shrinking the state by further devastating cuts in public spending and welfare, making some of the poorest poorer still. They give the game away by accepting the need for balanced budgets. I am afraid that the media, including the supposedly left-wing, anti-Conservative BBC, have swallowed the mantra of balancing the books uncritically. Most of the economic pundits on current affairs programmes on television are City economists, who take a City view. No wonder the new conventional wisdom has convinced the public.

It is time that we heard more frequently in the media from those who do not subscribe to deficit fetishism. More, please, from Nobel prize winners such as Amartya Sen, Paul Krugman and Joseph Stiglitz, or, for that matter, from our own colleague, the noble Lord, Lord Skidelsky.

7.36 pm

**Lord Tugendhat (Con):** My Lords, there is much to admire in the Budget—and I do admire it—but I should like to take the opportunity this evening to make what

I hope the Government will regard as some constructive criticisms. I begin by drawing attention to the Chancellor's Statement, in which he said:

“Public spending should reflect public priorities”.—[*Official Report, Commons, 8/7/15; col. 324.*]

Of course it should, but those priorities are bound to change with the passage of time, and the Government need flexibility to respond accordingly. That may seem obvious, but this Government have denied, and are denying, themselves that flexibility by each year increasing the number of so-called protected departments and items. The result is to freeze priorities and to give the impression that some departments are more important than others. Thus, the protected aid budget looks, and is, treated as though it is far more important and central to the Government's concerns than the Foreign and Commonwealth Office.

Another bad effect is that having a protected budget and guaranteed increases inhibits innovation and creative thinking. It leads to sticking to the old ways of doing things and asking for more money each year. It also means that at a time like the present, cuts have to be concentrated on the diminishing base that is unprotected, with the result that massive cuts occur in those areas in which the knife falls. I think here particularly of housing benefit and tax credits. I do not dissent from the line of the Government's march or from the policy itself, but the cuts have been very aggressive and will not be compensated for by the living wage, which will benefit a different group of people.

So on the one hand is an ever expanding group of departments and items that are protected and, on the other, those that are being cut and cut again. I see today that some departments are being asked to produce plans involving savings of 20% to 40%. Over time, that is bound to lead to an extremely unbalanced budget and to the freezing of priorities, and getting out of that bind will be quite difficult. We have heard much in recent years of my party—the Conservative Party—breaking free from the shackles of the coalition, so it is ironic that the Chancellor should restrict his freedom of action in a manner that will become increasingly burdensome to him and make his ability to respond to changes in circumstances much more difficult.

I now turn to the living wage. As many have pointed out, this is a proposal that, if put forward by Labour, let alone by Brussels, would be attacked from these Benches as an unjustifiable invasion into the way in which business operates, particularly small businesses. The Chancellor has taken it upon himself to determine by fiat the level of wages over a wide area of the economy. Although his aim—to push wages up rather than hold them down—is different from that in the 1970s, it is a return to the policies of the Wilson and Heath Governments. Neither is usually held up as an exemplar by Ministers in this Government but we are returning to those days, as my noble friend Lord Higgins, who was in the House of Commons with me at that time, may agree. I see him nodding. Those of us who remember those days know what is likely to happen. The living wage is likely to become an instrument of electoral tactics, just as the setting of interest rates used to be before the Monetary Policy Committee was established.

[LORD TUGENDHAT]

I understand that the Government are aiming to improve this country's low productivity, as the Minister pointed out in his introductory speech. He wants a high wage, high productivity economy, which is a good thing. However, the danger is that the Government may be taking us down the French route of exchanging low productivity for high productivity, coupled with high unemployment—especially among the most disadvantaged. Normally when the Conservative Government look across the channel, we do so in order to criticise the way the French do things. Here, we seem to be looking across the channel in order to copy what the French are doing, and it may very well have the same consequence.

It is right for the Government to determine the direction of the economy and take the big strategic decisions, but in a number of areas implementation is best depoliticised and left to experts. That is why I support the Monetary Policy Committee and the Low Pay Commission. I very much hope that, having neutered, or rendered null and void, the Low Pay Commission, the Chancellor will not now turn his fire on the Monetary Policy Committee.

As I said at the outset, there is much to admire in this Budget but now is the time—especially in this House—when constructive criticism is required, and I hope that the Minister will take what I have said in that spirit.

7.42 pm

**Lord Desai (Lab):** My Lords, it is a pleasure to take part in this Budget debate. It is the first one in many years in which the noble Lord, Lord Skidelsky, is not speaking before or after me, so I feel a bit lonely.

I confess that, unlike the distinguished people whom the noble Lord, Lord Taverne, mentioned, I have always broadly supported the Chancellor's economic strategy. In 2008-09, for whatever reason, the global economy had one of the biggest output shocks in 70 years. The effect was that the debt-to-GDP ratio, which was 37% in 2007, practically doubled in three years. From that point onwards there was a problem, in that output was much below its pre-crisis level, there was a big deficit and one had to find a way out. One way would have been to borrow more and raise the GDP ratio faster. The other was the direction the Chancellor took: to try to cut the deficit and go down the route of austerity. Whatever the earlier debate was, the aim of the route the Chancellor took has more or less come about, and he can now claim that the UK has the fastest growing economy in the G7—which is not saying much because the other G7 economies are not growing very fast.

I am more worried about the next five years over which the Chancellor has drawn his strategy. According to the projections, the economy is not supposed to grow above 2.5%. That is about half a percentage point below our historic growth rate, which means, given that growth in productivity and GDP are connected, that one cannot simply say that productivity will grow. If it is to grow in the way the Government think, where are the results in GDP growth? There is something missing between the growth projections and the hopes for growth in productivity.

Between 2000 and 2007, growth was roughly 3% and productivity grew by just under 2%. The situation will be difficult, and although the announced policies are no doubt very good, they relate to only a small part of the economy—the manufacturing industry. A large part of the economy is accounted for by the care sector and the service sector, which are not marketable services. I am not saying that they are a drag on the economy, but we have to factor that in when we consider why productivity is so low. That is worth doing and we have to devise a way in which the surplus-producing part of the economy can finance the welfare-producing part.

That said, the Chancellor, having succeeded in the first five years, is getting a little too ambitious. There is too great a hurry to move into surplus. He does not need to hurry that much. I hope that somewhere in the Treasury there are contingency plans in case things go wrong. I do not like the way household debt is increasing. According to the projections, if one strips out pension savings, household savings have practically collapsed. We are back to where we were when the seeds of the previous crisis were being sown. Household savings were down, household debt was up, everyone was mad about buying houses—and now, especially given the low interest rates, a new financial crisis might be bubbling up.

That is why I am not happy about the promise not to raise taxes. If you do not want to raise taxes, fine, but do not promise not to raise them. We should remember when President Bush said, "Read my lips". That is what can happen, and it is no good making promises you do not need to make. It worries me that the Government think that they can get away with not increasing income tax, VAT and so on. They will have to be inventive and find another way to raise money, perhaps by increasing vehicle excise duty or creating something really imaginative such as a tax on haircuts.

Britain has had a low-productivity economy for a long time, when compared with the other G7 countries. There are diagrams in the Budget document showing that every other G7 country except for Japan is ahead of us in productivity. This has been true for at least as long as I have been studying macroeconomics in this country—50 years. We have always had a low wage, low productivity economy. Our productivity is much lower than our wages in relative terms, which is why we have always had inflationary pressures. Low wages remain a problem, and the whole argument about tax credits was that they made low wages respectable. The Chancellor has said, "I am going to limit tax credits"—fine—"and then I will introduce the living wage". As many noble Lords have said, it is hard to understand the macroeconomic logic in ratcheting up the wage rate. It is a very noble aim, but I like the Chancellor being Gladstone, not Disraeli: I like him as a hard-hearted, not a soft-hearted man. He has made a major macroeconomic mistake in going for the living wage. He will have to carry a larger unemployment burden; I do not see any way in which he can escape it. I wish him luck.

7.50 pm

**The Earl of Listowel (CB):** My Lords, I thank the Minister for introducing this debate. I am grateful for many of the measures in the Budget, particularly the Government's very successful policies in terms of making opportunities for employment much more widely available.

I can remember many years observing Louise Casey as she sought to deal with the problem of rough sleeping. In her work, she emphasised above all things the need urgently to find purposeful activity for people who had been on the streets for some time. She also quite controversially pushed for the public not to provide money to those on the street because she felt that it was a pull factor for them. From my own experience of caring for a middle-aged man who is mentally ill and has been unable to work for quite some time, I can see the degenerative effect on him of feeling that he is not helpful to anybody else. Worklessness and dependency are corrosive to the soul, so I heartily commend the Government on their successful policy in terms of raising the level of employment, which has many benefits, including raising children out of poverty.

I also welcome what was said around the Budget Statement about relaxing property development restrictions; I declare my interest as a landowner who has recently had success in gaining planning permission for residential development. There are real concerns for local property owners, which should be respected of course, but I had the feeling from time to time that we were jumping through many hoops, and seemed to have done the right thing, and then suddenly we were told no. There was great uncertainty in that process. We need to respect the local community's concerns, but at the same time there is a need to have more homes. That needs to be addressed, too.

The topic that I seek to address is principally to do with family homelessness; that is, expectant mothers, mothers with very young children, mothers or parents who are escaping violence and the temporary accommodation that they are put into. I want also to talk about the withdrawal of housing benefit from those aged under 21 and the very poorest families.

I want to make a couple of requests to the Minister. The first relates to productivity. Will he consider looking at the role of secure families in terms of the long-term achievement of better productivity? In principle, if a child in his or her earliest days has a strong attachment to their mother and then a secure upbringing, they should be far more resilient when they reach 18 or 19, so the inevitable knocks and difficulties will not strike them back so easily. They might well be more able to learn and therefore pick up the skills necessary for the developing job market.

It is striking for me that Italy does well in productivity—

**A noble Lord:** Oh!

**The Earl of Listowel:** Well, compared to us, I suppose. Perhaps I should not pursue that. Germany and France may be better examples in comparison with the United States. One would think that the United States, with its many advantages in many ways, would outstrip those two by far but, in terms of family households with an absent parent, Germany has a level of 15% and France has 17%, while the US has 26% or 27%. There may be some interesting inquiries to be made there.

The second request that I make of the Minister is to look at the long-term cost of family homelessness that I have just described. A recent, important report on the cost of failing to meet the perinatal mental health

needs of mothers identified a long-term cost of £8 billion a year of failing to meet those needs. So it is possible to project such costs into the future. It would be helpful in future Budgets to think, for instance, about the treatment of homeless families and to ask what the long-term cost is of failing to address their needs. The Minister might work with the Department for Communities and Local Government and perhaps commission a charity such as the Centre for Social Justice to look at the issue of family homelessness and the long-term cost, and at what the policy options might be to mitigate any harm arising from homelessness.

There are many challenges to families who are homeless. I commend the Government on continuing the work of the troubled families initiative, so ably led by Louise Casey. However, even its model of forming relationships with such families through a family support worker must be challenged if there is such a high turnover of families moving, with it being hard to intervene effectively.

I want briefly to quote from what last week's *Economist* said about homelessness and the housing crisis:

"Without roofs over their heads, certain households can appeal to be put up by their local authority. Families with children, expectant mothers and those escaping domestic violence all have a legal right to emergency accommodation ... At the end of March, 64,610 households in England were living in council-provided temporary housing, a quarter more than in 2010".

The article goes on to talk about the move to private accommodation:

"Private tenancies are precarious ... The number of people made homeless following the termination of a rental contract in the private sector trebled between 2009 and 2014; termination of contract is now the main cause of homelessness ... Despite relying more on private landlords, councils are leaving thousands of families out in the cold. Fewer than half of all applications for temporary accommodation are accepted. Even those households that meet the sufficient conditions—having young children, being pregnant, and so on—are frequently let down. In the first three months of this year, councils failed to find homes for 6,900 households that had a legal right to emergency shelter. That is 80% more than in 2010".

The article goes on to say that this is a growing crisis.

I welcome much of what the Government have done in the past with the support of the Liberal Democrats and their proposals for the future, but I ask the Minister whether he might look particularly at these concerns around family homelessness and its long-term impact.

7.57 pm

**Lord Freeman (Con):** My Lords, I want to concentrate my brief remarks on the relevance of the Budget to transport. I start by paying tribute to the noble Baroness, Lady Kramer, for her work as Minister of Transport. It is rather strange to see her sitting on that side of the Chamber rather than this side. In particular, the coalition Government made good progress, thanks in large part to the noble Baroness, in terms of a national infrastructure plan. It will take a long time both to fulfil and to perfect it, but progress was made and I congratulate her in particular on her role as Transport Minister.

I preceded the noble Baroness by almost 20 years as Transport Minister and want to concentrate my remarks on road and rail transport. In particular, I had responsibility then for HS1, which I am glad to see there are now proposals to extend up as far as Rye—I

[LORD FREEMAN]

always thought that was a sensible move—and greatly to improve the economy of a rather deprived part of Kent. I was responsible also for the privatisation of large parts of British Rail, which ended up, obviously, with the privatising of the rolling stock as opposed to the infrastructure. I think that that has stood the test of time.

The Minister and my noble friend Lord Higgins referred to the relevance of a vibrant and growing economy in terms of being able to afford improvement in our infrastructure. I must say to my noble friend that I have sat at his feet for getting on for 20 years and have learned more about public finance from him than from many others. Long may he continue to participate in the Budget debate. It is always a pleasure to sit near him and listen to his words of wisdom. He emphasised once again the importance of connecting a growing and vibrant economy. In this instance I am referring to transport. In the last Parliament, the total investment in transport—not the running costs—was roughly £40 billion. The forecast in the Budget Statement for this Parliament was that over five years it would be £56 billion. That is a 40% increase and must be welcomed because it will improve the living standards and health of the national economy. I welcome what the Chancellor had to say about transportation.

First, on rail, HS2 is still in the planning stage. It seems to have been in the other place now for several years, but I understand that the Commons is getting somewhere towards approving a specific route for the first part of HS2. I hope that it will come to your Lordships' House in due course. It is an important project in terms of increasing capacity—it is about not speed but capacity—for those travelling from the north to London and vice versa. As I said, that Commons committee is still looking at the detailed objections to the route, but I hope that the other place will make progress and that your Lordships' House can look at this very shortly.

Many noble Lords may not be aware that the noble Lord, Lord Adonis, has just been appointed to the board of HS2. Perhaps that is why he is missing from the Benches today. I congratulate him on that appointment. He was one of the initiators of HS2. I hope that he will enjoy his position on the board. He may regret not being able to comment as freely as he otherwise would have been able to in your Lordships' House but I pay tribute to his initiative on HS2. The noble Lord and I are joint patrons of the Independent Transport Commission. His words of wisdom there and particularly on HS2 are welcome.

In the last Parliament there was an increase in expenditure on our trunk roads. The Chancellor mentioned in his Budget speech a figure of £15 billion for this Parliament. These are major trunk roads, many of which need desperately to be improved, particularly in the north of the country.

As far as Crossrail is concerned, which the Chancellor referred to, I congratulate Ministers in the last Parliament—perhaps the noble Baroness had part responsibility for this—for sticking to completion of construction of Crossrail 1. I calculated the cost to be about £2 billion per annum during its construction phase. I hope that

the Chancellor will look favourably on extending that to Crossrail 2—that is to say, north-south alignment. Incidentally, although there was frequent comment about HS2 costing £40 billion, £50 billion or £60 billion, the annual cost I calculated to be about £4 billion for construction. That is twice the cost of Crossrail.

Finally, the Budget referred to transport in the south-west. I was delighted to learn that the Chancellor calculated a budget of £7.2 billion for the south-west only in terms of major infrastructure. That is much to be welcomed. Better transport infrastructure must follow an improvement in the economy. I welcome that. I hope that in due course your Lordships will see the result of a successful Budget forecast.

8.04 pm

**Lord Haskel (Lab):** My Lords, I, too, welcome the focus of this Budget on productivity. On Friday morning, I got hold of this paper and I read it and, yes, the index indicated that the paper was going to deal with the many aspects of productivity that concern us on this side of the House—so, welcome to our concerns, Minister.

I started reading the paper and fairly soon I got the same feeling you get when you take a book out of the library and, after you have read the first chapter or two, you realise that the plot is familiar. Gordon Brown's five drivers for productivity were all there, but enterprise had been split up into resurgent cities, fair markets, infrastructure and productive finance. That was practically what Vince Cable did when he produced his industrial strategy, as the noble Baroness, Lady Kramer, has reminded us. Okay, the diagnosis has not changed, so what about the medicine?

My friends in business keep pointing out to me that what matters in the end is individual businesses becoming more competitive and raising their game. How does the business plan encourage this? At paragraph 2.13, Sir Charlie Mayfield is going to engage with other business leaders to develop proposals to encourage long-term financial thinking. Yes, investing in science and innovation is an important part of productivity, but where to invest? Sir Paul Nurse has been asked to lead an independent review. In a recent debate, the Minister himself and several other noble Lords were concerned about the way we measure productivity. True enough, on Budget day it was announced that Sir Charlie Bean will review the work of the Office for National Statistics. I think that noble Lords will get the message. There have been endless reviews, but what we need is action. We need action because next April, the low-wage subsidy is going down and the minimum wage is going up, but the IFS has told us that one does not balance the other out, in spite of the additional allowances.

The only way to deal with this is, as I say, for business to raise its game and take practical steps. I do not think that this is unreasonable because the answers already exist, as my noble friend Lord Bhattacharyya reminded us. I have been told by friends that Six Sigma, continuous improvement and lean processing are all tried and tested methods in common use. There is a modern manufacturing centre and catapult in Sheffield to help out. ISO 2001 and matching markets are all known to be effective ways of raising productivity

in services, as is connecting everything digitally on standard platforms. I am sure that the Minister knows that. I can tell my noble friend Lord Desai, who is not in his place, that in the hospitality and services sectors, which are very large, productivity goes up when staff are offered a career with a clear pathway and investment is made in skills. That is largely because you get retention. Generally, there are all kinds of digital schemes to raise productivity which are supported by the noble Baroness, Lady Lane-Fox, in her capacity as a promoter.

Success does not hinge on a list of proposals, however worthy they may be. It requires the Government to reshape their political position so that all the signs point to raising productivity, but in this Budget the message is mixed. My noble friend Lord McFall mentioned some of the mixed messages. Rebalancing tax on dividends helps, but perhaps long-term investment would be better served by a higher level of tax relief on capital instead of a small, lower level reduction in corporation tax. Also, is a more generous inheritance allowance an incentive to invest?

There are other pressures. If productivity fails to increase sufficiently but wage growth continues to accelerate, the Bank of England would be forced to raise interest rates more quickly. That will help neither investment nor exports. Our balance of payments deficit has to be tackled. So my point is this: if it is the intention of the Government to help pay for the increased minimum wage and the withdrawal of in-work benefits by raising productivity, practical steps have to be taken, and they have to be taken now. In 12 months' time, in-work benefits will decrease and the minimum wage will go up. If productivity does not fill the gap, the numbers that the Minister gave us just will not work. We will see yet more poverty and inequality, and especially more child poverty, as other noble Lords have mentioned.

The Chancellor has said that Britain deserves a pay rise. Yes, but we have to earn it, and do so through productivity. We know how to do that and many firms are already doing it, but others must raise their game and meet the challenge—and they must do it now. What are the Government going to do to encourage this?

8.11 pm

**Lord Scriven (LD):** My Lords, the Minister said at the beginning of the debate that this was a fair and balanced Budget, but I hope to show over the next few minutes why it is not. This is the first Budget without the coalition of the Liberal Democrats in government, so the Tories have been able to deliver their own Budget. It has come at a time when finances are improving and stability is beginning to return. At that point, one has to make a choice: do you have a fair and balanced Budget or do you penalise the poorest and the most vulnerable in our country who have made some of the hardest sacrifices over the past few years?

I can only draw on my own experience. I am from the north. I was born in the north, and it is where I was educated and have spent most of my life. Those who heard my maiden speech know that I come from a very humble background. I am the son of a refuse collector and a hospital cleaner. Many of my friends in Huddersfield

where I went to school are the very people the Government say they are trying to help. They are people on low wages who get up every morning to do the best for their families and they make sure that they have the dignity of work. This Budget will hit them the hardest. I am probably relatively young for this place, and I must suppose that young people are going to be severely hit by the Budget.

Let us start with the north. First, this is not a Budget for the whole of the north. For example, if I lived in Cumbria, I would wonder where exactly my part of this Budget was. The Government have been microscopic in how they look at the north. I find it quite amusing that the Minister talks about transport for the north and the Oyster card. What is the point of having the Oyster card when you are being put on train pacers which are the equivalent of sheds on wheels because investment has been withdrawn? Where is that investment for the Midland Mainline? Where is that investment for the TransPennine routes? The best way to deal with productivity is to link those powerhouses of the north together, yet it is on pause. Will the Minister tell us when the pause ends? Or will Crossrail 2 take precedence over the powerhouse of the north?

I want to come on to welfare and social justice, and the new living wage. Actually, it is not a new living wage; as the OBR would say, it is a minimum wage premium. The living wage, through the Living Wage Foundation is £7.85 per hour outside London and £9.15 in London. Yesterday, IKEA said that by 2016 it would pay that real living wage.

This is a smokescreen; it is not a living wage. The reason why it has been brought out—incidentally, nobody under 25 will get it—is to hide the serious reduction the lowest paid will face through the benefit changes and, particularly, the tax credit changes that the Government are making. The Institute for Fiscal Studies stated clearly that the,

“more important tax credits are to someone’s income ... the less likely they are to be compensated by the higher minimum wage”.

Why is that? The Social Mobility and Child Poverty Commission says that the cuts to tax credits will hit 45% of working families. It says that the vast majority of them—72% of those with the greatest losses—will earn less than £20,000 a year. It is estimated that 3 million people will lose £1,350 a year due to the changes. Those on earnings between £10,000 and £20,000—some 754,000 families—will lose more than £2,000 per annum. Those earning between £20,000 and £30,000 will lose about £2,800 per annum—about 51,600 families.

We have seen what is happening in this Budget. The poorest have to have the broadest shoulders. The key fact is that the increase in the minimum wage cannot provide full compensation for the majority of losses that will be experienced. As the IFS said, it is “arithmetically impossible” for that change to be made. Why have the Government chosen to give tax breaks to dead millionaires when that will affect only 6% of all estates that will have to pay that amount of inheritance tax? It is not fair and it is not balanced.

The first step for many young people in terms of their education after leaving school is further education—the first step towards skills and productivity. This Budget takes £400 million away from further education. It is

[LORD SCRIVEN]

all right talking about apprenticeships but for some of the colleges or the areas where young people will go to get technical skills, £400 million has been taken away. As I said, the living wage does not even apply to the under-25s, and I do not understand the changes in housing benefit.

There are scores of young people under 21 in this country who run away from home for the sake of getting housing benefit. Let me give one statistic of young people who are lesbian and gay who leave home because they have come out—69% say that it is because they have had problems about their sexuality at home. Does anyone think that when they leave home in those circumstances they will say to an official that they are gay or lesbian so that they will be seen as an at-risk category? Of course they will not. They will be made homeless.

Is this a Budget for aspiration? No. It is Budget for financial desperation for many. Is it a Budget for the northern powerhouse? No. It is a Budget for the northern poor house, I would suggest. Finally, is it a Budget that lets young people dream and hope? No, it is more of a Budget for young people to fear, with some of the opportunities that they want taken away from them.

8.19 pm

**Lord Blencathra (Con):** My Lords, it is a pleasure to follow the noble Lord, Lord Scriven. I can tell him that I have lived in Cumbria for 30 years, and I welcome the Budget. I suspect that most of my former constituents would have welcomed it as well.

I also congratulate the noble Baroness, Lady Kramer, not only on her work as a coalition Minister but because today is her birthday. Even if I could remember her age as printed in the *Times*, I would not dare say it—I do not want to suffer like Sir Tim Hunt and be driven out of the club for some inappropriate sexist remark—but I congratulate the noble Baroness.

I want to concentrate on the minimum wage. Fifteen years ago, I opposed the minimum wage and thought it would damage job creation and was an unnecessary interference with business. I was wrong and so were my Conservative colleagues, and we acknowledge that. The minimum wage was the best thing Tony Blair ever did, and since its introduction I thought the minimum wage was working quite well and I did not pay much attention to it.

However, two years ago I was appalled to discover that some of our largest and most profitable companies were paying the minimum wage to their employees, and that the taxpayer was having to top up those wages with housing benefit and tax credits. Okay, I know that most of your Lordships knew that long before I caught up with what was happening in the workplace. I found it obscene—and I find it obscene—that low-paid workers who are paying their taxes are subsidising many highly profitable companies who are earning their profits on cheap wages.

I became an immediate convert to the living wage and I am delighted that the Chancellor has set out a programme to implement it by 2020. I know that some critics will rightly say that it is still not enough to live

on—that it is not a real living wage—but at least we are heading in the right direction, and in politics if you have the direction right and the concept right, that is not a bad start.

All my political life, the CBI has been a whinging organisation, never satisfied with any Government. As a teenager, I remember CBI spokespeople slamming the Callaghan Government in 1976, 1977 and 1979, and then a few months later, after Margaret Thatcher was elected, they were slamming her equally hard, too. What did they have to say on the living wage plans in the Budget? They said:

“To increase the minimum wage on average by 6 per cent a year in this parliament is quite a gamble for businesses, which will struggle to leverage the productivity to pay for it”.

But what did Simon Walker, the director-general of the Institute of Directors say? He said:

“There will be a bit of gulping but I think it’s right and I think our members can actually manage it”.

Quite so, and once again we see in the CBI the unacceptable face of capitalism—willing to take another cut in corporation tax but not wanting to reward the lowest-paid workers who have made the profits.

Indeed, I urge the Chancellor to go further and faster with the living wage. I know my noble friend the Minister cannot dare to comment on this in his wind-up or he will be drummed out of the club, but I suggest that all companies with profits over £500 million or with executives earning more than £5 million or handing out dividends of more than 4% per annum should be made to reach the £9 per hour by 2018. Examples of companies paying more than 4% in dividends are: GlaxoSmithKline, Shell, Wm Morrisons, Sainsbury’s, BP, Anglo American, Centrica and a dozen other large companies. It is interesting, looking at the website for London, that the companies paying the living wage in London are mainly small and medium-sized enterprises. Last year, Sainsbury’s, Morrisons and Tesco had combined profits of £3.8 billion—okay, they were down from the £3.9 billion that they made in 2013 and the £4.1 billion in 2012—yet pay only the minimum wage.

The salaries of CEOs and executives in the FTSE 100 rose by 15% in 2014 and the gap between the highest-paid executives and their lowest-paid employees has never been wider. In 1998, chief executive salaries were 57 times larger than the average worker’s; now, they are 178 times larger. And there is no correlation whatsoever between huge salary increases for executives and company worth, company growth or company profits. So I say to Mr Cridland of the CBI, who has just retired: if you think your companies will struggle to pay their lowest-paid workers a 6% per annum increase, they seem to have had no difficulty paying their directors 15%. Not to be left out, of course, last year BBC staff got a 2% pay rise, but their so-called stars got 22%. So even that lovely left-wing organisation treats its workers no better than the capitalists do.

Before my noble friends think I am making a bid to be Mr Jeremy Corbyn’s policy guru, I must state that I do not believe in capping top pay, but I do believe in everyone in a company sharing in its success. That is proper capitalism, and we see it practised by John Lewis and Waitrose, which already pay above the minimum wage. As has already been said, yesterday

IKEA announced that it would pay more than the minimum wage. The founding boss of Iceland Foods said last weekend as he slammed big retailers who pay only the minimum:

“Of course this is going to be painful but we’ll do it with a smile on our face. I’m all in favour of this living wage and if everyone has to pay it then it’s better all round”.

He went on to describe the claims of some supermarkets that staff discounts made up for low pay as “brainless”, and said that they had a moral duty to pay higher wages.

I turn briefly to apprenticeships. I agreed with every single word that the noble Lord, Lord Bhattacharyya, said on the apprenticeship levy. I say to my noble friend the Minister that if we can appoint the noble Lord, Lord Adonis—whom I think the Secretary of State for Transport appointed to a committee on HS2—I hope we can consult the noble Lord, Lord Bhattacharyya, or find a role for him in advising on how the levy could work. I applaud the levy for apprenticeships provided that it does not lead to the recreation of all those bureaucratic industry training boards we had in the 1970s. The CBI again criticised it, saying:

“A volunteer army is always better than conscription”.

That is not true, as we discovered in the Second World War. It would be foolish for the Chancellor to intervene if all the businesses were coming forward and training the workers we need but they are not, and it is not fair that some companies do no training and poach workers from others. So since the volunteer army of willing employers has not materialised, it is time to try conscription—but keep it simple.

When we introduce the Bill on Sunday trading, leaving aside other arguments about Sunday trading, if the big shops are to get a chance to open for longer on Sundays, I hope the Chancellor will say, “If you open for longer on Sunday and make extra profits, then you pay the full minimum wage for your Sunday workers”.

In conclusion, capitalism is the only system that works. Socialism has been tried in many countries over the past 90 years or so and has always brought poverty, famine and devastation. Free trade, private enterprise and responsible capitalism improve the living standards of everyone and make the world a safer place, but periodically it needs a harsh reminder of what responsibility is. If I may use a less vulgar anatomical word, I rather liked the comment of the unnamed Cabinet Minister who said that the Budget,

“was designed to give British industry a kick up their lazy”,

backsides. I look forward to the day—I think the right reverend Prelate the Bishop of Birmingham hinted at this—when a person working a 40-hour week gets a wage from an employer that the person can actually live on without taxpayer support. I know we are still a very long way away from reaching that goal, but this Budget has started the journey and I commend it.

8.27 pm

**The Lord Bishop of Peterborough:** My Lords, I begin with two heartfelt thank yous to the Government: first, for replacing the minimum wage with the new living wage. I and others on these Benches argued for a

living wage in the last Parliament. Now we have it and I am grateful. Secondly, I thank the Government for spreading the pain of further austerity over three years rather than two, and so reducing the depth of the cuts in each year. On behalf of these Benches, I say thank you.

The Church of England’s General Synod decided some years ago to pay its lowest-paid employees at the level of the living wage. That has not been entirely straightforward. As the media have picked up, a few cathedrals in particular have taken longer to achieve this than many of us would have liked, but it is now happening. One of the complications has been ensuring that our contractors and subcontractors pay their staff at the right level. That has to be written into contracts, which takes time. Then monitoring and enforcing that decision can be difficult.

I am very conscious of employers across the country for whom this will not be easy. In Peterborough, for example, there are many people on, or just above, the current minimum wage, often working sessionally or seasonally in warehousing, distribution, crop picking or catering. Those people should be paid a living wage but they are not always well represented or organised, so I hope this good change will be monitored and enforced. I hope, too, that those of us who can afford it will be willing to pay a bit more for our vegetables, coffee or online purchases.

Although I fully support the Government’s clear aspiration to have a higher-wage economy, in which benefits should be much less necessary for people in work, the process of getting there and the situation of the weakest members of the working population during the transition are important. I accept that tax credits and other benefits cannot be afforded at the level at which they have been paid. But sudden significant reductions will always hit the poor hardest. In particular this time, couples with children where only one partner has a full-time job and single parents are likely to be hard hit. I urge the Government to look at ways of phasing-in these cuts, or finding other ways of supporting those people.

Yes, please help the poor out of poverty. Yes, please let us have a higher-wage economy—though local councils and other public bodies might need a bit more help to enable them to pay the new living wage. But please, as we make the transition, let us also support those employers and employees at the sharp end.

8.30 pm

**Baroness Secombe (Con):** My Lords, I very warmly welcome this Conservative Budget. It is a balanced piece of legislation and I praise the Government for the practical position they have taken. The Chancellor said he wants to move this country from a low-wage, high-tax, high-welfare economy, to a higher-wage, lower-tax and lower-welfare one. This is a truly Conservative position, with which I wholeheartedly agree and which the British people voted for only a few weeks ago at the general election.

The best way for people to help themselves and their children out of poverty is through finding work. This Budget is clear that those who can work will be expected to look for it and to take it when offered.

[BARONESS SECCOMBE]

Through the measures laid out by the Chancellor, we will be moving the expectation held by people currently looked after by the state back to themselves. Surely this has to be the right way forward for a country which wants to have a healthy, growing economy and to provide a better future for our children and grandchildren. It is not fair to leave them with an ever-growing welfare bill. But, more importantly, it is not fair to leave vast swathes of the population on welfare, unable to escape the poverty trap, by providing benefits and a welfare system which does not encourage hard work or aspiration.

I am particularly pleased to see the replacement of the jobseeker's allowance for 18 to 21 year-olds with a new youth obligation. This will mean that young people are either in work or in education and are not automatically entitled to housing benefit. This will mean that worklessness is not allowed to set in at a young age and will set the younger generation off on a journey towards a fulfilling career and gainful employment.

Likewise, I welcome the promises to reform employment and support allowance, to help increase employment among those with health challenges who are able and want to work. Where people need support back into work, it will be provided. The Work and Pensions Secretary has long been committed to this laudable aim. The welfare state should be there to support people when they need it, rather than a permanent source of income for those who choose not to work. This is true of all working families and parents. I was therefore delighted to see that lone parents, who at the moment can struggle with childcare costs, will be given the same entitlement to 30 hours' free childcare, as introduced in the Budget for working parents of three and four year-olds. I hope this will encourage back into work people who can so often be put off by childcare costs.

Jobs are being created. The greatest legacy of the previous Government is the rise in employment and job creation. As we well know, 2 million jobs have been created since 2010, and we want to create another 2 million and beat the OBR forecast that 1 million more will be created in the next five years. Let us make sure that the majority of those jobs are filled by people who are currently on out-of-work benefits. Living standards are also forecast to continue growing, as they did under the coalition Government. This was mainly due to the increase in employment that we have seen.

There is no choice. Noble Lords opposite can continue to argue over cuts and the Budget but this should not be a political move but more of an economic policy. We cannot afford for the welfare budget to go back to increasing at the rate it did under the previous Labour Government. Gordon Brown said that tax credits would cost the country £600 million annually, yet today they cost a staggering £30 billion each year. This is unaffordable and we need to change it now.

The British people accept that the country needs to live within its means, with proper and generous provision for the elderly, the vulnerable and the disabled. We should not leave burgeoning debts for future generations to sort out. My views have been endorsed this past weekend while canvassing for a county council by-election.

It is evident on the doorstep that people are looking for change, as the interim leader of the Labour Party, Harriet Harman, discovered.

We have been given a mandate by the British people to sort the economy out, cut the welfare bill, lower taxes and increase the living wage. Now I believe it is up to this House to ensure that we listen to what people have asked for and give a wholehearted welcome to this Budget.

8.36 pm

**Lord Soley (Lab):** My Lords, this is an interesting Budget, although as the noble Baroness, Lady Secombe, almost implied, there is an interesting confusion between the politics of it and the economics of it. When the present Chancellor of the Exchequer starts writing articles in the *Guardian*, of all papers, and telling everybody on the Labour side to vote for it, you recognise there is a political message in this and really what he is saying is, "Look, we're the new Blairites. You stay in the old-fashioned position because we are moving on".

Actually, there is a more sophisticated argument than that and I think it is a pity if we focus excessively on the benefit cuts. There are some very painful cuts, which need to be faced up to and dealt with, and I think they are going to be more of a problem to the Government than they realise. But the underlying problem here is that I am not quite clear what the Government's economic strategy is. As the Minister acknowledged in his opening remarks, the issue is that we need growth; we need improved productivity; we need greater investment, particularly in small companies; and I would argue massively for the advanced science and technology budget and the training that is linked to that. I will come back to that in a moment. I find the strategy a bit worrying.

Also, if you take the wider view, you cannot look at the British economy in isolation from what is happening in the rest of the world. The Government acknowledge that things could get blown off course by whatever happens with the euro or, indeed, the Chinese economy. All I would say is that if we carry on with this sort of arm's-length approach to Europe, we will lose friends there, and they could be very important. It was significant in the Greek crisis that increasingly, the continental European papers were saying, particularly in France, "Where is Cameron?". The argument was not that we should put money into saving the euro, but there was a very real opportunity for Britain to offer its good services, knowledge and experience in both finance and diplomacy to try to help Greece and the other euro countries reach an agreement which perhaps would have been better than the existing one.

I say this only as a passing comment—and the Minister, with his northern background, will know this—but the air passenger duty is still dangerously high on long-haul flights. If Newcastle airport loses its flights to the Emirates, Amsterdam and Frankfurt, which could well happen, that will be a severe blow to the region because Newcastle relies increasingly on those airports as an economic driver. As I have said in other debates, airports are indeed economic drivers; they do for the world economy what railways did for the British economy in the 19th century. We ignore that at our peril.

On the minimum wage—now the living wage—my immediate reaction, like that of many people, was that this is a step in the right direction. I listened to the noble Lord, Lord Blencathra, with interest. He acknowledged the change that he and the Tory Party had to make on this issue. That is welcome and right but there is a problem because, for a start, the Government are excluding the under-25s. Secondly, it comes in over a period of time, so whether it is a living wage or just a continuation of a minimum wage depends much on how it is uprated. As someone who was involved in these discussions when Labour was in government, I acknowledge that there is a relationship between the minimum or living wage that you set and unemployment, and that you have to get that balance right. I think we all acknowledge that. The danger is that we will push the younger generation—the under-25s who will not be eligible—into that lower-paid category when they are precisely those whom we ought to be getting into higher wages as they get more skills and experience.

I hear all that the Minister has said and I note what is being done on training in the Budget, including on science and technology education, to all of which I say: “Yep, that’s good”. But as I have said before in this House, we are missing a trick with the advanced training we could offer in digital technology. Just because a person has been on benefits for a long time or is from a damaged background does not mean that they cannot manage modern IT systems. In fact, they are sometimes remarkably good at it. Everybody who comes before a government department of some type and is unemployed, or is perhaps in a dead-end job, really ought to be offered the skills to enable them to be fully IT-literate. By that, I mean having full digital ability to design and set up their own websites.

It is remarkable how many young people set up their own websites when they leave school and start designing and selling things. A couple of years ago, I spoke to a young girl who started by buying shoes and putting her designs on them, and then putting them on her website and selling them. People do a range of such things and, as I indicated, many people from what are often regarded as failed backgrounds can do quite well. I am a great fan of what the noble Baroness, Lady Lane-Fox, is doing and we really need to give her her head and say, “Get on it, right across the system”. The aim of the strategy ought to be to make Britain, in Brian Cox’s words, the best place in the world to do science. There is another message about Europe there: we get more grant money from the European Union for research in our universities than any other European country, so we need to keep winning friends there, not losing them.

I say again that in talking about the lack of strategy, I worry about the linkage. The Government have done a lot of things to take benefits away from young people but they do not do that with older people, because pensioners tend to vote Tory. I am a pensioner and I am entitled to a free TV licence but I do not actually want one. Indeed, when it all blew up that the Government were using the economic system to make the BBC pay for those, it suddenly dawned on me that I was not claiming one. I do not intend to because I

want the BBC to succeed. The BBC is a real economic driver and we ought to be supporting it, not undermining it.

My final point is that there is, as yet, no housing strategy. I note what the Government say about housing, but whether it is the private sector, the social sector or the purchase sector, we do not have a housing strategy. Until we do, a lot of people will be vulnerable and lose out on employment prospects.

8.45 pm

**Lord Palumbo of Southwark (LD):** My Lords, in September 2007, George Osborne announced that a future Conservative Government would match Labour’s spending proposals. He promised real increases in spending on public services year after year. There was not the slightest mention of spending restraint. Just six months later, this position was completely reversed. Labour, he said, had failed to fix,

“the roof when the sun was shining”,—[*Official Report*, Commons, 13/3/08; col. 431.]

and was to blame for everything which had gone wrong. In June 2010, the newly elected Chancellor opened his first Budget speech by saying:

“This emergency Budget deals decisively with our country’s record debts”.—[*Official Report*, Commons, 22/6/10; col. 166.]

He promised to pay for the past and plan for the future, to eliminate the deficit within five years and that debt would peak at 70% of GDP in 2014. In the event, the deficit target was overshot by £165 billion and borrowing will rise to 80% of GDP in this financial year. As recently as March, the Chancellor promised he would run a surplus by 2019. Only four months later he announced that this had been pushed back—yet again, and for the fifth time—to 2020 and that the Government will borrow £18 billion more over the next five years than he had announced just four months ago.

I acknowledge that economic forecasting is as much art as science and that, five years on, the Chancellor is more experienced in a role for which he had no training. But there seems to be a gulf between rhetoric and reality. As a result, the opening words of the Chancellor’s July Statement—

“This is a Budget that puts security first”—[*Official Report*, Commons, 8/7/15; col. 321.]

do not fill me with hope. It is also difficult to reconcile this aim with the plethora of bribes offered by his party at the last election. Over the five-week campaign, it promised to increase health spending, give seven-day access to GPs, introduce postgraduate loans, raise the income tax threshold, offer starter homes at a discount, extend the Help To Buy scheme, create Help to Buy ISAs, offer social housing for sale, extend free childcare, raise the inheritance tax threshold, increase the 40p tax threshold and, absurdly, legislate against a rise in VAT, NI and income tax—I could go on. It seems that giveaways and democracy remain two sides of the same coin; and the means of paying for it all is, of course, debt. We should not forget that this is the Chancellor who doubled national debt from £700 billion to £1.4 trillion over the last Parliament. If he achieves a surplus in 2020, it will have taken a decade to register a single year in which this country is living within its means.

[LORD PALUMBO OF SOUTHWARK]

I accept that whether to extend out the deficit is a matter of judgment. But how would we perform in the event of another recession, financial shock or other negative global event while saddled with these current levels of debt? So many risks remain: the rise in interest rates which has recently been signalled; the continuing fragility of the eurozone, not only in Greece but in countries such as Italy, France and Spain; the future of the euro itself; and a possible shock from China, Islamic terrorism, the problems in the Middle East and a resurgent Russia. With a majority Government, there was an opportunity in this Budget to take bold action to tackle Britain's long-term problems and genuinely to put economic security first. But, as usual, politics got in the way, so there was a tweak here and a tinker there. The Chancellor did not reveal £12 billion of welfare cuts as expected, but just £7 billion, and large amounts of spending have been left untouched because of political expediency. As a result, total projected borrowing has increased by almost three times as much as welfare cuts.

In political terms, the Budget may have been a triumph in that the Chancellor has skilfully positioned his party in the centre ground and himself as its next leader. Politically, he gets a pat on the back but, economically, he gets a slap on the wrist, because the consequences may have far wider and more damaging implications for the British people.

8.49 pm

**Lord Sheikh (Con):** My Lords, I am pleased to have the chance to speak in this debate and to comment on the Chancellor's Budget Statement. We are already seeing the benefits of a strong majority Government, just a couple of months into the new Parliament. Our growth is better than that of any other major advanced economy. We have created 2 million new jobs in the private sector. I look forward to seeing the Government implementing the Conservative Party manifesto in its entirety. Under the last Government, our economy began to get back on track. It is still on the mend, but it will be a long process, and that is reflected by the Government's intention to run a surplus by 2019-20. Our economy needs to be more resilient and balanced. That is the only way to secure a better future for Britain and for our well-being.

This was indeed a positive Budget. As we move further out of the red and into the black, the Government are able to map out our future rather than just undo the mistakes of the past. I welcome the steps taken by the Chancellor of the Exchequer to trust people more with their own money. Increasing the tax-free personal allowance from £10,600 to £11,000 means that a typical taxpayer will now be £905 a year better off than previously. I place on record my support for the Government's ambition to increase the personal allowance to £12,500 by 2020. When people work hard throughout their lives, it is only reasonable that this is rewarded and that they are able to provide a stable and secure future for themselves and their families. On this subject, I welcome steps to take the family home out of inheritance tax and to increase the higher-rate threshold from £42,385 to £43,000 next year. Also assisting in this regard will be the 30 hours of free childcare for three and four year-olds from September 2017.

It is my belief that this Government's work on welfare and employment is one of their greatest achievements. It is important, however, that we remember that employment is not merely a matter of statistics. Every position filled means that another family has the security of a regular pay packet. We must not forget that this pay packet is put back into the economy in both taxation and consumer spending, supporting yet more jobs and growth. Nor should we forget the great benefit to the individual's well-being. I am sure noble Lords will agree that work gives people pride and confidence. As an employer, I know that people tend to work for two reasons: the first is to earn a living and the second is to get job satisfaction. On the other hand, being out of work sometimes creates depression and has an adverse effect on people. Work is good for people's mental health, their physical health and their general well-being—benefits that have been demonstrated repeatedly. Dependency is not good for the country or the people. It constrains people and prevents them achieving their ambition. What is more, if we can get more people into work, some of them will receive salary progressions and improve their standard of living.

At this point, I pay tribute to the Secretary of State for Work and Pensions, who has done some marvellous work in government. His most recent success was undoubtedly securing the living wage. The manner in which he greeted its announcement in the other place shows his passion for his portfolio and for improving the lives of working people in our country. The new national living wage of £7.20 an hour from April 2016, rising to £9 an hour by 2020, will really help to secure this.

My only concern is the possible effect that this could have on businesses. I would ask my noble friend the Minister to inform the House in his closing remarks of the assessment the Government have made of this. The cut in corporation tax and the rise in the employment allowance will, I hope, give employers the boost needed to get on and employ more people.

I spoke earlier of the need to rebalance our economy. This rebalancing should be twofold—first, rebalancing between the north and the south and, secondly, rebalancing so that our economy does not rely too heavily on certain areas, such as financial services, at the expense of others, such as manufacturing, which has declined massively in recent years. While some progress has been made, the growth is not enough. I therefore very much welcome Government's plan to increase apprenticeships. We have already doubled the number of apprenticeships to 2 million, but the intention is to create 3 million more.

I pay tribute to the Government for providing a guarantee to increase the defence budget every year and for creating a joint security fund. I take a great interest in defence matters and welcome these commitments.

Finally, I conclude that this Budget will be good for the country and the British people.

8.56 pm

**Viscount Hanworth (Lab):** My Lords, when one considers the Budget speech of George Osborne and the policies that it proposes, one is bound to wonder

how much of what we heard was the product of an intentional bamboozlement and how much was the product of the Government's self-deception.

The previous Budget speeches of George Osborne have been wilfully deceptive. As the leader of the Opposition has observed, they have been full of political traps, games and tactics, and we could have expected as much from the most recent Budget speech. But now there are indications of an undercurrent of a wholly misguided optimism regarding the prospects for the UK economy. We have been told that the British economy is growing faster than any other major advanced economy, that living standards are rising strongly and that the Government's long-term plan is working. However, we know that growth is slowing, that unemployment has increased and that the rising value of the pound is threatening the viability of our export industries.

It is easy to identify the rhetorical passages of the Budget speech that are designed to mislead, because they represent the exact opposite of what most people recognise as the truth. How many people are liable to be deceived by the assertion that this was a Budget for working people from a one-nation Government, who have the intention of benefitting the whole nation? The Budget has been at the expense of the least favoured of our society—the unemployed, the young and the low earners. The current size of the welfare budget is a clear symptom of the Government's failure to address the problems of unemployment and low pay. The Chancellor understood that he could not blatantly slash the welfare budget without resorting to a diversionary tactic. This tactic has been to promise to raise the minimum wage in a series of gradual increments. However, these increases will not compensate the low paid for the sums that they will lose from a much less generous tax regime. Nevertheless, the Chancellor has had the effrontery to tell us that those with the broadest shoulders are bearing the greatest burden, and that we are all in this together. This is utter bamboozlement.

We ought also to assess the Budget against the backdrop of the current fiscal and macroeconomic circumstances. A significant element in the fiscal equation is the sale of government assets, which this year will deliver privatisation proceeds higher than the previous record in 1987. The Chancellor's fiscal strategy relies heavily on such fortuitous circumstances as the availability for sale of the Government's large investment in the banks that were in danger of failing during the financial crisis. This is far from the judicious balance of taxation and spending to which the Chancellor has alluded.

The Government's obsession with reducing the levels of taxation and state expenditure is accompanied by a serious dereliction in their duty to maintain the national capital infrastructure. We have seen endless deferments and cancellations of vital investment projects, to the extent that we can no longer claim to be a modern industrial economy capable of competing in the world's markets. The catalogue of aborted projects is far too large to allow me to itemise it. The latest addition to the list has been the cancellation of the electrification of the Manchester, Leeds and TransPennine railway.

The other macroeconomic account that should command our attention is our external balance of payments, which is in a perilous state. Our current account deficit is now running at over £100 billion a year, which is over 6% of our GDP. The deficit on the current account is due largely to the implosion of our manufacturing industries. Manufacturing as a proportion of GDP is now barely above 10%, and we produce too little to sell to the rest of the world to pay for our imports.

We have been balancing our payments by selling our financial and capital assets to investors from overseas. This has stimulated the demand for the pound, which is responsible for the highly favourable rate of exchange that has made it virtually impossible to sell our products abroad. This circumstance cannot prevail indefinitely, and when it ends we shall be in deep crisis.

There is a delusion in the minds of many members of the Government that is well represented by the document entitled *Fixing the Foundations* that accompanied the Budget. We find it asserted in red lettering that Britain is:

"A trading nation, open to international investment".

Being open to international investment implies that we are willing to continue to sell our national assets, including our ports, airports, public utilities and so on to foreign owners. While we continue to do so, there will be no possibility of increasing our exports of goods. While we continue to do so, which can be only for a limited period, the City of London, the bankers, the financiers and those who support them will continue to profit at the expense of the rest of us.

I assert that it is well within the powers of the Government and the central bank to lower the rates of exchange of sterling. They should be purchasing foreign currencies when they become too cheap vis-à-vis the pound. The Japanese, Chinese and Koreans are masters of this strategy, which we should also adopt and pursue vigorously.

9.02 pm

**Lord Northbrook (Con):** My Lords, there are many positives in the Budget Statement. On the economic front, there was confirmation that the UK economy grew by 3% last year and is forecast by the OBR to grow by 2.4% this, which is faster than America and Germany and twice as fast as France. The decision to become a founder member of the new Asian Infrastructure Investment Bank shows that the UK wishes to connect to the fastest-growing parts of the world.

On the jobs front, 2 million more people have obtained employment since 2010, and the OBR forecasts that almost 1 million more will be created over the next five years. The budget deficit is coming down and, while this is at a slower pace than had been hoped for, the IMF has importantly still given its approval to that delayed reduction. It is good news that the actual annual deficit figure has fallen from £153 billion in 2010 to a forecast £69 billion this year. More needs to be done but the trend is definitely in the right direction.

I turn to welfare savings. I applaud the plan to cut welfare benefits by £12 billion through the benefits cap, the limitation of tax credits, universal credit and housing benefit. I ask the noble Lord, Lord Davies of Oldham, if he supports these welfare cuts or the 48 rebels in the other place.

[LORD NORTHBROOK]

On the tax front, I welcome the decision to raise the personal allowance to £11,000 next year and to raise the higher rate threshold, though I had hoped that the 45% rate would have been cut to 40%. I also applaud the further corporation tax cuts from 2017-18, the increasing of the employment allowance and the setting of the permanent investment allowance at £200,000. The introduction of the inheritance tax allowance of £1 million is most welcome.

Due to the continuing high deficit, though, this had to be a tax-raising Budget, and the Red Book shows that £29 billion is planned to be raised over the next six years. The tax increases come first from restrictions to pension tax relief, which I understand is an easy target although it discourages people to save for old age and may make them more dependent on the state.

Then there is an 8% corporation tax surcharge on banks. This is easy politics, but surely the time is coming when the banks are being penalised enough. As the noble Lord, Lord McFall, said, the extension to the challenger banks seems unnecessary, as they can hardly be blamed for causing the banking crisis.

The speeding-up of the corporation tax payment dates for larger companies makes sense, but I ask the Minister why the extra take falls off dramatically from 2019-20. The reforms to dividend taxation, which I shall discuss later, level up more the differential between incorporated and unincorporated business. The abolition of non-dom status will not necessarily bring in a lot more extra revenue, as it may be negated by lower VAT and PAYE tax receipts. Insurance premium tax is also an easy target to increase.

I want to focus on two other areas covered by the Budget, turning first to the excellent document on the plan for productivity. The Minister's hard work in producing this is acknowledged by the Chancellor in his Budget speech. This 82-page report contains an excellent analysis of what the Government wish to do to increase productivity. It shows how UK productivity has fallen behind that of leading advanced economies and it has a 15-point plan that,

"takes on the hard choices for lasting change".

These are all very well set out. However, I should like to focus on some of the points where I feel that enhancements can be made and where I have some questions for the Minister.

Point 1 stresses a more competitive tax system, bringing business and investment to Britain. It rightly focuses on the proposed cuts in corporation tax and the raising of the personal tax thresholds. However, surely this would be even better had the Chancellor used the Budget to cut the top rate of income tax to 40% and cut the rate of capital gains tax. The tax rise on dividends taken out of a business contradicts this point and is making it harder for the founders of smaller companies to make a living. I ask the Minister for his views on the rationale for this dividend tax change.

Point 2 stresses the importance of rewards for savings and long-term investment. Great praise is due to the Chancellor for making permanent the £200,000 investment allowance. I also praise the significant increase in the ISA allowance and the new personal savings allowance.

However, I do not see how the restriction of the pensions limit announced in the Budget squares up with this. Is this a case of short-term requirements overriding a long-term objective?

Point 3 focuses on a highly skilled workforce, with employers in the driving seat. Again, this includes very good points such as toughening up exam standards and targeting "coasting" schools. It is the apprenticeship levy which has had a mixed reaction. British Aerospace, one of the largest employers of apprentices in the UK—more than 1,000 trainees at any one time—took a very positive view. Also, the CBI said that it would work with the Government to make the best effect of this measure. Concerns seem to focus mainly on the lack of detail in the proposals concerning how the levy will be introduced and how effective it may be, given that the Government are providing no new funding for apprenticeships. Other concerns seem to revolve around the definition of larger companies. EEF, the manufacturers' organisation, calculates that the cost of a four-year training programme for an apprentice employed by some of its highly technical members could run to £90,000. However, according to the *Daily Telegraph*, apparently BIS's current budget allows for £2,567 to be spent on each of the 3 million apprentices whom the Government want trained by 2020. Terry Scuoler, the chief executive of EEF, said that manufacturers would be "sceptical" about the levy, adding:

"Until we see the detail it is not clear how this will help deliver the high quality apprenticeships we urgently need. Employers must be in the driving seat on this reform to ensure we get the right quality of apprenticeships and training. There will be no tolerance for recreating the failed skills bureaucracy of the past".

Point 9 talks about planning freedoms and more houses to buy. History has proved with the sale of council houses that those bought have not always been able to be replaced. I ask the Minister how many of the 200,000 new homes are meant to be built as replacements by housing associations. According to figures from Shelter in March, in 13 London boroughs 26,000 social rented houses have been sold and only 2,900 have been replaced.

Point 15 discusses the northern powerhouse. I wish this project well; it will be an interesting experiment to see if the combination of devolved projects, new transport, an elected mayor for Greater Manchester, and working towards devolution deals for Sheffield, Liverpool, Leeds, West Yorkshire, partner authorities and local enterprise partnerships works. Early anecdotal evidence on LEPs appears to show a mixed start.

Overall, I commend the Chancellor for his Budget. The deficit is still too high and difficult decisions had to be taken on where to raise taxes and cut spending. With a difficult hand to play, he has done well.

9.10 pm

**Lord Stoneham of Droxford (LD):** My Lords, I declare my interests as chair of Housing & Care 21.

I welcome those aspects of the Budget inherited from the coalition. I accept that we have to complete putting the public finances back in order. First, I welcome the one-year delay for achieving a surplus and the smoothing of public spending trends to reduce

the immediate pain of the welfare cutbacks. Secondly, I welcome the raising of tax thresholds, although I would have liked the Government to have put more emphasis now and in the future on raising the national insurance threshold. Thirdly, I welcome the phasing out of pension tax reliefs through the higher tax bands and the efforts on reducing tax avoidance.

However, there are certain contradictions in the Government's approach. Before the Budget, the Government's objective seemed to be to promote growth through greater competition and less regulation. As my friend Professor Nick Bosanquet of Reform has written, the return of extensive government intervention, particularly in labour markets, is quite a shocking contradiction for a Conservative Government and is not getting the attention it deserves—although I was glad that the noble Lord, Lord Tugendhat, raised this matter in his speech.

A 34% increase in a compulsory wage level, combined with a freeze in public sector pay to 1% per annum, must lead to serious distortions in the labour market. Is this the return of a statutory pay policy by stealth? Nurses' pay will be reduced in real terms over the next five years, while some of their patients' pay will increase by 30% in real terms. The Treasury bemoans shortages of skilled workers but the Government's treatment of their own skilled workers is hardly a good message to other employers, nor does it show much gratitude for the very real dedication of nurses, doctors, social workers and teachers—all of whom we should be encouraging to embrace change and efficiency improvements. This public pay policy is not sustainable if private sector earnings now start to move ahead.

Despite the Government's plans to reduce regulation, the proposals for the living wage will involve more inspections for between 2 million and 3 million more employees and the thousands of small businesses who employ them. The return to a levy system to pay for apprentices, last tried in the 1960s, could be yet another burden on small companies. The Minister might like to explain how it is more likely to work in the less corporatist world of today than it did then. As my noble friend Lady Kramer reminded us, the Chancellor has provided for some relief for businesses in the reduction of corporation tax, but this will benefit the larger established corporations, not the start-ups—the enterprising small businesses that carry the hopes for the country's regeneration and future prosperity.

As the noble Lord, Lord Blencathra, rightly said in his challenging speech, there is a need for employers to pay more so that wages are not being subsidised by government tax credits. However, we can only hope that the initiative eventually to redefine low pay as 60% of median earnings is not being used simply to camouflage the money being cut from benefits. The living wage puts back merely £4 billion, though not necessarily to the same people. It seems good to see the Government setting a five-year target of £9 an hour, although the minimum wage might well reach £8 an hour on current policies, and the living wage will need redefining at nearer £12 an hour once working benefits are removed and inflation is accounted for. At best, as my noble friend Lord Scriven said, it will be a premium minimum wage and not a true living wage unless it is redefined.

I welcome the fact that the Low Pay Commission is being retained as an independent authority to monitor and recommend the phasing-in of the changes. I hope that the Minister can reaffirm the Government's commitment to that independence. It is essential to retain cross-party consensus on the process and on policy implementation to avoid what could be a huge gamble which could yet unravel or lead to undue disappointment. Phasing is essential to ensure that productivity rises in those sectors vulnerable to cost increases and to ease the burden on small businesses.

Housing remains a critical component of living costs. There are important Budget changes for the private and social rented sector. I always felt that the 10-year settlement for the social housing sector of annual increases of 1% above CPI to encourage development was overgenerous and encouraged complacency. Housing associations have been protected while councils have had to undergo fundamental changes. I do not doubt that the 1% cut in rent levels each year for the next four years will be challenging, but ultimately, with some exceptions, it should be sustainable through normal efficiency savings. However, it is inevitable in the short term that there will be less development and investment in housing stock than there would otherwise have been.

My real concern is not necessarily with this policy but with the whole of the Government's commitment to and interest in social housing. They have to realise, as did Macmillan in the 1950s, that to up the game of the construction sector we need higher growth across all building sectors, whether private sales, self-build, public sector or housing associations. Without that, we will not get off the floor of building 100,000 homes a year, let alone approach 200,000

The Government have to understand that housing associations play an important role in encouraging home ownership through shared ownership as well as in meeting the need for social rent. I say slowly again to the Government that the money projected for the right to buy would be much more productive if used to widen shared ownership, as it would get many more people on the home ownership ladder and into more new homes than the right-to-buy policy with its expensive discounts will ever do.

Budgets often look better on the day than they do subsequently. That has often been the case for this Chancellor, as he has played the role of the conjuror while retaining the traits of a gambler. He has slim margins for success in cutting the deficit if the economy does not perform as projected. He is about to assume a straitjacket on his taxes policy, as the noble Lord, Lord Desai, warned us. His mixed messages, involving more state regulation and intervention and extra burdens for small businesses, contradict what the economy needs. I fear that he has an aversion to social housing.

As my noble friend Lord Palumbo said, we all respect the Chancellor's ambition, but history suggests that an element of caution when combined with toughness is an important ingredient of all successful Chancellors.

9.18 pm

**Lord Davies of Oldham (Lab):** My Lords, I thank the Minister for his introduction to the Budget, although I think that he will have a more exacting job to do in

[LORD DAVIES OF OLDHAM]

summing up this extensive, and indeed intensive, debate. I am grateful to the noble Lords, Lord Palumbo and Lord Taverne, and my noble friend Lord Hanworth, who all sought to put this Budget in the context of government policy over the past five years and the challenges which the Chancellor has been obliged to face.

The Chancellor constantly emphasises the success that he enjoys, but what success? At one stage, of course, the deficit was going to be cleared by 2015, and he fell hopelessly short of that objective. Now, he promises that we will be in surplus by 2020, just before the next general election—the same quality of promise that we had last time. But what has not been specified is how he gets there in real terms. We still do not have a clear definition of the £12 billion of welfare cuts outlined some time ago as a generalisation before the general election—nothing specific, of course. What we do appreciate is that the pace of the introduction of these cuts may be somewhat reduced.

All these cuts were concealed from the electorate before the general election and what is concealed now is the level of spending cuts being contemplated. We all know that departments have been identified as not being protected, and we also have some indication of the cuts they are likely to face. I can give one area of cuts as far as education is concerned. The cuts in further education are reaching staggering proportions. There has already been a 30% cut and a further one is promised. Yet further education, as the right reverend Prelate the Bishop of Birmingham indicated, has a part to play in increasing the skill levels of some of the more deprived sections of the population. If we want to move towards full employment, we have to see that the spread of skills goes well beyond apprentices. I welcome the proposal on apprentices, but I am somewhat doubtful about how the costs will be met. As my noble friend Lord Bhattacharyya indicated, they are a crucial part of the development of skills at a certain level, but we need basic skill levels too. That means a relationship with the colleges, but the colleges are effectively being decimated by government policy.

The Government can only conceivably believe that they will reach a surplus in 2020 if they cut public expenditure to the bone, and that will certainly include public investment. We will see a reduction in public investment in the very areas where we need it to increase productivity. The Minister will be able to wax strong on the issue of productivity because we all know his excellent record and experience before coming to this House, but even he may be stretched to identify how productivity over the next four years is going to do anything but fall, as the OBR has indicated. The imbalance that obtains between London and most of the rest of the country will show no significant signs of changing. We all know that we need to improve our productivity because, as has been said in this debate, we compare woefully with Germany, France and the United States. The average productivity of our workers is some 30% below theirs.

The departmental cuts already presaged are putting this policy of investment in productivity at risk. I heard the noble Lord, Lord Freeman, return to his old patch of transport, but he will know that one of the

most recently identified areas for cutbacks is rail electrification in the north—and not only the north: we will have a Question tomorrow on electrification to Swansea in south Wales. Cutbacks are bound to have an impact. This investment is meant to improve productivity; it is already being postponed by the Government.

As my noble friend Lord Soley said, aviation is of course an important driver of growth and improved productivity, but we all recognise that the Government have dithered over the additional runway in the south-east. First, they set up the commission and then they made sure that it did not respond until after the general election. There was no particular rationale for that except that my namesake, Sir Howard Davies, needed some time for adequate deliberation. However, he does not need time for deliberation once he has reported to the Government, but the delays go on while they subject the report to the necessary scrutiny within the department. That scarcely shows a commitment to urgency on the projects which are meant to improve our productivity. The noble Baroness, Lady Kramer, identified another area in which there are cutbacks: investment in renewable energy, where we would hope to see improvements in productivity.

So far, the Government's productivity document is a patchwork of largely existing schemes. We welcome the commitment to expand areas such as apprenticeships, as the noble Lord, Lord Scriven, said, but we have to recognise that the skills we require are such that some areas are bound to need public investment and support to achieve success. However, all we get is bleakness on that front.

The noble Lord, Lord Blencathra, introduced an optimistic note with regard to the Budget. He said that the possibility of wage improvements through the living wage have brought some joy to him. It would bring joy to all of us if that represented a significant increase for working people over the next four years, but it is clear that the levels being set by the Government are really just modest increases—and not in the national living wage but in the minimum wage. That will certainly ensure that working people will receive such modest increases that they will be savaged by the reduction in the tax credits they would otherwise have received, but those are part of the Government's necessary austerity measures. Working people—and I mean working people, some 3 million of them—will actually see very little improvement in their living standards at all on this basis. We are all in it together, but it is clear that the poor are meant to suffer more. As my noble friend Lord McFall said early in the debate, this is a truly regressive Budget.

If the noble Lord, Lord Northbrook, wants to know my personal view, yes, I find the withdrawal of benefits to a family if they have more than two children extraordinarily regressive and unacceptable, and I am glad that my friends at the other end of the building are voting against it. I accept that there must be some restriction on the amount of benefit paid, but the Government have gone about it in a most unfair and doctrinaire fashion in the policies they are pursuing. As my noble friend Lord McFall said, this will increase child poverty—if we are able to measure it. The Government are removing the criteria by which some

elements of child poverty can be measured. It is not surprising that we on this side of the House are somewhat cynical about the measure.

Finally, we hear about deficit reduction in government expenditure, but we do not hear much about deficit reduction when it comes to our trading deficit. As my noble friend Lord Hanworth indicated, it is essential that we pay attention to the fact that Britain is not paying its way. The Chancellor had the nerve to suggest that he will increase exports to £1 trillion by 2020. The OBR said that he will be lucky if he gets to two-thirds of that target. That is a mark of the unrealistic nature of this Budget.

I apologise to noble Lords if I have not given sufficient attention to certain issues in these limited remarks. The House will recognise that we admire the Chancellor's courage and chutzpah, but as for the reality of the Budget, we condemn it.

9.30 pm

**Lord O'Neill of Gatley:** My Lords, we have had a remarkably high standard of debate here this evening. I was encouraged to make that remark but, in all sincerity, I really appreciate the comments that all Members of the House have made this evening. My own maiden speech coincided with that of my good friend the noble Lord, Lord King, and I recall his comment that the general standard of discussion in this House was somewhat higher than in the other place. I have not had the benefit of participating in those debates, but after much of what I have heard over the past few hours, their standard must be pretty high if they can test many of the interesting things that I have heard today.

I must also add my birthday congratulations to the noble Baroness, Lady Kramer. I have to say that, in pursuit of the great and the good, to commit to this discussion on such a joyous day is truly remarkable. I hope I would do the same if I were in the same situation. In that regard, when I come to respond to specific comments, I may end up giving the noble Baroness more reference than others for her commendable duty.

Let me make some further brief comments before trying to do justice to many of the individual remarks. I apologise now, and will do so again later, for failing, as I am sure I will, to refer to all the individual highly valuable comments. No doubt I will make some errors in the pronunciation of some noble Lords' names.

Before doing so, I shall make two or three general comments. Many individuals in this place have different opinions but, on balance, most noble Lords who have spoken recognise that the only way to secure a long-term economic recovery is to put our public finances on a more sustainable footing. I am grateful to hear those comments. The Government have committed to such a course. That is what they made pretty clear to the electorate and it may, among other reasons, be why they came to power with a majority.

It is also the case, as articulated by the Chancellor, and supported by the balance of measures, that the Government believe that the best route out of poverty is through employment. It is right that if you are working full-time, your wages should not be unnecessarily topped up by the state. In that regard, as reflected in the overall balance of areas of contention, it is not

surprising to hear that there is a lot of concern about the scale of some specific spending cuts. However, let me also point out—here I speak from my experience before I joined this Government—that it is important to protect areas of public spending that are probably more likely to contribute to long-term productivity gains than welfare would, including, in particular, education, health, public sector investment spending and, in my view, our commitment to foreign aid. It follows that, if you do that, the remaining areas will suffer the brunt of public expenditure cuts if the Government are to be as committed as they should be to this path of fiscal deficit reduction.

It is also the case, as many Members have said this evening, that many interesting issues are raised by the notion of introducing a national living wage, which, as a number of people commented, will effectively be the equivalent of trying to increase the national minimum wage. I shall come back to talk about that. However, reflective of the Government's clear priorities, and as I believe was generally made clear at the election, it is the Government's desire, as articulated so clearly by the Chancellor, to reward people who work and to give them their own rights in how we contribute policy-wise to a fairer outcome for all of the nation, including those who earn income and pay taxes.

I turn now to specific points made by noble Lords in their speeches. In doing so, I shall try to structure my remarks and be as brief as possible, although that does mean I may neglect to respond to some specific things—again, I apologise in advance.

First, on the economy and public finances, the noble Lord, Lord Davies, ended today's very rich discussion by talking about the context of the Budget. On the one hand, many noble Lords talked about how there is far too much concern about deficit reduction—the noble Lord, Lord Taverne, talked at some length about the risks of too much focus on this—but many others, including the noble Lord, Lord Palumbo, suggested the complete opposite. As a trained macroeconomist, I know that it is always a judgmental decision—appropriately so, given the many uncontrollable external forces, especially from the rest of the world—around the appropriate pace of reduction and, especially, around the evidence about the absolute level of debt, never mind the level of deficit per se, that is consistent with higher living standards and, in particular, with contributing to improving productivity.

In that regard, I turn also to some of the comments of the noble Lord, Lord Desai. He talked, I think, about evidence of the historical growth performance being in excess of 3%, but it is widely recognised today—subject to the vagaries of how economists can recognise any of these things and agree on them—that our trend rate of growth is in the vicinity of 2.4%. The way to address that, as I will talk about in a second, to improve the trend rate and bring it back to what might have been a very long-term performance, is almost definitely through steps to boost productivity and not, at least in my judgment, through the specific stance on fiscal policy.

In that regard, if I understood the noble Lord correctly—others also suggested this—in bemoaning the goal of moving towards a budget surplus, there appeared

[LORD O'NEILL OF GATLEY]

to be a contradictory concern about what would happen in the event of some of these shocks coming from the rest of the world, as we would not have the ability to respond. However, an additional reason for moving to a healthier set of public finances when the economy is on a reasonably strong footing, as it appears to be, is indeed that, in the event of some external shock, you would have the latitude to respond.

As in my opening comments I emphasise again that, in the event of the economy slowing to a positive 1% growth, the OBR has a responsibility to shift to a different cyclical stance on fiscal policy, if it deems it appropriate. Generally speaking, that seems to me pretty sensible.

I turn to some further specifics about fiscal consolidation on spending, which I touched on briefly in my opening summary. As I have just mentioned, a number of noble Lords focused on the Budget seemingly having tougher spending cuts than might have been envisaged. Indeed, I think a couple of noble Lords implied that they were tougher than was suggested before the Budget. However, as some others have pointed out, the Budget is indeed less restrictive in its overall fiscal stance than the previous Budget, and the overall reductions in public spending are not as stringent as they might have been. As I have already indicated, given the commitments to areas such as health, education, public sector investment, defence and foreign aid, other departments are likely to take the brunt of cuts. The case for those has been well articulated and widely debated in this House and, of course, in the other place on a number of occasions, including earlier today.

I turn to the very important topic of productivity. I am particularly pleased to hear that so many noble Lords have read the 80-page document, which, in responding to an Oral Question a few days ago, I suggested they should read. I think that a date is being found to enable us to have a full length-debate on the issues surrounding productivity, including the long-known historical challenges to achieving success in raising it and the specific steps that this Government propose to undertake in that regard.

Going back to what I said in my opening comments, and as many noble Lords are aware, over the long term economic growth is essentially driven by two factors: the number of people who work and their productivity. There has been much focus on this issue, correctly in my view. I think it is fair to say that, in the last Parliament, we had more success than one might have expected in terms of increasing employment. It is therefore appropriate now to switch attention to trying to do more about the key driver—that is, productivity. There is a very large amount of evidence that those countries with the best productivity performance typically have not only the best living standards but greater equality than many other places. Therefore, it is very important in my judgment that this issue receives appropriate attention.

I am pleased that there will be a formal review of our economic statistics led by Professor Sir Charles Bean. I have long felt—this precedes my joining the Government—that further work needs to be done in a number of areas ranging from our external trade data

to the accurate measurement of our GDP and the implied productivity data. I cannot resist alluding to the irony of doing that, given that the latest evidence on productivity indicates that it may be accelerating. I also note that both the Bank of England and the independent OBR are separately forecasting a rise in productivity over this Parliament.

In relation to infrastructure spending, I think the noble Lord, Lord Davies, said that public sector investment spending will decline over this Parliament. There is certainly no plan for that to happen. Public sector investment is very importantly linked to the productivity goals and many aspects of the northern powerhouse, and there is a conscious decision to ensure there is no decline in spending and that it is protected in real terms. In fact, under current plans, from 2018-19 onward, it will start to rise in line with GDP.

I am spending a considerable amount of time on infrastructure in my ministerial role. We hope, in the not too distant future, to come back with a detailed national infrastructure plan. I say to the noble Lords, Lord Freeman and Lord Higgins, and the noble Baroness, Lady Kramer—who was correctly complimented for her role in the coalition, focusing on the transport aspects of this—that we need to have a bolder and perhaps longer-term national infrastructure plan, that thinks about the potential state-of-the-art long-term infrastructure that the country may need but not necessarily have immediately introduced. This may give us a framework to consider the challenges and opportunities that may prevail going forward. I acknowledge the supportive comments of a number of noble Lords about the commitment in this Parliament, despite the challenges, to spend more on a number of key parts of national infrastructure, including both roads and trains.

I jump to the very important topic of the northern powerhouse and city and regional devolution. A number of noble Lords made comments about that, including the noble Lords, Lord McFall, Lord Scriven and Lord Soley, the noble Viscount, Lord Hanworth, and the right reverend Prelate the Bishop of Birmingham. This project led to me becoming a member of the Government. I am very passionate about it and I think it is fair to say, from everything he has said, that the Chancellor is too. I will make a number of quick comments, and I apologise for not responding to some of the very important points raised.

On the topical issue of the supposed cancellation of the electrification of the Leeds to Manchester route, I say that it has not been cancelled: it has been delayed. That announcement was made in the context of trying to create a new and healthier environment for the leadership of Network Rail. I am just as agitated as many others about that decision, not least because it happened to be announced on the day of my first speech as a Minister about the northern powerhouse in Manchester. I assure your Lordships that it is getting a lot of attention and I hope that further initiatives will come forth. I add—in contrast to what I heard, I think from the noble Lord, Lord Scriven—that having Transport for the North and a northern Oyster is exceptionally important. In order for the northern powerhouse to be anything other than a number of cities, geographically identified with a pin, in the north of England, and for it to generate lasting economic

change, it is important that the cities are joined together on an economic basis, if not an administrative one, in a way that has not been pursued before. There is enormous evidence from the great successes in recent years of Transport for London that having something like that technology, whereby individuals can find out very quickly the ease at which they can travel, knowing the costs as well as the facilities available, is important. I think it has boosted by 30% the movement of people around Greater London. If that was done between many of these northern cities, it would play a major role in boosting the economic fortunes of the north of England.

There are many other points that I have not responded to. I will very quickly turn to two other areas and I apologise for missing some out. It was a joy to hear so many Members talking about the importance of skills. If I had to pick one area that is so important to our productivity—and perhaps why we have had so many challenges going back for so long—it is something to do with the challenges facing particularly the most disadvantaged and their ability to get skills. Obviously, that links to our basic, further and higher education. As far as I am having some influence on the productivity plan, we are very eager to pursue the initiatives we have introduced in it.

Lastly, and without enough time to focus on the very interesting comments made about work and welfare, I think it is openly acknowledged that to introduce a

policy to deliberately encourage an implied higher minimum wage—announced as a national living wage—carries a risk of some costs to employment. Indeed, the OBR said in its own independent analysis that it would directly lead to the loss of 60,000 jobs, although it added that in the context of the Budget Statement and all the other initiatives, this would be more than offset by the distributional effects of so many people receiving higher incomes, as well as a number of the other policies.

The last thing I would say—and it is not doing justice to this considerable topic—linked to what I said about employment and productivity, is that in an environment where employment has been so strong, if you are going to pursue such an initiative, it is best to do it when the employment market is as strong as it is. As I think I mentioned the last time I stood at this Dispatch Box, in a number of countries some of the new academic thinking is suggesting that while it is risky, this may be a way of trying to explore boosting productivity.

I will stop there. My time is up. It is very late in the day. The noble Baroness, Lady Kramer, has to go and celebrate her birthday and I am sure everybody else has lots of other things to do. I commend the Budget to the House.

*Motion agreed.*

*House adjourned at 9.52 pm.*





---

## CONTENTS

Tuesday 21 July 2015

<b>Royal Assent</b> .....	997
<b>Questions</b>	
<b>Payday Loan Advertisements</b> .....	997
<b>House of Lords: Membership</b> .....	999
<b>EU Budget: UK Contribution</b> .....	1002
<b>Syria: UK Military Involvement</b> .....	1004
<b>Proposed Changes to the Standing Orders of the House of Commons</b>	
<i>Motion</i> .....	1007
<b>Cities and Local Government Devolution Bill [HL]</b>	
<i>Third Reading</i> .....	1032
<b>Budget Statement</b>	
<i>Motion to Take Note</i> .....	1058

---