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PARLIAMENTARY DEBATES
(HANSARD)

# HOUSE OF LORDS
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|---|---|
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| 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 |
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| Non-afl | Non-affiliated |
| PC | Plaid Cymru |
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*12 October 2015*

THE
# PARLIAMENTARY DEBATES
(HANSARD)

IN THE FIRST SESSION OF THE FIFTY-SIXTH PARLIAMENT OF THE
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND
COMMENCING ON THE EIGHTEENTH DAY OF MAY IN THE
SIXTY-FOURTH YEAR OF THE REIGN OF

HER MAJESTY QUEEN ELIZABETH II

**FIFTH SERIES** **VOLUME DCCLXV**

FOURTH VOLUME OF SESSION 2015-16

# House of Lords

*Monday, 12 October 2015.*

*2.30 pm*

*Prayers—read by the Lord Bishop of London.*

## Introduction: Lord Young of Cookham

*2.38 pm*

*The right honourable Sir George Samuel Knatchbull Young, Baronet, CH, having been created Baron Young of Cookham, of Cookham in the County of Berkshire, was introduced and took the oath, supported by Lord MacGregor of Pulham Market and Baroness Bottomley of Nettlestone, and signed an undertaking to abide by the Code of Conduct.*

## Introduction: Lord Smith of Hindhead

*2.44 pm*

*Philip Roland Smith, Esquire, CBE, having been created Baron Smith of Hindhead, of Hindhead in the County of Surrey, was introduced and took the oath, supported by Lord Strathclyde and Lord Feldman of Elstree, and signed an undertaking to abide by the Code of Conduct.*

## Oaths and Affirmations

*2.48 pm*

*The Duke of Wellington took the oath, following the by-election under Standing Order 9, and signed an undertaking to abide by the Code of Conduct.*

## Deaths of Members
*Announcement*

*2.50 pm*

**The Lord Speaker (Baroness D'Souza):** My Lords, I regret to inform the House of the deaths of the noble Lord, Lord Kilpatrick of Kincraig, on 16 September and of the noble Lord, Lord Healey, on 3 October. I should also like to inform the House of the deaths of two retired Members: the noble Lord, Lord Luke, on 2 October and the noble and learned Lord, Lord Howe of Aberavon, on 9 October. On behalf of the House, I extend our condolences to the noble Lords' families and friends.

## Retirement of a Member: Lord Brooke of Sutton Mandeville
*Announcement*

*2.50 pm*

**The Lord Speaker (Baroness D'Souza):** I should also like to notify the House of the retirement, with effect from 18 September, of the noble Lord, Lord Brooke of Sutton Mandeville, pursuant to Section 1 of the House of Lords Reform Act 2014. On behalf of the House, I should like to thank the noble Lord for his much-valued service to the House.

## NHS: Mental Health Patient Assessment Needs
*Question*

*2.51 pm*

*Asked by* ***Baroness Gardner of Parkes***

To ask Her Majesty's Government what consideration they are giving to creating an NHS pathway for patients in need of urgent assessment who, due to mental health conditions, are unable to tolerate tests such as scans or blood tests without a general anaesthetic.

**Baroness Gardner of Parkes (Con):** I beg leave to ask the Question standing in my name on the Order Paper. In doing so, I declare an interest, as my grandson is a severe case of autistic Down's syndrome.

**The Parliamentary Under-Secretary of State, Department of Health (Lord Prior of Brampton) (Con):** My Lords, we have not considered creating such a pathway. We would expect a patient's mental and physical health needs to be taken into account when they access NHS services.

**Baroness Gardner of Parkes:** I thank the Minister for his formal Answer but I should go on to explain that my grandson, Christopher, now 23, has no speech and is unable to explain what is happening to him. He has changed from an apparently happy boy and a loving family member to a person suffering violent outbursts, in which he hits his head as if in pain or he attacks others. His increasingly erratic behaviour results in him being excluded from the health groups from which he has benefited so much in the past. Clinicians have already identified the need for a scan but this must be done under general anaesthetic. They are unable to access any NHS team able to do this as there is no clinical pathway, and in some cases patients known to these clinicians have had to wait up to two years. Why should any mentally disadvantaged child—as he was but he is now growing up—not be able to access a full and necessary examination within weeks rather than years?

**Lord Prior of Brampton:** It is obviously not possible for me to comment on an individual case but it sounds like a very tragic and a very difficult case. Of course, someone in that kind of position ought to have access to normal NHS facilities and care, and I am at a loss to know why my noble friend's grandson has not been able to get proper access. The fact that a general anaesthetic is required, and has been said to be required by a clinician, should not make it any more difficult to access that kind of care. I am very happy to look at this as an individual case and, if it is not just an individual case but an example of a broader problem, I shall be very happy to meet my noble friend outside the Chamber to pursue the matter with her.

**Baroness Walmsley (LD):** My Lords, is the Minister aware that NHS staff are a very resourceful group of people and that in the past many of them have found ways of helping patients through these scans and so on when they have found them very difficult? What are the Government doing to ensure that these creative responses to patients' individual needs can be shared with other members of NHS staff? Will the Government consider some kind of restricted-access online resource centre, through which NHS staff can share their good ideas and what they have found to work?

**Lord Prior of Brampton:** My Lords, I think spreading best practice is a perennial problem in the NHS. The noble Baroness gave an example of that but I could give many, many others: we are not good in the NHS at spreading best practice. I hope that the newly reformed combination of the TDA and Monitor into NHS Improvement will be a very useful repository of good practice, in the same way as the IHI is in the USA.

**Baroness Howarth of Breckland (CB):** My Lords, I find that reply singularly disappointing, as the Minister will know that any child exhibiting the kinds of problems that have been described today could be seriously ill—they could have a brain tumour or hydrocephalus. In addition, he also knows that the availability of good mental health services for young people, adolescents and those in their 20s is in serious difficulty at the moment. What are the Government doing to ensure that NHS England is improving these services and making a real effort so that we do not have cases such as this, for I am sure that it is not an isolated incident?

**Lord Prior of Brampton:** In picking up the general point that the noble Baroness made, the Government have committed a great deal of extra resource to the mental health needs of young people. For example, I cite the NHS mandate and the Health and Social Care Act 2012, in which there is a duty to establish parity of esteem between mental health and physical health. It is also true that one can never do enough, and when one hears about a tragic case such as that described by my noble friend earlier, one has to look very carefully in the mirror and ask whether one could do more. That is why I have offered to meet my noble friend outside this House to discuss the matter in more detail.

**Lord Hunt of Kings Heath (Lab):** My Lords, on parity of esteem, is it not a fact that, in their allocations, clinical commissioning groups have reduced the proportion of resource going into mental health services? Will the Minister tell the House what he is going to do about that? He mentioned the mandate. He will know that, in 2012, the mandate said:

"By March 2015, we expect measurable progress towards achieving true parity of esteem".

Can the Minister tell me that that progress has now been achieved?

**Lord Prior of Brampton:** I cannot tell the House that we have achieved parity of esteem. Demonstrably, across the country, we have not yet achieved parity of esteem, but we are on a journey to doing so. On the figures that the noble Lord raised, we spent £300 million more last year than the year before on mental health, and every CCG is spending more on mental health this year than the overall increase in their allocation. At the end of October, we will have the figures for the first six months, and perhaps then I can come back to the House and give him those figures in more detail.

**Lord Christopher (Lab):** My Lords, was it not the case that a good deal of spreading the news of good practice was usefully done by the Audit Commission, which the Government abolished?

**Lord Prior of Brampton:** I cannot comment on the Audit Commission. I do not know how much good it did in that regard because I was not here at the time. However, I am very conscious of the fact that spreading best practice across the NHS, particularly operational

and clinical best practice, could be a lot better. That would be true in a clinical specialty such as orthopaedics. However, it is also true that, in some hospitals, the flow of patients through the hospital is much better organised than in others. There is a great deal to be learned by spreading best practice. There is also a lot to be learned from around the world. I take the view that we have, in the NHS, probably some of the finest hospitals in the world. We also have some very poor hospitals. It should not be all that difficult for the poor to learn from the best.

## Child Health: Play

*Question*

*2.59 pm*

*Asked by* ***Baroness Benjamin***

To ask Her Majesty's Government what plans they have to introduce a national strategy for play as part of a holistic approach to child health and fitness.

**Baroness Benjamin (LD):** My Lords, I beg leave to ask the Question standing in my name on the Order Paper and declare an interest as the co-chair of the All-Party Group on a Fit and Healthy Childhood.

**The Parliamentary Under-Secretary of State, Department of Health (Lord Prior of Brampton) (Con):** My Lords, local authorities have responsibility for commissioning services to enable healthy lifestyles, including active play. However, recognising the health benefits to children and young people from play, since 2013 we have been providing Play England with funding of £1.1 million to promote play. Public Health England's Change4Life campaigns have supported families to make healthy choices, including being active, and we continue to support school sport, with investment of £222 million since 2011.

**Baroness Benjamin:** My Lords, the latest report from the All-Party Parliamentary Group on a Fit and Healthy Childhood concludes that play is important to a child's healthy physical and mental development. It found that, despite government funding for school sports, 20% to 30% of those who do not participate in sport are obese children—the precise group that we need to focus on and target. What are the Government doing to engage with these children? Does the Minister agree that reducing opportunities for play has contributed to the rise of childhood obesity and that play is part of the solution in a whole-child health strategy? Will he agree to meet me to discuss the findings of the play report?

**Lord Prior of Brampton:** My Lords, when I am asked a question like that in such an engaging way, the answer has to be yes—and I look forward to it. I congratulate the noble Baroness and her team on the work that they have done with the all-party group on the fit and healthy child—I believe that the report is due to be published later this week. It almost goes without argument, and you do not need a lot of academic literature or UN conventions to know, that play is hugely important in the development of a child. On that, we are absolutely agreed, and I look forward to discussing with her ways in which we can help more in that regard later in the week or next week.

**Lord Hunt of Kings Heath (Lab):** My Lords, perhaps I could come, too; it sounds a jolly interesting meeting. Does the Minister agree that while fitness is very important for young people, so, too, is diet? Would he like to comment on the story on the front page of the *Daily Telegraph* this morning which suggests that his boss has prevented Public Health England publishing a report which shows the direct link between too much sugar and obesity? Will he confirm that the Secretary of State has prevented PHE publishing the report and can he tell me what action the Government propose to take to reduce the amount of sugar in foods that children take?

**Lord Prior of Brampton:** I regret that I have not seen the report in the *Daily Telegraph*, so I cannot confirm or deny what was written in it. What I can say is that the Secretary of State regards the fact that one in five primary school-age children is now obese as being, in his words, a "great scandal". The report on childhood obesity is due to be produced, I think, before the end of the year, and certainly within the next few months. I imagine that it will say that the problems are a combination of lack of exercise, lack of play and nutrition—but we will have to wait and see.

**Baroness Jenkin of Kennington (Con):** My Lords, I am not sure whether my noble friend saw the report recently of a primary school which has introduced a running challenge where the children run one mile every day, to enormous benefit both mental and physical. Following on from the Minister's previous remarks about best practice, is this something that the department could encourage other schools to do?

**Lord Prior of Brampton:** I wonder whether Members of this House might like to set an example in that regard as well by running a mile a day. There is no doubt that exercise is good for you. Not only is it good for all the problems associated with weight but there is plenty of evidence to suggest that exercise helps with mental health problems. Whether you are running or on your bike, I am wholly in favour of it.

**Lord McColl of Dulwich (Con):** My Lords, although exercise is very important in terms of the heart and so on, the real answer is to eat fewer calories. We may criticise politicians of one party, but does the Minister realise that politicians of all three parties kept on saying that the answer to the obesity epidemic was exercise when it was nothing of the kind? It was eating fewer calories.

**Lord Prior of Brampton:** Clearly, my noble friend is right: nutrition and diet are fundamental to the whole debate about obesity. That does not alter the fact that exercise is also very good for you.

**Lord Addington (LD):** My Lords—

**Baroness McIntosh of Hudnall (Lab):** My Lords—

**Baroness Finlay of Llandaff (CB):** My Lords—

**Baroness Jones of Moulsecoomb (GP):** My Lords—

**The Lord Privy Seal (Baroness Stowell of Beeston) (Con):** My Lords, we have not heard from the Cross Benches on this Question yet.

**Baroness Finlay of Llandaff:** Do the Government recognise that there is another group of children who must be considered—those who have illnesses limiting their mobility for a variety of reasons, some acquired and some congenital? The role of physiotherapy in paediatric departments is essential to ensuring that they can grow and develop and become as independent as possible. I declare my interest as president of the Chartered Society of Physiotherapy.

**Lord Prior of Brampton:** The noble Baroness makes a powerful and strong point. All I can do is agree with her 100%.

**Lord Addington:** My Lords—

**Baroness McIntosh of Hudnall:** My Lords—

**Baroness Jones of Moulsecoomb:** My Lords—

**Baroness Stowell of Beeston:** My Lords, I suggest on this occasion that we go to the Lib Dems as this Question started with the Lib Dems, although I acknowledge that there were two Conservative speakers in a row, which should not have happened.

**Lord Addington:** My Lords, does the Minister agree that if we are dealing with a sports policy that talks about competitive sport, getting some idea of creative play and competitiveness within play is vital? If we have a sports policy, it must have a foundation based on something like my noble friend suggested.

**Lord Prior of Brampton:** There is no question that competitive sports have a huge role to play, but many children do not wish to participate in competitive sports, so having resources and time made available for less competitive activities such as yoga, pilates or dance is also very important.

## Professional and Career Development Loans

*Question*

*3.06 pm*

*Asked by* ***Viscount Hanworth***

To ask Her Majesty's Government how many professional and career development loans have been offered by the appointed banks to this year's prospective postgraduate students, relative to the number of applications.

**Baroness Evans of Bowes Park (Con):** My Lords, in the 2015-16 financial year, to date around 5,000 loan applications have been accepted by the banks. That is consistent with previous years. Only when a student commences study does the loan become live. At that point, the system identifies those undertaking postgraduate courses. As most do not begin until late October, it is not yet clear what proportion of applicants are for postgraduate courses.

**Viscount Hanworth (Lab):** I thank the Minister for that Answer. The lack of information on this account is disturbing, since it means that the Government are paying too little attention to a matter of national importance. The truth, as I perceive it, is that inadequate financial support has been given to our native postgraduate students. It appears that the banks, on which the Government are depending to provide loans to students, have not been sufficiently forthcoming. Such loans are demanding the exorbitant rate of interest of 10%. That must surely have deterred many postgraduate students from contracting such loans. I seek an assurance from the Minister that the Government are aware of these deficiencies and that they are taking steps to amend the situation.

**Baroness Evans of Bowes Park:** Over 250,000 people have been lent over £1.1 billion since 1988 under these loans. But the noble Viscount will be aware that the Government have just closed their consultation on a new postgraduate loan, which specifically targets postgraduates. This would be the first time that such a loan would be introduced. We are due to publish the response and final scope of that policy in the autumn, but the NUS vice-president has welcomed it, saying that it is step in the right direction, and the chief executive of Universities UK has said that it is good news so we are certainly doing what we can in this area. This new loan will be extremely welcome.

**Baroness Garden of Frognal (LD):** Will the Minister say what the Government are doing to work with universities to ensure that qualified UK postgraduates are encouraged to continue their academic careers—particularly those from disadvantaged backgrounds—and not deterred by unacceptable fee levels and the costs of loans?

**Baroness Evans of Bowes Park:** Well, as I said, obviously the professional career development loans exist at the moment, but the new postgraduate loan, which has been welcomed across the sector, will come in shortly. The consultation has closed and the full scope of that policy will be announced later in the autumn. Certainly, encouraging further study and making sure that everyone has access to the training and education they need are at the forefront of the Government's mind.

**Lord Stevenson of Balmacara (Lab):** My Lords, may I wish the noble Baroness a speedy recovery from what looks like a very awkward injury, attractively dressed in the blue to match her suit? For those who cannot see it, she is struggling to answer and almost strangling herself in the process.

It seems that almost a sense of panic is setting in. We have £50 million of emergency bursaries from HEFCE to bridge the gap until the new schemes come in. We have postgraduate and career development

loans, which are £10,000 per student, but with 10% interest rates charged to be repayable within three weeks of graduating, and we then have the Government consulting on a £25,000 income-contingent loan. Yet there is a 10% reduction in the numbers of people going on to become postgraduates on taught courses. Is there not something more we can do?

**Baroness Evans of Bowes Park:** This Government will be the first to introduce a loan specifically targeted at postgraduates, so we are taking this extremely seriously. On the interest rate point on career development loans, over the course of the loan the interest rate is more like 6%, because the Government pay the interest while students are studying. That is not to say that more cannot be done, but I assure the House that the Government are focused on higher education and consider it to be extremely important.

**Baroness Sharp of Guildford (LD):** Will the Minister please tell the House how far the Government are encouraging industry to help postgraduate students? Industry will benefit from the specialised courses that students do, so it is right that it should make some contribution.

**Baroness Evans of Bowes Park:** I entirely agree with the noble Baroness, and we are having regular discussions with businesses. Of course, a number of businesses have responded to the consultation. The noble Baroness is absolutely right that it is something that benefits business and the UK economy, and the Government are working hard to ensure that businesses play their part.

## School Journeys by Car

*Question*

*3.11 pm*

*Asked by* ***Baroness Randerson***

To ask Her Majesty's Government how they plan to reduce the number of home to school journeys made by car.

**Baroness Evans of Bowes Park (Con):** My Lords, local authorities are responsible for promoting sustainable travel and transport. The Government fund a number of schemes to promote and encourage parents, children and young people to make walking and cycling to school part of their daily routine.

**Baroness Randerson (LD):** My Lords, 23% of peak-time traffic is caused by the school run, causing congestion and pollution, of course. The coalition Government introduced a local sustainable transport fund, which was a success story, and the organisation, Living Streets, has been able to reduce the number of school journeys by 30% in areas where it operates. But that is in only 15 local authority areas. Will the Minister explain the Government's plans and whether they intend to increase the amount of money available for Living Streets, or similar organisations to work in other areas, so that those benefits can be felt across the whole country?

**Baroness Evans of Bowes Park:** I agree with the noble Baroness in welcoming the work that Living Streets has done. Certainly this is a priority for the Government. Our cycling delivery plan is a 10-year strategy on how we can increase cycling and walking across England. We have an ambition to increase the number of primary schoolchildren, in particular, walking to school to 55% by 2025. A number of Government schemes are available in which local authorities and schools can participate to help to encourage more walking and cycling to school.

**Lord Storey (LD):** The Minister will be aware that there are some really good practices in terms of walking buses, travel plans and safe cycle routes, but for some schools and local authorities it just becomes a tick-box exercise. How do we incentivise schools and councils to make this important issue take root? It rather fits in with the Question of my noble friend Lady Benjamin about fitness in schools. A kitemark could be something that the Government might consider.

**Baroness Evans of Bowes Park:** The noble Lord is right that this is a priority, and it is important that we encourage people to be as healthy as possible. As he says, this is an area in which local authorities have a responsibility to work closely with schools to ensure best practice across the system. I shall take back his suggestion to the department.

**Baroness Howarth of Breckland (CB):** I am sure the Minister agrees that what is often possible in urban areas is not possible in rural areas. Will she say something about helping children in urban areas who have to travel great distances to get to school so that parents do not feel that they are being stigmatised and are doing the wrong thing? I entirely agree with encouraging walking and running and certainly our rural school helps with that when the children get there. However, some children have to go by car.

**Baroness Evans of Bowes Park:** The noble Baroness is absolutely right. For instance, many local authorities charge young people a flat fee for bus passes. Particularly in rural areas we find local authorities encouraging buses to pick up children from other points so that they can access public transport. Again, it is the responsibility of local authorities, but they are very well aware of their responsibilities. Many are doing what they can to ensure that young people can access the good school that they need to in their local area.

**Baroness Jones of Moulsecoomb (GP):** My Lords, is the Minister aware of School Streets, a scheme in Edinburgh, where streets around schools are closed to motor vehicles for an hour before and after school, which means that children and their parents automatically walk or cycle? There are fewer cars, so less air pollution. It seems to be a winner.

**Baroness Evans of Bowes Park:** I thank the noble Baroness. I was not aware of that scheme and I am happy to go away and look into it.

**Lord Watson of Invergowrie (Lab):** My Lords, more than 70% of parents walked to school when they were children, but now fewer than 50% of children walk to school on a daily basis. Will the Minister say what recommendation she will feed into the spending review to ensure that there are adequate resources for the Government's cycling and walking investment strategy, so as to encourage more children to walk to school?

**Baroness Evans of Bowes Park:** I welcome the noble Lord to his position. I assure him that we are focusing on this. In fact, the number of children in England who now walk to school is at a high level—it has risen over the last three years. As I said, a number of government schemes are available to help local authorities. It is also worth remembering that over the last three years local authorities have spent around £1 billion on transport in this area. It is something that they take seriously, despite facing a difficult economic climate.

**Lord Cormack (Con):** My Lords, will my noble friend tell me how many academies have a walking and cycling strategy?

**Baroness Evans of Bowes Park:** I would love to. I do not have the exact figures to hand, but I can tell my noble friend that in some areas, for instance in Darlington, local authorities are working very closely with academies and free schools to develop transport plans. In fact, free schools are offering an option for parents to help to create new schools in areas where they have not had a local school. For instance, the Ongar Academy was set up in that town, which has not had a secondary school since 1989. Parents and teachers came together because they did not want children bussed out to other towns. We have seen the same in Ingleby Barwick's Ingleby Manor academy as well. In their own way, free schools are helping to address this issue.

**Lord Brooke of Alverthorpe (Lab):** My Lords, the noble Lord, Lord Prior, advised us that the Government will produce a report on obesity in children. He was not quite certain when that will come out. On this Question, will the noble Baroness say what her department will be inputting into that review? Will she tell the House what she will suggest should be done?

**Baroness Evans of Bowes Park:** The Department for Education and the Department of Health work very closely and will be in close contact in ensuring that a whole range of issues are included in this strategy.

**Lord Harris of Haringey (Lab):** The Minister has repeatedly said how important it is that local authorities engage with getting children to walk or cycle to school. Part of it is also about enforcement and making sure, for example, that cars do not stop directly in front of schools on zig-zag lines. Why is it, then, that the Government put barriers in the way of local authorities on the use of CCTV and mobile CCTV, which would increase enforcement and make sure that parents cannot drop off their children in an irresponsible fashion?

**Baroness Evans of Bowes Park:** I am not aware of any examples, but I am sure that the noble Lord is. As I said, local authorities, schools and national government have to work together. Everyone wants to ensure that there is less congestion and pollution around schools. Everyone needs to work together to make this happen.

**Baroness Randerson:** My Lords, in her reply the Minister said that the Government have a number of strategies for walking and cycling to school. Will she inform the House how much money is being spent on this in total?

**Baroness Evans of Bowes Park:** As I mentioned, local government has spent £1 billion a year over the last three years. There are a number of schemes. I do not have every single one to hand, but, for instance, there is £90 million on the cycling ambition grants. Some £400 million is available to local authorities until 2020-21. As the noble Baroness said, there is also funding to Living Streets. There is a significant amount of investment going into this and the Government take it seriously.

## Select Committees

*Membership Motion*

*3.19 pm*

*Moved by* ***The Chairman of Committees***

That Lord Hope of Craighead be appointed a member of the following Committees: Administration and Works, House, Liaison, Procedure and Selection.

*Motion agreed.*

## Enterprise Bill [HL]

*Second Reading*

*3.20 pm*

*Moved by* ***Baroness Neville-Rolfe***

That the Bill be now read a second time.

**The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills and Department for Culture, Media and Sport (Baroness Neville-Rolfe) (Con):** My Lords, why have we introduced this Enterprise Bill? A dynamic, open, enterprising economy is a priority for this Government. We want this Bill to help create a better business culture, in which the harmful effect of late payment on small businesses is recognised. It is a major concern to us all that the level of late payment debt owed to small and medium-sized businesses stands at £27 billion.

Despite the progress we have made, businesses still suffer from red tape, especially red tape from regulators, which hitherto has not been routinely monitored. This Bill will change that and help us to continue our battle against red tape. We are also determined to make apprenticeships a success. We want to make sure that everyone can have confidence that an apprenticeship offers a high-quality career route, consisting of employment with training.

There are three key elements to this Bill: the Small Business Commissioner, who will have a vital role to play in changing the culture around late payment; deregulation; and apprenticeships. There are also some other provisions. Small businesses make up 99.3% of all UK businesses. They account for around half of UK jobs in the private sector and a third of turnover. They are vitally important to our economy. Timely receipt of money is crucial for small businesses. It is wrong that, as research in January 2015 showed, the average UK small business waits for £31,900 in overdue payments. Late payment has a damaging knock-on effect on their ability to manage cash flow and plan for growth; and in the worst case, it threatens their very survival.

We have already legislated, of course, through the Small Business, Enterprise and Employment Act, to introduce a tough and transparent new requirement for the UK's largest companies to report their payment practices and performance on a six-monthly basis. I believe that publishing these reports online will ensure transparency and help to bring about a major shift in culture. We have also strengthened the Prompt Payment Code to introduce a 60-day maximum payment term for all signatories. And now, this Bill will make it easier, quicker and cheaper for small businesses to settle payment issues with larger businesses by setting up a Small Business Commissioner. His or her role will be focused on helping small firms resolve disputes with large businesses they supply, and in particular tackling payment issues. This could be through providing advice and information, pointing them towards mediation or handling complaints and, of course, acting as a real disincentive to unfair behaviours.

This measure complements our other work to date to support small businesses, such as extending small business rate relief for a further year from April 2015—saving millions for small businesses—cutting £2,000 from the national insurance bills of small firms through the new employment allowance, and much else.

Under current law, there is no obligation for insurers to pay valid insurance claims to businesses within a reasonable time. These payments are vital for a business struggling to survive after an unexpected tragedy, such as a fire, break-in or flood. In the most serious cases, a business waiting for a late insurance payment can collapse. The Bill will make sure that insurers are under a legal obligation to pay up within a reasonable timeframe. Where this does not happen, they will be liable to pay damages. This provision is based on careful and detailed recommendations from the Law Commission, which worked closely with stakeholders to develop the criteria in the Bill and our proposed approach.

Another theme of the Bill is deregulation. The Government are absolutely determined to reduce costly, unnecessary bureaucracy for businesses. In the last Parliament, we reduced that burden by £10 billion through a wide range of savings, large and small. The business impact target created in the Small Business, Enterprise and Employment Act 2015 requires government to measure and report on the economic impact to business of any regulatory changes. However, business consistently tells government that the actions of regulators are at least as important as the content of legislation. In a recent survey, nearly half of businesses said that preparing for regulatory inspections and dealing with inspectors is burdensome, and nearly three-quarters of scale-ups said that they would be able to grow faster if dealing with regulators was easier—a frightening figure. The Bill will extend the business impact target to cover the regulatory functions of not just Ministers but regulators. This means that regulators will be required to assess the economic impact of new or amended regulatory activity in the scope of the target, and to obtain independent verification of the economic impact of those measures.

We will also be introducing new annual reporting requirements for regulators which are subject to the growth duty and the Regulators' Code, thus increasing transparency and accountability for their actions in respect of these measures. We introduced the Regulators' Code in 2014 to support regulators to design their policies and procedures in a way that suits business needs. The growth duty, which is due to be implemented in 2016, will require regulators to have regard to economic growth. By introducing these reporting requirements, we will be able to build a body of evidence on how the code and duty are operating, and make amendments to them as necessary. The new reporting requirements will apply to regulators subject to the Regulators' Code, the growth duty, or both. Currently some 70 national regulators are subject to the code. We are planning to consult on the scope of the growth duty in the new year.

Primary Authority allows businesses to form partnerships with a local authority, giving them access to robust, reliable advice on a whole array of regulation to help them run their day-to-day businesses. Other authorities must then take this into account when carrying out inspections or addressing non-compliance, even if the firm trades across several local authority areas. Since its introduction, Primary Authority has doubled in size every year. There are now close to 8,000 Primary Authority partnerships, 85% of which are with small and medium-sized enterprises. In effect, the Bill amends and consolidates the existing legislation that underpins the scheme for ease of comprehension by enforcers and businesses, as can be seen in the Bill as published. It will give businesses the opportunity to receive tailored, assured advice from a primary authority in relation to key regulations affecting them. Pre-start-up enterprises, those regulated by only one local authority, and more groups of businesses—such as members of franchises or trade associations—will now be able to benefit from the scheme.

The Bill will also improve the business rates appeals system in England to make life easier for business. I am afraid that the current system is simply not working and appeals are taking too long to resolve, with speculative claims clogging up the system. This creates costs and uncertainty for businesses and is unfair to those who are owed a reduction in their rates bills. By introducing a more structured and rigorous system which is easier to navigate, cases can be resolved at an earlier stage and refunds paid out more quickly.

The Bill will also allow sharing of some Valuation Office Agency information with local government, saving businesses time and money as they will not

[Baroness Neville-Rolfe]
be required to provide the same data twice over. These changes complement the Chancellor's recent announcement on business rates, but the provisions, which are about improvement to the system, will still be needed.

I am glad to say that the Government have committed to delivering 3 million new apprenticeships during this Parliament. Investing in skills is a vital part of the Government's plans to boost productivity in the UK but as the apprenticeship brand grows, we recognise that there is a risk that the term "apprenticeship" could be misused and applied to lower-quality courses. That is exactly the opposite of what we want to achieve. In our recent consultation exercise, we received evidence of people who thought they were doing an apprenticeship when in fact they were doing low-level qualifications and were not employed in a real job. We want to give employers, parents and apprentices confidence that apprenticeships are genuine and high-quality opportunities. The term "degree" is protected in legislation and by applying a similar protection for "apprenticeship" we will help safeguard the apprenticeships brand from misuse. When I was in retail, we used to have a special ceremony for graduating apprenticeships. I would like to see that sort of celebration and recognition everywhere.

We want to make sure that the public sector leads by example in the important area of apprenticeships. Across Whitehall there are already hundreds of apprentices learning the skills they need to be effective in the Civil Service, including one in the Permanent Secretary's office at BIS and one in my own Enterprise Bill team. To pave the way to meeting our target of 3 million, the Bill will introduce apprenticeship targets for public sector bodies in England.

As we announced in our manifesto, we will also be putting a stop to six-figure, taxpayer-funded exit payments in the public sector. Only very recently, there was a payoff to a senior NHS manager worth more than £400,000. We simply do not believe that such huge exit payments, which are far in excess of those available to most workers in the private sector and wider economy, are fair or offer value for money to the taxpayer who funds them.

Finally, we are amending the Industrial Development Act 1982 to bring it up to date. First, the Bill will introduce an additional power to fund broadband projects across the country—a topic close to my own heart. This is on top of wider efforts to achieve 95% broadband coverage by 2017, which includes £1.7 billion of public investment to make superfast broadband available in areas where it would otherwise not be if left to the commercial sector. Secondly, we will increase the per-project threshold for providing financial assistance to businesses to reflect inflation since the 1982 Act was passed. This means that outside assisted areas, where different rules apply, it will be possible to provide a project with up to £30 million before a resolution from the House of Commons is required.

This Bill will contribute to the Government's vital objective of making life easier for small businesses. We are progressing the Government's commitment to backing businesses and not drowning them in red tape. It supports apprenticeships so that we invest in the skills we need now and achieve the objective, which I believe we all share, of 3 million quality apprenticeships. We have achieved a great deal already, mainly thanks to the enterprise, drive and hard work of businesses large and small, but it is now important to keep up the momentum. I commend the Bill to the House and I beg to move.

*3.34 pm*

**Lord Mendelsohn (Lab):** My Lords, I draw attention to my business interests as contained in the register. I start by thanking the noble Baroness for her courtesy in sending material on the Bill; it has been very helpful indeed.

I must confess that, during the course of the Queen's Speech, my pulse was quite sent racing. I was very keen on the initial stated intentions of the Enterprise Bill, which were to,

"cement the UK's position as the best place in Europe to start and grow a business, by cutting red tape and making it easier for small business to resolve disputes quickly and easily; and … reward entrepreneurship, generate jobs and higher wages for all, and offer people opportunity at every stage of their lives".

I became slightly less enthusiastic when, on 17 September, the Government's announcement of a series of publications rendered the latter intention as to,

"cut red tape for business, encourage investment in skills, and make it easier for firms to resolve payment disputes by setting up a Small Business Commissioner".

That seemed to downplay somewhat the initial ambition of the Bill. It will therefore be no surprise to noble Lords to learn that the Bill as published has somewhat dampened my flame of excitement. The Bill states that it will,

"Make provision relating to the promotion of enterprise and economic growth; and provision restricting exit payments in relation to public sector employment".

There are of course some measures that we will support. In fact, a number of the measures now being brought forward by the Government are ones that they resisted during the passage of the Deregulation Bill, Consumer Rights Bill and Enterprise and Regulatory Reform Bills in the previous Parliament. The Bill contains the product of a number of reviews, together with a curious mix of measures relating to the public sector and some well-intentioned but somewhat limited initiatives.

In this context, although we will always try to be as constructive as possible and seek to find ways in Grand Committee to convince the Government to improve some measures—and we will express our support for others—I cannot fail to say that our strongest disappointment concerns the Bill's provisions relating to the Small Business Commissioner and late payments. No one is in any doubt of our support for the measures relating to those matters, but what has been proposed is, in our view and on the basis of available evidence, not just insufficient but highly likely to be negative.

The consultation on the Small Business Commissioner was limited. It reminded me of the quote attributed to Henry Ford, who said that if he had asked consumers what they wanted at the time, he would have invented a faster horse rather than the mass-produced motor

car. The Government, resisting the arguments for a small business administration, have landed on the Australian model. This we warmly and enthusiastically welcome, but we do not believe that they have used the considerable experience and evidence base available to good effect. I know that the Minister recently met the Australian Small Business Commissioner, Mark Brennan, whose 15-year work in Victoria, Australia, has provided world-leading expertise in how to apply and develop that model. He has encouraged a massive evidence base to emerge with industry groups, academics and other institutions.

The Small Business Commissioner could be a great boon for our country, but its flaws as proposed are many. The first is its proposed scale. The Government anticipate that it will deal with only 500 cases a year. In fact, its staffing and resources compared to those in Australia, where there are small business commissioners in every state as well as at the federal level for a market and population considerably smaller than ours, will make it relatively smaller than the Australian federal and state commissioners.

Secondly, the Small Business Commissioner's role and purpose is too limited. The origin of the Victorian Small Business Commissioner—the first one—was as a measure to improve the quality of the business environment. It was established with broad powers and functions in Victoria and developed from a review of the retail tenancy laws. When the original Bill fell due to the timetable, the next set of state Ministers considered that the advantages present in the Bill were likely to be highly beneficial to small businesses in general, rather than just the retail sector. The office of the Victorian Small Business Commissioner was established,

"to enhance a competitive and fair operating environment for small business in Victoria".

That model has caught on. The specific provisions constituting the Victorian Act are not dissimilar to those found in the legislation of other states, which are essentially based on that model.

It is clear from the operation of all these models that there is a consensus and evidence base that a properly functioning small business commissioner covers: access to information and education; advocacy to government; investigation of small business complaints and business behaviour; facilitating the resolution of disputes, including and especially through mediation; and influencing a small business-conscious government and other key stakeholders including regulators, media, academia and the business community and trade organisations.

Fourthly, the decision not to provide the commissioner with a mediation role will inhibit it in establishing its place in the business community and takes little account of the evolution required to make the role truly effective. Universally, every small business commissioner in Australia will tell you that it is this role that led to the widespread support across the business community in large as well as small businesses for its work and established its credibility. The fact that it is underpinned by an important legislative power, namely that any company's refusal to accept mediation must be taken into consideration over the question of who is responsible for costs of court action whatever the result, is fundamental to its effective operation.

I noted during the consultation that the Federation of Small Businesses did not support this role. On this, it is just plain wrong and I urge it to speak to its counterparts in Australia, who can brief it on the importance of this. The Government's argument that there is no market failure is quite bizarre. Having listened to Ministers and read their documents in relation to the then Small Business, Enterprise and Employment Bill, their own conclusions on the asymmetries of power, information and resources are pretty clear that there is an entrenched market failure. The absence of mediation as a central function of the Small Business Commissioner is an error that requires correction.

Fifthly, the commissioner lacks the independence and long-term support to make it effective. Other similar agencies have been established, and beyond Australia, with greater independence so that they become the champions of small business rather than the potentially politicised tool of Ministers. Additionally, they have wide roles defined to make sure that they can evolve and design effective ways of working. It can hardly be credible that the Government have a serious, long-term commitment to these issues if they provide for the Secretary of State to be able to abolish it at the stroke of an administrative pen if they find it inconvenient.

Finally, and most extraordinarily, the Australian Small Business Commissioner model has very little to do with late payments at all. It has no specific powers or role there. It has little success and not one of the commissioners considers that an essential function. It has more to do with unacceptable payment terms, but there, too, it is limited. In fact, Australia's record on late payments is probably worse than ours. On payment days, it has a significantly worse record than the UK. It is fiction to believe that it is either useful or effective in dealing with late payments. Given the 15 years or so of experience, it is sobering to observe that in Australia they are introducing a variety of legislative measures that we would do well to examine for how we deal with late payments. In fact, Australia's recent introduction to deal with late payments in the public sector is to force the public sector to not just report any late payments but automatically pay interest on the costs to those it has not paid. We believe that that measure helps to materially and significantly address the problem of people not paying up by making them face consequences for late payments. We tried to introduce similar measures in the small business Bill, and we hope to re-examine this in Grand Committee.

I genuinely believe that the Government want to do something on this, and that they, too, are unconvinced that culture or a body that handles 500 cases a year can realistically address the ever increasing volume of late payments. We will lay amendments that we hope the Government will be inclined to work with. In the mean time, have the Government any plans to introduce, by amendment to this Bill or through administrative means, given the disproportionate disadvantage that small businesses have in funding cash flow, a requirement on all government departments and public agencies to pay additional compensation on small business invoices

[LORD MENDELSOHN]
that are not paid within 30 days? Can we have an update on the Government's experience on requiring contractors used by the public sector to pay their subcontractors within the same period as the main contractor is paid? Would they consider imposing a requirement for the main contractor to report on payment to the public sector body, including the payment of the interest on the late payment? Will they provide that all suppliers and bidders to the public sector and for public contracts must sign up to the Prompt Payment Code, and for suppliers to be able to make complaints about late-paying suppliers anonymously through their representative business organisations, as required under current EU legislation?

It feels a little early to be amending the small business Bill, but we are delighted to be doing so, as we made the point that the Government's logic on regulation is that they should have introduced it then with regard to business impact targets. In addition, in Part 2, who could oppose anything to reduce the burden of regulation? That is, the burden, not the fact of regulation. I tried to find a single post-war Government that did not make this pledge. I believe the first to do so was when Harold Wilson, as the President of the Board of Trade, announced the "bonfire of controls" in 1948. The previous Government even suggested that they saved £2.2 billion through their "one in, two out" rule. I am pretty sceptical about that figure—a feeling that has grown stronger ever since I was given extremely unhelpful replies to my Written Questions on this matter. As an investor in and operator of small businesses, I have also been looking out for the couple of thousands of pounds by which I should feel better off as a result of this policy. However, a report issued by the independent Regulatory Policy Committee in March perhaps gives the reason why I am still waiting. It identifies that, during the last Parliament, the Government introduced regulatory costs of almost £2.7 billion. Overall, the cost of regulation increased by at least £460 million. To be fair, the last Government tried to be more thorough than most of their predecessors in trying to reduce the burden of regulation, but they have not done so. Regulation from the EU—or that which it defines as EU—is excluded, and the remarkably unscientific so-called "equivalent annual net cost to business" conveniently ignored the Government's own accounting rules.

On the business impact targets, we believe that the Government are right to place a duty on regulators to see how they operate and to ensure that their impacts are properly measured, and we will support those sorts of notions. However, as I say, we are sceptical about the numbers, and we hope that the Government will be interested in supporting a more independent examination of the regulatory savings and how that can be strengthened. I must say that the last Government stated that they had saved £2.5 billion a year—£10 billion over four years, the Business Minister said at the time—and that this Government are looking to save £10 billion in five years. Perhaps they could be slightly more ambitious.

We have previously raised concerns about the growth duty and how it may affect particular regulators. While the intent is clear, the legislation and the impact assessment provide no comfort as to whether the operation of this duty is consistent with the effective operation of other regulatory functions. We are keen to support that, but we would be grateful for more clarity on it. We will of course also support the concerns of the Equality and Human Rights Commission that it should be exempt as a result of its particular circumstances. Perhaps the Minister could tell us whether these measures would apply to the EHRC.

We are strongly supportive of extending apprenticeships and of ensuring that they provide the right quality of opportunities and outcomes that we desire. I have also previously praised some of the initiatives the Government have undertaken on this. The wider concerns are how Ministers who are adding responsibilities and duties whilst cutting budgets to local authorities and requiring them to create new ways of working can realistically add centrally set targets and reduce the local capacity to design and develop training and reskilling of existing staff during restructurings. Does the Minister recognise that this might be a problem, and what measures or flexibilities have the Government examined to take this into account? In addition, will the Minister tell us whether the Government will now consider that if it is good enough for the public sector to have such targets, it might be under the Minister's consideration for the private sector to have similar targets imposed in due course?

In relation to protecting the name "apprentice", we are inclined to be positive. There are of course some major concerns about the operation of apprentices and a number of cases of abuse and of poor quality, which I am sure will be addressed by part of the debate on Thursday. However, I am also starting to worry about some of the noble Members of this House. Under this measure, would it be lawful to describe a 12-week training scheme, where an individual wins an investment in a business, as an apprenticeship? I suspect that we will see a start this Wednesday. However, I also suspect that those who might be threatened by this will appreciate that their salvation may be that the Government, which have presided over a 40% reduction in the budgets and size of trading standards, expect trading standards to be able to police this effectively; we are unconvinced that they have the resources to do so. I would be interested to see whether the Minister is providing some more resources, and if she will speak to that. Also, why has a consumer-facing body been charged with this duty, and what else did the Government consider before arriving at that conclusion?

This Bill has good intentions, carrying the conclusions of some impressive reviews but with some serious policy flaws and some measures whose vagueness raises questions over their efficacy. There are some things that we were expecting. In July, the Treasury briefed the media that the Bill would include provisions for the Government's suggested changes to Sunday trading. Can the Minister confirm that that will be introduced in Grand Committee? There has been some speculation that the department has lost responsibility for this aspect of business policy and it has moved to the Department for Communities and Local Government. Which department holds primary responsibility for

this measure, and is there an agreement that this should be introduced in a BIS-sponsored legislative measure?

I do not fault the Minister, who I recognise does a great job in dealing with some tricky government legislation, and we are always very keen to work with her. We on this side look forward to a long and detailed examination of these measures in Grand Committee, and have great expectations that the Government will be more forthcoming with details, data and evidence to support their positions. We will bring forward amendments that are consistent with the Government's stated intentions and with the objectives of the Bill, covering areas that merit urgent consideration. But we will be resolute in trying to ensure that, for key measures in the Bill, this House provides a better piece of legislation to the Commons than that which came to this House, and we will be prepared to support others in this House, from whichever Bench, who share the same view.

*3.51 pm*

**Lord Stoneham of Droxford (LD):** My Lords, this is a deeply disappointing Bill, given the all-embracing nature of its title, and I am not sure that the Minister really answered her initial question as to why it was necessary to have this Bill now rather than doing more work on it. Only £25 million of net annual savings will come from these measures for business. That is what the impact assessment says. Many of us thought that the Government would reveal the principal items of their further push on red tape to cut the £10 billion of cost to business that they are projecting. I am never quite sure whether that is an annual target or whether it is £10 billion over the life of the Government. Perhaps the Minister could reassure us on that point. But it seems that this Bill is taking us back to new Labour targets; it will be used to extend the target for cutting red tape through the activities of the regulators, although it is unclear what impact that will actually have. I hope that the Minister can reassure us in her summing up that this is more than just a finger in the air by telling us how much detailed work has been done to reach these targets.

We welcome the promotion of an enterprise economy. We think that it has had a major role in job creation as we have moved out of recession, and it will have an even more critical role in job creation going forward. Frankly, with the great problems that Britain still faces in its balance of payments, financial deficit and low productivity, the small business sector is needed to make a massive contribution in all those areas. We need better managers; help with cash-flow problems for people setting up new businesses, with alternative sources of funding; more work and development by the British Business Bank; and we need to see small businesses directly encouraged to take on more apprenticeships and develop more skills. But the agenda of this Bill is very limited. Indeed, its appearance on the day we left for the conference recess suggested that the Government had spent the summer scratching around for things to put into it. Free of the shackles of the coalition, we were expecting the red meat of pro-business and pro-enterprise strategy pioneered by the free-market new Secretary of State to really get our teeth into—but we have been disappointed. Our worry is that it will provide a veneer of action before the public expenditure cuts nearer Christmas cut into the partnership activities of the industrial strategy, catapult centres, training budgets, adult education and research and development that are so vital to the country's business renaissance.

We welcome in principle the concept of the Small Business Commissioner, but there are a number of issues. We are told that the running costs will be £1.3 million, with capacity to handle only 500 complaints a year. Voluntary mediation is apparently the way forward. There are no back-up powers and no ability to shame big business operators using bad practice or to enforce codes of practice—unless something is going to follow, and it is not clear that it will. As we know, complainants will be reluctant, as now, to come forward if they fear that business will be cut from them in future. That is the key problem. We know that small businesses do not complain for fear of losing future orders, so how will the commissioner be able to reassure people and encourage them to complain?

Apprenticeships were one of the great successes of the coalition. They built on the foundations of work started by the previous Labour Government. We are happy to see protection for the branding and quality of apprenticeships, but should the emphasis now be on the power to set targets in the public sector when the issue there should be largely one of the resources and will in that sector to do apprenticeships? The real problem is not there; it is getting the small business sector to take on new apprentices without weighing it down with the bureaucracy of government incentive schemes and costs. We would do better to oversee government resources going into this and, in particular, into adult education which can play such a big role in supporting local businesses in their area. There is a huge need.

With the Government desire for more homes, the big need is in the construction industry and sector, where the role of public sector infrastructure contracts could be so important in getting more apprenticeships. The Government should be addressing the annual shortage of 30,000 new engineers going into training. There are regional disparities and there is no mention of the fact that there are areas, such as the north-east, where the achievement in apprentices is much more disappointing than in other areas of the country. As providing resources is the key, can the Minister confirm that, in line with the devolution of local government, local authorities are not going to be included in the public sector targets at this stage?

On industrial development grants, the improvement of financial assistance in line with inflation has our support. There is a recognition that partnerships are helpful and that government funding can be essential, as we have seen in the motor industry in the past 15 years. Widening support to the electronic communications sector is welcome. This supports the view of the Minister before she was a Minister. In 2014, she said:

"Broadband and mobile coverage have become essential utilities, like water or power. Without coverage it is like living in the old world without a post box or hot water".—[*Official Report*, 13/5/14; col. 1749.]

[Lord Stoneham of Droxford]

Over the past few months, I have been trying to get a specific figure from the Government on the number of households with super broadband. The skill of the Treasury in avoiding the question is remarkable, so I shall try again with BIS. What percentage of households currently have access to super broadband compared with the target of achieving 95% in 2017? Until I get that figure, I will be very suspicious that the Government are worried that they are not going to achieve their target. That may be one of the reasons they are putting this clause in the Bill: to put a bit more resource towards it, or at least to protect their backs. I would like to know what our progress is.

The importance of broadband for the small business operator needs emphasis. People can start businesses from home, which we encouraged in the previous Enterprise Bill, but it is no good if super broadband is pathetic or BT comes forward with completely unrealistic charges for putting in private lease lines, which I suspect it does as a way of getting more money, thereby holding up what it should be doing as part of public service.

On the day that it has been announced that Redcar is being not mothballed but closed down, will the Minister say whether there has been any consideration of industrial development grants in a situation which is devastating not only for the second-biggest steelworks in Europe but for all the small businesses in the north-east which have been dependent on it?

I find it strange that we have a public sector employment clause restricting exit payments in a Bill on a matter of enterprise. I am not sure why it is here. We on this side of the House accept that it is appropriate and reasonable that leaving payments should be limited, appropriate and not excessive. There are of course examples where they have been excessive but I fear that the Government are responding to *Daily Mail* headlines, and it is populism that results in poor government. "Give me 100 good managers rather than £1 billion in extra government spending"—I think that somebody said that recently. As somebody who has spent a lifetime in management, I could not agree with that more. We should be encouraging enterprise, good candidates, change and more appropriate commercial expertise in the public sector.

It is a hugely difficult job. I left the public sector in my 30s because I could not face dealing with some of the problems of a career in public sector management. Maybe the Minister did as well; she knows what it was like. I always admire the people who stuck it out, because I did not. Yet here we are, always looking to restrain salaries and cut back on perks and benefits. Sometimes, although there are instances where payments are excessive, you need to oil the wheels to get change and progress in the public sector, just as you do in the private sector. This legislation suggests that contractual terms are about to be broken, and it is extremely dangerous in terms of our objective of trying to get more change in the public sector that one of the mechanisms that is often needed is going to put a huge restraint on encouraging good people to come to work in this area.

I have one more point to make, which others have mentioned. I hope that we are not going to have some late amendments to the Bill on the Sunday opening issue, following the consultation. I hope that the Minister can confirm that to us in her summing-up.

This is a deeply disappointing Bill. There is little direct impact on the cost of regulation or direct help to small businesses. The Government's agenda at this time needs to be to support small businesses. We should be giving ongoing attention to helping their cash flows and speeding payments, not least in the public sector and in the construction sector. We should be easing access to government schemes that support small businesses. We should be encouraging small businesses to take on new staff and apprentices, particularly with the use of grants. We should be looking particularly to local chambers of commerce to provide more help to the expert potential of small businesses. The Government need to be more convincing towards the enterprise economy if they really wish to address the nation's need to compete globally.

*4.02 pm*

**The Lord Bishop of London:** My Lords, as has been said, the Bill is modest in ambition but still very useful, especially the proposals in Part 4 setting targets for apprenticeships and containing measures for protecting the brand. I was fascinated by the Minister's throwaway suggestion that there ought to be some ceremonies to symbolise the successful conclusion of apprenticeships. Speaking as a representative of "Rituals 'R' Us", I could certainly offer a consultancy. We might even have apprenticeships in the Diaghilev industry that I can see growing today.

I was recently at the topping-out ceremony for the new Bloomberg building in the City of London. It covers three acres and will contain the largest quantity of stone of any building in the City since the construction of St Paul's, so I dread to think what has happened to Derbyshire as a consequence. Five million hours of labour had already been put in before the ceremony, and there will be another 9 million before the centre is finished. The talk was all about a point that has already been made by other noble Lords: getting Britain building and, in that context, the vital importance of apprenticeships in securing the supply of properly qualified engineers and tradesmen. There was a special emphasis on the restoration of the dignity of making. That is obviously a very considerable cultural challenge and the direction has gone somewhat in another way, but presumably the measures to enhance the credibility and status of apprenticeships are partly aimed at addressing that. "The dignity of making" was one of Lord Foster's phrases on the occasion of this extraordinary launch.

In the City of London, of course, regulations governing apprenticeships, to which the Bill contributes a 21st-century coda, go back to the 13th century. Then, the minimum was seven years and sometimes longer, and I hope that the Minister is aware of, and looks to, the 109 livery companies as allies. They are small businesses in themselves and, as part of their extensive involvement in education, they have also increased their involvement in craft-based apprenticeships. Companies such as the spectacle-makers are participating

in advanced three-year apprenticeships and they have certainly acknowledged the support of BIS in getting their scheme off the ground. They are part of the Livery Companies Skills Council, which was set up in 2013 to support all manner of craft-related apprenticeships.

I declare an interest in representing 16,000 small businesses—parishes, church buildings and cathedrals—with a responsibility, among others, for maintaining 45% of all the grade 1 listed buildings in England, which are a vital part of our cultural inheritance. So we are also vitally interested and involved in the high-level training of stonemasons and other apprentices. The Cathedrals' Workshop Fellowship is part of the effort. It was created in 2006 and nine cathedrals, including Canterbury and York, are currently involved in work-based programmes validated by the University of Gloucester. We very much welcome the emphasis on protecting the status of the brand. Measures to increase the supply and enhance the status of apprenticeships are very welcome. In life generally, apprenticeships are the way to success and mastery. The alternative is overnight stardom, but there is no legislating for that.

*4.07 pm*

**Lord Baker of Dorking (Con):** My Lords, this is something of a patchwork Bill, in which the Government have produced a variety of proposals which, they hope, collectively will make our society more enterprising. The dubiety of that has already been expressed by the Labour and Liberal spokesmen.

I should like to follow the right reverend Prelate the Bishop of London and talk about Clauses 18 and 19 on apprenticeships. The Government have set great store by transforming the whole apprenticeship movement and developing what has happened before, and they have set a target of 3 million by 2020. I think that that will be very challenging if we are to have high-quality apprenticeships, because the apprenticeship movement has been much abused in the past. I remember that about two years ago I went round an FE college and met two youngsters in the corridor. One was carrying a brush and the other a mop and bucket. I said, "Hello, what are you doing?". They said, "We are apprentices". I would not have thought that mastering a brush and a mop and bucket required a one-year or a two-year apprenticeship, and I doubt very much that they were doing the subjects which should be done when studying building maintenance via electronic engineering, making quite sure that computer systems and ventilation systems work. I do not think that they touched on those things at all; it was a racket. Some company—I do not know whether it was in the public or the private sector—was paying them a salary to do this. Maybe the FE college itself was paying them a salary because it would benefit from doing the training. However, I hope that the Minister will take this home to BIS and make sure that we do not have apprentices like that in the future.

There are four important levels of apprenticeships. Level 2 is taken at the age of 16, but industry and commerce look upon those as semi-skilled—they are not demanding enough. The next level is A-level or level 3, which is much more important and is a demanding level of achievement. For this, a two or three-year apprenticeship is needed. Then there is level 4, which is the old HNC and diploma level; and then the foundation degree level or level 5. We are now beginning to see, very slowly, some foundation degree apprenticeships—the noble Baroness is nodding, but I can assure her that it is only a tiny handful.

Last week, a report from the Sutton Trust on apprenticeships and their comparison with positions across the world shared a very interesting statistic. Someone who does a high-level apprenticeship—at levels 4 or 5, such as I have been talking about—will, over their working life, be likely to earn £50,000 more than a university undergraduate, apart from, of course, those attending the very best universities. We have to get it across to many young people that an apprenticeship is not a second-class pathway to success. It can, in fact, be infinitely better than a university degree, because the English education system is now cursed by only one target: three A-levels and a university. That has resulted in a very large increase in graduate unemployment at the moment.

We have to create new pathways to success. But how are we going to go about doing that? Take someone leaving an ordinary comprehensive school at the age of 16. Today, that student will have been doing mainly academic subjects—the famous three A-levels and a university. Technical subjects are being squeezed out in schools for those below the age of 16. Design and technology is a very good technical subject that I introduced into the curriculum in 1988. Already, in the last five years, the numbers taking it at GCSE and A-level have declined quite regularly because it does not appear in the league tables or get students to the magic three A-levels and a university. Someone aged 16 who has done only academic subjects and wants to be an apprentice will, quite frankly, be very hard pushed to find any company to employ him. Take those between the ages of 16 and 18. Again, fewer technical subjects are being taken at A-level. We then come to foundation degrees—the pinnacle of this pathway to success—and they also fell last year.

This is a really rather depressing position. We have a very substantial skills gap in our country. The Royal Academy of Engineering estimates that the skills gap in graduates in STEM subjects is 45,000 a year for each of the next five years. At the moment, it will be very difficult to get anywhere near filling that gap in the choice of students going into universities. When it comes to technicians, the figures are very much larger. At degree level, the gap is 830,000; at technician levels 3 and 4, we will need 450,000 over the next four or five years. I do not believe that the present education system in schools, FE colleges or universities will get anywhere near matching that gap.

The other thing I would say is that we should really have a look at how Germany has done it. In Germany, by the age of 18, almost 75% or 80% of students will have experienced a form of technical education. We are at 30%. Last year, over 500,000 apprentices in Germany finished their course, while we had about 200,000. This is a huge gap indeed.

I am now quite convinced that, if we are going to try to fill the skills gap, starting technical subjects at

[Lord Baker of Dorking]
the age of 16 is too late and starting at the age of 11 is too early. I believe that students in our schools should start technical education at the age of 14. That is why, over the last six years, I have been promoting university technical colleges, because they take students from the ages of 14 to 18. The noble Lord, Lord Bhattacharyya, is in the House. He knows about this, because he supported a very successful one that opened in Coventry, supported by Jaguar—he is nodding. It is very popular and doing very well. It means that a student starts at the age of 14 and by 16 has a level 2 qualification. They are then just employable, and so it is much better for them to stay on and get a level 3 qualification and go on to a level 4 and level 5. That is why we need in our education system a clear and definite pathway for technical subjects for students between the ages of 14 and 18. The CBI has now called for the Government to establish this, as have the chambers of commerce. I hope that we will move towards it.

Certainly, the university technical colleges that are operating at the moment—we have 39 open and another 20 preparing to open—all very much subscribe to the phrase that the right reverend Prelate used: they all involve the dignity of making. For 40% of the curriculum below 16—that is, for two days of the week—the youngsters are making and designing things with their hands, in various types of metal, wood and other materials, and doing advanced computing. They are therefore very suited to providing apprentices. The JCB UTC in Uttoxeter in Staffordshire has 50 apprentices this term. They will be there for two years; they will be employed by companies in the area; and they will go to the college for two days a week to improve their basic education. That is very rare. An ordinary comprehensive could not possibly do that because no company would employ its students unless they had some technical skills.

Another UTC, at Reading, which was rated as outstanding by Ofsted this year—it is remarkable for a new school which has been open for only two years and is pioneering a new type of education to get such a rating—specialises in advanced computing. When I went to see Charlie Mayfield, the chief executive of John Lewis, I wanted to talk to him about food processing, because one of the UTCs wanted to do it and there is a shortage of hundreds of thousands of technicians in that industry, but he said, "No, I want to talk to you about the lack of computer scientists. I cannot get enough computer scientists of a sufficient quality to run what is a very difficult logistical operation of a large retail group". So he has to employ from abroad. I then put him in touch with the Reading UTC, and I am glad to say that it is providing apprenticeships for Waitrose next year.

This is an entirely appropriate cause for the Government to be committed to. Huge sums of money are involved—the spending on apprentices this year will be £1.5 billion, or slightly more than that—but they must get it right. They must focus on the high quality of apprenticeships, because that is where we need it most. If you are going to have a really enterprising economy, you will have to have many more technicians in it, inventing and designing things. That should be our target in our apprenticeship policy.

*4.17 pm*

**Baroness Donaghy (Lab):** My Lords, with so many topics covered by the Bill, I will concentrate on public sector exit payments and then add brief references to cash retention and apprenticeships. I am concerned about the proposal to cap public sector exit payments. I have a fair amount of experience in this area and know that the measure will have unintended consequences which make reorganisation more difficult. It will mean less flexibility for redundancies and less certainty for staff—particularly those over 50—and, in the end, might cost the taxpayer more money not less.

In the Civil Service, the proposal cuts across a negotiated agreement. The then Minister for the Cabinet Office, now the noble Lord, Lord Maude of Horsham, described the agreement reached in 2010 as one which would be "lasting"; he said that it would,

"provide a fair balance between the interests of taxpayers and the interests of civil servants and protect those approaching retirement and the lowest paid".—[*Official Report*, Commons, 14/12/10; col. 849.]

So what has changed?

The impact of the proposed cap will be on those with long service rather than on the highest paid. The Cabinet Office has confirmed that some civil servants earning less than £25,000 a year could be affected by the cap because they have worked for so long for the Civil Service. Conversely, some high earners with less service will not be affected, because the Civil Service Compensation Scheme is service-related and there is already a maximum pay limit. This maximum pay limit has meant that a number of employers have not been able to restructure their organisations or make the staff changes that they had planned. If the Civil Service had a viable redeployment process, it would provide better value for the taxpayer than an exit cap. It would also meet the ACAS guidelines for employers on redundancy handling.

In the health service, there is already an exit cap of £160,000. National Health Service trade unions have recently been in negotiations with employers and the Department of Health on further changes to the NHS redundancy scheme. The Department of Health has been keen to use this latest round of talks to introduce a staggered clawback of redundancy payments where staff were re-employed within 12 months, and a taper of redundancy calculations for staff approaching retirement age. The National Health Service trade unions have been keen to use the talks to limit the need for payments through establishing better scope for redeploying staff at risk of redundancy. While there are still issues to iron out, these talks have been productive. However, the announcement of the Government's £95,000 cap has set this timetable back significantly and has the potential permanently to derail these talks—another unintended consequence, I am sure. If there has to be a cap, the figure must be increased and there must be a commitment to index-linking that amount.

The Local Government Association has indicated that the proposed cap may threaten essential future staffing restructuring in councils. The Bill also fails to provide certainty over when the cap will apply, which is unhelpful for staff and employers. A start date

should be made clear. UNISON has also referred to necessary restructuring as a result of the dramatic cuts in local government budgets. UNISON described these reorganisations as,

"a staggered process over several years to maintain service delivery and to enable smooth transitions from old to new delivery models".

The union made the point that,

"employers and employees may therefore have made dramatically different decisions in [the] initial stages of restructuring if they had been aware of the constraints proposed for future stages by this proposal".

Under recently negotiated public sector pension changes, guaranteed not to be meddled with for 25 years, when a member of the local government pension scheme is made redundant over the age of 55 they are instantly entitled to draw their pension without the usual penalty for drawing it early. The employer makes a one-off lump sum payment known as a strain payment. The proposals in the Bill explicitly include payments made to a pension scheme. It would impact on those earning £35,000 a year and as pension age protections wither on the vine the pension strain payment will begin to affect staff on much lower incomes.

As UNISON pointed out,

"under these proposals, an individual staff member's length of service and age could become the determining factors in employers seeking to avoid the complication of this arbitrary cap".

That may be discriminatory. I hope that the Government will withdraw this clause altogether. If they are not minded to do that, I hope that there will be a protected period of two to five years where an employer can demonstrate that they are in the middle of an ongoing restructuring programme. The cap should be increased so as not to derail NHS joint negotiations. There must be a mechanism for index-linking, and pension strain payments should be excluded from the exit payment calculations. There should also be an exemption for low to moderate earners. My final point on this particular part of the Bill, particularly with the Trade Union Bill coming down the track, is that reneging on agreements reached after much agonising on both sides is a sure-fire method of creating havoc in employment relations and stoking up a lot of trouble for the future.

The Enterprise Bill provides an opportunity to return to the subject of cash retention, particularly in the construction sector. Some of us participated in a debate on the small business Bill but the previous Government were not minded to introduce some safeguards on this. The same Minister is presiding over this Bill and I hope that she will change her stance. I also hope that there will be support from across the House for a provision in the Bill that requires cash retentions to be placed in trust or that alternative security such as bank guarantees are provided. I am sure that the noble Lords, Lord Aberdare and Lord O'Neill of Clackmannan, are majoring on this important subject, so I will keep my contribution as brief as possible.

The Specialist Engineering Contractors' Group has been calling for this provision for some time, and it is depressing to read about the companies that have gone under simply because of companies which owed money and did not pay up. As the SEC has stated, cash retentions are withheld from progress payments ostensibly as security against failure to remedy defects. In practice, they are deducted to support the cash flow of the paying party. Cash retention in the construction industry is a scourge which causes bankruptcies, loses jobs and reduces training. When I was preparing my report on construction fatalities six years ago it became clear to me that cash retention was part of the downside of the construction industry. Flexibility will always be a necessary ingredient for that industry's success. While I was not able to prove a conclusive link between cash retention and safety in the industry, I feel sure that the uncertainty it causes, the cutting of corners, the massive strains put on subcontractors and those further down the supply chain make a negative contribution to safety. Cash retention is like an underground poker game. I urge the Minister to at least force these games into the fresh air.

I shall make a brief and final reference to Clauses 18 and 19 on apprenticeships. The commitment on paper is welcome, and I notice that the much-despised targets are back again. Unless the Minister has the powers of Prospero and can conjure up 3 million apprenticeships without any visible means of support for the public sector, I am very much afraid that this plan will be a Caliban. The levy could turn out to be a tax on training and could displace training budgets for existing workers. So I ask what plans there are for proper negotiation with employers and unions in its implementation. If the National Health Service is forced to take on more apprentices, where there is insufficient staffing capacity to provide supervision and mentoring, it could be very risky. The types of roles for which apprenticeships exist do not necessarily match up with the job vacancies. A healthcare assistant in the NHS wishing to become a nurse cannot currently do so through an apprenticeship and would require funding to support their progression. This could be a really important development if the Government were so minded and would provide real jobs at the end of the process.

Is it the Minister's intention that the Skills Funding Agency continues to run and fund the National Apprenticeship Service, which co-supports the public sector? What information will be gathered on gender, age, ethnicity and disability in each region to ensure fairness? Will all apprenticeships receive the minimum wage and not just six out of seven as a recent BIS survey revealed? How will standards be streamlined? For instance, the level 2 healthcare support worker trailblazer apprenticeship does not require participants to achieve a level 2 qualification.

Finally, will the UK Commission for Employment and Skills report on the quality of apprenticeships being provided and produce a review of what social dialogue has taken place to help to ensure the success of these schemes? I look forward to exploring these issues further in Committee.

*4.28 pm*

**Baroness Brady (Con):** My Lords, as always it is an honour to speak in the House—especially on enterprise, a subject dear to my heart.

I will begin by describing the backdrop in front of which this Bill sits, and thereby illustrate just how important it is that we debate the issues it raises. With the party opposite having appointed a shadow Chancellor who does not believe in market capitalism, this Bill is a

[Baroness Brady]
good opportunity for those of us who do and who believe that business is a force for good, to recognise the contribution that all businesses make to the life of our country and to begin to restore trust in business by creating new opportunities for small businesses to grow and for large businesses to help them do so.

As my party's small business ambassador, I make no apology for championing the efforts of our nation's start-ups, entrepreneurs, sole traders and growth companies. However, the Bill presents an opportunity to bring the whole of the business community together, large and small, as one economic and social ecosystem. Large businesses were once small and they can help our SMEs flourish as they have done.

I will begin with a few key benefits of the Bill to small companies. In a recent survey, 73% of scale-ups said that they would be able to grow faster if dealing with regulators were easier. The Bill will make that interaction easier. The Small Business, Enterprise and Employment Act already mandates that the Government publish the economic impact on business of legislative changes, but it currently covers only national legislation. It is to be welcomed that the Bill will bring any and all regulators in scope so that they, too, will need to be mindful of the economic impact of their output. It will also mandate that regulators report on how they are accounting for the impact on economic growth of the regulations that they are responsible for. This will help identify measures that are hampering growth and investment and therefore should be consigned to the legislative dustbin.

Further, amending the Industrial Development Act 1982 so that the Secretary of State can increase the number of grants or loans made in the name of spreading communications networks is a timely adjustment that should better enable the spread of broadband right across our country. Good, reliable connectivity is essential for businesses of all types, but its absence has a much bigger impact on small businesses. I also welcome the increase in the per project threshold in Clause 24 from £10 million to £30 million to reflect the effect of inflation since 1982.

I mentioned that the Bill presents an opportunity to bring all sections of the business community, large and small, into one ecosystem, because, of course, in reality they interact all the time. The creation of a Small Business Commissioner is symptomatic of this ecosystem and is an exciting attempt to improve it.

In January 2015, BACS reported that 59% of the UK's small and medium-sized businesses were impacted negatively by late payments, with a total debt burden of £32.4 billion. In July, a BIS survey found that 75% of businesses agreed that the relative size and market power of small and larger businesses is the primary cause of unfair practices between businesses. The Small Business Commissioner will be there to level the playing field. The Bill will enable the commissioner to handle complaints, facilitate access to support when disputes arise and help small businesses take action while avoiding going to court.

I also mention that the inception of this new office is an opportunity for larger businesses, too. That is because of the last objective of the commissioner: promoting a change in culture on late payments. Larger companies should not wait to be told to pay up by the commissioner. Instead, on day one they should seek to demonstrate their responsible practices by paying promptly and engaging with the work of the commissioner to encourage others to do the same. In this way, larger companies can show that they are helping their smaller cousins flourish and grow as they have done, and not using their incumbency to protect their status.

The Bill is about being pro-market and pro-competition, not pro-vested interests and incumbency. If big businesses are seen only as entities looking to protect their status, doing the bare minimum to comply with the law while keeping smaller businesses down, we will not build trust in our system and our economy will grow more slowly and be less dynamic as a result. But if the Bill enables small businesses to grow and large businesses to play a part in that, then we can. Business is all about ideas, innovation, and investing in people and technology. This is business at its best and this is what this Bill is about, too.

## NHS: Financial Performance

*Statement*

*4.33 pm*

**The Parliamentary Under-Secretary of State, Department of Health (Lord Prior of Brampton) (Con):** My Lords, I shall now repeat in the form of a Statement the Answer given by my honourable friend the Parliamentary Under-Secretary of State for Care Quality to an Urgent Question in another place. The Statement is as follows:

"Mr Speaker, I thank the honourable lady for giving me this opportunity to come to the House and make a Statement on the financial performance of the NHS. On 9 October, Monitor, the regulator of NHS foundation trusts, reported that foundation trusts ended the first three months of the financial year with an estimated net deficit of £445 million. Monitor's publication noted that performance in the first quarter of the financial year is usually worse than the rest of the year.

The NHS Trust Development Authority also published that day the financial position of NHS trusts for the first quarter of 2015-16. This showed that the NHS trust sector ended the first quarter of the year £485 million in deficit. The financial position of the NHS is undoubtedly challenging but it is important to recognise that, despite the difficult decisions we have had to make because of the calamitous deficit we have inherited, this party has chosen to prioritise funding for the NHS. That is why we are committing an additional £10 billion over the lifetime of this Parliament, starting with £2 billion this year.

However, additional government spending is not the only answer to the challenges faced by the NHS. The Government have taken action with their arm's-length bodies to support local organisations to make efficiency savings and reduce their deficits. In the first three months of this year, NHS trusts spent £380 million on agency staff, while foundation trusts spent £515 million. That is nearly £10 million a day across the NHS. We need to reduce this spending and challenge the agencies, which are charging, frankly, outrageous amounts for their staff. To that end, a package of measures, including a ceiling on the amount that each trust can spend on

agency nurses and mandatory central framework agreements, was announced by my right honourable friend in June. These measures came into effect on 1 October. If further action is necessary, we will not hesitate to take it.

Furthermore, we have taken action through tough new controls on consultancy spending and executive pay, and in supporting organisations to dispose of surplus land among other initiatives. The impact of all these actions will not have been seen in the quarter 1 figures published last week.

The Government and NHS leaders have taken national action to support local leaders in managing down these deficits. I welcome very much a constructive discussion with the party opposite on where we may be able to go further in driving the efficiency savings that the NHS must find if it is to provide the exceptional standard of patient care that we all on both sides of this House wish to see".

*4.37 pm*

**Lord Hunt of Kings Heath (Lab):** My Lords, the Minister is certainly having a busy day. I thank him for repeating the Statement. Obviously, these figures are very worrying. They relate to quarter 1. We are now well into quarter 3. What is the Minister's latest assessment of hospital finances and his updated estimate of the year-end position? Clearly, there is not enough money in the budget to cover the existing costs of growing pressures, so how on earth is the service to fund seven-day services?

I noted the Minister's comments about consultancy spend and agency staff. However, does he recognise that the reason so much money has been spent on agency staff, apart from through the actions of agencies themselves, is the fact that his Government cut the number of nurse training places in 2010? Does he also recognise that his Secretary of State's attitude towards doctors is driving many of them away from this country? We should not be surprised if desperate NHS bodies, beset by criticism from the CQC about the numbers of doctors and nurses they need on the wards, resort to the use of agencies. As far as consultancy spend is concerned, does he accept that the Government's own agencies—Monitor and the NHS Trust Development Authority—encourage NHS bodies to use consultancies? Will he ask them to try to reverse some of their actions themselves?

I quoted the *Daily Telegraph* to the Minister earlier. However, I want to say something about a story in the *Mail* yesterday concerning Sir Thomas Hughes-Hallett, chairman of Chelsea and Westminster Hospital in London. He has said that the NHS is in crisis and has referred to:

"A 'worsening financial crisis' leading to a 'crisis in care provision'; An 'environment of negativism' triggered by endlessly critical missives from Ministers and officials; 'Highly burdensome regulation' leading to 'abject confusion, fatigue and short-sightedness'; A 'climate of fear' ruling wards … 'Continued emigration' of doctors … The risk that these problems will cause an 'inevitable reduction in quality and patient care'".

You do not have to believe everything that Sir Thomas said without knowing that most people in the NHS share that view about tackling impossible pressures with limited resources. What are the Government going to do about it?

**Lord Prior of Brampton:** My Lords, I thank the noble Lord for those helpful comments. His first question was: what is the updated estimate for the full year? There is a general figure out there that the King's Fund, the Health Foundation and others have come up with—£2.1 billion—as the underlying provider deficit for the year. That figure is largely based on the first quarter's results because you cannot annualise the first quarter's results; the first quarter is often much worse than the subsequent three quarters. We believe we can manage that £2.1 billion down quite significantly; interestingly, last year the underlying provider deficit was £1.2 billion. We have other ways of managing that deficit through the surpluses that may arise on the commissioning side and other sources of revenue.

The noble Lord talked about agency staff. I recognise some of what he says but there is no doubt that in the aftermath of the tragedy at Mid Staffordshire, the strengthening of the CQC when I was there has led to greater pressure to increase staffing numbers. I heard the noble Lord say, I think when he was chairman of the Heart of England trust, that if you are going to get shot it is better to get shot for not hitting your financial budgets than for not having enough staff on the wards. There has been a much greater emphasis on higher levels of staffing and that has put pressure on agency staffing. There are actually 8,000 more nurses and 9,000 more doctors in the NHS since 2010.

The noble Lord mentioned the cost of consultants. I recognise the strength of what he says—that it is a bit rich for us to complain about the cost of consultants when, through our arm's-length bodies, we have been responsible for recruiting them. We expect much of the improvement methodology that has been provided by independent consultants to be provided by NHS Improvement; for example, the fact that we have now taken on Virginia Mason to help us spread best practice in running hospitals in the NHS is a model for things to come. I also hope that chains of hospitals will emerge and develop some of the best practice from hospitals such as Salford Royal, Frimley Park, the Royal Free and others, so that we can spread best practice without relying so heavily on external consultants.

Unfortunately, I have not read the article by Tom Hughes-Hallett. I would say to Tom, who I know, that he might spend more time focusing on his own hospital, which got a "requires improvement" notice from the CQC, than on spreading his views to all and sundry, although I recognise the strength of some of them. Sorry, I am running past my time. I had not realised that time was of the essence.

**Baroness Walmsley (LD):** My Lords, quite clearly there is a crisis of funding in the NHS on an enormous scale and nothing I have heard from the Government indicates that the problem is going to be solved by any single party. This should be of cross-party concern. During the election, my right honourable friend Norman Lamb asked the Secretary of State for Health if he would co-operate with a cross-party commission to look at a cross-party solution to a new settlement for the NHS. He agreed, as did the Labour spokesman, yet five months later nothing has happened. Can the Minister tell me when it will?

[Baroness Walmsley]

In Scotland health and social care have been integrated and are already showing successes because of that. When will that happen in England? The situation in Scotland illustrates the fact that the challenges to the NHS are never going to be solved by the NHS alone. This is a whole-government issue. When will the Government beef up the Cabinet committee on health so that every department can be held to account for whether its policies contribute to the greater health of the nation or not? Until that is done, the NHS alone cannot be expected to solve the looming problems.

**Lord Prior of Brampton:** My Lords, it is worth reminding your Lordships that there was considerable consensus around the five-year forward view. I think that the noble Baroness's party wholly signed up to it and, along with the Conservative Party, to committing £8 billion of extra money to the NHS over the lifetime of this Parliament. We stand by that. The NHS, in its turn, agreed to find £22 billion-worth of efficiency savings, which I think the noble Baroness accepted when she was part of the coalition Government. That is still the situation so I do not think that we need a new settlement. There is a settlement: it is called the five-year forward view and we are fully committed to it.

The noble Baroness raised the issue of integration. I agree 100% with her and it is an essential part of the five-year forward view—the vanguards are based on it. I remind noble Lords that the spending in the UK per capita on health is $3,200. In France it is $4,100 and in Germany it is $4,800. The NHS does a remarkable job in delivering world-class healthcare, which is rated by the Commonwealth commission and other independent agencies as among the best in the world, with considerably fewer resources than any other developed system in the world.

**Lord Kakkar (CB):** My Lords, I declare my interest as chairman of University College London Partners. What assessment have Her Majesty's Government made of the potential contribution of accountable care organisations to addressing the need to advance quality outcomes in the NHS and its financial performance?

**Lord Prior of Brampton:** I thank the noble Lord for that perceptive and interesting observation. The accountable care organisation is one whose time has come. A health organisation with a capitated budget is indeed the way forward. It will drive the integration that the noble Baroness was talking about earlier on. It is a key part of this Government's health strategy to support accountable care organisations.

**Baroness Wall of New Barnet (Lab):** My Lords, I too welcome the Statement, as did my noble friend. I have to admit that Milton Keynes Hospital, of which I am chairman, has contributed to the £550 million deficit referred to in the Statement. I want to focus on the issue around agency staff. I presume that the Minister has not seen the *Evening Standard* today—it has only just come out, so that is quite acceptable. In it, however, the chief nurse at Guy's says very much what all chief nurses are saying: that hospitals are really performing with their hands tied behind their backs and that we have no staff to fill all our vacancies and have to recruit agency staff. We have just had an instruction, which the Minister referred to in the Statement, to reduce our agency staff by 1 October. I think it is from 22% to 17%. We have obviously gone back with some mitigation around that, which has been accepted. That has been very helpful but it does not solve the problem: we cannot get nurses through.

We went to Croatia and got 60 nurses. Five of them have had visas to get through and the rest cannot come, so we have to carry on with agency nurses to cover them. We have more 1:1 nurses than any other trust around London. I am going to wind up but as the chairman of a trust, I am talking about what really happens—the Minister knows that. Can he tell us how he is going to get this other money to reduce the deficit that he talked about and which is going to happen? I would be very interested in that. Also, when is the NHS going to make sure that the people who have that remit for nurses being admitted into our country will do something about it?

**Lord Prior of Brampton:** I will have to be very quick in replying. Maybe we could discuss this outside the Chamber. There are three ways in which we can find the resources for this. The first is partly through extra government money: there is another £10 billion coming to the NHS over these next five years. The second is driving through efficiency improvements. There are vast efficiency improvements that we must make over the next five years. I regard efficiency as a moral imperative because every £1 that we can save from waste is £1 that we can plough back into patient care. The third way is through new structures of organisations—accountable care organisations are one example; chains of hospitals are another. I think that the days of the independent DGH ploughing its own furrow, or of the foundation trusts structure around the DGH, are behind us.

## Right to Buy: Housing Associations

*Statement*

*4.49 pm*

**The Parliamentary Under-Secretary of State, Department for Communities and Local Government (Baroness Williams of Trafford) (Con):** My Lords, with the leave of the House, I will repeat as a Statement an Answer given earlier by my honourable friend the Minister for Housing and Planning. The Statement is as follows.

"As stated in our manifesto, this Government want to give housing association tenants the same home ownership opportunities as council tenants. Since the introduction of right to buy, nearly 2 million households have been helped to realise their aspirations to own their own homes—46,000 sales since April 2010, with nearly 40,000 of those under the reinvigorated scheme introduced in 2012 by the last Government.

This Government want to help families achieve their dream of home ownership, but about 1.3 million tenants of housing associations are not able to benefit from the discounts that the last Government introduced.

That is why we want to give housing association tenants the same home ownership opportunities as council tenants.

At present, we have a situation where some housing association tenants have the preserved right to buy at full discount levels, some have the right to acquire at lower discount levels, and others have no rights at all. That cannot be right, and the Government want to end this inequity for tenants and extend the higher discount to housing associations.

On 7 October, the Prime Minister announced that a deal had been agreed with the National Housing Federation and its members which would give tenants of housing associations the opportunity to buy their home with an equivalent discount to the right to buy. This will deliver the manifesto commitment to extend the benefits of right to buy to 1.3 million tenants.

In summary, the deal will enable the following: 1.3 million families will be given the opportunity to purchase a home at right-to-buy-level discounts, subject to the overall availability of funding for the scheme and the eligibility requirements. The presumption is that housing associations will sell the tenant the property in which they live.

The Government will compensate the housing association for the discount offered to the tenant, and housing associations will retain the sales receipt to enable them to reinvest in the delivery of new homes. Housing associations will use the sales proceeds to deliver new supply and will have the flexibility, but not the obligation, to replace rented homes with other tenures such as shared ownership. The Government will continue to work with the National Housing Federation and its members to develop new and innovative products, so that every tenant can buy a stake in their home.

As part of the agreement, the Government will also implement deregulatory measures which will support housing associations in their objectives to help support tenants into home ownership and deliver the additional supply of new homes. Boosting the number of sales to tenants will generate an increase in receipts for housing associations, enabling them to reinvest in the delivery of new homes. Housing associations will be able to use sales proceeds to deliver new supply and will have flexibility to replace rented homes with other tenures such as shared ownership.

Housing associations have a strong record in delivering new homes, as evidenced by the way we have exceeded our affordable homes target, delivering nearly 186,000, which is 16,000 more than originally planned, between 2011 and 2015.

We want more people to be able to own a home of their own, and extending the right to buy is a key part of this, giving tenants aspiration and something to strive for. Extending the right to buy will enable tenants of housing associations to have the opportunity for the first time to purchase their home at the same discount level currently enjoyed by tenants of councils.

We will now be working closely with the sector on the implementation of the deal, and I will update honourable Members in due course on the next stage of the implementation".

*4.54 pm*

**Lord Kennedy of Southwark (Lab):** My Lords, I thank the noble Baroness for repeating the Answer to the Urgent Question from the other place. I declare an interest as an elected member of Lewisham Borough Council. The extension of the right to buy to housing associations funded by the forced sale of council homes will mean fewer affordable homes, and we will oppose that. I am sure the noble Baroness will have seen the figures from Shelter estimating that up to 113,000 council homes could be sold to pay for this policy. Can she tell the House more about the guarantee of like-for-like replacement that she referred to? Is that both for housing association and council homes?

**Baroness Williams of Trafford:** My Lords, councils should effectively and efficiently use their resources. Where there is an increased need for housing across the country, it makes no sense for a local authority to keep high-value, vacant council houses when it could sell them to fund the building of new homes that will reflect its local housing need and increase overall housing supply. We want to work with both local authorities and local associations to ensure this one-for-one additional housing.

**Lord Shipley (LD):** My Lords, I thank the Minister for her Answer. I am still unclear whether there is to be a requirement on local authorities to sell off their best housing to help pay for this policy. Will sheltered housing, which is protected under the right to buy for local authority sales, be treated similarly in the context of housing association right to buy? What is the Government's target for net new homes for rent as a consequence of this policy?

**Baroness Williams of Trafford:** My Lords, as I just said, where there is a need for housing across the country, it makes no sense at all for local authorities to keep hold of their high-value, vacant council houses. Selling such properties will mean more money to fund the building of new homes. That will better meet their local needs and some of the money will go to support housing association tenants to buy their own property. This is part of our wider effort to help anyone who works hard and wants to get on the property ladder to achieve their dream. We are legislating to require local housing authorities, as the noble Lord said, to pay the Secretary of State a sum in line with the anticipated receipt from the sale of high-value council housing, and councils will be able to retain some of the sale funds to support new housebuilding locally to increase the overall housing numbers in their area. We will announce more detail in due course, obviously through the housing Bill. In terms of our aspiration on affordable housing, our aim is to deliver—

**Lord Shipley:** It was sheltered housing.

**Baroness Williams of Trafford:** I am sorry. On sheltered housing, all the exemptions that apply currently will continue to do so.

**Baroness Gardner of Parkes (Con):** At what stage will we know details about such things as a sinking fund for those buying these housing association properties?

[Baroness Gardner of Parkes]
That will definitely be an important feature as this has proved such a bugbear for those who bought their council flats and now find that they cannot afford the repairs.

**Baroness Williams of Trafford:** My Lords, I assume that such details will be in the housing Bill.

**Baroness Masham of Ilton (CB):** My Lords, does the Minister agree that there is a shortage of special housing for disabled people? Many housing associations provide this. Will these houses be protected?

**Baroness Williams of Trafford:** My Lords, the Government will expect housing associations to abide by their obligations in terms of homes for disabled people, for homeless people and for sufferers of domestic violence.

**Lord Best (CB):** My Lords, the Government are very wise to back off from giving a statutory right to buy to housing association tenants. I congratulate the Secretary of State for coming to this compromise with the National Housing Federation. However, 55% of housing associations voted in favour of this. The rest have yet to make up their minds or voted against it. What will happen to the housing associations that do not voluntarily sell to their existing tenants?

**Baroness Williams of Trafford:** My Lords, as I understand it, 94% of housing associations signed up to this but the federation confirmed that the offer—

**Lord Best:** I think that 94% of the properties owned by housing associations are covered but only 55% of the housing associations themselves, many of them small bodies such as independent charities, have signed up to the deal.

**Baroness Williams of Trafford:** My Lords, I stand corrected by the noble Lord, who is far more expert than I am. However, the federation has confirmed that the offer is sector-wide and that it will encompass all housing association tenants. If necessary, the Homes and Communities Agency will be given additional powers to assess housing associations to a new homeownership standard. If necessary, we will take further steps to ensure that the right to buy is available to them, in line with our manifesto commitment.

**Baroness Hollis of Heigham (Lab):** My Lords, housing associations have come from the charitable sector to build social housing for those unable either to rent or to buy. As a result, this policy is morally wrong, it distorts the charitable objectives of housing associations and it is financially illiterate. Will the Minister confirm that as a result of this policy, housing associations will lose a social home to rent on the waiting list, and local authorities will lose a second home available to rent for people on their waiting list, to fund, thirdly, a gift of up to £100,000 to a sitting tenant, which, if the statistics on RTB for council housing prevail, within five years will have been recycled into buy to let, into the private rented sector, at double the rent and double or treble the housing benefit bill, which the taxpayer will pick up? Therefore there will be two sales, a huge discount, funded in turn by going into buy to let at taxpayers' expense, to do what? It will not add a single house to the stock but merely change the label over the door that says "tenure".

**Baroness Williams of Trafford:** My Lords, I confirm to the noble Baroness that houses that have a specific charitable purpose will retain it. I also confirm that the Government make no bones about the fact that they support people's aspiration to own their own home. Contrary to what the noble Baroness thinks, the building of extra homes on at least a one-for-one basis by housing associations will add significantly to the housing stock in this country.

**Baroness Hollis of Heigham:** One in nine of the houses sold under RTB has been replaced. Why does the Minister think that the housing associations sales will be any different?

**Lord Patten (Con):** My Lords, it is indeed very good news that a majority of housing associations are in favour of this excellent opportunity afforded to them. Can my noble friend say when next there will be an opportunity to have an estimate by the Government of what individual tenants, many of whom wish to have this opportunity, are thinking, and when that will be published?

**Baroness Williams of Trafford:** My noble friend makes a very important point, because at the heart of this policy are the tenants and their aspiration to own their own home. I will segue into the previous point made by the noble Baroness, Lady Hollis, about right-to-buy properties not keeping pace; in fact, that programme has literally just started.

**Lord McKenzie of Luton (Lab):** My Lords, has the ONS confirmed that it will re-examine the classification of housing associations in the national accounts? That followed a warning from the Office for Budget Responsibility that the extended right to buy and the planned cut in housing association rents could trigger that review. Of course, reclassification would mean that income and expenditure would be part of the public finances and, most importantly, it would add something like £63 billion to the Government's borrowing requirement. Is it not the case, and is it not part of the government rationale for the voluntary deal, that if right to buy is volunteered, not imposed, that removes one of the key reasons for the ONS review?

**Baroness Williams of Trafford:** My Lords, whatever the ONS chooses to do in terms of classification, we are absolutely determined to deliver 275,000 affordable homes by the end of this Parliament. Noble Lords should not forget that the 2015-18 programme is still in its initial year, as I said to the noble Baroness, Lady Hollis. We saw housing associations—the providers—maximise outputs at the end of the 2011-15 programme, which has caused an inevitable lag in starts in the current programme.

## Enterprise Bill [HL]

*Second Reading (Continued)*

*5.04 pm*

**Lord Curry of Kirkharle (CB):** My Lords, I warmly welcome the Bill, and believe that it has the potential to create an even more favourable climate within which businesses can become established and grow. First, let me be clear about my own interests: not only am I in involved in small businesses, but I also declare an interest as the independent chair of the Better Regulation Executive. In the interests of transparency, let me state that the BRE has played a significant role in the formation of Part 2, Clauses 13 to 15, of the Bill. The Better Regulation Delivery Office, with which I also work closely, has been involved in Part 3.

This country has a long tradition of being an epicentre of business, but this Bill will ensure that there is an even more favourable climate in Britain for business to thrive. I hope that this Bill will help to position the UK as the lead country in Europe in which to do business, and build on progress to date. The Enterprise Bill will go further in helping to change the culture, in which small businesses will be able to start, uninhibited by mountains of red tape, and be given the help, support and encouragement that they need at every stage of their development to be able to grow, create employment and generate wealth.

The aim of Part 2, as the Minister said, is to extend the scope of the business impact target to include the regulatory activity of statutory regulators and to report publicly on the actions that they are taking in the fulfilment of their duties under the Regulators' Code and the growth duty, and contribute towards the £10 billion target over the life of the Parliament. The result of the regulatory provisions will be to make regulators more transparent and accountable when performing their regulatory functions and, in particular, how they affect the activities of businesses. The transparency and accountability afforded by these provisions will ensure visibility of the impact of regulators' activities on businesses, which will give further confidence to businesses that regulators are actively considering such impacts when making decisions.

The noble Lord, Lord Mendelsohn, has referred to the data published on regulatory savings during the previous Parliament. The RPC has been responsible for publishing those data, as he said, but he questioned their accuracy. The RPC is an independent body—I need to stress that—which jealously guards its independence. However, I have always had a concern that hard data alone are not a great indicator of success. The indicator of crucial importance is the attitude of business and business perceptions, and the most recent business perceptions survey shows that there has been a 10-point fall within the last five years in the number of businesses thinking that regulation is a barrier to progress. That for me is a much more important indicator than the hard data. However, the overall number of businesses that still consider regulation to be a problem means that the figure is still too high—so we still have more to do. I hope that we continue to drive this down further if we are to succeed in driving the change in culture that I mentioned earlier. That is why this Bill is important. Regulators need to appreciate the impacts of their actions on the bodies that they regulate. That is part of good policy-making, so I welcome its wider application to regulators now.

A key concern that has been expressed to me about these measures is the effect that they might have on the independence of regulators. I want to make it clear that this Bill does not constrain their independence and does not prevent them taking action in fulfilling their statutory duties. Regulators will be able to contribute to the Government's overall business impact target, but they will not be required to meet any individual deregulation targets themselves. The responsibility for meeting the business impact target lies with the Government and government departments, not with specific regulators. Instead, it is all about transparency. The proposal will require regulators to report on any additional cost burdens or savings that their actions might impose on business, which they should be aware of in many cases.

I take this opportunity to welcome the regulators' reporting requirements set out in Clauses 14 and 15. The Regulators' Code and the growth duty are both positive measures designed to ensure that regulators consider the needs of business when exercising their functions. It is important that government and business are able effectively to appraise these important measures so that the impact they are having and the benefit they bring to business can be properly measured. To enable this to happen, regulators must be transparent about the action they have taken in respect of both measures.

I support Part 3 on the extension of the primary authority scheme. I hope this will not be a contentious part of the Bill. The primary authority scheme has been a huge success. It is highly valued by the business community. It has reduced bureaucracy and significant costs and improved efficiency, so this extension to the scheme is an important step forward in its evolution.

I shall now change course and comment on another key element of the Bill. A number of comments have already been made about the apprenticeship proposals in the Bill. I endorse the comments of the noble Lord, Lord Stoneham, on the disappointing figure for uptake in the north-east of England. The enrolment of apprentices is crucial to the establishment of a skilled workforce and the improvement of our productivity. I and others have a keen interest in the economy of the north-east of England. We need to focus on making sure that uptake increases and that we achieve the current targets within the scheme.

The Minister is aware that I have a serious interest in the agriculture, food and rural sectors. Apprenticeship figures in those sectors are also disappointing. They are crucial to improving our productivity within the agri-food industry. We need a concentrated effort to improve performance and uptake. I work very closely with the land-based colleges and their sector body, Landex. They are concerned about this and are keen to play a key role. I would be interested in briefing the Minister on this issue, if she would find that helpful.

I thank noble Lords for listening. I shall return to the subject of regulation and hope that noble Lords agree that these measures will be better for business

[Lord Curry of Kirkharle]
and for Britain if we are able to introduce the more transparent, accountable and effective regulatory system which is proposed in the Bill.

*5.13 pm*

**Lord Patten (Con):** I dislike crumby, financially repressive and socially uncaring capitalism very much indeed—by which I mean the misuse of market mechanisms to meet malign and mindless corporate ends. I much admire the market when it is free and socially responsible, when it becomes a great force for human advance and happiness. Good capitalism is very good indeed, with competitive markets and innovations piled on innovations for the common good.

Crumby capitalism is not the fault of market mechanisms but of the corporations that misuse their power to repress suppliers, work in covert monopolies and delay payments to smaller companies, sometimes bringing them to their knees. I therefore applaud the last coalition Government for making a start on some of the worst excesses of the big supermarkets and others by introducing the Groceries Code Adjudicator Act, which came into force in June 2013 and has powers to ensure that big corporates treat their suppliers lawfully and fairly. I think that the adjudicator has made a good start, but Christine Tacon has a task on her hands even to persuade suppliers to come forward for fears of reprisals by the supermarkets into which they seek to sell. There will be a long march to bring about the vital corporate cultural change which, in the end, is needed so much more than even the best of codes. I entirely applaud what the noble Lord, Lord Curry of Kirkharle, has just said about cultural changes being as important as legislative changes.

The Bill, which I strongly support even though it looks a bit like a big legal pudding made up of all sorts of ingredients hauled off the shelf, contains two themes that I judge seek to carry on the good work in the Groceries Code Adjudicator Act 2013 that I referred to: the measures to introduce a Small Business Commissioner and powers to deal with the late payment of insurance claims. In the case of the first of those two themes, the Small Business Commissioner, with a role in assisting small businesses in disputes with bigger, bad businesses, will be in a position to guide and help those who feel repressed. These practices, as the Minister pointed out in her introductory speech, currently have an annual impact on small businesses of more than £25 billion. However, the commissioner is empowered only to advise and assist, not to become some kind of tsar to go out there with powers to direct and resolve disputes, thus empowering small businesses to resolve their issues.

Promoting fair treatment for all is the theory of the Bill, as politely put, but in coarse reality that is also a matter of the big behaving better to the small. We must not expect too much too soon from this body, which has the power not to provide legal advice but just to exhort. Although exhortation and the use of the bully pulpit can be very important, the body does not have the power to arbitrate; it can only signpost the options for business conflict resolution. It will be a slow process; I come back to that groceries adjudicator, slogging on after two years of existence but still having to hold her latest big seminar for suppliers, better to understand the workings of the code, as she did most recently on 29 September—only last month. Many did not come forward for fear of those reprisals.

To make both the groceries adjudicator and the new Small Business Commissioner redundant will be a matter not of a few months or a few years but probably of decades. It will also depend on major cultural changes by malign big corporates. That is my observation based on years of big corporate experience and involvement in the financial world and as a shareholder, all three of which are declared properly in my entry in the register of interests. There are well-documented cases of corporate malfeasance back in the 1970s that took the companies involved 20 or 30 years to lay totally to rest through the introduction of vigorous codes of practice, ethics checking, internal corporate housekeeping and the vital task of never-ending staff education, for just as one lot of staff go through a period of cultural training, another lot are recruited.

Sometimes it takes big-stick legislation to deal with the handful of big corporate repeat offenders. Perhaps the best example of this, and I pay tribute to both sides of the House, is the introduction of our excellent Bribery Act 2010, which has induced enormous corporate change, albeit at the threat of the use of a big stick. I well remember the noble and learned Lord, Lord Woolf, who is not in his place today, saying during the proceedings on the Bill, I think at Second Reading, that he felt that while there was an urgent need for legislative provision, there was an urgent need for corporate cultural change as well to parallel what was being brought forward. I can only say a respectful "Hear, hear" to him.

Secondly, there are the provisions, which I also applaud, to deal with the financially repressive late payment of insurance claims. I think that these will have a much more instantaneous effect through the proposed introduction of a new Section 13A in the Insurance Act 2015 with an obligation to big business, in particular, in the insurance world to pay within a reasonable time all contracts of insurance. The insurance industry does not have to wait for the introduction of the provisions of this Bill; it should start doing it today. It has it in its power to do it today and it knows that these measures are coming. It is bad business for the industry not to start straight away.

It is wrong for some companies in the insurance industry, most of which I greatly admire, to delay payments quite deliberately as a matter of policy, massaging their figures, particularly in the run-up to interim or final results, to make the reported figures look that tiny bit better because they have paid out that tiny bit less—delays that have ruined some tiny businesses. Any such activity can hinder, or at worst torpedo, the efforts of small businesses to get back on their feet after, for example, the catastrophic floods, which the Minister referred to recently, down on the Somerset levels near where we live and have our webbed feet, and in other areas on the River Thames that were hit. However, nothing will work as well as it should do until all big corporates recognise that looking after

their suppliers or those that they insure is simply good for enterprise, good for business and therefore good business.

So there are three separate hares running: the groceries adjudicator, the Small Business Commissioner and the impact of trying to persuade corporates in the insurance world to pay their claims within a reasonable time. I think that these three are interlinked. We should see how they proceed but I would certainly say to my noble friend the Minister that by 2018—three years hence—we will have a very clear view of whether they are working. We will need a review in 2018 and I look to her to perhaps give a pledge to at least look at the possibility of bringing forward a debate in that year about how these three separate themes are working and, if they are found not to be working, to bring on a latter-day equivalent of the Bribery Act to deal with the continuing problem in these three areas.

*5.22 pm*

**Baroness Warwick of Undercliffe (Lab):** My Lords, in recognising the intention of the Bill to promote economic growth, I want to focus on just one part: Clause 18 and apprenticeships. I declare an interest as chair of the National Housing Federation, the body that represents housing associations.

There is a huge need to increase the number of apprenticeships and to ensure that they are of high quality. Looking in particular at the number of young people who are not in education, training or employment, I believe that there is an urgent need to focus on creating opportunities that will get them into employment. Work placements, traineeships and work experience opportunities can help some of the most disadvantaged in our society into a position where they can move into work and, for some, into apprenticeships. That is one of the key reasons why housing associations have become committed to building and developing both employment and skills support and apprenticeship programmes for their tenants and residents.

Many of those who are eligible for social or affordable housing are out of work or in low-skilled, low-paid jobs. The unique and regular contacts that housing associations have with their clients, together with their networks of local connections, provide an opportunity to offer innovative, tailored programmes to help those people into work and so provide the basis for stable tenancies. Both sides benefit, and the country benefits as well, as tenants become productive members of the labour force and no longer need to depend on welfare benefits.

I welcome the Government's commitment to create 3 million apprenticeships by 2020, although I, too, acknowledge that that is a very challenging target. Housing associations want to play their part in creating those apprenticeships, but I am anxious that the Enterprise Bill will create obstacles and not opportunities for them to do that. Why do I say that? Clause 18 includes measures that would provide a power for the Secretary of State to set targets for public sector bodies in England in relation to the number of apprentices who work for them. They apply to most public sector organisations and require these bodies to have regard to any targets set on them and to report annually on progress against meeting those targets. The public bodies within the scope of the Bill will be set out in regulations, and a consultation is planned on exactly which bodies will be required to meet a target.

The Bill's definition of a public body is:

"(a) a public authority, or

(b) a body or other person that is not a public authority but has functions of a public nature and is funded wholly or partly from public funds".

It is paragraph (b) that concerns me. It would potentially apply a target to any body in receipt of public funds, which would certainly include housing associations, as well as many charitable bodies and many other recipients of public funding. I am anxious that the implications of this have not been carefully thought through. The consultation will, of course, allow concerns to be raised, but I want to flag this up now with the Minister in the hope of receiving reassurance on the issue.

I am concerned about two things. First, this is a broadly drawn definition of "public body" and could mean that larger housing associations, as well as many third sector and private sector bodies, will be brought into the scope of this legislation. Secondly, there is a risk that innovative approaches to apprenticeships, skills development and wider employment support may be stifled by the need to meet formal targets on apprenticeship numbers.

It is important to stress that housing associations are not public bodies. Housing associations are not-for-profit organisations, generating the majority of their funding from private sources. The ONS currently classifies them as private bodies. The independent status of housing associations underpins their ability to borrow billions on the private market to invest in housebuilding and to support programmes for the communities in which they work. To date, they have raised £76 billion. The ONS is currently conducting a review of the classification of housing associations and considering whether they should be reclassified as public bodies, as we heard only in the last debate. The federation that I chair is keen to avoid the reclassification of associations as public bodies. The accounting rule changes that would flow from a reclassification could carry harmful implications for associations' ability to borrow and their use of cash flow and surpluses—all of which are important for funding the new supply of houses. There is growing concern in the sector about cumulative legislation and policy interventions that attempt to direct the corporate strategy of associations, because this is the central tenet of the test that the ONS will consider in its classification review. Any proposals that position housing associations as public sector bodies are likely to add to this cumulative risk to the sector's independence.

My second concern is the stifling of innovation. Social housing tenants experience considerable disadvantages in the labour market and many require additional support to enable them to fulfil their potential. Around one-third of housing associations see supporting their residents into employment, education and training as a key priority. They provide employment support and training and skills development. Alongside all that, they provide many work placements, traineeships and work experience opportunities. In doing this, they are helping to support some of the most disadvantaged

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people in our society so that they are able to move into work and, for some, to undertake an apprenticeship. I would be very concerned if these innovative approaches were stifled because of a focus on in-house apprenticeship numbers. For example, many housing associations use their supply chains to deliver additional apprenticeship opportunities. I would be concerned if targets for in-house apprenticeships reduced capacity to support these externally provided apprenticeships. Many of these are in small and medium-sized enterprises in the construction and maintenance sectors. Increasing the number of skilled operatives in these sectors will be vital if the Government's housebuilding and wider infrastructure ambitions are to be met.

Housing associations are committed to developing and supporting apprenticeship schemes. Over the last three years, they have directly employed around 12,000 apprenticeship starters. Annually, their contribution accounts for just under 1% of all apprenticeships across England. They are ambitious about helping even more people into work and they are good at doing it. I hope that the Minister can reassure me that the Enterprise Bill will not include housing associations in the definition of "public body" and that it will not jeopardise housing associations' aim of increasing the number of apprenticeship schemes they can support.

*5.30 pm*

**Lord Cope of Berkeley (Con):** My Lords, any Bill called the Enterprise Bill starts with me prejudiced in its favour. I think that everyone who has spoken is in favour of enterprise in principle, but experience also makes one look at the detail. After all, many enterprising business men and women, when asked what the best thing the Government can do for them, say, "Keep out of our way", and start from that point of view. Every change in legislation or regulations, even if it is in favour of the particular businesses concerned, needs to be looked at by them to see what it says and does.

As many have pointed out, this Bill is full of variety. It has eight quite different parts, not counting the general provisions at the end. I am not sure what dictated the logic of their order, but I notice that, broadly speaking, the odd-numbered parts help SMEs directly while the even-numbered parts are directed primarily at the public sector.

Part 1 sets up the Small Business Commissioner, charged with changing the culture of late payment of debts by large companies. This is a hoary problem, but it is still very much with us despite successive Governments' efforts over many decades. The noble Baroness, Lady Donaghy, referred in some detail to the problems of the construction industry. If anybody doubts that such problems are serious, they should look at the business section of the *Times* today, where there is a very long and interesting article explaining exactly what they are.

The title "Small Business Commissioner" sounds wide, but, as has been pointed out, the role is limited. The Bill's provisions ensure that they concentrate on this one matter of late payment. It will require a very special individual—as has already come out in the debate—to change the culture through the voluntary means that are at the disposal of the commissioner. They need, after all, to overcome the forces generated by the relentless pressures of cash flow which lie behind the problem. I think that the concentration of the commissioner on this one issue is right at this time, because it is a very important issue which we have failed to solve, but perhaps in time, if the commissioner succeeds with late payment, the remit might be extended by statute to cover other sources of concern to SMEs—but that is for the future.

However, one limitation on the commissioner's role concerns me now. Under the Bill, the commissioner cannot deal with problems or complaints against local authorities and other public bodies over late payment. This can be a problem also for SMEs—I had several cases mentioned to me not so long ago. My noble friend Lord Patten referred to the Groceries Code Adjudicator, but I see that that office itself is being criticised for late payment. Whether the criticism is valid I cannot tell, but it is an example of where there seem to be problems.

Clause 3(1), read with the definition in Clause 3(11), limits the commissioner's advice specifically to problems with larger businesses and excludes problems with public authorities that pay late. This limitation applies also to the complaints procedure. Clause 3(10) includes public authorities in the definition of "supply relationship", but rules it out again in the next subsection—but that is a matter for Committee. I understand that the reason for excluding public authorities is that it is regarded as creating double jeopardy because of other mediation mechanisms that are available. However, given the limitations on direct action by the commissioner, I would like to see him or her at least able to give general advice and information under Clause 3: for example, about the mediation available in the case of public authorities and its efficacy, just as the commissioner can do in respect of larger companies.

The other odd-numbered parts of the Bill are welcome: Part 3 on the extension of the primary authorities scheme; Part 5 on the new implied terms for insurance contracts; and Part 7 on the extension of industrial development grants to electronic matters—we all know about broadband speeds in rural areas, for example.

The even-numbered parts are also welcome. The extension to regulators of the impact targets from last year's small business Act in Part 2 seems an entirely positive development. One learns something every day in your Lordships' House. I did not appreciate until just now that there are 70 national regulators. It is an enormous number which had not been borne in on me before.

I welcome also the extension in Part 4 of apprenticeship targets. The protection of the definition of "apprenticeships" may sit a little oddly in the Bill, but it is done by an insertion into the apprenticeships Act 2009, which itself built on John Major's Government's Act of 1994. The noble Lord, Lord Mendelsohn, referred obliquely to a television programme, but the Bill protects the word "apprenticeship" but specifically avoids protecting the word "apprentice", so I do not think that there will be any trouble with the popular television show of that name, started by Donald Trump in America but obviously taken up by our colleague,

the noble Lord, Lord Sugar. I strongly support apprenticeships as a method of training for work and, indeed, for life. I became a chartered accountant through an apprenticeship scheme—in England, we were called articled clerks, but in Scotland they were called apprentices, rather more accurately.

Part 6 permits the disclosure of HMRC information to local government on non- domestic rating valuations. Many of us who have served in the Treasury know how very closely HMRC guards all the personal tax information that it collects, even from Ministers. It is deeply embedded in its culture. We understand its reasons and respect it greatly for doing it, and it is a principle that we should uphold. Yet there is duplication at present, with the same or similar information being given by businesses to the Valuation Office Agency and to local authorities. The Bill states that the VOA can share its information with a local authority. I am not sure exactly what the extra information might include. The valuations, agreed for every property, are already fully public knowledge—the size in square metres and that sort of thing—but no doubt we shall hear more about that in Committee.

This is a useful Bill. It is necessarily technical and acceptably miscellaneous. In short, it is a kind of legislative herbaceous border full of interesting flowers, but no doubt some will detect some thorns or maybe even some weeds as we progress in our discussions.

*5.39 pm*

**The Earl of Lytton (CB):** My Lords, I, too, feel that there is much to commend in the principles behind the Bill and the reasons for introducing it. I particularly welcome the intentions towards small business and the general move towards proportionate regulation, no more so than in the business of the insurance payment provisions. However, in the time available it is necessary for me to focus on just two areas. The first is in Part 2—the proposal to bring the Equality and Human Rights Commission within the scope of the business impact target. I support the views of the commission expressed in its excellent briefing paper when it questions the reasons for that. It is not, after all, a regulatory body, but sets the framework for those bodies that are. First, as the briefing says, the proposals here could fetter the commission's work. Secondly, they could impair its international status. That requires some explaining from the Minister. I pay tribute to the noble Baroness, Lady O'Neill of Bengarve. Had she been here at the beginning of the debate, she would doubtless have given chapter and verse much more eloquently than I am able to, but I press on.

My second area of interest is in Part 6 of the Bill. I declare my professional and other interests, not least as a payer of non-domestic rates. Back in 1975, I was an employee of the Board of Inland Revenue Valuation Office, so I come to the situation of non-domestic rating with some background knowledge. However, since that time, a once cheap and effective property tax was subsequently deemed unfair by the Thatcher Government, the residential part then became the community charge—of which probably the less said the better—and was subsequently changed again to the council tax, about which we have heard a lot recently due to the outdated nature of valuation bands. I will return to the question of things being out of date presently.

Business rates remained pretty much as they were, but ever more was demanded in terms of the product from that source of taxation. The year-on-year inflation-proofed increase through the national non-domestic multiplier, which is the figure applied to the rateable value to give tax due, remains the only certainty—a little like death and taxes. I have mentioned to the House before that one of my own business tenants, occupying about a thousand square feet of converted offices, pays three or four times in business rates what a residential occupier pays in council tax for the equivalent space, and for that he does not even get his dustbin emptied.

We now have about the highest annual business space tax anywhere in Europe, charged at nearly 50% of an assessment of rental value last fixed by reference to the market peak of 2008. The revaluation that would have come into force this year, based on what would have been the antecedent year of 2013, might have evened things up a bit, but the last Government deferred it. Other safeguards have been eroded too, such as those reflecting an uneconomic state of repair, the empty rate concession, access to adjudication within a reasonable timeframe, anomalies such as the relatively low level of rateable value on some hugely accessible retail superstores and, conversely, the way in which expenditure on costly but unremunerative environmental upgrades to premises such as steel works—adding to the rateable value, if you please—persist. The increased procedural requirements of the valuation tribunal for England now inevitably mean getting expert advice, so the costs of access to justice have risen.

There has been an inexorable move to shift the onus for substantiating the case on to the appellant ratepayer when in fact the Valuation Office Agency is the prime mover in setting the assessment in the first place. Businesses conclude that they are being treated unfairly, which is not least reflected in some 300,000 outstanding rating appeals of which admittedly maybe only a quarter will be truly justifiable. That is still a large number. The Valuation Office Agency staff are devoted mainly to dealing with the 2017 revaluation—the one that would have happened this year that was deferred—and do not have the resources to deal with the backlog. Meanwhile, the appellant businesses continue to pay the full amount until the reduced assessment is determined. All this is a blot on the enterprise landscape.

There is growing evidence, also, that standards within the Valuation Office Agency have been slipping for some time. I refer specifically to its rating functions: I make no comment on its other activities. I have been told of numerous cases where information that it offered about comparable property transactions—even in cases before the valuation tribunal and the Lands Chamber—has been misleading or inaccurate, never mind the badly prepared cases leading to unnecessary costs. I have experience of the valuation office claiming that it had "robust rental evidence" that turned out to be based on financial deals between lenders and borrowers in which the rent was governed by the repayment terms and was nothing to do with an arm's-length transaction at all.

[The Earl of Lytton]

In the UK, property professionals share a lot of information and there is huge transparency, which greatly assists market fluidity. We should never forget that. In the rating context, the Valuation Office Agency is entitled to demand information on rents and, following revaluation, it has for some years posted details of every rating valuation and its breakdown on its website. The noble Lord, Lord Cope, commented earlier on some of the things that I will touch on. However, the agency does not always know the precise circumstances of any particular rental deal and, due to variables, most valuations produce a range of values rather than a precise figure. Nevertheless, it is an enormously advantageous position and indeed one of great trust. The property market is, after all, based on trust.

The professional bodies, particularly the Royal Institution of Chartered Surveyors and the Institute of Revenues Rating and Valuation, both of which I am a member of, make mandatory practice statements incumbent on surveyors acting as expert witnesses or advocates. These mirror the requirements of Rule 35 of the Civil Procedure Rules, which is the Ministry of Justice instruction to experts giving evidence. But these need to be observed by all, not just by those who are outside. Given all this, one would suppose that in responding to a business that has started the appeal process ultimately leading to appeal, the valuation office would be happy to discuss the basis of the valuation underlying a property tax at an early stage. However, I am informed that there has been an increasing reluctance by the agency to divulge anything until the matter is literally listed before the valuation tribunal. That is merely adding to the problem and the likelihood of sustained appeals.

The agency has long cited the confidentiality of data under the Commissioners for Revenue and Customs Act 2005, which is what the noble Lord, Lord Cope, referred to. But here we are concerned with evidence that it is bound to produce in any event at some stage in the context of an appeal. By the time an appeal gets to be processed, the information is likely to be several years old so I question how valid this protection of sources really is. I am also told that every time the agency has advanced such a premise in the Lands Chamber, it has been overruled. A legal opinion has been sent to me by Mr Holgate—now the honourable Mr Justice Holgate—which I will forward to the Minister, which gives a very different perspective on this point of controlled confidentiality. Furthermore, the whole thing is an untested assertion that rental information actually falls within the 2005 Act.

Across the rating valuation industry and business ratepayers, there is consensus that things have to change. However, it does not appear that the Government have been listening. From what I have seen, the business and professional interests are no more in favour of the proposals before us than they were a year or two ago when the Government stepped back from implementing them. That pause for reflection gave people some hope, but unfortunately that has not been demonstrated within the terms of this Bill. To say that Clause 22 is unwelcome is an understatement. Admittedly, it facilitates the sharing of revenue information with certain other bodies, but it also makes clear what it does not permit—in this case the sharing of information with the ratepayer and his professional valuer. This is an impediment to progress. I also have to point to the somewhat disingenuous manner in which—it is thought by the private sector—a department of state has gone about this whole process. That is regrettable. I also understand that this failure to share information according to Clause 22 would adversely affect business in improvement district schemes.

My questions to the Minister are these: how will Clause 22 be used in practice? Secondly, will its use extend to denying access to the evidential basis of an assessment in the valuation tribunal proceedings or in the higher courts? I think we should know that.

I now turn to Clause 23. Here it is proposed to insert a new subsection (4A)(c) into Section 55 of the Local Government Act 1988. Provision is made to bring in a power for the valuation office to impose financial sanctions on those who in its opinion provide false information. However, as I have pointed out, the private sector is far from the only manipulator of facts or the sole source of misinformation that might be described as being provided "knowingly, recklessly or carelessly", to use the wording from the Bill. So the idea that the valuation office in its present state should be judge and jury in its own cause does not come naturally. What defence is available to those who might be so accused, and to whom might they have an independent right of appeal?

Noting that this clause would also introduce the facility of making a charge for an appeal prompts me to point out that the root cause of all this is successive Governments underresourcing this overworked tax and its administration. That is the core of the matter. If the Government just made it easier for ratepayers to check the basis of assessments from day one, most of the appeals would evaporate and huge costs would be saved. Will the Minister, even now, reconsider this?

I appreciate that the Local Government Association—I am an LGA vice-president—is in favour of this part of the Bill. I would be too if the current standards within the valuation office or its agents were the same as those demanded from others. I acknowledge the severe problems for billing authorities, but short-changing businesses on matters of fair treatment is not the way forward. Is this fair and just governance for people and businesses or is it protectionism for state institutions that lack a decent property tax? It looks to me rather like the latter.

I ask the Minister to look again at this part of the Bill and to cross-examine her officials very closely as to the background to what is proposed. For my part, I will forward to her and place in the Library a copy of a very succinct background paper I received from Mr Jerry Schurder, head of rating at surveyors Gerald Eve, with his full permission. The wider reform of business rates clearly lies outside the Bill, but I finally say this: if a cost-effective commercial property taxation system is what the Government are looking for, there are many eminent persons and bodies who would be more than willing to help. For my part, I will be returning to this subject as the Bill progresses.

*5.53 pm*

**Lord Leigh of Hurley (Con):** My Lords, it is with great pleasure that I speak on the Enterprise Bill, a subject close to my heart as well. Certainly, with the deficit down by half and projected to reach surplus by the end of the Parliament, the fastest-growing economy in western Europe and the best destination for foreign direct investment outside the US, we all have a lot to be proud of. The party opposite says, in effect, that that is enough now and that it is time to turn the page on boosting our competiveness, time to stop encouraging investment and time to put up taxes on families and businesses.

This Bill is to be welcomed since it does the opposite. It puts the pedal back to the metal and asks: what next to boost enterprise in the UK? No complacency, no sticking with what we have and definitely no reversal of what we have achieved. It contains many measures but I will focus on just a few of those that will help small businesses in particular. After all, there are some 5.2 million small businesses in the UK—more than in France, and more than in Germany.

The very welcome sight of the noble Duke, the Duke of Wellington, being introduced to the House today reminded me that someone once called us a nation of shopkeepers. Today, we are a nation of fast-growing businesses, businessmen and entrepreneurs. I accept, of course, that regulation is necessary to protect consumers, employees and the environment. As the Bill shows, it can be necessary to protect small businesses from large ones. However, we must make sure that it is proportionate and necessary. Specifically, we must make sure that it does not damage growth, employment and competitiveness—the engines of job creation.

In a recent survey, which pretty much every Peer seems to have quoted, 73% of scale-ups said that they would be able to grow faster if dealing with regulators was easier. It is amazing what Google can do. This means that regulators have to keep in mind the economic impact that they could be having on their stakeholders, especially small businesses. The Small Business, Enterprise and Employment Act, passed earlier this year, requires the publication of the business impact target, as we have heard. This sets out the economic impact of new legislation on business. However, it covers only regulation and legislation undertaken by Ministers. To increase transparency, the intention is to extend the scope of the target to include the regulatory activity of all statutory regulators—which, as my noble friend Lord Cope of Berkeley revealed to us, is some 70 organisations—not just in so far as they exercise powers on behalf of Ministers and departments, but in so far as they exercise their own statutory powers. The Minister will, when empowered in due course, specify the relevant statutory powers in secondary legislation.

It is to the last point that I will speak, focusing on the financial services in which, of course, I declare an interest as I earn a living from that industry. When drawing up this secondary legislation, it is essential that in respect of financial services, as well as regulatory organisations such as the FCA, the Financial Ombudsman Service—FOS—whose board is appointed by the FCA, is also included and made to report on business impact. There are, of course, seven other ombudsmen whose work I know less, although I have seen a little of the Pensions Ombudsman, and I think that my comments would apply to all the ombudsmen who operate under regulatory authorities, although, as I say, my focus has been interaction with FOS, the financial ombudsman.

Let me be clear that consumers, particularly in financial services, need proper protection. However, the situation we have now can be hugely damaging for firms being investigated by FOS or the FCA. FOS, which many people regard as a somewhat opaque organisation, can make rulings in an opaque manner itself, with no resource or recourse available to businesses so impacted. Extraordinarily, it seems that there is no right of appeal, even where decisions have a materially damaging effect on their own businesses. It must be the case then that FOS at least should be made to account for the impact of its decisions in the same way as other regulators.

I will cite just one recent example: that of retrospective regulation, which is, of course, hugely damaging for firms since it creates a climate of uncertainty where a firm never quite knows if it has fulfilled its compliance responsibilities. In a recent review, the FCA rejected all feedback it received, pointing to areas where regulation is being applied in this way. However, I looked at the example of SIPP operators, and there we have a case in point. The FCA has previously acknowledged, quite rightly, that SIPP operators are not responsible for the advice given to SIPP members by advisers. However, a recent decision by FOS has upheld a case suggesting that SIPP operators are responsible for investments that were made and have now gone bad. Clearly, this is palpable nonsense. It has highlighted how difficult it is for bona fide businesses to appeal against FOS's decisions and threatens to cause huge disruption to an important sector of the financial services industry—the point being that FOS and similar organisations can make decisions that are very damaging to business without having any obligation to report on the growth and business impact.

As far as financial services are concerned, I therefore urge the Minister to ensure that the FCA is included within the regulators' code so that when it holds its thematic reviews, as it calls them, it has regard to growth and economic impact, not just consumer protection, and has perhaps to consider which other organisations should be covered. Perhaps more importantly, I urge the Minister to consider including the ombudsmen services in the regulatory code. It seems strange, given their enormous powers, that they—and in particular FOS—are excluded from the list. Dare I say it, further steps need to be considered to ensure their transparency and accountability.

Next, I will mention the Bill's approach to business rates. We have heard a lot about rates recently. The Bill contains important measures that mandate the sharing of business rates data across local governments and authorities, so that business does not have to share the same information twice. This is extremely helpful, but perhaps the most significant point is on appeals. A 2014 consultation identified that too many rating appeals are made without evidence, under a process that lacks

[Lord Leigh of Hurley]
transparency and takes too long. The very helpful *Administration of Business Rates in England: Interim Findings* makes the point that more than 70% of all challenges on the 2010 rating list resulted in no change.

How did we get here? I can do no more than share my experiences with noble Lords and declare an interest, in that I, too, sadly, pay business rates. When I started my business some 27 or 28 years ago, a man from the council came round to see me in the office and told me that he wanted to look around to determine the rateable value. I had no idea how the system worked and at the time had other worries on my mind, as most new entrepreneurs do. I asked him what would be the value and subsequent rate applied to me. "Well", he replied, "I'll give you a number, but it won't really be relevant or matter as you will appeal against it and then we'll find a number that works". I was surprised to find that he was right. I had to take, and pay for, expensive professional advice. The thought occurred to me all those years ago that there must be a better way.

As luck would have it, this was in 1989. As my noble friend the Minister will recall, the previous Conservative Government had established a deregulation unit reporting to the DTI and the Cabinet Office, headed by an ambitious young adviser called Francis Maude—now my noble friend Lord Maude—with a keen and very bright civil servant advising him. I served on the tax division of the task force and seized my moment to look at business rates. I raised a number of issues at the time, not least that the Valuation Office required a business to resubmit the same information on every return, as opposed to keeping the information and simply asking whether it was still correct. Somewhat horrifyingly, I learned that the Valuation Office is still not digitised and still requires nearly all of its information to be submitted on paper. Sadly, in 1997 the Labour Party closed down the deregulation unit and my recommendations never progressed. That happened almost immediately, so once again it is up to the Conservatives to try to make life easier for businesses and entrepreneurs, as opposed to making life easier for civil servants.

The Bill provides for a revised system that is clear, sets out how long it should take and any and all action required. We should be clear that this process needs to be updated, because it is clearly not fit for purpose. However, I stop short of mandating annual reviews, which have been discussed. Yes, they would reduce the incentive to appeal, but they would cause annual chaos and be hugely expensive, costly and inconvenient for everyone—except, of course, chartered surveyors. Improving the current system to bring parties together earlier and with more transparency is a sensible step forward.

Other noble Lords have spoken about different but important measures in the Bill, such as apprentices, the Small Business Commissioner and public sector exit pay caps. All together, they add up to an attractive package of measures that would allow us to bolster our competitiveness further instead of standing still. Unsurprisingly, then, the Bill has been endorsed unanimously, as far as I can tell, by all the business groups.

The party opposite may say that we do too much for businesses and not enough for consumers and workers. That is because they may not have understood that to be on the side of business is to be on the side of workers. Entrepreneurs create jobs and businesses nurture employees. We do not set one against the other. This is one nation: we back investors, businesses and workers. The cause of all three is advanced by the Bill.

*6.04 pm*

**Lord O'Neill of Clackmannan (Lab):** My Lords, I will avoid the temptation of going down the rates road any further. Equally, I will not try to get into any international comparisons. I am reminded of the story of President George W Bush, who, when discussing French business acumen, said, "The French, they don't even have a word for entrepreneur". Therefore, we have to look at what we have here today.

It has to be said at the outset that BIS is not a legislating department. Therefore, by and large, when it gets the chance, its first reaction is, "Oh yes, this is wonderful". Then it starts saying, "What do we put into it?". We have a Bill that the generous might call a curate's egg; others might think of it as a bit of a dog's breakfast. I suppose that our task will be to make it into a reasonably acceptable curate's egg at some stage. That is not to say that the Bill is a total basket case and there is nothing we can do about it, but I believe that, when we look at the establishment of a Small Business Commissioner, that position should be more than a kind of citizens advice bureau for 500 businesses per annum.

As the noble Lord, Lord Patten, said, we need to have an element of the big stick in the hand of the commissioner. Advice on payment disputes, frankly, is not enough. We have had discussions on payments matters in this House—I have been a Member for only 10 years—on innumerable occasions. Before coming here, I was chairman of the Trade and Industry Select Committee, which predated BIS as a department, and we engaged in a study on retentions. We got such a feeble response from the Ministers that we called the authors of the response, the civil servants, back in to see us again. That kind of thing does not happen very often with Select Committees. To say that the civil servants were not happy about it is something of an understatement. They had no substantial case to answer. The impression that we had was that the Ministers had been got at by the big building firms and they had told the civil servants to palm something off to the committee.

The fact is that retentions, which are only one element in the payment problems of British small businesses and in particular in the construction sector—I speak as the president of the Specialist Engineering Contractors' Group—take various forms. Normally, when a building is being constructed, the first element, apart from the foundations, is the steel construction. There are numerous stories of steel construction firms that are not paid until the grass is laid around the car park at the end of the whole job, which might be two and a half to three years later—they have just kept a little bit back. In the intervening period, the steel structure will have been covered by concrete and will have had various other things done to it. The point I am making is that that is a cynical attempt by the

major contractors in a lot of construction projects to hold back money that they then use for other purposes. I am not saying that there is anything criminal about what they use the money for. In fact, it might be argued that they are supporting other bits of their business empires. However, it is very inconvenient for the usually rather small businesses that depend on prompt payment.

The issue of retentions has been covered today in the business section of the *Times*, as has been mentioned. We cannot have a commissioner for small businesses who does not have any teeth or powers relating to payments and the scandals that happen here. Ultimately, most of the small businesses that have grounds for complaint do not take their complaint the whole way because they are frightened that they will never get any repeat business from customers who are late payers. It is therefore a difficult area, but one in which government needs to give leadership. Regulation should not be a source of fear for the good companies. It is a force to make recalcitrant companies implement good practice. Sadly, there are still a number of them. I do not wish to blacken whole sections of British industry, but we know the sums involved and the amounts of money that are written off annually. That requires us to look afresh at the terms of the Bill to see what amendments could be entered into.

As I said earlier, I am not completely negative about the Bill. I happen to think that the apprenticeship provisions are a source of encouragement. We have already had a very interesting discussion about the whole question of training, as the noble Lord, Lord Baker, mentioned. We have examples of good practice in one area, but perhaps we could look at an area that is a bit deficient in Committee—namely, in encouraging public bodies in this regard. Should not the contracts awarded to private companies by public bodies contain encouragement and, indeed, a requirement for those private companies to take on a number of apprentices in the course of the relevant project? I know there were examples of this in the Olympics programme and, I think, at Heathrow Terminal 5. It would not be a bad thing to include a measure of that nature in the Bill to give it a broader base for apprenticeship expansion.

I know from my own personal experience in the east of Scotland where we used to have the Rosyth dockyard and Ferranti, the major defence contractor, as then was, that in the 1950s, 1960s and 1970s they trained about 1,000 people every year—usually boys in those days. When we had for a brief period in Scotland what we called Silicon Glen, a lot of the employees had come out of the dockyards and the high-tech defence industries. There was an assumption that these companies could train more people than they required because they could afford to do so as they were given a financial incentive. That has been lost and it is one of the prices that we paid for privatisation. I will not get into the old argument, but the former public utilities and similar types of companies were extremely good at training people. They often gold-plated the whole process, but that meant that the rest of the industry was able to take up the slack.

I realise that there will be a substantial division between the Government and ourselves on the whole question of exit payments. I do not understand what this has to do with entrepreneurialism. It seems to have more to do with post-election triumphalism and hubris and putting the boot into a certain part of the system. The number of people who will be affected by this measure, but who will not receive massive payments, is very large. We will find that it will prejudice voluntary staff reduction agreements, result in acrimonious litigation, prevent much needed departmental reforms in the immediate short term and could well be grossly unfair as regards the severance and pension arrangements of low-paid, long-term local government workers. Many of us on this side of the House will need great reassurance from the Minister that something can be done about this in a way that will not prejudice the agreements which have been entered into by successive Ministers on how problems of this nature should be dealt with. It seems that a whole raft of undertakings have been thrown out of the window in pursuit of a cheap headline-chasing ploy.

To promote business success and enterprise we need to realise a raft of achievements, many of which are akin to motherhood and apple pie but nevertheless have to be pursued. We could make something of the Bill. As I say, it is a bit of a dog's breakfast at the moment, but there is within it the grains and elements which could provide a basis for an understanding across the Chamber. We could achieve something which would assist small businesses, promote skills and reassure those people who are pretty certain that their jobs may well be lost as a consequence of government cuts and local government reforms that they will not lose out on what they assumed would be their pensions and final rewards. We are not talking here about the hundreds of thousands of pounds being given to chief executives and the like but about ordinary people who have committed themselves for very long periods of their lives to rates of pay which were considerably less than what they would have got in the private sector, but who stayed because of their commitment to their jobs and because they thought they would get some form of index-linked slightly better pension in their retirement years. In the name of cheap hubris after the election, it would be wrong of us to prejudice these people's retirement and termination of employment opportunities.

*6.16 pm*

**Baroness Harding of Winscombe (Con):** My Lords, it is an enormous privilege, as ever, to address your Lordships, particularly on a subject so dear to my heart—supporting great British enterprise. I must declare my interest as the chief executive of TalkTalk Telecom Group.

As a business person, I am proud to support a Bill that will strengthen the UK's position as the best place in Europe—perhaps even the world—to start and grow a business. The measures in this Bill will undoubtedly benefit all businesses, but I particularly welcome their focus on Britain's SMEs. As many of your Lordships have already said, SMEs are the lifeblood our economy, employing over half our workforce and accounting for 99% of all British businesses, but, of course, they are also the seed-corn that creates big businesses. We want to encourage a vibrant and dynamic economy that drives growth from small businesses into big. Put

[Baroness Harding of Winscombe]
simply, we will not fulfil our potential as a country without a thriving small business sector.

This Bill contains a number of elements, as many have said. In the interests of brevity, I want to focus on just two areas where I have personal specific experience: the role of regulation, and the importance of investing in a skilled workforce. The right, good regulatory framework is at the heart of how we ensure Britain is the best place in the world to run a business. As a passionate believer in free markets, I fundamentally think that consumers make better decisions than Governments do. Where markets are competitive and informed consumers are sovereign, companies are forced to constantly innovate, improve the quality of their services and put a downward pressure on prices. That may make life harder for established companies in the short term, but ultimately it benefits customers and ensures that our industries and our economy remain globally competitive.

The risk is that regulation, however well intentioned, becomes a barrier to that competitiveness. Where it becomes excessive or burdensome, it restricts innovation and risks forcing up prices for consumers while making lawyers richer. That hits the poorest hardest. I very much welcome the ambitions in the Bill to tackle red tape and bad regulation. However, regulation is not all bad. A much more successful entrepreneur than I am who comes from Silicon Valley once coined the phrase that monopolies are like children: if you do not have any, you do not really understand what the fuss is all about, but once you have a child of your own, you will fight to the end of your days to protect it. Monopolies are exactly the same, which is why, if you want to have strong competitive markets, strong regulators are equally important. I very much welcome the balance the Bill brings in making sure that we create a strong regulatory framework but focus also on hunting out red tape and bureaucracy, which hinder small businesses particularly. It is small businesses that are most hindered by having to deal with an army of regulators or lawyers, much more so than the big companies such as the ones I run.

Taking a couple of specifics, extending the business impact target to require regulators to consider the economic impact of their actions is a very good discipline. It is a welcome safeguard against the risk of overregulation becoming a barrier to our nation's competitiveness and it will allow for deregulation wherever possible. That is to be welcomed. On the other hand, introducing regulation in the form of the Small Business Commissioner is also to be welcomed. That is exactly the sort of good regulation that we should encourage. I am sure that we will discuss in some detail in Grand Committee exactly how the Small Business Commissioner's responsibilities should be set up but I encourage my noble friend the Minister to make sure that we keep that regulation as light as possible and do not fall into the trap of trying to define in so much detail that we err on the side of creating bad and complex regulation. Wherever possible, we want to create organisations that have a simple, clear brief to add to the role played by those 70 existing regulators.

Briefly, my second theme is apprenticeships. I really welcome the Bill's commitment to ensuring that Britain has the high-skilled workforce we need to compete. As a chief executive, I know that the quality of my workforce—its skills—is absolutely the most important asset that any company can have, the most important ingredient in our success. Arguably, for far too long in this country we have been guilty of attaching disproportionate weight to academic qualifications—I say this as someone who is well overeducated. Of course we want to encourage people to apply for degrees and of course we want to aspire to having some of the best educational establishments in the world, but the Government are absolutely right to focus on expanding the range of vocational opportunities as well. Talent comes in many forms and we must ensure that we have the tools to help every young person fulfil their potential. That means a diverse mix of opportunities rather than career straitjackets.

Apprenticeships are undoubtedly an important part of this and I welcome the measures in the Bill to increase the number of apprenticeships in the public sector and to protect the quality of apprenticeships and the brand "apprenticeship" itself. But we must also remember that, just as degrees are not the only qualifications worth having, apprenticeships are only one form of vocational education. As well as delivering 3 million apprenticeships, I urge the Government to look at how we continue to support other activity that allows employers to invest in the training and recruitment of young people. That means encouraging long-term partnerships between companies and educational institutions; expanding the role of work experience and sandwich placements; encouraging flexible working arrangements that encourage and incentivise people to pursue new qualifications while still at work; and recognising that one size does not fit all. As we expand apprenticeships, it is crucial that we build the broadest range of opportunities for the broadest range of talents.

In summary, this is a very important Bill. I have touched on only two elements—regulation and vocational education—but I hope I have shown in a small way how the Bill will support businesses and customers and expand opportunities for our young people. That does not benefit just those directly affected, it helps to create the long-term growth our economy urgently needs to thrive and, with that, to make affordable the benefits that we would like to see cover all portions of society. I am proud to support the Bill.

*6.23 pm*

**Lord Aberdare (CB):** My Lords, I welcome the policy aims behind the Bill and its goal of promoting the growth of enterprise by reducing some of the burden of regulation, particularly on small businesses. As a former small business owner, I sincerely hope it will prove effective in achieving that goal. I shall comment on two areas relating to the Bill: first, the clauses relating to apprenticeships; and, secondly, the issue of cash retentions in the construction sector, which is not covered by the Bill as currently drafted, but in my view should be.

Turning to apprenticeships, Clause 18 allows the Secretary of State to set apprenticeship targets for prescribed public bodies. This should contribute to the promotion of good employment practices with regard to apprenticeships in the public sector, as well as help to meet the Government's overall target of 3 million

new apprenticeship starts in England during this Parliament—both of which I welcome. However, what really matters is not so much how many apprentices start as how many complete their apprenticeships, with real skills and opportunities to gain real and permanent jobs—outputs rather than inputs. How will the Bill ensure the quality of public sector apprenticeships, not just their quantity? As with so much about apprenticeships at the moment, it is still far from clear how funding and delivery processes will actually work in future, and I can imagine that some public sector bodies might be concerned at the prospect of having to pay the proposed new apprenticeship levy and meet a target for new apprenticeships while facing budget cuts.

Clause 19 seeks to raise the status of apprenticeships by making it an offence to describe a course or training programme as an apprenticeship if it is not a "statutory apprenticeship". I wish that there was a good abbreviation for "apprenticeship". The obvious one would be "app" but unfortunately that has already been taken. Again, I welcome the aims of protecting the reputation of apprenticeships and seeking to promote the growth of statutory apprenticeship schemes, but I have been struck by the number of emails I have received from organisations concerned that this provision may have a stifling rather than stimulating effect on the growth of apprenticeships. Concerns expressed to me include: whether the definition of acceptable apprenticeships might exclude some vulnerable groups, such as people with learning difficulties and disabilities, from the opportunity to undertake such apprenticeships; whether it will apply equally across all the devolved Administrations, which have their own apprenticeship regimes, and, if so, how; and whether local trading standards teams are best placed and adequately resourced to enforce it.

Apprentices whose training is provided directly by their employers are excluded from the terms of this clause. There seems to be some risk of confusion attached to having such a significant exception to the prohibition on using the term "apprenticeships" for anything other than statutory apprenticeships. In any case, the Government say:

> "There is little evidence to suggest that the existing scale of misuse of the term 'apprenticeship' is widespread",

so I wonder whether this is really the best way to enhance the status and attractiveness of apprenticeships. Having said that, I very much support the point made by the noble Baroness, Lady Harding, about promoting other forms of vocational education as well as apprenticeships. I look forward to hearing the Minister's—I hope reassuring—comments on these points.

The other issue I wish to raise relates to an aspect of payment practice in the construction sector that is extremely damaging to productivity and investment in the sector, especially for small businesses, but is not addressed in the Bill at all. This is the issue we have already heard about of cash retentions, whereby a proportion—typically 5% but sometimes as much as 10%—of payments due to subcontractors at each stage of a construction project is routinely withheld. Notionally this is to provide a mechanism for remedying defects if the subcontractor does not do so itself. The noble Lord, Lord Cope, mentioned the timely report on this issue in today's *Times*. It was also powerfully addressed by the noble Baroness, Lady Donaghy, and the noble Lord, Lord O'Neill.

According to research done by the Specialist Engineering Contractors' Group, which represents more than 60,000 firms with over 300,000 employees, 99% of them small businesses, the total of such retentions at any time is some £3 billion. Subcontractors may have to wait up to three to five years, or even significantly longer, to receive the payments they are owed. In some cases they do not get paid at all, when the client business that has held back money owed to them goes bust. To add insult to injury, the cash retained is often used either as working capital or to fund investment by the debtor company, while the subcontractor to which it by right belongs, having completed the work involved, is unable to use it to enhance its own productivity through extra recruitment or investment. According to the SEC Group, the amount lost by small firms in this way just this year, because of insolvencies up the supply chain, is almost £30 million—enough to employ some 3,000 apprentices. Other construction sector bodies share this concern, including the Forum of Private Business, the Federation of Master Builders, the Finishes and Interiors Sector, and the National Federation of Roofing Contractors.

The *Construction Supply Chain Payment Charter*, issued in April 2014 by the Construction Leadership Council set up by BIS, included 11 commitments, one of which was to aim to move to zero retentions by 2025. More than 20% of public bodies, and some leading private sector businesses, have already abjured the use of retentions. Other jurisdictions around the world, including in France, Germany, Australia, New Zealand and the USA, have tackled or are tackling this issue to boost the productivity of their small businesses. A possible solution, along the lines of the existing tenancy deposit scheme which provides protection for landlords, would be to require all cash retentions to be held in a form of trust on behalf of the subcontractor to whom they really belong. This would have the beneficial effect of protecting a subcontractor from supply chain insolvencies, and perhaps of making it easier to seek loan funding against the value of cash retentions held in trust for it.

The Bill of course creates a Small Business Commissioner to assist small businesses in payment disputes with larger ones. But nothing in the proposed powers of the commissioner would address the specific issue of cash retentions and, as we have heard, experience shows that small construction firms are likely to be extremely nervous of using the commissioner to pursue disputes with their larger client businesses because of the possible impact on their own future business if they are seen as troublesome or difficult subcontractors. This is what the noble Lord, Lord Patten, described as the fear of reprisals.

I have a simple question for the Minister. Given that movement on this issue would have clear potential to galvanise the construction sector in terms of enhanced productivity and investment—especially those small businesses which the Government are quite rightly so keen to encourage and support through the Bill—why

[Lord Aberdare]
on earth should they have to wait until 2025 for any prospect of it being fixed? It is evident to me that given the choice between resolving the cash retentions issue and setting up the proposed Small Business Commissioner, welcome as that is, the vast majority of small construction firms would plump without hesitation for the first. So why not seize the excellent opportunity presented by the Bill and tackle both?

*6.31 pm*

**Lord Flight (Con):** My Lords, I think that no one champions more the huge and wonderful increase in entrepreneurship and small business in the UK. I have often done that here in your Lordships' Chamber and the Bill contains a lot of useful micro-provisions that are helpful for small business. It has the excellent objective of supporting the UK's position as the best place in Europe to start and grow a business. I hope very much that the Small Business Commissioner initiative will work. There is certainly the need for SMEs to save the time and costs of going to law to resolve disputes.

I am slightly sceptical about the success which will be achieved in cutting £10 billion of red tape. I am afraid my experience is that the regulatory and administrative requirements on SMEs and sole traders continue to grow inexorably, of which the most annoying to me are the never-ending and pointless AML requirements. By 2018, small businesses will also be faced with the cost and effort of providing pensions, even if they have only one employee. I will also repeat the points that I made in the September economy debate: the EU's competition Commissioner is obliging the UK to change our very successful EIS and VCT schemes to qualify for EU state aid approval. The changes will limit severely the supply of equity risk capital for SMEs that are moving into a growth phase and, for reasons not yet explained—and contrary in this case to the accommodating facilities of the European Commission's 2014 risk finance guidelines and the general block exemption regulation—exclude acquiring and sorting out SMEs with problems from qualifying for EIS and VCT status. I declare my interest as chairman of the EIS Association.

I support strongly the expansion of apprenticeships and congratulate my noble friend Lord Baker on the success achieved by university technical colleges in preparing young people for apprenticeships. I also wish the Government every success in stopping overgenerous taxpayer-funded six-figure pay-offs in the public sector.

I will talk about the specific requirements in the Bill for insurers to pay insurance claims within a reasonable period of time, as in Clauses 20 and 21. I suggest that all would agree with the objective of enhancing protection for SMEs and consumers but the provisions in the Bill are causing widespread concern in Lloyd's and wholesale insurance markets. I should add that I have absolutely no involvement with Lloyd's or the insurance industry. The CEOs of the Lloyd's Market Association, Lloyd's itself and the International Underwriting Association have written to the Economic Secretary, setting out their concerns in detail. I hope that the Government will come forward with their own amendments to disapply Clause 20 in respect of large insurance risks, where statutory protection is not appropriate or necessary for international business and commercial risks written in London.

The damages for late-payment provisions are the same as those ultimately removed from the Insurance Bill before it was introduced to Parliament in 2014, which was then on the advice of the Law Commissioner. I would like to quote David Hertzell, who was then the Law Commissioner. In his evidence to the Special Bill Committee of the House of Lords on that Bill, he said:

"It is absolutely impossible these days, and probably always was, to draft law that can cover both ends of this huge spectrum of different types of business. We have drafted something that we think fits the vast majority of businesses that sit within the middle of the bell curve. At the more sophisticated end, we expect businesses to take care of themselves, as they do now with their individual contracts, and at the less sophisticated end we have the Financial Ombudsman Service. This legislation"—

which became the Insurance Act 2015—

"is intended to be focused on the mainstream commercial marketplace. We expect the people who operate outside that marketplace to contract on different terms, as they do now. It is a default regime that essentially seeks to achieve as neutral an outcome as possible".

The Insurance Act, if it is to be amended by Clause 20, will create a difficult framework for the London marketplace. Where Lloyd's takes real issue with what the Law Commissioner said is that the Insurance Act has not created a neutral regime. Contracting out will be technically and commercially difficult and—the worry is—more so than switching to another legal destination such as Bermuda. The LMA and IUA put forward a proposal at the same time as the Insurance Bill in 2014 to create a remedy of damages for reckless or deliberate mishandling of claims, which seemed to go to the nub of the problem that the Law Commission wanted to cure but without exposing the market to bad faith or speculative litigation. It was a pity that Parliament chose then not to adopt the industry proposal.

There has been no consultation with the LMA or IUA regarding this Bill's provisions, although HM Treasury said back in 2014 that the Government would continue to work with stakeholders to reach and agree solutions. The Government have not taken heed of what the Law Commission described as the "legitimate concerns" of the London market. Combined with other problems contained in the Insurance Act, the Government are not taking account of the balance required in English law if it is to remain the law of choice for different types of business and, in particular, international insurance business including reinsurance underwritten in the London markets.

The provisions would introduce a further significant element of uncertainty into insurance contracts written under English or other UK law. What would be a reasonable time for payment or reasonable grounds for dispute? Speculative claims for damages are likely to be made as a matter of course when a valuable or complex claim is disputed. Consequential damages claimed could be disproportionate to the cover purchased and the premium paid. Claims handling costs will increase significantly because of speculative, vexatious claims. There will be significant problems in the dispute resolution process, whereby insurers may have to disclose

legally privileged advice to show that they are acting reasonably. Claims reserving will be problematic if large secondary claims for consequential losses are made. All this would lead to higher loss ratios, capital requirements and premiums. Unfortunately, the contracting out of the damages for late-payment provisions within the Bill will be a commercial non-starter, especially in soft market conditions. Wholesale insurers are already subject to FCA regulation in relation to claims handling, where the FCA has not found evidence of any systematic late payment of claims.

The Bill's impact assessment also contains unrealistic underestimates of the damage for late-payment provisions, with continuing costs of investigating unmeritorious claims of just £375,000 per annum for the entire industry and increased litigation costs of £100,000 for five years for the entire industry. These sums could be absorbed by just one major speculative claim. The impact assessment is also inaccurate and incomplete in other major respects.

Applying enhanced statutory protection against late payment of claims is inappropriate and disproportionate for the wholesale life industry. The net effects and costs will damage the international competitiveness of the London insurance and reinsurance markets and are likely to lead to a rapid switch from English law to other jurisdictions such as Bermuda, with major implications for London. The wholesale insurance industry would therefore like to see Clause 20 disapplied in respect of large risks, as defined under the EU solvency II directive, and reinsurance claims, so avoiding the problems that I have spoken about.

*6.41 pm*

**Baroness Wheatcroft (Con):** My Lords, I applaud the aims of the Bill. In introducing it, my noble friend said that it was about making life easier for small businesses, and who would not want to do that? It will encourage smaller firms, deregulate and champion apprenticeships—all worthy aims. At this stage, I should declare my interests as listed in the register, including directorships of regulated companies.

We have a relatively successful economy, but not a perfect one by any means, and complacency would be misplaced. The persistent trade deficit—now a whopping 5.5% of GDP—is a real cause for concern. To deal with that, we need not just to support small business but to actively encourage those businesses that can grow into world-beaters. Britain is good at starting businesses. As we have heard, we have more than 5 million of them. The problem is that too few of them become big businesses. BIS published a survey in 2013 which found that 1.5 million businesses were not growing but, even more depressing, did not want to; 2.7 million were not growing but—slightly more encouraging—they wanted to, they just could not.

Trying to get to grips with this issue, last year, a serial entrepreneur, Sherry Coutu, produced the *Scale-up Report* for the Government. Her thesis was that competitive advantage for nations comes from focusing not on starting up but on scaling up businesses. Not every business is capable of scaling up—probably only about 6% of start-ups will ever get to national, let alone international scale—but, if it can be done, the rewards are huge. Deloitte's has undertaken research that shows that if we succeeded in scaling up our businesses, by 2034 there could be an extra £225 billion added to our gross value.

Companies struggle to grow both domestically and internationally. The inventiveness, which is there to get them started, seems to fade at the problems of growing. What obstacles do they encounter? Finance is there, but it is nowhere near the top of the list. Obviously, late payments cause cash flow problems and cash flow is all-important; what the Bill proposes to deal with late payments will be very welcome, but that is not the main thing that is holding back our growth companies.

Top of the list is skills, so I welcome the move in the Bill to increase the number of apprenticeships. There is already a huge increase in that field but more to be done. This afternoon, we heard from my noble friend Lord Baker about the success of his technical colleges. We need people to go into such vocational education rather than getting just another university degree. We need to continue to improve literacy and numeracy—as we are—but getting those skills into the workplace where they are needed takes time.

If our growth companies are really going to get the motor that they need, some of them need to bring in those skills from overseas. One proposal that Sherry Coutu makes is that there should be a special scale-up visa that would allow growth companies to bring in the talent they need. I know that my noble friend the Minister is fearless; I wonder whether she would dare to broach that with the Home Secretary.

The other thing that holds back our potential growth companies and comes very high on their list of issues is leadership. They just do not have leadership skills, and struggle to break into new markets. Supportive relationships with big companies would really help in that area. There could be a symbiotic relationship between big and small companies; we have already heard reference to that this afternoon. My noble friend Lady Brady talked about the ecosystem which the Bill should be nourishing, improving relationships between big and small companies. We are not doing enough yet to improve the relationships along the supply chain and to foster the smaller companies that could benefit so much from the mentoring that big companies could give them, from the introductions to new markets that big companies could provide and from access to the infrastructure that many established companies have, which could open the door to those potential growth companies to really get going.

For the time being, our Small Business Commissioner will be very limited in what he does: just talking about late payments. I concur with my noble friend Lord Cope of Berkeley that, in the short term, that may well be the right thing to do—late payments are a big issue—but in the longer term, like him, I should like the Small Business Commissioner to take a much more proactive role in encouraging relations between small companies and big ones. In the mean time, the Department for Business has many different initiatives—some might say, still too many—to help small firms.

Elsewhere in the Bill, I welcome Parts 2 and 3, which are bringing about a sensible approach to regulation. Extending the duty of other regulators to take account of the need for growth is a positive step. Extending the

[Baroness Wheatcroft]
primary authority scheme may not get the general public dancing in the streets, but it will bring sighs of relief from many smaller firms. To enable a business to have to deal only with the rules of one authority rather than many must make sense. As the Secretary of State himself put it:

"Thanks to Primary Authority, cheese makers don't have to display their cheddar on wooden boards in one place and on steel platters in another".

That must be a step in the right direction.

*6.48 pm*

**The Earl of Kinnoull (CB):** My Lords, I commend the thinking behind the Bill, seeking as it does to improve matters for business in our island nation. I shall concentrate on just three areas: late payment of insurance claims, gold-plating of EU directives and the attitude of regulators. I declare my interests as set out in the register, in particular as an employee of Hiscox insurance group for 25 years, much of it at a senior level.

First, on the late payment of claims provisions, I note that these are substantially the same draft clauses dropped due to time pressure from what is today the Insurance Act 2015, but with important additional wording that would prevent the ability to contract out of the new obligations. I have been in touch with the British Insurance Brokers' Association—BIBA—which represents nearly 2,000 insurance intermediaries and has additionally as partners the bulk of British insurance carriers. It is, as am I, highly supportive of these provisions. I know well from long experience that those insurers which seek to pay valid claims rapidly look on with frustration at the small minority of competitors which make a business of not doing so. These provisions would be a great help for small businesses—the small and the brave—which are the bedrock of our nation's prosperity today and a foundation for its prosperity tomorrow.

I spoke in this House in the debate on the gracious Speech about the problem of gold-plating older EU directives, something recognised by our EU neighbours who refer to it as "sauce anglaise". I stress the word "older". In 2011, the coalition Government brought in an admirable fresh approach to the bringing of EU directives into UK law. Not only were great efforts to be made to avoid gold-plating, but also things have become self-correcting through the use of review and sunset clauses in the regulations concerned. The previous Labour Administration latterly tried to prevent gold-plating, really in the wake of the excellent Davidson review of 2006. However, the absence of the default use of review and sunset clauses means that EU directives brought into UK law in the period from 2006 to 2011 generally have no mechanism to self-correct. The situation for directive-driven legislation prior to 2006 is that there is plenty of gold plate about, as the noble and learned Lord, Lord Davidson, found. Does the Minister agree that these older, pre-2006 bits of EU-inspired legislation represent potentially very rich pickings for the Government's target to save £10 billion in red tape?

A particular case in point is the insurance mediation directive, or IMD, which dates from 2002 and was put into effect in the UK in January 2005. BIBA told me today that,"the UK is the most expensive regulatory regime on the planet, five times the cost of our major competitors and fourteen times the global average". That is not so much gold-plating as lead-plating, which prevents our world-leading insurance intermediaries fulfilling their full potential. To put the size of this industry in context, BIBA also advises that its intermediary members employ 100,000 staff and account for 1% of UK GDP. UK insurance intermediaries are regulated by the Financial Conduct Authority, the FCA. Will the Minister confirm that the FCA is to be named as a specified regulator by the Secretary of State for the purposes of the Bill? For the older, gold-plated situations I described, the admirable regime envisaged by the Bill will apply only if the regulators concerned are specified by the Secretary of State, so I urge that he is very thorough here. I agree entirely with the words of the noble Lord, Lord Leigh.

Finally, I turn to the attitude of regulators. The best regulators in my experience over many years and in quite a few countries take a very helpful and collaborative approach. However, bad regulators can treat those that they regulate aggressively and as if assuming non-compliance, and/or use poor enforcement and/or excessive monitoring requirements, all of which can turn straightforward regulation into a costly and disruptive burden. I very much welcome Part 2 of the Bill, which in particular will allow those being regulated to feed back what it feels like, leading to a sort of reverse naming and shaming. That is likely to be a healthy step in driving a change in approach for those regulators that need to improve. However, it is important to patrol the fear that some have, well-founded or not, that if they complain about their regulator they could be subject to additional scrutiny from it, and thus be discouraged from giving useful feedback. I am not sure at this stage how that is best dealt with. Additionally, it is important to consider to whom the reports contemplated in the Bill are best addressed so that there is a clear potential for sanction where a regulator performs consistently badly. Again, I am grateful to the Minister for the opportunity to discuss this shortly. That said, this is an excellent Bill overall and I wish it well in its passage through Parliament.

*6.55 pm*

**Lord Sheikh (Con):** My Lords, I speak as a businessman and as somebody who has employed many people through several business ventures. My business interests have related to insurance, financial services and property. I have spoken many times in your Lordships' House and elsewhere on the importance of supporting small businesses. I am a great supporter of SMEs and in my business life have rendered them support, with the result that my company has flourished and the SMEs too have done well. I used to own a company which provided facilities for the placement of businesses on insurance schemes to more than 1,200 intermediaries. We found our sub-agents to be innovative and made good use of opportunities we were able to provide. There were mutual financial benefits.

Five years ago, the Government inherited a substantial budget deficit. Much progress has been made and our economy is growing once again, but there is still some way to go. Business and enterprise have been and will

continue to be at the heart of our recovery. Our economy will only grow if business is allowed to grow. The Government have a responsibility to assist businesses where they can. We must make it as easy as possible for businesses to establish themselves, to build and to flourish for the long term. Above all else, we must make the United Kingdom the best place to grow and run a business. Our country has an entrepreneurial spirit. We must foster and encourage this, not least with our small and medium-sized businesses.

Many of the measures in the Bill will offer greater support for small businesses in particular. We need to fully understand the contributions of small businesses to appreciate the importance of this Bill. It has long been said that small businesses are the backbone of our economy. Last year there were estimated to be around 5 million small businesses in the UK. They in fact constitute more than 99% of our total businesses. They are responsible for 48% of private sector employment and around a third of private sector turnover. They not only drive growth and provide jobs in the wider sense, but also bring fresh ideas and open new markets. They often innovate by challenging the status quo.

The Royal Society of Arts recently published a report into the health of small businesses. It found that when comparing like-for-like long-standing firms, micro-businesses actually have higher productivity levels than larger firms in many cases. Micro-businesses in particular are booming, but they are also struggling. The number of micro-businesses has increased by nearly 50% in the last 15 years, so that they now account for a third of all private sector employment. The report also found that small businesses are more efficient at innovation. They create more innovation for every unit of research and development expenditure and extract more financial value from these developments. The workplace employment relations study has also found that small business employees are the most satisfied in the labour market. They score highly on job control, influence on decision-making and loyalty to the business.

With this in mind, it is imperative that we do all we can to assist and nurture small and medium-sized businesses. It is in all our interests that they thrive. In many respects they must be empowered to compete on a fair and level playing field with larger companies, as some of them often suffer from an imbalance in bargaining power. They are most vulnerable to unfair practices and often do not have the resources to challenge them. Meanwhile, they are also under greater pressure to protect their commercial relationships. In particular, smaller cash flows also mean that many small businesses experience problems with late payments.

The Small Business Commissioner will provide the reassurance and capabilities that small businesses need to deal with such problems. Our SMEs need to know that relevant advice and information is available to them, and where to find it. Where they require dispute resolution or need to file official complaints, they will now have a central resource to which they can turn. A commissioner will also encourage a change in the culture of how businesses deal with each other. There must be fair treatment for all businesses, large and small. It is particularly welcome that a voluntary mediation service will be provided through the commissioner. Where disputes need to be taken further, avoiding the need to go to court will save much time and money.

We need only look at the success of the Victoria Small Business Commissioner in Australia. Over half of cases dealt with by the commissioner have been successfully resolved. They cost businesses 30% or less of the cost of going through litigation. Over half of the complaints received have also been resolved within one week, and 80% within 12 weeks. Can my noble friend say what specific lessons have been learned from this success in Australia? In summary, the new commissioner will provide SMEs with the support they need to thrive in an often volatile market.

One of the biggest barriers to businesses is red tape and bureaucracy. This affects large corporations too, but small businesses are often disproportionately affected. They identify compliance as one of their biggest inhibitors to growth. I am extremely proud that our Government have committed to cut red tape, and that commitment must be appreciated. The business impact target forms a key part of implementing this pledge. It is an innovative way of holding government to account for regulations it introduces. However, this deals with only half the problem. It is clear from businesses that the actions of regulators are just as impactful as the legislation itself. It therefore makes sense to extend the business impact target to include regulators, as they hold just as much responsibility as government Ministers.

We must look not just at the rules, but at the way they are enforced. If extra costs are imposed on businesses by the behaviour of regulators, we must know about it. This will mean even greater transparency of the real impact that specific regulations have. Ultimately, I hope that this will reduce regulatory burdens on businesses even further than previously forecast. That in turn will free resources, increasing productivity further still. More widely, I also hope that businesses will continue to come forward and report burdens through the Government's Cutting Red Tape programme.

It is also extremely important that all regulators are properly engaging with the growth duty and the Regulators' Code. They must be consistent and proportional with the policies on enforcing different regulations. It is also important for businesses to see that regulators are behaving with integrity. I welcome that measures in the Bill will give businesses a voice in declaring how they are affected through regulators' regard to these duties. Making regulators more accountable and transparent will provide reassurance and clarity to businesses. It will also ensure a more stable system of regulation in the long term.

I commend the extension and simplification of the primary authority scheme. It has proved very popular and has doubled its membership in each of the last five years. Having a single point of contact for robust and reliable advice reduces time, risk and complexity. This is particularly valuable for small businesses, which often do not have in-house expertise on regulatory issues. As many businesses as possible should be able to access the benefits of the scheme. Extending it to other areas of legislation will also mean that more regulators can participate. Simplifying the formation of primary authority co-ordinated partnerships is also

[LORD SHEIKH]
particularly welcome. I understand that the Government reviewed the operation of the scheme with hundreds of businesses and authorities that use it. Such extensive consultation is to be commended.

As someone who has been involved in business in the insurance and financial services sectors, I am glad that the Bill proposes for insurance claims to be settled within a reasonable period. I support this in principle, but it needs to be looked into further. However, this was my own practice when I was in business: I used to instruct my staff and loss adjusters to settle claims as quickly as possible. The questions of liability and quantum need to be established, and if the claim is valid the payment should be made as soon as possible. By doing so we will create good will and compensate the policyholder when they need our help the most. I feel that a satisfied customer is your best method of advertising.

I also welcome the provisions regarding apprenticeships and the drive to use the public sector as a model employer in this respect. This will indeed enable the Government to meet their target of establishing 3 million extra apprenticeships in England over the next five years. We must continue to develop our financial services sector but we also need to enhance our manufacturing base to enable us to expand our economy and create more jobs. This can be achieved by expanding our apprenticeship programme, which will provide us with more trained staff to fulfil the needs of the various sectors in the country.

The Bill will make life much easier for businesses to operate and innovate. It will provide extra support where it is needed and eliminate bureaucracy where it is not wanted. It will cement the United Kingdom's position as the best place in Europe to start and grow a business. The Bill will have my support in principle.

*7.10 pm*

**Viscount Eccles (Con):** My Lords, at this stage in a Second Reading debate, it is tempting to throw one's speech away and reflect a bit on what has been said. I confess that I find it very difficult to pull out of what has been said things that I am certain about. The debate has been very much about people's behaviour towards each other, asking why people pay late, or about cultural change, asking why people go on behaving in a way that you would think they would want to change. In pursuing those things, we have been taken to Australia by both sides of the House and, indeed, I shall also concentrate most on the proposal to have a commissioner for small businesses.

We also had my noble friend Lord Flight quoting the Law Commissioner, from some time ago, in saying that,

"we expect businesses to take care of themselves".

But I do not think that we in Parliament—or a lot of us—do not believe that businesses or people can take care of themselves; we think that they need a lot of assistance. When it comes to this Bill and business practices, as my noble friend Lord Cope most elegantly said, we have even and uneven numbers.

We have heard some very powerful technical speeches relating to either one or another parts of the Bill, but I shall try to concentrate on the first part and try to deal with the argument that some people have made that it does not do enough, while others have suggested that it will not work. The conclusion from the second argument might be that it might be better not to try to do it that way in the first place. However, we all agree that there is a very serious problem—that many large and small businesses pay late and get paid late. So there is no doubt at all that there is a big problem, but there always has been. Is the law deficient in providing guidance and remedies for late payment? I am not sure that it is. Contract law is pretty thorough. The question of retentions is of course a completely different subject—it is different from being paid late. If you agree that you will have a retention in your contract, you have one. In my youth, with large construction contracts, you could always go to the bank and swap a cash retention for a bank guarantee. So I am not so sure that the present situation, in terms of technical, legal memories, is so short of what we would need or want.

If we agree that there should be further state intervention, we have a duty to decide whether it will be effective. In the case of Part 1 and the Small Business Commissioner, whose duty is going to be giving advice and information and trying to deal with complaints, my first impression is that it will engage him in a huge variety of problems. It would not be possible to describe how wide that variety could be. I go back to when I was running what I think was a small business—although, until we get the scope regulations, we do not actually know what a small business is; it could be that it is much more widely defined than simply one that employs fewer than 50 people, or one that is close to a start-up, or, as my noble friend Lady Wheatcroft, said, one that is not prepared or interested in scaling up. In the variety of circumstances, it would not be sensible to turn the description "small business" into some sort of fetish.

Indeed, in the days when I was responsible for collecting debts, I got rung up and told that so and so had not paid and asked to go and do something about it, and what I did was to get into a Hillman Minx van, DXG 813, and went to see the buyer. When you went to see the buyer, they would probably say, "It's that wretched accounts department—they never keep up with paying the bills on time", or they would say, "The inward goods reception said that you'd sent eight, but I can only see six". So I would say, "Let's go out into the yard and see whether we can find the eight"—and we usually did. And the buyer would then say, "Well of course those people never could count". So at that time I was on the side of those who thought that the best thing to do was to sort out your own problems.

Nobody thanks you for bringing in a third party if, in fact, you could and should be solving your own problems. Two is company and three is a crowd. So I wonder where the idea came from for a Small Business Commissioner who would help to solve this amazing variety of problems by providing advice and information and concentrating on the question of the cash flows. Why would anybody believe that it would really make a difference? It is probably a follow-up—as was indicated in some depth and detail by my noble friend Lord Patten—to the Groceries Code Adjudicator. At some point in the passage of that Bill, I was heard to say

that I was the only member of Her Majesty's Opposition, because I confess that I never thought that the Groceries Code Adjudicator would have an easy job. I always thought that it would be very difficult. I think that the adjudicator is a very good public servant. I read everything that she says and that she has done, and I believe that she is as workmanlike, sensible and sophisticated an operator on behalf of the state as one could wish to see. She has been going at it now for two and a half years; she has the power to investigate and is making an investigation into Tesco. I suppose that Tesco opened itself to the thought that she should investigate it. She has the power to fine and the power to name and shame, but she has proceeded very cautiously—and she has not been able or wanted to implement those provisions of the Bill.

So this time, while probably thinking that that was the situation, we are faced with a much less draconian approach in the case of the Small Business Commissioner. But I still wonder whether it will actually have any real effect. Will a cultural change take place? Will everybody start to pay their bills in a different way because of the Small Business Commissioner? My answer to that is that it is not likely. Either the cultural change will come from within business itself, or it will not come at all. I do not believe that in this case this form of state intervention has anything to offer us, and therefore I say in conclusion that I am very glad to see that the Secretary of State will be given the power to evaluate and then to abolish.

*7.20 pm*

**Lord Borwick (Con):** My Lords, this Bill will help small businesses up and down the country get on with the task of making things and providing services. It will help to ensure that regulators are on the side of business, rather than in conflict with it, and it will help millions of young people develop skills and get good jobs. These are all wonderful things. I want to address the general themes of the Bill in turn and start by declaring my interests in business and enterprise as recorded in the register.

Given the problems that some small businesses have with late payments for services provided, it is good to see that a Small Business Commissioner will be introduced. The problem could possibly be solved with tighter contracts at the beginning of any deal, but small businesses by their very nature do not have the resources to deal with the hurdles that are sometimes put in front of them. It is important that any good work that the new commissioner does is taken seriously and promoted. That would hopefully have the knock-on effect of speeding up payments without the need for cases to be referred to the Small Business Commissioner. That means that it is important that we can see the tangible results that will be delivered by the commissioner and can measure his effectiveness.

Incidentally, are not slow payments the symptom of a problem, not the cause? I know that small businesses often complain about this subject, but my experience is that slow payments happen most often to boring businesses without anything that the customer regards as unique. Would it not be better for the supplier to spend his time improving his product or getting better capitalised? I am not sure how any small business proprietor will actually have the time to complain to the commissioner, and I am pretty certain that the customer who is the subject of the complaint will get himself a new supplier.

Trying to ensure that our regulators are pro-growth is a good thing, and I welcome this direction of travel. However, it is reasonable to expect that the growth duty should already be an implied duty for all regulators. The fact that this clause is needed at all shows that regulators are too often unhelpful and that they impede growth, possibly knowingly. Perhaps we do not need to change the legislation; we just need to change the regulator. I cannot but wonder whether, had this been enacted at the beginning, in the primary legislation that set up the regulator, it would have been harder for the regulators to come up with any excuses. I am pleased that the Bill finally settles the seemingly obvious matter that regulators should be pro-growth.

Extending primary authority powers will make life a lot easier for many small businesses. Dealing with one local authority has saved a lot of time for small businesses, and therefore saved them money. Bringing regulators within the scope of the scheme also demonstrates that the Government are on the side of small businesses by making their life a lot easier, but does the Bill allow for a regulated person to nominate an authority to be regulated by, with the Secretary of State accepting that unless there was a very good reason not to? It seems to me that this would put even more trust in businesses to make the right choices for themselves.

Apprenticeships are a wonderful thing. I have a background in manufacturing, so I fully appreciate what value they can bring to a company, not just in skills, but especially in loyalty and commitment, and I commend the Government's drive to have more apprentices working in government and at Britain's car makers, energy companies, pharmaceutical manufacturers and all the other wealth-generating businesses in our economy. If I have one concern about apprenticeships, it is how they may be vulnerable to being interfered with by educational institutions. Academic education happens in schools. Children who thrive in schools go on to university. The implication, therefore, may be that an apprentice did not thrive at school. It is not correct; I went from secondary school directly into business, missing out university. I have had the privilege of having great apprentices working in my businesses. One was so good that we promoted him to team leader within about a year of his start. I am not sure how such a promotion would fit into statutory apprenticeships. Apprenticeships and degrees are, of course, both things to be proud of, and pride is often the best driver of high standards. The Government are doing all they can to ensure that apprenticeships are valued and respected and that they are a viable path for millions of young people. That is wonderful.

The late payment of an insurance claim can be devastating for a business that is trying to get back on its feet. My only experience of a large insurance claim was a good one. There was a fire in my factory, and ACE paid out £500,000 in just seven working days. It provided a great service. I tell this story because I worry that the press will say that this section of the Bill carries with it an implication that insurers generally

[LORD BORWICK]

pay late. This is not true. As with every industry, there are good players and there are bad players. While we check the bad players, we should applaud the good ones.

It is entirely sensible to streamline the reporting of non-domestic rates. It is ludicrous that businesses have to report their information several times over. It highlights an important point on the valuation of rates. There are many consultancies in operation today that promise to reduce your business rates bill in exchange for a percentage of the saving. The fact is that they are usually right. It works. That shows that there is something more fundamentally wrong with the system if so many valuations are incorrect. There must be a good case for reform of the system if the majority of professional practitioners are working on a success fee. I am glad that the Government are working to improve the reporting processes and, hopefully, also the quality of information that is held, meaning that businesses are not paying over the odds.

Industrial development is a noble aim, but I am sure that most taxpayers and businesses do not agree that Ministers can pick winners better than the market, so while I commend the sentiment, because this Government back business, I am nervous about increasing the threshold for industrial development from £10 million to £30 million.

I again applaud the Government for their intention to end sky-high exit payments in the public sector. These deals do not really exist in the private sector to the same extent. That is not a universal rule—some very odd deals are handed out to those at the very top of the private sector—but I hope that shareholders are far more active in standing against this type of behaviour. Taxpayers are the shareholders in the public sector, so it is right that action is taken. However, I am concerned about the 28-day payment limit. Can the Minister assure me that there will be safeguards in place that mean public sector organisations cannot simply stagger these payments over two months rather than one? Is the limit in practice going to be £1,140,000 paid over a year, or would we be better to change the 28 days to one year?

In general, this is a great Bill, albeit over a bewildering variety of subjects.

*7.29 pm*

**The Earl of Lindsay (Con):** My Lords, I support the Bill and the measures it proposes for encouraging opportunity, productivity, enterprise, jobs and economic growth, and I particularly welcome Parts 2 and 3, as I have had a long and active interest in better regulation and deregulation and have been a member of the Better Regulation Commission, the Risk and Regulatory Advisory Council and the Better Regulation Strategy Group. All these bodies were established to give independent advice to successive Governments over the past 10 years on how to improve the quality, address the quantity and reduce the unnecessary burdens and unintended consequences of regulation.

I join other noble Lords in welcoming the extension of primary authority powers. Primary authority powers have to date made life easier for all sizes of business, including small businesses. On a broader scale, requiring all national regulators that oversee the business landscape to give greater consideration to reducing the compliance burden that they impose on firms is welcome, as is obliging all regulators to be brought within the scope of the deregulation target. In considering the impact of legislation, it is logical that the manner in which regulation is enforced is given the same level of scrutiny as the regulation itself. As the Minister said in opening, the business community sees the actions of regulators as being at least as important as the content of legislation in determining their experience of regulation.

A further important point is made in the impact assessments associated with this Bill—that,

"the costs imposed on business by regulators' activity are not routinely measured or reported on. As a result there is a lack of transparency around the size and scale of these costs".

I therefore welcome the proposal to include the actions of regulators within the business impact target, and that the reporting requirements attaching to that target, which will be subject to independent scrutiny by the Regulatory Policy Committee, will include the activities of regulators. This will encourage regulators to pay greater attention to the way that they operate and the effect they have on the businesses that they are regulating. It has to make sense for there to be greater incentives for regulators to design and deliver their responsibilities in a way that better meets the needs of business.

These measures comprise an important part of the Government's headline commitment to cutting a further £10 billion of red tape. They lie at the heart of Part 2 of the Bill, and it is on Part 2 that I want to focus. In doing so, I declare an interest as chairman of the United Kingdom Accreditation Service, the national accreditation body. UKAS has a successful record of working with regulators, as its accreditation has proven itself to be one way in which the burden of regulation and its enforcement, or both, can be credibly and intelligently reduced.

In many regulated areas, such as environmental protection or food safety, the robust assurance provided by UKAS accreditation is used to good effect by regulators to target their enforcement activities where they are needed most, and to reduce them where they are needed least. For instance, businesses with accredited certification to ISO 14001 for their environmental management systems are visibly demonstrating, through UKAS-accredited third-party assessments, that they take their environmental obligations seriously. In such instances, the regulator can provide what is known as earned recognition to businesses with accredited certification. This enables reduced inspection requirements for the regulator, which can either make a net saving on inspection resources or redeploy those resources to focus on where the risk is greater. It also benefits the business, which saves on reduced levies charged by the regulator and avoids the business disruption of preparing for and undergoing a regulatory inspection.

I could cite many other areas beyond environmental protection and food safety where UKAS accreditation is enabling regulators to take advantage of earned recognition, or what is known as co-regulation, to improve the way in which they engage with those whom they are responsible for regulating. For instance,

UKAS accreditation in the health sector is now recognised by the CQC as a source of information to support its hospital inspections regime. Other examples where UKAS accreditation is assisting regulatory regimes include drinking-water quality, emissions trading, microgeneration, energy efficiency, asbestos testing, gas safety, competent persons schemes under building regulations, farm assurance and animal feed, animal welfare and greyhound tracks.

I therefore hope that the extension of the business impact target will encourage regulators to make even greater use of UKAS accreditation, among other options. It is one tried and tested means by which regulators can sensibly reduce the burden of regulatory enforcement by allowing businesses to earn recognition through robust third-party assessments and manage their own activities in a responsible way.

Regulatory relief can contribute to reduced costs and greater investment, which in turn can drive economic growth. In this context, I note from analysis carried out by the National Audit Office and BIS that small and medium-sized businesses anticipate being among the biggest beneficiaries of regulatory relief. However, as I have already pointed out, businesses will not be the only beneficiaries. Regulators will be able to target their limited resources in a more informed and risk-based manner. This should help them to achieve their statutory objectives in a more efficient manner, which in turn will benefit society as a whole. Given the fundamental benefits that arise for both the regulator and the regulated, I would be interested to learn from the Minister whether a similar approach will be applied to the regulatory burden imposed on voluntary and community bodies, and indeed on those providing public services.

I welcome the new reporting duties that the Bill proposes placing on regulators. The Regulators' Code sets out a good framework, based on the recognised components of better regulation, within which regulators should work. It is also right that regulators have a duty to consider the need to promote economic growth in the way that they carry out their duties. I therefore strongly support the requirement proposed in the Bill for regulators to publish information and produce an annual report on how they are performing in respect of the code and the growth duty. It will improve the transparency and accountability of the relationship between the regulators and the regulated. It will enable businesses and others to hold regulators to account in a more informed and intelligent manner, and it will enable good practice in the context of the implementation and enforcement of regulation to be understood and shared more easily. I support the Bill and look forward to its later stages.

*7.36 pm*

**Lord Haskel (Lab):** My Lords, owing to a mix-up my name was not on the speakers list, so, instead of my prepared speech, here are four bullet points for speaking in the gap.

First, regarding the commissioner, many attempts have been made to encourage prompt payments, and all have failed. In most companies, cash out requires cash in, and firms have their own carefully calculated cash flow. Without considerably more powers, a commissioner would not be able to do very much about that. Where I think a commissioner can be of value is in resolving disputes quickly and cheaply.

Secondly, on the Industrial Development Act and poor broadband, the Minister will be aware that BT says that money is not the problem. Others say that what is needed is competition for BT. The Bill should increase the powers of Ofcom so that it can deal with this. While I am on the question of broadband, the Bill ignores that rising form of work referred to as "the human cloud". The Bill should find a form of arrangement that is suited to this type of work.

Thirdly, as apprenticeships have become more politicised, so they have become more complex. The Bill should provide a clear route of progression through all this.

Fourthly, on public sector redundancy pay, small businesses need good people in public services, particularly in the use of science and technology funded by the Government. This clause can be misinterpreted, it does not encourage that, and it should not be there.

*7.38 pm*

**Lord Stevenson of Balmacara (Lab):** My Lords, I thank all the speakers who have contributed to this debate. It has been extremely interesting, we have had had a lot of expertise on display and a number of points have been made. It was great on our side of the Chamber to feel that we were all in this together, and it was not until about halfway down the list that we had the first attack on our "anti-business" feelings, which of course I utterly refute. In any case, I am allowed to say what I like, and I say clearly that we support business. We support many of the measures in the Bill and will be pushing very hard for the Government to go further on a number of points, because we think that is the right thing to do.

However, as my noble friend Lord Mendelsohn said at the beginning of the debate, we have been slightly misled by the aspirations for the Bill. In pre-briefings it came out as something that would put red meat back into the whole question of enterprise, but I am afraid that it is much less than that. I think that it was described as another "pudding" Bill—I did not catch the exact words—and as a "legislative herbaceous border", although perhaps a "rockery" might have been more appropriate because there are many rocks and hard places into which sensitive plants might fall if we are not careful as we take the Bill forward. But enough of such metaphors; we should go on to the reality of what we are about.

Although the Bill in itself is not something that one could argue against, the problem is that it lacks a lot of the ingredients that I think would have been expected of a measure labelled "Enterprise Bill". Indeed, if the Government are not careful, they may well end up with one or two of these things being argued for in Committee. For instance, a couple of noble Lords have mentioned the need for more management, expertise and leadership in small businesses, in particular. There is not much, if anything, in the Bill about that. There is nothing here about support for exports—something that we have talked about in your Lordships' House

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on a number of occasions. There are still problems with getting small businesses to aspire to export and getting medium-sized businesses ready to export more than they currently do. There is nothing here about lending or investment, which is still a major problem for small business if we want to see growth there. If we are talking about where the markets are, why is there nothing here about our approach to the EU, particularly, for instance, in the digital single market, which I know is occupying a lot of the Minister's time? It would have been nice to see something there, perhaps leading where in the past this Government and their predecessor have held back a bit.

The noble Baroness, Lady Wheatcroft, was sharp on the question of immigration and the need to get more support for the expertise gaps that are sometimes found. I hope that the Minister will respond on that. However, it all points to a lack of anything in the Bill that could be described as an industrial policy. That perhaps does not feature so large in the thinking of the current Secretary of State, but it could well be reflected on as we go forward. Some other points were made and I shall touch on those as I go through.

I am struck that Parts 1 and 2 deal with issues that were raised extensively in the previous Session. There were two Bills that could easily have taken the materials now before us but they did not. We have come back to them not so much to amend but merely to extend points that were made in previous debates and discussions. Those points were not always made from this side, but we recognise them in some of the wording before us.

The introduction of the Small Business Commissioner, in Part 1, has been widely welcomed. In a sense, we do not need to go over this ground because it is common between us: poor contractual practices—for example, unfair payment terms and breaches of contract such as late payment—reduce the economic and financial resilience of small businesses. Indeed, recent data from the Federation of Small Businesses confirms that late payments alone are costing small and medium-sized businesses £26.8 billion per annum. Of course we must do something about that. However, what we have here seems to be an investigation and a register of issues rather than anything that might tackle the problem. We welcome the potential contribution that a Small Business Commissioner might make to help change, in particular, the culture of poor contractual practices within supply chains and to enable small businesses to resolve contractual disputes quickly and easily, but I think that this is a very pale imitation of what is needed. We have heard from all around the House that what is now available in the Bill will not provide "good capitalism", as it was described by the noble Lord, Lord Patten, and it will not provide the rod of steel by which we think the practices currently in play need to be tested. As the noble Baroness, Lady Wheatcroft, said, this is something that we will have to return to, if not in Committee then perhaps in later years.

The problem seems to be that the Government recognise the issue but do not agree on its scale. There will be one commissioner dealing with perhaps 500 cases a year when we are talking about roughly 5.4 million small businesses in the country. As we heard, when the situation is compared with that in Australia, one finds that the gap is substantial.

With regard to the powers, why does the Small Business Commissioner not have the authority to deal with regulators, big business, government and local government when they do not perform according to the standards that we want? Why is its scope so limited? Why is it not given the powers of a mediator? At the moment we are seeing the introduction of alternative dispute resolution right across our economic field. Why is there not some thought of linking up what is proposed for the Small Business Commissioner with the ADR system? As I have already hinted, I suspect that primary legislation will be required, with automatic costs and interest being applied to those who do not pay small businesses in time, because the code of practice simply does not work.

That is the sort of thing that we would like to come back to in Committee, but we think that two further things that have been represented to us are important. There should be a power within the commissioner's office to name offending companies. Without that, I do not think that the actions that it takes will stick. Naming should be mandatory if the respondent is found to be at fault. I also think that it would be reasonable for the commissioner to have powers to make referrals to the Competition and Markets Authority if there is clear evidence of significant market distortion across the economy as a result of late payments and poor supply chain practice. These are very minor areas in terms of what I have already sketched out as being important to us in Committee, but perhaps they are things that the Minister could think about.

We welcome the Government's move to include the broad range of regulators within the business impact target. Alongside requiring regulators to publish both an annual report on their performance against the regulators' code of practice and a report on the impact on economic growth, that will help to give a sense of the administrative and inspection burden that regulators places on businesses. In Committee, we would like to get further information and clarity from the Government on the fees, charges and levies that might be introduced within the annual economic growth impact report. Increasingly, regulators are imposing fees and charges for providing advice and services which are much needed in the small business sector, but we need to know more about that.

However, we are very disappointed that the Government have not stepped up to the plate on the EHRC, and we have already heard concern expressed about that. This was raised during the passage of the Small Business, Enterprise and Employment Bill, when the Minister was very firm that she felt it right that it should be excluded from primary legislation. Why has she not done that for this Bill? Perhaps she could answer that when she comes to respond.

We support the extension of the primary authority scheme. This was originally introduced by the Labour Government and we think that it has worked. It will help considerably if smaller businesses and other regulators are included in that. However, we have been told by those who have written to us that the Government are

not consulting as widely as perhaps they could, and I hope that they will pick up on this point in the remaining stages of the Bill. Some key issues are affecting councils and I think they feel that they have not been able to make this point. In Committee, we will also probe whether it is possible for councils to charge for the work that they do on this scheme. They should be able to charge reasonable fees that would be negotiated and agreed by the primary authority, rather than being limited to charging on a cost-recovery basis. At a time when local authorities are being very badly hurt by cuts, this is something where value for money might prove valuable to them.

We spent a lot of time talking about apprenticeships in our discussions here. We like the proposal to protect the term "statutory apprenticeship", and the offence that is being created of providing or offering a course as an apprenticeship if it is not a statutory apprenticeship is appropriate. In many ways it parallels what was required to safeguard the gold standard of a degree. Presumably the lessons will be learnt from that and we will certainly be probing that point. There have been difficulties in getting it right over the years and that has led to a number of concerns. However, I am sure that the Government will be able to get it right.

The noble Lord, Lord Baker of Dorking, who unfortunately is not in his place, talked about the challenging nature of the 3 million target, and that was picked up by a number of people. However, the point that he made was really the subject of a different debate. It is a debate that I regret is not prompted by the Bill and I wonder whether there will be room for it in Committee. The point here is that you cannot just bring in a statutory requirement for a particular type of apprenticeship without, as the noble Lord, Lord Baker, said, thinking harder about the split between vocational and non-vocational education in schools, about the role of the colleges and about the way in which the integration of work takes place. This is not a new debate; it has been around for many, many years. One would hope that, in building next to the structures and changes that the Government have introduced in the higher educational sector by bringing in the statutory apprenticeship route, they would also allow time to develop a properly rounded appreciation of what we are offering the children in our country who progress through primary and secondary school and then have a choice to make—in the view of many people it is currently made far too early—between a vocational and an academic course of study, to build in flexibility so that those who take one route are not excluded from the other, and to allow for linkages between the various types of training so that we have the possibility of reaching a level 5 comparison between the academic and the vocational courses which does not label people as being in one section all the way through.

These are words that everybody has heard, and we have all paid lip-service to them over many years. However, we do not ever seem to be able to get them right in Britain. Why is that the case? I say "in Britain", but in fact it is not strictly true in Scotland. The system there is much more open in terms of the ability to move between various subjects and different types of educational skills acquisition. We should take a humble approach to this in England, and learn from the experience that works, to allow the proper and right thing being done here about apprenticeships to bite properly for the benefit of our economy as a whole.

I think also that, if we are going to do this, we have to think harder about what it is that apprenticeships do in relation to the wider context of employment. By that, I am thinking about trying to bring people out of poverty—although that is not the only reason for this—and find the most productive way forward. We have to build into anything that comes out of this Bill a monitoring process for what is happening on the ground. We will need demographics about who is applying for apprenticeships, what is happening to them and what the good and bad things about it are. We should be able to think of apprenticeships not just as something that happens in itself but as something that creates a job at the end of the training—something that sometimes does not happen.

We should focus harder on the 18 to 21-year olds who are leaving the secondary education system and joining the workforce, but also continuing in training. Although it is much resisted by government, it is true that the majority of apprenticeships currently go to those in the older 22 to 25-year old age group. Have we done enough to think about gender and apprenticeships? There seems to be a large gender inequality in where apprenticeships are going. Are vulnerable groups getting access to apprenticeships in the way that they should be, particularly those leaving care? What about those from a BME background? What about disabled people? These are all important things; although they will not necessarily drive the system, it would be fantastic to get it right if we can.

Finally, I hope that during the discussions we have in Committee we can think about the sort of reports, which I have mentioned, that will be very necessary if we are to take this forward. The statutory duty for apprenticeships is an important step forward in a long journey, and we want to get it right. We will also be probing the requirement that trading standards teams should enforce protection of the term "apprenticeship". It is not at all clear that that is the best body to enforce this—it does not do employment; it does process. It is important that we get that right. We should also think harder about the way in which the requirement to make apprenticeships happen in the public sector has at least an implication for the private sector as well. It may not be appropriate to do this in a top-down way, but certainly it is setting up a difference between the approaches that would not be sensible in the long term.

We have talked a lot about the late payment of insurance claims. The provision seems an obvious adjustment of a long-standing difference between the systems that operate in the United Kingdom. The question of whether an insurer should be liable to compensate for losses caused by the failure to settle a claim within a reasonable time seems right. However, we have a long way to go on this, and I look forward to picking it up again in Committee.

On the non-domestic rating issue, we had a very helpful intervention from the noble Earl, Lord Lytton, which will repay a lot of reading. I do not think that answers will be readily forthcoming to all the points

[Lord Stevenson of Balmacara]
that were made this evening, but I am sure that they will be picked up. It is important that we get this right. At the moment, the system seems rigged to go wrong. We will certainly need to try to get the best out of the Bill, while taking on board the points that have been made.

We are all slightly confused by the industrial development provisions in the Bill. I had not realised that broadband in Wiltshire was so bad that the issue had to be picked up by the Minister herself and forced into the Bill—perhaps I am overstating the point. At a time when we are hearing that BIS is going through a bit of a contortion act around its budget and may not do quite as much funding or activity as before, it seems a little strange that the Bill contains a provision to increase funding for the Secretary of State. I look forward to hearing more details from the Minister when she responds.

The question of whether the problems we have will be solved by money was raised well by my noble friend Lord Haskel. I will not repeat the points that he made, but he raised the important issue that it is competition that is the problem, not money.

Finally, my noble friend Lady Rita Donaghy and others covered the ground on the public sector employment restriction of exit payments very well indeed. Rather than go through the issues again, let me say that there is something that can be done here, and probably there is a will to try to get this right. However, if the system that is being proposed catches the lower paid, impacts on pensions and destroys good industrial relations, we have to ask whether it is worth it.

*7.54 pm*

**The Parliamentary Under-Secretary of State, Department for Business, Innovation and Skills and Department for Culture, Media and Sport (Baroness Neville-Rolfe) (Con):** My Lords, we have had an interesting debate on the measures contained in the Enterprise Bill. I am grateful to the noble Lord, Lord Stevenson, for his comprehensive summary, and to my noble friend Lord Cope for his analogy with the herbaceous border. In an autumn when gardens have been flourishing, I hope that the sun will shine on this Bill, on our small businesses and on our plans for apprenticeships.

I am grateful for what seems to be virtually unanimous support for this Bill from the various business groups and this House; not necessarily for every detail, but I look forward to a constructive debate in Grand Committee.

Enterprise has been part of the British DNA since Elizabethan times—possibly before—and this Bill will provide a new range of opportunities. It is pro-market, pro-competition, pro-innovation and pro-investment in people and technology, and not pro-vested interests, as my noble friend, small business ambassador and judge on "The Apprentice", Lady Brady said. My noble friend Lord Sheikh made similar points based on his own business experience.

I am pleased to note that a number of my noble colleagues, including my noble friends Lady Harding, Lady Wheatcroft and Lord Patten, and the noble Lord, Lord Curry, have expressed their support for the Small Business Commissioner. The Government are committed to helping small businesses, which unlike larger businesses do not always have the resource or expertise to fight their corner. By establishing a Small Business Commissioner we want to drive a cultural change to address late payment.

The noble Lord, Lord Mendelsohn, argued that the Small Business Commissioner should have a wider remit, referring to its Australian counterpart. The Small Business Commissioner is inspired by, but not the same as, the Australian Small Business Commissioner. That is deliberate. We want to adapt the Australian experience to our own circumstances. Here, the commissioner will focus on the key issue of late payment, which is of real concern to small businesses in the UK. I should advise my noble friend Lord Eccles that the definition of "small business" in Clause 2 is, in substance, consistent with the EU definition and that which we discussed during the passage of the Small Business, Enterprise and Employment Act.

I recently met the Australian Small Business Commissioner, Mark Brennan, to learn from his success. I concluded that finding a very good candidate for this job will be extremely important, as has been said. He told me that, in the last two years, he has had to use his power to name and shame an organisation only once. He is able to resolve most complaints informally and the threat of reputational damage encourages firms to work constructively with him.

Our consultation showed that the commissioner should not provide mediation directly. The real issue is awareness of mediation and of other forms of dispute resolution, which the noble Lord, Lord Stevenson, mentioned. We do not believe that yet more legislation, as he suggested, is needed, beyond the proposals that I outlined in my opening speech. What is needed is a change in culture. That means good, early decisions by the Small Business Commissioner.

The commissioner will seek to improve, rather than undermine, our business environment. He or she will complement existing dispute resolution services and lead a culture change in how businesses resolve and ultimately avoid commercial disputes, particularly around payment issues. It was good to hear of the positive experience that some had had of the Groceries Code Adjudicator.

Previous consultations showed that additional penalties would not solve the problem of late payment—that is what was felt—but stakeholders have demonstrated strong support for increased transparency. So we are also implementing a new reporting requirement. Our intention is for the Small Business Commissioner to be the custodian of the new reporting requirement. We will bring together this package of measures to drive a real change on the ground.

The public sector, a concern of the noble Lord, Lord Mendelsohn, is an area where we have been busy trying to lead in our own backyard. The Government have restated their long-standing commitment to pay 80% of invoices in five days and are required to report quarterly against this performance target. Where public sector invoices are not paid within 30 days and are not disputed, interest becomes payable. There are new reporting requirements for public sector

contracting authorities over the next two years. The Government set out in their manifesto a commitment to strengthen the prompt payment code and ensure that all major government suppliers sign up to it. Sixteen of the 33 major suppliers to government have already signed up.

It is not just legislation which imposes costs on business; the actions of regulators do so as well. That is why we are extending the business impact target to regulators and introducing new annual reporting requirements for them. I welcome the support of the noble Lord, Lord Mendelsohn, for the principle of including regulators in the target and note his scepticism about the savings made under "one in, two out" in the last Parliament. The policies of the previous Administration saved businesses £2.2 billion a year, a £10 billion cumulative net saving over the course of the last Parliament. As the noble Lord, Lord Curry, said, these figures are validated by the independent Regulatory Policy Committee, whose strength is its independence. It is probably the best innovation in public administration that I found when I returned to government, and I would like to see one in Brussels. I am grateful to my noble friend Lord Lindsay for bringing his experience in the regulatory world to our debate today. The business impact target will cover the economic impact of new regulatory activity on business, including voluntary and community bodies—which I think answers my noble friend's question—but it cannot apply to the public sector.

I stress that this Government are committed to matching that saving: another £10 billion of savings over the course of the Parliament. To help achieve this, we have just launched our first five reviews, in the energy, waste, agriculture, care and mineral extraction sectors. I welcome the support of the noble Lord, Lord Mendelsohn, for the growth duty. I want to clarify that this will not override or cut across regulators' existing obligations but will sit alongside and complement them.

The noble Lord and the noble Earl, Lord Lytton, expressed concerns about the inclusion of the Equality and Human Rights Commission within the scope of the target. I assure noble Lords that the intention is to require regulators to measure and to report on the economic impact on business of the regulatory changes they make. We are certainly not seeking to fetter the independence of regulators, nor will we do so. While I understand the concern to protect the EHRC's accreditation as a national human rights institution, I do not believe that being in scope of the target puts that accreditation at risk. I look forward to a meeting with the commission in November and I hope that it will agree that this is different.

**Lord Stevenson of Balmacara:** This is of such importance to the EHRC, but it is exactly the same argument as we had over the small business Bill. By implying any relationship to the governing authority, the list A status is jeopardised. If that turns out to be the case, does the Minister agree that it would be appropriate to put this on the front page of the Act?

**Baroness Neville-Rolfe:** I thank the noble Lord for his comment. As I have said, we will discuss this matter further. We will consult on the bodies that should be included, but I have stated the reasons why I see things differently in this case.

The noble Earl, Lord Kinnoull, asked whether the FCA would be in scope, and my noble friend Lord Leigh asked about the Financial Ombudsman Service. I intend to issue a Written Ministerial Statement before Committee in this House which will list the regulators that the Government currently intend to bring within the scope of the target. The necessary secondary legislation will also be subject to the affirmative procedure. I agree with the noble Earl on his point about historic gold-plating and would be delighted to find some rich pickings from 2005, as our ambitions are high. I would welcome any examples.

My noble friend Lord Flight talked about late payment of insurance, which I am sure we will return to in Committee, but Law Commission research suggests that late payment could occur in up to 10% of cases, which is not insignificant. Where late payment occurs, its impact on businesses can be devastating.

I am pleased to say that we all agree on the important role that apprenticeships play. I am most grateful to my noble friend Lord Baker of Dorking for sharing his compelling experience and to the right reverend Prelate the Bishop of London for sharing his experiences of apprenticeships in historic buildings—I speak as a Culture Minister and a lover of cathedrals. I especially liked his notion of the dignity of the makers, which I am sure we will return to.

On uptake, we are developing a comprehensive plan for growth including more work with large employers, more support for small business and a renewed emphasis on communications. On quality, I agree that it is crucial to improve the quality of apprenticeships. That is why we are pursuing reforms to content, assessment and funding. I also completely agree that higher levels of apprenticeships are important for both young people and employers. I look forward to the debate on apprenticeships in Committee and to talking about the various educational pathways that the noble Lord, Lord Stevenson, described, in different places.

On the question of the public sector target, we want the public sector to act as a model employer and lead by example by employing a significant proportion of apprentices. A number of noble Lords asked about the scope of the public sector duty. We will be consulting, but our current thinking is that public bodies with a workforce in England of more than 250 employees will be subject to the duty. This would be likely to include most local authorities, of course, and other organisations that are classified as public bodies. We do not believe that it is necessary to set targets for the private sector, but we are taking steps to promote apprenticeships and put employers at the heart of designing new apprenticeship standards, and of course the new levy. I also agree about the value of the growing number of university technical colleges, and as my noble friend Lady Harding said, in partnerships between employers and universities in offering sandwich courses and in work experience. These other areas are also very important.

The noble Lord, Lord Stoneham, suggested that we do more to increase the number of apprenticeships generated in businesses through public sector procurement.

[Baroness Neville-Rolfe]

I am happy to say that all bids for government contracts worth more than £10 million and lasting more than 12 months must demonstrate a clear commitment to apprenticeships. Many public bodies in central and local government already build skill considerations into their procurement on a voluntary basis. We certainly want to see more. Heathrow, as the noble Lord, Lord O'Neill, said, and Crossrail have both played important roles in promoting apprenticeships, as have many others.

The noble Lord, Lord Mendelsohn, raised concerns about trading standards enforcing the measure to protect the term "apprenticeships" from misuse. We are in active discussion with the Department for Communities and Local Government and the Local Government Association about this issue to make sure that it works. As regards the level of business rates in the UK, a topic mentioned by the noble Earl, Lord Lytton, it is important to note that looking at one tax in isolation presents a skewed picture. We are cutting corporation tax further to 19% in 2017 and 18.5% in 2020, benefiting more than 1 million businesses, and the Chancellor has announced £1.4 billion-worth of support for business rates for the year 2015-16.

My noble friend Lord Cope asked whether the information shared by the VOA with local authorities would go beyond that already on the VOA website. The answer is yes. The information will include detailed information such as plans. I am seeing the VOA shortly and will explore some of the points raised in today's debate.

I reassure the noble Lords, Lord Stoneham of Droxford and Lord O'Neill, and the noble Baroness Lady Donaghy, that the Government greatly value public sector workers and the important services that they deliver. We agree that it is essential that the public sector recruits, retains and motivates the highest-quality staff. The Government also recognise that exit payments are a valuable tool for employers, particularly when restructuring and modernising, as has been said. However, exit payments have cost around £2 billion a year in recent years and it is important these payments are fair and proportionate and provide value for money for the taxpayer. I assure the noble Lord, Lord O'Neill, that individuals will continue to receive their index-linked pension in full from their normal pension age. These reforms are not an attack on retirement benefits. They are a sensible curb on six-figure redundancy payments.

I also reassure my noble friend Lord Borwick that employers cannot get around the 28-day limit by staggering payments. The 28-day limit applies to the date that a person leaves public sector employment, no matter when they are paid.

The Industrial Development Act 1982 is over 30 years old and this Bill updates it to reflect current economic realities such as the need to be able to fund broadband infrastructure. I do not have time to go into the details that the noble Lord, Lord Stevenson, asked for, but I would like to reply to the question asked by the noble Lord, Lord Stoneham, on superfast broadband. Superfast broadband is available to over 83% of homes and businesses in the UK, up from 45% in 2010. Broadband deployment is progressing at pace, with the Government's programme making available an additional 5,000 premises a day. We remain on track to provide 90% superfast coverage by early 2016 and we are aiming for 95% of UK premises to have access to superfast speeds by December 2017.

The noble Baroness, Lady Donaghy, raised the issue of cash retention in the construction industry. There are problems with the system, but this is a deeply embedded feature of the industry and we must act on the basis of evidence. This is why we will commission analysis on the costs and benefits of such practices to inform future action. I am sure that we will return to this subject.

On Sunday trading, the Government are currently considering the responses to the consultation and will publish our own response in due course. The consultation was signed by both the Secretary of State for Business, Innovation and Skills, and the Minister of State for Housing and Planning. The Government consulted on devolving powers to local areas—for example, to metro mayors through devolution deals, and devolving powers to local authorities more generally across England and Wales.

Finally, the noble Lord, Lord Stoneham, raised the important topic of SSI in Redcar. The Government are absolutely committed to helping the workforce and local economy. That is why we have announced a package of £80 million, which will include support for workers to retrain and help for local firms to grow and create jobs.

The Government are committed to supporting small businesses and have a much better track record than the noble Lord, Lord Mendelsohn, gives us credit for. There are 760,000 more businesses now than in 2010. Many measures exist to help small firms grow and innovate, such as the enterprise investment scheme, through which small businesses raised £1.46 billion in 2013-14. Micro-businesses and start-ups remain exempt from new regulations. The British Business Bank schemes currently support £2.4 billion of finance to more than 40,000 smaller businesses. Through the bank we aim to facilitate up to £10 billion of finance to business by 2019.

In the last 18 months alone, UK Export Finance products aimed at smaller exporters have helped to secure nearly £1.7 billion of export orders. That replies to the final point of the noble Lord, Lord Stevenson.

I thank noble Lords for their contributions today, and look forward to further debate and scrutiny when the Bill comes to Committee. The Enterprise Bill will support small firms. It will make life easier for businesses by furthering our deregulation agenda, and by investing in apprenticeships. We believe that it will help to cement the UK's position as the best place in Europe to start and grow a business. I commend it to the House.

*Bill read a second time and committed to a Grand Committee.*

*House adjourned at 8.16 pm.*

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